



# FELLOW FINANCE

Fellow Finance Plc  
Financial Statements  
and Report by the  
Board of Directors 2019





FELLOW FINANCE

Tuottoa yritys- ja vertaislainoista



finance.fi



# A two-parted year 2019

In the first half of 2019 we performed well and the loan volumes and revenue grew as expected. In the second half of the year the consumer finance market was affected by new legislation that came into effect in September cutting both loan fees and interest rates. This caused a market disruption that was stronger than expected, whereby, for example, customer acquisition prices did not begin to decline and adjust to the changed situation as earnings on loans fell. At the same time, intense competition for new consumer customers lowered the average size of loans intermediated by our platform in an effort to optimize customer acquisition cost to a profitable level. Mainly because of this, the second half of the year was weaker growth for us than the beginning of the year.

The total amount of intermediated loans in 2019 was a record breaking more than 200 million euros. The 59.3% increase in business financing and the 85.5% growth in our international markets in intermediated financing from 2018 strengthened our vision of offering our financing platform extensively to both businesses and consumers in Europe. There is demand for our service and we are able to challenge traditional financial market players with our platform lenders.

During the second half of the year, we opened our first office outside Finland in Gdansk, Poland, and expanded our country organization in response to the growth of our Polish business. The number of institutional investors and investments in our platform grew during the year, and the launch of our partnership with Citadele Bank in November was a good example. In addition, we established a subsidiary in Estonia and continued product and service development as well as preparations for our expansion into new markets. Building a strong business base for future growth is on schedule.



A handwritten signature in black ink, appearing to read 'Jouni Hintikka'. The signature is fluid and stylized, with a long horizontal stroke at the end.

Jouni Hintikka  
CEO

# The year 2019 in brief



The amount of mediated loans 200,7 M€



Service is now open in 5 countries



The amount of new loan applicants 267 350



Investors' return 6-9% p.a. depending on market



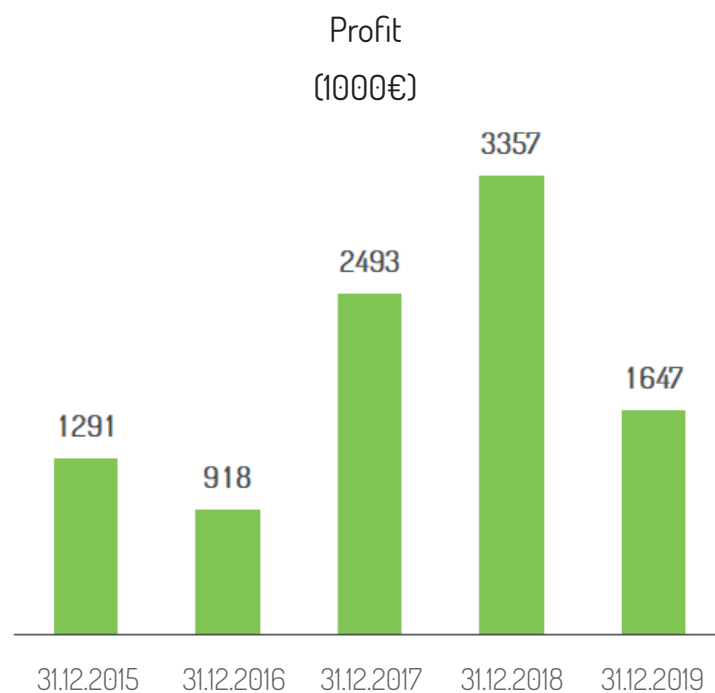
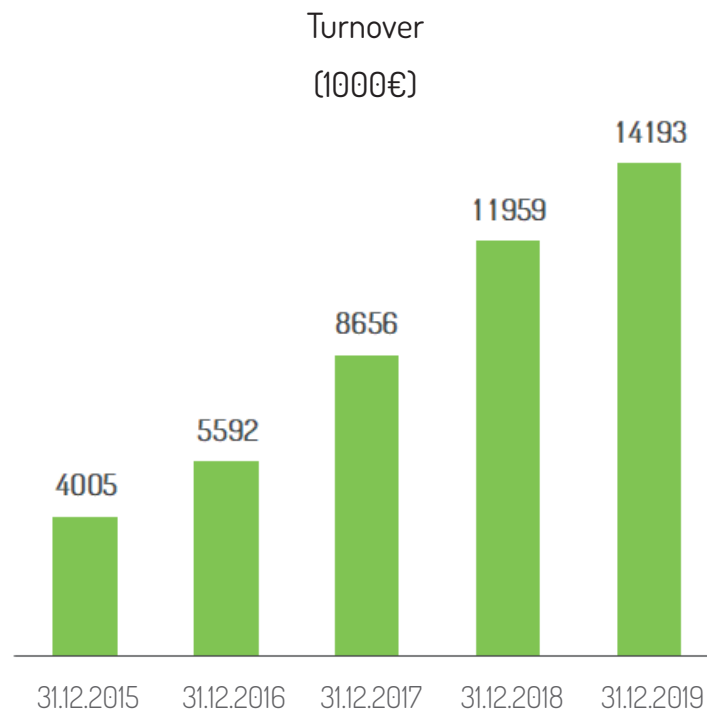
The amount of new investor 4 558. Investors from around 70 countries.



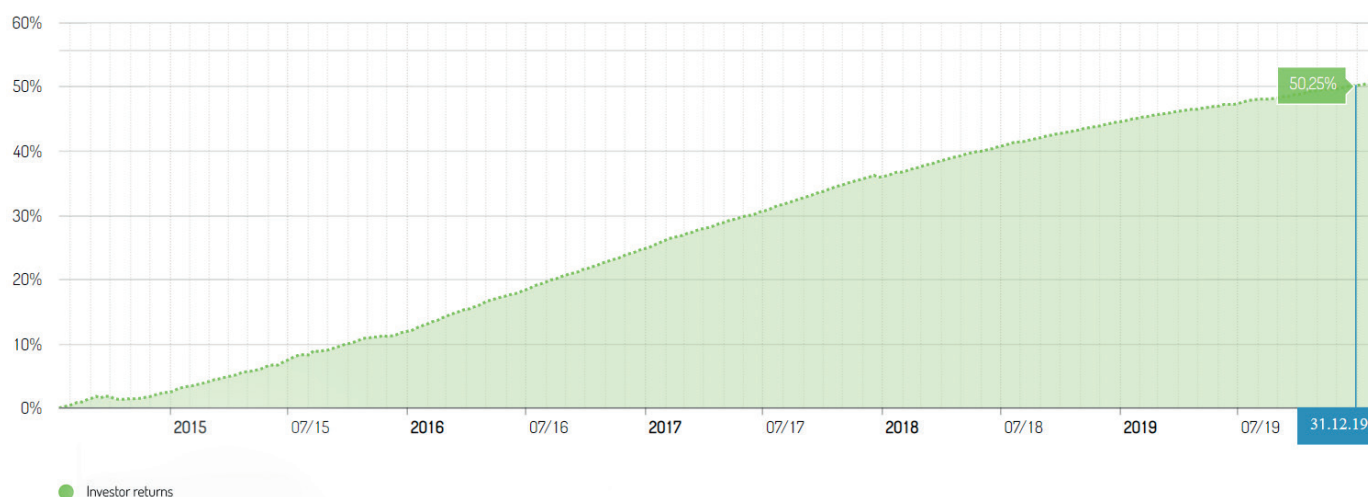
Turnover 14,2 M€, grew by 18,7%



# Fellow Finance's financial development



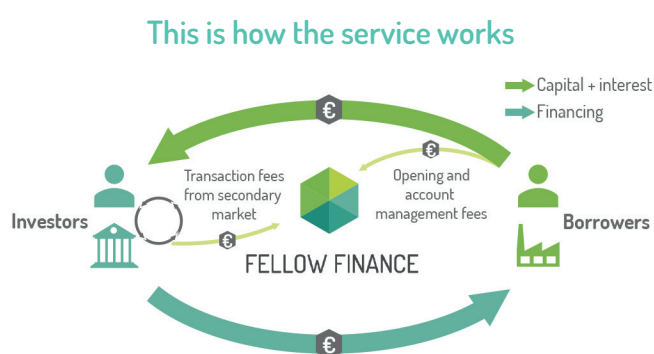
# Fellow Finance platform investors have historically received steady high yields



Investor returns shows with TWR-method calculated profit index to all Fellow Finance –service investments calculated together. Investments' value is defined as open loan capital decreased by credit loss reservation. Credit loss reservation is calculated daily based on loans' payment delays, realization value and risk class. During the period 7/2014 - 11/2016 the credit risk reservation is an estimate because of the change done to the calculations. Historical profit isn't a promise for future profits.

## Investing in peer-to-peer loans is a growing trend

- Peer-to-peer loans and business loans offer high monthly yield
- Peer-to-peer loans and business loans returns do not significantly correlate with stock market or with other bond markets
- Investing in loans in Fellow Finance platform is free of charge. There is only 1% fee when selling loans on secondary market
- You can invest in loans with limited credit loss risk
- Peer-to-peer loans and business loans offer new possibility to diversify investing portfolio



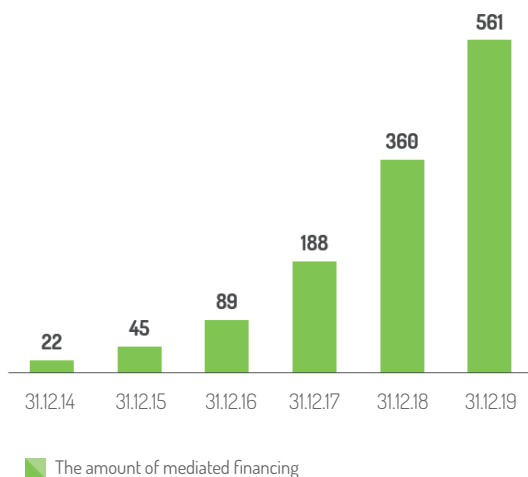
Investing in loans is free of charge.  
Fellow Finance's fee is paid by a borrower.

Read more about investing in loans at [www.fellowfinance.com](http://www.fellowfinance.com)

# Fellow Finance has quickly become the leading Nordic platform that has an extensive and rapidly growing customer base

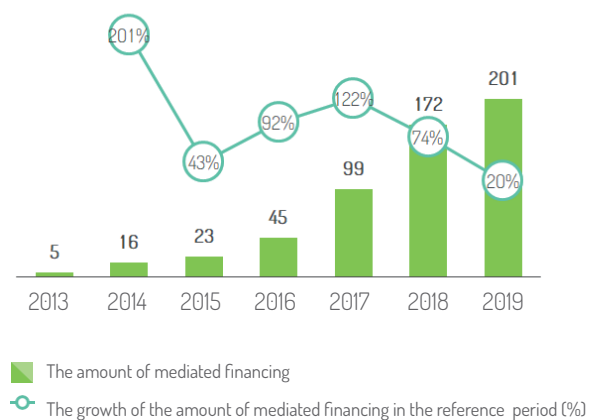
## The amount of mediated financing

(cumulatively from the start of the operations in 2013, EUR million)



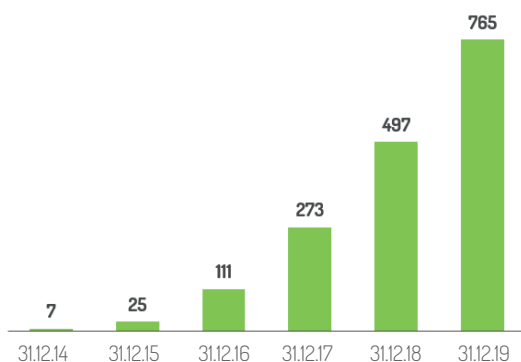
## The amount of mediated financing

(in the period, EUR million)



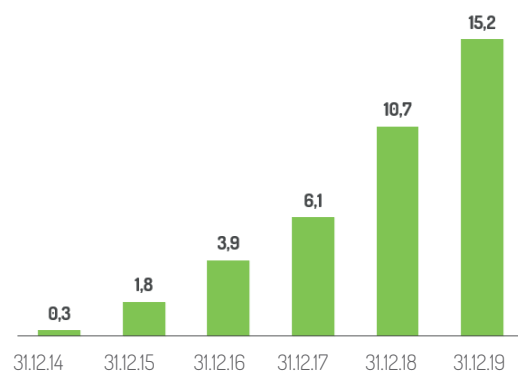
## The number of loan applicants

(cumulatively from the start of the operations, thousands)



## The number of investors

(cumulatively from the start of the operations, thousands)



# Global vision



## Our Strategy

Fellow Finance's strategy aims at strong and profitable domestic and international organic growth. Fellow Finance's own crowdfunding platform plays a key role in implementing this strategy. The platform is built to be scalable and to offer different financing services both for private persons and communities in several countries and with different currencies.

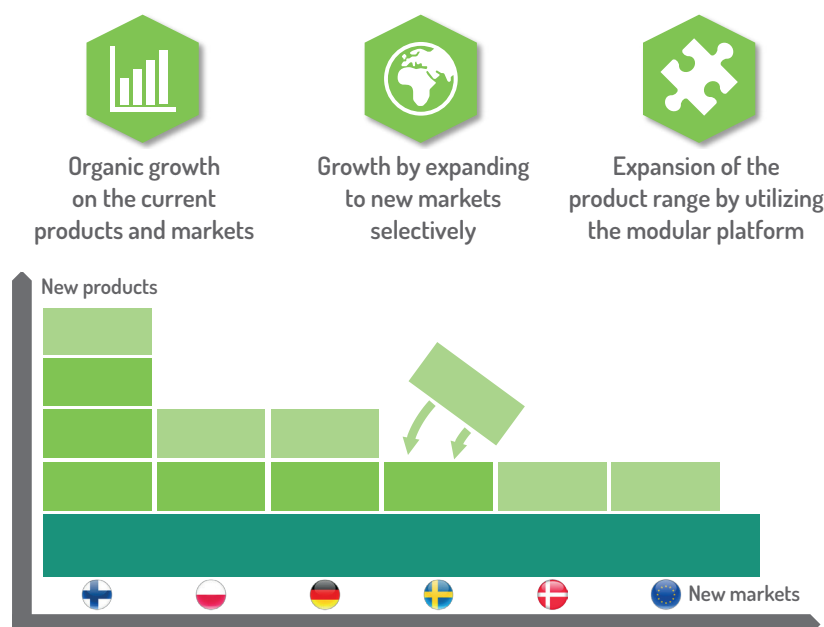
The modularity of the platform makes introducing new services, markets and currencies easy. Fellow Finance can freely and agilely develop the platform further to adapt to the demands and needs of the new markets.

Due to the digital-based operating model, Fellow Finance's business is easily scalable. This enables efficient utilization of the scale benefits. Most of the company's returns are generated by loan mediation and management fees. With digital systems we are able to reach significantly higher volumes of mediated and managed loans than today without significant additional recruitments or other investments in the business.

The strategy focuses on increasing the volume of mediated financing.



# A marketplace lending platform ready for strong growth



## Sources of profitable growth

Fellow Finance aims at strong and profitable growth by creating scale benefits in entering new markets, launching new financial services and by increasing the marketing activities of the services provided.

The increase of investments from the institutional investors will play a major part in the growth. Fellow Finance expects the increasing levels of institutional investments to lower the interest levels of the best rated loans over time. In turn, this enables offering even more competitive financing products in the service.

The profitability of the company will be improved by increasing the share of returning customers. This is done by active customer relation management and continuous search and testing of new customer acquisition channels. If the share of corporate financing volume continues to grow, it is estimated that the cost structure will further improve as the new customer acquisition cost in business financing is higher than on the consumer side. In invoice financing, for example, a customer relationship often generates steady profits without additional marketing or sales inputs.

The scalability of the business means that the volume growth will decrease both fixed and variable costs relative to the total loan volume mediated. This, in turn, has a positive effect on

## Examples of steps towards our goals in 2019

- Market leader in Finland and the Nordic countries
- Mediated finance for businesses grew by 59,3%
- Mediated finance for consumers outside Finland grew by 85,5%
- We launched a purchase invoice finance for businesses alongside invoice finance and business loan services
- We opened a business finance service in Sweden
- We opened a consumer finance service in Denmark
- We opened an office in Gdansk, Poland and recruited a Country Manager to grow our Polish operations
- We issued our first bond (15M€, interest 5,75%)
- The number of institutional investors and investments grew in our platform, e.g. Citadele Bank
- We started cooperation with Talenom
- We established a subsidiary in Estonia

company profitability. Additionally, the volume growth will increase the brand awareness of Fellow Finance which will also drive down the customer acquisition cost.

# Management team



Jouni Hintikka  
CEO & Co-Founder



Teemu Nyholm  
COO & Co-Founder



Antoni Airikkala  
Director of New  
Markets



Niko Stark  
CFO

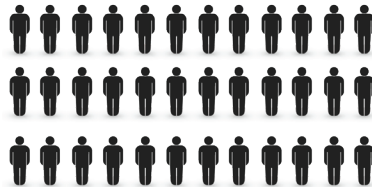
## Personnel

27



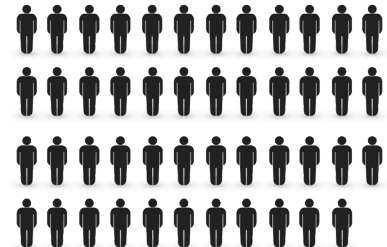
2017

36



2018

47



2019



**Our staff consists of  
7 different nationalities**







Fellow Finance Plc  
Financial Statements  
and Report by the  
Board of Directors  
2019



# Fellow Finance Plc Financial Statements and Report by the Board of Directors 2019

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Report by the  
Board of Directors  
1.1.2019 – 31.12.2019





# Fellow Finance Group

Fellow Finance was established in 2013 and started its operations in 2014. The company is an expansive global FinTech group that provides crowdfunding services. The Fellow Finance Group consists of the parent company Fellow Finance Plc and its wholly owned subsidiaries Lainaamo Oy, Fellow Finance Sp. z o.o. and Fellow Finance Estonia OÜ. The shares of Fellow Finance Plc are listed on the Nasdaq First North Growth Market Finland marketplace.

For the perform of its operations, Fellow Finance Plc has a payment institution licence granted by the Finnish Financial Supervisory Authority. In Germany, Fellow Finance Plc holds a credit intermediation licence (Kreditvermittlungslizenz). Fellow Finance started to mediate loans in Poland in 2016, in Germany in 2017, in Sweden in 2018 and in Denmark in 2019. Its subsidiary Lainaamo Oy is registered in the creditor register maintained by the Regional State Administrative Agency for Southern Finland. Enabled by the payment institution licence, Fellow Finance Plc provides its services across borders in Sweden and Denmark.

**Business finance  
grew by  
59,3%**

## Development of business operations and events of note in 2019

Fellow Finance's business operations and the number of intermediated loans continued to grow during the entire financial period. Fellow Finance intermediated consumer and business loans to the amount of MEUR 200,7 (MEUR 172) in 2019. The total loan volume in 2019 for business loans represented 25.6% and international loans (Poland, Germany, Sweden and Denmark) 7.0%. Intermediated business loans grew by 59.3% and international loans by 85.5% compared to the fiscal year 2018.

**Intermediated  
international loans  
grew by 85,5%**

From last year, the number of loan applicants increased by 53,8% to a total of 764 681 applicants, whereas the number of investor customers increased by 42,9% to a total of 15 193 investors. The total number of service users increased to over 779 000 users. By the end of the financial period, Fellow Finance provided services for loan applicants in Finland, Sweden, Germany, Poland and Denmark. The Company had investor customers from approximately 70 countries.

**The amount of loan  
applicants grew by  
53,8%**

Measured by the number of intermediated funding, Fellow Finance was the largest crowdfunding and peer-to-peer loan service in the Nordic countries and third largest in continental Europe in the end of the financial period (Source: Brismo Market Data). Since the start of operations to the end of 2019, Fellow Finance has intermediated funding to individuals and companies for more than MEUR 561.

During the financial period, Fellow Finance opened the service in Denmark to private individuals. Providing crowdfunding and peer-to-peer-lending services in Denmark requires a payment institution licence, and Fellow Finance provides its services to Denmark across the border.

Additionally, Fellow Finance was successful in recruitment during the financial period. Personnel increased to 47 persons representing 7 different nationalities. Fellow Finance has offices in Helsinki, Turku and Gdansk, Poland.

## Financial Development 2019

Fellow Finance Group's consolidated turnover grew by 18,7% from previous financial year to MEUR 14,2 (MEUR 12,0), operating profit was MEUR 1,6 (MEUR 3,4) and EBIT margin was MEUR 11,6%. Adjusted operating profit was MEUR 2,3 (MEUR 3,5). Parent company's turnover grew by 9,9 % from previous financial year to MEUR 8,4 (MEUR 7,7) and EBIT was MEUR 0,6 (MEUR 2,0).

**Consolidated  
turnover grew by  
18,7%**

The Fellow Finance Group reports its business operations as one segment. The division of the Group's turnover between the financing fee income and the lending interest income is described in the table below, together with the Group's profits and operating margin.

## Key ratios

EUR 1,000 (unless otherwise informed)

### CONSOLIDATED KEY FIGURES

	1-12/2019	1-12/2018
Turnover (EUR 1,000)	14 193.7 <sup>1)</sup>	11 958.8 <sup>1)</sup>
From which commissions	10 042.1 <sup>1)</sup>	8 967.0 <sup>1)</sup>
From which interest yields from loans	4 151.6 <sup>1)</sup>	2 991.8 <sup>1)</sup>
EBITDA	2 063.1	3 747.5
EBITDA margin, %	14.5%	31.3%
Adjusted EBITDA	2 762.2 <sup>3)</sup>	3 922.3 <sup>2)</sup>
Adjusted EBITDA margin, %	19.5% <sup>3)</sup>	32.8% <sup>2)</sup>
Operating profit (EBIT)	1 647.4 <sup>1)</sup>	3 357.1 <sup>1)</sup>
Operating profit (EBIT) -margin, %	11.6% <sup>1)</sup>	28.1% <sup>1)</sup>
Adjusted operating profit (Adjusted EBIT)	2 346.6 <sup>3)</sup>	3 531.9 <sup>2)</sup>
Adjusted operating profit (Adjusted EBIT) -margin, %	16.5% <sup>3)</sup>	29.5% <sup>2)</sup>
Earnings before taxes (EBT)	126.6 <sup>1)</sup>	1 053.1 <sup>1)</sup>
Earnings before taxes (EBT) -margin, %	0.9%	8.8%
Adjusted earnings before taxes (Adjusted EBT)	893.0 <sup>3)</sup>	2 168.2 <sup>2)</sup>
Adjusted earnings before taxes (Adjusted EBT) -margin, %	6.3% <sup>3)</sup>	18.1% <sup>2)</sup>
Profit for accounting period	-69.1 <sup>1)</sup>	797.9 <sup>1)</sup>
Adjusted profit for accounting period	544.1 <sup>3)</sup>	1 690.0 <sup>2)</sup>
Lainaamo's loan receivables rate	28 657.3	21 257.6
Group's outstanding interest-bearing debt	20 370.0	16 930.0
Equity/share (issue-adjusted), EUR	2.03	2.0
Return on equity (ROE), %	neg. <sup>1)</sup>	8.5% <sup>1)</sup>
Equity ratio, %	40.2% <sup>1)</sup>	44.8% <sup>1)</sup>
Personnel (average number)	50 <sup>1)</sup>	27 <sup>1)</sup>
Earnings per share (issue-adjusted) (EPS), undiluted, EUR	-0.01	0.13
Adjusted earnings per share (Adjusted EPS) undiluted, EUR	0.08 <sup>3)</sup>	0.28 <sup>2)</sup>
Equity/share, EUR	2.0	2.0
Salaries and incentives	2 666.3 <sup>4)</sup>	1 525.5 <sup>4)</sup>
End balance of the Balance Sheet	36 040.6	32 392.5
Average number of outstanding shares during the period	7 146 872	6 112 151
Number of outstanding shares at the end of the period	7 173 625	7 128 625

1) Audited

2) Adjusted with Company's nonrecurring costs on financial period 2018 related on listing to Nasdaq's First North Finland -marketplace and option incentives related to that. Total of 1,1 million euros was booked as costs on which 0,2 million to Personnel costs and 0,9 million to financial items. Adjusted Profit for accounting period takes on account the computational taxes if the nonrecurring costs were not actualized.

3) Adjusted with Company's nonrecurring costs related on listing to Nasdaq's First North Finland -marketplace and option incentives related to that on financial period 2019. Total of 0,7 million euros was booked to Personnel costs and 67,3 k EUR to financial items. Adjusted Profit for accounting period takes on account the computational taxes if the nonrecurring costs were not actualized.

4) Personnel costs without pension and other non-wage expenses. Figure includes activated salaries.

## Calculation of Key Ratios

EBITDA	= Operating profit + Depreciation, amortization and impairment losses
EBITDA margin, %	= $\frac{\text{Operating profit} + \text{Depreciation, amortization and impairment losses}}{\text{Turnover}}$
Adjusted EBITDA	= EBITDA + non-recurring operative costs <sup>1</sup>
Adjusted EBITDA margin, %	= $\frac{\text{Operating profit} + \text{non-recurring operative costs}^1}{\text{Turnover}}$
Adjusted operating profit (Adjusted EBIT)	= Operating profit + non-recurring operative costs <sup>1</sup>
Adjusted operating profit (Adjusted EBIT) margin, %	= $\frac{\text{Operating profit} + \text{non-recurring operative costs}^1}{\text{Turnover}}$
Earnings before taxes (EBT), margin, %	= $\frac{\text{Profit for the year} + \text{income taxes}}{\text{Turnover}}$
Adjusted earnings before taxes (Adjusted EBT)	= Profit for the year + income taxes + non-recurring operative cost <sup>1</sup> + a non-recurring financing costs <sup>2</sup>
Adjusted profit for the year	= Profit for the year + non-recurring operative costs <sup>1</sup> + non-recurring financing costs <sup>2</sup>
Equity ratio, %	= $\frac{\text{Equity}}{\text{Balance sheet total} - \text{prepayments received}}$
Return on equity (ROE), %	= $\frac{\text{Profit for the year (annualised)}}{\text{Equity (average)}}$
Earnings per share (EPS), undiluted, EUR	= $\frac{\text{Profit for the year}}{\text{Share split-adjusted}^3 \text{ average number of outstanding shares during period}}$
Adjusted earnings per share (adjusted EPS), undiluted, EUR	= $\frac{\text{Adjusted profit for the year}}{\text{Share split}^3 \text{ average number of outstanding shares during period}}$



### **Balance sheet and funding**

At the end of the year, Fellow Finance Group's balance sheet total was MEUR 36,0 (MEUR 32,4).

Fellow Finance Group's debt receivables were MEUR 28,7 (MEUR 21,3), which equates to 79,5% (65,6) of total assets.

Fellow Finance Group's interest bearing debt was MEUR 20,4 (MEUR 16,9). Liabilities in total were MEUR 21,5 (MEUR 17,9) and equity totalled MEUR 14,5 (MEUR 14,5).

Fellow Finance Group's equity ratio was 40,2 (44,8) percent. The Company issued a MEUR 15 29.5.2022 maturing bond in May 2019 for refinancing of existing loans of the Company and its subsidiaries, diversifying sources of funding, expanding organic and inorganic business, and general corporate purposes.

### **Capital adequacy**

Fellow Finance's capital adequacy management has been organized according to the laws which regulate Payment Institutions (Maksupalvelulaki 290/10, Finland). Accordingly, the capital adequacy must be managed so that a payment institution's own assets, together with their quality and allocation are on a sufficient level to cover the risks which payment institutions carry continuously.

To calculate the required amount of assets, Fellow Finance uses a transaction-based calculation method. A transaction is included in the calculation when an investor transfers money via the platform to a borrower and additionally when a borrower makes a repayment to an investor.

Fellow Finance Plc's total capital was MEUR 13,3 when the minimum adequate capital requirement was MEUR 0,45 at the end of the financial period.

### **Information on research and development activities**

Fellow Finance has no research and development activities.

### **Management system and information on wages and fees**

Information regarding management system, wages and fees is concurrently published in Fellow Finance's financial statements and on the website at [www.fellowfinance.fi](http://www.fellowfinance.fi).

### **Annual general meeting**

Fellow Finance Plc's Annual General Meeting of Shareholders was held in Helsinki on the 3rd of April 2019. The Annual General Meeting approved the financial statements for 2018 and granted release from liability of the members of the Board of Directors and the CEO.

The Annual General Meeting made a resolution to pay a dividend according to board's proposal was totalled 0,04 euros per share. The day of dividend payment was 15.4.2019.

The Annual General Meeting decided to re-elect Kai Myllyneva (Chairman), Teemu Nyholm, Jorma Alanne, Harri Tilev and Esa Laurila to Fellow Finance Plc's Board of Directors. The annual remuneration of the independent members of the Board of Directors was 10.000 euros and the Chairman 15.000 euros. The term of office lasts until the next Annual General Meeting.

The Annual General Meeting elected KHT Timo Helle as the Auditor of the Company and Revico Grant Thornton as vice Auditor of the company until the next Annual General Meeting.

The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, to establish a Shareholders' Nomination Board to prepare and present annually to the Annual General Meeting and, if necessary, the Extraordinary General Meeting, proposals on the remuneration and number of Board members. In addition, the Nomination Board is responsible for finding successor candidates for Board members.

Other shareholder's unanimous resolutions regarding share issues and special rights entitling to shares are addressed in the section "Share and shareholders".

### **Share and shareholders**

The Company's number of shares on the 31st of December 2019 was 7,173,625. The company's share is listed on the Nasdaq First North Growth Market Finland under the trading code FELLOW. The company's share capital at the end of the review period was 125,000 euros. At the end of the financial year, Fellow Finance did not hold any of its own shares.

The closing price of the share on the last trading day of the financial year, 30th of December 2019, was 4,15 euros. The lowest trading price for 2019 was 3,0 euros and the highest 8,34 euros. Fellow Finance market capitalization at the end of the financial year was 29,8 million euros and the company had 2,557 owners.

The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, to authorize the Board of Directors to decide on the repurchase of the company's own shares in one or more tranches using the company's unrestricted equity as follows. The maximum number of shares to be repurchased is 100,000. The shares will be repurchased otherwise than in proportion to the holdings of the shareholders in public trading on the Nasdaq Helsinki Ltd at the market price at the time of acquisition. The authorization is valid until the end of the next Annual General Meeting, but no later than on June the 30th, 2020. The previous Board authorization expires on April 3rd, 2019.

The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, to authorize the Board of Directors to decide on the issue of shares and the granting of special rights to shares referred to in Chapter 10, paragraph 1 of the Companies Act. The total number of shares to be issued, including the shares to be acquired on the basis of special rights, may not exceed 300,000 shares. The Board of Directors may decide to issue either new shares or treasury shares held by the company. The proposed maximum number of authorizations corresponds to approximately 4,2% of the total number of shares in the company, as of the date of the notice of the meeting. The authorization is valid until the end of the next Annual General Meeting, but no later than June 30th, 2020. At the end of the financial year, 255,000 shares remained in the authorization.

In accordance with the proposal of the Board of Directors, the Annual General Meeting resolved to issue 200,000 stock options on the terms and conditions proposed by the Board of Directors. There is a weighty financial reason for the issuance of stock options and deviations from the pre-emptive subscription right as the stock options are intended to form part of the incentive and commitment scheme for key personnel. Stock options encourage key personnel to work long-term to increase shareholder value. The stock options also aim to commit key personnel to the employer. The maximum total number of stock options is 200,000 and they are issued free of charge. The stock options entitle their holders to subscribe for a maximum of 200,000 new or existing shares in the company. The total number of shares to be subscribed for on the basis of the stock options now issued shall not exceed 2,8% of the total number of shares and voting rights of the Company, as of the date of the notice if any new shares are issued. The Board of Directors decided on the distribution of the 2019 stock options at its meeting on June 19th, 2019. A total of 180,000 stock options were issued and 20,000 authorizations remain at the end of the financial year.

### The largest shareholders

Shareholder list is based on Euroclear Finland Oy's list of registered shareholders.

Dated 31st December 2019.

Nro	Name	Stocks	(%)
1	TAALERI OYJ	1 847 163	25.75
2	MARGIN INVESTMENTS OY	836 721	11.66
3	TN VENTURES OY	830 843	11.58
4	OY T & T NORDCAP AB	656 436	9.15
5	OP-SUOMI PIENYHTIÖT	266 642	3.72
6	OP-SUOMI MIKROYHTIÖT -ERIKOISSIJOITUSRAHASTO	265 000	3.69
7	AVENSIS CAPITAL OY	263 090	3.67
8	VAKUUTUSOSAKEYHTIÖ HENKI-FENNIA	156 512	2.18
9	SIJOITUSRAHASTO SÄÄSTÖPANKKI PIENYHTIÖT	128 841	1.80
10	SWISS LIFE (LUXEMBOURG) S.A.	77 392	1.08

### Risk factors

The company brochure published in September 2018 extensively covers the risk factors pertaining to Fellow Finance Group's operating environment, business and economy. The Company's Board of Directors is responsible for the proper arrangement of risk management and internal control. The responsibility for the execution of risk management resides with the CEO. The objective of the Company's risk management is to support the smooth execution of its strategy and revenue generation and to ensure that the risks associated with the Company's operations are duly identified, assessed and limited and that the risks arising from business operations are monitored.

The Fellow Finance Group is not exposed to any significant market risks. The Group's credit risks are related to the financing operations of the subsidiary Lainaamo. The most significant liquidity risk of the Group is the bond issued by the parent company Fellow Finance in May 2019, with a maturity of three years. As a company providing, developing and maintaining a crowdfunding and peer-to-peer loan service, Fellow Finance Plc's most significant identified risks are operational. Operational risks refer to direct or indirect financial loss resulting from insufficient or failed internal processes, information systems, personnel or external factors. Reputation, legal, compliance and data security risks are also included in operational risks.

Operational risks are managed by constantly developing operating practices, information systems and internal processes and by ensuring sufficient instruction and competence of the personnel. Legal risks may relate to the contracts concluded with various cooperation and contract partners. Legal risks are managed by retaining the services of external experts where necessary. Fellow Finance is dependent on the professional competence of its key individuals and their commitment to the Company. The risk to reputation and the clients' trust towards the Company and the provided service are managed by means of openness and active internal and external communications. The Company minimises its information system and data security risks by using advanced systems and secure data processing methods. The key methods in managing the risks associated with operations and in identifying the risks involved are the operating methods in the processes and guidelines, training, reporting and supervision, regular self-assessment as well as regular review and development of business processes.

The operation of the Company's subsidiary, Lainaamo Oy, is based on the provision of financing to companies and private persons via the crowdfunding platform of Fellow Finance. Hence, Lainaamo lends funds against its own balance to private persons and companies. Lainaamo also provides financing to private persons independently under its own brand. Lainaamo may become exposed to a credit loss, if Lainaamo's lender customers are unable to pay back the credit due to insolvency or some other reason.



As a rule, Lainaamo finances its operations via promissory note financing, on the availability of which subject to competitive terms and conditions it is dependent. The operations of Lainaamo play an important role with regard to the business operations of Fellow Finance, as Lainaamo is an important investor customer on the crowdfunding platform of Fellow Finance. Especially when breaking into a new market, Fellow Finance is partially dependent on the operations of Lainaamo as an investor customer, because Lainaamo may provide lender customers on the new market with funds and hence create the foundation for operating on the new market.

### **The Board, CEO and Auditors**

The Company's Board of Directors was formed on the 1st of August 2018 with Kai Myllyneva as chairman of the Board of Directors and Teemu Nyholm, Jorma Alanne, Harri Tilev and Esa Laurila as board members. In the financial year 2019 the board met 14 times and the participation percentage in the meetings was 97%.



The members of the Board of Directors from left to right  
Jorma Alanne, Harri Tilev, Kai Myllyneva, Teemu Nyholm and Esa Laurila.

### **Essential events after financial period 2019**

There have been no significant changes in the Company's business since the end of the financial year.

### **Profit Forecast 2020**

The Company has prepared and invested in new markets, which are expected to accelerate growth in 2021-2022. In 2020, turnover is expected to grow, and the company's growth efforts are expected to decrease operating profit compared to 2019.

### **Dividend policy**

The Board of Directors of Fellow Finance made a resolution on the Company's dividend policy on the 31st of July 2018. Fellow Finance seeks to distribute at least 30 percent of the Company's annual net profit to its Shareholders in dividends, taking into account the Company's financial condition and financing situation. However, the size and payment of dividend depend on at least the following: Company profits and financial condition, future investments, cash flow, amount of net debt and loan servicing requirements, and other factors deemed material by the Board. The dividend policy is in effect until further notice

### **Board of Directors dividend proposal**

At the end of the financial period 2019, the parent company's distributable assets were 14.069.654,18 euros of which the financial period's 2019 profit was 596.832,07 euros. The Board of Directors proposes to the Annual General Meeting of Shareholders, which will be held 3.4.2020 that no dividend shall be paid for the financial period of 2019.



# Income Statement and Balance Sheets



# Consolidated income statement

INCOME STATEMENT	01/01-12/31/2019	01/01-12/31/2018
<b>TURNOVER</b>	<b>14 193 738,24</b>	<b>11 958 781,05</b>
Other operating income	0,00	2 250
Materials and services		
Exchange rate differences on purchases	-2 093,48	0,00
External services	-4 273 510,30	-3 788 653,80
	<u>-4 275 603,78</u>	<u>-3 788 653,80</u>
Personnel expenses		
Wages and salaries	-2 515 776,56	-1 414 117,66
Pension expenses	-316 384,23	-226 839,25
Other non-wage payroll expenses	-49 206,65	-40 444,90
	<u>-2 881 367,44</u>	<u>-1 681 401,81</u>
Depreciation, amortisation and impairment		
Depreciation and amortisation according to plan	-390 815,01	-365 513,63
Depreciation on consolidated goodwill	-24 816,24	-24 816,24
	<u>-415 631,25</u>	<u>-390 329,87</u>
Other operating costs	-4 973 714,07	-2 743 497,81
<b>OPERATING PROFIT/LOSS</b>	<b>1 647 421,70</b>	<b>3 357 147,76</b>
Financial income and expenses		
Other interest and financial income		
From others	15 112,40	2 278,41
Interest and other financial expenses		
To others	-1 535 961,85	-2 306 328,23
	<u>-1 520 849,45</u>	<u>-2 304 049,82</u>
<b>PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES</b>	<b>126 572,25</b>	<b>1 053 097,94</b>
Income taxes	-195 680,93	-255 217,93
<b>PROFIT/LOSS FOR THE YEAR</b>	<b>-69 108,68</b>	<b>797 880,01</b>

# Consolidated balance sheet

BALANCE SHEET	12/31/2019	12/31/2018
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets		
Other capitalised long-term expenditure	904 032,72	620 433,95
Goodwill	10 339,94	35 156,18
	<u>914 372,66</u>	<u>655 590,13</u>
Tangible assets		
Machinery and equipment	148 845,36	191 217,38
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1 063 218,02</b>	<b>846 807,51</b>
<b>CURRENT ASSETS</b>		
Receivables		
Non-current		
Loan receivables	22 779 200,54	15 846 300,21
Current		
Trade receivables	101 757,26	95 665,83
Loan receivables	5 878 051,56	5 411 296,78
Other receivables	1 759 259,79	1 156 871,00
Prepayments and accrued income	536 995,55	347 471,39
	<u>8 276 064,16</u>	<u>7 011 305,00</u>
Cash and cash equivalents	3 922 085,90	8 688 129,61
	<u>3 922 085,90</u>	<u>8 688 129,61</u>
<b>TOTAL CURRENT ASSETS</b>	<b>34 977 350,60</b>	<b>31 545 734,82</b>
<b>TOTAL ASSETS</b>	<b>36 040 568,62</b>	<b>32 392 542,33</b>



# Consolidated balance sheet

BALANCE SHEET	12/31/2019	12/31/2018
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	125 000,00	125 000,00
Invested unrestricted equity reserve	13 360 661,05	13 039 361,05
Retained earnings/loss	1 077 665,29	563 542,32
Profit/loss for the year	-69 108,68	797 880,01
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>14 494 217,66</b>	<b>14 525 783,38</b>
<b>LIABILITIES</b>		
Non-current		
Loans from financial institutions	0,00	2 000 000,00
Bonds	11 100 000,00	
Other liabilities	2 660 000,00	11 215 000,00
	<u>13 760 000,00</u>	<u>13 215 000,00</u>
Current		
Loans from financial institutions	700 000,00	800 000,00
Trade payables	383 160,86	275 871,8
Other liabilities	5 986 700,39	3 017 879,03
Accruals and deferred income	716 489,71	558 008,12
	<u>7 786 350,96</u>	<u>4 651 758,95</u>
<b>TOTAL LIABILITIES</b>	<b>21 546 350,96</b>	<b>17 866 758,95</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>36 040 568,62</b>	<b>32 392 542,33</b>

# Consolidated cash flow statement (€ 1 000)

Cash flow from operations	01/01-12/31/2019	01/01-12/31/2018
Profit (loss) before extraordinary items	126,6	1 053,1
Depreciation and amortisation according to plan	415,6	390,3
Other income and expenses excluding payment	321,3	0,0
Financial income and expenses	1 520,8	2 304,0
Cash flow before change in working capital	2 384,4	3 747,5
Change in net working capital		
Increase (-)/decrease (+) in short-term non-interest-bearing receivables	-739,0	-38,7
Increase (+)/decrease (-) in short-term non-interest-bearing debts	257,6	216,4
Cash flow from business operations before financial items and taxes	1 903,0	3 925,2
Interest paid and payments made for other financial expenditure	-1 541,1	-2 306,3
Interest on business operations	15,1	2,3
Direct taxes paid	-257,5	-304,2
<b>Cash flow from business operations (A)</b>	<b>119,4</b>	<b>1 316,9</b>
<b>Cash flow from investments</b>		
Investments in tangible and intangible assets	-645,8	-750,5
Loans extended increase(-)/decrease(+)	-7 399,7	-3 169,6
<b>Cash flow from investments (B)</b>	<b>-8 045,5</b>	<b>-3 920,1</b>
<b>Cash flow from financing activities</b>		
Initial public offering	0,0	10 061,8
Current loans increase (+)/decrease (-)	2 895,0	
Withdrawals of current loans	0,0	500,0
Repayments of current loans	0,0	-715,0
Non-current loans increase (+)/decrease (-)	545,0	
Withdrawals of non-current loans	0,0	2 700,0
Repayments of non-current loans	0,0	-2 500,0
Paid dividends and other distribution of profit	-285,1	-512,0
Subscription of shares	0,0	
Translation difference	5,2	2,1
<b>Cash flow from financing activities (C)</b>	<b>3 160,0</b>	<b>9 537,0</b>
<b>Change in cash and cash equivalents</b>	<b>-4 766,0</b>	<b>6 933,8</b>
Cash and cash equivalents at the beginning of the financial year	8 688,1	1 754,3
Cash and cash equivalents at the end of the financial year	3 922,1	8 688,1
Difference in cash and cash equivalents	-4 766,0	6 933,8

# Notes concerning the preparation of consolidated financial statements

## Principles applied in the preparation of the consolidated financial statements

All group and affiliated companies have been consolidated with the Group.

The consolidated financial statements have been prepared using the acquisition cost method.

The depreciation of the company's non-current assets subject to wear and tear is based on a predetermined depreciation plan. The depreciation plan has been defined based on practice and experience.

Intra-group transactions, unrealised margins on internal deliveries, inter-company receivables and liabilities, and the Group's internal distribution of profit have been eliminated.

## Foreign currency denominated items

Foreign currency denominated items are translated into EUR at the exchange rate prevailing on the date of the closing of the accounts. Income statement items are translated using the average rate.

## Notes to the income statement

### Principles for planned depreciation and changes thereto

Class of asset	Estimated useful life	Depreciation (%)	Depreciation method
Group goodwill	5 years	20 %	Straight-line depreciation
Intangible rights	3 to 4 years	25% and 33%	Straight-line depreciation
Other capitalised long-term expenditure	3 to 4 years	25% and 33%	Straight-line depreciation
Machinery and equipment	4 years	25 %	Straight-line depreciation

The acquisition cost of assets with estimated economic useful life of no more than three years and de minimis purchases are recognised as expenses in financial year in which they are incurred.

<b>Breakdown of turnover</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
Interest income on loans	4 152 686,83	2 991 765,86
Other loan fees	10 041 051,41	8 967 015,19
Total	<u>14 193 738,24</u>	<u>11 958 781,05</u>
<b>Notes on personnel</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
Average number of personnel	50	27
Wages and salaries	2 666 298,67	1 525 495,44
Pension expenses	344 908,17	247 945,34
Other non-wage payroll expenses	52 638,55	42 984,3
Capitalisation of personnel expenses	-182 477,95	-135 023,27
Total	<u>2 881 367,44</u>	<u>1 681 401,81</u>
Salaries and fees of the Board of Directors and the CEO	333 440,00	242 920,00



<b>Depreciation, amortisation and impairment</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
<b>Depreciation and amortisation according to plan</b>		
On intangible assets	330 483,39	328 828,32
On tangible assets	60 331,62	36 685,31
On consolidated goodwill	24 816,24	24 816,24
<b>Total</b>	<b>415 631,25</b>	<b>390 329,87</b>
<b>Auditor's fee</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
Audit fees	32 339,20	15 912,30
Other services	0,00	21 724,80
<b>Material amounts shown under prepayments and accrued income</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
Accrued and matured interest income	328 738,84	210 265,64
Other prepayments and accrued income	205 756,71	137 205,75
<b>Total prepayments and accrued income</b>	<b>534 495,55</b>	<b>347 471,39</b>
<b>Change in non-current assets:</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
<b>Consolidated goodwill</b>		
Acquisition cost at year start	124 081,02	124 081,02
<b>Acquisition cost before planned depreciation</b>	<b>124 081,02</b>	<b>124 081,02</b>
Accumulated planned depreciation at year start	-88 924,84	-64 108,60
Planned depreciation during the year	-24 816,24	-24 816,24
<b>Accumulated planned depreciation at year end</b>	<b>-113 741,08</b>	<b>-88 924,84</b>
Acquisition cost at year end	124 081,02	124 081,02
Accumulated planned depreciation at year end	-113 741,08	-88 924,84
<b>Reducing balance after planned depreciation</b>	<b>10 339,94</b>	<b>35 156,18</b>
<b>Consolidated goodwill reducing balance at year end</b>	<b>10 339,94</b>	<b>35 156,18</b>

Intangible assets:	12/31/2019	12/31/2018
<b>Computer software</b>		
Acquisition cost at year start	1 039 004,28	880 867,41
Increases during the year	182 477,95	158 136,87
<b>Acquisition cost before planned depreciation</b>	<b>1 221 482,23</b>	<b>1 039 004,28</b>
Accumulated planned depreciation at year start	-788 562,00	-555 453,90
Planned depreciation during the year	-150 578,81	-233 108,10
<b>Accumulated planned depreciation at year end</b>	<b>-939 140,81</b>	<b>-788 562,00</b>
Acquisition cost at year end	1 221 482,23	1 039 004,28
Accumulated planned depreciation at year end	-939 140,81	-788 562,00
<b>Reducing balance after planned depreciation</b>	<b>282 341,42</b>	<b>250 442,28</b>
<b>Computer software reducing balance at year end</b>	<b>282 341,42</b>	<b>250 442,28</b>
<b>Other capitalised long-term expenditure</b>		
Acquisition cost at year start	630 776,39	220 087,39
Increases during the year	467 702,69	410 689,00
<b>Acquisition cost before planned depreciation</b>	<b>1 098 479,08</b>	<b>630 776,39</b>
Accumulated planned depreciation at year start	-260 784,72	-165 064,50
Planned depreciation during the year	-218 503,06	-95 720,22
<b>Accumulated planned depreciation at year end</b>	<b>-479 287,78</b>	<b>-260 784,72</b>
Acquisition cost at year end	1 098 479,08	630 776,39
Accumulated planned depreciation at year end	-479 287,78	-260 784,72
<b>Reducing balance after planned depreciation</b>	<b>619 191,30</b>	<b>369 991,67</b>
<b>Reducing balance of other capitalised long-term expenditure at year end</b>	<b>619 191,30</b>	<b>369 991,67</b>
<b>Carrying amount of intangible assets at year end</b>	<b>911 872,66</b>	<b>655 590,13</b>

<b>Tangible assets</b>		<b>12/31/2019</b>	<b>12/31/2018</b>
<b>Machinery and equipment</b>			
Acquisition cost at year start		288 801,82	107 171,83
Increases during the year		17 959,60	218 429,99
Decreases during the year		0,00	-36 800,00
<b>Acquisition cost before planned depreciation</b>		306 761,42	288 801,82
Accumulated planned depreciation at year start		-97 584,44	-60 899,13
Planned depreciation during the year		-60 331,62	-36 685,31
<b>Accumulated planned depreciation at year end</b>		<b>-157 916,06</b>	<b>-97 584,44</b>
Acquisition cost at year end		306 761,42	288 801,82
Accumulated planned depreciation at year end		-157 916,06	-97 584,44
<b>Reducing balance after planned depreciation</b>		<b>148 845,36</b>	<b>191 217,38</b>
<b>Carrying amount of tangible assets at year end</b>		<b>148 845,36</b>	<b>191 217,38</b>
<b>De minimis purchases recognised as costs for the financial year</b>		<b>33 039,57</b>	<b>26 716,97</b>
<b>Notes concerning the shareholders' equity and liabilities in the balance sheet</b>			
<b>Statement of changes in the shareholders' equity</b>		<b>12/31/2019</b>	<b>12/31/2018</b>
Restricted equity			
	Share capital at year start	125 000,00	125 000,00
	Share capital at year end	125 000,00	125 000,00
Total restricted equity		125 000,00	125 000,00
Unrestricted equity			
	Paid-up unrestricted equity reser	13 039 361,06	2 977 540,00
	Initial public offering	0,00	9 978 364,05
	Shares subscribed with options	321 300,00	83 457,00
	Distribution of dividends	-285 145,00	-511 951,00
	Retained earnings (loss)	1 362 810,28	1 075 493,32
	Profit for the year	-69 108,68	797 880,01
Total unrestricted equity		14 369 217,66	14 400 783,38
<b>Total shareholders' equity</b>		<b>14 494 217,66</b>	<b>14 525 783,38</b>

<b>Material amounts shown under accruals and deferred income:</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
Accrual of opening fees	8 760,33	22 281,74
Holiday pay liability inclusive of social security charges	263 879,07	206 449,99
Other personnel costs	28 955,81	29 742,52
Income taxes	0,00	2 947,73
Other accruals and deferred income	414 894,50	296 586,14
	<u>716 489,71</u>	<u>558 008,12</u>

**Guarantees and contingent liabilities:**

<b>Other financial liabilities not recognised in the balance sheet:</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
<b>Lease liabilities</b> maturing during the year	49 357,91	122 340,00
<b>Off-balance sheet assets managed by the Group</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
Customer assets on bank accounts (€1,000)	15 781,3	7 598,1
Open loan principal (€1,000)	109 850,7	91 781,0



# Parent company income statement

INCOME STATEMENT	01/01-12/31/2019	01/01-12/31/2018
<b>TURNOVER</b>	<b>8 433 207,59</b>	<b>7 670 097,98</b>
Other operating income	148 921,46	169 426,96
Materials and services		
External services	-3 536 814,05	-3 095 375,70
	<u>-3 536 814,05</u>	<u>-3 095 375,70</u>
Personnel expenses		
Wages and salaries	-2 490 319,32	-1 414 117,66
Pension expenses	-316 384,23	-226 839,25
Other non-wage payroll expenses	-44 640,49	-40 444,90
	<u>-2 851 344,04</u>	<u>-1 681 401,81</u>
Depreciation, amortisation and impairment		
Depreciation and amortisation according to plan	-390 815,01	-283 585,48
Other operating costs	-1193 353,20	-819 253,21
<b>OPERATING PROFIT/LOSS</b>	<b>609 802,75</b>	<b>1959 908,74</b>
Financial income and expenses		
Other interest and financial income		
From Group companies	629 275,27	20 507,27
From others	5 285,71	1 824,13
Interest and other financial expenses		
To others	-493 034,96	-941 010,10
	<u>141 526,02</u>	<u>-918 678,70</u>
<b>PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES</b>	<b>751 328,77</b>	<b>1 041 230,04</b>
Income taxes	-154 496,71	-212 287,32
<b>PROFIT/LOSS FOR THE YEAR</b>	<b>596 832,06</b>	<b>828 942,72</b>

# Parent company balance sheet

BALANCE SHEET	12/31/2019	12/31/2018
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets		
Other capitalised long-term expenditure	901 532,72	620 433,95
	<u>901 532,72</u>	<u>620 433,95</u>
Tangible assets		
Machinery and equipment	148 845,36	191,217,38
Investments		
Participations in Group companies	3 760 393,95	3 757 893,95
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4 810 772,03</b>	<b>4 569 545,28</b>
<b>CURRENT ASSETS</b>		
Receivables		
Non-current		
Loan receivables from Group undertakings	17 015 000,00	0,00
Current		
Trade receivables	86 068,75	64 491,86
Receivables from Group undertakings	149 130,74	122 754,55
Other receivables	150 119,20	940 601,52
Prepayments and accrued income	162 463,61	93 581,58
	<u>547 782,30</u>	<u>1 221 429,51</u>
Cash and cash equivalents	3 726 133,59	8 615 268,00
	<u>3 726 133,59</u>	<u>8 615 268,00</u>
<b>TOTAL CURRENT ASSETS</b>	<b>21 288 915,89</b>	<b>9 836 697,51</b>
<b>TOTAL ASSETS</b>	<b>26 099 687,92</b>	<b>14 406 242,79</b>

# Parent company balance sheet

BALANCE SHEET	12/31/2019	12/31/2018
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	125 000,00	125 000,00
Invested unrestricted equity reserve	13 360 661,05	13 039 361,05
Retained earnings/loss	397 306,06	80 314,34
Distribution of dividends	-285 145,00	-511 951,00
Profit/loss for the year	596 832,07	828 942,72
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>14 194 654,18</b>	<b>13 561 667,11</b>
<b>LIABILITIES</b>		
Non-current		
Bonds	11 100 000,00	0,00
Current		
Trade payables	295 820,16	281 094,04
Other liabilities	18 432,71	58 245,55
Accruals and deferred income	490 780,87	505 236,09
	<u>805 033,74</u>	<u>844 575,68</u>
<b>TOTAL LIABILITIES</b>	<b>805 033,74</b>	<b>844 575,68</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>26 099 687,92</b>	<b>14 406 242,79</b>

# Parent company cash flow statement (€ 1 000)

Cash flow from operations (€1,000)	01/01-12/31/2019	01/01-12/31/2018
Profit (loss) before appropriations and taxes	751,3	1 041,2
Depreciation and amortisation according to plan	390,8	283,6
Financial income and expenses	-141,5	918,7
Cash flow before change in working capital	1 000,6	2 243,5
Change in net working capital		
Increase (-)/decrease (+) in short-term non-interest-bearing receivables	692,0	-231,1
Increase (+)/decrease (-) in short-term non-interest-bearing debts	-39,5	328,1
Cash flow from business operations before financial items and taxes	1 653,0	2 340,5
Interest paid and payments made for other financial expenditure	-493,0	-941,0
Interest on business operations	634,6	22,3
Direct taxes paid	-172,8	-212,3
<b>Cash flow from business operations (A)</b>	<b>1 621,8</b>	<b>1 209,6</b>
<b>Cash flow from investments</b>		
Investments in tangible and intangible assets	-629,5	-750,5
Approved loans	-17 015,0	0,0
Investments in other securities	-2,5	-2 994,6
<b>Cash flow from investments (B)</b>	<b>-17 647,0</b>	<b>-3 745,1</b>
<b>Cash flow from financing activities</b>		
Chargeable addition of own equity	321,3	0,0
Initial public offering	0,0	10 061,8
Withdrawals of non-current loans	11 100,0	0,0
Paid dividends and other distribution of profit	-285,1	-512,0
<b>Cash flow from financing activities (C)</b>	<b>11 136,2</b>	<b>9 549,9</b>
<b>Change in cash and cash equivalents</b>	<b>-4 889,1</b>	<b>7 014,4</b>
Cash and cash equivalents at the beginning of the financial year	8 615,3	1 600,9
Cash and cash equivalents at the end of the financial year	3 726,1	8 615,3



# Notes concerning the preparation of the financial statements

## Measurement and recognition principles and methods

The company's non-current assets are valued at their acquisition cost.

The depreciation of the company's non-current assets subject to wear and tear is based on a predetermined depreciation plan. Depreciation is recognised as an expense in the amount of the difference between the acquisition cost and the residual value over the estimated useful life.

Probable credit losses have been deducted from the company's trade receivables. The estimate that no payment is no longer expected to accrue in respect of these receivables based on prior experience and actual performance.

## Foreign currency denominated items

Foreign currency denominated items are translated into EUR at the exchange rate prevailing on the date of the closing of the accounts. Income statement items are translated using the average rate.

## Notes to the income statement

### Comparability of the information of the previous financial periods

When comparing the information of the financial period to the previous financial period, it should be taken into account that in the 2018 financial period, the company entered as expenses exceptional instalments that were related to the listing of the company on the Nasdaq First North marketplace. The expenses in question amounted to a total of €1 115 107,22 of which €940 315,53 belonged to the financial income and expenses category and €174,791.69 belonged to personnel expenses. During the financial year 2019, extraordinary expenses of €699 166,75 were accounted to the personnel expenses.

## Principles for planned depreciation and changes thereto

Class of asset	Estimated useful life	Depreciation (%)	Depreciation method
Intangible rights	3 years	33 %	Straight-line depreciation
Other capitalised long-term expenditure	3 years	33 %	Straight-line depreciation
Machinery and equipment	4 years	25 %	Straight-line depreciation

The acquisition cost of assets with estimated economic useful life of no more than three years and de minimis purchases are recognised as expenses in financial year in which they are incurred.

<b>Breakdown of turnover</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Loan opening fees	4 511 648.99	4 689 265.09
Other fees	3 921 558.60	2 980 832.89
Total	<u>8 433 207.59</u>	<u>7 670 097.98</u>
<b>Notes on personnel</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Average number of personnel	49	27
Wages and salaries	2 640 841.43	1 525 495.44
Pension expenses	344 908.17	247 945.34
Other non-wage payroll expenses	48 072.39	42 984.30
Capitalisation of personnel expenses	-182 477.95	-135 023.27
Total	<u>2 851 344.04</u>	<u>1 681 401.81</u>
Salaries and fees of the Board of Directors and the CEO:	333 440.00	242 920.00
<b>Depreciation, amortisation and impairment</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
<b>Depreciation and amortisation according to plan</b>		
On intangible assets	330 483.39	247 162.94
On tangible assets	60 331.62	36 422.54
Total	<u>390 815.01</u>	<u>283 585.48</u>
<b>Auditor's fee</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
Audit fees	26 718.90	10 093.60
Other services	0.00	21 724.80
<b>Notes concerning the assets in the balance sheet</b>		
<b>Itemisation of investments</b>	<b>Holding (%)</b>	<b>Capitalised value</b>
<b>In Group companies</b>		
Lainaamo Oy	100%	3 711 200.00
Fellow Finance Sp. z o.o.	100%	46 693.95
Fellow Finance Estonia OÜ	100%	2 500.00
<b>Total investment shares</b>		<u><b>3 760 393.95</b></u>
<b>Material amounts shown under other receivables</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
Peer-to-peer loan fees	125 646.18	885 709.10
Tax refund receivables	18 320.52	48 654.42
Lunch vouchers	6 152.50	6 238.00
Other receivables	<u>150 119.20</u>	<u>940 601.52</u>

<b>Material amounts shown under prepayments and accrued income</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
Insurance payment fees	85 304,34	45 924,64
Tax deducted at source paid in advance	0,00	32 184,50
Other prepayments and accrued income	77 159,27	15 472,44
<b>Total prepayments and accrued income</b>	<b>162 463,61</b>	<b>93 581,58</b>
<b>Receivables from Group undertakings:</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
Trade receivables	96 630,74	72 754,55
Loan receivables	50 000,00	50 000
Other receivables	2 500,00	0,00
	<b>149 130,74</b>	<b>122 754,55</b>
<b>Change in non-current assets:</b>		
<b>Changes in investments:</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
<b>Shares in Group companies</b>		
Acquisition cost at year start	3 757 893,95	763 293,87
Increases during the year	2 500,00	3 000 000
Decreases during the year	0,00	-5 399,92
<b>Acquisition cost at year end</b>	<b>3 760 393,95</b>	<b>3 757 893,95</b>
<b>Intangible assets:</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
<b>Computer software</b>		
Acquisition cost at year start	657 459,69	499 322,82
Increases during the year	182 477,95	158 136,87
<b>Acquisition cost before planned depreciation</b>	<b>839 937,64</b>	<b>657 459,69</b>
Accumulated planned depreciation at year start	-407 017,41	-255 574,69
Planned depreciation during the year	-150 578,81	-151 442,72
<b>Accumulated planned depreciation at year end</b>	<b>-557 596,22</b>	<b>-407 017,41</b>
Acquisition cost at year end	839 937,64	657 459,69
Accumulated planned depreciation at year end	-557 596,22	-407 017,41
<b>Reducing balance after planned depreciation</b>	<b>282 341,42</b>	<b>250 442,28</b>
<b>Reducing balance at year end</b>	<b>282 341,42</b>	<b>250 442,28</b>
<b>Other capitalised long-term expenditure</b>		
Acquisition cost at year start	630 776,39	220 087,39
Increases during the year	467 702,69	410 689
<b>Acquisition cost before planned depreciation</b>	<b>1 098 479,08</b>	<b>630 776,39</b>
Accumulated planned depreciation at year start	-260 784,72	-165 064,50
Planned depreciation during the year	-218 503,06	-95 720,22
<b>Accumulated planned depreciation at year end</b>	<b>-479 287,78</b>	<b>-260 784,72</b>
Acquisition cost at year end	1 098 479,08	630 776,39
Accumulated planned depreciation at year end	-479 287,78	-260 784,72
<b>Reducing balance after planned depreciation</b>	<b>619 191,30</b>	<b>369 991,67</b>
<b>Reducing balance of other capitalised long-term expenditure at year end</b>	<b>619 191,30</b>	<b>369 991,67</b>
<b>Carrying amount of intangible assets at year end</b>	<b>901 532,72</b>	<b>620 433,95</b>

<b>Tangible assets</b>		<b>12/31/2019</b>	<b>12/31/2018</b>
<b>Machinery and equipment</b>			
Acquisition cost at year start		263 953,00	82 323,01
Increases during the year		17 959,60	218 429,99
Decreases during the year		0,00	-36 800,00
<b>Acquisition cost before planned depreciation</b>		<b>281 912,60</b>	<b>263 953,00</b>
Accumulated planned depreciation at year start		-72 735,62	-36 313,08
Planned depreciation during the year		-60 331,62	-36 422,54
<b>Accumulated planned depreciation at year end</b>		<b>-133 067,24</b>	<b>-72 735,62</b>
Acquisition cost at year end		281 912,60	263 953,00
Accumulated planned depreciation at year end		-133 067,24	-72 735,62
<b>Reducing balance after planned depreciation</b>		<b>148 845,36</b>	<b>191 217,38</b>
<b>Carrying amount of tangible assets at year end</b>		<b>148 845,36</b>	<b>191 217,38</b>
<b>De minimis purchases recognised as costs for the financial year</b>		<b>30 013,45</b>	<b>26 716,97</b>
<b>Notes concerning the shareholders' equity and liabilities in the balan</b>			
<b>Statement of changes in the shareholders' equity</b>		<b>12/31/2019</b>	<b>12/31/2018</b>
Restricted equity			
	Share capital at year start	125 000,00	125 000,00
	Share capital at year end	125 000,00	125 000,00
Total restricted equity		125 000,00	125 000,00
Unrestricted equity			
	Paid-up unrestricted equity reserve	13 039 361,05	13 039 361,05
	Shares subscribed with options	321 300,00	0,00
	Retained losses at year start	397 306,06	80 314,34
	Distribution of dividends	-285 145,00	-511 951,00
	Profit/loss for the year	596 832,07	828 942,72
Total unrestricted equity		14 069 654,18	13 436 667,11
<b>Total shareholders' equity</b>		<b>14 194 654,18</b>	<b>13 561 667,11</b>



**Statement of distributable funds in shareholders' equity:**

	12/31/2019	12/31/2018
Retained earnings	112 161,06	-431 636,66
Paid-up unrestricted equity reserve	13 360 661,05	13 039 361,05
Profit for the year	596 832,07	828 942,72
Total distributable funds	<u>14 069 654,18</u>	<u>13 436 667,11</u>

**Material amounts shown under accruals and deferred income:**

	12/31/2019	12/31/2018
Holiday pay liability inclusive of social security charges	263 879,07	206 449,99
Other personnel costs	24 724,39	29 742,52
Other accruals and deferred income	202 177,41	269 043,58
	<u>490 780,87</u>	<u>505 236,09</u>

## **Structural and financial arrangements**

### **Granting of stock options**

The Annual General Meeting decided on third of April in 2019, in accordance with the proposal of the Board of Directors, to issue maximum of 200 000 stock options under the terms and conditions proposed by the Board of Directors.

Stock options are issued free of charge and they entitle their holders to subscribe for a maximum of 200 000 new or existing shares in the company. The total number of shares to be subscribed, based on the stock options, shall not exceed 2,8% of the total number of shares and voting rights of the company, as of the date of the notice if any new shares are issued.

The option subscription period is 1.3.2022 - 28.2.2023. The subscription price is determined by the volume-weighted average share price of the company during the period of 1.3.2019 - 1.4.2019. The subscription price will be recorded in the invested non-restricted equity fund. The Board of Directors decides on the distribution of 2019 stock options by the thirtieth of August in 2019.

The Board of Directors may decide on additional specific terms and conditions for the issue of stock options that are related to, for example, key employee's share ownership or the financial success of the company. The Board of Directors decided on the distribution of the 2019 stock options at its meeting on June 19, 2019. A total of 180 000 stock options were issued and 20 000 authorizations remain at the end of the financial year.

### **Procuring own shares**

The Annual General Meeting decided on third of April 2019, in accordance with the proposal of the Board of Directors, to authorize the Board of Directors to decide on the repurchase of the company's own shares in one or more tranches using the company's unrestricted equity as follows. The maximum number of shares to be repurchased is 100.000.

The shares will be repurchased otherwise than in proportion to the holdings of the shareholders in public trading on the Nasdaq Helsinki Ltd at the market price at the time of acquisition.

The authorization is valid until the end of the next Annual General Meeting, but no later than June 30, 2020. The previous Board authorization expires on April 3, 2019.

### **Specific rights**

The Annual General Meeting decided, in accordance with the proposal of the Board of Directors, to authorize the Board of Directors to decide on the issue of specific rights entitling to the purchase of options and other shares pursuant to the Limited Liability Companies Act, section 10, subsection 1, in one or several tranches, either for a fee or free of charge.

The total number of shares to be issued, including the shares based on special rights, may not exceed 300 000 shares. Proposition corresponds with approximately 4,2% of the company's total shares, as of the date of the notice of the Annual General Meeting. The authorisation enables the Board of Directors the right to decide the terms and conditions of the granting of specific rights entitling to shares, including the parties to whom the options or other specific rights are granted.

The authorisation may be used, for example, as part of the company's incentive system, pay purchase price of corporate acquisition or for other purposes decided by the Board of Directors. The authorization also

proposes the right to decide whether the subscription price of the share will be recorded in a full or in part in the invested unrestricted equity fund or as an increase in share capital.

It is suggested that the authorization is valid till the end of the next Annual General Meeting but limited to 30th of June 2020. The previous authorization by the Board of Directors expires at the Annual General Meeting on third of April 2019. At the end of the financial year, 255 000 shares remained in the authorization.

#### Guarantees and contingent liabilities:

#### Other financial liabilities not recognised in the balance sheet:

Rent and leasing liabilities	12/31/2019	12/31/2018
maturing during the year	49 357,91	122 340,00

#### Holdings in other companies:

Company name	Registered office	Share of ownership
Lainaamo Oy	Helsinki, Finland	100%
Fellow Finance Sp. z o.o.	Gdansk, Poland	100%
Fellow Finance Estonia OÜ	Tallinn, Estonia	100%

#### Share capital of the company:

The company's shares are quoted on the Nasdaq First North Growth Market Finland. under the trading code FELLOW

	12/31/2019	12/31/2018
No. of shares (FELLOW)	7 173 625 pcs	7 128 625 pcs
Total	7 173 625 pcs	7 128 625 pcs

Each share carries one vote at a General Meeting of Shareholders.

Off-balance sheet assets managed by the company	12/31/2019	12/31/2018
Customer assets on bank accounts (€1,000)	15 781,3	7 622,2
Open loan principal (€1,000)	138 988,6	112 371,3

## Signatures to the financial statements

Helsinki, 13 February 2020

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Jouni Hintikka  
CEO

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Kai Myllyneva  
Chairman of the Board

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Jorma Alanne  
Standing member of the Board

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Teemu Nyholm  
Standing member of the Board

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Esa Laurila  
Standing member of the Board

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Harri Tilev  
Standing member of the Board

## Auditor's note

A report on the audit of the financial statements has been submitted today.

Helsinki, \_\_\_\_ 2020

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Timo Helle, APA



## AUDITOR'S REPORT (Translation of Finnish original)

To the Annual General Meeting of Fellow Finance Oyj

### Report of the Audit of Financial Statements

#### Opinion

I have audited the financial statements of Fellow Finance Oyj (business identity code 2568782-2) for the year ended 31 December, 2019. The financial statements comprise the balance sheet, income statement, cash flow statement and notes.

In my opinion, the financial statements give a true and fair view of the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

#### Basis for Opinion

I conducted my audit in accordance with good auditing practice in Finland. My responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of my report. I am independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to my audit, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine 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, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or cease operations, or there is no realistic alternative but to do so.

## Auditor's Responsibilities in the Audit of Financial Statements

My objectives are to obtain reasonable assurance on 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the 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 my 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 the Board of Directors' and the Managing Director'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 company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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 content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

I 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 I identify during my audit.

## Other Reporting Requirements

### Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors. My opinion on the financial statements does not cover the other information.

In connection with my audit of the financial statements, my responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. My responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In my opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work I have performed, I conclude that there is a material misstatement in the information included in the report of the Board of Directors, I am required to report this fact. I have nothing to report in this regard.

In Helsinki, 13 February 2020

Timo Helle

Authorized Public Accountant (KHT)



FELLOW FINANCE

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