FINORA CAPITAL

ANNUAL REPORT

(translation from Estonian language version)

Beginning of financial year: **01.01.2017**
End of financial year: **31.12.2017**

Business name: AS Finora Capital
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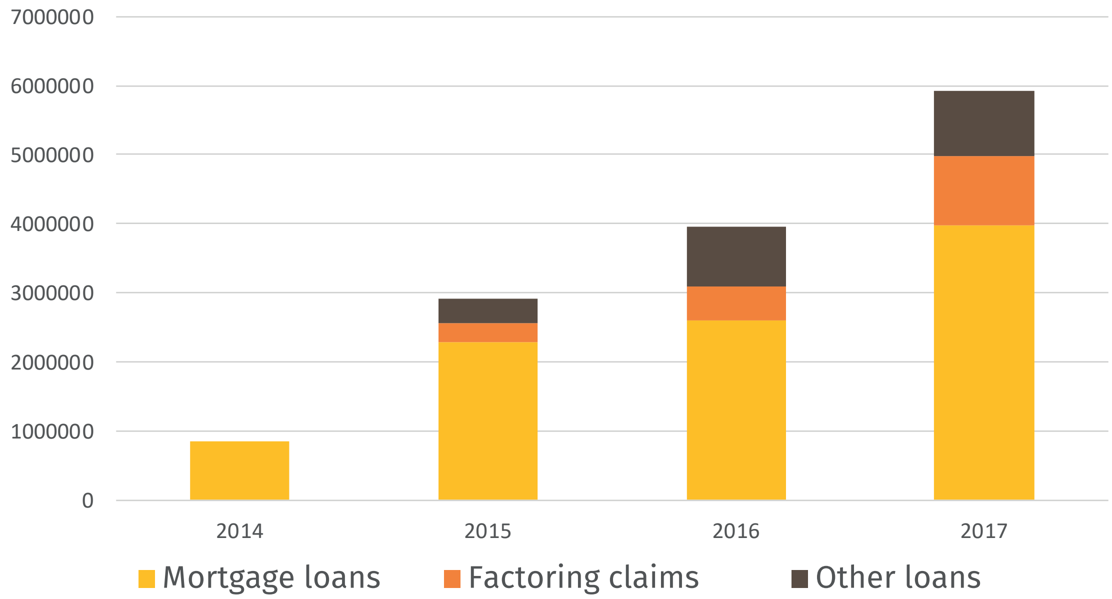
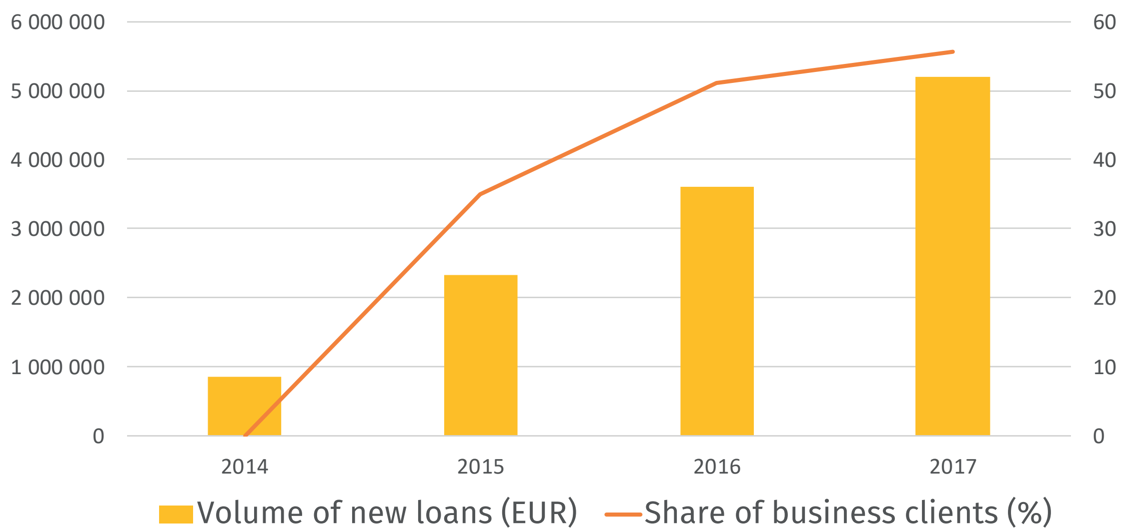
Management report

During the last year, nearly 4400 loan applications were processed (a year earlier, more than 3200 applications), most of which were applications for small loans. In order to maintain the quality of the portfolio, less than 10% of applicants were issued loans, which is similar to previous years. New issued loans amounted to 5.2 million euros (3 million euros a year before). In addition, one small mortgage loan portfolio was acquired. In the case of the acquired portfolio, cooperation with COOP Pank, which contributed partly to the financing of the purchase of the portfolio, was essential.

Due to the termination of loan agreements and loans repaid before the deadline, the portfolio's net growth during the year was 2 million euros, or 50%. The balance of loan portfolio reached 6 million euros by the end of the year. Portfolios of all loan products grew. Absolute growth was the largest in mortgage loans, the biggest increase by a percentage was in factoring. As in previous years, mortgage loans to private individuals and companies represented the largest proportion of loan portfolio. Loans to corporates amounted to 56% of the loan portfolio.





The company financed its operations through contributions to equity, loans and bonds. In total, in 2017, bonds worth nearly 1 million euros were issued. No public offerings were made. Both bonds have always been covered by more than 100% of various assets and receivables. The company will continue to comply with all the terms of the bonds and plans to raise additional capital in the current year. In addition to the bonds, additional equity worth 400,000 euros was issued last year.

In the context of positive developments in the macroeconomy, we analyse critically the risk of different loan products, in order to be prepared for somewhat worse economic conditions. We have specified the rates of acceptance of loans and collaterals for different regions and collaterals, and we will intensify our cooperation with collecting companies. In 2017, the Company did not have loan losses from mortgage loans. The aim of the company is to keep the total loan loss level of the portfolio continuously below 3%.

In 2017 the company's revenue was over 915,000 euros. Majority of the revenue is interest income from various loans. Year-on-year, total revenue increased by 16% and net revenue increased by 7%, because due to the rapid increase of the portfolio, the share of expensive bridge loans increased. Maintaining other conditions equal, only 1 pp cheaper money would have delivered a significant increase in net revenue. Therefore, in 2018 an important focus is on the cost of financing.

Operating expenses increased by 13% in the year, i.e. slower than total revenue. Among other things, increase was related to the cost of hiring additional staff and moving into new premises in August. Due to rising financing costs, forward-looking investments and increased loan provisions, the company ended the year, as expected, with a net loss.

In the second quarter of 2017, OÜ Bankish (founded as OÜ Finora Technology), a subsidiary company of Finora Capital was established, which aims to develop new loan management software. The new software should be completed during 2018. The new solution will be used by Finora itself and will be sold to other interested parties both in Estonia and abroad.

On July 6, 2017, a law came into force, which allows creditors to reorganize their activities. This amendment allowed Finora to complete the activities started earlier to become a public limited company from a private limited company. The members of the management board and supervisory board did not change during this transition.

In order to represent the interests of creditors better and to participate in the legislation affecting the sector, a separate creditors' group was formed at the beginning of April 2016 under MTÜ FinanceEstonia, which is unifying the financial sector. In the autumn of 2016, creditors Code of Conduct was prepared by the same working group and in cooperation with the Ministry of Finance, Estonian Financial Supervision Authority and the Consumer Protection Board. Finora Capital has received from the FinanceEstonia's Management Board the Code of Conduct Emblem both in 2017 and 2018. The emblem indicates that Finora Capital is guided by the principles of responsible lending, complies with anti-money laundering rules and actively contributes to the development of good credit market practices.

In 2018, we wish to grow portfolios of all loan products. There is clearly a pressure to reduce interest rates on private mortgage loans. That is why we are also considering to launch some new loan products, directed to small-businesses. We expect that by the end of 2018 mortgage loans will still be the largest part of the loan portfolio. We are also actively looking for opportunities to take over of the portfolios.

Financial Ratios

	2017	Change 2017/2016	2016
Average equity, in euros	275 032	179%	98 622
Return on equity (ROE)	-35,97%	-36,17%	0,20%
Total Assets (average), in euros	5 756 078	44%	4 002 995
Return on assets (ROA)	-1,72%	-1,72%	0,00%
Cost and income ratio	95%	6%	89%

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

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

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

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

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

Net income = net interest income + other income

Financial statements

Statement of financial position (in Euros)

	31.12.2017	31.12.2016	Note
Assets			
Cash	292 055	419 972	
Loan receivables	5 853 824	3 941 629	2
Mortgage loans	3 979 711	2 609 346	
Other loans	1 874 113	1 332 283	
Other receivables and prepayments	255 994	111 603	3, 16
Investments into subsidiaries	4 661	0	8
Investment property	247 000	330 000	5
Property, plant and equipment	7 914	4 597	6
Intangible assets	18 168	24 739	7
Total assets	**6 679 616**	**4 832 540**	
Liabilities and equity			
Loan liabilities	6 158 558	4 609 026	9
Bank loans	272 019	0	
Bonds	4 961 539	4 409 409	
Other loan liabilities	925 000	199 617	
Payables and prepayments	95 492	99 017	10
Total Liabilities	**6 254 050**	**4 708 043**	
Equity			
Share capital	265 350	250 000	11
Share premium	360 746	0	
Own shares	-2 204	0	
Retained earnings (loss)	-99 403	-125 679	
Net profit (loss) for the financial year	-98 923	176	
Total equity	**425 566**	**124 497**	
Total liabilities and equity	**6 679 616**	**4 832 540**	

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Income statement (in Euros)

	2017	2016	Note
Interest income	726 167	578 184	12
Interest expense	-482 170	-381 610	
Net interest income	**243 997**	**196 574**	
Other income	189 158	208 023	13
Total revenue	**433 155**	**404 597**	
Operating expenses	-277 472	-250 070	14
Labor expenses	-130 755	-109 959	15
Total expenses	**-408 227**	**-360 030**	
Profit before impairment losses	**24 928**	**44 567**	
Depreciation and amortization	-18 609	-12 445	6, 7
Changes in loan impairment reserve	-101 713	-31 946	
Profit (loss) from subsidiaries	-3 529	0	8
Net profit (loss) for the financial year	**-98 923**	**176**	

Statement of cash flows (in Euros)

	2017	2016	Note
Cash flows from operating activities			
Net profit (loss)	-98 923	176	
Adjustments			
Depreciation and amortisation	18 609	12 445	6, 7
Loss from subsidiaries	3 529	0	8
Change in fair value of investment property	0	-46 207	5
Interest expense	482 170	381 610	
Interest income	-726 167	-578 184	12
Total adjustments	**-221 859**	**-230 336**	
Total change in receivables and prepayments related to operating activities	-2 004 611	-1 333 137	3
Total change in payables and prepayments related to operating activities	49 049	50 607	10
Interest received	724 192	594 443	
Total cash flows from operating activities	**-1 552 152**	**-918 247**	
Cash flows from investing activities			
Purchase of property, plant and equipment	-15 355	-19 650	6, 7
Purchase of investment property	0	-24 895	5
Received from the sale of investment property	83 000	0	5
Paid at the establishment of the subsidiary	-8 190	0	8
Loans to subsidiary	-50 000	0	3, 16
Total cash flows from investing activities	9 455	-44 545	
Cash flows from financing activities			
Loans received	2 437 288	602 300	
Repayments of loans received	-1 440 270	-975 000	
Proceeds from issue of shares	378 300	37 209	
Proceeds from the sale of own shares	24 992	0	
Paid for repurchase of own shares	-3 300	0	
Other proceeds from financing activities (bonds)	925 000	2 054 350	
Other payments from financing activities (bonds)	-430 000	-100 000	
Interest paid	-477 229	-392 160	
Total cash flows from financing activities	**1 414 781**	**1 226 698**	
Total cash flows	-127 917	263 906	
Cash and cash equivalents at beginning of period	419 972	156 066	
Change in cash and cash equivalents	**-127 917**	**263 907**	
Cash and cash equivalents at end of period	292 055	419 972	

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Statement of changes in equity (in Euros)

	Share capital	Share premium	Own shares	Other reserves	Retained earnings (loss)	Total
31.12.2015	**50 000**	**0**	**0**	**148 426**	**-125 679**	**72 747**
Net profit (loss) for the financial year	0	0	0	0	176	176
Issue of share capital	200 000	0	0	-162 791	0	37 209
Changes in reserves	0	0	0	14 365	0	14 365
31.12.2016	**250 000**	**0**	**0**	**0**	**-125 503**	**124 497**
Net profit (loss) for the financial year	0	0	0	0	-98 923	-98 923
Issue of share capital	15 350	360 746	0	0	26 100	402 196
Purchase of own shares	0	0	-2 204	0	0	-2 204
31.12.2017	**265 350**	**360 746**	**-2 204**	**0**	**-198 326**	**425 566**

In order to improve company's capital structure and increase capital buffers equity was increased in 2017 by close to 400 000 euros. It was financed through financial contributions from new investors. More detailed information about share capital can be found in note 11.

Notes to the financial statements

Note 1 Accounting Policies

General information

The financial statements have been prepared in accordance with Estonian financial reporting standard. The Estonian financial reporting standard is prescribed by the Estonian Accounting Act and supplemented by guidelines issued by the Accounting Standards Board. AS Finora Capital has not compiled consolidated report as consolidated indicators do not exceed the terms and conditions of a small consolidation group, set forth in § 3 p18 of the Accounting Act.

The financial statements are presented in euros (EUR).

The financial statements have been prepared under the historical cost convention.

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

Changes in the presentation of information

In 2017 annual report the presentation of the statement of financial position and income statement has been changed. Earlier assets and liabilities were classified into short and long term, hereafter the balance sheet line items are presented in order of their liquidity. Classification of short and long term assets and liabilities is presented in the notes of the financial statements (assets in notes 2 and 3, liabilities in notes 9 and 10). The presentation of the income statement has been changed to give better overview of the revenue and expenses of the company, taking into account the specifics of the company's business. Comparative data have been adjusted according to presentation.

According to the management the new structure provides more suitable overview of the assets, liabilities, income and expenses of the company. The change in the presentation has no impact on the statement of financial position, net profit or cash flows of the company in 2017 or 2016.

Cash and Cash equivalents

For the purposes of the balance sheet and the cash-flow statements, cash and cash equivalents comprise bank account balances, and term deposits with original maturities of 3 months or less.

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

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

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

Receivables and prepayments

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

Factoring

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

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

Impairment of financial assets

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

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

Investments into subsidiaries

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

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

Investment property

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

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

Tangible and intangible assets

Property, plant and equipment

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

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

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

Intangible Assets

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

Minimum acquisition cost:

400 EUR

Useful life by assets group (years)

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

Financial Liabilities

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

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

Leases

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

Company as a lessee

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

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

Contingent liabilities

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

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

Revenue recognition

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

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

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

Taxation

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

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

Related parties

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

As of 31.12.2017 the company has loan and interest related claims towards its subsidiary in the amount of 51 975 EUR. The interest rate of the loan is 9,5% per year.

Note 2 Loan receivables (in Euros)

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

		Allocation by remaining maturity		
	31.12.2016	within 12 months	1-5 years	over 5 years
Mortgage loans to clients	**2 609 346**	**1 871 457**	**476 211**	**261 678**
Other loans to clients	**1 332 283**	**1 087 099**	**245 184**	**0**
Factoring and other business loans	477 366	477 366	0	0
Consumer loans	873 809	609 733	245 184	0
Allowance for doubtful accounts	-18 892	0	0	0
Total loans to clients	**3 941 629**	**2 958 556**	**721 396**	**261 678**

All the issued loans are denominated in euro with maturity ranging from 1-20 years (except for factoring contracts, where the usual length of invoice is between 30-90 days). Annual interest rate of the issued loans is 13-25% and the effective interest rate does not differ significantly from the contractual interest rate. As at 31.12.2017 majority of portfolio consisted of mortgage loans. Weighted average loan period for mortgage loans is 7 years.

Note 3 Receivables and prepayments (in Euros)

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

		Allocation by remaining maturity			
	31.12.2016	within 12 months	1-5 years	over 5 years	Note
Other receivables					
Other receivables	100 876	100 876	0	0	
Other paid prepayments	110	110	0	0	4
Prepaid expenses	10 617	10 617	0	0	
Total receivables and prepayments	**111 603**	**111 603**	**0**	**0**	

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

Note 4 Tax prepayments and tax payables (in Euros)

	31.12.2017 Tax prepayments	31.12.2017 Tax payables	31.12.2016 Tax prepayments	31.12.2016 Tax payables	Note
Corporate income tax	0	39	0	11	
Value-added tax	0	158	0	94	
Personal income tax	0	5 316	0	5 095	
Social security tax	0	5 715	0	4 938	
Contributions to mandatory funded pension	0	345	0	329	
Unemployment insurance premium	0	260	0	229	
Net prepayment	0	0	110	0	3
Total tax prepayments and liabilities	**0**	**11 833**	**110**	**10 696**	10

The company does not have any overdue tax debts.

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

Note 5 Investment property (in Euros)

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

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

During the financial year no revenue was generated nor any related expenses arise from investment properties. In order to determine the fair-value the company used information of recent transactions involving similar properties and valuations of independent real estate valuation experts of property's probable sales price within next 12 months.

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Note 6 Property, plant and equipment (in Euros)

	Computers and IT systems	Other property, plant and equipment	Total
31.12.2016			
Cost	5 736	1 744	7 480
Accumulated depreciation	-2156	-727	-2883
Carrying amount	**3 580**	**1 017**	**4 597**
Additions and improvements	3 857	2 162	6 019
Depreciation	-535	-2167	-2 702
31.12.2017			
Cost	9 593	3 906	13 499
Accumulated depreciation	-2 691	-2 894	-5 585
Carrying amount	**6 902**	**1 012**	**7 914**

Note 7 Intangible assets (in Euros)

	Concessions, patents, licenses, trade marks	Other intangible assets	Total
31.12.2016			
Cost	25 445	17 709	43 154
Accumulated depreciation	-8 683	-9 732	-18 415
Carrying amount	**16 762**	**7 977**	**24 739**
Additions and improvements	8 640	696	9 336
Depreciation costs	-9 817	-6 090	-15 907
31.12.2017			
Cost	34 085	18 405	52 490
Accumulated depreciation	-18 500	-15 822	-34 322
Carrying amount	**15 585**	**2 583**	**18 168**

Note 8 Subsidiaries (in Euros)

Shares in subsidiary	
Name of subsidiary	OÜ Bankish
Registration number	14251833
Country of residency	Estonia
Ownership share	100%
Ownership nominal value	8 000
Expenses related to establishment	190
Profit (loss) in carried at cost method	-3 529
31.12.2017	**4 661**

Note 9 Loan liabilities (in Euros)

	Allocation by remaining maturity				
	31.12.2017	**within 12 months**	**1-5 years**	**over 5 years**	**Due date**
Bank loans					
Coop Pank AS	272 019	72 234	199 785	0	May 2021
Total bank loans	**272 019**	**0**	**0**	**0**	
Other loans					
Corporates	100 000	0	100 000	0	January 2019
Private individuals	150 000	150 000	0	0	January 2018
Corporates	500 000	500 000	0	0	April 2018
Corporates	175 000	175 000	0	0	January 2018
Total other loans	**925 000**	**825 000**	**100 000**	**0**	
Bonds					
Bonds	4 030 000	4 030 000	0	0	March 2018
Bonds	931 539	0	931 539	0	May 2019
Total bonds	**4 961 539**	**4 030 000**	**931 539**	**0**	
Total loan liabilities	**6 158 558**	**4 855 000**	**1 031 539**	**0**	

	Allocation by remaining maturity				
	31.12.2016	within 12 months	1-5 years	over 5 years	Due date
Other loans					
Corporates	100 000	100 000	0	0	January 2017
Corporates	100 000	0	100 000	0	January 2019
Transaction costs	-383	-383	0	0	
Total other loans	**199 617**	**99 617**	**100 000**	**0**	
Bonds					
Bonds	3 865 000	0	3 865 000	0	March 2018
Bonds	544 409	0	544 409	0	May 2019
Total bonds	**4 409 409**	**0**	**4 409 409**	**0**	
Total loan liabilities	**4 609 026**	**99 617**	**4 509 409**	**0**	

Interest rates of loans range between 7,75%-12% depending on the maturity of the loans and agreed level of collateralization. Since 2015 the main source of financing has been secured bonds: one set of bonds has a maturity of March 2018 and annual interest rate of 9.75% and the other has the maturity of May 2019 and interest rate 9,25%. Effective interest of loans and bonds does not vary much from the contractual interest rate.

Bonds are secured by mortgages, claims arising from the loan agreements and account pledges that according to contracts, must cover bond related obligations at least 100%. As at the end of the financial year 63% of collateral comprised of mortgages and real estate pledges, 21% claims on factoring receivables, 18% pledged unsecured consumer loans and 5% account pledges (total volume of collateral is over 100% of the value of bonds). All the loans received and bonds are in euros. The bank loan is 100% secured with mortgage pledges.

Note 10 Payables and prepayments (in Euros)

	31.12.2017	Note
Trade payables	18 035	
Payables to employees	7 743	
Tax payables	11 833	4
Other payables	30 306	
Interest liabilities	26 059	
Other accrued expenses	4 247	
Prepayments received	27 575	
Deferred income	27 575	
Total payables and prepayments	**95 492**	

	31.12.2016	Note
Trade payables	14 156	
Payables to employees	6 603	
Tax payables	10 696	4
Other payables	58 129	
Interest liabilities	18 479	
Other accrued expenses	39 650	
Prepayments received	9 433	
Deferred income	9 433	
Total payables and prepayments	**99 017**	

All payables and prepayments are due within 12 months.

Note 11 Share capital (in Euros)

	31.12.2017	31.12.2016
Share capital	265 350	250 000
Number of shares (pcs)	265 350	2

In order to improve company's capital structure and increase capital buffers share capital was raised to 265 350 euros (nominal value of shares is 1 euro). As of 31.12.2016 Finora Capital was a private limited company (osaühing). Since August 2017 the company is a public limited company (aktsiaselts).

The company has no contingent liabilities (related to dividends) bot as of 31.12.2017 as well as 31.12.2016.

Note 12 Interest income (in Euros)

	2017	2016
Geographical breakdown of sales revenue		
Sales to EU countries		
Estonia	726 167	578 184
Sales to EU countries, total	**726 167**	**578 184**
Sales revenue total	**726 167**	**578 184**
Sectoral breakdown of sales revenue		
Interests from mortgage loans	405 741	347 399
Other interests	287 297	203 655
Fee income	33 129	27 130
Sales revenue total	**726 167**	**578 184**

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

Note 13 Other income (in Euros)

	2017	2016
Penalty interest	188 408	157 988
Other fee income	750	3 260
Revaluation of investment property	0	46 207
Profit from exchange rate changes	0	17
Other operating revenues	0	551
Other revenues total	**189 158**	**208 023**

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Note 14 Operating expenses (in Euros)

	2017	2016
Office expenses	18 027	10 176
State and local taxes	1 846	3 570
IT services expenses	51 679	63 528
Legal expenses	23 018	28 960
Advertising and marketing expenses	45 012	49 666
Accounting services (incl. audit expenses)	24 640	11 700
Other	113 250	82 470
Total miscellaneous operating expenses	**277 472**	**250 070**

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

Note 15 Labor expense (in Euros)

	2017	2016
Wages and salaries	97 915	82 365
Labour taxes	32 840	27 594
Total labour expense	**130 755**	**109 959**
Average number of employees in full time equivalent units	**6**	**4**

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Note 16 Related parties (in Euros)

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

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

	31.12.2017 Receivables	31.12.2017 Liabilities	31.12.2016 Receivables	31.12.2016 Liabilities	Note
Subsidiaries	51 975	0	0	0	3
Other companies within the same consolidation group	0	0	0	1895	
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	0	2 415	0	37	

2017	Purchases	Received loans	Repayment of received loans
Parent company	0	30 000	30 000
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	16 222	233 000	233 000

2016	Purchases	Received loans	Repayment of received loans
Parent company	0	0	0
Other companies within the same consolidation group	33 832	0	0
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	0	2 300	0

Remuneration and other significant benefits calculated for members of management and highest supervisory body	2017	2016
Remuneration	38 617	39 962

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

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

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

Note 17 Contingent liabilities (in Euros)

	2017	2016
Unused factoring limits	461 850	335 524
Total contingent liabilities	**461 850**	**335 524**

Note 18 Events after the balance sheet date

In January 2018 the company sold investment property with a gain for 250 000 EUR. Company acquired the investment property from enforcement proceeding that was set as a collateral for a loan.

In order to increase capital buffers in Q1 2018 additional 250 000 EUR of equity was raised from new investors.

In March 2018 the first 3-year bonds of Finora capital matured. They were successfully refinanced to COOP Pank and into 2019 bonds. Bonds continue to be most important source of financing for Finora. All covenants of the bonds continue to be fulfilled.

In March 2018 Finora Capital signed a loan agreement with the UK fund manager Advance Global Capital Ltd (AGC). AGC offers Finora a credit line that allows to grow business volumes hand in hand with the growth of factoring business. In relation to the deal Finora factoring, a 100% subsidiary of Finora Capital was established.

Signatures of the report

Conclusion of the report: **31.05.2018**

The correctness of the annual report of OÜ Finora Capital (registry number 12324050) 01.01.2017 – 31.12.2017 has been approved:

Name:	Position:	Date and signature:
Andrus Alber	Member of the Board	31.05.2018
digitally signed		

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of AS Finora Capital

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AS Finora Capital (the Company) as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Estonian financial reporting standard.

We audited the Company's financial statements that comprise:

- the statement of financial position as at 31 December 2017;
- the income statement for the year then ended;
- the cash flow statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

Other information

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

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

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

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

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

In preparing the financial statements, the Management Board 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 unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

AS PricewaterhouseCoopers

/signed/

/signed/

Lauri Past
Auditor's certificate no.567

Evelin Lindvers
Auditor's certificate no.622

31 May 2018

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

Proposal for loss coverage (in Euros)

	31.12.2017
Profit (loss) of previous periods	-99 403
Annual period profit (loss)	-98 923
Total	**-198 326**
Distribution	
Profit (loss) of previous periods after distribution	-198 326
Total	**-198 326**

Decision on loss coverage (in Euros)

	31.12.2017
Profit (loss) of previous periods	-99 403
Annual period profit (loss)	-98 923
Total	**-198 326**
Distribution	
Profit (loss) of previous periods after distribution	-198 326
Total	**-198 326**

Declaration of the Supervisory Board to the annual report 2017

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

The Supervisory Board has reviewed the 2017 annual report prepared by the management board, consisting of management report, financial statements, independent auditor's report, the management board's profit allocation proposal, and has approved the annual report for presentation on the annual general meeting. The annual report is signed by all members of the Supervisory Board.

Veikko Maripuu

Chairman of the Supervisory Board

digitally signed

Gerly Lõhmus

Member of the Supervisory Board

digitally signed

Vahur Kraft

Member of the Supervisory Board

digitally signed

Distribution of sales revenue by field of activity

Field of activity	EMTAK code	Sales revenue (EUR)	Sales revenue (%)	Main field of activity
Other credit products, excl pawnshops	64929	726 167	100.00%	Yes

Share holders

Name	Registry code	Location	Size of ownership
Nebbiolo Capital OÜ	11918037	Estonia	212 500 EUR
OÜ Bukler	10281394	Estonia	37 500 EUR
AS Esma Vara	10103770	Estonia	8 772 EUR
OÜ Jõuvärk	14324692	Estonia	6 578 EUR

Contact details

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