FINORA CAPITAL

Consolidated ANNUAL REPORT

(translation from Estonian language version)*

Beginning of financial year: **01.01.2018**
End of financial year: **31.12.2018**

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**This version of annual report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the annual report takes precedence over this translation.*

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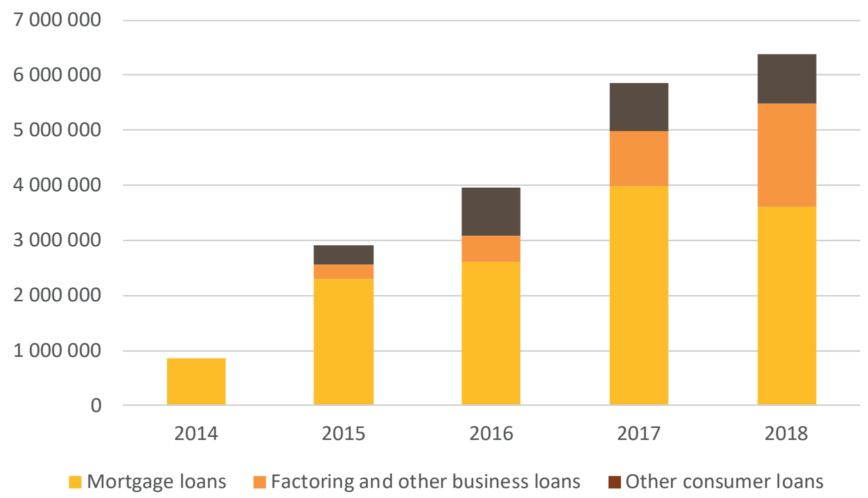
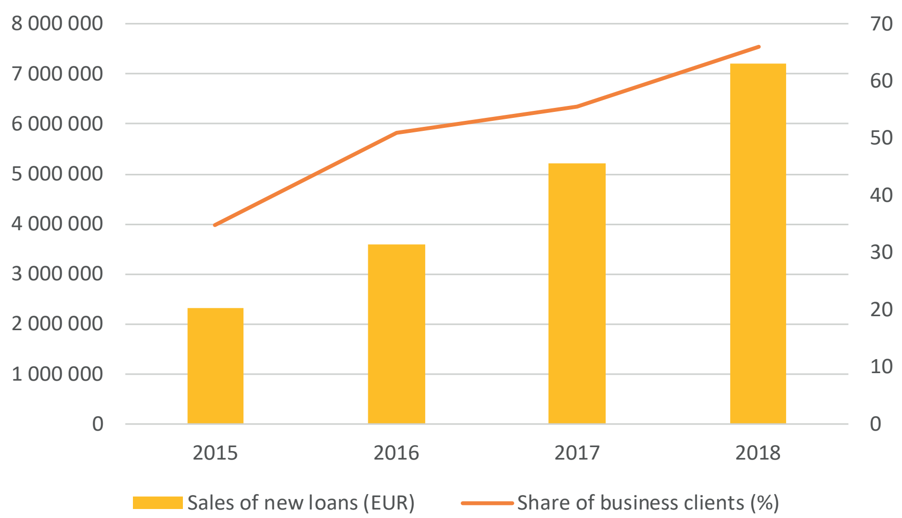
Management report

Although less loan applications were proces-sed during the past year than the year before (3250 and 4400 applications respectively), both the volume of new issued loans and the loan portfolio increased. That is mainly because the company's focus has increasingly moved to cor-porate loans. In order to main-tain the quality of the portfolio, less than 10% of applicants were granted loans, which is similar to previous years. The volume of new loans issued was EUR 7.2 million (EUR 5.2 million in the previous year).

Due to the termination of loan agreements and loans repaid before maturity, the portfolio's net growth during the year was 0.35 million euros, or 6%. The balance of loan portfolio reached 6.2 million euros by the end of the year. The mortgage loan portfolio decreased, but the portfolio of factoring and other business loans doubled. The portfolio of unsecured consumer loans also increased. This segment of the port-folio is the smallest. As in previous years, the largest share of the portfolio is still consisted of mortgage loans to both private individuals and corporates. Loans to corporates account for 66% of the total portfolio.

The company financed its operations through





contributions to equity, loans and bonds. Debt liabilities increased by 9% compared to the previous year, and the structure of debt liabilities changed significantly. The total volume of bonds remained at the previous year's level, but funding from the bank increased significantly and all other bilateral loan agreements were returned. As a new funding channel, a credit line agreement was signed with the Advanced Global Capital fund in the UK.

The bonds that matured in March 2018 were successfully refinanced with another bond which matured in May 2019, and the bonds still account for the largest share of debt capital. No public bond offers were organized. All bonds have always been secured with more than 100% of different assets and claims. In May 2019, the company issued new 3-year bonds that successfully refinanced earlier bonds. The company will continue to fulfill all the terms of the bond. In addi-tion to the bonds, an additional equity of EUR 450,000 was included in the last year. As a result, the equity more than doubled.

The company's revenue for the past year was almost 1.2 million euros. Most of the income consists of interest income of various loans. In annual basis, the total revenue increased by 28% and net income by 41%. The increase in net income was supported by a slower growth of interest expense, which was only 17%. Focus in 2019 shall also be on the cost of money involved, as only a 1 pp lower debt cost would significantly increase net profit.

Operating expenses (incl. labor costs) increased by 13% in annual terms, i.e. slower than total revenues. The biggest increase in expenses came from the recruitment of additional staff. Most other operating expenses decreased and loan allowances remained at the previous year's level. As a result, the financial year ended with the highest net profit in the company's history.

In the spring of 2018, Finora Capital's wholly owned subsidiary OÜ Finora Factoring was founded. The company only focuses on the factoring business and its entire operations are fully consolidated into Finora Capital's results.

AS Bankish, a company founded in the 2nd quarter of 2017 with Finora Capital's involvement and the aim of which is to develop a new loan management software, continues to operate. After the increase of Bankish's share capital, Finora's share in the company has fallen to 17% and Bankish is considered an affiliate of Finora. The developed software is now used in Finora as well as in several other companies.

In order to better represent the interests of credit providers and to participate in the legislation affecting the sector, a separate creditors' group was formed at the beginning of April 2016 under the MTÜ FinanceEstonia, which is unifying the financial sector. In the autumn of 2016, the Code of Conduct for creditors and credit intermediaries was prepared by the same working group in cooperation with the Ministry of Finance, Estonian Financial Supervision Authority and the Consumer Protection Board. The Board of FinanceEstonia has awarded the Best Practice certificate to Finora Capital in all years from 2017 to 2019. The certificate indicates that Finora Capital is guided by the principles of responsible lending, abides by anti-money laundering rules and actively contributes to the development of good credit market practices.

In 2019, we aim to increase the portfolio of all loan products and bring new products to the market, such as guarantees for companies and a credit line for private individuals. We would like to extend our activities to Lithuania during 2019. We expect that by the end of 2019 the largest share of the loan portfolio will still be mortgage loans. We are also actively looking for opportunities to take over portfolios.

Financial ratios

	2018	Change 2018/2017	2017
Average equity, in euros	665 640	142%	275 032
Return on equity (ROE)	4,53%	40,50%	-35,97%
Total Assets (average), in euros	7 193 311	25%	5 756 078
Return on assets (ROA)	0,42%	2,14%	-1,72%
Cost and income ratio	76%	-19%	95%

Average equity = (equity at the end of the reporting period + equity at the end of previous reporting period) / 2

Return on equity = net profit (loss) / average equity * 100

Assets (average) = (assets at the end of the reporting period + assets at the end of previous reporting period) / 2

Return on assets = net profit (loss) / total assets (average) * 100

Cost and income ratio = operating expenses / net income * 100

Net income = net interest income + other income

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Consolidated financial statements

Consolidated Statement of financial position (in Euros)

	31.12.2018	31.12.2017	Note
Assets			
Cash	731 432	292 055	
Loan receivables	6 197 425	5 853 824	2
Mortgage loans	3 389 581	3 979 711	
Other loans	2 807 844	1 874 113	
Other receivables and prepayments	650 310	255 994	3, 16
Investments into subsidiaries and affiliates	8 380	4 661	8
Investment property	0	247 000	5
Property, plant and equipment	8 416	7 914	6
Intangible assets	111 042	18 168	7
Total assets	**7 707 006**	**6 679 616**	
Liabilities and equity			
Loan liabilities	6 680 415	6 158 558	9
Bank loans	956 156	272 019	
Bonds	4 824 259	4 961 539	
Other loan liabilities	900 000	925 000	
Payables and prepayments	120 878	95 492	10
Total Liabilities	**6 801 293**	**6 254 050**	
Equity			
Share capital	279 823	265 350	11
Share premium	748 466	360 746	
Own shares	-11	-2 204	
Retained earnings (loss)	-152 712	-99 403	
Net profit (loss) for the financial year	30 147	-98 923	
Total equity	**905 713**	**425 566**	
Total liabilities and equity	**7 707 006**	**6 679 616**	

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Consolidated income statement (in Euros)

	2018	2017	Note
Interest income	962 077	726 167	12
Interest expense	-565 836	-482 170	
Net interest income	**396 242**	**243 997**	
Other income	213 700	189 158	13
Total revenue	**609 942**	**433 155**	
Operating expenses	-266 458	-277 472	14
Labor expenses	-195 005	-130 755	15
Total expenses	**-461 463**	**-408 227**	
Profit before impairment losses	**148 479**	**24 928**	
Depreciation and amortisation	-15 375	-18 609	6, 7
Changes in loan impairment reserve	-106 487	-101 713	
Reversal of losses from previous periods	3 529	-3 529	8
Net profit (loss) for the financial year	**30 147**	**-98 923**	

Consolidated statement of cash flows (in Euros)

	2018	2017	Note
Cash flows from operating activities			
Net profit (loss)	30 147	-98 923	
Adjustments			
Depreciation and amortisation	15 375	18 609	6, 7
Reversal of losses from previous periods	-3 529	0	8
Interest expense	565 836	482 170	
Interest income	-962 077	-726 167	12
Total adjustments	**-384 396**	**-225 388**	
Total change in receivables and prepayments related to operating activities	-474 711	-2 004 611	2.3
Total change in payables and prepayments related to operating activities	-48 711	49 049	10
Interest received	992 457	724 192	
Total cash flows from operating activities	**114 785**	**-1 555 682**	
Cash flows from investing activities			
Purchase of property, plant and equipment	-108 751	-15 355	6.7
Received from the sale of investment property	250 000	83 000	5
Paid at the establishment of the subsidiary and affiliate	0	-8 190	8
Reversal of losses from previous periods	-3 529	3 529	8
Loans to subsidiary	-309 300	-50 000	3, 16
Total cash flows from investing activities	**-171 580**	**12 984**	
Cash flows from financing activities			
Loans received	3 364 786	2 437 288	9
Repayments of loans received	-2 617 359	-1 440 270	
Proceeds from issue of shares	400 000	378 300	
Proceeds from the sale of own shares	50 000	24 992	
Paid for repurchase of own shares	0	-3 300	
Other proceeds from financing activities (bonds)	1 925 000	925 000	9
Other payments from financing activities (bonds)	-2 081 000	-430 000	
Interest paid	-545 254	-477 229	
Total cash flows from financing activities	**496 173**	**1 414 781**	
Total cash flows	**439 377**	**-127 917**	
Cash and cash equivalents at beginning of period	292 055	419 972	
Change in cash and cash equivalents	**439 377**	**-127 917**	
Cash and cash equivalents at end of period	731 432	292 055	

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Consolidated statement of changes in equity (in Euros)

	Share capital	Share premium	Own shares	Retained earnings (loss)	Total
31.12.2016	**250 000**	**0**	**0**	**-125 503**	**124 497**
Net profit (loss) for the financial year	0	0	0	-98 923	-98 923
Issue of share capital	15 350	360 746		26 100	402 196
Purchase of own shares	0	0	-2 204	0	-2 204
31.12.2017	**265 350**	**360 746**	**-2 204**	**-198 326**	**425 566**
Net profit (loss) for the financial year	0	0	0	30 147	30 147
Issue of share capital	14 473	387 720		45 614	447 807
Sale of own shares	0	0	2 193	0	2 193
31.12.2018	**279 823**	**748 466**	**-11**	**-122 565**	**905 713**

In order to improve company's capital structure and increase capital buffers, equity was increased in 2018 by close to 500 000 euros. It was financed through financial contributions from new investors. More detailed information about share capital can be found in note 11.

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Notes to the financial statements

Note 1 Accounting Policies

General information

The financial statements have been prepared in accordance with the Estonian Financial Reporting Standard. The basic requirements of the Estonian Financial Reporting Standard have been established in the Accounting Act of the Republic of Estonia and supplemented by guidelines issued by the Accounting Standards Board. In 2018, AS Finora Capital has prepared a consolidated annual report since in the spring of 2018, a 100% subsidiary OÜ Finora Factoring was established.

The financial statements include the financial statements of the parent company (Finora Capital AS) and its subsidiary (Finora Factoring OÜ).

In the consolidated report, the financial figures of all subsidiaries controlled by the parent company (except for subsidiaries acquired for resale) are consolidated on a line-by-line basis. All receivables and liabilities of the Group companies, their transactions and the resulting unrealized gains and losses are eliminated. Unrealized losses are eliminated unless the transaction indicates impairment of the asset transferred. Income and expenses of subsidiaries acquired during the financial year are consolidated in the income statement of the Group from the time of acquisition until the end of the financial year and the result of subsidiaries sold during the financial year is consolidated in the income statement from the beginning of the financial year to the time of sale.

If necessary, the accounting policies of subsidiaries have been adjusted to the Group's accounting policies.

In accordance with the Estonian Accounting Act, separate consolidated primary financial statements of the consolidating entity (parent company) are disclosed in the notes to the consolidated financial statements. The accounting policies used in the preparation of the parent company's primary financial statements have been the same as those used in the preparation of the consolidated financial statements. The accounting policies for the recognition of subsidiaries have been amended in the parent's separate primary statements in accordance with the requirements of RTJ 11. In the parent's separate financial statements, investments in the subsidiary are carried at cost less any impairment losses.

In the parent's separate financial statements (note 19), investments in the shares of subsidiaries and affiliates are carried at cost less any impairment losses .

The financial statements are presented in euros (EUR).

The financial statements have been prepared on the historical cost basis.

The main accounting policies used in preparing the financial statements are set out below.

Cash and cash equivalents

Cash and cash equivalents include current account balances and term deposits with maturities of up to 3 months.

Foreign currency transactions and financial assets and liabilities denominated in foreign currency

Foreign currency transactions are recorded based on the foreign currency exchange rates of the European Central bank prevailing on the dates of the transactions. Monetary assets and liabilities, and non-monetary assets and liabilities that are carried at fair value, have been translated to euros using the official foreign currency exchange rates prevailing on the balance sheet date.

Non-monetary assets and liabilities, which are not carried at fair value (i.e. prepayments, tangible and intangible assets), are not translated; instead, foreign currency exchange rates prevailing on the transaction date are used. Gains and losses arising from currency translation differences are recognized in the profit or loss of the financial year on net basis.

Receivables and prepayments

Trade receivables, accrued income and other short and long term receivables (including loans and deposits) are recognized at amortised cost. Amortised cost of short-term receivables is usually equal to the nominal value (less provision made for impairment), therefore short term receivables are recorded in the balance sheet at the collectible amount. All long-term assets are initially recognised at the fair value of the consideration receivable, calculating interest income on the receivable in the following periods using the effective interest rate method.

Factoring

Factoring transactions are considered to be financing transactions where the company provides the financial resources to its sales partner's through transfer of the rights to the receivables from these sales transactions. The company acquires the right for the receivables payable by the buyer subject to the sales contract. Factoring is the transfer (sale) of receivables where depending on the terms of the factoring contract the buyer either retains the right to transfer the risks and rewards back to the seller during a pre-specified term (recourse factoring) or accepts the transfer of substantially all the risks and rewards of the ownership of the receivable (non-recourse factoring) .The receivable to the client is recognized as of the moment of factoring the purchase-sale agreement, i.e. as of assuming the receivable.

Transaction is treated as financing (e.g. loan secured by the receivable) in case the company does not own all the rights related to claim. The claim is booked in statement of financial position until payment is received or recourse is expired. If contract does not include seller's guarantee and the company acquires control of all rights at the moment of selling the claim, the transactions is booked as acquisition of claim. Purchased receivables are initially recorded at fair value and subsequently measured in amortised cost.

Impairment of financial assets

At each balance sheet date the company assesses whether there is evidence that financial assets or group of financial assets carried at amortised cost or at cost are impaired. Whenever evidence of impairment exist financial assets carried at amortised cost are written down to the present value of estimated future cash flows (discounted at the original effective interest rate) and financial assets carried at cost are written down to the amount that according to a reasoned estimate could be obtained if the financial asset were to be sold at balance sheet date. The impairment of financial assets that are individually significant is assessed separately. All financial assets that are not individually significant and for which there is no direct evidence of their impairment are assessed collectively for impairment.

Impairment losses are recognised as an expense in the income statement.

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Investments into subsidiaries and affiliates

Subsidiary is a company that is under the control of the parent company. The subisidiary is considered to be under the control of the parent company, if the parent owns directly or indirectly over 50% of the voting shares of the subsidiary or has other means to control the activities and finances of the subsidiary.

Subsidiaries are carried at cost at the statement of financial position. Under the cost method the investment is initially recognised at cost . The cost is subsequently adjusted, if necessary, to recognise any impairment losses. At each reporting date an assessment should be performed to identify whether the recoverable amount of the investment is lower than the carrying amount.

The consolidated financial statements do not include the affiliate company (Bankish AS), an entity over which the Group has significant influence but does not control (Finora Capital holds 17% of the shares). Significant impact means that the Group can participate in making decisions about the financial and operational policies of the company, but cannot determine or control such financial and operational policies.

In accordance with the general principles, affiliates are included in the equity method.

Investment property

The property (land or a building) held by the company for earning rental yields or for capital appreciation, rather than for its own operations, is recorded as investment property. Investment property is initially recognized in the balance sheet at cost, including any directly attributable expenditure.

Subsequently the investment property is accounted for at fair value. Investment property, which fair value cannot be reliably determined without undue cost and effort, is accounted for at cost. The method is the same as for tangible assets: any accumulated depreciation and any impairment losses are deducted from the cost.

Tangible and intangible assets

Property, plant and equipment

Property, plant and equipment are assets held by the company for use in production or supply of services, or for administrative purposes with a useful live of over one year and cost of more than 400 euros. Property, plant and equipment are recorded at cost, comprising of purchase price and any costs directly attributable to the acquisition.

The straight-line method is used for calculating depreciation. The depreciation rates are set separately for each item of property, plant and equipment depending on its useful life.

Improvements to property, plant and equipment are capitalized if they comply with the definition of property, plant and equipment and the criteria for recognizing an asset in the balance sheet. Costs related to ongoing repairs are charged to period expenses.

Intangible Assets

Intangible assets are assets with useful life of more than one year and are controllable by the entity, and the cost of an asset can be measured reliably and its future economic benefits will flow to the entity. Intangible assets are initially measured at cost, comprising purchase price less any costs directly attributable to the acquisition. The straight-line method is used for amortizing intangible assets.

Minimum acquisition cost

400 EUR

Useful life by assets group (years)

Assets group name	Useful life
Computers and IT systems	2-5 years
Other tangible assets	2-5 years
Intangible assets	2-5 years

Financial Liabilities

Financial liabilities (trade payables, received loans, accrued expenses, issued bonds and other current and non-current liabilities) are recognised at amortised cost. The amortised cost of current financial liabilities generally equals to their nominal value, therefore current financial liabilities are carried in the balance sheet in their redemption value. For determining the amortised cost of non-current financial liabilities, they are initially recognised at the fair value of the consideration received (less any transaction costs), calculating interest expense on the liability in subsequent periods using the effective interest rate method.

A financial liability is classified as current when it is due to be settled within 12 months after the balance sheet date or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date or borrowings that the lender has the right to recall on the balance sheet date as a consequence of a breach of contractual terms are also recognised as current liabilities.

Leases

Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases.

Company as a lessee

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Lease payments are allocated between the interest expense and liability.

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Contingent liabilities

All possible or present obligations whose settlement is not probable or the amount cannot be measured with sufficient reliability, are disclosed as contingent liabilities in the notes to the financial statements.

Unused factoring limit arising from differences between total credit limit granted to the seller according to the contract, and the total amount used by the seller, indicating the amount of invoices the seller is eligible to have financed as of the balance sheet date is considered a contingent liability.

Revenue recognition

The company's main revenue stream is interest income from lending activities. Interest income is received from mortgage loans, small loans, hire purchase contracts and factoring contracts.

Revenue is measured on an accrual basis at the fair value of the consideration received or receivable, meaning amounts receivable for services provided, taking into account the amount of any discounts and rebates as specified in the contract. Revenue from rendering the service is recognised during the period of rendering the services when then the receipt of payment from the transaction is probable and the amount of revenue and the costs incurred relating to the transaction can be measured reliably.

Interest income and expenses are recognized in the income statement for all interest bearing financial assets and liabilities carried at amortised cost using effective interest rate method. Interest income is calculated and allocated over the lifetime of the contract applying effective interest rate and outstanding principal amount and the income is recorded as „Interest income“ in the income statement.

Taxation

According to the Estonian Income Tax Act the annual profit earned is not taxed. Income tax is charged on fringe benefits, gifts, donations, costs of entertaining guests, dividends, and non-business related disbursements. Thus there are no temporary differences between the tax bases and carrying values of assets and liabilities and no deferred tax assets and liabilities arise

From 2019, a tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account.

Related parties

Parties are considered to be related either when one party has a control over another party, or significant influence over on the business decisions of another party.

For the purpose of compiling the entity's Annual Report, the following parties have been considered as related parties:

(a) entities that have control or significant influence over the entity;

(b) subsidiaries and affiliates of the entity;

(c) the management of the entity or its parent company, and private owners of the entity having control or significant influence over the entity; close family members of the aforementioned persons and companies controlled by them or under their significant influence;

(d) other related parties.

Note 2 Loan receivables (in Euros)

		Allocation by remaining maturity		
	31.12.2018	**within 12 months**	**1-5 years**	**over 5 years**
Mortgage loans to clients	**3 389 581**	**2 165 888**	**572 251**	**651 442**
Mortgage loans	3 446 530	2 165 888	572 251	651 442
Allowance for doubtful accounts	-56 949	0	0	0
Other loans to clients	**2 807 844**	**2 674 916**	**225 954**	**0**
Factoring and other business loans	1 904 608	1 904 608	0	0
Allowance for doubtful accounts	0	0	0	0
Consumer loans	996 262	770 308	225 954	0
Allowance for doubtful accounts	-93 026	0	0	0
Total loan receivables to clients	**6 197 425**	**4 840 804**	**798 205**	**651 442**

		Allocation by remaining maturity		
	31.12.2017	**within 12 months**	**1-5 years**	**over 5 years**
Mortgage loans to clients	**3 979 711**	**1 614 102**	**1 825 929**	**539 680**
Mortgage loans	4 004 711	1 614 102	1 825 929	539 680
Allowance for doubtful accounts	-25 000	0	0	0
Other loans to clients	**1 874 113**	**1 794 581**	**154 722**	**0**
Factoring and other business loans	993 880	993 880	0	0
Consumer loans	955 423	800 701	154 722	0
Allowance for doubtful accounts	-75 190	0	0	0
Total loan receivables to clients	**5 878 824**	**3 408 682**	**1 980 651**	**539 680**

As in previous years, all the issued loans are denominated in euro with maturity ranging from 1-20 years (except for factoring contracts, where the usual length of invoice is between 30-90 days). Annual interest rate of the issued loans is 13-25% and the effective interest rate does not differ significantly from the contractual interest rate. As at 31.12.2018, the largest part of the portfolio consisted of mortgage loans. Weighted average loan period for mortgage loans is 8.5 years, which is about 1.5 years longer than the year before.

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Note 3 Receivables and prepayments (in Euros)

		Allocation by remaining maturity			
	31.12.2018	**within 12 months**	**1-5 years**	**over 5 years**	**Note**
Other receivables					
Other receivables	242 958	242 958	0	0	
Accrued income	0	0	0	0	
Other paid prepayments	0	0	0	0	
Prepaid expenses	23 646	23 646	0	0	
Claims to affiliates	383 706	0	383 706	0	16
Total receivables and prepayments	**650 310**	**266 604**	**383 706**	**0**	

		Allocation by remaining maturity			
	31.12.2017	**within 12 months**	**1-5 years**	**over 5 years**	**Note**
Other receivables					
Other receivables	190 260	190 260	0	0	
Accrued income	0	0	0	0	
Other paid prepayments	0	0	0	0	
Prepaid expenses	13 759	13 759	0	0	
Claims to affiliates	51 975	51 975	0	0	16
Total receivables and prepayments	**255 994**	**255 994**	**0**	**0**	

Other receivables mainly consist of deferred income claims from loan contracts.

Note 4 Tax prepayments and tax payables (in Euros)

	31.12.2018 Tax prepayments	31.12.2018 Tax payables	31.12.2017 Tax prepayments	31.12.2017 Tax payables	Note
Corporate income tax	0	76	0	39	
Value-added tax	0	28	0	158	
Personal income tax	0	5 663	0	5 316	
Social security tax	0	9 379	0	5 715	
Contributions to mandatory funded pension	0	619	0	345	
Unemployment insurance premium	0	594	0	260	
Net of prepayment account	-44	0	0	0	
Total tax prepayments and liabilities	**-44**	**16 359**	**0**	**11 833**	**10**

The company does not have any overdue tax debts.

The tax authorities have the right to verify the Company's tax records up to 5 years from the time of filing the tax return and upon finding errors, impose additional taxes, interest and fines. The Company's management estimates that there are not any circumstances which may lead the tax authorities to impose additional significant taxes on the Company.

Note 5 Investment property (in Euros)

Fair value method	
31.12.2016	330 000
Additions and improvements	0
Sales	83 000
Profit/loss from revaluation	0
31.12.2017	**247 000**
31.12.2017	**247 000**
Additions and improvements	0
Sales	247 000
Profit/loss from revaluation	0
31.12.2018	0

In 2016 company acquired from enforcement proceeding an investment property that was set as a collateral for a loan. The property was located in Tallinn. One property was sold in spring 2017 and the other in January 2018. The company earned 3000 EUR profit from sales.

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Note 6 Property, plant and equipment (in Euros)

	Computers and IT systems	Other property, plant and equipment	Total
31.12.2016			
Cost	5 736	1 744	7 480
Accumulated depreciation	-2 156	-727	-2 883
Carrying amount	**3 580**	**1 017**	**4 597**
Additions and improvements	3 857	2 162	6 019
Depreciation	-535	-2 167	-2 702
31.12.2017			
Cost	9 593	3 906	13 499
Accumulated depreciation	-2 691	-2 894	-5 585
Carrying amount	**6 902**	**1 012**	**7 914**
Additions and improvements	4 631	843	5 474
Depreciation	-3 724	-1 248	-4 972
31.12.2018			
Cost	14 224	4 749	18 973
Accumulated depreciation	-6 415	-4 142	-10 557
Carrying amount	**7 809**	**607**	**8 416**

Note 7 Intangible assets (in Euros)

	Concessions, patents, licenses, trade marks	Other intangible assets	Total
31.12.2016			
Cost	25 445	17 709	43 154
Accumulated depreciation	-8 683	-9 732	-18 415
Carrying amount	**16 762**	**7 977**	**24 739**
Additions and improvements	8 640	696	9 336
Depreciation costs	-9 817	-6 090	-15 907
31.12.2017			
Cost	34 085	18 405	52 490
Accumulated depreciation	-18 500	-15 822	-34 322
Carrying amount	**15 585**	**2 583**	**18 168**
Additions and improvements	99 840	3 438	103 278
Depreciation costs	-6 951	-3 453	-10 404
31.12.2018			
Cost	133 925	21 843	155 768
Accumulated depreciation	-25 451	-19 275	-44 726
Carrying amount	**108 474**	**2 568**	**111 042**

In 2018, several additional software solutions were commissioned in order to launch new loan products for private individuals in 2019.

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Note 8 Subsidiaries and affiliates (in Euros)

Shares in subsidiary	31.12.2018
Name of subsidiary	Finora Factoring OÜ
Registration number	14439107
Country of residency	Estonia
Ownership share	100%
Ownership nominal value	10 000
Expenses related to establishment	190
Profit (loss) in carried at cost method	0
	10 190

Finora Factoring is a subsidiary and the shareholding is eliminated on consolidation, but the costs of establishment are not eliminated.

Shares in affiliate	31.12.2018	31.12.2017
Name of affiliate	Bankish AS	Bankish AS
Registration number	14251833	14251833
Country of residency	Estonia	Estonia
Ownership share	17%	100%
Ownership nominal value	8 000	8 000
Expenses related to establishment	0	190
Share value at acquisition cost	4 661	8 190
Reversal of losses from previous periods	3 529	-3 529
	8 190	**4 661**

Note 9 Loan liabilities (in Euros)

	Allocation by remaining maturity				
	31.12.2018	within 12 months	1-5 years	over 5 years	Due date
Bank loans					
Coop Pank AS	956 156	0	956 156	0	May 21
Total bank loans	**956 156**	**0**	**956 156**	**0**	
Other loans					
Corporates	900 000	0	900 000	0	
Private individuals	0	0	0	0	
Corporates	0	0	0	0	
Corporates	0	0	0	0	
Total other loans	**900 000**	**0**	**900 000**	**0**	
Bonds					
Bonds	4 824 259	4 824 259	0	0	May 19
Total bonds	**4 824 259**	**4 824 259**	**0**	**0**	
Total loan liabilities	**6 680 415**	**4 824 259**	**1 856 156**	**0**	

	Allocation by remaining maturity				
	31.12.2017	within 12 months	1-5 years	over 5 years	Due date
Bank loans					
Coop Pank AS	272 019	72 234	199 785	0	May 21
Total bank loans	**272 019**	**0**	**0**	**0**	
Other loans					
Corporates	100 000	0	100 000	0	Jan 19
Private individuals	150 000	150 000	0	0	Jan 18
Corporates	500 000	500 000	0	0	apr.18
Corporates	175 000	175 000	0	0	Jan 18
Total other loans	**925 000**	**825 000**	**100 000**	**0**	
Bonds					
Bonds	4 030 000	4 030 000	0	0	March 18
Bonds	931 539	0	931 539	0	May 19
Total bonds	**4 961 539**	**4 030 000**	**931 539**	**0**	
Total loan liabilities	**6 158 558**	**4 855 000**	**1 031 539**	**0**	

Interest rates of loans range between 7.5% -9.25% depending on the maturity of the loans and agreed level of collateralization:

- - Loan from COOP Bank 7.5-8%
- - Bonds 9.25%
- - Loans from legal entities 8-9%

Since March 2015, the main source of funding has been secured bonds: the bond on the balance sheet at the end of 2018 is maturing in May 2019 and has an interest rate of 9.25%. The effective interest rate on loans and bonds does not differ significantly from the contractual interest rate. Bonds are pledged with mortgages, pledges arising from loan agreements, and account pledges, which must cover 100% of the debt obligations at minimum. As of the end of the reporting period, 55% of the collateral was mortgage and real estate pledges, 16% factoring pledges, 27% corporate mortgage and consumer loan pledges, and the rest account pledges and receivables from affiliated companies (total collateral is over 100% of issued bonds). All issued loans and bonds are denominated in euro. The bank loan is 100% secured by mortgage pledges. A loan taken from a legal entity (EUR 900,000) is a credit line with no fixed maturity.

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Note 10 Other payables and prepayments (in Euros)

	31.12.2018	within 12 months	31.12.2017	within 12 months	Note
Trade payables	16 644	16 644	18 035	18 035	
Payables to employees	20 504	20 504	7 743	7 743	
Tax liabilities	16 359	16 359	11 833	11 833	4
Other liabilities	62 529	62 529	30 306	30 306	
Interest liabilities	46 640	46 640	26 059	26 059	
Other accrued expenses	15 889	15 889	4 247	4 247	
Prepayments received	4 842	4 842	27 575	27 575	
Deferred income	4 842	4 842	27 575	27 575	
Total payables and prepayments	**120 878**	**120 878**	**95 492**	**95 492**	

All payables and prepayments are due within 12 months.

Note 11 Share capital (in Euros)

	31.12.2018	31.12.2017	31.12.2016
Share capital	279 823 *	265 350	250 000
Number of shares (pcs)	279 823 *	265 350	2

* Of this, 11 shares are in the balance sheet as treasury shares

In order to improve the company's capital structure and increase capital buffers, the company's share capital was increased to EUR 279,812 (nominal value of shares EUR 1). Equity capital increased by nearly half a million euros. The company had no contingent liabilities (related to dividends) as of 31.12.2018 and as of 31.12.2017.

Note 12 Interest income (in Euros)

	2018	2017
Geographical breakdown of sales revenue		
Sales to EU countries		
Estonia	962 077	726 167
Sales to EU countries, total	**962 077**	**726 167**
Sales revenue total	**962 077**	**726 167**
Sectoral breakdown of sales revenue		
Interests from mortgage loans	456 206	405 741
Other interests	484 857	287 297
Fee income	21 013	33 129
Sales revenue total	**962 077**	**726 167**

Company's main source of revenue is interest received from lending activities. Interest is received from mortgage loans, small loans, hire-purchase and factoring contracts. All revenue was earned in Estonia.

Note 13 Other income (in Euros)

	2018	2017	Note
Penalty interest	210 225	188 408	
Other fee income	475	750	
Revaluation of investment property	0	0	5
Profit from exchange rate changes	0	0	
Other operating revenues	3 000	0	
Other revenues total	**213 700**	**189 158**	

Note 14 Operating expenses (in Euros)

	2018	2017
Office expenses	21 757	18 027
State and local taxes	844	1 846
IT services costs	53 101	51 679
Legal costs	23 876	23 018
Advertising costs	31 402	29 132
Marketing costs	7 791	15 880
Accounting services (incl. audit costs)	22 285	24 640
Other	105 402	113 250
Total miscellaneous operating expenses	**266 458**	**277 472**

Other expenses include queries to databases, costs related to the issue of bonds, travel costs and various other operational costs.

Note 15 Labor expense (in Euros)

	2018	2017
Wages and salaries	148 251	97 915
Labor taxes	46 754	32 840
Total labor expense	**195 005**	**130 755**
Average number of employees in full time equivalent units	**7**	**6**

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Note 16 Related parties (in Euros)

Name of accounting entity's parent company: **Nebbiolo Capital OÜ**

Country, where parent company is registered: **Estonia**

	31.12.2018 Receivables	31.12.2018 Liabilities	31.12.2017 Receivables	31.12.2017 Liabilities
Subsidiaries and affiliates	383 706	0	51 975	0
Other companies within the same consolidation group	0	0	0	0
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	29 349	6 162	0	2 415

2018	Purchases	Received loans	Repayment of received loans
Parent company	0	0	0
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	114 836	175 000	175 000

2017	Purchases	Received loans	Repayment of received loans
Parent company	0	30 000	30 000
Other companies within the same consolidation group	0	0	0
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	16 222	233 000	233 000

Remuneration and other significant benefits calculated for members of management and highest supervisory body	2018	2017
Remuneration	37 224	38 617

Parties are considered to be related either when one party is controlled by another, or one party has significant influence over the business decisions of another. Related party is management and supervisory board members and their close relatives and corporates controlled by them.

Management received management fees and did not receive any other significant benefits.

The company does not have any contingent liabilities in connection with its management.

Note 17 Contingent liabilities (in Euros)

	2018	2017
Unused factoring limits	2 329 763	461 850
Total contingent liabilities	**2 329 763**	**461 850**

Note 18 Events after the balance sheet date

In May 2019, the 2.5-year bonds of Finora Capital matured and they were refinanced mainly by secured bonds maturing in 2022. The bonds continue to be Finora's most important financing channel. All covenants of the bonds continue to be fulfilled.

In March 2019, Finora Capital began offering guarantees to corporate customers.

In the 2nd quarter of 2019, a subsidiary is planned to be established in Lithuania in order to start offering business loans in the Lithuanian market.

Note 19 Unconsolidated financial statements of the parent company

Statement of financial position (in Euros)

	31.12.2018	31.12.2017
Assets		
Cash	269 516	292 055
Loan receivables	5 330 532	5 853 824
Mortgage loans	3 389 581	3 979 711
Other loans	1 940 950	1 874 113
Other receivables and prepayments	979 797	255 994
Investments into subsidiaries and affiliates	18 380	4661
Investment property	0	247 000
Property, plant and equipment	8 416	7 914
Intangible assets	111 042	18 168
Total assets	**6 717 683**	**6 679 616**
Liabilities and equity		
Loan liabilities	5 780 415	6 158 558
Bank loans	956 156	272 019
Bonds	4 824 259	4 961 539
Other loan liabilities	0	925 000
Other payables and prepayments	120 878	95 492
Total Liabilities	**5 901 293**	**6 254 050**
Equity		
Share capital	279 823	265 350
Share premium	748 466	360 746
Own shares	-11	-2 204
Retained earnings (loss)	-152 712	-99 403
Net profit (loss) for the financial year	-59 175	-98 923
Total equity	**816 390**	**425 566**
Total liabilities and equity	**6 717 683**	**6 679 616**

Income statement (in Euros)

	2018	2017
Interest income	831 956	726 167
Interest expense	-529 841	-482 170
Net interest income	**302 115**	**243 997**
Other income	213 700	189 158
Total revenue	**515 815**	**433 155**
Operating expenses	-261 653	-277 472
Labor expenses	-195 005	-130 755
Total expenses	**-456 658**	**-408 227**
Profit before impairment losses	**59 157**	**24 928**
Depreciation and amortisation	-15 375	-18 609
Changes in loan impairment reserve	-106 487	-101 713
Reversal of losses from previous periods	3 529	-3 529
Net profit (loss) for the financial year	**-59 175**	**-98 923**

Statement of cash flows (in Euros)

	2018	2017
Cash flows from operating activities		
Net profit (loss)	-59 175	-98 923
Adjustments		
Depreciation and amortisation	15 375	18 609
Reversal of losses from previous periods	-3 529	0
Interest expense	529 841	482 170
Interest income	-831 956	-726 167
Total adjustments	**-290 269**	**-225 388**
Total change in receivables and prepayments related to operating activities	392 082	-2 004 611
Total change in payables and prepayments related to operating activities	-48 711	49 049
Interest received	836 796	724 192
Total cash flows from operating activities	**830 723**	**-1 555 682**
Cash flows from investing activities		
Purchase of property, plant and equipment	-108 751	-15 355
Received from the sale of investment property	250 000	83 000
Reversal of losses from previous periods	-3 529	3 529
Paid at the establishment of the subsidiary	-10 190	-8 190
Loans to subsidiaries and affiliates	-612 959	-50 000
Total cash flows from investing activities	**-485 430**	**12 984**
Cash flows from financing activities		
Loans received	2 464 786	2 437 288
Repayments of loans received	-2 617 359	-1 440 270
Proceeds from issue of shares	400 000	378 300
Proceeds from the sale of own shares	50 000	24 992
Paid for repurchase of own shares	0	-3 300
Other proceeds from financing activities (bonds)	1 925 000	925 000
Other payments from financing activities (bonds)	-2 081 000	-430 000
Interest paid	-509 259	-477 229
Total cash flows from financing activities	**-367 832**	**1 414 781**
Total cash flows	**-22 539**	**-127 917**
Cash and cash equivalents at beginning of period	292 055	419 972
Change in cash and cash equivalents	**-22 539**	**-127 917**
Cash and cash equivalents at end of period	269 516	292 055

Statement of changes in equity (in Euros)

	Share capital	Share premium	Own s hares	Retained earnings (loss)	Total
31.12.2016	**250 000**	**0**	**0**	**-125 503**	**124 497**
Net profit (loss) for the financial year	0	0	0	-98 923	-98 923
Issue of share capital	15 350	360 746	0	26 100	402 196
Purchase of own shares	0	0	-2 204	0	-2 204
31.12.2017	**265 350**	**360 746**	**-2 204**	**-198 326**	**425 566**
Net profit (loss) for the financial year	0	0	0	-59 175	-59 175
Issue of share capital	14 473	387 720	0	45 614	447 807
Sale of own shares	0	0	2 193	0	2 193
31.12.2018	**279 823**	**748 466**	**-11**	**-211 888**	**816 390**

Signatures of the report

Signing of the report: **24.05.2019**

The correctness of the annual report of AS Finora Capital (registry number 12324050) for the period 01.01.2018 – 31.12.2018 has been approved:

Name	**Position**	**Date and signature**
Andrus Alber	Member of the Board	24.05.2019 *digitally signed*

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of AS Finora Capital

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AS Finora Capital and its subsidiary (together the Group) as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Estonian financial reporting standard.

We audited the Group's consolidated financial statements that comprise:
- the consolidated statement of financial position as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Auditors Activities Act of the Republic of Estonia.

Other information

The Management Board is responsible for the other information contained in the consolidated annual report in addition to the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Estonian financial reporting standard and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate,

to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AS PricewaterhouseCoopers

/signed/	/signed/
Lauri Past Auditor's certificate no.567	Evelin Lindvers Auditor's certificate no.622

24 May 2019

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* *This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

Proposal for loss coverage (in Euros)

	31.12.2018
Profit (loss) of previous periods	-152 712
Annual period profit (loss)	30 147
Total	**-122 565**
Distribution	
Profit (loss) of previous periods after distribution	-122 565
Total	**-122 565**

Decision on loss coverage (in Euros)

	31.12.2018
Profit (loss) of previous periods	-152 712
Annual period profit (loss)	30 147
Total	**-122 565**
Distribution	
Profit (loss) of previous periods after distribution	-122 565
Total	**-122 565**

Declaration of the Supervisory Board

The management board of AS Finora Capital has prepared the company's annual report, consisting of the management report and financial statements for the financial year.

The Supervisory Board has reviewed the 2018 annual report prepared by the management board, consisting of management report, financial statements, independent auditor's report, the management board's profit allocation proposal, and has approved the annual report for presentation on the annual general meeting. The annual report is signed by all members of the Supervisory Board

Veikko Maripuu
Chairman of the Supervisory Board
digitally signed

Anna Trine Raudsepp
Member of the Supervisory Board
digitally signed

Vahur Kraft
Member of the Supervisory Board
digitally signed

Rein Ojavere
Member of the Supervisory Board
digitally signed

Distribution of sales revenue by field of activity

Field of activity	EMTAK code	Sales revenue (EUR)	Sales revenue (%)	Main field of activity
Other credit products, excl pawnshops	64929	962 077	100.00%	yes

Share holders

Name	Registry code	Location	Size of ownership
Nebbiolo Capital OÜ	11918037	Estonia	213 500 EUR
OÜ Bukler	10281394	Estonia	36 500 EUR
AS Esma Vara	10103770	Estonia	8 772 EUR
OÜ Jõuvärk	14324692	Estonia	8 771 EUR
Aleksander Pajuri	35104080310	Estonia	6 140 EUR
Indrek Randveer	37302260340	Estonia	6 140 EUR

Contact details

Type	Data
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