IUTECREDIT FINANCE S.A R.L.

Unaudited half year report 2022

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2. General information and contacts

Address:	16, rue Eugene Ruppert
	L-2453 Luxembourg
	Grand Duchy of Luxembourg
Registry code:	B234678
Main activity:	Financing company
Reporting period:	01 January 2022 – 30 June 2022

3. Management report for unaudited half year report 2022

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 which is registered and located in the Republic of Estonia.

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 30 June 2022, IuteCredit Europe AS had in addition to the Company, eight operating subsidiaries:

1. ICS OMF IuteCredit SRL (ICM) in Moldova,
2. IuteCredit Albania SHA (ICA) in Albania,
3. VeloxPay Albania SH.P.K (VeloxPay 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,
8. JSCB Energbank (EB) in Moldova.

Financial review

Statement of comprehensive income
The Company recorded an operating profit of EUR 8 thousand for the reporting period ending 30 June 2022. Operating revenues amounted to EUR 8 049 thousand which consisted of interest income from granted loan to parent entity.

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 7 876 thousand.

Operating expenses amounted to EUR 40 thousand which were related to operating activities.

Statement of financial position
Total assets at 30 June 2022 amounted to EUR 124 108 thousand and liabilities amounted to EUR 124 018 thousand. The assets consist mostly from interest and loan receivable constituting 99,99% of total assets. The liabilities consist of accrued interest payables and bond liabilities constituting 99% of total liabilities.

As at 30 June 2022 the liquidity ratio of the Company was 2.

The equity of the Company is in the amount of EUR 91 thousand as at 30 June 2022.

Future development

Considering the outbreak of the war in Ukraine which globally adds a much different level of uncertainty to the environment for the upcoming periods, the management of the Company believes that the effects will be very marginal, if any, for the Company as it does not have direct economical relations with counterparties of the war. Also, IuteCredit Group does not have any direct economical relations with counterparties of the war which could cause difficulties for the group to settle timely its liabilities with the Company. The management of the Company focus its activities in the financial year 2022 on the main business operations and stay alert to any circumstance which may impact negatively Company`s business operations. No additional financing activities (borrowing, issuance of bonds) has occurred and are planned for the year ending 31 December 2022.

Research & Development

No research and development costs occurred in the financial period ended 30 June 2022.

Acquisition of own shares

No acquisition of own shares has occurred in financial period ended 30 June 2022.

Free shares

As at 30 June 2022, the Company has not granted any free shares to members of the Management of the Company. The Company is fully owned by IuteCredit Europe AS.

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 as described in Note 6 General risk management policies.

Audit committee

Based on Art. 1 (20) of the Law of July 23, 2016 concerning the audit profession, the Company is classified as public-interest entity. Based on Art. 52 (1), a public-interest entity shall establish an audit committee. However, based on Art. 52 (5), the Company is exempted from this obligation as an audit committee has been established on IuteCredit group level.

Corporate Governance Statement

Introduction

The Company is subject to and complies with – among the others – the Luxembourg law of 10 August 1915 on commercial companies, as amended and the law of 11 August 2008 on transparency requirements for issuers of securities, as amended (the "Luxembourg Company Law"), as well as the Rules and Regulations of the Frankfurt Stock Exchange. The Company does not apply additional requirements in addition to those required by the above.

Powers of the Shareholder

The shareholder`s general meeting exercises the power granted by the Luxembourg Company Law including
- appointing and removing the directors (the "Directors") and the statutory or independent auditor of the Company as well as setting their remuneration,
- approving the annual financial statements of the Company,
- amending the articles of association of the Company,
- deciding on the dissolution and liquidation of the Company,
- changing the nationality of the Company, and
- rights to amend the financial statements after their issue.

General Powers of the Board of Managers

The Company is currently managed by a board of managers (the "Board") whose members have been appointed as one type A Manager and two type B Managers by the shareholder`s general meeting of the Company. In accordance with Luxembourg Company Law, each type A Manager and type B Manager may be removed at any time without cause (révocation ad nutum).

Meetings of the Board are convened upon request of the chairman of the Board or any two Managers of the Company as often as the interest of the Company so requires. The meetings of the Board are validly held if at the commencement of the meeting at least one type A Manager and one type B Manager is present or represented and decisions are validly taken by the majority of the Managers present or represented (including at least one type A Manager and at least one type B Manager). Any Manager may represent one or more other Managers at a Board meeting.

The Board of the Company may, from time to time, delegate its power to conduct the daily management (gestion journalière) of the Company to one or more Managers, i.e., the managing Manager(s) (administrateur(s) délégué(s)), commit the management of the affairs of the Company to one or more Managers or give special powers for determined matters to one or more proxy holders.

Pursuant to its articles of association, according to which the Company is administrated by the Board comprising several categories of Managers, it shall be bound by the joint signatures of a type A Manager and a type B Manager. Thus the "four eyes" principle is established.

Based on the articles of association of the Company, Managers of each category are vested with the same individual powers and duties. The Managers of type B are Luxembourg residents, whereas the Manager of type A is not a Luxembourg resident and at the same time holds the positions of CEO within the Company.

Financial reporting

One member of the Board of Managers has been appointed as responsible for financial reporting. The responsible member ensures the high quality of financial reporting by monitoring closely daily transactions and preparing monthly financial statements by using financial accounting and reporting software.

Subsequent events

As of the last day of the reporting date of the half year report until the date of signing this half year report there have been no events requiring adjustment or disclosure in the half year report or in the notes thereto.

The Management Board of the Company declares the sustainability of the Company within next 12 months from the date of signing of the half year report.

Luxembourg, 26 August 2022

Kristel Kurvits

Manager

Luxembourg, 26 August 2022

Ann Leonie Lauwers

Manager

4. Financial statements

4.1 Statement of comprehensive income

	Notes	01.01.2022-30.06.2022 in thousand EUR	01.01.2021-30.06.2021 in thousand EUR
Interest income	8	8 049	3 482
Interest expense	9	-7 876	-3 433
Net interest income		**173**	**49**
Legal services, notary and bank fees		-76	-47
Total operating expenses		**-76**	**-47**
Profit (-loss) before tax		**97**	**2**
Income tax expense		-89	0
Profit (-loss) for the reporting period		**8**	**2**
Other comprehensive income		0	0
Total comprehensive income		**8**	**2**
Profit attributable to:			
Equity holders of the parent		8	2

Notes on pages 11-23 are an integral part of the half year report.

4.2 Statement of financial position

	Notes	30.06.2022 in thousand EUR	31.12.2021 in thousand EUR
Assets			
Non-current assets			
Loan receivables	11	114 602	110 190
Total non-current assets		***114 602***	***110 190***
Current assets			
Accrued interest from loan receivable	11	9 477	6 339
Cash and cash equivalents	10	29	7 807
Total current assets		***9 507***	***14 145***
Total assets		**124 109**	**124 336**
Equity and liabilities			
Equity			
Share capital	13	12	12
Reserves		1	1
Accumulated profit (-loss)		78	69
Total equity		***91***	***82***
Non-current liabilities			
Interest bearing loans and borrowings	12	119 356	119 580
Total non-current liabilities		***119 356***	***119 580***
Current liabilities			
Accrued interestr on interest bearing loans and borrowings	12	4 647	4 636
Trade payables		15	38
Total current liabilities		***4 661***	***4 674***
Total equity and liabilities		**124 109**	**124 336**

Notes on pages 11-23 are an integral part of the half year report.

4.3 Statement of changes in equity

in thousand EUR	Share capital	Legal reserve	Retained earnings	Total
31.12.2020	**12**	**1**	**48**	**61**
Loss for the reporting period	0	0	2	2
Other comprehensive income	0	0	0	0
30.06.2021	**12**	**1**	**50**	**63**
Profit for the reporting period	0	0	19	**19**
Other comprehensive income	0	0	0	**0**
31.12.2021	**12**	**1**	**69**	**82**
Loss for the reporting period	0	0	8	8
Other comprehensive income	0	0	0	0
30.06.2022	**12**	**1**	**78**	**91**

Additional information about share capital is disclosed in Note 13.

Notes on pages 11-23 are an integral part of the half year report.

4.4 Statement of cash flows

	Notes	01.01.2022-30.06.2022 in thousand EUR	01.01.2021-30.06.2021 in thousand EUR
Paid trade payables		-100	-48
Corporate income tax paid		-89	0
Loan given to parent entity		-5 750	-285
Loan repaid by parent company		785	0
Interest received		4 751	3 500
Net cash flows from operating activities		**-403**	**3 167**
Proceeds from issuance of bonds		0	0
Payments for repurchases of bonds		0	0
Interest paid		-7 375	-3 250
Net cash flows from financing activities		**-7 375**	**-3 250**
Change in cash and cash equivalents		**-7 778**	**-83**
Cash and cash equivalents at the beginning of the period		**7 807**	**87**
Change in cash and cash equivalents		-7 778	-83
Cash and cash equivalents at the end of the period	**10**	**29**	**4**

Notes on pages 11-23 are an integral part of the half year report.

5 Notes to the half year report

5.1 Corporate information

The accompanying unaduited half year report of IuteCredit Finance S.à r.l. (the Company) for the period from 01 January 2022 to 30 June 2022 were authorized for issue in accordance with a resolution of the Management Board on 08 July 2022.

IuteCredit Finance S.à r.l. is a limited liability company incorporated and domiciled in Luxembourg. The registered office is located 16, rue Eugene Ruppert, Luxembourg. The Company was founded on 20 May 2019.

The Company issued 40 000 thousand EUR of senior secured bonds at the Frankfurt Stock Exchange with a fixed coupon rate 13% as at 7th of August 2019 with 4-year-maturity. Interest is payable semi-annually on 7th of February and 7th of August of each year, commencing on 7th of February 2020. Interest will accrue from the issue date by actual days. The obligations of the issuer are guaranteed and pledged on a senior secured basis by AS IuteCredit Europe and its subsidiaries taking into consideration all present and future receivables and bank accounts.

On 3rd of December 2020, the Company issued additionally 10 000 thousand EUR of senior secured bonds at the Frankfurt Stock Exchange under the same conditions as for the issued senior secured bonds in August 2019. As the result, the total outstanding nominal amount of senior secured bonds is 50 000 thousand EUR. In December 2020, the bonds were also listed on the Regulated Market (general standard) of the Frankfurt Stock Exchange.

On 6th of October 2021, the Company additionally issued 75 000 thousand EUR of senior secured bonds at the Frankfurt Stock Exchange and on the Regulated Market of the Nasdaq Tallinn Stock Exchange. This was the first-time public offer to retail investors in Estonia, Latvia, Lithuania, and Germany with fixed coupon rate 11% and with 5-year-maturity. Interest is paid semi-annually on 6th of April and 6th of October each year.

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

This half year report has 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 this half year report except where indicated otherwise.

5.2 Summary of significant accounting policies

Basis of preparation

The half year report of the Company has 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 this half year report are set out below. These policies have been consistently presented in half year report 2022.

Reporting currency

The half year report is presented in thousands of Euros and all values are rounded to the nearest Euro (EUR). Due to this approach there might be rounding differences within different tables of this half year report.

Functional currency

The Company`s functional currency is 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

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 when the asset has become credit impaired.

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. The Company recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle.

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. With a view on the Company's Business Model which is "hold to collect" the company classifies and measures financial assets at amortized cost.

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.

The 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.

Business model assessment

The Company`s business model assessment is based on reasonably expected scenario. If cash flows after initial recognition are realized in a way that is different from the Company`s expectations, the Company does not change the classification of the remaining financial asset held in the business model.

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. The future projections are estimated based on the financial forecast of the parent company which is the sole debtor of the Company. Taking into account that the parent company`s performance is related to the recoverability of the receivables in subsidiaries located in different locations, the Company uses GDP growth and unemployment rates of countries where the parent company`s subsidiaries are operating, as a forward looking information.

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 all legal actions have been performed by the Company to recover receivable and the Company has 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 14.

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 this half year report regarding segments on the Company level.

The Company does not distinguish geographical segments, as all of the Company's income is derived from one country (Estonia) and the Company has no other locations which should be separately disclosed.

Distinction between short - and long-term assets and liabilities

The Company presents its assets and liabilities in the statement of financial position based on short-term/long-term classification.

Assets from which resources are expected to flow to the Company within 12 months are recognized as current assets.

The portion of assets with expected cash inflows later than 12 months after the end of the reporting period are recognized as non-current assets (see also section 6 General risk management policies).

Liabilities are classified as current when they are due within 12 months after the end of the reporting year or if the Company does not have an unconditional right to defer the payment for later than 12 months after the end of the reporting year. Financial liabilities received with due date within 12 months after the end of the reporting year which are refinanced as non-current after the end of the reporting period but before the financial statements are authorized for issue, are recognized as current. Loans received that the lender has the right to recall at the end of the reporting year due to breaches of contractual terms are also classified as current.

For all long-term assets and liabilities, the long-term portion is separately disclosed in the respective disclosure to these financial statements (see also section 6 General risk management policies).

6 Significant accounting judgements, estimates and assumptions

The preparation of the Company's half year report 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 unaudited financial results, as at 30 June 2022, 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.

The Company also assessed the potential impact of COVID-19 pandemic situation on the half year report, 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 the Company has sufficient financial resources (current assets) to cover its current liabilities. The assessment takes into account also the possible impact of COVID-19 pandemic situation to the parent company`s business operations.

The Board of Managers also assessed the potential impact of war in Ukraine and relevant events on the half year report, including going concern assumption. The Board of Managers has assessed that this matter will not affect the Company's ability to continue as a going concern. The assessment takes into account also the possible impact of this event on the parent company`s business operations which continue without any disruption.

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

<u>Interest rate risk</u>

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 loan receivables) and investing activities. The credit risk is evaluated by the Board of Managers of the Company on monthly basis taken into account the creditor financial performance, financial position, future business development. Also, the Board of Managers of the Company takes into account the Covid-19 pandemic`s possible impact, if any, to creditor`s financial performance, with a focus on the actions taken by the creditor to mitigate the negative impact of the Covid-19 pandemic to own financial performance.

As at 30 June 2022, the maximum credit risk arising from all receivables is in the amount of EUR 124 080 thousand.

The aging structure of receivables is as follows:

in thousand EUR	**30.06.2022**	**31.12.2021**
Not due	124 079	116 529
including accrued interest from loan receivables	*9 477*	*6 339*
including loan receivables	*114 602*	*110 190*
TOTAL	**124 079**	**116 529**

The sole creditor of the Company is 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 and implemented actions for mitigating the pandemic impact to financial performance. Based on the assessment, the management has identified 12-month expected credit loss for receivables as at 30 June 2022 in the amount of EUR 506 thousand.

The cash and cash equivalents are held in BPER Bank Luxembourg S.A accounts, based in latest Fitch Ratings, the rating of the Bank is BB; and in LHV Pank AS (Estonia) accounts, based in latest Moody`s Investors Service, the rating of the Bank is Baa1.

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.

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

		Maturity			
in thousand EUR	**30.06.2022**	**Up to 1 year**	**1-5 years**	**Currency**	**Interest**
Eurobonds *	169 735	14 750	154 985	EUR	11% and 13%
Payables	15	15	0	EUR	
TOTAL	**169 750**	**14 765**	**154 985**		

		Maturity			
in thousand EUR	**31.12.2021**	**Up to 1 year**	**1-5 years**	**Currency**	**Interest**
Eurobonds *	161 677	14 750	146 927	EUR	11% and 13%
Payables	38	38	-	EUR	
TOTAL	**161 715**	**14 788**	**146 927**		

* Including undiscounted principal outstanding as at 30 June 2022 of EUR 123 259 (31 December 2021: 123 927) thousand and estimated total undiscounted future interest payments as at 30 June 2022 of EUR 46 476 (31 December 2021: 37 750) thousand.

The maturity of undiscounted receivables is presented below:

in thousand EUR	30.06.2022	Maturity Up to 1 year	1-5 years	Currency	Interest
Loans and interest receivable**	158 065	12 145	145 920	EUR	10%-11%
TOTAL	**158 065**	**12 145**	**145 920**		

in thousand EUR	31.12.2021	Maturity Up to 1 year	1-5 years	Currency	Interest
Loans and interest receivable**	151 253	11 681	139 572	EUR	10%-11%
TOTAL	**151 253**	**11 681**	**139 572**		

** Including undiscounted principal outstanding as at 30 June 2022 of EUR 114 621 (31 December 2021: 110 387) thousand and estimated total undiscounted future interest payments as at 30 June 2022 EUR 43 444 (31 December 2021: 40 866) thousand.

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.

The ratios were following:

	30.06.2022	31.12.2021
Capitalization		
Equity/Net finance loans and advances to customers	29,6%	24,3%

	2022	2021
Profitability		
Interest coverage ratio (ICR) - EBITDA/interest expenses	1,7	1,6

The management constantly observes the covenants required to be fulfilled by Eurobond issuance. The Company has complied with the requirements in 2022.

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	01.01.2022-30.06.2022 in thousand EUR	01.01.2021-30.06.2021 in thousand EUR
Interest on loans	8 049	3 482
TOTAL	**8 049**	**3 482**

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

9 Interest expenses

Interest expenses	01.01.2022-30.06.2022 in thousand EUR	01.01.2021-30.06.2021 in thousand EUR
Interest on bond liabilities	-7 876	-3 433
TOTAL	**-7 876**	**-3 433**

Interest expense solely incurres with respect of the issued bonds on the market.

10 Cash and cash equivalents

Cash and cash equivalents	30.06.2022 in thousand EUR	31.12.2021 in thousand EUR
Bank accounts	29	7 807
TOTAL	**29**	**7 807**

11 Loan receivables

Loan receivables	30.06.2022 in thousand EUR	31.12.2021 in thousand EUR
Loan receivables	114 602	110 190
Accrued interest from loan receivables	9 477	6 339
TOTAL	**124 079**	**116 529**

In 2021, the Company additionally lent to Iute Credit Europe AS 66,6 million euros. The loan is issued with fixed interest rate of 11% and the loan maturity is on 1st October 2026. The loan is accounted at amortized cost by using an effective interest rate 11,24%. The interest is payable semi-annually on 6th of April and 6th of October of each year. The loan repayment date is the loan maturity date.

As at 31 December 2021, the Company had, in addition to new loan, one loan agreement outstanding with maturity on 2nd of August 2023 and with interest rate of 10%. The loan is accounted at amortized cost by using an effective interest rate 10,61%. The interest is payable semi-annually on 7th of February and 7th of August of each year. The loan repayment date is the loan maturity date.

The total maturity of receivables is as follows:

	30.06.2022	Maturity		Currency	Interest
in thousand EUR		**Up to 1 year**	**1 to 5 years**		
Loan receivables	**114 602**	0	114 602	EUR	10%-11%
Accrued interest from loan receivables	**9 477**	9 477	0	EUR	
TOTAL	**124 079**	**9 477**	**114 602**		

	31.12.2021	Maturity		Currency	Interest
in thousand EUR		**Up to 1 year**	**1 to 5 years**		
Loan receivables	**110 190**	0	110 190	EUR	10%-11%
Accrued interest from loan receivables	**6 339**	6 339	0	EUR	
TOTAL	**116 529**	**6 339**	**110 190**		

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 on in the following table.

in thousand EUR	30.06.2022	31.12.2021
Loan receivables	115 081	110 669
Expected credit loss	-479	-479
Expected loss rate	0,4%	0,4%
Interest receivables	9 504	6 366
Expected credit loss	-27	-27
Expected loss rate	0,3%	0,4%

Please see also Note 5. 2 for accounting policies, Note 12 for pledge related to the loan and Note 15 for additional information on related parties.

12 Financial liabilities

	30.06.2022	Maturity		Currency	Interest
in thousand EUR		**Up to 1 year**	**1 to 5 years**		
Eurobonds (excl. accrued interest)	**119 356**	0	119 356	EUR	11% and 13%
Accrued interest from bonds	**4 647**	4 647	0	EUR	
TOTAL	**124 003**	**4 647**	**119 356**		
	31.12.2021	**Maturity**		**Currency**	**Interest**
in thousand EUR		**Up to 1 year**	**1 to 5 years**		
Eurobonds (excl. accrued interest)	**119 580**	0	119 580	EUR	11% and 13%
Accrued interest from bonds	**4 636**	4 636	0	EUR	
TOTAL	**124 216**	**4 636**	**119 580**		

The Company issued 40 000 thousand EUR of senior secured bonds at the Frankfurt Stock Exchange with a fixed coupon rate 13% as at 7th of August 2019 with 4-year-maturity. Interest is payable semi-annually on 7th of February and 7th of August of each year, commencing on 7th of February 2020. Interest will accrue from the issue date by actual days. The obligations of the issuer are guaranteed and pledged on a senior secured basis by AS IuteCredit Europe and its subsidiaries taking into consideration all present and future receivables and bank accounts.

On 3rd of December 2020, the Company issued additionally 10 000 thousand EUR of senior secured bonds at the Frankfurt Stock Exchange under the same conditions as for the issued senior secured bonds in August 2019. As the result, the total outstanding nominal amount of senior secured bonds is 50 000 thousand EUR. In December 2020, the bonds were also listed on the Regulated Market (general standard) of the Frankfurt Stock Exchange.

On 6th of October 2021, the Company additionally issued 75 000 thousand EUR of senior secured bonds at the Frankfurt Stock Exchange and on the Regulated Market of the Nasdaq Tallinn Stock Exchange. This was the first-time public offer to retail investors in Estonia, Latvia, Lithuania, and Germany with fixed coupon rate 11% and with 5-year-maturity. Interest is paid semi-annually on 6th of April and 6th of October each year.

The following changes in financial liabilities have occurred:

in thousand EUR	Financial liabilities
31.12.2021	**119 580**
Bonds issued	3 679
EIR effect on bonds issued	-3 903
30.06.2022	**119 356**

in thousand EUR	Financial liabilities
31.12.2020	**44 040**
Bonds issued	79 887
EIR effect on bonds issued	-4 347
31.12.2021	**119 580**

13 Share capital

	30.06.2022	31.12.2021
Share capital	**EUR**	**EUR**
Share capital	12 000	12 000
Number of shares	12 000	12 000
Nominal value of share	1,00	1,00

All shares are fully paid. 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.

14 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 30 June 2022, the fair value of bond from investors amounted to EUR 119 356 (31 December 2021: 119 580) thousand, excluding interest in the amount of EUR 4 647 (31 December 2021: 4 636) thousand. Loan claim amounted to EUR 115 081 (31 December 2021: 110 669) thousand, excluding interest in the amount of EUR 9 504 (31 December 2021: 6 366) thousand. 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 is as follows:

		Fair value measurement using			
	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 receivables	30.06.2022	0	0	124 585	**124 585**
Liabilities for which fair values are disclosed					
Bonds and interest payables	30.06.2022	0	0	124 003	**124 003**
Assets for which fair values are disclosed					
Loans and interest receivables	31.12.2021	0	0	117 035	**117 035**
Liabilities for which fair values are disclosed					
Bonds and interest payables	31.12.2021	0	0	124 216	**124 216**

15 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 are as follows:

in thousand EUR		Loans granted	Calculated interest from loans granted	Loans repaid	Interest received
Parent Company (IuteCredit Europe AS)	01.01.2022-30.06.2022	5 750	7 876	785	4 751
Parent Company (IuteCredit Europe AS)	01.01.2021-30.06.2021	285	3 482	0	3 500

in thousand EUR		Loans and borrowings received	Calculated interest on loan and borrowings	Loans repaid	Interest paid
Shareholders and related companies to them	01.01.2022-30.06.2022	0	175	0	175
Shareholders and related companies to them	01.01.2021-30.06.2021	0	163	0	163

in thousand EUR		Loan receivable	Interest receivable	Loan and borrowings	Interest payable
Parent Company (IuteCredit Europe AS)	30.06.2022	114 603	9 477	0	0
Shareholders and related companies to them	30.06.2022	0	0	2 717	102
Parent Company (IuteCredit Europe AS)	31.12.2021	110 191	6 339	0	0
Shareholders and related companies to them	31.12.2021	0	0	2 721	110

During the reporting financial period and in financial year 2021 the Company did not employ personnel. Members of the Board of Directors were not remunerated. No advances and loans were granted during the financial period to the members of those bodies.

16 Commitments and contingent liabilities

Commitments

According to issued bonds agreement, the Company`s obligations are pledged in favor of the investor with all Company`s existing assets and future receivables till the maturity date of the bonds on 7th of August 2023 and on 6th of October 2026.

Contingent liabilities

According to issued bonds, 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 VeloxPay Albania SH.P.K.

As of the balance sheet date 30 June 2022 and 31 December 2021, there was no breach in the financial covenants.

17 Subsequent events

As of the last day of the reporting date of the half year report until the date of signing this half year report there have been no events requiring adjustment or disclosure in the half year report or in the notes thereto.

Signatures of the management board to unaudited half year report 2022

The Company's Management Board has approved the management report for half year report and unaudited half year report for financial period 01 January 2022-30 June 2022.
The Company`s Management Board confirms, that:

- unaudited half year report is prepared in accordance with IFRS as adopted by EU;
- unaudited half year report gives a true and fair view of the assets, liabilities, financial position and other comprehensive income of the Company;
- the management report includes a fair review of the development and performance of the business and risks associated with the expected development of the Company for the remaining months of the fiscal year.

26 August 2022

Kristel Kurvits
Member of the Management Board

Ann Leonie Lauwers
Member of the Management Board

Pieter Adriaan van Nugteren
Member of the Management Board