

IUTECREDIT FINANCE S.À R.L.

Annual report for the year ended 31 December 2021

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General information and contacts

Address:	14, rue Edward Steichen L-2540 Luxembourg Grand Duchy of Luxembourg
Registry code:	B234678
Main activity:	Financing company
Auditor:	KPMG Luxembourg, Société anonyme
Reporting period:	01 January 2021 – 31 December 2021
Share capital:	EUR 12 thousand

Management report for financial year 2021

In accordance with our duties as Board of Managers of luteCredit Finance S.à r.l. (the “Company”), we herewith submit to the shareholder of the Company the financial statements for the financial year ended 31 December 2021 (hereinafter, “2021”).

Executive overview

luteCredit Finance S.à r.l. (hereinafter “the Company”) started its business activity in May 2019. The financial year 2021 was the second full year of operations for the Company. The Company`s main business activity is acting as a financing intermediary for its parent company - luteCredit Europe AS which is registered and located in the Republic of Estonia. The Company is included in the consolidated financial statements of luteCredit Europe AS which can be found on the official website of luteCredit Europe AS www.iutecredit.com.

luteCredit 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 2021, luteCredit Europe AS had in addition to the Company, seven operating subsidiaries:

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

Financial review

Statement of profit or loss and other comprehensive income

The Company recorded a net profit of EUR 22 thousand for the reporting year ended 31 December 2021. Operating revenues amounted to EUR 10 186 thousand which consisted of interest income from granted loans to the parent entity.

The loans granted to the parent entity were financed by the issuance of bonds by the Company and the Company incurred financial expenses in the financial year in a total amount of EUR 9 965 thousand (including expected credit loss in the amount of EUR 303 thousand).

Operating expenses amounted to EUR 139 thousand which were related to legal and consultation services purchased in 2021.

Statement of financial position

Total assets on 31 December 2021 amounted to EUR 124 336 thousand and liabilities amounted to EUR 124 254 thousand. The assets consist mostly of interest and loan receivable. The liabilities mostly consist of accrued interest payables and bond liabilities.

As at 31 December 2021 the liquidity ratio of the Company was 3,0%.

The equity of the Company is in the amount of EUR 82 thousand as at 31 December 2021.

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, luteCredit 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 will 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) are planned for the year ending 31 December 2022.

Research & Development

No research and development costs occurred in the financial year ended 31 December 2021.

Acquisition of own shares

No acquisition of own shares has occurred in the financial year ended 31 December 2021.

Free shares

As at 31 December 2021, the Company has not granted any free shares to members of the Management of the Company. The Company is fully owned by luteCredit Europe AS.

Existence of branches of the Company

The Company does not have any branches.

Risk management

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 the financial market and their possible impact on the Company`s liquidity and capital as described in Note 6 Financial 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 a public-interest entity. Based on Art. 52 (1), a public-interest entity shall establish an audit committee. However, based on Art. 52 (5) a), the Company is exempted from this obligation as an audit committee has been established on 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 January 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 managers (the “Managers”) 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.

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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 position of CEO within the Company.

Financial reporting and auditing

The annual financial statements of the Company are audited. The Annual General Meeting of shareholders appoints the auditor for the next financial year. At the shareholders' meeting on 23 September 2021, KPMG Luxembourg, Société anonyme was appointed as the Company's auditor for the next financial year.

One member of the Board of Managers has been appointed as responsible for financial reporting and auditing.

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

On 24 February 2022, Russia started a military invasion to Ukraine. The war will have an impact on businesses and economies, including in the European Union. However, as of today, the war has had no real impact on the Company`s business operations. The possible impact of the war on the Company`s business operations will be taken into account in the 2022 financial statements. No significant effects on the Company's operations are expected.

The Board of Managers of the Company declares the sustainability of the Company within next 12 months from the date of signing of the annual report.

Profit allocation

The Bord of Managers recommends to the shareholder to allocate from the net annual profit of the financial year 2021 EUR 22 thousand to the retained earnings.

* * *

We recommend that the shareholder of the Company approves the financial statements as presented to them and kindly ask the shareholder to grant discharge to the Managers of the Company for the exercise of their mandate during the financial year ended 31 December 2021.

Luxembourg, 02 May 2022



Kristel Kurvits
Manager

Luxembourg, 02 May 2022



Ann Leonie Lauwers
Manager

Financial statements

Statement of Profit and Loss and Other Comprehensive Income

	Notes	2021 in thousand EUR	2020 in thousand EUR
Interest income	7	10 186	5 810
Interest expense	8	-9 662	-5 465
Net interest income		524	345
Other income		0	31
Other income		0	31
Legal services, notary and bank fees	9	-139	-86
Allowances for loan impairment	11	-303	-43
Total operating expenses		-442	-128
Profit (-loss) before tax		82	248
Income tax expense		-60	0
Profit (-loss) for the reporting period		22	248
Other comprehensive income		0	0

Notes on pages 11-32 are an integral part of the financial statements.

Statement of Financial Position

	Notes	31.12.2021 in thousand EUR	31.12.2020 in thousand EUR
Assets			
Non-current assets			
Loan receivables	11	110 190	44 307
Total non-current assets		110 190	44 307
Current assets			
Accrued interest from loan receivable	11	6 339	2 308
Cash and cash equivalents	10	7 807	87
Total current assets		14 145	2 395
Total assets		124 336	46 702
Equity and liabilities			
Equity			
Share capital	13	12	12
Reserves		1	1
Accumulated profit (-loss)		69	48
Total equity		82	61
Non-current liabilities			
Interest bearing loans and borrowings	12	119 580	44 040
Total non-current liabilities		119 580	44 040
Current liabilities			
Accrued interest on interest bearing loans and borrowings	12	4 636	2 600
Trade payables		38	1
Total current liabilities		4 674	2 601
Total liabilities		124 254	46 641
Total equity and liabilities		124 336	46 702

Notes on pages 11-32 are an integral part of the financial statements.

Statement of Changes in Equity

in thousand EUR	Share capital	Legal reserve	Retained earnings	Total
01.01.2020	12	0	-199	-187
Profit for the reporting period	0	0	248	248
Allocation to legal reserve	0	1	-1	0
Other comprehensive income	0	0	0	0
31.12.2020	12	1	48	61
31.12.2020	12	1	48	61
Profit for the reporting period	0	0	22	22
Other comprehensive income	0	0	0	0
31.12.2021	12	1	69	82

Additional information about share capital is disclosed in Note 13.

Notes on pages 11-32 are an integral part of the financial statements.

Statement of Cash Flows

Notes	2021 in thousand EUR	2020 in thousand EUR
Paid trade payables	-745	-97
Corporate income tax paid	-60	0
Loan given to parent entity	-66 635	-10 275
Interest received	7 000	5 515
Net cash flows used in operating activities	-60 440	-4 857
Proceeds from issuance of bonds	74 691	10 097
Payments for repurchases of bonds	-31	0
Interest paid	-6 500	-5 200
Net cash flows from financing activities	68 160	4 897
Change in cash and cash equivalents	7 720	40
Cash and cash equivalents at the beginning of the period	87	47
Change in cash and cash equivalents	7 719	40
Cash and cash equivalents at the end of the period	7 807	87

Notes on pages 11-32 are an integral part of the financial statements.

Notes to the financial statements

1 Corporate information

The accompanying financial statements of luteCredit Finance S.à r.l. (the Company) for the period from 01 January to 31 December 2021 were authorized for issue in accordance with a resolution of the Board of Managers on 02 May 2022.

luteCredit 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.

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 luteCredit 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.

2 Adoption and interpretation of new revised standards and new accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2021. In the reporting period the Company has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (IBOR) (Phase two)
(Effective for annual periods beginning on or after 1 January 2021; to be applied prospectively. Early application is permitted).

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The amendments did not have a material impact on the Company.

3 Standards issued but not yet effective and not early adopted

The following new standards, interpretations and amendments are not yet effective for the reporting year ended 31 December 2021 and have not been applied in preparing these financial statements. The Company plans to adopt these pronouncements when they become effective.

Amendments to IAS 37 Onerous contracts – Cost of Fulfilling a Contract

(Effective for annual periods beginning on or after 1 January 2022. Early application is permitted)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated.

The Company does not expect the amendments to have a material impact on its financial statements when initially applied.

Annual improvements to IFRS standards 2018-2020

(Effective for annual periods beginning on or after 1 January 2022. Early application is permitted)

Improvements to IFRS (2018-2020) include three amendments to the standards:

- the amendments to IFRS 9 Financial instruments clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender is on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- the amendments IFRS 16 Leases remove illustrative example 13 accompanying IFRS 16, which in practice creates confusion in accounting for leasehold improvements for both lessee and lessor. The purpose of the amendment is to remove the illustrative example that creates confusion.
- the amendments to IAS 41 Agriculture remove the requirement to use pre-tax cash flows to measure fair value of agriculture assets. Previously, IAS 41 had required an entity to use pre-tax cash flows when measuring fair value but did not require the use of a pre-tax discount rate to discount those cash flows.

The Company does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 16 Property, Plant and Equipment

(Effective for periods beginning on or after 1 January 2022; to be applied retrospectively. Early application is permitted)

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.

The amendments must be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented (if necessary). These amendments have not yet endorsed by the EU.

The Company does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IFRS 3 Business Combinations

(Effective for periods beginning on or after 1 January 2022. Early application is permitted)

The amendments to IFRS 3 update a reference in IFRS 3 to the 2018 Conceptual Framework for Financial Reporting instead of the 1989 Framework. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments have not yet endorsed by the EU.

The Company does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

(Effective for periods beginning on or after 1 January 2022. Early application is permitted)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g., leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Company does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 1 Presentation of Financial Statements

(Effective for periods beginning on or after 1 January 2023; to be applied retrospectively. Early application is permitted)

The amendments clarify that the classification of liabilities as current or non-current is based solely on the entity's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability. These amendments have not yet endorsed by the EU.

The Company does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 8 Definition of Accounting Estimates

(Effective for periods beginning on or after 1 January 2023; to be applied prospectively. Early application is permitted.)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g., an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g., the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The Company does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

(Effective for periods beginning on or after 1 January 2023. Early application is permitted.)

The amendments include guidance for applying the concept of materiality to disclose of accounting policies.

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Company does not expect the amendments to have a material impact on its financial statements when initially applied.

4 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) 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 applied to all the periods presented, unless otherwise stated.

These financial statements have been prepared under historical cost basis, unless otherwise stated. The Company classifies its expenses by their nature.

The financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

When the presentation or classification of items in the financial statements is amended, comparative amounts for the previous period are also reclassified, if not specified differently under the relevant accounting principle.

Reporting currency

The financial statements are 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 the financial statements.

Functional currency

The Company`s functional currency is Euro (EUR).

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above. The cash flows of the Company are prepared by using the direct method.

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.

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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, which is also the Company's chief operating decision maker, 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 operating segment which is involved in the provision of financing.

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).

5 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 the Company's ability to continue as a going concern. The Company's going concern ability depends directly on the parent company's financial performance, therefore the parent company's financial performance related information is exchanged between the parent company and the Company on an 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 of 31 December 2021, were strong and no significant downgrade in the financial position and business operations of the 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's management has performed the going concern analysis on 17 March 2022. Accordingly, the financial statements of the Company are prepared on the going concern basis.

The Company also assessed 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 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 financial statements, 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.

6 Financial risk management policies

The business of the Company involves several financial risks: market risk (interest risk, currency risk, credit risk and liquidity risk) and business risk. Its risk management 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 the Company`s equity and to carry the 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 and expenses occurs 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 31 December 2021, the maximum credit risk arising from all receivables is in the amount of 116 529 (31 December 2020: 46 615) thousand euros.

The aging structure of receivables is as follows:

in thousand EUR	31.12.2021	31.12.2020
Not due	116 529	46 615
<i>including accrued interest from loan receivables</i>	<i>6 339</i>	<i>2 308</i>
<i>including loan receivables</i>	<i>110 190</i>	<i>44 307</i>
TOTAL	116 529	46 615

The sole creditor of the Company is the parent company. The Board of Managers has assessed the potential 12-month expected credit loss from the receivables taking into account the parent company`s financial position and financial performance and implemented actions for mitigating the pandemic`s impact on financial performance. Based on the assessment, the Board of Managers has identified 12-month expected credit loss for receivables as at 31 December 2021 in the amount of 506 (31 December 2020: 202) thousand euros. See also Note 4 and Note 11.

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.

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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 dates are presented below:

in thousand EUR	Maturity				
	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		

in thousand EUR	Maturity				
	31.12.2020	Up to 1 year	1-5 years	Currency	Interest
Eurobonds *	62 110	6 035	56 075	EUR	13%
Payables	1	1	-	EUR	
TOTAL	62 111	6 036	56 075		

* Including undiscounted principal outstanding as at 31 December 2021 of 123 927 (31 December 2020: 46 420) thousand euros and estimated total undiscounted future interest payments as at 31 December 2021 of 37 750 (31 December 2020: 15 690) thousand euros.

The maturity of undiscounted receivables is as follows:

in thousand EUR	Maturity				
	31.12.2021	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		

in thousand EUR	Maturity				
	31.12.2020	Up to 1 year	1-5 years	Currency	Interest
Loans and interest receivable**	58 857	5 728	53 129	EUR	10%
TOTAL	58 857	5 728	53 129		

** Including undiscounted principal outstanding as at 31 December 2021 of 110 387 (31 December 2020: 44 060) thousand euros and estimated total undiscounted future interest payments as at 31 December 2021 40 866 (31 December 2020: 14 797) thousand euros.

Business risk

The Board of Managers of the Company assesses the main business risk arising from issued bonds. According to issued bonds, the Company`s activity is subject to the financial covenants measurement on quarterly basis upon submission of the annual audited consolidated reports and interim unaudited quarterly consolidated reports of luteCredit group. The

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financial covenants are measured on luteCredit group level which comprises of the parent company luteCredit Europe AS and its subsidiaries, in addition to the Company, ICS OMF luteCredit SRL, luteCredit Albania SHA, luteCredit Macedonia DOOEL–Skopje, lutePay Bulgaria EOOD, luteCredit Bulgaria EOOD, MKD luteCredit BH d.o.o. Sarajevo and VeloxPay 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: luteCredit group consolidated equity/ luteCredit group consolidated net finance loans and advances to customers.

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

The ratios for covenants were following:

	31.12.2021	31.12.2020
Capitalization		
Equity/Net finance loans and advances to customers	24,3%	27,1%
	2021	2020
Profitability		
Interest coverage ratio (ICR) - EBITDA/interest expenses	1,6	1,9

The Board of Managers constantly observes the covenants required to be fulfilled by the Eurobond issuance. The Group has complied with the requirements in 2021 and 2020.

Adjusted EBITDA – a non-IFRS measure that represents EBITDA (profit for the period plus tax, plus interest expense, plus depreciation and amortization) adjusted for income/loss from discontinued operations, non-cash gains and losses attributable to movement in the mark-to-market valuation of hedging obligations under IFRS, goodwill write-offs and certain other one-off or non- cash items.

Capital management

The Company`s primary objective 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 the 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 shareholder, resell shares, change the nominal value of shares, issue new shares or sell assets to cover liabilities.

See also note 13.

7 Interest income

	2021	2020
Interest income	in thousand EUR	in thousand EUR
Interest on loans	10 186	5 810
TOTAL	10 186	5 810

Interest income is exclusively earned from the loans issued to the Company's parent IuteCredit Europe AS.

8 Interest expense

	2021	2020
Interest expenses	in thousand EUR	in thousand EUR
Interest on bond liabilities	-9 662	-5 465
TOTAL	-9 662	-5 465

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

9 Other operating expenses

	2021	2020
Other operating expenses	in thousand EUR	in thousand EUR
Legal services, notary and bank fees	-139	-86
TOTAL	-139	-86

10 Cash and cash equivalents

	31.12.2021	31.12.2020
Cash and cash equivalents	in thousand EUR	in thousand EUR
Cash held on bank accounts	7 807	87
TOTAL	7 807	87

11 Loan receivables

	31.12.2021	31.12.2020
Loan receivables	in thousand EUR	in thousand EUR
Loan receivables	110 190	44 307
Accrued interest from loan receivables	6 339	2 308
TOTAL	116 529	46 615

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 has, 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:

in thousand EUR	31.12.2021	Maturity		Currency	Interest
		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		

in thousand EUR	31.12.2020	Maturity		Currency	Interest
		Up to 1 year	1 to 5 years		
Loan receivables	44 307	0	44 307	EUR	10%-11%
Accrued interest from loan receivables	2 308	2 308	0	EUR	
TOTAL	46 615	2 308	44 307		

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 Board of Managers 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	31.12.2021	31.12.2020
Loan receivables	110 669	44 499
Expected credit loss	-479	-192
Expected loss rate	0,4%	0,4%
Interest receivables	6 366	2 318
Expected credit loss	-27	-10
Expected loss rate	0,4%	0,4%

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Changes in allowances for receivables are as follows:

in thousand EUR	Loan receivables		Interest receivables	
	2 021	2 020	2 021	2 020
Opening balance at 1 January	-192	-151	-10	-9
Changes incurred in 1 January to 31 December				
Recognition of expected credit loss	-287	-41	-17	-1
Closing balance as 31 December	-479	-192	-27	-10

Please see also Note 4 for accounting policies, Note 12 for pledged assets related to the loan and Note 15 for additional information on related parties.

12 Financial liabilities

in thousand EUR	31.12.2021	Maturity		Currency	Interest
		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		

in thousand EUR	31.12.2020	Maturity		Currency	Interest
		Up to 1 year	1 to 5 years		
Eurobonds (excl. accrued interest)	44 040	0	44 040	EUR	13%
Accrued interest from bonds	2 600	2 600	0	EUR	
TOTAL	46 640	2 600	44 040		

The 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 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 Frankfurt Stock Exchange under the same conditions as for issued senior secured bonds in August 2019. As a result, the total outstanding 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 Frankfurt Stock Exchange.

On 6th of October 2021, the Company additionally issued 75 000 thousand EUR of senior secured bonds at Frankfurt Stock Exchange and on the Regulated Market of the Nasdaq Tallinn Stock Exchange. As well as 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.

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As a result, the total outstanding nominal amount of senior secured bonds as at 31 December 2021 is 125 000 thousand EUR (31 December 2020: 50 000 thousand EUR).

The following changes in financial liabilities have occurred:

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

in thousand EUR	Financial liabilities
31.12.2019	36 401
Bonds issued	10 097
EIR effect on bonds issued	-2 458
31.12.2020	44 040

13 Share capital

	31.12.2021	31.12.2020
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. No dividends were proposed or declared in 2021 and 2020.

14 Fair value measurement

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

As at 31 December 2021, the fair value of the bond from investors amounted to 119 580 (31 December 2020: 44 040) thousand EUR, excluding interest in the amount of 4 636 (31 December 2020: 2 600) thousand EUR. Loan claim amounted to 110 669 (31 December 2020: 44 499) thousand EUR, excluding interest in the amount of 6 366 (31 December 2020: 2 318) 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.

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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:

	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets for which fair values are disclosed					
Loans and interest receivables	2021	0	0	117 035	117 035
Liabilities for which fair values are disclosed					
Bonds accrued interest payables	2021	0	0	124 216	124 216
Assets for which fair values are disclosed					
Loans and interest receivables	2020	0	0	46 817	46 817
Liabilities for which fair values are disclosed					
Bonds accrued interest payables	2020	0	0	46 640	46 640

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 Board of Managers, 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.à 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.

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The volumes of related party transactions for the period 01 January – 31 December are as follows:

in thousand EUR		Loans granted	Calculated interest from loans granted	Loans repaid	Interest received
Parent Company (IuteCredit Europe AS)	2 021	66 635	10 185	0	7 000
Parent Company (IuteCredit Europe AS)	2 020	10 275	5 808	0	5 515

in thousand EUR		Loans and borrowings received	Calculated interest on loan and borrowings	Loans repaid	Interest paid
Shareholders and related companies to them	2 021	133	340	0	337
Shareholders and related companies to them	2 020	675	335	0	326

The outstanding balances with related parties as at 31 December are as follows:

in thousand EUR		Loan receivable	Interest receivable	Loan and borrowings	Interest payable
Parent Company (IuteCredit Europe AS)	2 021	110 191	6 339	0	0
Shareholders and related companies to them	2 021	0	0	2 721	110
Parent Company (IuteCredit Europe AS)	2 020	44 307	2 308	0	0
Shareholders and related companies to them	2 020	0	0	3 022	139

During the financial year 2021 and in financial year 2020 the Company did not employ personnel. Members of the Board of Managers were not remunerated. No advances and loans were granted during the financial period to the members of those bodies.

See also Notes 7 and 11.

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 in the amount of 125 000 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 luteCredit group level which comprises of the parent company luteCredit Europe AS and its subsidiaries, in addition to the Company, ICS OMF luteCredit SRL, luteCredit Albania SHA, luteCredit Macedonia DOOEL-Skopje, lutePay Bulgaria EOOD, luteCredit Bulgaria EOOD, MKD luteCredit BH d.o.o. Sarajevo and VeloxPay Albania SH.P.K.

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

17 Operating segment

The Company is a single operating segment from management reporting perspective based on its business activity. The Company`s activity is reviewed by the management of the Company which is also the Company`s chief operating decision maker.

Reporting on segment income, expenses, profit, assets and liabilities

Breakdown of income, expense and profit	01.01.2021-31.12.2021	01.01.2020-31.12.2020
	in thousand EUR	in thousand EUR
Interest income	10 185	5 810
Interest expense	-9 662	-5 465
Legal services, notary and bank fees	-139	-86
Allowances for loan impairment	303	-43
Reportable segment profit (-loss) before tax	22	248
Reportable segment profit (-loss) for the reporting year	22	248
Breakdown of assets and liabilities	31.12.2021	31.12.2020
	in thousand EUR	in thousand EUR
Reportable segment assets		
Loan receivables	110 190	44 307
Accrued interest from loan receivable	6 339	2 308
Deferred expenses	0	0
Cash and cash equivalents	7 807	87
Total reporting segment assets	124 336	46 702
Reportable segment liabilities		
Interest bearing loans and borrowings	119 580	44 040
Accrued interest on interest bearing loans and borrowings	4 635	2 600
Trade payables	38	1
Total reporting segment liabilities	124 253	46 641

Reconciliation of segment income, expenses, profit, assets and liabilities.

As the Company`s business activity is classified as separate operating segment, then all income, expenses, profit, assets and liabilities reported in operating segment reporting are equal to income, expenses, profit, assets and liabilities reported in statement of Profit and Loss and Other Comprehensive Income and Statement of Financial Position.

18 Subsequent events

On 24 February 2022, Russia started military invasion to Ukraine. The war will have an impact on businesses and economies, including in European Union. However, as of today, the war has had no real impact on the Company` s business operations. The possible impact of the war on the Company` s business operations will be taken into account in the 2022 financial statements.

No other subsequent events have occurred which would cause corrections in reported financial information or which should be separately disclosed as subsequent event. See also Note 5.

The Board of Managers of the Company declares the sustainability of the Company within next 12 months from the date of signing of the annual report.

Signatures of the Board of Managers to 2021 annual report


The Company's Board of Managers has approved the management report and financial statements for 2021.

The annual report as compiled by the Board of Managers consists of the management report, financial statements and independent auditor's report. The Management Board has approved the annual report for submission to the general meeting of shareholder.

02 May 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



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Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the financial statements

Opinion

We have audited the financial statements of luteCredit Finance S.à r.l. (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("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 the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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.



Impairment allowance for Loan receivables

- a) Why the matter was considered to be one of most significance in our audit of the financial statements for the year ended 31 December 2021

The Company's primary activity is acting as a financing intermediary for IuteCredit Europe AS (Estonia) (the "parent company"). The loans granted to the parent entity represent the single largest category of assets on the Company's statement of financial position as at 31 December 2021.

The gross amounts of loans and interest receivable from the parent company as at 31 December 2021 amount to EUR 110 669 thousand and EUR 6 366 thousand respectively; impairment allowances on loans and interest receivable recognised amount to EUR 286 thousand and EUR 17 thousand respectively in the statement of profit and loss and other comprehensive income for the year ending 2021; total impairment allowances for loan and interest receivable amount to EUR 478 thousand and EUR 28 thousand respectively as at 31 December 2021.

Loans and interest receivable, collectively ("exposures"), represent approximately 94% of the Company's total assets as at 31 December 2021. Related impairment allowances represent the Board of Managers' best estimate of the expected credit losses associated with those exposures at the reporting date.

In addition to the significant size of the caption outlined above, we have assessed this area to be a key audit matter as the ECL provisioning involves significant judgement in determining the appropriate methodology, and in selecting and estimating the underlying assumptions to be applied. The ECL is sensitive to the assumptions such as Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure of Default ("EAD") and a change in the assumptions may have a material impact on the valuation of Loan receivables.

We refer to Note 11 Loan receivables and Note 4 "Summary of significant accounting policies" of the financial statements.

- b) How the matter was addressed in our audit

Our procedures over impairment allowance for Loan receivables included but were not limited to:

- Inspecting the Company's ECL methodology and assessing its compliance with the relevant requirements of the financial reporting standards. We assessed the impairment model assumptions used by the Company in calculating the provisions with the Company's own investigations and industry data.
- Understanding and testing of a selected key control implemented by management over the calculation of the expected credit losses.
- We involved our own financial risk management specialists, to:
 - o independently assess the available forward-looking information used in the ECL model, by means of corroborating inquiries of the Board of Managers and inspecting of publicly available information;
 - o assess the LGD, PD and EAD parameters in the model as well as appropriateness of the Significant Increase of Credit Risk ("SICR");



- perform a retrospective review for ECL and recalculations in order to verify that the figures were calculated accurately.
- Assessment whether the disclosures in the notes to the financial statements on the impairment allowance for Loan receivables are appropriate. This includes whether the information is sufficient to provide an understanding of the methods and assumptions used by management.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the annual report including the management report and the Corporate Governance Statement but does not include the financial statements and our report of the “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.

Responsibilities of the Board of Managers for the financial statements

The Board of Managers is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs 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.

The Board of Managers is responsible for presenting the financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format (“ESEF Regulation”).

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.

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 the EU Regulation N° 537/2014, the Law of 23 July 2016 and with 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.

Our responsibility is to assess whether the financial statements have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

As part of an audit in accordance with the 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.
- Conclude on the appropriateness of the 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, actions taken to eliminate threats or safeguards applied.

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 Shareholder on 23 September 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is two years.

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the management report. The information required by Article 68ter paragraph (1) letters c) 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 with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in the EU Regulation N°537/2014 were not provided and that we remained independent of the Company in conducting the audit.

We have checked the compliance of the financial statements of the Group as at 31 December 2021 with relevant statutory requirements set out in the ESEF Regulation that are applicable to financial statements.

For the Company it relates to:

- Financial statements prepared in a valid xHTML format.

In our opinion, the financial statements of luteCredit Finance S.à r.l. as at 31 December 2021, identified as 2221005B3DQGM4INWF57-2021-31-12-en.xhtml, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Our audit report only refers to the financial statements of luteCredit Finance S.à r.l. as at 31 December 2021, identified as 2221005B3DQGM4INWF57-2021-31-12-en.xhtml, prepared and presented in accordance with the requirements laid down in the ESEF Regulation, which is the only authoritative version.

Luxembourg, 2 May 2022

KPMG Luxembourg
Société anonyme
Cabinet de révision agréé

M. Jahke
Associate Partner