IUTECREDIT FINANCE S.A R.L.

Annual report 2019

1 Contents

2. General information and contacts

Address:	14, rue Edward Steichen L-2540 Luxembourg Grand Duchy of Luxembourg
Registry code:	B234678
Main activity:	Holding company
Auditor:	Ernst & Young S.A.
Reporting period:	20 May 2019 – 31 December 2019

3. Management report for 2019

In accordance with our duties as Board of Managers of IuteCredit Finance S.à r.l. (the "Company"), we herewith submit to the shareholders of the Company the financial statements for the financial year ended 31 December 2019 (hereinafter, "2019").

Executive overview

IuteCredit Finance S.à r.l. (hereinafter "the Company") started its business activity in May 2019. The Company`s main business activity is acting as a financing intermediary for parent company - IuteCredit Europe AS.

IuteCredit Europe AS is a holding company which issues consumer credits and offers personal finance services via its 100% owned operating subsidiaries in local markets where the subsidiaries are operating. As of 31 December 2019, IuteCredit Europe AS had in addition to the Company, seven operating subsidiaries:

1. ICS OMF IuteCredit SRL (ICM) in Moldova,
2. IuteCredit Albania SHA (ICA) in Albania,
3. IutePay Albania SH.P.K (IutePay Albania) in Albania,
4. IuteCredit Macedonia DOOEL-Skopje (ICMK) in North Macedonia,
5. IutePay Bulgaria EOOD (IutePay Bulgaria) in Bulgaria,
6. IuteCredit Bulgaria EOOD (ICBG) in Bulgaria,
7. MKD IuteCredit BH d.o.o. Sarajevo (ICBH) in Bosnia and Herzegovina.

Financial review

Statement of comprehensive income

The Company recorded an operating loss of EUR 24 thousand for the reporting period ending 31 December 2019. Operating revenues amounted to EUR 2.164 thousand which consisted of interest income from granted loan to parent entity in 2019.

The loan granted to parent entity was financed by issuance of bonds by the Company and the Company had financial expenses in financial year in the amount of total EUR 2.314 thousand.

Operating expenses amounted to EUR 49 thousand which were related to legal procedures for establishing the Company and issuance of bonds.

Statement of financial position

Total assets at 31 December 2019 amounted to EUR 38.360 thousand and liabilities amounted to EUR 38.546 thousand. The assets consist mostly from interest and loan receivable constituting 99,9% of total assets. The liabilities mostly consist of accrued interest payables and bond liabilities constituting 99,9% of total liabilities.

As at 31 December 2019 the liquidity ratio of the Company was 0,99.

The equity of the Company is negative in the amount of EUR 187 thousand as at 31 December 2019.

Future development

For the year-ended 31 December 2020, the Company will focus to be the financing intermediary for its parent company, IuteCredit Europe AS. No additional financing activities (borrowing, issuance of bonds) are planned for the year ended 31 December 2020. The Company will also include the issued bonds into Frankfurt Stock Exchange Regulated Market.

Research & Development

No research and development costs occurred in the financial period ended 31 December 2019.

Acquisition of own shares

No acquisition of own shares has occurred in financial period ended 31 December 2019.

Free shares

As at 31 December 2019, the Company has not granted any free shares to members of the Management of the Company.

Existence of branches of the company

The Company does not have any branches.

Risk management

The Company does not have written risk management process in place. The Company focuses in its operations on minimizing the potential adverse effects of the financial risks on the performance of the Company. The main focus is on management of risks arising from overall market conditions, in interest rates development on financial market and their possible impact to Company`s liquidity and capital.

Subsequent events

The management of the Company has assessed the potential impact of coronavirus (COVID-19) outbreak to the Company`s business operations. The coronavirus outbreak is considered to be non-adjusting subsequent event. The Company`s management assesses the impact of COVID-19 development on the Company`s business operations on ongoing basis. No such circumstances have occurred which would subsequently have negative impact on Company`s assets value and to liquidity of the Company.

The management has also assessed the potential impact of COVID-19 outbreak to parent company`s business operations as the Company`s ability to continue as going concern is strictly dependent on parent company`s performance. Based on information exchanged, no such circumstances have occurred which have had subsequently material negative impact on parent company`s business operations.

Profit allocation

The Management Board recommends to the shareholders to allocate the loss of the year to the 2019 retained earnings.

* * *

We recommend that the shareholders of the Company approve the financial statements as presented it to them and kindly ask the shareholders to grant discharge to the Managers of the Company for the exercise of their mandate during the financial year ended 31 December 2019.

Luxembourg, 31 July 2020

Kristel Kurvits

Manager

Luxembourg, 31 July 2020

Ann Leonie Lauwers

Manager

4. Financial statements

4.1 Statement of comprehensive income

	Notes	20.05.2019-31.12.2019 in thousand EUR
Interest income	8	2 164
Interest expense	9	-2 154
Net interest income		**10**
Legal services, notary and bank fees	10	-49
Allowances for loan impairment	12	-160
Total operating expenses		**-209**
Loss before tax		**-199**
Income tax expense		-
Loss for the reporting period		**-199**
Other comprehensive income		-
Total comprehensive income		**-199**

Notes on pages 10-23 are an integral part of the financial statements.

4.2 Statement of financial position

	Notes	31.12.2019 in thousand EUR
Assets		
Non-current assets		
Loan receivables	12	36 248
Total Non-current assets		**36 248**
Current assets		
Accrued interest from loan receivables	12	2 061
Deferred expenses		3
Cash and cash equivalents	11	47
Total current assets		**2 111**
Total assets		**38 359**
Equity and liabilities		
Equity		
Share capital	14	12
Accumulated losses		-199
Total equity		**-187**
Non-current liabilities		
Interest bearing loans and borrowings	13	36 401
Total non-current liabilities		**36 401**
Current liabilities		
Accrued interest on interest bearing loans and borrowin	13	2 080
Trade payables		66
Total current liabilities		**2 146**
Total equity and liabilities		**38 359**

Notes on pages 10-23 are an integral part of the financial statements.

4.3 Statement of changes in equity

in thousand EUR	Share capital	Accumulated losses	Total
20.05.2019	-	-	-
Contribution to share capital	12	-	**12**
Loss for the reporting period	-	-199	**-199**
Other comprehensive income	-	-	-
31.12.2019	**12**	**-199**	**-187**

Additional information about share capital is disclosed in Note 15.

Notes on pages 10-23 are an integral part of the financial statements.

4.4 Statement of cash flows

	Notes	20.05.2019-31.12.2019 in thousand EUR
Paid trade payables		-914
Loan given to parent entity		-25,691
Repayments of loan given to parent entity		1,315
Net cash flows from operating activities		**-25,290**
Proceeds from issuance of bonds		25,740
Payments for repurchases of bonds		-415
Contribution to share capital		12
Net cash flows from financing activities		**25,337**
Change in cash and cash equivalents		**47**
Cash and cash equivalents at the beginning of the period		-
Change in cash and cash equivalents		47
Cash and cash equivalents at the end of the period	2	**47**

Notes on pages 10-23 are an integral part of the financial statements.

5 Notes to the financial statements

5.1 Corporate information

The accompanying financial statements of IuteCredit Finance S.à r.l. (the Company) for the period from 20 May 2019 to 31 December 2019 were authorized for issue in accordance with a resolution of the Management Board on 31 July 2020.

IuteCredit Finance S.à r.l. is a limited liability company incorporated and domiciled in Luxembourg. The registered office is located 14, rue Edward Steichen, Luxembourg. The Company was founded on 20 May 2019.

In July 2019, IuteCredit Europe AS acquired IuteCredit Finance S.à r.l. to act as a financing intermediary for the IuteCredit group. In July 2019, the Company, for the first time, issued 40 million EUR of senior secured bonds (hereafter referred as Eurobond) at Frankfurt Stock Exchange.

The financial year of the Company starts on 1st January and ends on 31st of December except for the first year of operation.

These financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as adopted by the European Union (IFRS EU). The accounting policies set out below have been applied to the stated period presented in these financial statements except where indicated otherwise.

5.2 Standards issued but not yet effective and not early adopted

The following new standards, interpretations and amendments are not yet effective for the annual reporting period ended 31 December 2019 and have not been applied in preparing these financial statements. The Company intends to apply them, as applicable, when they come into effect.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The amendment has no impact on the Company`s financial statements.

Conceptual Framework in IFRS standards

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020. The amendment has no impact on the Company`s financial statements.

IFRS 3: Business Combinations (Amendments)

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. The amendment has no impact on the Company`s financial statements.

IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- **Annual Improvements** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The amendments have not yet been endorsed by the EU. The amendment has no material impact on the Company`s financial statements.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. The amendment will not have material impact on the Company`s financial statements.

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendment has no impact on the Company`s financial statements.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. The amendment has no impact on the Company`s financial statements.

IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the **standard** to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

The amendment has not yet been endorsed by the EU. The amendment has no impact on the Company`s financial statements.

5.3 Summary of significant accounting policies

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and as adopted by the EU. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently presented in 2019.

Reporting currency

The financial statements are presented in thousands of Euros and all values are rounded to the nearest Euro (EUR).

Cash and cash equivalents

For the purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents include cash on hand, bank account balances and term deposits with maturities of 3 months or less. Cash collected, but not yet deposited in the bank account is recognized as cash in transit. Cash and cash equivalents are carried at amortized cost.

Recognition of interest income

Interest and similar income

The Company measures interest income by applying the effective interest rate (EIR) to the gross carrying amount of its financial assets measured at amortized cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR.

Financial instruments

Financial assets and liabilities are initially recognized on the trade date, i.e. the date on which the Company becomes a party to the contractual provisions on the instrument.

Financial assets

The Company initially measures a financial asset at its fair value plus, in case of a financial asset not at fair value through profit or loss, transaction costs.

The Company classifies and measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost include loan receivables.

Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

A financial asset is derecognized when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, and only if, either:

- The Company has transferred its contractual right to receive cash flows from the financial asset or;
- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to third party under a "pass-through" arrangement.

Financial liabilities
Financial liabilities are initially recognized on the statement of financial position at fair value and, in case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade payables and borrowings.

After initial measurement, debt issued, and other borrowed funds are subsequently measured at amortized cost.

Amortized cost is calculated by considering any discount or premium on issued funds, and costs are an integral part of the EIR.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

Impairment of financial assets
The company recognizes an allowance for expected credit losses (ECLs) for all debt instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate.

Expected losses on financial assets are recognized and measured using general approach.

The Company measures debt instruments (loans) at amortized cost using the ECL. The Company determines the ECL and creates provisions for credit losses at each reporting date. The principle of determining the ECL reflects: (i) an objective transaction-weighted amount determined by analyzing a range of possible outcomes, (ii) the time value of money, and (iii) all reasonable and provable information about past events, current conditions and future projections available at the end of each reporting period without undue cost or effort.

For monitoring of impairment under IFRS 9, the Company applies the general approach of a three-stage impairment model based on changes in credit quality since initial recognition. A financial instrument that is not impaired at initial recognition is classified as a Stage 1 financial instrument. A Stage 1 financial asset is valued at an amount equal to the portion of the lifetime ECL that will arise in the event of default within the next 12 months or until the contractual maturity, whichever is shorter. Where the Company identifies a significant increase in credit risk from initial recognition, the relevant asset is transferred to Stage 2 and its ECL is determined using the lifetime ECL. If the Company determines that a financial asset is impaired, the asset is transferred to Stage 3 and measured using a lifetime ECL. The Company calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to gross carrying amount of the financial asset. When a financial asset becomes credit-impaired and is therefore regarded as Stage 3, the Company calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating income on a gross basis. The Company considers a financial asset in default when contractual payments are 50 days past due or when indications exist that the debtor is experiencing significant financial difficulty, default or delinquency in receivable, interest or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Fair value measurement
The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values.

If there is no market price for a given financial asset or liability, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments or, in the absence thereof, by using mathematical measurement models that are sufficiently tried and trusted by the international financial community. The estimates used in such models take into consideration the specific features of the asset or liability to be measured and, in particular, the various types of risk associated with the asset or liability. However, the limitations inherent in the measurement models and possible inaccuracies in the assumptions and parameters required by these models may mean that the estimated fair value of an asset or liability does not exactly match the price for which the asset or liability could be exchanged or settled on the date of its measurement.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The detailed information about financial instruments fair value assessment is presented in Note 16.

Segment reporting

An operating segment is a component of a company that engages in business activities from which it may earn revenues and incur expenses. An operating segment's operating results are reviewed regularly by management of the company to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

For management purpose, the Company is considered as a single business segment which is involved in provision of financing. Due to this no additional disclosures are presented in these financial statements regarding segments on the Company level.

In 2019, the Company also does not distinguish geographical segments, as all of the Company's income was derived from one country (Estonia) and the Company has no non-current assets the location of which should be disclosed.

Current versus non-current classification
The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period.

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period.

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

6 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Company's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognized in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

Going concern

The Company's management has assessed its ability to continue as a going concern. The Company`s going concern ability depends directly on parent company`s financial performance, then the parent company`s financial performance related information is exchanged between the parent company and the Company on ongoing basis. Based on the parent company financial performance, the management of the Company is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern as the parent company`s financial results, as at 31 December 2019, were strong and no significant downgrade in the financial position and business operations of parent company are foreseen. In addition, the Company does not have overdue receivables from the parent company and there has been no such circumstances which would indicate the late payments by the parent company to the Company for its liabilities which may cause liquidity risk to the Company. Based on considerations above, the Company has also obtained the financial support of its shareholders in letter dated 30 July 2020. Accordingly, the financial statements of the Company are prepared on the going concern basis.

In accordance with article 480-2 of the Luxembourg Commercial Law, the Shareholders must convene an Ordinary Shareholders' Meeting to decide the continuation of the activities of the Company.

The potential impact of COVID-19 on the financial statements

The company assessed also the potential impact of COVID-19 pandemic situation on the financial statements, including going concern assumption. The management has assessed that this matter will not affect the company's ability to continue as a going concern as has sufficient financial resources. The assessment takes into account also the possible impact of COVID-19 pandemic situation to parent company`s business operations. In addition, the management has concluded that this event is a non-adjusting subsequent event and therefore its potential impact was not considered when making estimates and assumptions about the impairment of loan granted and expected credit losses on trade receivables. This matter might have a significant impact on these estimates in the next financial period, which cannot be reasonably quantified at this stage by the management due to great level of uncertainty associated with further development of COVID-19 pandemic situation.

7 General risk management policies

The business of the Company involves several financial risks: market risk (interest and currency risk), credit risk and liquidity risk. It is aimed to minimize the negative impact of these risks to the Company`s financial results with the risk management. The main purpose of the risk management is to assure the retention of Company`s equity and to carry Company`s activities as a going concern.

Market risks

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. All of the Company's loan commitments bear fixed interest rate and therefore, pose no significant risk on the Company's cash-flows.

Currency risk

The currency risk arises in case of exchange currency transactions, which are performed with currencies not related to euro. To ground the currency risk, all the relevant contracts in the Company are signed in euro. Due to the fact that Company`s assets and liabilities are all in euro and all Company`s income comes from euro-based contracts, the Company is not exposed to currency risk.

Credit risk

The Credit risk expresses potential loss that occurs, when counterparties do not fulfil their contractual obligations to the Company resulting in financial loss. The Company is exposed to credit risk arising from its operating (mainly receivables) and investing activities.

As at 31 December 2019, the maximum credit risk arising from all receivables is in the amount of 38 470 thousand euros.

The aging structure of receivables is as follows:

in thousand EUR

	31.12.2019
Not due	38 470
incuding accrued interest from loan receivables	*2 070*
including loan receivables	*36 399*
TOTAL	**38 470**

All receivables are from the parent company. The management has assessed the potential 12-month expected credit loss from the receivables taking into account parent company`s financial position and financial performance. Based on the assessment, the management has identified 12-month expected credit loss for receivables in the amount of 160 thousand euros.

Liquidity risk

Liquidity risk expresses the potential risk that if the Company`s financial condition will change, the Company`s ability to settle its liabilities on time will degrade. The Company manages liquidity risk by constantly monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. As at 31 December 2019 the working capital of the Company was negative by 199 thousand. Company`s management assesses the negative working capital impact to Company`s liquidity to be not material as the Company generates positive net cash-flow in 2020 and no such circumstances exists which would indicate that the Company will have unexpected losses in 2020.

Undiscounted financial liabilities of the Company by maturity dates are presented below:

in thousand EUR		**Maturity**			
	31.12.2019	**Up to 1 year**	**1-5 years**	**Currency**	**Interest**
Eurobonds *	57 606	4 927	52 679	EUR	13%
Payables	51	51	-	EUR	
TOTAL	**57 657**	**4 978**	**52 679**		

* Including principal outstanding 37 898 thousand euros and estimated total future interest payments of 19 708 thousand euros.

Business risk

The management of the Company`s assesses the main business risk arising from issued bonds. According to issued bonds, the Company`s activity is a subject to the financial covenants measurement on quarterly basis upon submission of the annual audited consolidated reports and interim unaudited quarterly consolidated reports. The financial covenants are measured on IuteCredit group level which comprises of the parent company IuteCredit Europe AS and its subsidiaries, in addition to the Company, ICS OMF IuteCredit SRL, IuteCredit Albania SHA, IuteCredit Macedonia DOOEL-Skopje, IutePay Bulgaria EOOD, IuteCredit Bulgaria EOOD, MKD IuteCredit BH d.o.o. Sarajevo and IutePay Albania SH.P.K.

The financial covenants are: interest coverage ratio should not be less than 1.5 and capitalization ratio should not be less than 15%.

Capitalization ratio is calculated as follows: IuteCredit group consolidated equity/ IuteCredit group consolidated net finance loans and advances to customers.

Interest coverage ratio is calculated as follows: IuteCredit group consolidated adjusted EBITDA/ IuteCredit group consolidated interest expense.

As of 31.12.2019 the ratios were following:

Capitalization	
Capitalization ratio	23,40%
Profitability	
Interest coverage ratio	2,2

The management constantly observes the covenants required to be fulfilled by Eurobond issuance. The Company has complied with the requirements in 2019.

Capital management

The Company`s primary goal of capital (both debt and equity) management is to ensure a level of capital structure, which would support the stability of the Company`s operation, continuity of its operation and meeting the financial covenants agreed for issued bonds as described in subsection "Business risk" above.

To preserve and adjust the capital structure, the Company may regulate the dividends payable to the shareholders, resell shares, change the nominal value of shares, issue new shares or sell assets to cover liabilities.

8 Interest income

Interest income	20.05.2019-31.12.2019 in thousand EUR
Interest on loans	2 164
TOTAL	**2 164**

Interest income is only from Company's parent IuteCredit Europe AS.

9 Interest expenses

Interest expense	20.05.2019-31.12.2019 in thousand EUR
Interest on bond liabilities	-2,154
TOTAL	**-2,154**

10 Other operating expenses

Other operating expenses	20.05.2019-31.12.2019 in thousand EUR
Legal services, notary and bank fees	-49
TOTAL	**-49**

11 Cash and cash equivalents

Cash and cash equivalents	31.12.2019 in thousand EUR
Bank accounts	47
TOTAL	**47**

12 Loan receivables

	31.12.2019 thousand EUR
Loan receivables	36 248
Accrued interest from loan receivables	2 061
TOTAL	**38 309**

The Company has granted loan to IuteCredit Europe AS in the amount of 37,8 million euros to finance IuteCredit Group's activity on micro-financing. Loan is issued with fixed interest rate 10% and loan maturity is on 2nd August 2023. The loan is accounted at amortized cost by using effective interest rate 15,12%.

The total maturity of receivables is as follows:

in thousand EUR		Maturity	
	31.12.2019	Up to 1 year	1-5 years
Loan receivables	36 248	0	36 248
Accrued interest from loan receivables	2 061	2 061	0
TOTAL	**38 309**	**2 061**	**36 248**

The loan receivables and related accrued interest receivables are assessed to be in Stage 1 in accordance with IFRS 9 in respect of ECL measurement. The management has assessed the credit risk of the borrower and determined 12-month expected credit loss for the receivables as presented below:

in thousand EUR	31.12.2019
Loan receivables	36 399
Expected credit loss	-151
Expected loss rate	0,4%
Interest receivables	2 070
Expected credit loss	-9
Expected loss rate	0,4%

Please see also Note 5. 3 for accounting policies, Note 13 for pledge related to the loan and Note 16 for additional information on related parties.

13 Financial liabilities

in thousand EUR		Maturity			
	31.12.2019	Up to 1 year	1-5 years	Currency	Interest
Eurobonds (excl. accrued interest)	36 401	-	36 401	EUR	13%
Accrued interest from bonds	2 080	2 080	-	EUR	
TOTAL	**38 481**	**2 080**	**36 401**		

Company issued 40 000 thousand EUR of senior secured bonds at Frankfurt Stock Exchange with fixed coupon rate 13% as at 7th of August 2019 and with 4-year maturity. Interest will be payable semi-annually on 7th February and 7th of August of each year, commencing on 7th February 2020. Interest will accrue from the issue date by actual days. As at 31 December 2019, not all bonds were marked. The total amount of bonds marked as at 31 December 2019 is 37 898 thousand EUR. The obligations of the issuer are guaranteed and pledged on a senior secured basis by AS IuteCredit Europe and its subsidiaries, including the Company. taking into consideration all present and future receivables and bank accounts. As at 31 December 2019 the pledge of the Company includes interest and loan receivable from AS IuteCredit Europe in amount of total 38 469 thousand EUR. In financial year, the following changes in financial liabilities occurred:

in thousand EUR	Financial liabilities
20.05.2019	-
Bonds issued	38 313
Repurchased bonds	-415
EIR effect on bonds issued	-1 497
31.12.2019	**36 401**

14 Share capital

Share capital	**31.12.2019 EUR**
Share capital	12 000
Number of shares	12 000
Nominal value of share	1,00

All shares are fully paid in 2019. Each share carries one vote at meetings of the Company, granting the holder the right to participate in the management of the Company, the distribution of profits and the distribution of residual assets on the dissolution of the Company.

15 Fair value measurement

The carrying amount of the Company's assets and liabilities is reasonable approximation of their fair value. The carrying amount of financial instruments corresponds to their fair value.

As at 31.12.2019, the fair value of bond from investors amounted to 36 401 thousand EUR, excluding interest in the amount of 2 080 thousand EUR. Loan claim amounted to 36 399 thousand EUR, excluding interest in the amount of 1 516 thousand EUR. The fair value of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

In assessing the fair value of financial instruments, the Company uses a variety of methods and makes assumptions based on market conditions existing at the reporting date. The fair values of interest-bearing loans granted are estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values.

Fair value hierarchy for financial instruments not measured at fair value as at 31 December 2019:

	Date of valuation	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets for which fair values are disclosed					
Loans and interest receivable	31.12.2019	-	-	38 309	**38 309**
Liabilities for which fair values are disclosed					
Bonds and accrued interest payables	31.12.2019	-	-	38 481	**38 481**

16 Related parties

Parties are related if one party could control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties are defined as shareholders, and the Management Board, key management personnel, their close relatives, and companies in which they have a controlling interest as well as associated companies.

Sole shareholder of IuteCredit Finance S.A.R.L is IuteCredit Europe AS, registered in Estonia.

The Company's management has not identified significant transfer pricing risks, as well as there are no significant price and tax risks arising from transactions between Company and the related parties.

Transactions are entered into with related parties in the normal course of business. The volumes of related party transactions, outstanding balances at the year end and relating income and expense for the period 20 May 2019 - 31 December 2019 are as follows:

in thousand EUR		Loans granted	Calculated interest from loans granted
Parent Company (IuteCredit Europe AS)	2 019	36 248	2 061

No remuneration has been provided to the Company's key management persons in 2019.

17 Commitments and contingent liabilities

Commitments

According to issued bonds agreement, the Company`s obligations are pledged in favour of investor with all Company`s existing assets and future receivables.

Contingent liabilities

According to issued bonds in the amount of 37 878 thousand EUR, the Company`s activity is a subject to the financial covenants (interest coverage ratio and capitalization ratio) measurement on quarterly basis upon submission of the annual audited consolidated reports and interim unaudited quarterly consolidated reports. The financial covenants are measured on IuteCredit group level which comprises of the parent company IuteCredit Europe AS and its subsidiaries, in addition to the Company, ICS OMF IuteCredit SRL, IuteCredit Albania SHA, IuteCredit Macedonia DOOEL-Skopje, IutePay Bulgaria EOOD, IuteCredit Bulgaria EOOD, MKD IuteCredit BH d.o.o. Sarajevo and IutePay Albania SH.P.K.

As of the balance sheet date, 31 December 2019, there was no breach in the financial covenants.

18 Subsequent events

The management of the Company has assessed the potential impact of coronavirus (COVID-19) outbreak to the Company`s business operations. The coronavirus outbreak is considered to be non-adjusting subsequent event. The Company`s management assesses the impact of COVID-19 development on the Company`s business operations on ongoing basis. No such circumstances have occurred which would subsequently have negative impact on Company`s assets value and to liquidity of the Company.

The management has also assessed the potential impact of COVID-19 outbreak to parent company`s business operations as the Company`s ability to continue as going concern is strictly dependent on parent company`s performance. Based on information exchange, no such circumstances have occurred which has had subsequently material negative impact on parent company`s business operations.

Signatures of the management board to 2019 annual report

The Company's Management Board has approved the management report and financial statements for 2019.

The annual report as compiled by the Management Board consists of the management report, financial statements and independent auditor´s report. The Company's Supervisory Board has reviewed the annual report and has approved it for submission to the general meeting of shareholders.

31 July 2020

Kristel Kurvits
Member of the Management Board

Ann Leonie Lauwers
Member of the Management Board

Pieter Adriaan van Nugteren
Member of the Management Board

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Independent auditor's report

To the Shareholders of
IuteCredit Finance S.à r.l.
14, rue Edward Steichen
L-2540 Luxembourg

Opinion

We have audited the financial statements of IuteCredit Finance S.à r.l. ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 20 May 2019 to 31 December 2019, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and cash flows for the period from 20 May 2019 to 31 December 2019 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. *Valuation of the Loan to Affiliated Undertakings*

Risk identified

IuteCredit Finance S.à r.l. acts as the financing vehicle of the IuteCredit Group ("the Group"), operating in the microfinance industry. The Company has a loan receivable from IuteCredit Europe AS amounting to EUR 38.5 million as at 31 December 2019 as further disclosed in Note 12 to the financial statements. As disclosed in Note 5 to the financial statements, the Company performs an annual review of the carrying amount of the loan to affiliated undertakings with resulting impairments reflected in the statement of comprehensive income of the relevant period. Valuation of the loan to affiliated undertakings is considered a significant risk due to the business industry in which IuteCredit Finance AS operates.

Our response

Our audit procedures over the valuation of the loan granted to affiliated undertakings included, among others:

- Obtaining the loan agreements to confirm the nominal value of the loan and the movement of the year.
- Obtaining and reading the latest financial statements of the affiliated undertaking and management's assessment of the COVID 19 outbreak impact in order to identify whether any going concern issue or liquidity issue exists and ultimately assess the impairment of these financial assets.
- Assessing the methods and assumptions applied by the Management in the ECL analysis.
- Assessing the allocation of the loan to stage 1, 2 or 3 in accordance with IFRS 9 to ensure the loan to affiliated undertakings was allocated to the appropriate stage.
- Recomputing the recoverable amount of the loan under the ECL model and comparing the carrying value of the loan to their recoverable value in order to determine whether an impairment exists.
- We also considered the adequacy of the Company's disclosures as reflected in relation to the above matters as set out in Notes 5 and 12.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information included in the management report but does not include the financial statements and our report of "réviseur d'entreprises agréé" 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 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 this fact. We have nothing to report in this regard.

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

The Board of Managers is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Managers 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 Board of Managers 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 Board of Managers 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.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

The objectives of our audit 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 a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF 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 EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism 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 Board of Managers.

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- Conclude on the appropriateness of Board of Managers' 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 report of the "réviseur d'entreprises agréé" 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 report of the "réviseur d'entreprises agréé". 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as réviseur d'entreprises agréé by the General Meeting of the Shareholders and the duration of our uninterrupted engagement is 1 year.

The management report, which is the responsibility of the Board of Managers, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent, at the date of this report, with the financial statements and has been prepared in accordance with applicable legal requirements.

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We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Gabriel de Maigret

Luxembourg, 31 July 2020