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ESTO Group | ESTO Holdings OÜ

Building the future of commerce

2023 ANNUAL REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

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

Country of origin – Harju County, Estonia, Tallinn 10111, Laeva Street 2

Telephone – +372 55676221

Website – www.esto.eu/global

Reporting period – 1 January 2023 – 31 December 2023

Independent auditor – KPMG Baltics OÜ

The reporting currency is the euro (EUR). In the consolidated financial statements in the 2023 annual report units are presented in thousands.
The consolidated financial statements contained in 2023 Annual report, are audited.

Contents

ESTO in Numbers

GMV
€169M

EBITDA
€9M

NET PROFIT
€3M

REVENUE
€24M

USERS
≈520K

UNIQUE POINT-OF-SALES
≈4,800

MONTHLY FINANCIAL TRANSACTIONS
≈900K

NET NPL / NET PORTFOLIO
1.1%

Our business

ESTO is an innovative shopping network operating in the Baltic countries. Established in 2017, ESTO has steadily grown to become a leading player in the retail landscape of the Baltic region.

As a key player in the Baltic retail market, ESTO focuses on offering its customers a seamless and secure shopping experience. With an extensive merchant network and a deep understanding of local consumer preferences, ESTO aims to accelerate commerce by providing fairer, more sustainable solutions that prioritize customer satisfaction.

ESTO operates a multi-sided network connecting shoppers, merchants, and financial institutions, facilitating a seamless shopping experience on a large scale.

ESTO Personal Focuses on enhancing the shopping experience for individuals. It includes features such as shopping offers, loyalty programs, convenient payment options, financing solutions, and exclusive discount deals.

ESTO Business Catering to the needs of merchants, ESTO Business offers a range of checkout solutions, including payment processing, Buy Now, Pay Later (BNPL) options, and financing solutions. Additionally, it provides marketing services and working capital financing to support business growth.

ESTO Platform Serves as a bridge between consumers and financial institutions. It facilitates personal loan lead generation for individuals seeking financing options and business loan lead generation for enterprises looking to expand their operations.

Personal

- Shopping offers and loyalty
- Payments tech
- Financing

Platform

- Personal loan lead generation

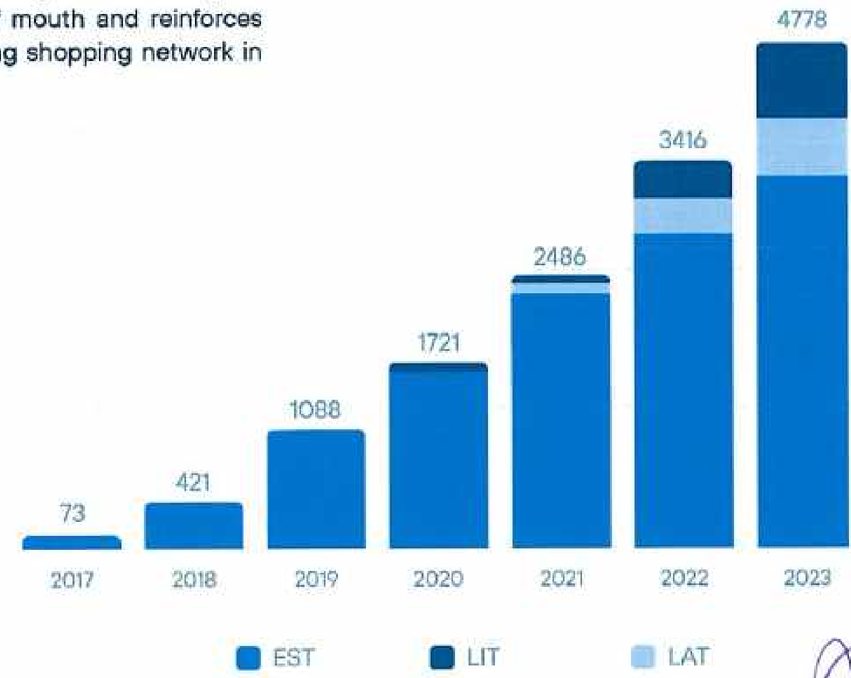
Business

- Checkout (Payments tech, BNPL, Financing)
- Marketing

ESTO boasts an expansive merchant base that spans both online and offline locations, creating a snowball effect that makes it an attractive choice for merchants and consumers alike. With almost 4,800 unique points of sale, ESTO's network's impressive scale has outperformed competitors in the Baltic states, steadily increasing market share while maintaining profitability.

Merchants recognize the value of joining ESTO's extensive network, which offers access to a large and diverse customer base. Integration of ESTO's checkout solutions into their sales channels provides merchants with numerous benefits, including private label options, fully automated flows, and a comprehensive suite of payment and financing options. This integration also leads to increased sales conversion rates and average order values.

Additionally, merchants, financial institutions, and other businesses connected with ESTO gain access to a massive clientele, providing opportunities to sell their products and services to a broader audience. This interconnected ecosystem drives organic growth through word of mouth and reinforces ESTO's position as a leading shopping network in the Baltic region.



NUMBER OF UNIQUE POINT-OF-SALES

Traction & Positioning

ESTO's dynamic and unique presence in the Baltic landscape is driven by organic growth and word-of-mouth marketing.

With over 900,000 monthly transactions and approximately 520,000 users, ESTO has solidified its position as a leading shopping network in the region. The ecosystem's impressive scale, encompassing both online and offline locations, fosters a snowball effect that attracts merchants and consumers alike.

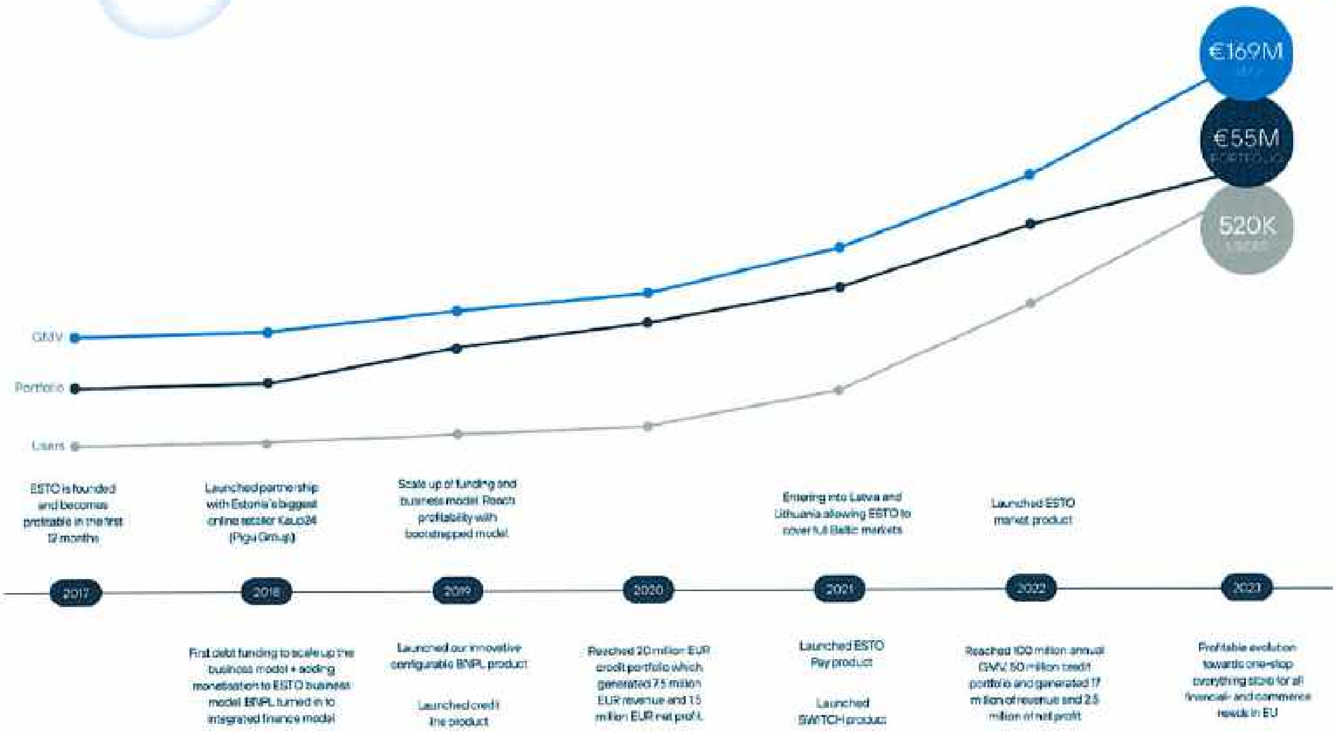
The satisfaction rates among ESTO's consumer and merchant partners speak volumes about the platform's effectiveness. With a remarkable 4.5 Google rating out of 5 and a retention rate exceeding 60% among consumers, ESTO has established itself as a trusted and preferred choice for shoppers. Furthermore, ESTO experiences almost zero churn with its merchant partners, highlighting the reliability and value that the platform delivers to businesses.

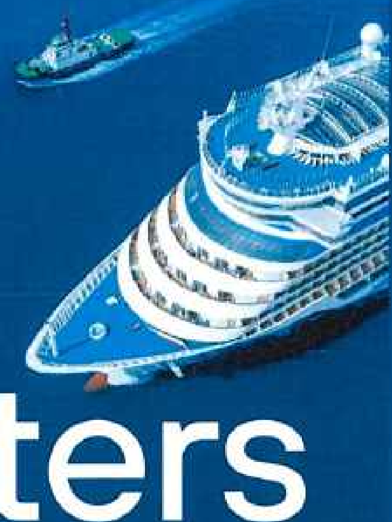
RETENTION RATE

60%

ESTO's success is not only attributed to its extensive network but also to its continuous evolution in user lifecycle management within its ecosystem. From the moment consumers enter the ESTO ecosystem through partner sales channels, they receive a comprehensive credit score and user profile. As users engage with the platform, their profiles evolve and expand, supported by educational resources provided by ESTO. The platform's ability to monitor purchases and customize customer experiences further enhances user satisfaction and engagement.

Moreover, as depicted in the timeline graph, ESTO's multi-year achievements in Gross Merchandise Value (GMV) growth underscore its trajectory of success and continued expansion. As ESTO evolves, users gradually transition to utilizing other product verticals within the ecosystem, leveraging their developed and trusted user and credit profiles. This seamless transition further solidifies ESTO's position as a dynamic and indispensable player in the Baltic retail landscape.





Management Report

Leading Baltic waters

Setting sail for ESTO to become the champion of the Baltic waters.

As we look back on the achievements and challenges of 2023 and set our sights on the opportunities ahead in 2024, I want to share some reflections on our journey and our vision for the future of ESTO.

In 2023, ESTO demonstrated strong financial performance and operational excellence amidst a rapidly changing landscape. We remained committed to our core principles of financial discipline, customer focus, and innovation, driving significant growth and delivering value to our stakeholders.

Financially we delivered impressive results on the group level, raising over 40 million EUR in new capital and achieving a net profit of 3 million EUR. Our annual Gross Merchandise Volume (GMV) exceeded 160 million EUR, while our loan portfolio reached 63 million EUR. These achievements show the strength of our business model and our ability to generate sustainable returns for our shareholders.

NEW CAPITAL

€40M

Includes investments from P2P platforms

GMV

€169M

By the close of 2023, ESTO achieved a significant milestone, bolstering its equity position to a new record of 14.5 million EUR (including quasi-equity instruments). Not only has ESTO demonstrated rapid expansion, but it has also done so while accumulating profits, fortifying the company's balance sheet. As we continue to grow and evolve, we remain committed to maintaining a strong financial foundation, ensuring our ability to weather uncertainties and capitalize on future opportunities.

Operationally, we saw significant growth in both user acquisition and merchant partnerships, with our user base surpassing 500,000 and our partner merchants nearing the 5,000 mark. We also expanded our office facilities to accommodate our growing team and foster a culture of collaboration and innovation inside our physical offices. In the journey of ESTO Group's growth throughout 2023, we've nurtured a team that embodies excellence and innovation. Our roster now boasts 73 exceptional individuals, spread across five offices spanning the Baltics and Eastern Europe. ESTO has people from various industry disruptors like Citi, Bolt, Wise, IF Insurance, Swedbank, BNP Paribas, PwC and Intrum.

ESTO Group achieved significant revenue growth in Latvia and Lithuania, quadrupling (4x per annum) our operations' revenue. This demonstrates our effective international business execution and the strength of our team. Our success in penetrating foreign markets underscores our ability to capitalize on new opportunities, proving that we are not only winning in Estonia but also on a roadmap to become the leader in the whole Baltics.

Looking ahead to 2024, our focus remains on driving efficiency, profitability, and sustainable growth. We will continue to invest in new product verticals, expand our partnerships, and enhance our technological infrastructure to better serve our customers and drive long-term value for our shareholders.

In ESTO Group, responsible lending is fundamental across Estonia, Latvia, and Lithuania. Our subsidiaries are licensed creditors, strictly adhering to local regulatory guidelines. We conduct regular audits to ensure transparency and accountability. Our lending process prioritizes accuracy and reliability, verifying user data meticulously. We assess factors such as but not limited to income, expenses, existing financial liabilities, dependants and using sophisticated metrics like DSCR and DTI to gauge borrowing capacity. Internally, we uphold strict protocols integrated into our systems, and subject to rigorous compliance checks. By prioritizing responsible lending, ESTO Group fosters trust and stability in the Baltic financial landscape.

USERS

≈520K

UNIQUE POINT-OF-SALES

≈4,800

Our strategic focus at ESTO is centered on sustained profitability. While the allure of rapid growth may be tempting, we believe in taking a measured approach that prioritizes efficiency and profitability in line with our long-term organizational goals. In the current macroeconomic landscape, characterized by uncertainty and volatility, we recognize the importance of self-sufficiency and the ability to generate profits. As such, we are committed to positioning ESTO Group as a self-sustaining entity capable of navigating economic headwinds effectively.

Mikk Metsa
CEO of ESTO

Management Report

Key Performance Indicators

USERS 2023/2022

≈520K / 357K

Our expanding user community is now surpassing 520,000, indicating a positive trend in our market penetration and potential for increased revenue streams.

MONTHLY FINANCIAL TRANSACTIONS 2023/2022

≈900K / 700K

Over 900,000 monthly transactions highlight our platform users' vibrant activity, illustrating strong user engagement and use of our financial services.

UNIQUE POINT-OF-SALES 2023/2022

≈4,800 / ≈3,400

The growth to 4,800 unique points of sales (POS) demonstrates the increasing merchants' and consumers' trust in our services, enhancing user convenience and strengthening our market dominance.

VALUE OF OPEN CREDIT LIMITS 2023/2022

≈€140M / ≈€120M

We are committed to responsible credit principles and performing thorough creditworthiness checks. In turn, our customers behave responsibly and, on average, utilize around half of the credit limit offered.

GMV 2023/2022

€169M / €75M*

Our Gross Merchandise Value (GMV) spotlights a significant growth in the economic activity facilitated by our platform, marking a milestone in our operational scale and potential.

**2022-year GMV figures are added as per group consolidation where control of ESTO AS was legally completed on 20.05.2022*

NET LOAN PORTFOLIO 2023/2022

€63M / €47M

Our loan portfolio, now valued at €63M, signifies our pivotal role in helping customers buy and businesses sell, highlighting our impact.

REVENUE 2023/2022

€24M / €12M*

Elevating our revenue to €24M underlines our strong performance across all three operating countries as we serve our diverse customer base and optimize revenue streams across various product lines.

*2022-year revenue figures are added as per group consolidation where control of ESTO AS was legally completed on 20.05.2022.

EBITDA 2023/2022

€9M / €4M*

Our EBITDA illustrates our financial institution's enhanced operational efficiency and profitability.

*2022-year EBITDA figures are added as per group consolidation where control of ESTO AS was legally completed on 20.05.2022.

NET PROFIT 2023/2022

€3M / €0.8M*

Achieving a net profit of €3M confirms our capability to generate sustainable earnings and enhance stakeholder value, supported by efficient expense management, increase in our revenue streams, and prudent risk management practices.

*2022-year net profit figures are added as per group consolidation where control of ESTO AS was legally completed on 20.05.2022.

NPL / NET PORTFOLIO 2023/2022

1.1% / 0.7%

Maintaining a low NPL to Net Portfolio ratio of 1.1% demonstrates our robust credit quality and risk management efficacy. A healthy balance between lending activities and credit risk mitigation strategies results in a relatively low level of non-performing assets compared to our overall loan portfolio.

Management Report

Key Financial Indicators

(in millions of euros)

Capitalization	**31.12.2023**	**31.12.2022***
Gross loan portfolio	64.3	47.4
Net loan portfolio	62.9	46.5
Assets	70.5	53.1
Equity (incl. Tier-I capital)	14.3	10.4
Equity to assets ratio	21%	20%
Interest coverage ratio	1.5	1.2
Profitability	**12M/2023**	**12M/2022**
Revenue	24.1	11.6
Net interest margin	21%	21%
Cost to income ratio	25%	28%
EBITDA	8.7	3.8
EBITDA margin	36%	33%
Net profit	2.9	0.8
Return on assets	5%	2%
Return on equity	39%	28%

**2022-year figures are added as per group consolidation where control of ESTO AS was legally completed on 20.05.2022.*

Rich in culture and innovation

Situated alongside the Baltic sea the three Baltic countries – Estonia, Latvia, and Lithuania – stand as a testament to resilience, innovation and cultural richness, making them a compelling landscape for fintech development.

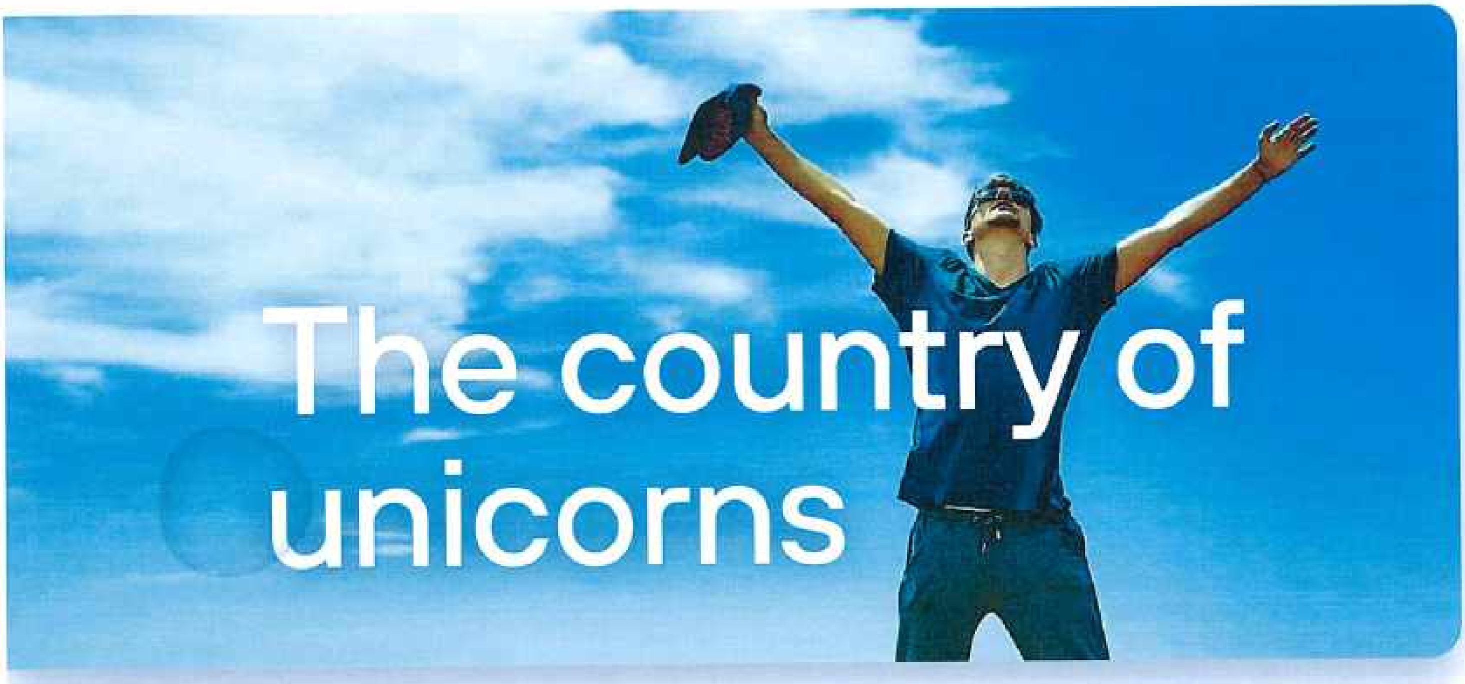
These countries have harnessed their historical experiences and cultural values to build a forward-thinking approach to technology and finance, combining a respect for tradition with a drive for digital transformation.

Estonia's reputation for digital governance is complemented by its societal emphasis on education and digital literacy, creating a population that is not only tech-savvy, but also highly adaptable to new technologies. The country's e-residency program is a reflection of its open and innovative culture, welcoming entrepreneurs from around the globe to be part of its digital community. This openness is balanced with a pragmatic approach to business and regulation, ensuring a stable environment for fintech growth.

Latvia, nestled between its neighbors, offers a blend of cultural diversity and entrepreneurial spirit. Its capital, Riga, is known for its architectural beauty and vibrant startup scene, where traditional industries meet modern innovation. Latvians pride themselves on a strong sense of community and collaboration, values that permeate the fintech sector, encouraging partnerships and collective growth. The country's strategic focus on sustainability reflects its deep connection to nature and a commitment to responsible business practices.

Lithuania's fintech scene benefits from a national character that is both ambitious and welcoming. The country has positioned itself as an accessible entry point to the EU for fintech companies, facilitated by a regulatory framework that supports experimentation and rapid growth. Lithuania's cultural heritage, with its mix of historical resilience and community-focused values, fosters a supportive ecosystem for startups and innovation.

Together, the Baltic countries offer more than just a strategic location and tech-savvy workforce, they provide a unique blend of cultural depth, community spirit and a shared vision for a digital future. This combination creates a fertile ground for fintech companies, where innovation is nurtured within a context of cultural richness and collaborative ethos. The region's balance of rapid technological advancement with a commitment to societal values and sustainable development makes it a standout destination for fintech firms aiming to make a global impact.



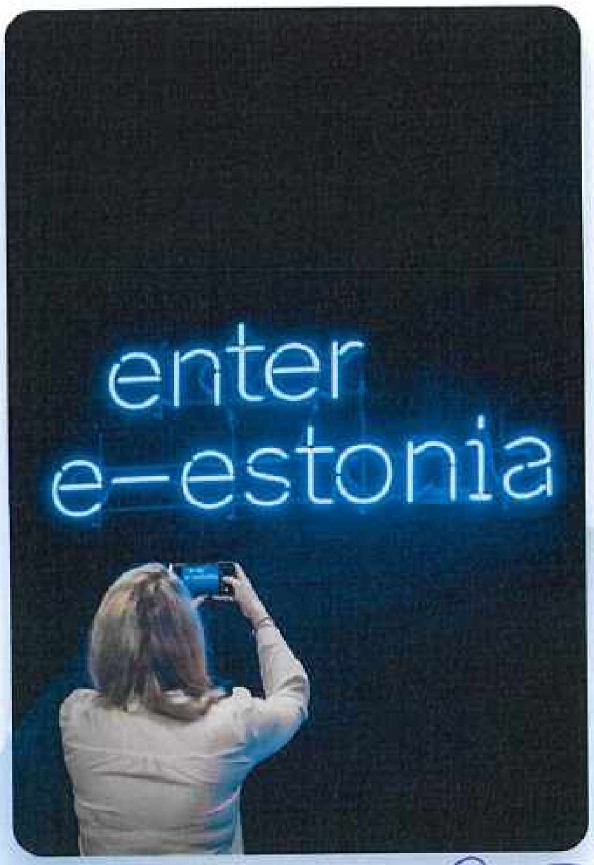
The country of unicorns

ESTO's roots are deeply embedded in Estonia, a country known for its conducive business environment and abundance of talents.

This nation, often compared to the Silicon Valley of Europe for its tech prowess, has earned its reputation as a country of unicorns, home to a disproportionate number of highly successful tech startups given its small size.

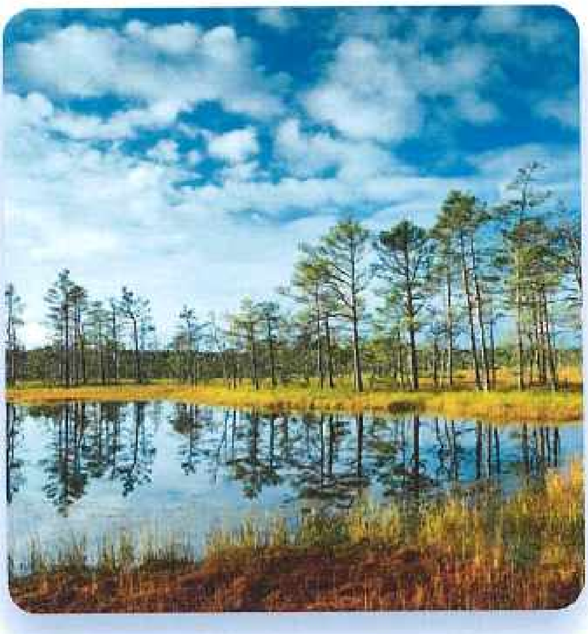
Estonia is renowned for birthing successful unicorns like Skype, a pioneer in web communication, and Wise, a revolutionizer in cross-border financial transactions. Estonia's dedication to digital infrastructure, e-governance and a nurturing ecosystem for entrepreneurs has made it fertile ground for fintech innovations. This commitment has attracted global talent and propelled companies like Bolt, an innovative mobility platform, showcasing Estonia's role as a model in the tech sector.

This Baltic nation's innovative digital infrastructure, e-governance initiatives and a supportive ecosystem for entrepreneurs have cultivated a fertile ground for fintech innovation. Estonia's commitment to digital excellence and ease of doing business has not only attracted talent from around the globe but has also fostered the growth of groundbreaking companies, making it an exemplary model in the digital and financial world.



ESTO Group's ESG values

As a financial technology company providing solutions to customers across multiple geographies we recognize our role in supporting further development of sustainable economies. We have integrated ESG principles across our operations, aligning business strategy to these values and ensuring long-term financial success and sustainability.



Environmental impact

Our commitment to environmental protection is unshakable. In 2023, we maintained our focus on reducing carbon footprint with proactive waste management practices, including recycling and reusing electronic equipment. We contributed to reduction of energy use by constant analysis and optimisation of resources and using only cloud-based services.

Social responsibility and data security

At ESTO Group, we maintain high standards in our social practices, by ensuring the holistic well-being of our employees and creating positive change for our customers.

We provide our employees with a healthy and safe working environment, offer development and training opportunities and support for a work-life balance.

We are transparent across the customer journey and stand for responsible lending and protecting the financial well-being of our customers - on the one hand by making financial services accessible to more people, but at the same time by carefully assessing people's lending capacity.

We also have a robust governance framework in place to address privacy and personal data protection. ESTO screens all vendors involved in personal data processing. We have implemented data processing principles such as data minimization, storage limitation, security and accuracy.

Governance and ethical standards

Governance at ESTO Group is defined by integrity, transparency and compliance with the highest ethical standards. Our financial reporting is honest and transparent, adhering strictly to regulatory requirements. Our management culture is modern and open, guided by laws, regulations and international standards and we maintain continuous dialogue with financial supervision authorities in all our countries of operation. Risk management is integrated into our daily business activities and strategic planning.

Looking Forward: ESG goals for 2024 and beyond

As we look to the future, ESTO Group is committed to setting clear and achievable ESG goals. We aim to further reduce our environmental impact, enhance our social initiatives and strengthen our governance practices. These goals will be integrated into our strategic plan for 2024 and beyond.

ESTO Group remains dedicated to upholding and advancing our ESG commitments. We firmly believe that responsible business practices are not only essential for sustainable growth, but also for creating long-term value for all of our stakeholders.

Our people

In the early months of 2024, our commitment to success continues to revolve around our merchant partners and the continuous expansion of the ESTO-embedded finance platform.

We have strategically localized the management of our sales, legal, and customer success teams, with country managers overseeing these crucial functions, leaded by the Head of Baltics.

ESTO proudly employed 20 dedicated professionals from different nationalities across our 4 offices in the Baltics and Ukraine. Our gender diversity statistics reflect a balanced workforce, with 44% female representation across all employees and 38% in managerial roles.

Recognizing that the success of our ambitious growth strategy relies on a strong international team, we emphasize effective collaboration within our diverse workforce. The prevalence of remote work remains a robust and ongoing trend, and we are committed to providing a hybrid workplace that supports both office and remote work, promoting a work-life balance aligned with individual needs and preferences.

GENDER DIVERSITY

MALE **56%** | FEMALE **44%**

% of total FTE

MANAGER GENDER DIVERSITY

MALE **62%** | FEMALE **38%**

% of total FTE

Interestingly, we've observed a gradual increase in in-person office attendance, striking a balance between remote work and face-to-face interactions. This fosters a culture of collaboration and innovation, especially at our HQ in Tallinn, where we expanded our facilities in the early months of 2024. This expansion includes dedicated spaces for various teams, meeting rooms, silent boxes for calls, a massage cabinet, and a well-equipped kitchen corner, creating an environment that encourages effective communication, enjoyable downtime, and diverse activities.

Corporate culture and values

Our corporate culture is centered around key values:

- **helping people and businesses succeed,**
- **being driven by innovation,**
- **and getting things done.**

Flexibility

At ESTO, flexibility is not just a value; it's the cornerstone of our work culture. We embrace a hybrid workplace model, offering our team the flexibility to choose where they work, be it in the office, collaborating with co-workers, or traveling between our offices across the Baltics. Additionally, we understand the importance of focused, uninterrupted work, and we encourage planning home office days, allowing our team to dedicate time to tasks that require deep concentration without interruptions caused by various meetings. Flexibility isn't just a perk; it's ingrained in how we work and thrive together.

Well-being

We prioritize the health and happiness of our team, recognizing that their well-being directly impacts their work. Our comprehensive well-being support comprises:

- Health days and extra sick leave compensation
- Sports-related benefits
- Various activities promoting social and physical well-being, along with team gatherings
- Daily provisions of fruits and vitamin drinks in our office

As we navigate the post-pandemic landscape and acknowledge the economic challenges faced by many, we're committed to expanding and improving our well-being offerings for the ESTO team.

Transparency and open communication are fundamental principles, minimizing bureaucracy to prioritize efficiency and simplicity.

Events

At the heart of our company culture are engaging events that bring us together. Our key highlight is the group event, inviting participation from all countries to foster collaboration across teams. Additionally, we organize at least two major events each year – one during the summer and another in winter. These events are not just about sports activities like skiing and hiking; they're about building memories, learning something new, and supporting each other as we strive to reach new heights together.

Talent development is a key focus, with individual development budgets, an open and collaborative environment supporting initiative and professional growth, and a commitment to creating an environment where individuals thrive both professionally and personally.

Internship

We are committed to nurturing new talents, particularly in the field of marketing. Through our internship programs, we provide aspiring marketing specialists with valuable hands-on experience, helping them kickstart their careers and develop essential skills. Our goal is not only to offer internship opportunities but also to pave the way for future employment, creating a pathway for interns to grow and thrive within our organization.

Leadership team

Mikk Metsa CEO

Mikk Metsa is the founder and CEO of ESTO. Mikk has a vast experience in the financial industry. Before establishing ESTO and with a degree in corporate finance and legal Mikk worked in notable positions in Private Equity (BaltCap), Asset Management (Trigon Capital) and Investment Banking (Redgate Capital).

Mikk Mihkel Nurges CPO

Mikk Mihkel Nurges is the technical founder of ESTO. With a degree in physics, he has been involved with programming and engineering from an early age. Before ESTO, he developed software systems for notable startups in Estonia.

Dmitrij Mochov CRO

Dmitrij Mochov is the CRO of ESTO. He completed his PhD thesis in Mathematics at Vilnius University in 2018. Before joining ESTO Dmitrij was working for startups and corporates in Lending, Insurance, Investments and Banking sectors. With a sharp analytical mindset and knowledge, he keeps ESTO risk under control.

Alina Mazzotti CMO

Alina Mazzotti, a seasoned CMO with 12 years of experience in B2B and B2C sectors, has worked with leading European companies like KNAUF and Wärtsilä Marine, demonstrating a proven track record in driving results through marketing strategies. With a degree in financial mathematics and an analytical mindset, she adeptly manages processes.

Konstantin Raimla CDO

Konstantin Raimla is a head of data with a decade of experience in the IT industry, specializing in finance. Konstantin has achieved numerous milestones throughout his career, including establishing Bolt's, Europe and Africa's leading mobility business, finance data architecture, and long-range technical planning model.

Consolidated Financial Statements

Consolidated Statement of Financial Position

(in thousands of euros)

	Note no.	31.12.2023	31.12.2022
ASSETS			
Current assets			
Cash and cash equivalents	19	2,398	900
Loans and advances to customers	7	58,470	44,386
Prepayments		828	784
Other assets	9	613	422
Total current assets		**62,309**	**46,492**
Non-current assets			
Loans and advances to customers	7	5,888	4,574
Property and equipment		73	92
Intangible assets	8	1,971	1,480
Other assets	9	274	489
Total non-current assets		**8,206**	**6,635**
TOTAL ASSETS		**70,515**	**53,126**

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21. 05. 2024
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KPMG, Tallinn

(in thousands of euros)

	Note no.	31.12.2023	31.12.2022
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Loans and borrowings	10	39,482	10,328
Trade payables and other payables	11	1,756	1,101
Tax liabilities	12	120	98
Total current liabilities		**41,359**	**11,528**
Non-current liabilities			
Loans and borrowings	10	20,450	35,748
Total non-current liabilities		**20,450**	**35,748**
TOTAL LIABILITIES		**61,809**	**47,275**
Equity			
Share capital	13	5	5
Share premium		435	29,698
Voluntary capital	13	29,263	-
Merger reserve	13	(23,952)	(23,952)
Retained earnings		100	(745)
Total comprehensive income		2,854	845
Total equity		**8,705**	**5,851**
TOTAL EQUITY AND LIABILITIES		**70,515**	**53,126**

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Consolidated Statement of Profit and Loss and Other Comprehensive Income

(in thousands of euros)

	Note no.	2023	2022
Interest income from loans	5	17,190	8,178
Interest expense	5	(5,715)	(2,970)
Net interest income from loans		**11,474**	**5,208**
Other interest income		20	-
Total other interest income		**20**	**-**
Fee and commission income	6	2,749	1,284
Fee and commission expense	6	(1,323)	(722)
Net fee and commission income		**1,426**	**562**
Other income		-	19
Net loss arising from derecognition of financial assets measured at amortised cost	3	(3,510)	(1,424)
Impairment losses and on financial instruments	3	(446)	(186)
Other operating expenses	14	(3,101)	(1,590)
Personnel expenses	15	(2,553)	(1,433)
Depreciation and amortisation	8	(216)	(159)
Other expenses		(347)	(287)
Profit before income tax		**2,748**	**710**
Income tax	18	106	94
Profit for the reporting period		**2,854**	**804**

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(in thousands of euros)

	2023	2022
Other comprehensive income		
Other comprehensive income to be classified to profit or loss in subsequent periods:		
Unrealized gain from financial instruments	-	41
Total other comprehensive income	**-**	**41**
Total comprehensive income for the period	**2,854**	**845**

Profit for the reporting period attributable to:		
Owners of the parent company	*2,854*	*804*
Total comprehensive income attributable to:		
Owners of the parent company	*2,854*	*845*

**2022-year figures as per group consolidation where control of ESTO AS was legally completed on 20.05.2022*

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Consolidated Statement of Cash Flows

(in thousands of euros)

	Note no.	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit		**2,854**	**804**
Adjustments or changes for:		**(3,597)**	**17,339**
Interest income		(595)	(1,511)
Interest expense		-	256
Net impairment loss on loans and advances	3	446	186
Net loss arising from derecognition of financial assets measured at amortised cost	3	(3,510)	(1,424)
Depreciation and amortisation	8	214	84
Other adjustments		(152)	20,062
Total adjustments or changes		**(742)**	**18,457**
Changes in:			
Other assets and prepayments		(21)	(1,638)
Trade and other payables		677	1,078
Loans and advances to customers		(11,428)	(30,729)
Total changes		**(10,772)**	**(31,288)**
NET CASH USED IN OPERATING ACTIVITIES		**(11,514)**	**(12,831)**

CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(29)	(38)
Acquisition of intangible assets	8	(665)	(696)
Other loans granted		(15)	-
Other loans repayed		149	-
NET CASH USED IN INVESTING ACTIVITIES		**(559)**	**(734)**

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(in thousands of euros)

	Note no.	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings		27,770	22,521
Repayments of borrowings		(14,199)	(8,097)
NET CASH FROM FINANCING ACTIVITIES		**13,571**	**14,424**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,497**	**859**

Cash and cash equivalents at beginning of period	**900**	**42**
Cash and cash equivalents at end of period	**2,398**	**900**

**2022-year figures as per group consolidation where control of ESTO AS was legally completed on 20.05.2022*

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Consolidated Statement of Changes in Equity

(in thousands of euros)

	Share capital	Share premium	Merger reserve	Voluntary capital	Unrealized gain from financial instruments	Retained earnings	Total equity
Balance at 31.12.2021	**3**	-	-	-	-	**(183)**	**(181)**
Adjustments	-	-	-	-	-	**(562)**	**(562)**
Balance at 1 January 2022	**3**	-	-	-	-	**(745)**	**(743)**
Total comprehensive income for the period	-	-	-	-	**41**	**804**	**845**
Profit for the period	-	-	-	-	-	804	804
Other comprehensive income	-	-	-	-	41	-	41
Transactions with owners of the Company Contributions and distributions							
Impact from the acquisition of the subsidiary	3	29,698	(23,952)	-	-	-	5,748
Total contributions and distributions	**3**	**29,698**	**(23,952)**	-	-	-	**5,748**
Balance at 31.12.2022 restated*	**5**	**29,698**	**(23,952)**	-	**41**	**59**	**5,851**

Adjustments made in order to fully reflect the Share premium owned by the parent company after the acquisition of ESTO AS Subsidiary as of 31.12.2022. Previous disclosure method reflecting the earnings from acquisition via different method is no longer applicable for the Group.

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(in thousands of euros)

	Share capital	Share premium	Merger reserve	Voluntary capital	Unrealized gain from financial instruments	Retained earnings	Total equity
Balance at 1 January 2023	**5**	**29,698**	**(23,952)**	**-**	**41**	**59**	**5,851**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**2,854**	**2,854**
Profit for the period	-	-	-	-	-	2,854	2,854
Transactions with owners of the Company Contributions and distributions							
Share capital increase	29,263	(29,263)	-	-	-	-	-
Share capital decrease	(29,263)	-	-	29,263	-	-	-
Total contributions and distributions	**-**	**(29,263)**	**-**	**29,263**	**-**	**-**	**-**
Balance at 31.12.2023	**5**	**435**	**(23,952)**	**29,263**	**41**	**2,914**	**8,705**

In the financial year of 2023 there were these equity movements:

€ 29,263 thousand from share premium of € 29,698 thousand were moved to share capital, share capital was increased and share premium was decreased by the amount.

€ 29,263 thousand from share capital were moved to voluntary capital, share capital was decreased and voluntary capital was increased by the amount.

Additional information on equity is provided in Note 13.
The notes on pages 30 to 69 are an integral part of these financial statements.

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Notes to the financial statements

Note 1. General information

ESTO Holdings OÜ is a holding company that provides services to the customers via its fully owned (100%) 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 of 31.12.2023, ESTO Holdings OÜ had three operating subsidiaries:

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

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

In the consolidated financial statements of ESTO Holdings OÜ (ESTO Group) the corrections to consolidated equity items as of previous financial year 31.12.2022 were made, since the previously used consolidation method for the reflection of the effect to equity after the acquisition of the subsidiary ESTO AS on 20.05.2022 is no longer applicable for the Group.

Initially the difference between fair value and book value arising from the ESTO AS acquisition transaction were recorded in share premium and ESTO Group have chosen to change the recording to merger reserve.

Corrections were following:

(in thousands of euros)	Consolidated statement of financial position	
	Initial balance at 31.12.2022	**Corrected balance at 31.12.2022**
Share premium	5,746	29,698
Merger reserve	-	(23,952)

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(in thousands of euros)		Consolidated statement of changes in equity
	Initial balance at 31.12.2022	**Corrected balance at 31.12.2022**
Share premium	5,746	29,698
Merger reserve	-	(23,952)

Note 2. Significant accounting policies

Note 2.1. Basis of accounting

The consolidated financial statements of the ESTO Holdings OÜ (ESTO Group) for the financial year 2023 have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted in the European Union.

These consolidated financial statements have been authorised for issue by the ESTO Holdings OÜ management board on 21.05.2024.

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.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements

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

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

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

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Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

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

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

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

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

For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

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

Amendments to IAS 12: International Tax Reform Pillar Two Model Rules

The Amendments introduce:

- A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

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

Amendments to IFRS 17 Insurance Contracts

The amendments to IFRS 17 include a two-year deferral of the effective date and the fixed expiry date of the temporary exemption from applying IFRS 9 Financial Instruments granted to insurers meeting certain criteria.

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

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 31 December 2023 and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

(Effective for annual periods beginning on or after 1 January 2024; to be applied retrospectively. Early application is permitted)

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

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

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Amendments to IAS 1: Classification of liabilities with covenants as current or non-current, deferral of effective date

(Effective for annual periods beginning on or after 1 January 2024; to be applied retrospectively.)

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

What is meant by a right to defer settlement :

- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

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

Amendments to Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements

(Effective for annual periods beginning on or after 1 January 2024; to be applied prospectively. Early application is permitted)

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

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

Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates

(The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted, in which case, an entity is required to disclose that fact.)

The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

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

Note 2.4. Functional and presentation currency

These consolidated financial statements are presented in (thousands of) euros, which is the Group's functional currency.

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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 effect 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 31 December 2023 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.
- **Note 4:** fair value of financial instruments: determining the fair value of assets and liabilities.

Note 2.6. Accounting policies

The significant accounting policies applied in the preparation of these 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 consolidated statement of financial position comprise balances with less than three months maturity of the assets at acquisition dates including: cash, non-restricted cash equivalents.

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.

Interest

i. Effective interest rate

Interest income and expense are recognized 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.

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 amortization 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 income statement and OCI includes interest on financial assets and financial liabilities measured at amortised cost.

Interest expense presented in the income statement and OCI includes financial obligations 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 recognized as the related services are performed.

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

Financial assets and financial liabilities

i. Recognition and initial measurement

The Group initially recognizes loans and advances on the date on which they are originated. All other financial instruments are recognized 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 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.

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 realizing 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 realized.

The Group's retail business comprises of loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprise of 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 such that it would not meet his condition.

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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.

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 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 derecognized) 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 recognized in OCI is recognized 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 derecognized, and a new financial asset is recognized 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 maximize 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 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 "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, 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 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 recognizes 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 recognizes 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 recognized 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, forborne or restructured exposures, exposures with no-repayment periods are not included.

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 recognized 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 recognized and that are credit-impaired are referred to as "Stage 3 financial instruments".

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 reorganization.

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;

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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 or their debt collectors determines that the borrower does not have assets or sources of income that could generate any cash flows to repay the amounts subject to the write-off.

Recoveries of amounts previously written off are recognized when cash is received and are included in other income in the statement of profit or loss and OCI.

Net loss arising from derecognition of financial assets measured at amortized cost

Loans that are sold to external parties after termination due to non-complying to payment terms are written off from the loan receivables.

Sale income generated from the sold loans are recognised via statement of profit or loss.

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 recognized within other income in profit or loss.

ii. Subsequent costs

Subsequent expenditure is capitalized 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 recognized 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	5-10 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 amortization 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. Amortisation

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

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and comparative periods.

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

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 recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss.

Employee benefits

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

Provisions

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.

Income tax

Under the Income Tax Act, in Estonia income tax is not levied on corporate profit. 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. 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.

In the following table are given the tax rates on corporate income by countries:

Corporate Income Tax rate		**2023**		**2022**
Subject to taxation	annual profits earned	distribution of retained earnings	annual profits earned	distribution of retained earnings
Lithuania	**15%**	**15%**	**15%**	**15%**
Latvia	**0%**	**20%**	**0%**	**20%**

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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.

Investments in subsidiaries

Investments in subsidiaries in the parent's unconsolidated primary financial statements have been accounted at acquisition cost.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the ESTO Holdings OÜ and its subsidiaries (ESTO AS, ESTO UAB, ESTO LV AS). 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. In parent's unconsolidated primary financial statements subsidiaries (ESTO AS, ESTO UAB, ESTO LV AS) are recorded at acquisition cost.

Events after the reporting period

The annual 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 financial statements were authorised 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.

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.

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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 regulations 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, for financial assets the amounts in the table represent gross carrying amounts.

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)

				31.12.2023
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortised cost				
Gross carrying amount	60,405	2,506	1,376	64,286
Loss allowance	(270)	(459)	(627)	(1,356)
Carrying amount	**60,135**	**2,047**	**749**	**62,931**

(in thousands of euros)

				31.12.2022
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortised cost				
Gross carrying amount	45,905	1,798	590	48,293
Loss allowance	(315)	(383)	(211)	(910)
Carrying amount	**45,590**	**1,415**	**378**	**47,383**

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The table below set out the information about credit quality of loan portfolio, including loss allowance and loan portfolio write-off due to sale.

(in thousands of euros)

	31.12.2023	31.12.2022
Loans and advances to customers at amortised cost		
Gross amount	64,286	48,293
Loss allowance	(1,356)	(910)
Carrying amount	**62,931**	**47,383**

(in thousands of euros)

	2023	2022
Loans issued to customers	(72,698)	(37,674)
Portfolio write-off	(7,629)	(3,581)
Write off to issuance %	**10,49%**	**9,51%**

Gross carrying amount of loan portfolio as of 31.12.2023 grew by 33% in comparison to loan portfolio as of 31.12.2022.

Loans issued to customers increased almost twice in 2023 in comparison to 2022. Even though the portfolio issuance has increased significantly in 2023, ESTO Group maintains almost the same level of write-off of defaulted loans to issuance ratio: 10.49% in 2023, 9.51% in 2022.

The table below disclose the amounts recorded in Statement of profit and loss and OCI under Net loss arising from derecognition of financial assets measured at amortised cost.

(in thousands of euros)

	2023	2022
Write-off cost	(7,629)	(3,581)
Income from sold written-off loans	4,120	2,157
Total	**(3,510)**	**(1,424)**

Cash and cash equivalents

The Group held cash and cash equivalents of € 2,398 thousand at 31 December 2023 (2022: €900 thousand). The cash and cash equivalents are held with financial institution counterparties that are rated at least A based on Standard & Poor's ratings. The cash and cash equivalents of ESTO Group are considered as Stage 1 assets as of 31.12.2023 and 31.12.2022.

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".

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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.

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, Group does significant 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.

- 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 realizing 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.

Incorporation of forward-looking information

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.

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 0.05). It can reflect that continuously evolving decision engine policy has significantly more impact than macroeconomic 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 not found correlation between macroeconomic data and PD's. ESTO Group will continue to test 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 which terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out in accounting policy "Financial assets and financial liabilities" subsection "Modifications of financial assets and financial liabilities".

When modification that is not related to current or potential credit deterioration of the customer results in derecognition, a new loan amount is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

Additionally, 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 such that it falls withing the 12-month PD ranges for the asset to be considered Stage 1.

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 amortization. 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.

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)

				2023
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortised cost				
Balance at 1 January	315	383	211	910
Net remeasurement of loss allowance	-	17	216	233
Additions	381	647	888	1,916
Financial assets that have been repaid	(395)	(535)	(614)	(1,544)
Write-offs	(32)	(54)	(75)	(160)
Balance at 31 December	**270**	**459**	**627**	**1,356**

(in thousands of euros)

				2022
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortised cost				
Balance at 1 January	-	-	-	-
Net remeasurement of loss allowance	1	37	15	53
New financial assets originated or purchased	642	738	458	1,838
Financial assets that have been repaid	(361)	(432)	(284)	(1,077)
Write-offs	34	41	22	96
Balance at 31 December	**315**	**383**	**211**	**910**

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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**			
	Up to 3 months	**3-12 months**	**1-5 years**	**Carrying amount**
As at 31.12.2023				
Financial liability by type				
Loans and borrowings (Note 10)	-	42,163	22,579	59,932
Trade payables (Note 11)	949	-	-	949
Other payables (Note 11)	271	537	-	807
Total	**1,220**	**42,700**	**22,579**	**61,689**
Financial asset by type				
Cash and cash equivalents (Note 19)	2,398	-	-	2,398
Loans and advances to customers (Note 7)	6,907	51,562	5,888	64,358
Other assets (Note 9)	597	16	274	887
Total	**9,902**	**51,579**	**6,162**	**67,643**
Net position	**8,682**	**8,879**	**(16,417)**	**5,954**

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(in thousands of euros)

	Contractual cash flows			
	Up to 3 months	**3-12 months**	**1-5 years**	**Carrying amount**
As at 31.12.2022				
Financial liability by type				
Loans and borrowings (Note 10)	-	10,421	42,276	46,076
Trade payables (Note 11)	-	646	-	646
Other payables (Note 11)	169	286	-	456
Total	**169**	**11,353**	**42,276**	**47,177**
Financial asset by type				
Cash and cash equivalents (Note 19)	561	-	339	900
Loans and advances to customers (Note 7)	3,925	40,461	4,574	48,959
Other assets (Note 9)	424	318	168	911
Total	**4,910**	**40,779**	**5,081**	**50,770**
Net position	**4,741**	**29,426**	**(37,195)**	**3,593**

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

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

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 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.
- Interest coverage ratio 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 the ESTO. The nature of the ESTO's business activities implies that it has no commodity risk and equity risk exposures. Thus, the only types of market risk that the 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 income or the value of its holdings of financial instruments. The objective of the ESTO Group market risk management is to manage and control market risk exposures within acceptable parameters to ensure the ESTO's solvency while optimizing the return on risk.

i. Interest rate risk

Interest rate risk is a 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 Group has not used hedging instruments in 2023 and 2022 to hedge the interest rate risk.

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.

The table below summarize the Group's exposure to interest rate risks. In the table are included the Group`s financial assets and liabilities at carrying amounts categorized by maturity:

(in thousands of euros)

31.12.2023	Total	Maturity within 1 year	Maturity 1-5 years
Assets bearing fixed interest rate risk			
Loans and advances to customers	63,058	58,470	4,588
Assets bearing fixed interest rate risk total	**63,058**	**58,470**	**4,588**
Liabilities bearing fixed interest rate risk			
Loans and bonds from investors	31,502	25,052	6,450
Liabilities bearing fixed interest rate risk total	**31,502**	**25,052**	**6,450**
Interest gap	**31,556**	**33,418**	**(1,862)**
Assets bearing floating interest rate risk			
Loans and advances to customers	1,300	-	1,300
Assets bearing floating interest rate risk total	**1,300**	**-**	**1,300**
Liabilities bearing floating interest rate risk			
Loans and bonds from investors	28,431	14,431	14,000
Liabilities bearing floating interest rate risk total	**28,431**	**14,431**	**14,000**
Interest gap	**(27,131)**	**(14,431)**	**(12,700)**

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(in thousands of euros)

31.12.2022	Total	Maturity within 1 year	Maturity 1-5 years
Assets bearing fixed interest rate risk			
Loans and advances to customers	47,659	44,386	3,274
Assets bearing fixed interest rate risk total	**47,659**	**44,386**	**3,274**
Liabilities bearing fixed interest rate risk			
Loans and bonds from investors	31,969	7,021	24,948
Liabilities bearing fixed interest rate risk total	**31,969**	**7,021**	**24,948**
Interest gap	**15,691**	**37,365**	**(21,674)**
Assets bearing floating interest rate risk			
Loans and advances to customers	1,300	-	1,300
Assets bearing floating interest rate risk total	**1,300**	**-**	**1,300**
Liabilities bearing floating interest rate risk			
Loans and bonds from investors	14,107	3,307	10,800
Liabilities bearing floating interest rate risk total	**14,107**	**3,307**	**10,800**
Interest gap	**(12,807)**	**(3,307)**	**(9,500)**

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.

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.

Additionaly, 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 1.5.
- 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 sucesfully met as at 31.12.2023 and 31.12.2022.

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Capital management

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 according to Estonian, Lithuanian and Latvian regulations.

The Supervisory Board of ESTO Group is responsible for the overall planning of the capital structure. Relevant capital planning contributes to ESTO be well-equipped to meet a situation that requires additional capital, and to provide 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.

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 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 exists 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 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.

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

(in thousands of euros)

	Carrying amount	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Fair value
	31.12.2023	**(Level 1)**	**(Level 2)**	**(Level 3)**	**31.12.2023**
Financial assets measured at amortised cost					
Loans and advances to customers (Note 7)	64,358	-	-	12,275	76,633
Other assets (Note 9)	887	-	-	(274)	613
Cash and cash equivalents (Note 19)	2,398	-	-	-	2,398
Intangible assets (Note 8)	1,971	-	-	197	2,168
Total financial assets at amortised cost	**69,613**	**-**	**-**	**12,198**	**81,811**
Financial liabilities at amortised cost					
Loans and borrowings (Note 10)	59,932	-	4,810	-	64,742
Trade payables (Note 11)	949	-	-	-	949
Other payables (Note 11)	807	-	-	-	807
Total financial liabilities at amortised cost	**61,688**	**-**	**4,810**	**-**	**66,498**

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(in thousands of euros)

	Carrying amount	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Fair value
	31.12.2022	(Level 1)	(Level 2)	(Level 3)	31.12.2022
Financial assets measured at amortised cost					
Loans and advances to customers (Note 7)	48,959	-	-	10,835	59,794
Other assets (Note 9)	911	-	-	(168)	743
Cash and cash equivalents (Note 19)	900	-	-	-	900
Intangible assets (Note 8)	1,480	-	-	148	1,628
Total financial assets at amortised cost	**52,250**	**-**	**-**	**10,814**	**63,064**
Financial liabilities at amortised cost					
Loans and borrowings (Note 10)	46,076	-	6,621	-	52,697
Trade payables (Note 11)	646	-	-	-	646
Other payables (Note 11)	456	-	-	-	456
Total financial liabilities at amortised cost	**47,178**	**-**	**6,621**	**-**	**53,799**

Note 5. Net interest income

(in thousands of euros)

	2023	2022
Interest income		
Loans and advances to customers	17,190	8,178
Total interest income	**17,190**	**8,178**
Interest expense		
Interest amount due to creditors	(5,715)	(2,970)
Total interest expense	**(5,715)**	**(2,970)**
Net interest income	**11,474**	**5,208**

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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 are disaggregated by service lines.

(in thousands of euros)

	2023	2022
Service lines		
Other contract related income	56	31
Income from management fees on loans	380	211
Other income on loans	2,313	1,041
Total fee and commission income from contracts with customers	**2,749**	**1,284**
Fee and commission expense	(1,323)	(722)
Net fee and commission income	**1,426**	**562**

Other income on loans consists of: other income such as scoring, contract editing fees to the clients, ESTO Premium subscription fees, Instant payment fees.

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 recognizes 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	The Group provides contract and management services for customers. Fees for ongoing account management are charged to the customer's account monthly. Servicing fees are charged monthly and are based on fixed rates.	Revenue from account service and servicing fees is recognized over time as the services are provided. Revenue related to transactions is recognized at the point in time when the transaction takes place.

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Note 7. Loans and advances to customers

(in thousands of euros)

	31.12.2023	31.12.2022
Loans and advances to customers	65,713	49,869
Less impairment loss allowance	(1,356)	(910)
Total	**64,358**	**48,959**

Loans and advances to customers at amortised cost

(in thousands of euros)	31.12.2023			31.12.2022		
	Gross carrying amount	**ECL allowance**	**Carrying amount**	**Gross carrying amount**	**ECL allowance**	**Carrying amount**
Hire purchase	16,022	(142)	15,880	11,280	(98)	11,182
Credit agreements	46,969	(1,153)	45,816	37,013	(813)	36,201
Consumer loans	1,295	(61)	1,235	-	-	-
Other loans	1,427	-	1,427	1,577	-	1,577
Total	**65,713**	**(1,356)**	**64,358**	**49,869**	**(910)**	**48,959**

More information is disclosed in Note 3.

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Note 8. Intangible assets

(in thousands of euros)

	Proprietary systems	Intangible assets in progress	Total
Carrying amounts at 01.01.2022	**713**	**107**	**820**
Additions from development	350	666	1,016
Additions	30	-	30
Amortization	(135)	-	(135)
Other changes	63	(314)	(252)
Cost in 2022	30	666	696
Accumulated amortisation at 31.12.2022	(240)	-	(240)
Carrying amounts at 31.12.2022	**1,021**	**459**	**1,480**
Additions from development	129	664	793
Additions	2	-	2
Amortisation	(169)	-	(169)
Disposals	-	(6)	(6)
Other changes	-	(129)	(129)
Cost in 2023	2	664	665
Accumulated amortisation at 31.12.2023	(409)	-	(409)
Carrying amounts at 31.12.2023	**983**	**987**	**1,971**

Total intangible assets at the end of the reporting period consisted of €1,971 thousand. Proprietary systems comprised of internally generated Group technical systems related to direct business activity. Intangible assets in progress in the Group are technical projects in progress.

Note 9. Other assets

(in thousands of euros)

	31.12.2023	31.12.2022
Trade receivables	597	424
Other financial assets	16	318
Deferred tax asset	274	168
Total	**887**	**911**

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Note 10. Loans and borrowings

The terms and conditions of outstanding loans are as follows:

(in thousands of euros) **Repayment schedule 2023**

	31.12.2023	Current loans (Within 12 months)	Non-current loans (Within 1-5 years)	Interest rate	Currency	Due date
Loan agreement	39,904	23,952	15,952	8.57-15%	EUR	2024-2026
Marketplace loan	14,431	14,431	-	7-11%	EUR	2024
Subordinated loan agreement	5,598	1,100	4,498	12-16%	EUR	2024-2025
Total	**59,932**	**39,482**	**20,450**	-	-	-

(in thousands of euros) **Repayment schedule 2022**

	31.12.2022	Current loans (Within 12 months)	Non-current loans (Within 1-5 years)	Interest rate	Currency	Due date
Loan agreement	38,171	7,021	31,150	8.57-15%	EUR	2023-2025
Marketplace loan	3,307	3,307	-	7-11%	EUR	2023
Subordinated loan agreement	4,598	-	4,598	12%	EUR	2024
Total	**46,076**	**10,328**	**35,748**	-	-	-

More information is disclosed in Note 3, Note 16 and Note 4.

The carrying amount of loans and borrowing as at 31.12.2023 was €59,932 thousand. The Group has €5,598 thousand subordinated loan, €14,431 marketplace loan.

The Group has pledged part of its consumer credit portfolio to guarantee the obligations of the creditors. Pledge conditions varies depending on the creditors.

Due to agreements with creditors, Group is a subject to the financial covenants on quarterly basis: interest coverage ratio should not be less than 1.5 and equity ratio cannot be less than 20%. As at 31.12.2023 and 31.12.2022, the financial covenants are met by the Group.

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Note 11. Trade payables and other payables

(in thousands of euros)

	31.12.2023	31.12.2022
Trade payables	949	646
Total trade payables	**949**	**646**
Payables to employees	271	169
Interest payables	494	263
Other accrued expenses	43	24
Total other payables	**807**	**456**
Total trade payables and other payables	**1,756**	**1,101**

Short-term	1,756	1,101
Long-term	-	-
Total	**1,756**	**1,101**

More information is disclosed in Note 3.

Note 12. Tax liabilities

(in thousands of euros)

	31.12.2023	31.12.2022
Value added tax	(8)	14
Personal income tax	25	19
Social tax	66	30
Pension contribution	2	1
Unemployment insurance contribution	3	2
Other tax liabilities	32	32
Total	**120**	**98**

More information is disclosed in Note 3.

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Note 13. Share capital and reserves

Share capital

Share capital in amount of € 5 thousand (31.12.2022: € 5 thousand) is divided into 5000 ordinary shares (31.12.2022: 5000 ordinary shares) with a nominal value of 1 euro (31.12.2022: 1 euro) per share.

Retained earnings

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

Reserves

Reserves included in the equity are as follows:

(in thousands of euros)

	31.12.2023	31.12.2022
Merger reserve	(23,952)	(23,952)
Voluntary equity capital	29,263	-
Total	**5,311**	**(23,952)**

Merger reserve: On 20.05.2022 the completed transaction of the acquisition of ESTO AS additionally created a merger reserve of € (23,952) thousand.

Adjustments made: Previous value of merger reserve as of 31.12.2022 in the Group consolidated financial statements were recorded at 0, due to the different consolidation method selected. Adjusted merger reserve amount in the Group consolidated financial statements as of 31.12.2022 recorded at € (23,952) thousand.

Voluntary equity capital: On 20.05.2022 the completed transaction of the acquisition of ESTO AS gave € 29,698 thousand value which as of 31.12.2023 in the Group consolidated financial statements is allocated as follows: € 29,263 thousand to voluntary equity capital, € 435 thousand to share premium.

Statutory legal reserve

Statutory legal reserve is formed from annual net profit allocations and other transfers entered in the legal reserve pursuant to law or the articles of association. The size of the statutory legal reserve is prescribed by the articles of association and may not be less than 1/10 of the share capital. Statutory legal reserve complied with the requirements arising from the Estonian, Lithuanian and Latvian Commercial Code. At least 1/20 of the net profit must be transferred to the statutory legal reserve in each financial year. If the statutory legal reserve reaches the amount prescribed in the articles of association, the increase of the legal reserve shall be ceased.

By the decision of the general meeting of shareholders, statutory legal 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.

In the consolidated Group financial statements, statutory legal reserve compiled with the requirements arising from Estonian Commercial Code for the ESTO AS subsidiary is not reflected due to the selected consolidation method applied after the acquisition of ESTO AS.

Share premium

Share premium of the Group as at 31.12.2023 consisted of €435 thousand (31.12.2022: €29,698 thousand).

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Note 14. Other operating expenses

(in thousands of euros)

	2023	2022
Rent expenses	(206)	(133)
Advertising and marketing expenses	(1,299)	(592)
IT expenses	(393)	(200)
Training, consultancy and auditing costs	(465)	(419)
Communication and postage	(9)	(7)
Transport costs	(44)	(34)
Other labour costs	(63)	(45)
Other expenses	(78)	(70)
VAT	(544)	(91)
Total	**(3,101)**	**(1,590)**

Note 15. Personnel expenses

(in thousands of euros)

	2022	2022
Wages, salaries and bonuses	(2,100)	(1,187)
Social security contributions and other taxes	(451)	(244)
Other personnel expenses	(2)	(2)
Total	**(2,553)**	**(1,433)**

Average number of employees reduced to full-time equivalents	63	46
Average number of employees by type of employment	**63**	**46**
A number of persons employed under the employment contract	63	46

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Note 16. Related parties disclosures

(in thousands of euros)

	Balances with related parties	
	31.12.2023	**31.12.2022**
	Liabilities	**Liabilities**
Owners (legal entities) with a qualifying interest and entities under their control or significant influence	5,828	5,580
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	263	332

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 financial statements.

No additional commitments apart of Loan liabilities as of 31.12.2023 and 31.12.2022 exists.

(in thousands of euros)

					Loans 2023
	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	-	-	708	12%	EUR
Loans received and repayments	**-**	**-**	**708**	**12%**	**EUR**
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	-	-	34	12%	EUR
Loans received and repayments	**-**	**-**	**34**	**12%**	**EUR**

(in thousands of euros)

					Loans 2022
	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	910	75	651	12%	EUR
Loans received and repayments	**910**	**75**	**651**	**12%**	**EUR**
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	-	-	40	12%	EUR
Loans received and repayments	**-**	**-**	**40**	**12%**	**EUR**

More information is provided in the Note 10.

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

(in thousands of euros)

	2023	2022
Remuneration	**200**	**155**

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.

Note 17. Contingent liabilities

The Group's retained earnings at the end of the reporting period amounted to €2,955 thousand (31.12.2022: €59 thousand euros). The maximum possible amount of income tax liability that may result from the payment of all retained earnings as dividends is €591 thousand (31.12.2022: €11 thousand), so it would be possible to pay out €2,364 thousand as a net dividend (31.12.2022: €48 thousand euros).

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 2023 may not exceed the distributable profit at the end of the reporting period.

Note 18. Income tax

(in thousands of euros)

	2023	2022
Income tax	106	94
Total	**106**	**94**

In 2023 Group has €106 thousand deferred income tax from ESTO UAB subsidiary that will be realised after subsidiary will become profitable (2022: €94 thousand deferred income tax from ESTO UAB subsidiary).

As of 31.12.2023 Group has deferred tax asset accounted for €274 thousand, 31.12.2022 €168 thousand. More information in Note 9.

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(in thousands of euros)

	ESTO UAB	
	2023	**2022**
Financial profit (loss) before taxes	**(904)**	**(710)**
Non - deductible expenses	**320**	**80**
Other non-deductible expenses	320	80
Taxable profit (loss) before taxes brought forward	**(584)**	**(630)**
Income Tax (15%)	**(88)**	**(94)**
Income Tax	**88**	**94**
Temporary differences	19	-
Income Tax total	**106**	**94**

Note 19. Cash and cash equivalents

(in thousands of euros)

	31.12.2023	**31.12.2022**
Bank accounts	2,398	900
Total	**2,398**	**900**

Note 20. Investments in subsidiaries

Subsidiary	**Country**	**2023**	**2022**
ESTO AS	Estonia	100%	100%
ESTO UAB	Lithuania	100%	100%
ESTO LV AS	Latvia	100%	100%

Investments to subsidiaries in Parent company unconsolidated statements recorded at acquisition cost.

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Note 21. Unconsolidated financial statements of parent company as a separate company

Note 21.1 Statement of Financial Position

(in thousands of euros)

	31.12.2023	31.12.2022
ASSETS		
Current assets		
Cash and cash equivalents	736	412
Loans and advances to customers	5,504	1,644
Prepayments	62	61
Other assets	87	146
Total current assets	**6,390**	**2,262**
Non-current assets		
Loans and advances to customers	29,646	29,413
Investments in subsidiaries	29,700	29,700
Property and equipment	34	24
Intangible assets	1,891	1,383
Other assets	-	318
Total non-current assets	**61,271**	**60,838**
TOTAL ASSETS	**67,661**	**63,100**
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Loans and borrowings	24,029	3,000
Trade payables and other payables	420	341
Tax liabilities	39	33
Total current liabilities	**24,488**	**3,374**
Non-current liabilities		
Loans and borrowings	15,168	30,460
Total non-current liabilities	**15,168**	**30,460**
TOTAL LIABILITIES	**39,656**	**33,833**

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(in thousands of euros)

	31.12.2023	31.12.2022
Equity		
Share capital	5	5
Share premium	435	29,698
Voluntary capital	29,263	-
Retained earnings	(436)	(183)
Total comprehensive income	(1,261)	(252)
Total equity	**28,006**	**29,267**
TOTAL EQUITY AND LIABILITIES	**67,661**	**63,100**

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Note 21.2 Statement of Profit and Loss and Other Comprehensive Income

(in thousands of euros)

	2023	2022
Interest income	4,103	2,231
Interest expense	(4,135)	(2,123)
Net interest income	**(32)**	**108**
Fee and commission income	886	816
Fee and commission expense	(283)	(41)
Net fee and commission income	**603**	**776**
Other operating expenses	(852)	(548)
Personnel expenses	(786)	(420)
Depreciation and amortisation	(148)	(114)
Other expenses	(47)	(95)
Profit (loss) before income tax	**(1,261)**	**(293)**
Income tax	-	-
Profit (loss) for the reporting period	**(1,261)**	**(293)**
Other comprehensive income		
Other comprehensive income to be classified to profit or loss in subsequent periods:		
Unrealized gain from financial instruments	-	41
Total other comprehensive income	**-**	**41**
Total comprehensive income for the period	**(1,261)**	**(252)**

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Note 21.3 Statement of cash flows

(in thousands of euros)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss)	**(1,261)**	**(293)**
Adjustments or changes for:	**(3,504)**	**(720)**
Interest income	(3,861)	(1,422)
Interest expense	-	175
Depreciation and amortisation	148	111
Other adjustments	209	415
Total adjustments or changes	**(4,765)**	**(1,013)**
Changes in:		
Other assets and prepayments	376	(462)
Trade and other payables	154	75
Loans and advances to customers	-	(13,045)
Total changes	**530**	**(13,432)**
NET CASH FROM USED IN OPERATING ACTIVITIES	**(4,235)**	**(14,445)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(18)	(22)
Acquisition of intangible assets	(654)	(674)
Investments in subsidiaries	-	(1,618)
Other Loans granted	(7,569)	-
Other Loans repaid	7,335	-
NET CASH USED IN INVESTING ACTIVITIES	**(906)**	**(2,315)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	6,050	17,975
Repayments of borrowings	(585)	(845)
NET CASH USED IN FINANCING ACTIVITIES	**5,465**	**17,130**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**325**	**370**
Cash and cash equivalents at beginning of period	**412**	**42**
Cash and cash equivalents at end of period	**736**	**412**

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Note 21.4 Statement of changes in equity

(in thousands of euros) **2023**

	Share capital	Share premium	Voluntary capital	Unrealized gain from financial instruments	Retained earnings	Total equity
Balance at 31.12.2022	**5**	**29,698**	**-**	**41**	**(477)**	**29,267**
Balance at 01.01.2023	**5**	**29,698**	**-**	**41**	**(477)**	**29,267**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(1,261)**	**(1,261)**
Profit for the period	-	-		41	(293)	(252)
Transactions with owners of the Company Contributions and distributions						
Share capital increase	29,263	(29,263)	-	-	-	-
Share capital decrease	(29,263)	-	29,263	-	-	-
Total contributions and distributions	**-**	**(29,263)**	**29,263**	**-**	**-**	**-**
Balance at 31.12.2023	**5**	**435**	**29,263**	**41**	**(1,738)**	**28,006**

(in thousands of euros) **2022**

	Share capital	Share premium	Statutory reserve capital	Unrealized gain from financial instruments	Retained earnings	Total equity
Balance at 31.12.2021	**3**	**-**	**-**	**-**	**(183)**	**(181)**
Balance at 01.01.2022	**5**	**-**	**-**	**-**	**(183)**	**(181)**
Total comprehensive income for the period	**-**	**-**	**-**	**41**	**(293)**	**(252)**
Profit for the period	-	-	-	-	(293)	(293)
Other comprehensive income	-	-	-	41	-	41
Transactions with owners of the Company Contributions and distributions						
Acquired share capital	3	29,698	-	-	-	29,700
Total contributions and distributions	**3**	**29,698**	**-**	**-**	**-**	**29,700**
Balance at 31.12.2022	**5**	**29,698**	**-**	**41**	**(477)**	**29,267**

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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 2023.

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 International Financial Reporting Standards.

21.05.2024

Mikk Metsa

Founder & CEO

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Independent Auditors' Report

(Translation of the Estonian original)

To the Shareholders of ESTO Holdings OÜ

Opinion

We have audited the consolidated financial statements of ESTO Holdings OÜ (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the consolidated financial statements mentioned above present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, our responsibility is to state whether the information presented in the management report has been prepared in accordance with the applicable legal and regulatory requirements.

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 and we state that the information presented in the management report is materially consistent with the consolidated financial statements and in accordance with the applicable legal and regulatory requirements.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with International 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

KPMG Baltics OÜ
Licence No 17

Eero Kaup

Certified Public Accountant, Licence No 459

Tallinn, 21 May 2024