

4finance ApS

Vesterbrogade 1 L 4.

CVR no. 32 55 78 64

Annual report 2016

The annual report was presented and
adopted at the annual general meeting of
the Company on 31 May 2017



A handwritten signature in black ink, appearing to read 'Jens-Ole Klitgaard', is written over a horizontal line. The signature is stylized and cursive.

Jens-Ole Kyhl Klitgaard
Chairman

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Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of 4finance ApS for the financial year 1 January - 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In my opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further in my opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 31 May 2017

Executive Board



Jens-Ole Kyhl Klitgaard



Independent auditor's report

To the shareholders of 4Finance ApS

Opinion

We have audited the financial statements of 4Finance ApS for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the 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 and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company 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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.



Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31 May 2017

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

A handwritten signature in blue ink, appearing to read 'Henrik O. Larsen', is written over a light blue horizontal line.

Henrik O. Larsen

State Authorised
Public Accountant

Management's review

Company details

Company

4finance ApS
Vesterbrogade 1 L 4.
DK-1620 København V

Denmark

Website: www.4financegroup.com

CVR no.: 32 55 78 64

Financial year: 1 January - 31 December

Incorporated: 28 October 2009

Registered office: Copenhagen

Executive Board

Jens-Ole Kyhl Klitgaard

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen Ø
Denmark

Management's review

Financial highlights

DKKm	2016	2015	2014	2013	2012
Revenue	262	166	97	54	3
Gross profit/Loss	123	85	58	26	(6)
Operating profit/loss (EBIT)	109	76	50	21	(8)
Profit/loss before Tax	98	69	44	15	(10)
Profit/loss for the year	76	53	33	14	(10)
Total assets	273	209	112	75	32
Investments in property, plant and equipment	0,62	0,76	0,22	0,37	0,37
Equity	143	66	47	14	0,12
Gross margin	47%	51%	60%	48%	-191%*
Operating margin	41%	46%	52%	39%	-247%*
Return on invested capital	127%	178%	229%	833%	N/A*
Current ratio	208%	146%	172%	122%	99%
Return on equity	73%	93%	109%	197%	N/A*
Solvency ration	52%	32%	42%	43%	0%

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

*The company generated loss for income year 2012 due to its new start of the business in Denmark. Thus, the return ratios calculated based on these financials are not applicable for comparison purpose.

Management's review

Core activity

The principal activity of the Company is providing credit facilities to private individuals and all related business in context hereto.

Development in the year

2016 was a year of strong growth for 4finance ApS. The net profit for the year, which amounted to DKK 76 million is satisfactory.

Significant events after the end of the financial year

An extraordinary dividend of EUR 11.000 thousand (DKK: 81.846 thousand) was paid to shareholders of 4Finance ApS in April and May 2017. No other events have occurred after the balance sheet date that materially affect the financial statement for 2016.

Outlook

In 2017, the revenue and the net profit for the year are expected to increase compared to 2016.

Unusual events

The Company's financial position at 31 December and the Company's results and its operations for the financial year 2016 have not been affected by any unusual events.

Financial statements 1 January - 31 December

Income statement

	Note	2016 DKK	2015 DKK
Gross profit		122,721,160	85,130,189
Staff costs	3	-13,625,987	-9,247,380
Depreciation/amortisation of non-current assets		-349,770	-220,772
Profit before financial income and expenses		108,745,403	75,662,037
Financial income	4	1,995,940	73,219
Financial expenses	5	-12,830,170	-6,960,570
Profit before tax		97,911,173	68,774,686
Tax on profit for the year	6	-21,630,235	-16,269,363
Profit for the year	7	76,280,938	52,505,323

Financial statements 1 January - 31 December

Balance Sheet

	Note	2016 DKK	2015 DKK
Assets			
Acquired licences		18,681	52,963
Formation of intangible assets		452,048	-
Intangible assets	8	<u>470,729</u>	<u>52,963</u>
Other fixtures and fittings, tools and equipment		572,228	663,909
Leasehold improvements		46,093	92,186
Property, plant and equipment	8	<u>618,321</u>	<u>756,095</u>
Non-current assets		<u>1,089,051</u>	<u>809,058</u>
Loan receivables		246,795,265	184,935,276
Other receivables		6,126,960	4,318,902
Deferred tax asset	9	9,687	-
Prepayments	10	325,742	350,261
Receivables		<u>253,257,654</u>	<u>189,604,439</u>
Cash at bank and in hand		<u>19,057,437</u>	<u>18,569,899</u>
Total current assets		<u>272,315,091</u>	<u>208,174,338</u>
Total assets		<u>273,404,142</u>	<u>208,983,396</u>

Financial statements 1 January - 31 December

Balance Sheet

	Note	2016 DKK	2015 DKK
Equity and liabilities			
Share capital	11	1,466,000	1,466,000
Retained earnings		141,143,874	64,862,936
Total equity		<u>142,609,874</u>	<u>66,328,936</u>
Provision for deferred tax		50,356	64,170
Total provisions		<u>50,356</u>	<u>64,170</u>
Trade payables		934,007	1,626,056
Amounts owed to group entities		91,284,551	104,882,316
Corporation tax		19,657,770	15,977,554
Other payables		14,861,159	12,812,892
Deferred income		4,006,425	7,291,472
Current liabilities		<u>130,743,912</u>	<u>142,590,290</u>
Liabilities other than provisions		<u>130,743,912</u>	<u>142,590,290</u>
Total equity and liabilities		<u>273,404,142</u>	<u>208,983,396</u>
Contingent assets, liabilities and other financial obligations	12		

Financial statements 1 January - 31 December

Statement of Changes in Equity

	Share capital	Share Premium	Retained earnings	Total
Equity at 1 January 2016	DKK 1,466,000	DKK 8,828,750	DKK 56,034,186	DKK 66,328,936
Result for the year	0		76,280,938	76,280,938
Equity at 31 December 2016	1,466,000	8,828,750	132,315,124	142,609,874

Notes

1 Accounting Policy

The annual report of Company C (medium) for 2016 has been present in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission to present a cash flow statements

Pursuant to section 86 (4) of the Danish Financial Statements Act, the Company has not disclosed the cash flow statement as it is included in the 4Finance AS Group consolidation.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, the Company has chosen to aggregate the items revenue and other external expenses in the item gross profit/gross loss.

Revenue comprises interest and fees related to loans. Income is accrued over the periods to which it relates and is included in the income statement at the amounts relating to the accounting period concerned.

Other expenses comprise expenses for sale, write-down of loan receivables, office premises and administration.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pensions and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Notes

Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in the deferred tax, including changes in the tax rates. The tax expense related to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in the equity at the amount attributable to entries directly in equity.

Balance Sheet

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment losses. Acquired licenses are amortised on a straight-line basis over the estimated useful life, however, not exceeding 5 years.

Cost comprises the purchase price and any cost directly attributable to the acquisition until the date when the asset is available for use.

Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Property, plant and equipment

Land and building, plant and machinery, and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Interest expenses on loans obtained specifically for the purpose of financing the manufacture of property, plant and equipment are included in cost over the manufacturing period. All indirect, attributable borrowing costs are recognized in the income statement.

Where individual parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful life of the asset based on the following expected useful lives:

Fixtures and fittings, tools and equipment	1-2	years
Leasehold is based on Lease period	3-5	years

Gains or losses are recognized in the income statement as other operating income or other operating expenses, respectively.

Notes

Receivables

Receivables are measured at amortized cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. Receivables are assessed for objective indication of impairment on a portfolio basis. The objective indicators used in relation to portfolios are determined based on historical loss experience.

Impairment provision is calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as a discount rate.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years. The prepayment costs are related to licences and memberships.

Equity

Dividend

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the annual general meeting.

Corporation tax and deferred tax

Current tax payables and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income for prior years and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the tax asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

Financial liabilities comprises bank loans, trade payables and liabilities to group entities. Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received concerning income in subsequent reporting years.

Notes

2 Revenue

The split of the revenue between business and geographical segments does not differ significantly.

	<u>2016</u>	<u>2015</u>
	DKK	DKK
3 Staff costs		
Wages and salaries	13,018,816	8,781,057
Taxable benefit	30,000	-
Pensions	375,900	295,800
Other social security costs	201,271	170,523
	<u>13,625,987</u>	<u>9,247,380</u>
Average Number of full time employees	26	24

By reference to section 98b (3)(ii) of the Danish Financial statements Act, remuneration to Management is not disclosed.

	<u>2016</u>	<u>2015</u>
	DKK	DKK
4 Financial income		
Interest received from group entities	1,363,265	-
Other financial income	632,675	73,219
	<u>1,995,940</u>	<u>73,219</u>

5 Financial expenses

Interest paid to group entities
Other financial expenses

12,200,293	6,285,253
<u>629,877</u>	<u>675,317</u>
12,830,170	6,960,570

6 Tax on profit for the year

Current tax for the year
Adjustment of deferred tax
Adjustment re. prior year

21,653,770	16,269,363
-23,501	-
34	-
<u>21,630,235</u>	<u>16,269,363</u>

Notes

7 Proposed profit appropriation

Proposed dividend for the year	0	33,143,891
Retained earnings	76,280,938	19,361,432
	<u>76,280,938</u>	<u>52,505,323</u>

8 Intangible Assets

	Formation of intangible assets	Acquired Licences	Total
Cost at 1 January 2016	-	188,606	188,606
Additions for the year	452,048	2,558	454,606
Cost at 31 December 2016	<u>452,048</u>	<u>191,164</u>	<u>643,212</u>
Impairment losses and depreciation at 1 January 2016	-	135,643	135,643
Depreciation for the year	-	36,840	36,840
Impairment losses and depreciation at 31 December 2016	-	172,483	172,483
Carrying amount at 31 December 2016	<u>452,048</u>	<u>18,681</u>	<u>470,729</u>

Property, plant and equipment

	Other fixtures and fittings, tools and equipments	Leasehold improvements	Total
Cost at 1 January 2016	1,134,216	92,186	1,226,402
Additions for the year	175,157	-	175,157
Cost at 31 December 2016	<u>1,309,373</u>	<u>92,186</u>	<u>1,401,559</u>
Impairment losses and depreciation at 1 January 2016	470,308	-	470,308
Depreciation for the year	266,838	46,093	312,931
Impairment losses and depreciation at 31 December 2016	737,146	46,093	783,239
Carrying amount at 31 December 2016	<u>572,228</u>	<u>46,093</u>	<u>618,321</u>

Notes

9 Deferred tax

Deferred tax assets at 1 January 2016	-
Adjustment for the year in the income statement	9,686
Deferred tax assets at 31 December 2016	9,686
Deferred tax liability at 1 January 2016	(64,170)
Adjustment for the year in the income statement	9,686
Deferred tax liability at 31 December 2016	(50,356)

Provision for deferred tax relate to:

Deferred tax asset:	
Intangible assets	9,686
	<u>9,686</u>
Deferred tax liability:	
Property, plant and equipment	(50,356)
	<u>(50,356)</u>

10 Prepayments

Prepayments at 1 January 2016	350,261
Prepayments change for the year	-24,159
Prepayments at 31st Dec 2016	<u>325,742</u>

11 Development of share capital

	2016	2015	2014	2013	2012
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January 2016	1,466,000	1,466,000	1,466,000	1,466,000	374,000
Additions for the year	0	0	0	0	1,092,000
Disposals for the year	0	0	0	0	0
Share capital at 31 December 2016	1,466,000	1,466,000	1,466,000	1,466,000	1,466,000

Notes

12 Contingent assets, liabilities and other financial obligations

The Company has entered into a rental contract until 1st Oct 2017 the amount is 1,240,856 DKK with VAT as of 31 December 2016.

The company has jointly signed the guarantee for the below stated three listed bonds issued by 4finance S.A., Luxembourg.

<u>Issuer</u>	<u>Amount Issued</u>	<u>Maturity</u>	<u>Coupon</u>	<u>Listing</u>
4finance S.A.	EUR 150,000,000	May 2021	11,25%	Frankfurt Stock Exchange
4finance S.A.	USD 200,000,000	August 2019	11,75%	Irish Stock Exchange
4finance S.A.	SEK 375,000,000	March 2018	11,75%	Nasdaq Stockholm
4finance S.A.	USD 325,000,000	2022	10,75%	Irish Stock Exchange

13 Related parties disclosures

Control

<u>Name of entity</u>	<u>Registered office</u>	<u>Ownership</u>
AS 4finance	Lielirbes 17A-8, Riga, LV-1046, Latvia	100%

Information of consolidated financial statements

<u>Name of entity</u>	<u>Registered office</u>	<u>Website of consolidated financial statement</u>
4finance Holding S.A.	9, Allée Scheffèr, L-2520, Luxembourg	https://4finance.com/investors-and-media/financial-results/

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