creditstar group

Consolidated Annual Report 2019

CREDITSTAR GROUP AS

Creditstar is an international consumer finance company. We use technology, automated processes, algorithms and data analysis to make our credit products easily available to hundreds of thousands of customers in 8 countries in Europe.

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General Information

Business name	**Creditstar Group AS**
Address	**Lõõtsa 5** **11415 Tallinn** **Republic of Estonia**
Registration code	**11728905**
Registration date	**5 October 2009**
Telephone	**+372 6 988 710**
Fax	**+372 6 531 508**
E-mail	**info@creditstar.com**
Web page	**www.creditstar.com**
Main activity	**EMTAK 64929 (Other lending activity, except for pawn shops)**

Management Board	
Member of the Management Board	**Aaro Sosaar**
Members of the Supervisory Board	**Silva Sosaar**
	Alari Avamägi
	Kristjan Vahar

CONSOLIDATED MANAGEMENT REPORT

Structure of the Consolidation Group

The Creditstar Group consolidation group includes the following companies:

Creditstar Group AS	parent company	Registered in Estonia
Creditstar International OÜ	subsidiary	Registered in Estonia
Creditstar Estonia AS	subsidiary	Registered in Estonia
Monefit Estonia OÜ	subsidiary	Registered in Estonia
Monefit Card OÜ	subsidiary	Registered in Estonia
Creditstar Finland OY	subsidiary	Registered in Finland
Creditstar Sweden AB	subsidiary	Registered in Sweden
Creditstar Lithuania UAB	subsidiary	Registered in Lithuania
Creditstar Poland Sp.z o.o	subsidiary	Registered in Poland
Creditstar UK	subsidiary	Registered in UK
Creditstar Spain s.l.	subsidiary	Registered in Spain
Creditstar Czech s.r.o.	subsidiary	Registered in Czech Republic
Creditstar Denmark ApS	subsidiary	Registered in Denmark

Members of the Management Board and Supervisory Board of Creditstar Group AS

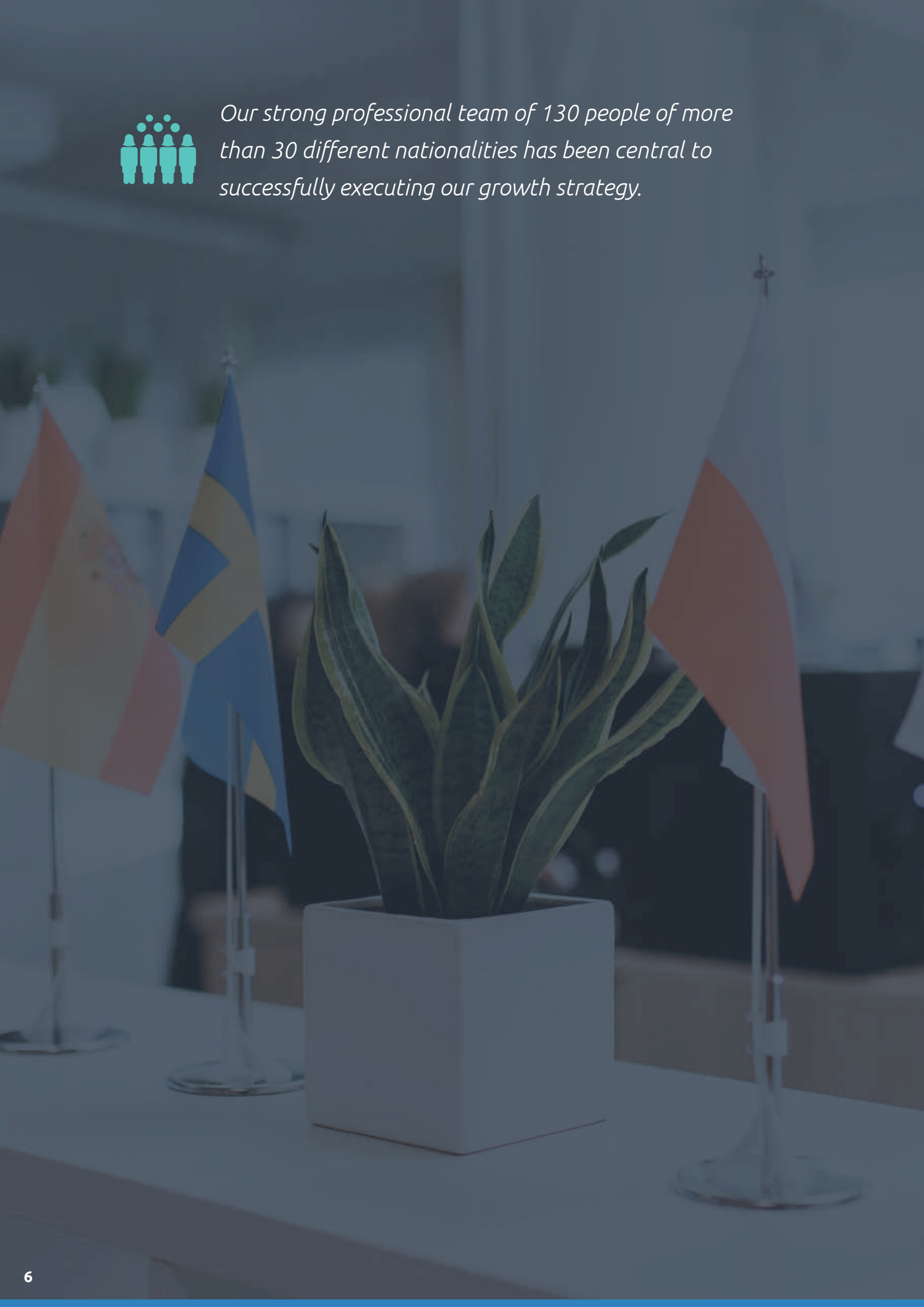
Member of the Management Board: Aaro Sosaar

Members of the Supervisory Board: Silva Sosaar, Alari Avamägi and Kristjan Vahar.

Shareholders of Creditstar Group AS as of 31 December 2019

SA Financial Investments OÜ, registry code 12718041, owner of 100% of the share capital.

Our strong professional team of 130 people of more than 30 different nationalities has been central to successfully executing our growth strategy.



Business Overview

Creditstar Group is a pioneering consumer finance company, providing flexible personal loans and complementary financial services to private persons.

Creditstar Group subsidiaries provide short-term loans between 40 Euros and 5 000 Euros to qualifying customers, with repayment terms between five days to six years. Loan applications can be made through the company's websites, customers' mobile phones and selected trading partners.

We have developed a sophisticated procedure for risk analysis and approval of loan applications that enables responsible loan decisions to be made in a quick and efficient manner that comply with the required regulations and are easy-to-use from the customers' perspective.

In Estonia, Creditstar offers services under the brands Creditstar Estonia and Monefit, which have grown to Estonia's most innovative credit companies. We have managed to transform the Estonian credit market by providing customers a faster, more convenient and flexible service than banks.

In 2019, Creditstar rendered its services in Estonia, Finland, Sweden, Poland, UK, Czech Republic, Spain and Denmark.

The Group's strategy is to become a considerable international financial services provider. Creditstar has proven its ability to run an efficient business. Our aim is to leverage on the experience gained in Estonia to provide financial services of good quality in selected countries.

Latest Milestones and Developments...

monefit

Monefit Credit Line

Monefit revolving credit launched in 2017. Similarly to credit cards, the new product allows the customers to withdraw and repay the funds flexibly according to their needs and possibilities (though, minimum monthly repayment applies).

European Business Awards®

European Business Awards

Creditstar Group has won the National Winner Award for Estonia for Customer and Market Engagement in the 2019 European Business Awards. This is the third European Business Awards for Creditstar, having won the Growth Strategy of the Year Award in 2016/17 and International Expansion in 2017/18.

Creditstar starts operations in Denmark

Creditstar's wholly-owned subsidiary, Creditstar Denmark ApS, announced the launch of www.creditstar.dk and started operating in the Danish market.

Latest Milestones and Developments...

NOVEMBER 2019

New more spacious office in Poland

We see Warsaw as a great destination to support our business growth and a key source of available qualified talent.

AUGUST 2019

Creditstar Group has been named 'National Winner' in the 2019 European Business Awards

Creditstar Group has been awarded as a National Winner for Estonia in The Customer and Market Engagement Award category by the European Business Awards, one of world's largest and longest running business competitions. Its primary purpose is to support and develop a stronger, more successful, innovative and ethical business community in Europe.

JUNE 2019

Creditstar Group has been once again selected to the European Business Awards – 2019 'Ones to Watch' for Estonia.

We have been named as 'One to Watch' in Europe in a list of business excellence published by the European Business Awards, one of world's largest and longest running business competitions. The European Business Awards is one of the world's most prestigious cross border, cross sector business competitions. Its primary purpose is to support and develop a stronger, more successful, innovative and ethical business community in Europe.

Creditstar Group's total assets are now more than EUR 100 million

Creditstar Group has reached a milestone of over 100 million in total assets. The size of the assets is a great milestone for Creditstar Group. It indicates the growth and maturity of the company and shows our ability to grow business at scale.

Creditstar's successful bond issuance

Creditstar issued two new bonds in the total amount of EUR 12,0 million.

MAY 2019

Creditstar's Investor Event

Creditstar hosted an Investor Event in Tallinn. The Investor Event focused on providing an insight into the company, as well as an opportunity to meet and hear from the company's management. The event was attended by current investors and others interested in investing in Creditstar.

Creditstar starts operations in Denmark

Creditstar's wholly-owned subsidiary, Creditstar Denmark ApS, announced the launch of www.creditstar.dk and started operating in the Danish market.

APRIL 2019

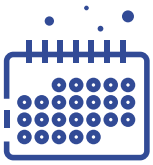
Creditstar celebrates milestone of 100 employees.

As Creditstar is continuing to grow steadily in all markets, we now employ a team of over 100 people across multiple offices in Europe.
We have a diverse team from with different nationalities and extensive background working together to make Creditstar the leading consumer finance company.

Our Products

Microloan

For quick short-term financial assistance, borrow up to 1000€ with a payment period of up to 3 months.



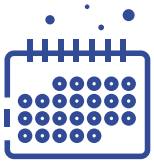
Postpone payments for up to 30 days.

Quick and easy user experience from all devices.

Installment Loan

To take advantage of good offers, or deal with unexpected events, borrow up to 5000€ with a payment period of up to 3 years.

Repay in equal monthly installments.



Postpone payments for up to 30 days.

Quick and easy user experience from all devices.

Inc.5000 has recognised Creditstar Group as one of the fastest-growing companies in Europe in 2018. Creditstar Group is one of the few financial services companies in Estonia to have made the list, and is among the top 150 financial services companies in Europe.

For 37 years, Inc. has evaluated hundreds of thousands of companies worldwide, and Creditstar is honoured to join the exclusive club of Microsoft, Oracle, Facebook, Dyson and dozens of other prominent recent alumni.

Creditstar Group was selected as one of 10 Ruban d'Honneur recipients for the ELITE Award for Growth Strategy of the Year in the 2016/17 European Business Awards.

More than 33 000 businesses from 34 countries participated in the competition and Creditstar Group was among only 110 finalists announced. The panel of independent judges praised Creditstar for its strong growth and core values of innovation, ethics, and success.

Credit Account and Credit Line

Get an approved credit limit, and apply when needed up to 5000€ with a payment period of up to 58 months (or longer).

Both the credit account and credit limit work on the principle of revolving credit. Apply for extra credit amount within a certain limit at any time.

Renew the period of your monthly installments as your credit balance revolves (credit account) or choose the open-ended credit solution with no set duration (credit line).

Repay in equal monthly installments (credit account) or according to minimum monthly installments (credit line).

Postpone payments for up to 30 days.

Quick and easy user experience from all devices.

EUROPEAN INNOVATOR NOMINEE EUROPEAN FINTECH AWARDS 2017

Being among the most promising FinTech companies of Europe, Creditstar Group was nominated for the European Fintech Awards 2017 and its European FinTech Top 100 list.

The European FinTech Awards is the place where innovative and disruptive FinTech companies are presented and awarded. The Top 100 list is generated by combining public voting and expert assessment.

Mission, Vision and Core Values

We are working hard to make private financial services available to everyone. Our aim is to provide a high level of customer service and financial services that respond to our customers' needs.

Vision

Creditstar will be acknowledged by its customers everywhere we operate as a trusted leader in personal(ised) financial services.

Mission

Creditstar provides individuals with easy-to-use financial services of good quality through relevant innovation.

Core Values

Our vision and mission are supported by the following core values: **growth, customer focus, speed, professionalism, innovation, simplicity,** and **efficiency**. All the above-mentioned make Creditstar a responsible, friendly, success-driven, and dynamic organization. Whilst being dedicated to our core values, we can provide our customers with the best quality services that are also easy to use. This is exactly what allows us to build a client base of satisfied and loyal customers. Also – whilst consistently following our core values in everything we do, then this ensures us with a stable and professional team. In addition, we are an attractive Employer to other potential talents looking for new challenges.

Strategic Targets

The company's strategy is to move from a strong local market leader in Estonia to an international financial services provider. The company has proven its ability to run an efficient business. Our aim is to leverage on the experience gained in Estonia to provide financial services of good quality in selected countries.

Our goal is to expand to a stronger and more profitable business by applying similar marketing, technological and debt managing techniques that have proved to be successful in Estonia. Going forward we are committed to our customers, offering them financial services of good quality that are fast, reliable and simple.

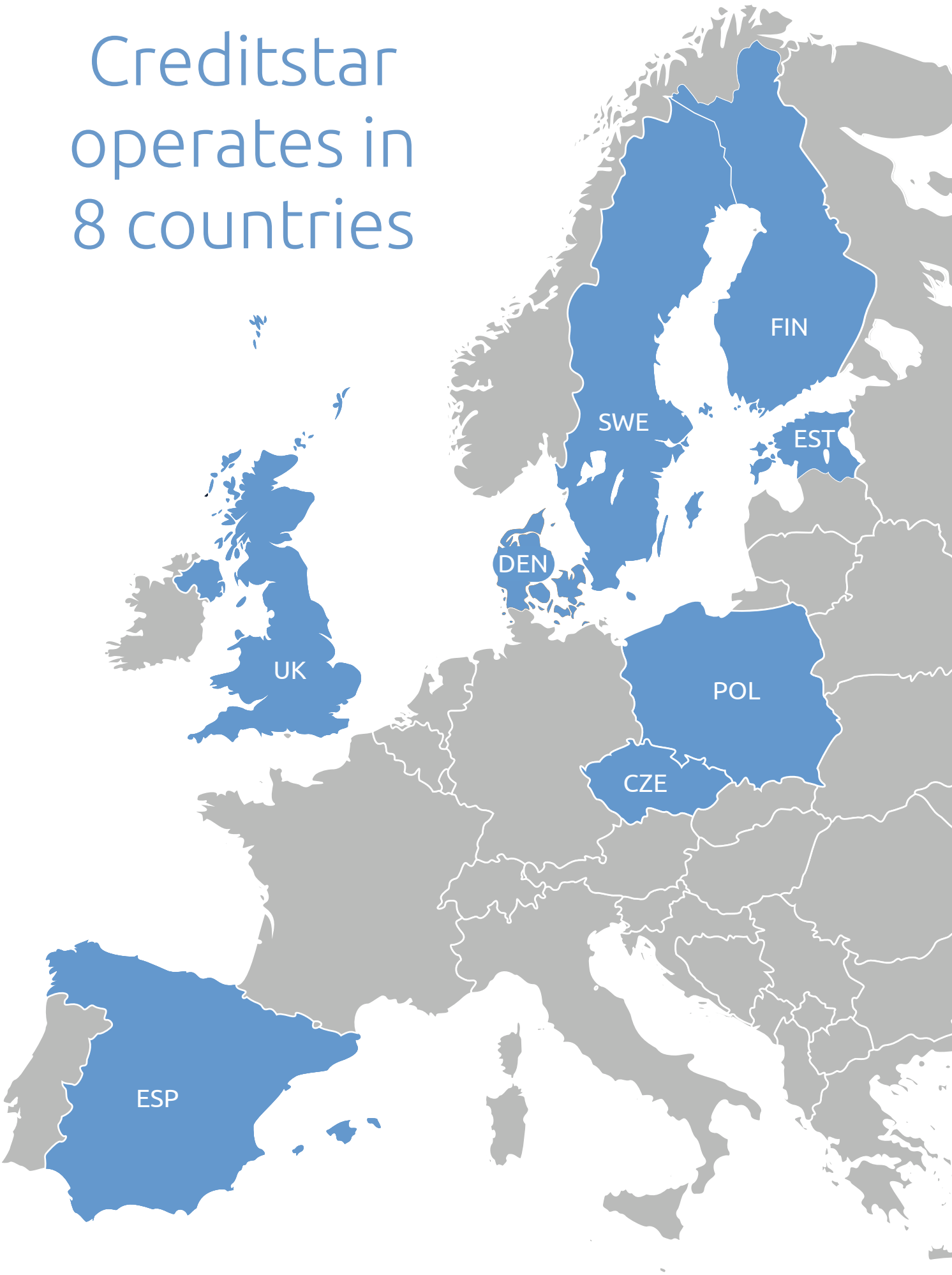
Innovative and Efficient

With a distinctive innovation, Creditstar intends to offer its customers the chance to have access to easy-to-use financial services with good quality at all times. Innovation and efficiency are the pillars of our strategy, the aim of which is to operate effectively and efficiently everywhere.

Freedom to Operate Everywhere

Our strategy prescribes constant international operations. Thanks to the convergence and development of international technology, data, communications and financial services, geographical location no longer puts constraints on our business. Using our technology, we are able to rationalise our processes and costs by better controlling our budgets and diversifying workflow across countries.

Creditstar operates in 8 countries



We have state of the art in-house technology.

Aaro Sosaar
CEO

Chief Executive's review

2019 – A year of growth and important milestones

2019 was a year of steady business growth for Creditstar Group. We saw favourable economic conditions in all of our markets, which resulted in continuous increase in lending activity from customers and steady decrease of default rates. This again meant that we managed to significantly increase our net loan portfolio and revenues whilst growing profit.

In the first half of the year 2019, Creditstar Group celebrated two important milestones – our total assets grew to over 100 million euros and we hired our 100th Employee.

By the end of the second quarter in 2019, Creditstar Group reached over 100 million in total assets. Besides this being a great achievement and a remarkable growth for the group, then this also clearly indicates the maturity of the company as well as shows our ability to grow business at scale.

In the first quarter of 2019, Creditstar Group celebrated yet another important milestone for hiring our 100th Employee. We are proud to have a diverse team that today consists of more than 130 people and over 30 different nationalities spread across our offices in Tallinn, Warsaw, and London. It is hereby important to highlight that our highly competent team of talents with extensive background and experience are all working together for the shared goal

of making Creditstar Group the leading consumer finance company in the world.

In 2019, we continued with the Group's international growth strategy to expand geographically by starting operations in Denmark for which an authorization was issued by the Danish Financial Supervisory. With the launch of Creditstar Group's services in Denmark, the company is currently active in eight European countries.

In terms of financial results, 2019 was another year of solid growth – we increased our net loan portfolio by 35% to 112.4 million euros and revenue by 32% to 31.9 million euros while doubling profit to 5.9 million euros. In order to continue financing the growing loan portfolio, we increased our funding by 38% to 98.8 million euros.

In 2019, Creditstar Group continued to see strong growth from our credit line product operating under the brand Monefit. Monefit is similar to a credit card but without the actual card. Lenders are granted a maximum credit line (currently up to 3000 Euros), which can be used at any time. Since borrowers are only charged on the funds they withdraw, then this makes the product very flexible for consumers. This again meaning that consumers can easily plan withdrawal, and repayment of funds depending on their cash flow.

Besides in 2019 Creditstar Group focusing on the improvement of its proprietary technology and underwriting models across all markets as well as platforms, then we also continued being internationally recognized. The group was once again awarded as a National Winner for Estonia. Namely, this time in The Customer and Market Engagement Award category by the European Business Awards which is one of world's largest and longest running business competitions.

Last, but not least, we also continued to enhance our performance via the consistent implementation of the 4 Disciplines of Execution Program. As Creditstar Group is growing, then continuous effective execution is essential to continue striving and performing well.

These abovementioned are only some of the highlights amongst many other successes achieved in 2019. It is true that today whilst writing this letter, the world is a very different place compared to 2019: it is going through a coronavirus (COVID-19) crisis, which in addition to the serious implications for people's health and the healthcare services is having also a significant impact on businesses and the economy. Having said that and looking at the developments made over the long history of our company, I am confident that Creditstar Group is a business that continuous to grow strongly also in the future and thrive in various economic circumstances.

Aaro Sosaar
CEO

Main economic indicators and ratios

(In thousand's euros)

Balance sheet indicators	31.12.2019	31.12.2018
Total assets	**123 768**	91 006
Loans to customers	**140 662**	105 657
Allowance for doubtful receivables	**-28 254**	-22 456
Notes issued	**49 962**	38 997
Overdraft	**-**	-
Other borrowings	**44 919**	30 165
Equity	**24 935**	19 208

Income statement indicators	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Interest income	**31 905**	24 172
Interest expense	**-10 107**	-7 615
Net interest income	**21 798**	16 557
Personnel expenses	**-3 402**	-2 766
Operating expenses	**-7 172**	-6 407
Loan impairment charges	**-6 326**	-4 809
Depreciation expenses	**-483**	-436
Profit for the year	**5 869**	2 860

Financial ratios	31.12.2019	31.12.2018
Return on equity (ROE)	**23,5%**	14,9 %
Profit margin (PM)	**18,4%**	11,8 %
Asset utilization (AU)	**25,78%**	26,6 %
Equity multiplier (EM)	**4,96**	4,74

Explanation of financial ratios:

- Return on equity (ROE) – net income expressed as a percentage of owner's equity
- Profit margin (PM) – ratio of profitability against total revenue
- Asset utilization (AU) – ratio of total revenue against overall assets
- Equity multiplier (EM) – overall assets ratio against equity capital

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT DECLARATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby take responsibility for the preparation of the consolidated financial statements of Creditstar Group AS and confirm that:

1. The accounting principles used in preparing the financial statements are in compliance with the Estonian Financial Reporting Standards;

2. The consolidated financial statements give a true and fair view of the financial position of the Group, as well as the results of its operations and cash flows;

3. The Group and the parent company are able to continue as a going concern.

Aaro Sosaar

Juhatuse liige

We have a proven product strategy that meets our customers' needs.

We have over 1 000 000 registered customer accounts.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(In thousand's euros)

	01.01.2019-31.12.2019	01.01.2018-31.12.2018	Note
Interest income	31 905	24 172	2
Interest expense	**-10 107**	-7 615	2
Net interest income	**21 798**	**16 557**	
Loan impairment and write-off charges	**-6 326**	-4 809	2
Other operating income	**1 402**	1 217	3
Operating expenses	**-7 172**	-6 404	3
Wages and salaries	**-3 402**	-2 766	
Depreciation of fixed assets	**-483**	-436	7
Currency exchange costs	**-27**	-36	
Operating profit	**5790**	**3 323**	
Corporate Income Tax	**-172**	-199	
Net profit for the year	**5 618**	**3 124**	
Currency re-evaluation effects	251	-264	
Total comprehensive income	**5 869**	**2 860**	

CONSOLIDATED BALANCE SHEET

(In thousand's euros)

Assets	31.12.2019	31.12.2018	Note
Cash	1 770	939	4
Loans to customers	112 408	83 201	5
Other receivables and prepayments	**4 254**	2 375	6
Total current assets	**118 432**	**86 515**	
Intangible fixed assets	5 336	4 491	7
Total fixed assets	**5 336**	**4 491**	
Total assets	**123 768**	**91 006**	

Liabilities and Equity			
Short-term borrowings	71 838	48 503	8
Payables and prepayments	2 726	1 866	9
Total current liabilities	**74 564**	**50 369**	
Long-term borrowings	24 269	21 429	8
Total long-term liabilities	**24 269**	**21 429**	
Total liabilities	**98 833**	**71 798**	

Equity			
Issued capital	21 000	9 765	10
Other reserves	606	2 000	
Mandatory reserve	325	325	
Retained earnings	3 004	7 118	10
Total equity	**24 935**	**19 208**	
Total liabilities and equity	**123 768**	**91 006**	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In thousand's euros)

	Issued capital	Retained Earnings	Legal reserve	Other reserves	Total
As at 31 December 2016	**9 765**	**1 924**	**320**	**-**	**12 009**
Total income	-	2 201	-	-	2 201
Other changes	-	83	5	-	88
As at 31 December 2017	**9 765**	**4 208**	**325**	**-**	**14 298**
Total income	-	2 860	-	-	2 860
Other changes	-	50	-	2 000	2 052
As at 31 December 2018	**9 765**	**7 118**	**325**	**2 000**	**19 208**
Total income	-	5 869	-	-	5 869
Increase of issued capital	11 235	-9 983	-	-1 394	-
Other changes	-	-142	-	-	-142
As at 31 December 2019	**21 000**	**3 004**	**325**	**606**	**24 935**

Equity is owned 100% by shareholders of the Group.

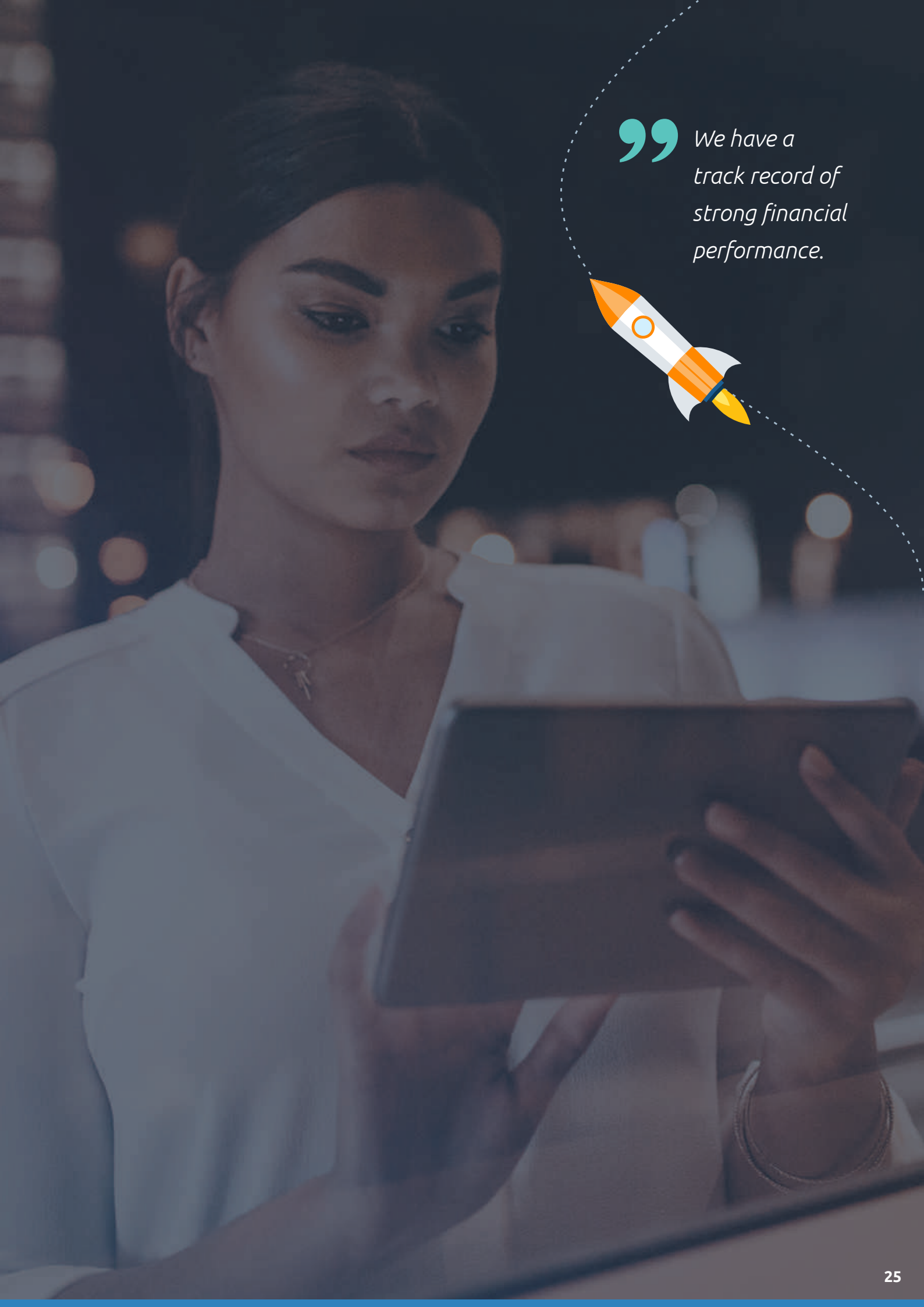
Additional information about changes in equity is presented in Note 1 and 10.

CONSOLIDATED CASH FLOW STATEMENT

(In thousand's euros)

Operating activities	01.01.2019-31.12.2019	01.01.2018-31.12.2018	Note
Profit for the year	5 869	2 860	10
Adjustment to net profit			
thereof depreciation	**483**	436	7
thereof interest expenses	10 107	7 615	2
thereof interest income	**-7 143**	-5 672	2
thereof loan impairment charges	**5 924**	4 533	2
thereof FX impact	-251	264	
Change in operating assets			
thereof loans to customers	-29 207	-21 738	
thereof other receivables and prepayments	-1 879	-1 464	6
Change in operating liabilities	860	15	9
Net cash flow from operating activities	**-15 237**	**-13 151**	

Financing activities			
Proceeds from notes issued and other borrowed funds	20 175	26 409	8
Repayment of notes issued and other borrowed funds	-8 492	-7 983	8
Change in bank overdraft	-	-1 200	8
Change in P2P platform's financing	13 582	3 921	
Interest paid	-9 197	-7 461	
Total cash flow from financing activities	**16 068**	**13 686**	
Total cash flow	**831**	**535**	
Cash and cash equivalents in the beginning	**939**	**404**	**4**
Change in cash and cash equivalents	831	535	
Cash and cash equivalents at closing	**1 770**	**939**	**4**



We have a track record of strong financial performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Accounting Policies and Procedures Used for Preparation of the Financial Statements

General information

The consolidated financial statements of Creditstar Group AS (hereinafter also the Parent Company) and its subsidiaries have been prepared in accordance with Estonian Financial Reporting Standard - a set of financial reporting requirements based on internationally recognized accounting and reporting principles. The financial statements have been prepared in thousands of euros, unless otherwise indicated.

The Group comprises the following subsidiaries of Creditstar Group AS (the Parent Company):

Creditstar International OÜ	parent company ownership 100%
Creditstar Estonia AS	parent company ownership 100%
Monefit Estonia OÜ	parent company ownership 100%
Monefit Card OÜ	parent company ownership 100%
Creditstar Finland OY	parent company ownership 100%
Creditstar Sweden AB	parent company ownership 100%
Creditstar Lithuania UAB	parent company ownership 100%
Creditstar Poland Sp.z.o.o	parent company ownership 100%
Creditstar UK Ltd	parent company ownership 100%
Creditstar Spain s.l	parent company ownership 100%
Creditstar Czech s.r.o.	parent company ownership 100%
Creditstar Denmark ApS	parent company ownership 100%

Creditstar International OÜ is a company registered in Estonia. The main objective of the company is management of investments. Creditstar International OÜ was founded by the parent company in November 2010.

Creditstar Estonia AS is a company registered in Estonia. The main objective of Creditstar Estonia AS is financing of private persons in Estonia. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Creditstar Estonia AS has been a part of the Group since July 2010.

Monefit Estonia OÜ (former name Ziip OÜ) is a company registered in Estonia. The main objective of Mpnefit Estonia OÜ is financing of private persons in Estonia. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Monefit Estonia OÜ has been a part of the Group since April 2013.

Monefit Card OÜ is a company registered in Estonia. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Reisiraha OÜ has been a part of the Group since April 2017. The company is not engaged in active economic activities.

Creditstar Finland OY is a company registered in Finland. The main objective of Creditstar Finland OY is financing of private persons in Finland. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Creditstar Finland OY has been a part of the Group since July 2010.

Creditstar Sweden AB is a company registered in Sweden. The main objective of Creditstar Sweden AB is financing of private persons in Sweden. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Creditstar Sweden AB was founded by the parent company in March 2011.

Creditstar Lithuania UAB is a company registered in Lithuania. The main objective of Creditstar Lithuania UAB is financing of private persons in Lithuania. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Creditstar Lithuania UAB has been a part of the Group since February 2012.

Creditstar Poland Sp.z.o.o. is a company registered in Poland. The main objective of Creditstar Poland is financing of private persons in Poland. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Creditstar Poland has been a part of the Group since January 2015.

Creditstar UK Ltd. is a company registered in UK. The main objective of Creditstar UK is financing of private persons in UK. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Creditstar UK has been a part of the Group since January 2015.

Creditstar Spain s.l. is a company registered in Spain. The main objective of Creditstar Spain is financing of private persons in Spain. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Creditstar Spain has been a part of the Group since December 2015.

Creditstar Czech s.r.o. is a company registered in Czech Republic. The main objective of Creditstar Czech is financing of private persons in Czech Republic. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Creditstar Czech has been a part of the Group since December 2015.

Creditstar Denmark ApS is a company registered in Denmark. The main objective of Creditstar Denmark is financing of private persons in Denmark. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Creditstar Czech has been a part of the Group since December 2018.

Consolidation

The consolidated financial statements comprise the financial indicators of the Group, consolidated on a line-by-line basis. Subsidiaries are consolidated from the date on which significant influence is transferred to the Group and cease to be consolidated from the date on which the significant influence is transferred out of the Group.

A subsidiary is a company controlled by the Parent Company. Control means the ability to determine the subsidiary's financial and operating principles either by a shareholding, under a contract or through other means

The accounting principles applied by the subsidiary upon preparation of the financial statements are the same principles applied by the Parent Company. Any receivables, liabilities, income, expenses, cash flow and unrealised profit and loss arising from transactions between the Parent Company and its subsidiaries have been fully eliminated in the consolidated financial statements.

Accounting for investments in subsidiaries in the Parent Company's unconsolidated balance sheet

In the Parent Company's unconsolidated balance sheet, investments in subsidiaries have been accounted for on a historical cost basis. This means that the investment is initially recognised at acquisition cost, consisting of the fair value of the payable amount, adjusted thereafter by the impairment losses arising from the decrease in the value of the investment. The possible impairment of carrying values of investments will be reviewed when certain events or changes in circumstances indicate that the recoverable amount of the assets may have fallen below their carrying values.

The Group determines at each balance sheet date whether there is any objective evidence that the investment in the subsidiary is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount (higher of the two: value in use and fair value less costs to sell) of the subsidiary and its carrying value and recognises the amount in the income statement.

Dividends paid by the subsidiary are recorded when the Parent Company's right to receive the dividends (as financial income) is established, except for the portion of dividends payable at the expense of available shareholders' equity generated by the subsidiary before the Group acquires the company. The respective portion of the dividends is recorded as a reduction of the investment.

A. Revenue recognition

Revenue is measured at the fair value of the consideration received or to be received. If payment is made in a period longer than the average, revenue is recognised at the present value of the consideration to be received. The interest received for the use of the company's funds are recognised as revenue on accrual basis during the contract period when it is probable that the economic benefits associated with the transaction will be received and its amount can be reliably measured.

Interest income

For all financial instruments measured at adjusted acquisition cost, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Other revenue

Revenue from sales of services is recorded upon rendering the service.

Dividends

Dividend revenue is recognised when the Group's right to receive the payment is established.

B. Cash and cash equivalents

For the purposes of the cash flow statement, cash equivalents are short-term (with a maturity up to 3 months from the date of acquisition) highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in market value, incl. cash in hand, current accounts at the bank, term deposits with a maturity of three months or less and money market fund units.

C. Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are initially recognised, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, transaction costs directly attributable to acquisition. The Group determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below. The Group only has loans and receivables and no other type of financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at adjusted acquisition cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flow of the financial asset or a group of financial assets that can be reliably estimated. Evidence of impairment is based on delinquency

in interest or principal payments or other relevant factors.

The write-down of financial assets related to operating activities is charged to expenses in the income statement. The write-down of financial assets measured at acquisition cost will not be subject to later reversal.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

Loans with the associated allowance are written off when there is no realistic prospect of future recovery and all collaterals have been realised or transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated income statement.

De-recognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised:

- where the rights to receive cash flow from the asset have expired
- the Group has transferred its rights to receive cash flow from the asset
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flow from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

D. Foreign currency transactions

The functional currency of the Parent Company is the euro, which is also the presentation currency for the Group's consolidated and the Parent Company's unconsolidated financial statements. All other currencies are considered to be foreign currencies. All foreign currency transactions are recorded on the basis of the foreign currency exchange rates of the European Central Bank officially valid on the transaction date.

E. Tangible assets

Tangible assets are recorded at acquisition cost, consisting of the purchase price and expenditures directly related to the acquisition. Following initial recognition, an item of tangible assets is carried in the balance sheet at its acquisition cost, less accumulated depreciation and any accumulated impairment losses. The cost limit when tangible asset is recorded is a minimum of 10,000 euros.

Depreciation of tangible assets is calculated on a straight-line basis. Depreciation rates are determined for each item of tangible assets individually, depending on its useful life. The following annual depreciation rates apply for tangible assets groups:

- Machinery and equipment 10–35%
- Other equipment; fixtures, fittings and tools 20–35%

Tangible assets are derecognised upon transfer of the asset, or if the Group can expect no financial benefits from use or disposal of the asset. Any profits and losses arising from de-recognition of tangible assets are charged to “Other operating revenue” or “Other operating charges” in the income statement of the period when the tangible assets were derecognised.

F. Intangible assets

Intangible assets acquired separately are measured on initial recognition at acquisition cost. Following initial recognition, intangible assets are carried in the balance sheet at its acquisition cost less any accumulated depreciation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The cost limit when intangible asset is recorded is a minimum of 10,000 euros.

G. Financial liabilities

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder. Such instruments include amounts of other borrowings and debt securities issued. Financial liabilities are initially recognised at their fair value less transaction costs directly attributable to acquisition. After initial recognition, financial liabilities are subsequently measured at their adjusted acquisition cost by using the effective interest rate method. Gains and losses are in profit or loss when the liabilities are derecognised as well as through the depreciation process. The Group only has financial liabilities recorded at adjusted acquisition cost.

H. Corporate income tax

The Parent Company and subsidiaries registered in Estonia

Pursuant to the Income Tax Act, Estonian companies are not subjected to pay income tax on the profit, but all dividends paid by the company are subject to income tax. Since income tax is paid on dividends rather than corporate profit, there are no differences between the tax bases

and carrying values of assets and liabilities that may give rise to deferred income tax assets and liabilities.

The Group's potential tax liability related to the distribution of its retained earnings as dividends is not recorded in the balance sheet. The maximum amount of potential income tax liability has been disclosed in Note 10.

Income tax from payment of dividends is recognised as an expense in the income statement at the moment of declaring the dividends.

Subsidiaries registered abroad

In accordance with income tax acts, the company's net profit, adjusted by temporary and permanent differences stipulated in the income tax act, are subject to income tax in Finland, Sweden, Lithuania, Poland, UK, Spain, Czech Republic and Denmark.

Income tax to be paid is reported under current liabilities and deferred tax liabilities under non-current liabilities.

I. Mandatory reserve

Pursuant to the Commercial Code of the Republic of Estonia and the articles of association of the Parent Company, at least 5% of the net profit attributable to the shareholders of the Parent Company must be transferred to the mandatory legal reserve each financial year, until the legal reserve amounts to at least 10% of the share capital. The mandatory legal reserve cannot be paid out as dividends, but it can be used for covering losses, if the losses cannot be covered from the available shareholder's equity. Mandatory legal reserve can also be used for increasing the share capital of the company.

J. Significant accounting estimates and assumptions used in the preparation of financial statements

The preparation of the Group's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the reporting date.

K. Events after the balance sheet date

Material circumstances that have an effect on the valuation of assets and liabilities and became evident between the balance sheet date and the date of preparing the financial statements, but are related to transactions that took place in the reporting period or earlier periods, are recorded in the financial statements. Subsequent events that have not been taken into consideration when valuing the assets and liabilities but have a material effect on the result of the next financial year are disclosed in the financial statements (Note no. 15).

Note 2. Interest income and expense & loan impairment charges

(Per annum, in thousand's euros)

Interest income by geographical area:	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Estonia	21 073 (66,05%)	13 647 (56,45%)
Other Member States of the European Union	10 832 (33,95%)	10 525 (43,54%)
Total	**31 905**	**24 172**

Interest income by fields of activity:	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Other lending activity, except for pawn shops [1]	**31 905**	24 172

Interest income by type:	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Loans to customers	23 385	17 743
Loans to customers with amended terms	4 608	3 415
Interest income from court orders [2]	3 912	3 014
Total	**31 905**	**24 172**

[1] Classification corresponds to EMTAK code 64929 of Republic of Estonia.

[2] Interest income from court orders includes recognition of previously off-balance sheet interest receivables from loans to customers. These receivables were recognised by the Group only after the Group had received court orders which show that the Group is entitled to the note's receivable.

Note 2. Interest income and expense and loan impairment charges (Continued)

(Per annum, in thousand's euros)

Interest expense by type:	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Notes issued	-5 021	-3 794
Loans and other financial instruments	-5 086	-3 821
Total	**-10 107**	**-7 615**

Loan impairment charges and amounts written off:	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Loan impairment charges	- 5 924	-4 533
Amounts written off from balance sheet	-402	-276
Total	**-6 326**	**-4 809**

Note 3. Operating expenses and other income

(In thousand's euros)

Other income	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Other irregular income	1 359	1 216
SMS services	43	1
Total	**1 402**	**1 217**

Operating expenses	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Rental charges and administrative expenses	-487	-412
Professional and legal fees	-970	-803
IT expenses	-226	-236
Credit inspection expense	-576	-478
Marketing and advertisements	-3 894	-3 544
Bank charges	-295	-251
Databases usage cost	-455	-392
Other expenses	-269	-288
Total	**-7 172**	**-6 404**

Note 4. Cash

(In thousand's euros)

	31.12.2019	31.12.2018
Balance on bank accounts	1 770	939
Total	**1 770**	**939**

Note 5. Loans to customers

(In thousand's euros)

	31.12.2019	31.12.2018
Loans to customers [1]	140 662	105 657
Loan impairment accruals	-28 254	-22 456
Total	**112 408**	**83 201**

[1] All loans to customers are unsecured loans to private individuals with amounts ranging from 40 to 5 000 Euros. Loans are issued with a repayment date varying from 5 days to 54 months. Receivables with a significant breach of repayment terms are handled by collection agency. All loans to customers are considered to have similar risk characteristics. The balance sheet also includes receivables claimed based on court rulings in favour of the Group and are being collected mainly by court bailiffs. The Group has recognised additional receivables in its balance sheet and revenues that had been previously accounted for off-balance sheet but were claimed based on court rulings in favour of the Group. These additional receivables comprise mainly of accrued interest on loans to customers that were in breach of their loan contracts. According to the court rulings the Group is entitled to these receivables.

Note 6. Other receivables and prepayments

(In thousand's euros)

Other receivables:	31.12.2019	31.12.2018
Other receivables [2]	942	755
Prepayments:		
Deposits and prepaid expenses	3 312	1 620
Total other receivables and prepayments	**4 254**	**2 375**

[2] Other receivables include claims accrued from normal course of business and are to be settled during next 12 months.

Note 7. Intangible fixed assets

(Per annum, in thousand's euros)

	Intangible assets	Total
Net book value at 31. December 2017	**3 819**	**3 819**
Re-classifications	**1 108**	1 108
Depreciation	**-436**	-436
Net book value at 31. December 2018	**4 491**	**4 491**
Acquisitions	1 328	1 328
Depreciation	-483	-483
Net book value at 31. December 2019	**5 336**	**5 336**

As at 31 December 2018	Intangible assets	Total
Acquisition cost	**6 622**	6 622
Accrued depreciation	**-2 131**	-2 131
Balance	**4 491**	**4 491**

As at 31 December 2019	Intangible assets	Total
Acquisition cost	**7 950**	7 950
Accrued depreciation	**-2 614**	-2614
Balance	**5 336**	**5 336**

Note 8. Short-term and long-term borrowings

(In thousand's euros)

	31.12.2019	31.12.2018
Short-term borrowings:		
Notes issued [1]	25 423	17 568
Borrowings [2]	44 919	30 349
Interest accrued on notes issued	479	402
Interest accrued on borrowings	1 017	184
Total short-term borrowings	**71 838**	**48 503**
Long-term borrowings:		
Notes issued [2]	24 269	21 429
Total long-term borrowings	**24 269**	**21 429**

[1] As of 31.12.2019 Creditstar consolidation group has issued bonds in the amount of 49,7 million Euros with a due dates between 2020 - 2022. The annual interest rate of the issued bonds is 7% up to 12,5%.

[2] Liability of other financial instruments of the Group at 31.12.2019 was 44,9 million Euros with annual interest rates from 10% up to 19%.

Note 9. Payables and prepayments

(At 31. December, in thousand's euros)

	31.12.2019	31.12.2018
Accounts payable	1 620	977
Employee-related liabilities	777	542
Tax liabilities	329	347
Total	**2 726**	**1 866**

Note 10. Owner's equity

As of 31 December 2019, the Group's share capital was divided into 3 333 340 shares with a nominal value of 6.30 euros (all shares were of the same type).

Potential corporate income tax liability

As of 31 December 2019, the Group's retained earnings amounted to 3 004 thousand euros. The maximum possible corporate income tax liability related to the disbursement of the whole retained earnings balance as dividends is 601 thousand euros. Thus, the Group can pay dividends in the total amount of 2 403 thousand euros in net dividends. The maximum possible income tax liability has been calculated based on the assumption that the net dividends to be paid and the related total income tax expenses would not exceed the distributable profit as of 31 December 2019.

Note 11. Subsidiaries

Name of subsidiary	Country of registration	www/ Reg. code	Ownership %
Subsidiaries of CREDITSTAR GROUP AS:			
CREDITSTAR INTERNATIONAL OÜ	Estonia	www.creditstar.com	100%
CREDITSTAR SPAIN S.L.	Spain	www.creditstar.es	2,9%
Subsidiaries of CREDITSTAR INTERNATIONAL OÜ:			
CREDITSTAR ESTONIA AS	Estonia	www.creditstar.ee	100%
MONEFIT ESTONIA OÜ	Estonia	www.monefit.ee	100%
CREDITSTAR FINLAND OY	Finland	www.creditstar.fi	100%
CREDITSTAR SWEDEN AB	Sweden	www.creditstar.se	100%
CREDITSTAR LITHUANIA UAB	Lithuania	www.creditstar.lt	100%
MONEFIT CARD OÜ	Estonia	11953111	100%
CREDITSTAR POLAND SP.Z.O.O	Poland	www.creditstar.pl	100%
CREDITSTAR SPAIN S.L.	Spain	www.creditstar.es	97,1%
CREDITSTAR UK	UK	www.creditstar.co.uk	100%
CREDITSTAR CZECH S.R.O.	Czech Republic	www.creditstar.cz	100%
CREDITSTAR DENMARK ApS	Denmark	www.creditstar.dk	100%

Note 12. Related party disclosures

(In thousand's euros)

For the purpose of these consolidated financial statements related parties comprise of:

a) Shareholders with significant influence over the Group and companies controlled by them

b) Management Board, their close relatives and companies controlled by them

Purchases from related parties:	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Companies controlled by shareholders with significant influence over the Group	449	361

Sales to related parties:	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Companies controlled by shareholders with significant influence over the Group	3 987	3 528

Amounts owed to related parties:	31.12.2019	31.12.2018
Companies controlled by shareholders with significant influence over the Group	502	391

Amounts owed by related parties:	31.12.2019	31.12.2018
Companies controlled by shareholders with significant influence over the Group	16 963	16 588

Management remunerations	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Members of the Management and Supervisory Board	135	135
Total:	**135**	**135**

Note 13. Financial risk management

Risk Identification

The Group follows the requirements and procedures in its activities and risk management developed by the Management Board and Supervisory Board of the Group according to the legislation of the Republic of Estonia, other instructions issued by regulatory authorities as well as good practice. The Risk Management System of the Group is centralised which ensures implementation of uniform risk management principles as well as fast and efficient response to market changes. The elaboration and development of risk management methodology principles is the responsibility of the Management Board of the company.

For risk identification the Group:

- ensures established modern risk sensitive methods for evaluating and managing all significant risks that makes it possible to find a balanced compromise between revenues and risks
- considers the risk amount related to main business activities and their possible influence over the overall financial status of the whole Group
- monitors the compliance of risk evaluation and management procedures with the changing conditions and inspects the necessity for changing them
- ensures established procedures and limits for risk evaluation and management to develop and launch new products
- monitors that the structure and the total amount of risks will not compromise the Group stability.

The main risks involved in the business activities of the Group are as follows:

- credit risk
- liquidity risk
- interest rate risk
- operational risk.

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a loan contract and the Group will incur a loss as a result of that. The Group manages and controls credit risk by setting limits on the maximum exposures for individual counterparties. The credit risk is spread, as the Group has a large number of customers with relatively small single payments. Loans to customers range between 40 Euros and 5 000 Euros.

The Group optimises the capacity and structure of the loan portfolio based on risk-spreading. The limitations to the loan portfolio and term structure are monitored by the Group's management. All Group's loans to customers are involved in credit evaluation. The Group closely monitors its loan portfolio to provide early identification of possible changes in the creditworthiness of counterparties and regularly performs stress-tests and scenario analysis of credit risk to evaluate the quality of its loan portfolio and sensitiveness to changes in the overall economic conditions.

The Group's impairment methodology foresees impairments to all loan claims outstanding on the balance sheet date irrespective of whether the due date has been passed or not as of the balance sheet date.

Fair value of assets and liabilities

According to the Management Board, the carrying amount of the Group's financial assets and liabilities is a reasonable approximation of fair value. Fair value has been determined based on the discounted cash flow method.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The liquidity risk of Creditstar is influenced by the following factors:

- ensuring sustainable liquidity reserve for meeting short-term requirements of customers
- access to capital markets
- terms and quality of assets and liabilities.

Maintaining adequate structure of assets and liabilities as well as planning short- and long-term liquidity is the task of the Group's Management Board. The Group's Management Board has implemented a model considering the base of resources involved in investment resource planning. The main liquidity proportions as well as proportions of fixed-term assets and liabilities are fixed within the model frame.

Interest Rate Risk

Interest rate risk is the risk that fair value or future cash flow of a financial instrument will fluctuate because of changes in the market interest rate. As of 31 December 2019, the Group had no floating interest rate loans.

Operational Risks

Operational risk reflects possible factors impairing normal business activities of the Group or causing damage in some other way – for instance, disturbances in information systems, shortcomings in rules of internal procedure, incompetence and mistakes of personnel, frauds, natural disasters. The Group has rules of internal procedure with the objective to minimise

operational and other risks that might emerge due to interruptions or crisis. The rules of internal procedure state which actions are to be taken and by whom to normalise the work processes and how and by whom the work processes are to be restored if necessary.

Information technology risk is the risk impairing the Group activities that might occur due to technical failures and connection of local computer networks to the global network and increasing the possibility of confidential information being obtained by third unauthorised parties. The possible disturbances or interruptions in computer and communication systems are risks to be taken seriously. Upon ensuring the reliability and soundness of the information system it is of utmost importance that the supporting and backup systems developed considering the system interruptions as well as damage or permanent damage to software, hardware, files or documentation are regularly updated and periodically checked as well as access to the hardware and software of the system as well as information in the system is granted only to authorised persons.

Activity risk is the risk that emerges from incompetent rules of internal procedure. It is possible during the Group activity that deliberate or unintentional mistakes are made in calculations and reporting that disfigure the real financial status or outcome of the Group. For most effective avoidance of errors, rules of internal procedure are drawn up by the Group that adequately describe all of the Group operations.

Initiation, granting (deciding), fulfilment and monitoring of transactions as well as bookkeeping and registration is divided between different departments/employees. This ensures the possibility to conduct independent checking and limits the possibility of occurrence of deliberate or unintentional mistakes.

Personnel risk is the risk related to loyalty, competence and suitability of employees to perform their duties. To avoid possible damages, only persons with proper education and suitable experience are hired. The Group has laid down employment principles and training programmes, criteria for qualification assessment (incl. attestation system) and sustainability of management. Upon evaluation of personnel risk, the Management Board evaluates adequacy of personnel procedures and personnel management.

Legal risk arises from null and void transactions and wrong evaluation of circumstances bearing legal meaning. The Group's legal department participates in procedures bearing legal meaning, development of customer contracts for the Group's customers and in business relations as well as monitors their compliance with the law. Standard contracts have been developed to provide the Group's usual services. Terms and conditions of non-standard contracts are agreed with lawyers.

System security risk. The utilised security systems, rules and procedures ensure preservation of Group's assets and avoid access of unauthorised persons to the Group's assets, documentation and electronic communications systems.

Prevention of money laundering. The Group has laid down procedures for prevention of money laundering and terrorism and considers training of its employees on prevention of money laundering and terrorism to be of utmost importance.

Reporting. The Group has a reporting system for operational risks, loss events and incidents.

Note 14. Capital Management

The primary objective of the Group's capital management is to maximise equity productivity and prevent risks that could endanger equity preservation.

Note 15. Events After Balance Sheet Date

THE IMPACT OF COVID-19 ON THE CONSOLIDATED GROUP

In the first quarter of 2020, COVID-19 started to spread widely which resulted in the emergency situation being applied in the majority of the countries all across the world. The emergency situation existed also in all of the countries where the consolidated group operates.

First and foremost, the emergency situation has been derived from medical reasons. However, it definitely also has an economic impact, especially in the fields of industry where the immediate contact with consumers is inevitable (retail, catering, tourism, beauty services etc).

Since Creditstar's consolidated group offers credit products to its consumers digitally, then the emergency situation has not affected our daily work.

After the balance sheet date on 31st of December 2019, the consolidated group has established for its Employees an opportunity in addition to working from our offices also work from home offices in a way that has preserved the level of quality of our services at the same excellent level as it was during the pre-emergency situation period.

The consolidated group continues to offer the credit services to private consumers, whilst after the balance sheet day the group's risk appetite has decreased, the required minimum criteria levels in order to receive a positive credit decision have increased, and the credit score models have been adapted in accordance to the economic impacts.

The group pays a lot of attention to the quality of the loan portfolios. We have taken into account that the impact of the emergency situation will definitely reach also several Creditstar's customer groups. Therefore, we offer them support by providing them with the extension of the loan deadlines on favourable terms as well as adjusting the payment schedules to be more suited to the new economic conditions.

At the time of the compilation of the report, there were no signs of any significant changes in the quality of the loan portfolios. Nevertheless, in the first quarter of 2020, the consolidated group increased exceptionally the reserve of the loan discounts by an additional 0.5 million EUR in order to be prepared for the effects of COVID-19 amongst our customers.

Note 16. Parent company's separate income statement

(In thousand's euros)

	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Other operating income	40	116
Other operating expenses	39	-114
Salaries	-7	-
Operating profit	**-6**	**2**
Profit for the year	**-6**	**2**

Note 17. Parent company's separate balance sheet

(In thousand's euros)

Assets	31.12.2019	31.12.2018
Cash	1	1
Other receivables	1 170	1 160
Total current assets	**1 171**	**1 161**
Investments in subsidiaries	23 786	18 046
Total fixed assets	**23 786**	**18 046**
Total assets	**24 957**	**19 207**

Liabilities and Equity		
Payables and prepayments	22	5
Total current liabilities	**22**	**5**
Total liabilities	**22**	**5**

Equity		
Issued capital	21 000	9 765
Retained earnings	3 935	9 437
Total equity	**24 935**	**19 202**
Total liabilities and equity	**24 957**	**19 207**

Our company and team are well aligned to continue attracting substantial growth in the future.

PROFIT ALLOCATION PROPOSAL

The Management Board of Creditstar Group AS proposes to the General Shareholders' Meeting to allocate the profit as follows:

1. Transfer to retained earnings: 3 004 thousand euros.

Member of the Management Board Aaro Sosaar

SIGNATURES TO THE ANNUAL REPORT 01.01.2019 - 31.12.2019

Management board of Creditstar Group AS has approved the Annual Report for 01.01.2019 - 31.12.2019 of Creditstar Group AS and proposes to the General Shareholder's Meeting to acknowledge it:

Management Board of Creditstar Group AS:

Member of the Management Board Aaro Sosaar

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CREDITSTAR GROUP AS

Opinion

We have audited the consolidated financial statements of Creditstar Group AS and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Estonian financial reporting standard .

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia) (ISAs (EE)). 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 Code of Ethics for Professional Accountants (Estonia), 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.

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.

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.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Estonian financial reporting standard, 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.

Auditor's 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 auditor's 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 ISAs (EE) 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 ISAs (EE), we exercise professional judgment and maintain professional skepticism 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 auditor's 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 auditor's 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.

Tallinn, 8 June 2020

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