

esto



ESTO GROUP (ESTO Holdings OÜ)

# Special Purpose Annual Report 2021

We're building the future of commerce.





esto

## General information

**Company name** – ESTO HOLDINGS OÜ

**Legal form** – Private Limited company (OÜ)

**Registry code** – 14996345 (Commercial Register of the Republic of Estonia)

**VAT number** – EE102290996

**Address** – Laeva 2, 10111 Tallinn, Harju County

**Telephone** – +372 622 52 52

**Website** – [www.esto.eu/global](http://www.esto.eu/global)

**Reporting period** – 1 January 2021 - 31 December 2021

**Independent auditor** – KPMG Baltics OÜ

*The reporting currency is the euro (EUR), with units presented in thousands.*

*ESTO Holdings OÜ Special Purpose Annual Report 2021 has been audited.*

# Contents

2	General information
3	Contents
4	Business highlights
5	Management report
7	Consolidated financial statements
7	Consolidated Balance sheet
9	Consolidated Income statement
10	Consolidated Statement of cash flows
11	Consolidated Statement of changes in equity
12	Notes to the financial statements
12	<b>Note 1</b> - General information
12	<b>Note 2</b> - Significant accounting policies
12	<b>Note 2.1</b> - Basis of accounting
13	<b>Note 2.2</b> - Adoption and interpretation of new revised standards and new accounting policies
13	<b>Note 2.3</b> - Standards issued but not yet effective and not early adopted
16	<b>Note 2.4</b> - Functional and presentation currency
16	<b>Note 2.5</b> - Use of judgements and estimates
17	<b>Note 2.6</b> - Accounting policies
29	<b>Note 3</b> - Financial risk management and review
39	<b>Note 4</b> - Fair value of financial instruments
41	<b>Note 5</b> - Net interest income
42	<b>Note 6</b> - Net fee and commission income
43	<b>Note 7</b> - Loans and advances to customers
44	<b>Note 8</b> - Intangible assets
44	<b>Note 9</b> - Other assets
45	<b>Note 10</b> - Loans and borrowings
46	<b>Note 11</b> - Trade payables and other payables
46	<b>Note 12</b> - Tax liabilities
47	<b>Note 13</b> - Share capital and reserves
48	<b>Note 14</b> - Other operating expenses
48	<b>Note 15</b> - Personnel expenses
49	<b>Note 16</b> - Related party disclosures
51	<b>Note 17</b> - Contingent liabilities
51	<b>Note 18</b> - Investments in subsidiaries
52	<b>Note 19</b> - Unconsolidated financial statements of parent company as a separate company
52	<b>Note 19.1</b> - Balance sheet
53	<b>Note 19.2</b> - Income statement
54	<b>Note 19.3</b> - Statement of cash flows
55	<b>Note 19.4</b> - Statement of changes in equity
55	<b>Note 20</b> - Subsequent events
56	<b>Signatures of the management board to the annual report</b>
57	<b>Independent auditors report</b>



## Business highlights

ESTO was founded in 2017 in a small artsy coffee shop in downtown Tallinn (Estonia) with a vision to become the most preferred place to shop locally wherever you are globally. Today, ESTO powers hundreds of thousands of people and businesses internationally with our all-in-one commerce platform.

Gross merchandise  
volume

**55M**

Gross merchandise  
growth

**133%** ▲

Users  
growth

**155%** ▲

Business partnership  
growth

**56%** ▲

Revenue  
growth

**57%** ▲

Net profit  
growth

**103%** ▲

Total number of  
API requests

**168M**

Total number  
of transactions

**8M**

Total volume of  
transactions

**210M**

ESTO platform  
improvements during 2021

**7290**

We are very good at helping businesses to sell and people to buy, simple as that.



## Management report

### Key financial indicators (in thousands of euros)

Total income  
**11,860**

Net profit  
**2,743**

Total assets  
**33,373**

Loan portfolio  
**30,818**

Equity plus subordinated loans  
**7,067**

Equity  
**3,564**

### Ratios and loans originated

Return on equity  
**105%**

Return on assets  
**10%**

Cost/income ratio  
**21%**

Equity to loan portfolio  
**23%**

Provision cost to loan portfolio  
**1%**

Loans originated during 2021  
**~40M**

### Formulas

Return on equity: net profit / average equity

Return on assets: net profit / average assets

Cost to income: operating expenses / total revenue

Equity to loan portfolio: equity including subordinated loans / loan portfolio

Provision cost to loan portfolio: loan loss provision expense / loan portfolio

Although I begin this annual letter in a challenging landscape, I remain proud of what our company and our employees in all of our offices have achieved, collectively and individually. Looking back on the last year, it's clear that our constant investment in innovation, the ongoing development of our people and financial discipline are what enabled us to persevere in our dedication to help businesses to sell and people to buy through our state-of-the-art commerce platform.

It was a transformative year where we grew from a single operating company to ESTO Group, which now operates in the three different Baltic countries and has plans to enter additional markets. 2021 proved to us that we could be so much more than a company that facilitates any kind of payments across devices. With ESTO, we could build the future of commerce! We believe in and bet big on e-commerce and its influence on the future global economy. We believe that e-commerce continues to be the accelerator of commerce innovation globally.

Looking back at 2021, we were able to grow in difficult circumstances and strengthen our positions in all products and markets. Despite the Covid-19 pandemic, we are proud to report that our business has remained strong and the payment behaviour of our users has remained sound. Operational management has been one of the many strengths of ESTO organization. We are seasoned operators, and our business is protected via strong and established operational processes and internal teams.

In 2021 we expanded the ESTO platform to vastly increase user and partner touchpoints across products and services to fuel the growth of our thousands of retail partners. The great thing with the ESTO platform is the fact that we are able to add many different product verticals without deteriorating from the essential strategic mission. We look at our platform as a two-sided ecosystem in which both sides have many different outlets of usage that help us to provide more value to users and partners.

2021 was another strong year for ESTO, with the Group generating record revenue, as well as setting numerous other records in each of our lines of business. We earned 2.7 million in net profit on revenue of 12 million versus 1.4 million on revenue of 7.5 million in 2020, reflecting strong underlying performance across our businesses.

Looking towards 2022 then ESTO will continuously bet big on e-commerce and its influence on the future global economy. More specifically we focus on expanding our infrastructure required to succeed in our first foreign markets of Latvia and Lithuania. A lot of work has been done and we are already moving on a clear roadmap towards profitability in each new operating country.

The basis of our success is our people. Having a great team of people – with brains, integrity and enormous capabilities to navigate personally challenging circumstances while maintaining high standards of professional excellence – is what ensures our prosperity now and in the future.

**Mikk Metsa**  
Founder & CEO



# Consolidated financial statements

## Consolidated Balance sheet

(in thousands of euros)

	Note no	31.12.2021	31.12.2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		787	1,801
Loans and advances to customers	7	27,119	16,523
Prepayments		756	420
Other assets	9	530	433
<b>Total current assets</b>		<b>29,193</b>	<b>19,177</b>
<b>Non-current assets</b>			
Loans and advances to customers	7	3,097	2,548
Property and equipment		81	36
Intangible assets	8	929	525
Other assets	9	74	23
<b>Total non-current assets</b>		<b>4,180</b>	<b>3,133</b>
<b>TOTAL ASSETS</b>		<b>33,373</b>	<b>22,309</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Loans and borrowings	10	7,768	5,807
Trade payables and other payables	11	740	460
Tax liabilities	12	75	59
<b>Total current liabilities</b>		<b>8,583</b>	<b>6,327</b>
<b>Non-current liabilities</b>			
Loans and borrowings	10	21,226	14,301
<b>Total non-current liabilities</b>		<b>21,226</b>	<b>14,301</b>
<b>Total liabilities</b>		<b>29,809</b>	<b>20,628</b>

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn

	Note no	31.12.2021	31.12.2020
<b>Equity</b>			
Share capital	13	484	105
Share premium	13	155	155
Statutory reserve capital	13	11	11
Retained earnings (loss)		171	(22)
Total profit (loss) for the financial year		2,743	1,433
<b>Total equity</b>		<b>3,564</b>	<b>1,681</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>33,373</b>	<b>22,309</b>

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



# Consolidated Income statement

(in thousands of euros)

	Note no	2021	2020
Interest income	5	7,968	4,883
Interest expense	5	(2,830)	(1,832)
<b>Net interest income</b>		<b>5,138</b>	<b>3,050</b>
Fee and commission income	6	2,321	1,438
Fee and commission expense	6	(696)	(462)
<b>Net fee and commission income</b>		<b>1,625</b>	<b>976</b>
Finance costs		-	(30)
Net loss arising from derecognition of financial assets measured at amortised cost		(968)	(945)
Impairment losses on financial instruments	3	(199)	(213)
Other operating expenses	14	(1,631)	(824)
Personnel expenses	15	(878)	(453)
Depreciation and amortisation	8	(48)	(68)
Other expenses		(150)	(28)
<b>Profit (loss) before income tax</b>		<b>2,890</b>	<b>1,465</b>
Income tax		(147)	(33)
<b>Profit (loss) for the period</b>		<b>2,743</b>	<b>1,433</b>

Initialled for identification purposes only  
 Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
 KPMG, Tallinn

# Consolidated Statement of cash flows

(in thousands of euros)

	Note no	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit (loss)		2,743	1,433
<b>Adjustments or changes for:</b>		<b>(1,496)</b>	<b>223</b>
- Interest income		(400)	(473)
- Interest expense		(80)	169
- Net impairment loss on loans and advances	3	199	404
- Net loss arising from derecognition of financial assets measured at amortised cost		(968)	(945)
- Depreciation and amortisation	8	(20)	68
- Other adjustments		(228)	1,000
<b>Total adjustments or changes:</b>		<b>1,247</b>	<b>1,656</b>
<b>Changes in:</b>			
- Trade and other receivables		(1,213)	(3,642)
- Trade and other payables		276	539
- Loans and advances to customers		(9,428)	(15,508)
<b>Total changes</b>		<b>(10,364)</b>	<b>(18,611)</b>
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</b>		<b>(9,118)</b>	<b>(16,955)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment		(68)	(49)
Acquisition of intangible assets	8	(361)	(580)
<b>NET CASH FROM / (USED IN) INVESTING ACTIVITIES</b>		<b>(428)</b>	<b>(629)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings		37,597	37,942
Repayment of borrowings		(28,632)	(18,003)
Paid in share capital		(433)	(553)
<b>NET CASH FROM / (USED IN) FINANCING ACTIVITIES</b>		<b>8,532</b>	<b>19,386</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(1,014)</b>	<b>1,801</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>1,801</b>	<b>-</b>
<b>Cash and cash equivalents at end of period</b>		<b>787</b>	<b>1,801</b>

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



# Consolidated Statement of changes in equity

(in thousands of euros)

	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total equity
<b>Balance at 31.12.2020</b>	105	155	11	1,410	1,681
<b>Balance at 1 January 2021</b>	105	155	11	1,410	1,681
<b>Total comprehensive income for the period</b>	-	-	-	2,914	2,914
<b>Profit for the period</b>	-	-	-	2,743	2,743
<b>Transactions with owners of the Group Contributions and distributions</b>					
Acquired share capital	379	-	-	(598)	(219)
Dividends	-	-	-	(812)	(812)
<b>Total contributions and distributions</b>	<b>379</b>	<b>-</b>	<b>-</b>	<b>(1,410)</b>	<b>(1,031)</b>
<b>Balance at 31.12.2021</b>	<b>484</b>	<b>155</b>	<b>11</b>	<b>2,914</b>	<b>3,564</b>

Additional information on equity is provided in Note 13.

The notes on pages 12 to 55 are an integral part of these special purpose financial statements.

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn

# Notes to the financial statements

## Note 1. General information

ESTO Holdings OÜ is a holding company that provides services to customers via its fully-owned operating subsidiaries (Subsidiaries) in the Baltic market. The main business lines of the subsidiaries are issuance of consumer credit loans granted via ESTO's merchant network or directly to consumers.

As at 31 December 2021, ESTO Holdings OÜ had four operating subsidiaries:

1. ESTO AS in Estonia,
2. ESTO UAB in Lithuania,
3. ESTO LV AS in Latvia.
4. ESTO Latvia SIA in Latvia.

The subsidiaries and ESTO Holdings OÜ jointly form the ESTO GROUP (the Group).

The goal of this special purpose financial information 31.12.2021 is solely to illustrate the impact of a significant event on unadjusted financial information for ESTO Holdings OÜ as if the event of acquired ESTO AS subsidiary had occurred at an earlier date selected for purposes of the illustration. This is achieved by applying pro forma adjustments to the unadjusted financial information.

## Note 2. Significant accounting policies

### Note 2.1 Basis of accounting

The consolidated special purpose financial statements of the ESTO Holdings OÜ (ESTO Group) for the financial year 2021 have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the European Union. In these special purpose financial statements, the subsidiaries ESTO AS, ESTO UAB, ESTO LV AS and ESTO Latvia SIA are consolidated. Legally ESTO AS could not be consolidated as at 31 December 2021, except in these special purpose consolidated financial statements, due to the fact that the transaction affecting control of ESTO AS by ESTO Holdings OÜ was completed in 2022. Therefore, these consolidated special purpose financial statements of the ESTO Holdings OÜ have been prepared solely for the purpose to illustrate the financial position and performance of ESTO Holdings OÜ in the consolidated basis as if the control over ESTO AS existed as at 31 December 2021 and for the financial year then ended.

ESTO Holdings OÜ prepared statutory financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, for the year ended 31 December 2021 and issued these on 14 June 2022. The consolidated special purpose financial statements need to be read in conjunction of the aforementioned statutory unconsolidated financial statements.

These special purpose financial statements have been authorised for issue by the ESTO Holdings OÜ management board on 15 June 2022.

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



## Note 2.2 Adoption and interpretation of new revised standards and new accounting policies

The accounting policies adopted are consistent with those of the previous financial year. In the reporting period the Group has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

## Note 2.3 Standards issued but not yet effective and not early adopted

The following new standards, interpretations and amendments are not yet effective for the annual reporting period ended on 31 December 2021 and have not been applied in preparing these consolidated financial statements. The Group 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 recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated.

*The Group 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 to 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 the fair value of agricultural 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 Group 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 annual 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.

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG. Tallinn



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 the initial application of 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 been endorsed by the EU.

*The Group 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 annual 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 been endorsed by the EU.

*The Group 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 annual 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 Group 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 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. These amendments have not yet been endorsed by the EU.

*The Group 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 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.

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 Group 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 annual periods beginning on or after 1 January 2023. Early application is permitted.)

The amendments include guidance for applying the concept of materiality to the disclosure 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 Group does not expect the amendments to have a material impact on its financial statements when initially applied.*

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn

## Note 2.4 Functional and presentation currency

These special purpose financial statements are presented in euros, which is the Group's functional currency.

## Note 2.5 Use of judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, and income and expenses. Although these estimates have been made to the best of management's knowledge and their judgement of current events, the actual outcome may ultimately not coincide with them and may significantly differ from these estimates.

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Changes in management's estimates are reported prospectively.

### Judgements

Information about judgements in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

**Note 3:** establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.

### Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended on 31 December 2021 is included in the following notes.

**Note 2.6. section "Financial assets and financial liabilities" and note 3:** Impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



## Note 2.6 Accounting policies

The significant accounting policies applied in the preparation of these special purpose financial statements are set out below. The accounting policies described have been applied consistently, unless otherwise stated in the following text.

### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and in the statement of cash flows comprise deposits with banks.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

In the statement of cash flows the operating cash flows are presented using the indirect method. The financing cash flows and investing cash flows are presented using the direct method.

### Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Group at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Foreign currency differences arising on translation are recognised in profit or loss.

### Interest

#### i. Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



**ii. Amortised cost and gross carrying amount**

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for an expected credit loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

**iii. Calculation of interest income and expense**

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

**iv. Presentation**

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes interest on financial assets and financial liabilities measured at amortised cost.

Interest expense presented in the statement of profit or loss and OCI includes financial liabilities measured at amortised cost.

**Fees and commission**

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income (e.g., account servicing fees) are recognised as the related services are performed.

Other fee and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



## Financial assets and financial liabilities

### *i. Recognition and initial measurement*

The Group initially recognises loans and advances on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or a financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

### *ii. Classification*

#### Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On the initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn

### Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model and its strategy for how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. This information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group's retail business comprises loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprise hire purchase, overdraft and credit agreements.

#### Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows in such a manner that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

All financial assets of the Group meet the SPPI criterion.

### Reclassifications

Financial assets are not reclassified after their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



**iii. Derecognition****Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

In transactions in which the Group transfers assets recognised in its financial statements but retains all or significant risks and rewards of the transferred assets, the Group does not derecognise the transferred assets.

**Financial liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

**iv. Modifications of financial assets and financial liabilities****Financial assets**

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri ...  
KPMG, Tallinn



modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see the "impairment" section below), then the gain or loss is presented together with the impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

#### **Financial liabilities**

The Group derecognises a financial liability when the contractual terms are modified and the new cash flows from the financial liability are substantially different. In that case, the new financial liability based on the amended terms is recognised at fair value. The difference between the carrying amount of the financial liability terminated or the financial liability (or part of a financial liability) transferred to another party and the consideration paid, including any non-monetary assets transferred or liabilities assumed, is recognised in profit or loss.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

#### **v. Offsetting**

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Standards.

#### **vi. Fair value measurement**

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the Group determines that the

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

#### **vii. Impairment**

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as "Stage 1 financial instruments". Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit impaired. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as "Stage 2 financial instruments". Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as "Stage 3 financial instruments".

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



## Measurement of ECL

ECL are probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows.

When discounting future cash flows, the following discount rates are used:

- *financial assets:* the original effective interest rate or an approximation thereof.

## Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired referred to as "Stage 3 financial assets". A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower;
- a breach of contract such as default or past-due event of 90 days or more;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

## Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets; and

## Write-off

Loans are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Recoveries of amounts previously written off are recognised when cash is received and are included in "impairment losses on financial instruments" in the statement of profit or loss and OCI.

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



**Property and equipment*****i. Recognition and measurement***

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

***ii. Subsequent costs***

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

***iii. Depreciation***

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives of property and equipment for the current and comparative periods are as follows:

- computers and computer equipment            3-5 years
- other tangible fixed assets                        5 year

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**Intangible assets*****i. Recognition and measurement***

Intangible assets acquired by the Group are measured at cost less accumulated amortisation and any accumulated impairment losses.

***ii. Subsequent costs***

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as it is incurred.

***iii. Depreciation***

Intangible assets are amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life for intangible assets is 5 to 10 years for the current and comparative periods.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



### Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

### Employee benefits

Short-term employee benefits include salary and social security contributions, benefits related to the temporary suspension of employment (holiday pay or other similar benefits) if the temporary suspension is expected to occur within 12 months after the end of the period in which the employee worked.

### Provisions

A provision is recognised when the Group has a legal or constructive obligation at the reporting date because of a past event, it is probable that the Group will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably.

Provisions are recognised at the present value of the expenditure required to settle the obligation using an interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the amount of the provision due to the time value of money is recognised as a financial expense. If the realisation of a contingent liability is less probable than non-realisation or related costs cannot be determined reliably, that in certain circumstances may become obligations, then this amount is disclosed in the notes to the financial statements as contingent liability.

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



### Income tax

Under the Income Tax Act, income tax is not levied on corporate profit in Estonia. Income tax is paid on dividends, employee benefits, gifts, donations, entertainment expenses, non-business payments and transfer price adjustments. Dividends paid out of retained earnings are generally taxed at an income tax rate of 20/80 of the net amount of dividends distributed (equal to 20% of the gross amount of distributable profits). Regularly paid dividends will be taxed at the rate of 14/86 of the net amount of dividends from 2020. Dividend payments are considered regular if the amount of distributable profit does not exceed the average distributed profit of the company for the last three years, on which income tax has been paid in Estonia. Thus, a company can apply a lower tax rate of 14/86 and 20/80 when taxing dividends

The following table shows the tax rates on corporate income by countries considering also the individual decisions made by local Tax Authorities where appropriate:

Corporate Income Tax rate	2021		2020	
	annual profits earned	distribution of retained earnings	annual profits earned	distribution of retained earnings
Subject to taxation				
Lithuania	15%	15%	15%	15%
Latvia	20%	20%	20%	20%

### Deferred income tax

Deferred tax is calculated using the balance sheet liability method. Deferred tax reflects the carrying amounts of assets and liabilities for financial reporting purposes against the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period in which it is earned, the assets are realized or the liability is settled on the basis of the tax rates that were to accept or substantially adopt the financial statements at the reporting date. Deferred tax assets are recognized in the statement of financial position to the extent that it is probable that management expects it to be realized in the near future, depending on the taxable profit forecasts. If it is probable that part of the deferred tax will not be realized, it is deferred part of the tax is not recognized in the financial statements.

### Related parties

The Group considers parties to be related if one controls the other or exerts significant influence on the other's operating decisions. Related parties include:

- owners;
- members of the group's management and supervisory boards;
- close family members of and companies related to the above persons.

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn

**Investments in subsidiaries**

Investments in subsidiaries in the parent's unconsolidated primary financial statements have been accounted for using the equity method. Under the equity method, the investment is recognized as an asset with the subsidiary reporting the equivalent equity owned by the parent as equity on its own accounts. If the subsidiary incurs a loss for the financial period, the investment amount made by the parent company is recognized as a net loss incurred up to the investment amount in the parent's unconsolidated primary financial statements until the subsidiary generates profit.

**Basis of consolidation**

The consolidated special purpose financial statements comprise the financial statements of the ESTO Holdings OÜ and its subsidiaries (ESTO AS, ESTO UAB, ESTO LV AS, ESTO Latvia SIA). The subsidiaries are consolidated from the date when control commences until the date when control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

**Events after the reporting period**

The annual special purpose financial statements reflect all significant events affecting the valuation of assets and liabilities that became evident between the reporting date and the date on which the special purpose financial statements were authorized for issue but are related to the reporting or prior periods. Subsequent events that are indicative of conditions that arose after the reporting date, but which will have a significant effect on the result of the next financial year are disclosed in the notes to the annual financial statements.

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



## Note 3. Financial risk management and review

### Introduction and overview

The Group has exposure to the following risks from financial instruments:

- credit risk;
- liquidity risk;
- market risks; and
- operational risk.

### Credit risk

Credit risk reflects the potential loss, which arises from the counterparty's inability or unwillingness to meet its contractual obligations towards ESTO GROUP. Credit risk arises primarily from the loans and receivables issued to households, and to some extent, also to corporates and credit institutions.

ESTO GROUP issues loans in three countries: Estonia, Lithuania, Latvia. Credit risk management of ESTO in all its countries of operation is primarily governed by the various legal acts and guidelines established in accordance to the EU Consumer Credit Directive, as well as the corresponding internal provisions of ESTO GROUP, the core principle of which is responsible lending. ESTO also considers concentration risk and country credit risk, as part of credit risk. Group's credit risk management focuses on the avoidance of excessive risk and risk mitigation, using the following measures:

1. below average contract maturity of issued loans;
2. significantly below average amounts of issued loans;
3. well diversified portfolio and limited risk exposures;
4. optimal risk/return ratio for issued loans;
5. taking of controlled risks and continuous risk profile monitoring;
6. regularly carried out stress tests and scenario analyses.

The risk management function provides the management board of ESTO GROUP with at least monthly reviews of compliance with credit risk limits. Any limit breaches are escalated immediately.

- The credit risk committee is appointed once for each financial year.
- The management board appoints the members of the credit risk committee.

#### *i. Credit quality analysis*

The following tables set out information about the credit quality of financial assets measured at amortised cost without considering collateral or other credit enhancement (if any). Unless specifically indicated, the amounts in the table represent gross carrying amounts for financial assets.

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn

Explanation of the terms "Stage 1", "Stage 2" and "Stage 3" is included in Note 2.6 "Financial assets and financial liabilities" subsection "Impairment".

(in thousands of euros)		31.12.2021			
	Stage 1	Stage 2	Stage 3	Total	
<b>Loans and advances to customers at amortised cost</b>					
Gross carrying amount	29,481	893	445	30,818	
Loss allowance	(213)	(217)	(173)	(603)	
<b>Carrying amount</b>	<b>29,267</b>	<b>676</b>	<b>272</b>	<b>30,215</b>	
(in thousands of euros)		31.12.2020			
	Stage 1	Stage 2	Stage 3	Total	
<b>Loans and advances to customers at amortised cost</b>					
Gross carrying amount	18,587	624	266	19,476	
Loss allowance	(143)	(162)	(100)	(405)	
<b>Carrying amount</b>	<b>18,444</b>	<b>462</b>	<b>166</b>	<b>19,071</b>	

### Cash and cash equivalents

The Group held cash and cash equivalents of €787 thousand at 31 December 2021 (2020: €1,801 thousand). The cash and cash equivalents are held with financial institution counterparties that are rated at least A based on Standard & Poor's ratings.

### ii. Amounts arising from ECL

#### Inputs, assumptions, and techniques used for estimating impairment

See accounting policy in Note 2.6. "Financial assets and financial liabilities" subsection "Impairment".

#### Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure.

The Group uses the following criteria for determining whether there has been a significant increase in credit risk:

- qualitative and quantitative indicators; and
- a backstop of 30 days past due.

Initialled for identification purposes only  
Alkikirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri   
KPMG, Tallinn



**Determining whether credit risk has increased significantly**

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting date.

A significant increase in credit risk is generally not evident on an individual instrument basis before the financial instrument becomes past due. This is because there is little or no updated information that is routinely obtained and monitored on an individual instrument until a customer breaches the contractual terms. This is applicable for retail loans offered by the Group. For these loans, an assessment of whether there has been a significant increase in credit risk on an individual basis would not faithfully represent changes in credit risk since initial recognition. Therefore, the Group does significantly increase assessment on a collective basis.

In order to assess significant increases in credit risk on a collective basis, financial instruments are grouped based on shared credit risk characteristics by:

- instrument type;
- geographic location of the borrower.

The aggregation of financial instruments may change over time as new information becomes available. As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

**Definition of default**

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising the security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group.;
- it is becoming probable that the borrower will restructure the asset because of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g., breaches of contract terms;
- based on internally developed data.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

According to detailed IFRS guidance, a forward-looking expected credit loss calculation should be based on an accurate estimation of current and future probability of default (PD). However, there is no evidence that we have statistically significant dependency between ESTO PDs and macroeconomic key drivers (P value of 0.33). It can reflect that the continuously evolving decision engine policy has significantly more impact than macroeconomics based data analysis. The Group continuously measures if macroeconomic variables have an impact on the expected default rates and statistically tests their significance. To date, the Group has found no correlation between macroeconomic data and PD's. ESTO Group will continue to test the chosen and other macroeconomics criteria and if significant correlation is observed the macro variables will be included in the forecast.

### Modified assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan the terms of which have been modified may be derecognized and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out the subsection "Modifications of financial assets and financial liabilities" in the accounting policy "Financial assets and financial liabilities".

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (forbearance activities) to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments, and amending the terms of loan covenants.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased in such a manner that it falls within the 12-month PD ranges for the asset to be considered Stage 1.

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



### Measurement of ECL

The key inputs into the measurement of ECL are the term structure and the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD.

PD is an estimate of the likelihood of default over a given time horizon. The PD is grouped by product type, days past due and by length of exposure. PD is estimated based on the Markov chain model, where the transition matrices of the previous 6-month period are used to predict the probabilities of future cumulative transitions.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted customers. LGD estimates are recalibrated for different economic scenarios. LGD are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. ESTO Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. The maximum contractual period extends to the date of which the Group has the right to require repayment of an advance or terminate a loan commitment.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which may include:

- instrument type;
- credit risk grade;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. The basis for determining transfers due to changes in credit risk is set out in accounting policy.

(in thousands of euros)

2021

	Stage 1	Stage 2	Stage 3	Total
<b>Loans and advances to customers at amortised cost</b>				
Balance at 1 January	143	162	100	404
Net remeasurement of loss allowance	5	14	30	50
New financial assets originated or purchased	276	258	216	750
Financial assets that have been derecognized and repaid	(229)	(236)	(187)	(653)
Write-offs	18	19	14	51
<b>Balance at 31 December</b>	<b>213</b>	<b>217</b>	<b>173</b>	<b>602</b>

(in thousands of euros)

2020

	Stage 1	Stage 2	Stage 3	Total
<b>Loans and advances to customers at amortised cost</b>				
Balance at 1 January	63	67	61	191
Net remeasurement of loss allowance	1	25	15	40
New financial assets originated or purchased	202	169	58	429
Financial assets that have been derecognized	(139)	(100)	(35)	(274)
Write-offs	16	1	1	18
<b>Balance at 31 December</b>	<b>143</b>	<b>162</b>	<b>100</b>	<b>404</b>

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



### Liquidity risk

Liquidity risk is defined as a risk that ESTO's solvency is not sufficient to meet the contractual obligations within the time limit set without incurring significant costs, i.e. ESTO's companies cannot finance their activities sustainably and in a timely manner or they cannot liquidate their positions for fulfilment of their contractual obligations.

The key measure used to manage ESTO's liquidity position is the approach based on the analysis of maturity mismatch of assets and liabilities. In addition, liquidity risk is mitigated by maintaining liquidity reserves in order to be able to manage imbalances in the duration. Within the liquidity risk management framework, also the main liquidity ratios as well as the proportions of assets and liabilities maturity dates are regularly fixed. ESTO conducts stress tests on a regular basis and has established an effective contingency plan for addressing liquidity shortfalls in crisis situations. Liquidity risk management methodologies are based on liquidity risk policy and other internal regulations.

The Group maintains internal limits for all key liquidity indicators.

Risk management function provides the Management Board of ESTO Group with at least monthly reviews of compliance with liquidity risk limits. Any limit breaches are escalated immediately.

- The liquidity risk committee is appointed once for each financial year.
- The management board appoints the members of the liquidity risk committee.

#### i. Maturity analysis for financial liabilities and financial assets

The following tables set out the remaining contractual maturities of the Group's financial liabilities and financial assets.

(in thousands of euros)	Contractual cash flows			
As at 31.12.2021	Up to 3 months	3-12 months	1-5 years	Carrying amount
<b>Financial liability by type</b>				
Loans and borrowings (Note 10)	-	7,768	21,226	28,994
Trade payables (Note 11)	-	541	-	541
Other payables (Note 11)	91	109	-	200
<b>Total</b>	<b>91</b>	<b>8,578</b>	<b>21,571</b>	<b>30,241</b>
<b>Financial asset by type</b>				
Cash and cash equivalents	787	-	-	787
Loans and advances to customers (Note 7)	-	27,119	3,097	30,215
Other assets (Note 9)	-	530	74	604
<b>Total</b>	<b>787</b>	<b>27,649</b>	<b>3,170</b>	<b>31,607</b>

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



(in thousands of euros)

Contractual cash flows

As at 31.12.2020	Up to 3 months	3-12 months	1-5 years	Carrying amount
<b>Financial liability by type</b>				
Loans and borrowings (Note 10)	-	5,807	14,301	20,108
Trade payables (Note 11)	-	216	-	216
Other payables (Note 11)	56	188	-	245
<b>Total</b>	<b>56</b>	<b>6,211</b>	<b>14,301</b>	<b>20,569</b>
<b>Financial asset by type</b>				
Cash and cash equivalents	1,801	-	-	1,801
Loans and advances to customers (Note 7)	-	16,523	2,548	19,071
Other assets (Note 9)	-	433	23	456
<b>Total</b>	<b>1,801</b>	<b>16,956</b>	<b>2,571</b>	<b>21,328</b>

The amounts in the table above have been compiled as follows.

Type of financial instrument	Basis on which amounts are compiled
Financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments

The following table sets out the carrying amounts of financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

(in thousands of euros)	Note no.	31.12.2021	31.12.2020
<b>Financial assets</b>			
Loans and advances to customers	7	27,119	16,523
<b>Financial liabilities</b>			
Loans and borrowings	10	7,768	5,807

The following table sets out carrying amounts of financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date.

(in thousands of euros)	Note no.	31.12.2021	31.12.2020
<b>Financial assets</b>			
Loans and advances to customers	7	3,097	2,548
<b>Financial liabilities</b>			
Loans and borrowings	10	21,226	14,301

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



## ii. Liquidity reserves

As part of the management of liquidity risk arising from financial liabilities, the ESTO Group holds liquid assets comprising cash and cash equivalents. The ESTO Group mitigates liquidity risk via the liquidity risk committee, which holds regular meetings once a month.

ESTO maintains internal limits for all key liquidity indicators (liquidity ratios):

- Equity ratio: no less than 20% to loan book
- Upkeep of the equity ratio helps the ESTO Group to keep its own capital in its risk assets hence making ESTO a more attractive debt capital investment prospect for external creditors.
- ICR no less than 2.0
- Upkeep of the ICR helps the ESTO Group to keep control on the cost of capital and cost of operating expenses, which in turn makes ESTO a more attractive debt capital investment prospect for external creditors.
- Cash buffer to loan book: no less than 2%
- Upkeep of the cash buffer helps the ESTO Group to manage the volatility of cash flows derived from portfolio and external creditors.

## Market risks

In general, market risk arises from the core business activities of the ESTO Group. Taking market risks is not a core activity of ESTO. The nature of ESTO's business activities implies that it has no commodity risk and equity risk exposures. Thus, the only types of market risk that ESTO is exposed to as a result of its current business activities, are the interest rate risk and currency risk.

Market risk is the risk that changes in market prices - e.g., interest rates, foreign exchange rates - will affect the ESTO Group's income or the value of its holdings of financial instruments. The objective of the ESTO Group's market risk management is to manage and control market risk exposures within acceptable parameters to ensure ESTO's solvency while optimising the return on risk.

### i. Interest rate risk

Interest rate risk is the current or potential risk that unfavourable changes in the interest rates of ESTO's assets and liabilities may negatively affect its profit and equity. ESTO Group is exposed to interest rate risk if the timings of revaluation of its main assets and liabilities as well as the maturity dates are different, if the interest rates of assets and liabilities can be adjusted at different time intervals or if the structure of assets and liabilities differs in currencies. ESTO Group strives to secure low interest rate risk through limiting and matching the structure and maturities of interest-sensitive assets and liabilities. Interest income from issued loans significantly exceeds the interest expense paid for received loans, which allows to offset the potential adverse effect of interest rate risk to ESTO Group. ESTO monitors and manages the interest rate risk pursuant to internal limits set by the liquidity committee of ESTO Group. To comply with the limits, ESTO Group can adjust the rates on its loans or enter into hedging instruments such as interest rate swaps. ESTO Group calculates and monitors its interest rate risk on a continuous basis.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.



### Operational risk

Operational risk is a risk of incurring a loss from the inadequacy of internal processes, people or systems not operating in the manner expected or from external events. Operational risk includes additionally legal risk, compliance risk and personnel risk.

The main operational risks that ESTO Group faces are associated with the ESTO Group's significant growth. An increasing number of employees, growing volume of transactions and introduction of new products mean a constant need for new structures and processes as well as development of systems. Operational risk management includes the identification of key business processes and the key risks in each process, the implementation of adequate controls and their follow-up checks. ESTO Group has implemented processes to manage incidents and approve new products as well as established a business continuity plan for crisis situations.

The risk management function provides the management board of ESTO Group with at least monthly reviews of compliance with operational risk limits. Any limit breaches are escalated immediately.

- The operational & compliance risk committee is appointed once for each financial year.
- The management board appoints the members of the operational & compliance risk committee.

Additionally, the Group could face the operational risk arising from Bonds issued, because of requirements set by financial covenants.

Financial covenants set for the whole ESTO Group including all subsidiaries are as follows:

- To maintain the Interest Coverage Ratio (ICR) of at least 2.
- To maintain the Equity Ratio of at least 20 % (twenty per cent).

In order to maintain the operational risk arising from financial covenants, ESTO Group Management board reviews the Group financials on a monthly basis. All the covenants were successfully met as at 31.12.2021.

### Capital management

The ESTO Group's own funds provide the capacity to absorb unexpected losses that cannot be avoided or mitigated, and ensure that at all times a sufficient buffer of financial resources exist to meet obligations to stakeholders. In this way, ESTO Group's capital functions as a last resort protection against risk.

The Group's capital management runs on three pillars:

1. Strong liquidity - cash position at least 10% to loan book
2. Strong equity - equity position at least 20% to loan book
3. Diverse and long term capital sources

The Group is not obliged to keep capital reserves outside of the capital requirements imposed by the Estonian, Lithuanian and Latvian Commercial Code.

The Supervisory Board of ESTO Group is responsible for the overall planning of the capital structure. Relevant capital planning contributes to ESTO being well-equipped to meet a situation that requires additional capital, and provides an adequate buffer to support growth in existing markets as well as to enter new markets. ESTO Group's capital planning takes into consideration the following factors:

- the minimum capital required by laws and regulations, including buffers;
- the level of capital that is needed to cope with contingencies and stress situations;
- the shareholders' required rate of return and effective capital management;
- the level of capital required for counterparts to consider ESTO Group a reliable partner and to ensure a more efficient access to the funding market.

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



## Note 4. Fair value of financial instruments

### Measurement of fair values

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

*Level 1:* quoted prices (unadjusted) in active markets for identical instruments

*Level 2:* inputs other than quoted prices included in Level 1 that are observable for the instruments, either directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

*Level 3:* inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect the differences between the instruments.

Valuation techniques for the Group currently include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond prices, foreign currency exchange rates and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

### Classification of financial instruments and their fair values

All the ESTO Group's financial assets and liabilities are recognised in the statement of financial position or as contingent assets or liabilities in the notes to the special purpose financial statements. Items included in the statement of financial position include loans and advances to customers, other accrued income, cash and cash equivalents, borrowings, trade payables, payables to employees and other liabilities.

The fair value of the borrowings is, in the opinion of the Group's management, equal to their carrying amount, as the applicable interest rates of the agreements correspond to market interest rates.

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



The following table analyses the carrying amounts and fair values of financial assets and liabilities, including their fair value levels.

(in thousands of euros)	Carrying amount		Fair value	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
<b>Financial assets measured at amortised cost</b>				
Loans and advances to customers (Note 7)	30,215	19,071	30,215	19,071
Other assets (Note 9)	604	456	604	456
Cash and cash equivalents	787	1,801	787	1,801
<b>Total financial assets at amortised cost</b>	<b>31,607</b>	<b>21,328</b>	<b>31,607</b>	<b>21,328</b>
<b>Financial liabilities at amortised cost</b>				
Loans and borrowings (Note 10)	28,994	20,108	28,994	20,108
Trade payables (Note 11)	541	216	541	216
Other payables (Note 11)	200	245	200	245
<b>Total financial liabilities at amortised cost</b>	<b>29,734</b>	<b>20,569</b>	<b>29,734</b>	<b>20,569</b>

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



## Note 5. Net interest income

(in thousands of euros)	2021	2020
<b>Interest income</b>		
Loans and advances to customers	7,968	4,883
<b>Total interest income</b>	<b>7,968</b>	<b>4,883</b>
<b>Interest expense</b>		
Interest amount due to creditors	(2,830)	(1,832)
<b>Total interest expense</b>	<b>(2,830)</b>	<b>(1,832)</b>
<b>Net interest income</b>	<b>5,138</b>	<b>3,050</b>

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



## Note 6. Net fee and commission income

### Disaggregation of fee and commission income

In the following table, fee, and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by service lines.

(in thousands of euros)	2021	2020
<b>Service lines</b>		
Income from contract fees on loans	315	317
Income from management fees on loans	483	361
Other income on loans	1,523	760
<b>Total fee and commission income from contracts with customers</b>	<b>2,321</b>	<b>1,438</b>
Fee and commission expense	(696)	(462)
<b>Net fee and commission income</b>	<b>1,625</b>	<b>976</b>

### Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Service line	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Contract and management services	<p>The Group provides contract and management services for customers.</p> <p>Fees for ongoing account management are charged to the customer's account monthly.</p> <p>Servicing fees are charged monthly and are based on fixed rates.</p>	<p>Revenue from account service and servicing fees is recognised over time as the services are provided.</p> <p>Revenue related to transactions is recognised at the point in time when the transaction takes place.</p>

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



## Note 7. Loans and advances to customers

(in thousands of euros)	31.12.2021	31.12.2020
Loans and advances to customers	30,818	19,475
Less impairment loss allowance	(603)	(404)
<b>Total</b>	<b>30,215</b>	<b>19,071</b>

## Loans and advances to customers at amortised cost

(in thousands of euros)	31.12.2021			31.12.2020		
	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
<b>Retail customers</b>	-	-	-	-	-	-
Hire purchase	9,633	(104)	9,528	7,406	(77)	7,329
Credit agreements	21,186	(499)	20,687	12,069	(327)	11,742
<b>Total</b>	<b>30,818</b>	<b>(603)</b>	<b>30,215</b>	<b>19,475</b>	<b>(404)</b>	<b>19,071</b>

More information is disclosed in Note 3.

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn

## Note 8. Intangible assets

(in thousands of euros)	Proprietary systems	Development costs	Total
<b>Carrying amounts at 31.12.2019</b>	<b>179</b>	<b>81</b>	<b>260</b>
Additions	77	246	321
Amortisation	-	-	-
<b>Other changes</b>	<b>282</b>	<b>(282)</b>	<b>-</b>
Cost at 31.12.2020	538	45	581
Accumulated amortisation at 31.12.2020	(57)	-	(57)
<b>Carrying amounts at 31.12.2020</b>	<b>481</b>	<b>45</b>	<b>524</b>
Additions	260	115	375
Amortisation	-	-	-
Other changes	71	(18)	53
Cost at 31.12.2021	811	143	954
Accumulated amortisation at 31.12.2021	(24)	-	(24)
<b>Carrying amounts at 31.12.2021</b>	<b>787</b>	<b>143</b>	<b>929</b>

Intangible assets at the end of the reporting period consisted of €787 thousand. Proprietary systems comprised of Group technical systems. Development costs in the Group are technical projects in progress.

## Note 9. Other assets

(in thousands of euros)	31.12.2021	31.12.2020
Trade receivables	530	433
<b>Other financial assets</b>	<b>74</b>	<b>23</b>
<b>Total</b>	<b>604</b>	<b>456</b>

More information is disclosed in Note 3.

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



## Note 10. Loans and borrowings

The terms and conditions of outstanding loans are as follows:

2021

(in thousands of euros)	31.12.2021	Repayment schedule		Interest rate	Currency	Due date
		Current loans (Within 12 months)	Non-current loans (Within 1-5 years)			
Loan agreement	17,783	60	17,723	9-12%	EUR	2022-2024
Marketplace loan	7,708	7,708	-	7-11%	EUR	2022
Subordinated loan agreement	3,503	-	3,503	12%	EUR	2023
<b>Total</b>	<b>28,994</b>	<b>7,768</b>	<b>21,226</b>	-		

2020

(in thousands of euros)	31.12.2020	Repayment schedule		Interest rate	Currency	Due date
		Current loans (Within 12 months)	Non-current loans (Within 1-5 years)			
Loan agreement	12,301	1,000	11,301	12%	EUR	2021-2023
Marketplace loan	4,807	4,807	-	7-11%	EUR	2021
Subordinated loan agreement	3,000	-	3,000	12%	EUR	2023
<b>Total</b>	<b>20,108</b>	<b>5,807</b>	<b>14,301</b>	-		

More information is disclosed in Note 3.

The carrying amount of loans and borrowing as at 2021.12.31 was €28,994 thousand. The Group has €3,503 thousand subordinated loan from its shareholders, €7,708 marketplace loan. Additionally €15,655 thousand was acquired by Bond agreement signed and notes issued in 22.11.2021. The maturity of the Bond agreement is at 22.11.2024. €2,128 other loan agreements.

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn

## Note 11. Trade payables and other payables

(in thousands of euros)	31.12.2021	31.12.2020
Trade payables	541	216
<b>Total trade payables</b>	<b>541</b>	<b>216</b>
Payables to employees	91	56
Interest payables	90	169
Other accrued expenses	19	19
<b>Total other payables</b>	<b>200</b>	<b>245</b>
<b>Total trade payables and other payables</b>	<b>740</b>	<b>460</b>
Short-term	740	460
Long-term	-	-
<b>Total</b>	<b>740</b>	<b>460</b>

More information is disclosed in Note 3.

## Note 12. Tax liabilities

(in thousands of euros)	31.12.2021	31.12.2020
Personal income tax	40	11
Corporate income tax	-	24
Social tax	23	15
Funded pension payment	1	1
Unemployment insurance premium	1	1
Other tax liabilities	11	8
<b>Total</b>	<b>75</b>	<b>59</b>

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



## Note 13. Share capital and reserves

### Share capital

Share capital in amount of €484 thousand (31.12.2020: €105 thousand) is divided into 484,167 ordinary shares (31.12.2020: 104,800 ordinary shares) with a nominal value of 1 euro (31.12.2020: 1 euro) per share.

### Dividends

The amount of dividends paid out during the reporting period was €812 thousand.

Information on the Group's retained earnings and potential income tax liability is provided in Note 17.

### Reserves

Reserves included in the equity are as follows:

(in thousands of euros)	31.12.2021	31.12.2020
Statutory reserve capital	11	11
Share premium	155	155
<b>Total</b>	<b>166</b>	<b>166</b>

### Statutory reserve capital

Statutory reserve capital is formed from annual net profit allocations as well as other allocations that are transferred based on the reserve capital law or the articles of association. The size of the reserve capital is prescribed by the articles of association and may not be less than 1/10 of the share capital. Statutory reserve capital complied with the requirements arising from the Estonian, Lithuanian and Latvian Commercial Code on 31.12.2021 and 31.12.2020. At least 1/20 of the net profit must be transferred to the reserve capital in each financial year. If the reserve capital reaches the amount prescribed in the articles of association, the increase of the reserve capital will be terminated at the expense of net profit.

By the decision of the general meeting, statutory reserve may be used to cover a loss, or to increase share capital, if it is not possible to cover it from the Group's unrestricted equity. Payments to shareholders from statutory reserve are not allowed.

### Share premium

Share premium of the Group as at 31.12.2021 consisted of €155 thousand (31.12.2020: €155 thousand).

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn

## Note 14. Other operating expenses

(in thousands of euros)	2021	2020
Rent and leases	(118)	(65)
Advertising and marketing expenses	(634)	(242)
IT expenses	(190)	(126)
Training, consultancy and auditing costs	(446)	(268)
Communication and postage	(9)	(5)
Transport costs	(25)	(15)
Other labour costs	(50)	(32)
Other expenses	(74)	(4)
VAT	(84)	(69)
<b>Total</b>	<b>(1,631)</b>	<b>(824)</b>

## Note 15. Personnel expenses

(in thousands of euros)	2021	2020
Wages, salaries and bonuses	(702)	(321)
Social security contributions and other taxes	(176)	(132)
<b>Total</b>	<b>(878)</b>	<b>(453)</b>
Average number of employees in full-time equivalents	41	21
<b>Average number of employees by type of employment</b>	<b>41</b>	<b>21</b>
A person employed under the employment contract	41	21

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



## Note 16. Related party disclosures

## Balances with related parties

	31.12.2021	31.12.2020
(in thousands of euros)	Liabilities	Liabilities
Owners (legal entities) with a qualifying interest and entities under their control or significant influence	4,732	4,210
Close family members of members of the executive and higher management and owners (private individuals) with a qualifying interest, and entities under their control or significant influence	332	280

Transactions with related parties are normal course of business, more information is provided in the Note 2.6. Related parties. Transactions occurred inside the ESTO Group are eliminated from the consolidated special purpose financial statements.

## Loans

2021

(in thousands of euros)	Loans received	Repayment of loans received	Interest paid	Interest rate	Currency
Owners (legal entities) with a qualifying interest and entities under their control or significant influence	870	1,054	569	12%	EUR
<b>Loans received and repayments</b>	<b>870</b>	<b>1,054</b>	<b>569</b>	<b>12%</b>	<b>EUR</b>
Close family members of members of the executive and higher management and owners (private individuals) with a qualifying interest, and entities under their control or significant influence	55	-	35	12%	EUR
<b>Loans received and repayments</b>	<b>55</b>	<b>-</b>	<b>35</b>	<b>12%</b>	<b>EUR</b>

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn

2020

(in thousands of euros)	Loans received	Repayment of loans received	Interest paid	Interest rate	Currency
Owners (legal entities) with a qualifying interest and entities under their control or significant influence	897	530	439	12%	EUR
<b>Loans received and repayments</b>	<b>897</b>	<b>530</b>	<b>439</b>	<b>12%</b>	<b>EUR</b>
Close family members of members of the executive and higher management and owners (private individuals) with a qualifying interest, and entities under their control or significant influence	100	175	34	12%	EUR
<b>Loans received and repayments</b>	<b>100</b>	<b>175</b>	<b>34</b>	<b>12%</b>	<b>EUR</b>

More information is provided in Note 10.

#### Remuneration and other significant benefits provided to the executive and higher management

(in thousands of euros)	2021	2020
<b>Remuneration</b>	<b>77</b>	<b>35</b>

The Group considers parties to be related if one controls the other or exerts significant influence on the other's operating decisions. Transactions with related parties include transactions with shareholders, members of the group's management and supervisory boards, and close family members of and companies related to the above persons.

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



## Note 17. Contingent liabilities

The Group's retained earnings at the end of the reporting period amounted to €2,914 thousand (31.12.2020: €1,410 thousand). The maximum possible amount of income tax liability that may result from the payment of all retained earnings as dividends is €554 thousand (31.12.2020: €268 thousand), so it would be possible to pay out €2,360 thousand as a net dividend (31.12.2020: €1,142 thousand).

The calculation of the maximum possible income tax liability assumes that the amount of distributable net dividends and income tax on dividends recognised in profit and loss for 2021 may not exceed the distributable profit at the end of the reporting period.

## Note 18. Investments in subsidiaries

Subsidiary	Country	2021	2020
ESTO AS	Estonia	100%	-
ESTO UAB	Lithuania	100%	-
ESTO LV AS	Latvia	100%	-
ESTO Latvia SIA	Latvia	100%	100%

Investments to subsidiaries in Parent company unconsolidated statements composed using the equity method. For the subsidiaries that incurred loss in financial year 2021, under equity method total investments for the amount of €50 thousand euros were transferred to net loss.

Subsidiary	Investments 31.12.2020	Acquisition	Net loss from subsidiaries	Investments 31.12.2021
ESTO UAB	-	3	(3)	-
ESTO LV AS	-	45	(45)	-
ESTO Latvia SIA	3	-	(3)	-
<b>Total investments:</b>	<b>3</b>	<b>48</b>	<b>(50)</b>	<b>-</b>

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn

## Note 19. Unconsolidated financial statements of parent company as a separate company

### Note 19.1 Balance sheet

(in thousands of euros)	31.12.2021	31.12.2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	42	189
Loans and advances to customers	223	-
Prepayments	8	-
Other assets	49	-
<b>Total current assets</b>	<b>321</b>	<b>189</b>
<b>Non-current assets</b>		
Loans and advances to customers	15,073	-
Investments in subsidiaries	-	3
Property and equipment	4	-
Intangible assets	820	-
Other assets	242	-
<b>Total non-current assets</b>	<b>15,897</b>	<b>3</b>
<b>TOTAL ASSETS</b>	<b>16,218</b>	<b>191</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables and other payables	117	3
Tax liabilities	5	-
<b>Total current liabilities</b>	<b>122</b>	<b>3</b>
<b>Non-current liabilities</b>		
Loans and borrowings	16,277	197
<b>Total non-current liabilities</b>	<b>16,277</b>	<b>197</b>
<b>TOTAL LIABILITIES</b>	<b>16,399</b>	<b>200</b>

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



(in thousands of euros)	31.12.2021	31.12.2020
<b>Equity</b>		
Share capital	3	3
Retained earnings (loss)	(12)	-
Total profit (loss) for the financial year	(172)	(12)
<b>Total equity</b>	<b>(181)</b>	<b>(9)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>16,218</b>	<b>191</b>

Equity including subordinated debt as at 31.12.2021 was €322 thousand.

## Note 19.2 Income statement

(in thousands of euros)	2021	2020
Interest income	222	-
Interest expense	(229)	(5)
<b>Net interest income</b>	<b>(7)</b>	<b>(5)</b>
Fee and commission income	276	-
Fee and commission expense	(48)	-
<b>Net fee and commission income</b>	<b>228</b>	<b>-</b>
Other operating expenses	(155)	(6)
Personnel expenses	(89)	-
Depreciation and amortisation	(75)	-
Other expenses	(23)	-
Net loss from subsidiaries in equity method	(50)	-
<b>Profit (loss) before income tax</b>	<b>(172)</b>	<b>(12)</b>
Income tax	-	-
<b>Profit (loss) for the period</b>	<b>(172)</b>	<b>(12)</b>

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn

## Note 19.3 Statement of cash flows

(in thousands of euros)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss)	(172)	(12)
<b>Adjustments or changes for:</b>	<b>8,851</b>	<b>2</b>
- Interest income	(223)	-
- Interest expense	40	2
- Depreciation and amortisation	75	-
- Other adjustments	8,958	-
<b>Total adjustments or changes:</b>	<b>8,679</b>	<b>(10)</b>
<b>Changes in:</b>		
- Trade and other receivables	(15,130)	-
- Trade and other payables	101	1
<b>Total changes</b>	<b>(15,028)</b>	<b>1</b>
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>(6,349)</b>	<b>(8)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(4)	-
Acquisition of intangible assets	(895)	-
Investments in subsidiaries	(48)	(3)
<b>NET CASH FROM / (USED IN) INVESTING ACTIVITIES</b>	<b>(947)</b>	<b>(3)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans and borrowings	7,878	197
Repayment of borrowings	(729)	-
Paid in share capital	-	3
<b>NET CASH FROM / (USED IN) FINANCING ACTIVITIES</b>	<b>7,149</b>	<b>200</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(147)</b>	<b>189</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>189</b>	<b>-</b>
<b>Cash and cash equivalents at end of period</b>	<b>42</b>	<b>189</b>

Initialed for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn



## Note 19.4 Statement of changes in equity

(in thousands of euros)	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total equity
Balance at 31.12.2020	3	-	-	(12)	(9)
Balance at 01.01.2021	3	-	-	(12)	(9)
<b>Total comprehensive income for the period</b>	-	-	-	<b>(172)</b>	<b>(172)</b>
Profit for the period	-	-	-	(172)	(172)
Balance at 31.12.2021	3	-	-	(183)	(181)

## Note 20. 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 Group's business operations. The possible impact of the war on the Group'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.

Initialled for identification purposes only  
Allkirjastatud identifitseerimiseks

15. 06. 2022

Signature / allkiri .....  
KPMG, Tallinn

## Signatures of the management board to the annual report

The management board has prepared the management report and the financial statements of ESTO Holdings OÜ for the financial year ended 31 December 2021.

The management board confirms that the management report provides a true and fair view of the business operations, financial results and financial condition of the company.

The management board confirms that according to their best knowledge the financial report presents a fair view of the assets, liabilities, financial position and profit or loss of the company according to the Basis of accounting in Note 2.1 of the Special Purpose Annual Report.

15.06.2022



**Mikk Metsa**





KPMG Baltics OÜ  
Narva mnt 5  
Tallinn 10117  
Estonia

Telephone +372 6 268 700  
Fax +372 6 268 777  
Internet www.kpmg.ee

## Independent Auditors' Report

To the shareholders of ESTO Holdings OÜ

### Opinion

We have audited the financial statements of ESTO Holdings OÜ (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, the statements of cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements presented on pages from 6 to 36 present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (Estonia) (including Independence Standards) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises the management report, but does not include the financial statements and our auditors' report thereon.

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

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

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### Auditors' Responsibilities for the Audit of the Financial Statements





Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standards on Auditing (Estonia), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Tallinn, 15 June 2022

Eero Kaup  
Certified Public Accountant, Licence No. 459  
KPMG Baltics OÜ  
Licence No 17