ANNUAL REPORT

Beginning of annual period: 01.01.2018
End of annual period: 31.12.2018

Business name: ESTO AS

Registry code: 14180709

Name of street: Tornimäe tn 2
Building and apartment number:
City/town: Tallinn
County: Harju County
Postal code: 15010

Telephone: +372 6225252

E-mail: info@esto.ee
Website address: www.esto.ee

Contents

Activity report

ESTO AS was established in Estonia on January 6th 2017. The Estonian Financial Supervision and Resolution Authority issued a creditor license to ESTO on June 12th 2017. ESTO's primary activities are development of financial technology and provision of consumer credit products.

2018 was a successful year for ESTO - its customer base had strong growth and it developed several new products and partnerships. In 2018, ESTO achieved record results in all its areas of activity. Pursuant to our strategy, ESTO is innovation-focused in both its technology and its business model, and this year emphasis was mostly on developing proprietary technology.

The financial services sector is undergoing major changes primarily due to evolution of the IT industry and legislative developments which provide new opportunities. The banking sector is facing decentralisation in terms of both the services provided and the geographic coverage. Keywords for financial institutions of the future are speed, personalisation, and the ability of global service providers to ensure quality on a local scale. Going forward, the major market trends include ongoing digitalisation, and the gathering and analysis of big data.

The Baltic economies continued to grow at a rate exceeding the EU average. This consumer-fuelled growth was nevertheless slower compared to 2017. Overall, consumer buying power in Estonia, Latvia and Lithuania is undergoing rapid growth. The consumers, however, are more cautious in appraising their purchasing and credit power, compared to the previous boom.

The Estonian economic outlook supports growth in consumer borrowing. In commerce, the outlook is positive, and consumer confidence is high, too. According to Statistics Estonia, both retail sales and online retail sales have shown significant constant growth over the past seven years. Low unemployment levels and increased income have helped boost consumer confidence.

In 2019, ESTO continues to invest in proprietary technology. Advanced IT solutions enable personalization of financial services at a level previously unseen.

Below are the main financial metrics and ratios reflecting the organization's activities:

Main financial metrics	**2018**	**2017**
Balance sheet total	1,943,534	149,870
Loan portfolio	1,745,992	91,003
Net sales	135,156	5,980

Ratios	**2018**	**2017**
Ratio of loan losses to the loan portfolio	0.34%	0.00%

Ratio of loan losses to the loan portfolio: total loan write-down / loan portfolio

Annual accounts

Statement of financial position
(in euros)

	31.12.2018	31.12.2017	Note no.
Assets			
Current assets			
Cash	63,188	46,857	
Receivables and Prepayments	1,303,571	41,555	2
Total current assets	**1,366,759**	**88,412**	
Non-current assets			
Receivables and prepayments	446,482	51,285	2
Property, plant and equipment	2,195	0	3
Intangible assets	128,098	10,173	4
Total non-current assets	**576,775**	**61,458**	
Total assets	**1,943,534**	**149,870**	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan commitments	25,000	75,000	5
Payables and prepayments	267,764	24,831	6
Total current liabilities	**292,764**	**99,831**	
Non-current liabilities			
Loan commitments	1,665,753	0	5
Total non-current liabilities	**1,665,753**	**0**	
Total liabilities	**1,958,517**	**99,831**	
Equity			
Nominal share capital	62,420	50,000	7
Share premium	47,569	0	
Retained profit (loss) from previous periods	39	0	
Annual period profit (loss)	-125,011	39	
Total equity	**-14,983**	**50,039**	
Total liabilities and equity	**1,943,534**	**149,870**	

Income statement

(in euros)

	2018	06.01.2017 - 31.12.2017	Note no.
Interest income	81,561	5,101	
Interest expense	-61,129	-795	
Net interest income	**20,432**	**4,306**	
Service fee income	53,595	879	9
Service fee expense	-18,682	-1,082	
Net service fee income	**34,913**	**-203**	
Other financial income and expense	2	0	
Other income	752	4,018	8
Other operating expense	-102,416	-7,920	10
Employee expense	-66,211	0	11
Depreciation and impairment	-8,821	-149	3.4
Other business expenses	-3,662	-13	12
Profit (loss) before tax	**-125,011**	**39**	
Annual period profit (loss)	**-125,011**	**39**	

Notes to the annual accounts

Note 1: Accounting policies

General information

These ESTO AS 2018 annual accounts have been prepared in accordance with the Estonian financial reporting standard (EFS). The EFS is a set of financial reporting requirements based on international accounting and reporting principles; the general requirements of EFS are set forth in the Accounting Act, and it is further specified by the Accounting Board Guides established by a Regulation of the Minister of Finance.

Pursuant to the enterprise taxonomy provided in the Accounting Act, this Company is a small enterprise and therefore allowed to submit abridged annual accounts. This report has been prepared according to the requirements applicable to the abridged annual accounts of a small enterprise.

These annual accounts are prepared in euros

Changes in accounting policies or presentation of information

In 2018, an income statement scheme for financial service providers was established, and the 2017 income statement reference data have been adjusted accordingly.

Cash

Cash and cash equivalents on the balance sheet comprise bank account balances.

Foreign currency transactions and financial assets and liabilities denominated in a foreign currency

The accounting currency of the Company is Euro. Foreign currency transactions have been translated to functional currencies based on the foreign currency exchange rates of the European Central Bank prevailing on the transaction date.
Monetary assets and liabilities denominated in a foreign currency are translated into functional currency based on the foreign currency exchange rates of the European Central Bank prevailing on the balance sheet date. Foreign exchange gains and losses are carried in the earnings report of the respective reporting period.

Receivables and prepayments

Loan receivables comprise short-term consumer credits generated in the ordinary course of business. Consumer credits are reported in their amortised cost, i.e. nominal value less repayments and write-downs, if any.

Consumer credit is written down if there is objective evidence that not all of the receivables will be paid according to the original terms of the credit agreement. Facts pointing to potential impairment of claims value include the debtor's insolvency or substantial financial distress, and missed repayment deadlines. In the case of individually significant receivables, the impairment (i.e. the need for write-down) is evaluated for each account separately based on the present value of future receivables. For receivables which are not individually significant and for which there is no direct information that they have been impaired, the impairment is evaluated collectively using previous years' experience on non-payment of receivables.

Allowance for doubtful receivables is the difference between the carrying value of these claims and the present value of their future cash flows, based on the implicit interest rate method. The carrying value of claims is reduced by the allowance for doubtful receivables, and the write-down loss is reported in the statement of financial position under miscellaneous operating expenses. Claims deemed to be irrecoverable are removed from the balance sheet. Any repayment of previously written-down doubtful receivables is reported as reduction in the allowance for doubtful receivables.

Property, plant and equipment, and intangible assets

Property, plant and equipment comprises property of significant cost and a useful life of at least one year, which the Company uses in the course of its activities. Intangible assets comprise intangible property of significant cost, which the Company is planning to use for longer than one year.

Property, plant and equipment and intangible assets are recognised at cost, consisting of acquisition price and costs directly attributable to acquisition. The acquisition cost of intangible assets include the costs of outsourced software development, and any other intangible assets.

In the statement of financial position, property, plant and equipment and intangible assets are carried at cost, less accumulated depreciation

and any write-down. Amortisation is calculated using the linear method.

Threshold of recognising assets is 500 euros

Useful life by assets group (years)

Assets group name	Useful life
Fittings	4 years
IT equipment	2 years
Intangible fixed assets	3 to 10 years

Financial liabilities

All financial liabilities are recognised at cost, which includes all expenses directly attributable to their acquisition. They are carried based on the amortised cost method.

The amortised cost of current financial liabilities generally equals their nominal value; therefore, current financial liabilities are carried on the balance sheet at their net realisable value. For determining the amortised cost of non-current financial liabilities, the implicit interest rate method is used.

A financial liability is considered to be current if its repayment term is within twelve months from the balance sheet date or if the Company does not have a non-contingent right to postpone the repayment of the liability to a date more than 12 months after the balance date.

Revenue

Revenue is reported by the following main sources of revenue:
* Loan revenue
* Other revenue
Loan revenue includes interest revenue, contract fees and administration fees. Interest revenue and other loan origination fees are carried based on the implicit interest rate method for the loan term.

Other revenue includes any penalty and arrears revenue received, and other irregular revenue, including revenue from sales of loan receivables. Other revenue is recognised when the seller has transferred to the buyer the significant risks and rewards of ownership of the goods, and the transaction revenue and costs incurred in respect of the transaction can be measured reliably.

Taxation

Corporate income tax
Pursuant to the Estonian Income Tax Act, there is no corporate income tax on retained or reinvested profits. Income tax is paid on dividends, fringe benefits, gifts, donations, costs of entertaining guests, payments not attributable to business, and transfer price amendments.

The tax rate for dividends is 20/80 of the net amount paid. On certain terms, dividends received may be forwarded without any further income tax expense. The corporate income tax arising from the payment of dividends is recognised as a liability and is accounted for as an income tax expense in the period when dividends are declared, regardless of the period for which the dividends are paid or the actual payment date. The income tax is due on the 10th of the month following the month of payment of dividends. Due to some particular characteristics of the Estonian tax system, companies established in Estonia do not incur any difference between the taxable and carried values of assets, and therefore there are no deferred income tax liabilities or obligations. The balance sheet does not include any income tax liability contingent on distributing retained profits as dividends. The maximum income tax liability which would arise from distributing retained profits as dividends is included in Notes to this annual report.

Related parties

In preparing this annual report, the following parties are considered to be related parties:
a. owners;
b. management and higher supervisory body;
c. the above parties' immediate family and companies controlled by them or under their prevalent and material influence.

Note 2: Receivables and Prepayments

(in euros)

	31.12.2018	Allocation by remaining maturity	
		Within 12 months	Within 1 - 5 years
Trade receivables	700	700	0
Trade receivables	700	700	0
Receivables from related parties	500	500	0
Other current receivables	1,746,131	1,299,649	446,482
Loan receivables	1,745,992	1,299,510	446,482
Accrued income	139	139	0
Prepayments	2,722	2,722	0
Expenses attributable to future periods	2,722	2,722	0
Total receivables and prepayments	**1,750,053**	**1,303,571**	**446,482**

	31.12.2017	Allocation by remaining maturity	
		Within 12 months	Within 1 - 5 years
Receivables from related parties	500	500	0
Other current receivables	91,638	40,353	51,285
Loan receivables	91,003	39,718	51,285
Interest receivables	563	563	0
Accrued income	72	72	0
Prepayments	702	702	0
Expenses attributable to future periods	702	702	0
Total receivables and prepayments	**92,840**	**41,555**	**51,285**

In 2018, loan receivables were written down by 5,967 EUR (2017: 0 EUR)

Note 3: Property, plant and equipment

(in euros)

				Total
	Computers and computer systems	Machinery and equipment	Other property, plant and equipment	
31.12.2017				
Acquisition cost	0	0	0	0
Accumulated depreciation	0	0	0	0
Residual cost	0	0	0	0
Acquisitions and additions	730	730	2,086	2,816
Other acquisitions and additions	730	730	2,086	2,816
Depreciation cost	-274	-274	-347	-621
31.12.2018				
Acquisition cost	730	730	2,086	2,816
Accumulated depreciation	-274	-274	-347	-621
Residual cost	456	456	1,739	2,195

Note 4: Intangible assets

(in euros)

	Other intangible assets	Total
06.01.2017		
Acquisition cost	0	0
Accumulated depreciation	0	0
Residual cost	0	0
Acquisitions and additions	10,322	10,322
Depreciation cost	-149	-149
31.12.2017		
Acquisition cost	10,322	10,322
Accumulated depreciation	-149	-149
Residual cost	10,173	10,173
Acquisitions and additions	126,125	126,125
Depreciation cost	-8,200	-8,200
31.12.2018		
Acquisition cost	136,447	136,447
Accumulated depreciation	-8,349	-8,349
Residual cost	128,098	128,098

Costs of developing the credit origination platform constitute intangible assets.

Note 5: Loan commitments

(in euros)

	31.12.2018	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	Within 1 - 5 years	Over 5 years			
Current loans							
Loan agreement	25,000	25,000			5%	EUR	18.02.2019
Total current loans	25,000	25,000					
Non-current loans							
Loan agreement	400,000		400,000		12%	EUR	2021
Loan agreement	400,000		400,000		12%	EUR	2021
Loan agreement	865,753		865,753		12%	EUR	2021
Total non-current loans	1,665,753		1,665,753				
Loan commitments total	1,690,753	25,000	1,665,753				

	31.12.2017	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	Within 1 - 5 years	Over 5 years			
Current loans							
Loan agreement 1	25,000	25,000			5%	EUR	12.10.2018
Loan agreement 2	25,000	25,000			5%	EUR	02.11.2018
Loan agreement 3	25,000	25,000			5%	EUR	29.09.2018
Total current loans	75,000	75,000					
Loan commitments total	75,000	75,000					

Note 6: Payables and Prepayments

(in euros)

	31.12.2018	Within 12 months
Trade payables	24,826	24,826
Employee payables	10,939	10,939
Tax liabilities	2,621	2,621
Other payables	17,443	17,443
Interest payables	17,393	17,393
Other accrued expenses	50	50
Consumer payables	1,366	1,366
Vendor payables	210,569	210,569
Total payables and prepayments	**267,764**	**267,764**
	31.12.2017	**Within 12 months**
Trade payables	1,123	1,123
Employee payables	0	0
Other payables	798	798
Interest payables	798	798
Prepayments received	2,479	2,479
Other prepayments received	2,479	2,479
Consumer payables	18,423	18,423
Related party liabilities	2,008	2,008
Total payables and prepayments	**24,831**	**24,831**

Note 7: Share capital

(in euros)

	31.12.2018	31.12.2017
Share capital	62,420	50,000
Number of shares (pcs)	62,420	50,000
Nominal value of shares	1	1

In 2018, share capital was increased by emitting 12,420 new 1-euro shares at a premium of 3,83 euros per share. A total of 59,989 euros was paid for the shares.

Explanation regarding the 2018 non-compliance of net assets

As of 31.12.2018, the Company's net assets were not in compliance with the requirements of the Commercial Code. On June 28th 2019, a shareholder made a monetary payment of 125,011 euros, which was attributed to miscellaneous equity reserves and used to cover the 2018 loss and bring the Company's
net assets back in compliance with the Commercial Code. The executive board is planning to make a profit in 2019. In the opinion of the executive board, the non-compliance of the company's net assets to the Commercial Code on the date of the financial position does not cast significant doubt on the company's status as a going concern.

Note 8: Other operating income
(in euros)

	2018	06.01.2017 - 31.12.2017
Profit from exchange rate differences	0	5
Arrears received	0	72
Other operating income from overpaid loans	52	0
Advertising income	700	0
Other	0	3,941
Total other operating income	**752**	**4,018**

Note 9: Service fee income
(in euros)

	2018	06.01.2017 - 31.12.2017
Income from given loan agreement fees	36,036	531
Income from given loan administration fees	14,545	348
Other income from given loans	3,014	0
Total service fee income	**53,595**	**879**

Note 10: Miscellaneous operating expenses
(in euros)

	2018	06.01.2017 - 31.12.2017
Rent and lease	-10,123	0
Miscellaneous office expense	-1,091	-312
Travel expense	-572	0
State and local taxes	-25	0
Data communications	-11,676	-2,220
Accounting	-18,026	-805
Legal expenses	-10,329	-1,752
Advertising	-639	-261
Bank service fees	-4,007	-347
Expenses for vendor bonuses	-36,163	0
Allowance for doubtful loans	-5,968	0
Other	-3,797	-2,223
Total miscellaneous operating expenses	**-102,416**	**-7,920**

Note 11: Labor expense
(in euros)

	2018	06.01.2017 - 31.12.2017
Wage and salary expense	-49,645	0
Social tax	-16,566	0
Total labor expense	**-66,211**	**0**
Average number of employees in full time equivalent units	2	0

Note 12: Other operating expenses
(in euros)

	2018	06.01.2017 - 31.12.2017
Losses from exchange rate differences	-19	-13
Expense attributable to sales of loans	-3,643	0
Total other operating expenses	**-3,662**	**-13**

Note 13: Related parties
(in euros)

Related party balances according to groups

	31.12.2018		31.12.2017	
	Receivables	Liabilities	Receivables	Liabilities
Management and higher supervisory body and individuals with material ownership interest, and entities under their prevalent and material influence	1,996	10,104	500	0
Legal person with material ownership interest, and entities under their prevalent and material influence	0	876,992	0	0
Close family of management, higher supervisory body members and natural persons with material ownership interest, and entities under their prevalent and material influence	0	26,401	0	75,000

2018	Given loans	Repayments from loans given	Loans received	Repayments for loans received	Interest rate	Base currencies
Management and higher supervisory body and individuals with material ownership interest, and entities under their prevalent and material influence						
Loans given and their repayments	2,245	749	0	0	12%-12.9%	EUR
Legal person with material ownership interest, and entities under their prevalent and material influence						
Loans received and their repayments	0	0	866,753	1,000	12%	EUR
Close family of management, higher supervisory body members and natural persons with material ownership interest, and entities under their prevalent and material influence						
Loans received and their repayments	0	0	45,000	95,000	5%	EUR

06.01.2017 - 31.12.2017	Loans received
Close family of management, higher supervisory body members and natural persons with material ownership interest, and entities under their prevalent and material influence	
Loans received	75,000

Purchases and sales

	2018	
	Purchases	Disposals
Management and higher supervisory body and individuals with material ownership interest, and entities under their prevalent and material influence	115,842	160
Legal person with material ownership interest, and entities under their prevalent and material influence	70,084	0
Close family of management, higher supervisory body members and natural persons with material ownership interest, and entities under their prevalent and material influence	4,853	0

Remuneration and other significant benefits calculated for management and higher supervisory body members		
	2018	06.01.2017 - 31.12.2017

Remuneration	25,940	0

Digital signatures on the report

The report was finalised on: 28.06.2019

ESTO AS (registry code: 14180709) 01.01.2018 - 31.12.2018 annual report has been electronically approved by:

Name of signatory	Role of signatory	Time of signing
MIKK METSA	Member of the Board	28.06.2019
Resolution:	I approve this report.	

Statutory Auditor's report

To the shareholders of ESTO AS

Opinion

We have audited the annual accounts of ESTO AS (the Company), including the statement of financial position as of 31.12.2018 and the income statement for the year which ended on the above date, along with the Notes to the annual accounts, including the summary of accounting principles of note.

It is our opinion that these annual accounts in all their material aspects fairly represent the Company's financial position as of 31.12.2018 and the financial outcome of the year ending on the above date, and are in accordance with the Estonian financial reporting standard.

Basis of opinion

We conducted the audit according to the international auditing standards (Estonia). Our obligations pursuant to these standards are further described in the "Statutory auditor's obligations pertaining to auditing of annual accounts". We are independent from the Company in accordance with the Code of Ethics of Professional Accounting Experts (Estonia) (Code of Ethics, CoE), and have fulfilled all other ethics-related obligations pursuant to the Code of Ethics (CoE). We believe that the audit evidence we have acquired is sufficient and relevant enough to substantiate our opinion.

Reference information

The management is responsible for reference information. The reference information includes an activity report, but does not include annual accounts nor our statutory auditor's report.

Our opinion regarding these annual accounts does not cover the reference information, and we do not provide any assuring conclusions of any sort regarding the reference information.

Regarding our audit of the annual accounts, our duty is to review the reference information and to assess whether the reference information significantly contradicts the annual accounts or other information we have gained in the course of the audit, or otherwise seems to be misrepresented.

If our work leads us to the conclusion that reference information has been materially misrepresented, we are obligated to report this fact. We have nothing to report in this regard.

Obligations of the management and executives regarding the annual accounts

The management is responsible for preparing and submitting the annual accounts on time in accordance with the Estonian financial reporting standard, and for any internal auditing the management deems necessary to prepare annual accounts free from material misrepresentation due to fraud or error.

In preparing the annual accounts, the management is obligated to evaluate whether the company is a going concern, to provide relevant information regarding any circumstances regarding the status of going concern, and to proceed on the basis of going concern, unless the management is planning to liquidate or dissolve the Company or has no realistic alternative to liquidation or dissolution.

The executives are responsible for supervising the Company's accounts reporting process.

Statutory auditor's obligations pertaining to auditing of annual accounts

Our goal is to establish reasonable assurance as to whether the annual accounts as a whole are free from material misrepresentations due to fraud or error, and to prepare a statutory auditor's report which includes our opinion. Reasonable assurance constitutes a high level of assurance, but this does not ensure that a material misrepresentation will always be discovered in the course of an audit conducted in accordance with international auditing standards (Estonia). Misrepresentations may be due to fraud or error, and are considered material if it is reasonable to assume that they may, either singly or jointly influence economic decisions made based on the annual accounts.

Pursuant to international auditing standards (Estonia), we apply professional judgment and maintain professional scepticism throughout the audit. Furthermore, we:

- identify and evaluate any risks of material misrepresentation due to fraud or error in the annual accounts, plan and implement audit procedures in response to these risks, and acquire sufficient and relevant audit evidence to base our opinion on. The risk of non-discovery of a material misrepresentation due to fraud is greater than that of misrepresentation due to error, because fraud may include a secret pact, forgery, withholding of information, submitting false information, or ignoring internal audit requirements;
- develop an understanding of internal audits relevant for our audit, in order to plan suitable audit procedures, but not to provide an opinion on the effectiveness of the Company's internal audit procedures;
- evaluate the relevance of accounting policies applied, and the reasonableness of the management's accounting estimates and information made public in association with these;
- form a conclusion whether the management's application of the going concern accounting basis was justified, and, based on the audit evidence acquired, whether there is any material uncertainty regarding any events or circumstances, which may cast significant doubt on the Company's status as a going concern. If we conclude that there is material uncertainty, we will be obligated to point out the relevant information published in the annual accounts in the statutory auditor's report or, where the information published is insufficient, to modify our opinion. Our conclusions are based on audit evidence acquired until the date of the statutory auditor's report. Regardless, future events may negatively impact the Company's status as a going concern;
- evaluate the general representation, structure and contents of the annual accounts, including the information published and whether the annual accounts fairly represent the underlying transactions and events.

We exchange information with the executives, regarding, *inter alia*, the planned scope and timing of the audit, and any significant observations made during the audit, including any significant shortcomings in internal audits we have identified during the audit.

/digitally signed/ Taivo
Epner Statutory Auditor no.
167 Baker Tilly Baltics OÜ
Audit firm activity license 84 Tornimäe tn 5,
Tallinn, Harju county, 10145 28.06.2019

Digital signatures of auditors

The auditor's report appended to the ESTO AS (registry code: 14180709) 01.01.2018 - 31.12.2018 annual report is digitally signed:

Name of signatory	Role of signatory	Time of signing
TAIVO EPNER	Statutory auditor	28.06.2019

Proposal for covering loss

(in euros)

	31.12.2018
Retained profit (loss) from previous periods	39
Annual period profit (loss)	-125,011
Total	**-124,972**
Covering	
Increasing (reducing) other reserves	125,011
Total	**125,011**

As of 31.12.2018, the Company's net assets were not in compliance with the requirements of the Commercial Code. On June 28th 2019, a shareholder made a monetary payment of 125,011 euros, which was attributed to miscellaneous equity reserves and used to cover the 2018 loss and bring the Company's
net assets back in compliance with the Commercial Code. The executive board is planning to make a profit in 2019. In the opinion of the executive board, the non-compliance of the company's net assets to the Commercial Code on the date of the financial position does not cast significant doubt on the company's status as a going concern.

Resolution for covering loss

(in euros)

	31.12.2018
Retained profit (loss) from previous periods	39
Annual period profit (loss)	-125,011
Total	**-124,972**
Covering	
Increasing (reducing) other reserves	125,011
Total	**125,011**

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Contact information

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