IUTECREDIT FINANCE S.À R.L.

Annual report for the year ended 31 December 2022

Address: 16, rue Eugene Ruppert
L-2453 Luxembourg
Grand Duchy of Luxembourg

Registry code: B234678

Contents

General information and contacts

Address:	16, rue Eugene Ruppert L-2453 Luxembourg Grand Duchy of Luxembourg
Registry code:	B234678
Main activity:	Financing company
Auditor:	KPMG Audit S.à r.l.
Reporting period:	01 January 2022 – 31 December 2022
Share capital:	EUR 12 thousand

Management report for the financial year 2022

In accordance with our duties as Board of Managers of IuteCredit 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 2022 (hereinafter, "2022").

Executive overview

IuteCredit Finance S.à r.l. (hereinafter "the Company") started its business activity in May 2019. The financial year 2022 was the third full year of operations for the Company. The Company`s main business activity is acting as a financing intermediary for its parent company - IuteCredit Europe AS which is registered and located in the Republic of Estonia. The Company is included in the consolidated financial statements of IuteCredit Europe AS which can be found on the official website of IuteCredit Europe AS www.iutecredit.com.

IuteCredit Europe AS is a holding company which issues consumer credits and offers personal finance services via its 100% owned operating subsidiaries in local markets where the subsidiaries are operating. As of 31 December 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. BC Energbank S.A (NGB) in Moldova.

Financial review

Statement of profit or loss and other comprehensive income

The Company recorded a net profit of EUR 29 thousand for the reporting year ended 31 December 2022. Operating revenues amounted to EUR 16 057 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 15 843 thousand (including expected credit loss in the amount of EUR 43 thousand).

Operating expenses amounted to EUR 60 thousand which were related to legal and consultation services purchased in 2022.

Statement of financial position

Total assets on 31 December 2022 amounted to EUR 126 372 thousand and liabilities amounted to EUR 126 261 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 2022 the liquidity ratio of the Company was 1,07%.

The equity of the Company is in the amount of EUR 111 thousand as at 31 December 2022.

Future development

Considering the ongoing 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 will focus its activities in the financial year 2023 on the main business operations and stay alert to any circumstance which may impact negatively Company`s business operations.

The management of the Company has also assessed the potential impact on the Company`s financial performance regarding the collapse of Credit Suisse and the takeover by UBS which happened in March 2023. As the Company does not have any relationship with Credit Suisse and also Company`s sole creditor do not have any relationship with the collapsed bank, then the management of the Company is in a opinion, that the impact of this event to the Company`s financial performance would be very marginal, if any.

In March 2023, the Company conducted a refinancing of the bonds in the amount of total EUR 50 000 thousand which maturity date is 07 August 2023. In addition to refinancing, the Company conducted a public offering for the subscription of new bonds in the amount up to EUR 50 000 thousand. As a result, the bonds in the amount of EUR 23 382 thousand were refinanced and new bonds in the amount of EUR 21 159 thousand were subscribed.

Research & Development

No research and development costs occurred in the financial year ended 31 December 2022.

Acquisition of own shares

No acquisition of own shares has occurred in the financial year ended 31 December 2022.

Free shares

As at 31 December 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 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 of the financial statements.

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.

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 01 August 2022, KPMG Audit S.à r.l. 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 1 March 2023, the Company started exchange offer for EUR bond 2019/2023 (ISIN: XS2033386603). Exchange offer period was from 1 March 2023 until 29 March 2023. Exchange offer conditions were as follows:

- Exchange offer-related new EUR 2021/2026 (ISIN: XS2378483494) bonds offered at exchange price of 96.5% with an interest rate of 11.0% per annum payable semi-annually; difference to exchange price of each new bond and its nominal value (EUR 35 per bond exchanged) and accrued interest for period from 7 February 2023 to 6 April 2023 will be paid in cash.
- Additional cash component for investors opting for exchange consisting of attractive exchange fee of 1.0% (EUR 10 per bond exchanged).
- Yield to maturity for exchange offer-related bonds of 12.6%.
- Exchange ratio 1:10, as a result of different denominations of the bonds, i.e., EUR 2019/2023 bond denominated at EUR 1,000 each, EUR 2021/2026 at EUR 100 each.

As a result of the exchange offer, the Company was able to exchange 23 382 bonds with the value of EUR 23 382 thousand.

On 6 March 2023, in addition to exchange offer, the Company announced a public offering of senior secured bonds for subscription.

The conditions of the public offering were as follows:

- The subscription period for the bonds was from 6 March 2023 until 31 March 2023. Qualified investors and retail investors in Estonia, Latvia, and Lithuania as well as in Germany were targeted.
- Up to 500 000 new bonds were offered with nominal value of EUR 100 with a maximum aggregate nominal value of EUR 50 000 thousand on top of the already issued and listed EUR 75 000 thousand bond (ISIN: XS2378483494). The amount was immediately consolidated on the issue date and form a single series with the EUR 75 000 thousand, senior secured bonds (ISIN: XS2378483494). The aggregate principal amount is up to EUR 125 000 thousand.
- The maturity date is 6 October 2026 and the interest rate is 11% per annum which is paid semi-annually.
- The offer price per new bond ranged between 96.5 % and 97,5%. The new price was announced to investors on 31 March 2023.

As a result of the new offer, 211 590 bonds with the value of EUR 21 159 thousand were subscribed.

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 2022 EUR 29 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 2022.

Luxembourg, 19 April 2023

Kristel Kurvits

Manager

Luxembourg, 19 April 2023

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Anr. Leonie Lauwers

Manager

Financial statements

Statement of Profit and Loss and Other Comprehensive Income

	Notes	2022 in thousand EUR	2021 in thousand EUR
Interest income	7	16 057	10 186
Interest expense	8	-15 800	-9 662
Net interest income		**257**	**524**
Legal services, notary and bank fees	9	-60	-139
Allowances for loan impairment	11	-43	-303
Total operating expenses		**-103**	**-442**
Profit (-loss) before tax		**154**	**82**
Income tax expense		-125	-60
Profit (-loss) for the reporting period		**29**	**22**
Other comprehensive income		0	0

Notes on pages 12-32 are an integral part of the financial statements.

Statement of Financial Position

	Notes	31.12.2022 in thousand EUR	31.12.2021 in thousand EUR
Assets			
Non-current assets			
Loan receivables	11	68 621	110 190
Total non-current assets		***68 621***	***110 190***
Current assets			
Loan receivables	11	47 087	0
Accrued interest from loan receivable	11	10 635	6 339
Cash and cash equivalents	10	28	7 807
Total current assets		***57 750***	***14 145***
Total assets		**126 372**	**124 336**
Equity and liabilities			
Equity			
Share capital	13	12	12
Reserves		1	1
Accumulated profit (-loss)		98	69
Total equity		***111***	***82***
Non-current liabilities			
Interest bearing loans and borrowings	12	72 290	119 580
Total non-current liabilities		***72 290***	***119 580***
Current liabilities			
Interest bearing loans and borrowings	12	49 176	0
Accrued interest on interest bearing loans and borrowings	12	4 761	4 636
Trade payables		34	38
Total current liabilities		***53 971***	***4 674***
Total liabilities		***126 261***	***124 254***
Total equity and liabilities		**126 372**	**124 336**

Notes on pages 12-32 are an integral part of the financial statements.

Statement of Changes in Equity

in thousand EUR	Share capital	Legal reserve	Retained earnings	Total
01.01.2021	**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**
01.01.2022	**12**	**1**	**69**	**82**
Profit for the reporting period	0	0	29	29
Other comprehensive income	0	0	0	0
31.12.2022	**12**	**1**	**98**	**111**

Additional information about share capital is disclosed in Note 13.

Notes on pages 12-32 are an integral part of the financial statements.

Statement of Cash Flows

	Notes	2022 in thousand EUR	2021 in thousand EUR
Paid trade payables		-86	-745
Corporate income tax paid		-125	-60
Loan given to parent entity		-5 750	-66 635
Loan repaid by parent entity		750	0
Interest received		12 182	7 000
Net cash flows from operating activities		**6 971**	**-60 440**
Proceeds from issuance of bonds		0	74 691
Payments for repurchases of bonds		0	-31
Interest paid		-14 750	-6 500
Net cash flows from financing activities		**-14 750**	**68 160**
Change in cash and cash equivalents		**-7 779**	**7 720**
Cash and cash equivalents at the beginning of the period		**7 807**	**87**
Change in cash and cash equivalents		-7 779	7 720
Cash and cash equivalents at the end of the period	**10**	**28**	**7 807**

Notes on pages 12-32 are an integral part of the financial statements.

Notes to the financial statements

1 Corporate information

The accompanying financial statements of IuteCredit Finance S.à r.l. (the Company) for the period from 01 January to 31 December 2022 were authorized for issue in accordance with a resolution of the Board of Managers on 19 April 2023.

IuteCredit Finance S.à r.l. is a limited liability company incorporated and domiciled in Luxembourg. The registered office was located at 14, rue Edward Steichen, Luxembourg until 1 May 2022. As of 1 May 2022, the registered office is located at 16, rue Eugene Ruppert, Luxembourg. The Company was founded on 20 May 2019.

The Company issued EUR 40 000 thousand of senior secured bonds at the Frankfurt Stock Exchange with a fixed coupon rate 13% as at 7 August 2019 with 4-year-maturity. Interest is payable semi-annually on 7 February and 7 August of each year, commencing on 7 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 3 December 2020, the Company issued additionally EUR 10 000 thousand 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 EUR 50 000 thousand. In December 2020, the bonds were also listed on the Regulated Market (general standard) of the Frankfurt Stock Exchange.

On 6 October 2021, the Company additionally issued EUR 75 000 thousand 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 6 April and 6 October each year.

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

2 Adoption and interpretation of new or 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 2022. 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 IAS 37 Onerous contracts – Cost of Fulfilling a Contract

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 amendments did not have a material impact on the Company.

Amendments to IFRS 3 Business Combinations

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 amendments did not have a material impact on the Company.

Amendments to IAS 16 Property, Plant and Equipment

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).

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

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

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 amendments did not have a material impact on the Company.

Annual improvements to IFRS standards 2018-2020

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 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 2022 and have not been applied in preparing these financial statements. The Company plans to adopt these pronouncements when they become effective.

Amendments to IAS 1 Presentation of Financial Statements
(Effective for annual 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.

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 and IFRS Practice Statement 2 Making Materiality Judgements
(Effective for annual periods beginning on or after 1 January 2023. Early application is permitted)

The amendments to IAS 1 aim to help entities provide accounting policy disclosures that are more useful by:

- 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 Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material: "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements".

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

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
(Effective for annual 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.

The Company does not expect the amendments to have a material impact on its financial statements when initially applied as these amendments provide guidance in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

Amendments to IAS 12 Income Taxes
(Effective for annual periods beginning on or after 1 January 2023. Early application is permitted)

The amendments clarify the accounting for deferred tax on transactions that involve recognizing both an asset and a liability with a single tax treatment related to both. The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

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

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1
(Effective for annual periods beginning on or after 1 January 2023)

The amendments to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement the classification changes resulting from the amended guidance. This pronouncement is not yet endorsed by EU.

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

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback
(Effective for annual periods beginning on or after 1 January 2024; to be applied retrospectively to the date when the entity initially applied IFRS 16. Early application is permitted)

Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments.

The amendments confirm the following:

- on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction;
- after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. This pronouncement is 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.

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 valued 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 a 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 analysing 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 Financial 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 2022, 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 31 March 2023. Accordingly, the financial statements of the Company are prepared on the going concern basis.

The Board of Managers 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 has operated and continues to operate without any disruption.

The management of the Company has also assessed the potential impact on the Company`s financial performance regarding the collapse of Credit Suisse and the takeover by UBS which happened in March 2023. As the Company does not have any relationship with Credit Suisse and also Company`s sole creditor do not have any relationship with the collapsed bank, then the management of the Company is in a opinion, that the impact of this event to the Company`s going concern would be very marginal, if any.

In March 2023, the Company conducted a refinancing of the bonds in the amount of total EUR 50 000 thousand which maturity date is 07 August 2023. In addition to refinancing, the Company conducted a public offering for the subscription of new bonds in the amount up to EUR 50 000 thousand. As a result, the bonds in the amount of EUR 23 300 thousand were refinanced and new bonds in the amount of EUR 16 700 thousand were subscribed. Therefore, the Board of Managers is in an opinion that no risk of going concern exists for the Company due to short-term liabilities as at 31 December 2022.

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. 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 of the 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 a monthly basis taking into account the creditor`s financial performance, financial position, future business development.

As at 31 December 2022, the maximum credit risk arising from all receivables is in the amount of EUR 126 343 (31 December 2021: EUR 116 529) thousand.

The aging structure of receivables is as follows:

in thousand EUR	**31.12.2022**	**31.12.2021**
Not due	126 343	116 529
including accrued interest from loan receivables	*10 635*	*6 339*
including loan receivables	*115 708*	*110 190*
TOTAL	**126 343**	**116 529**

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. Based on the assessment, the Board of Managers has identified 12-month expected credit loss for receivables as at 31 December 2022 in the amount of EUR 548 (31 December 2021: EUR 506) thousand. 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.

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:

		Maturity			
in thousand EUR	**31.12.2022**	**Up to 1 year**	**1 to 5 years**	**Currency**	**Interest**
Eurobonds *	159 956	62 150	97 806	EUR	11% and 13%
Payables	34	20	14	EUR	
TOTAL	**159 990**	**62 170**	**97 820**		

		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 31 December 2022 of EUR 125 000 (31 December 2021: EUR 123 927) thousand and estimated total undiscounted future interest payments as at 31 December 2022 of EUR 34 956 (31 December 2021: EUR 37 750) thousand.

The maturity of undiscounted receivables is as follows:

	31.12.2022	**Maturity**		**Currency**	**Interest**
in thousand EUR		**Up to 1 year**	**1 to 5 years**		
Loans and interest receivable **	**147 625**	57 511	90 114	EUR	10% and 11%
TOTAL	**147 625**	**57 511**	**90 114**		

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

** Including undiscounted principal outstanding as at 31 December 2022 of EUR 116 333 (31 December 2021: EUR 110 387) thousand and estimated total undiscounted future interest payments as at 31 December 2022 EUR 31 292 (31 December 2021: EUR 40 866) thousand.

As at 31 December 2022, the short-term undiscounted liabilities and undiscounted receivables have significantly increased due to maturity of bonds in the amount of total EUR 50 000 thousand in August 2023. Starting from the end of 2022, the Company has initiated the planning process for refinancing the bonds in 2023. The management of the Company evaluates refinancing to be successful and therefore the short-term liquidity of the Company will not be weak in 2023. In the worst-case scenario, the parent company will attract additional financing from existing or new investors for ensuring that all the Company`s liabilities are fulfilled. See also Note 18.

The Company`s ability to fulfil its liabilities is dependent on the parent company`s financial performance and its ability to fulfil its own obligations in front of the Company. Therefore, the parent company`s financial performance related information, including cash flow forecasts, is exchanged between the parent company and the Company on an ongoing basis.

Business risk

The Board of Managers of the Company assesses the main business risk arising from issued bonds. The Company`s activity is subject to the financial covenants measurement on a quarterly basis upon submission of the annual audited consolidated reports and interim unaudited quarterly consolidated reports of IuteCredit group. 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, VeloxPay Albania SH.P.K and BC Energbank S.A.

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 for covenants were following:

	31.12.2022	31.12.2021
Capitalization		
Equity/Net finance loans and advances to customers	28,9%	24,3%

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

The Board of Managers constantly observes the covenants required to be fulfilled by the Eurobond issuance. The Group has complied with the requirements in 2022 and 2021.

*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

Interest income	2022 in thousand EUR	2021 in thousand EUR
Interest on loans	16 057	10 186
TOTAL	**16 057**	**10 186**

Interest income is exclusively earned from the loans issued to the parent company IuteCredit Europe AS.

8 Interest expense

Interest expense	2022 in thousand EUR	2021 in thousand EUR
Interest on loans	-15 800	-9 662
TOTAL	**-15 800**	**-9 662**

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

9 Other operating expenses

Other operating expenses	2022 in thousand EUR	2021 in thousand EUR
Legal service, notary and bank fees	-60	-139
TOTAL	**-60**	**-139**

In 2022, legal service fees include legal annual audit fees (excluding VAT and Administrative Charges) in the amount of EUR 30 (2021: EUR 27) thousand.

10 Cash and cash equivalents

Cash and cash equivalents	31.12.2022 in thousand EUR	31.12.2021 in thousand EUR
Bank accounts	28	7 807
TOTAL	**28**	**7 807**

11 Loan receivables

Loan receivables	31.12.2022 in thousand EUR	31.12.2021 in thousand EUR
Loan receivables	115 708	110 190
Accrued interest from loan receivables	10 635	6 339
TOTAL	**126 343**	**116 529**

As at 31 December 2022, the Company has a loan agreement outstanding with maturity on 2 August 2023 and with interest rate of 10%. The loan is recorded at amortized cost by using an effective interest rate of 10,61%. The interest is payable semi-annually on 7 February and 7 August of each year. The loan repayment date is the loan maturity date.

In 2022 and under the second loan agreement the company additionally lent EUR 5 000 thousand to IuteCredit Europe AS. The loan is issued with fixed interest rate of 11% and the loan maturity is on 1 October 2026. The loan is recorded at amortized cost by using an effective interest rate 9.87%. The interest is payable semi-annually on 6 April and 6 October of each year. The loan repayment date is the loan maturity date.

The total maturity of receivables is as follows:

in thousand EUR	31.12.2022	Maturity Up to 1 year	Maturity 1 to 5 years	Currency	Interest
Loan receivables	**115 708**	47 087	68 621	EUR	10% and 11%
Accrued interest from loan receivables	**10 635**	10 635	0	EUR	
TOTAL	**126 343**	**57 722**	**68 621**		

in thousand EUR	31.12.2021	Maturity Up to 1 year	Maturity 1 to 5 years	Currency	Interest
Loan receivables	**110 190**	0	110 190	EUR	10% and 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 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	31.12.2022	31.12.2021
Loan receivables	116 210	110 669
Expected credit loss	-502	-479
Expected loss rate	0,43%	0,43%
Interest receivables	10 682	6 366
Expected credit loss	-46	-27
Expected loss rate	0,43%	0,42%

Changes in allowances for receivables are as follows:

	Loan receivables		Interest receivables	
in thousand EUR	**2022**	**2021**	**2022**	**2021**
Opening balance at 1 January	**-479**	**-192**	**-27**	**-10**
Changes incurred in 1 January to 31 December				
Recognition of expected credit loss	-24	-287	-19	-17
Closing balance as 31 December	**-502**	**-479**	**-46**	**-27**

Please see also Note 4 for accounting policies and Note 15 for additional information on related parties.

12 Financial liabilities

	31.12.2022	**Maturity**		**Currency**	**Interest**
in thousand EUR		**Up to 1 year**	**1 to 5 years**		
Eurobonds (excl. accrued interest)	**121 466**	49 176	72 290	EUR	11% and 13%
Accrued interest from bonds	**4 761**	4 761	0	EUR	
TOTAL	**126 227**	**53 937**	**72 290**		

	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 EUR 40 000 thousand of senior secured bonds at Frankfurt Stock Exchange with a fixed coupon rate 13% as at 7 August 2019 and with 4-year-maturity. Interest is payable semi-annually on 7 February and 7 August of each year, commencing on 7 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 3 December 2020, the Company issued additionally EUR 10 000 thousand 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 EUR 50 000 thousand. In December 2020, the bonds were also listed on the Regulated Market (general standard) of Frankfurt Stock Exchange.

On 6 October 2021, the Company additionally issued EUR 75 000 thousand 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 6 April and 6 October each year.

As a result, the total outstanding nominal amount of senior secured bonds as at 31 December 2022 is EUR 125 000 (31 December 2021: EUR 125 000) thousand.

The following changes in financial liabilities have occurred:

in thousand EUR	Financial liabilities
31.12.2021	**119 580**
Bonds issued	1 072
EIR effect on bonds issued	814
31.12.2022	**121 466**

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

Share capital	31.12.2022 EUR	31.12.2021 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 2022 and 2021.

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 2022, the fair value of the bond from investors amounted to EUR 121 466 (31 December 2021: EUR 119 580) thousand, excluding interest in the amount of EUR 4 761 (31 December 2021: EUR 4 636) thousand. Loan claim amounted to EUR 116 210 (31 December 2021: EUR 110 669) thousand, excluding interest in the amount of EUR 10 635 (31 December 2021: EUR 6 366) thousand. The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

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

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

in thousand EUR	Date of valuation	Fair value measurement using: 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	2022	0	0	126 892	**126 892**
Liabilities for which fair values are disclosed					
Bonds accrued interest payables	2022	0	0	126 227	**126 227**
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**

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.

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)	2 022	5 750	16 059	750	12 182
Parent Company (IuteCredit Europe AS)	2 021	66 635	10 185	0	7 000

in thousand EUR		Loans and borrowings received	Calculated interest on loan and borrowings	Loans repaid	Interest paid
Shareholders and related companies to them	2 022	509	417	0	417
Shareholders and related companies to them	2 021	133	340	0	337

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)	2 022	115 708	10 635	0	0
Shareholders and related companies to them	2 022	0	0	3 221	147
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

During the financial year 2022 and in the financial year 2021 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 favour of the investor with all Company`s existing assets and future receivables until the maturity date of the bonds on 7 August 2023 and on 6 October 2026.

Contingent liabilities

According to issued bonds in the amount of EUR 125 000 thousand, 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, VeloxPay Albania SH.P.K and BC Energbank S.A.

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

17 Operating segment

The Company is a single operating segment from a 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	01.01.2022-31.12.2022 in thousand EUR	01.01.2021-31.12.2021 in thousand EUR
Interest income	16 057	10 185
Interest expense	-15 800	-9 662
Legal services, notary and bank fees	-60	-139
Allowances for loan impairment	-43	-303
Reportable segment profit (-loss) before tax	154	82
Reportable segment profit (-loss) for the reporting year	29	22

Breakdown of assets and liabilities	31.12.2022 in thousand EUR	31.12.2021 in thousand EUR
Reportable segment assets		
Loan receivables	115 707	110 191
Accrued interest from loan receivable	10 635	6 338
Cash and cash equivalents	28	7 806
Total reporting segment assets	**126 372**	**124 336**
Reportable segment liabilities		
Interest bearing loans and borrowings	121 466	119 580
Accrued interest on interest bearing loans and borrowings	4 761	4 635
Trade payables	33	38
Total reporting segment liabilities	**126 260**	**124 253**

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

As the Company`s business activity is classified as one 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 1 March 2023, the Company started exchange offer for EUR bond 2019/2023 (ISIN: XS2033386603). Exchange offer period was from 1 March 2023 until 29 March 2023. Exchange offer conditions were as follows:

- Exchange offer-related new EUR 2021/2026 (ISIN: XS2378483494) bonds offered at exchange price of 96.5% with an interest rate of 11.0% per annum payable semi-annually; difference to exchange price of each new bond and its nominal value (EUR 35 per bond exchanged) and accrued interest for period from 7 February 2023 to 6 April 2023 will be paid in cash.
- Additional cash component for investors opting for exchange consisting of attractive exchange fee of 1.0% (EUR 10 per bond exchanged).
- Yield to maturity for exchange offer-related bonds of 12.6%.

- Exchange ratio 1:10, as a result of different denominations of the bonds, i.e., EUR 2019/2023 bond denominated at EUR 1,000 each, EUR 2021/2026 at EUR 100 each.

As a result of the exchange offer, the Company was able to exchange 23 382 bonds with the value of EUR 23 382 thousand.

On 6 March 2023, in addition to exchange offer, the Company announced a public offering of senior secured bonds for subscription.

The conditions of the public offering were as follows:

- The subscription period for the bonds was from 6 March 2023 until 31 March 2023. Qualified investors and retail investors in Estonia, Latvia, and Lithuania as well as in Germany were targeted.
- Up to 500 000 new bonds were offered with nominal value of EUR 100 with a maximum aggregate nominal value of EUR 50 000 thousand on top of the already issued and listed EUR 75 000 thousand bond (ISIN: XS2378483494). The amount was immediately consolidated on the issue date and form a single series with the EUR 75 000 thousand, senior secured bonds (ISIN: XS2378483494). The aggregate principal amount is up to EUR 125 000 thousand.
- The maturity date is 6 October 2026 and the interest rate is 11% per annum which is paid semi-annually.
- The offer price per new bond ranged between 96.5 % and 97,5%. The new price was announced to investors on 31 March 2023.

As a result of the new offer, 211 590 bonds with the value of EUR 21 159 thousand were subscribed.

No other subsequent events have occurred which would cause corrections in reported financial information or which should be additionally 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 2022 annual report

The Company's Board of Managers has approved the management report and financial statements for 2022.

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 the shareholder.

19 April 2023

Kristel Kurvits
Member of the Board of Managers

DocuSigned by:
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Ann Leonie Lauwers
Member of the Board of Managers

DocuSigned by:
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Pieter Adriaan van Nugteren
Member of the Board of Managers

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To the Shareholder of
IuteCredit Finance S.à r.l.
16, rue Eugene Ruppert
L-2453 Luxembourg
Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the financial statements

Opinion

We have audited the financial statements of IuteCredit Finance S.à r.l. (the "Company"), which comprise the statement of financial position as at 31 December 2022, 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 2022 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 2022

The Company's primary activity is to act as a financing intermediary for IuteCredit Europe AS (Estonia) (the "parent company"). The loans granted to the parent company represent the single largest category of assets on the Company's statement of financial position as at 31 December 2022.

The gross amounts of loans and interest receivable from the parent company as at 31 December 2022 amount to EUR 116 210 thousand and EUR 10 682 thousand respectively; impairment allowances on loans and interest receivable recognised amount to EUR 24 thousand and EUR 19 thousand, respectively, in the statement of profit and loss and other comprehensive income for the year ending 2022; total impairment allowances for loan and interest receivable amount to EUR 502 thousand and EUR 46 thousand, respectively, as at 31 December 2022.

Loans and interest receivable, collectively ("exposures"), represent approximately 100% of the Company's total assets as at 31 December 2022. 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, 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:

- 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;
    - 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 14 September 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is three 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 Company as at 31 December 2022 with relevant statutory requirements set out in the ESEF Regulation that are applicable to financial statements.

For the Company it relates to:

1. Financial statements prepared in a valid xHTML format.

In our opinion, the financial statements of IuteCredit Finance S.à r.l. as at 31 December 2022, identified as 2221005b3dqgm4inwf57-2022-31-12-en, 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 IuteCredit Finance S.à r.l. as at 31 December 2022, identified as 2221005b3dqgm4inwf57-2022-31-12-en, prepared and presented in accordance with the requirements laid down in the ESEF Regulation, which is the only authoritative version.

Luxembourg, 19 April 2023

KPMG Audit S.à r.l.
Cabinet de révision agréé

M. Jahke
Partner