CREDITSTAR group

Consolidated Annual Report 2018

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
	Estonia
Registration code	**11728905**
Registration date	**05 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
Reisiraha 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 Ltd	subsidiary	Registered in UK
Creditstar Spain s.l.	subsidiary	Registered in Spain
Creditstar Czech s.r.o.	subsidiary	Registered in Czeck 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 2018

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

Our strong professional team of 100 people from more than 20 different nations 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 50 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 mainly under the brand Creditstar Estonia, which has grown into one of 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 2018, Creditstar rendered its services in Estonia, Finland, Sweden, Lithuania, Poland, UK, Czech Republic and Spain.

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®

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

Since 2007, the European Business Awards has been recognising the most innovative businesses on the continent, and Creditstar celebrates joining the accolade of the previous winners such as Accenture, Unicredit, Barclays, BMW, IBM, Microsoft, Kayak, Tele2, DHL, ING, BNP Paribas.

In August 2018, Creditstar Group's Chief Executive Officer Aaro Sosaar, and Chief Business Development Officer literally took Creditstar to the new heights.
The Creditstar flag was waving on top of the highest peak of Africa and World's highest free-standing mountain - Uhuru Peak of Mount Kilimanjaro, 5895 meters high.

JULY 2018

Creditstar Czech receives consumer credit license from Czech National Bank

The Czech subsidiary of Creditstar Group received a full authorisation from the Czech National Bank to operate as a consumer credit company on the Czech market. The Czech National Bank supervises credit lenders in the Czech Republic to ensure the obedience of rules and guidelines.

Latest Milestones and Developments...

JUNE 2018

Creditstar's successful EUR 18,6 million bond issuance

Creditstar issued three new bonds in the total amount of c. EUR 18,6 million. The bonds were issued with maturities of 12 months, 24 months and 36 months.

Creditstar Plus launch in Czech, Poland and Spain

We expanded our product portfolio in Czech, Poland, Spain by introducing Creditstar Plus offering longer term instalment loan products.

MAY 2018

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 management of Creditstar. The event was attended by current investors and others interested in investing in Creditstar.

APRIL 2018

Mobile app launch

Creditstar launched its first native mobile app.

MARCH 2018

Creditstar recognised by Inc. 5000 among the fastest-growing private companies in Europe

Inc. 5000 has recognised Creditstar Group among the 5000 fastest-growing private companies in Europe. Creditstar is on the list among the top 150 financial services companies in Europe.

Inc. is an international business magazine that publishes annual lists of fastest-growing privately-held small companiesin U.S. and Europe.

Creditstar's new Execution Program

As Creditstar is growing, continuous effective execution is important to continue striving and performing well. In order to enhance our performance by improving clarity and focus on the company's targets and goals, being more methodological in implementing the plans and improving teamwork performance through openness, trust and efficiency, we launched an execution program, the 4 Disciplines of Execution, from August this year. The 4 Disciplines of Execution are precise rules for translating strategy into action at all levels of the organisation and enables the Group to continue to produce strong results in the future, while continuing to grow the team.

Continued focus on improving scoring and underwriting

Creditstar started cooperation with Threatmetrix, a leading cybersecurity technology company. The solution enables Creditstar to more efficiently detect high-risk and fraudulent transactions, enabling more accurate lending decisions and stronger risk management.
The Group continued to improve its proprietary scoring and underwriting models across markets and platforms by adding additional data sources. We are improving our specialised statistical and machine learning models in our lending platform in order to make better lending decisions and improve risk management.

Wind-down of operations in Lithuania

In August, Creditstar decided to unwind operations in the Lithuanian market. After a thorough review of the Lithuanian operations, which accounted for around 2% of the Group's revenue, and considering the growth and profit potential in the light of the regulative environment in Lithuania, the management decided to withdraw from the Lithuanian market and concentrate its efforts and resources on markets and initiatives that will have stronger positive impact to the Group'sresults.

Creditstar increased equity capital in the amount of EUR 2,0 million

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 EUROPE

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.

European Business Awards

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. Creditstar is responsible, friendly, innovative and dynamic. We are constantly evolving and our core values appear in all of our activities. We are committed to apply the core values to provide services of the highest quality that are fast and easy-to-use. By applying the core values and focusing on services that make sense we get satisfied and loyal customers.

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.

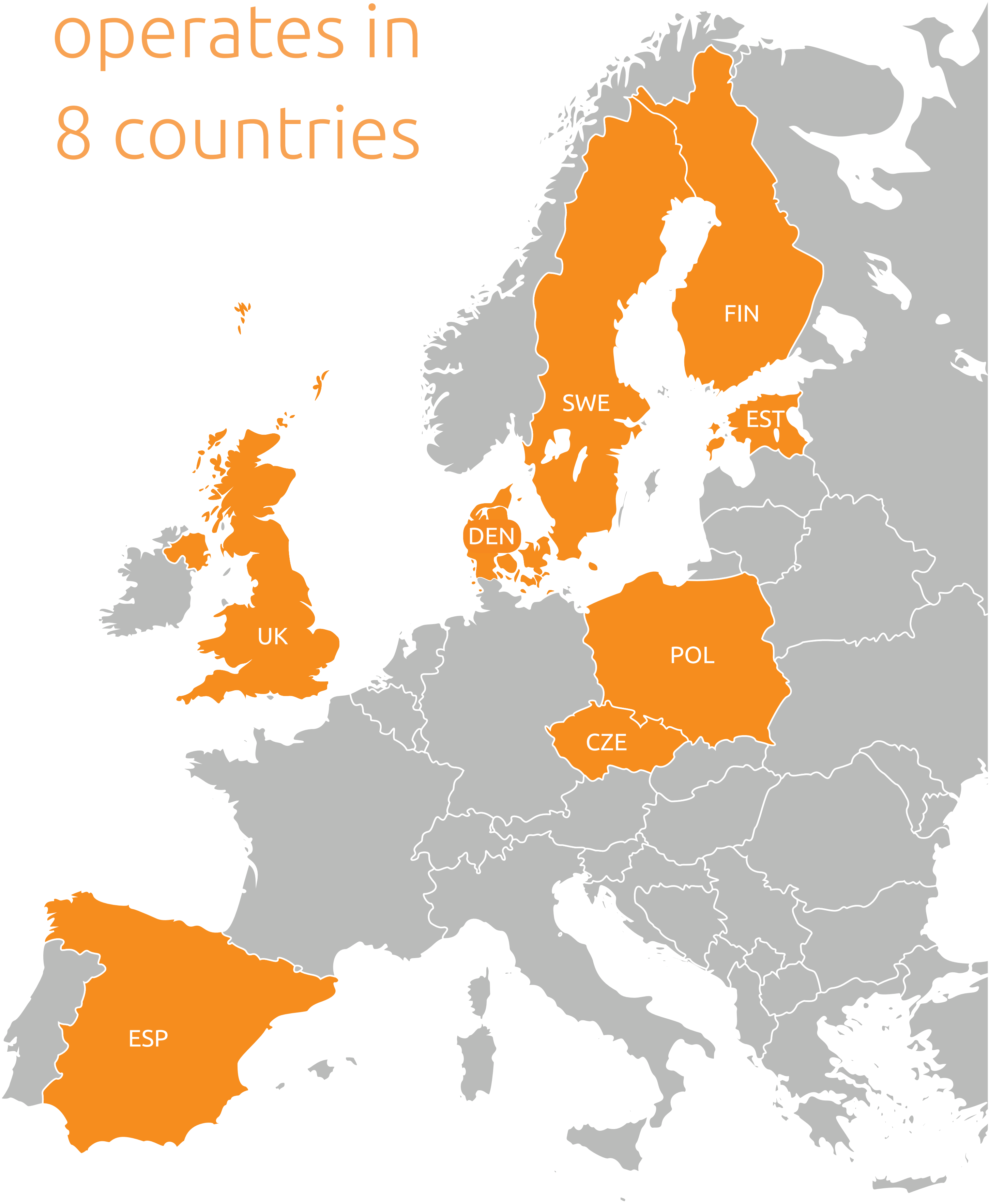
Innovative and Efficient

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

2018 – A YEAR OF ORGANISATIONAL GROWTH AND DEVELOPMENT

2018 was a year of organisational growth and development for Creditstar Group. Our aim was to improve the company's effectiveness and further align strategy, individuals and processes, and we managed to do that by launching a new Execution Program.

As Creditstar Group keeps growing as a company, effective execution is important for continuous success. In order to enhance our performance by improving clarity and focus on the company's targets and goals, we launched an execution program, the 4 Disciplines of Execution, from August 2018. With this program we have improved

CREDITSTAR

teamwork performance through openness, trust and efficiency. We have precise rules for translating strategy into action at all levels of the organisation which enables the Group to continue to produce strong results in the future, while continuing to grow the team.

In terms of financial results, 2018 was another year of solid growth – we increased our net loan portfolio by 36% to 83.2 million euros and revenue by 23% to 24.2 million euros while growing profit by 30% to 2.9 million euros. In order to finance the growing loan portfolio, we increased our funding by 37%, increasing borrowings from 52.3 to 71.8 million euros.

In 2018, we continued with the Group's strategy to expand our product portfolio by offering longer term and larger credit products in the markets we operate in. Although larger and longer-term credit products are typically issued with lower annual interest rates than shorter term loans, they enable us to build a more stable and less risky portfolio, resulting in decrease in overall default rates while increasing overall profitability.

In 2018, 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. Borrowers are only charged on the funds they withdraw, making this product very flexible for consumers. Consumers can plan withdrawal, and repayment of funds depending on their cash flow.

Furthermore, we continued to expand our strong international team. A great extent of our efforts is achieved owing to the people and state-of-the-art technology. More than 100 people from over 20 different nationalities now work across Creditstar offices in Tallinn, Vilnius, Warsaw, London, and Stockholm.

In 2018, Creditstar Group proceeded to improve its proprietary technology and underwriting models across all markets and platforms. We started cooperation with Threatmetrix, a leading cybersecurity technology company. The solution enables Creditstar to more efficiently detect high-risk and fraudulent transactions, enabling more accurate lending decisions and stronger risk management. We continued to improve our specialised statistical and machine learning models in our lending platform to make more automated lending decisions, expand our customer base more effectively, optimise marketing, and perform other advanced business analysis and forecasting. In 2019 we will continue to further develop our technology and models with a strong emphasis on mobile solutions.

Our international recognition continued to grow in 2018. Creditstar Group was recognised by Inc.5000 as one of the fastest-growing companies in Europe.

These are only some of the highlights among many other successes achieved in 2018. I am confident that the developments made during last year position Creditstar Group as a business to further grow substantially in the future.

Aaro Sosaar
Chief Executive Officer

Main Economic Indicators and Ratios

(In thousands euros)

Balance sheet indicators	31.12.2018	31.12.2017
Total assets	**91 006**	66 598
Loans to customers	**105 657**	79 150
Allowance for doubtful receivables	**-22 456**	-17 687
Notes issued	**38 997**	26 351
Overdraft	**-**	1 200
Other borrowings	**30 165**	22 160
Equity	**19 208**	14 298

Income statement indicators	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Interest income	**24 172**	19 604
Interest expense	**-7 615**	-5 492
Net interest income	**16 557**	14 112
Personnel expenses	**-2 766**	-1 969
Operating expenses	**-6 407**	-6 709
Loan impairment charges	**-4 809**	--4 425
Depreciation expenses	**-436**	-350
Profit for the year	**2 860**	2 201

Financial ratios	31.12.2018	31.12.2017
Return on equity (ROE)	**14,9 %**	15,4 %
Profit margin (PM)	**11,8 %**	11,2 %
Asset utilization (AU)	**26,6 %**	29,4%
Equity multiplier (EM)	**4,74**	4,66

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

signed digitally 15.04.2019

Aaro Sosaar

Member of the Management Board

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.

signed digitally 15.04.2019

Aaro Sosaar

Member of the Management Board

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

We have over 800 000 registered customer accounts.

Consolidated Income Statement

(In thousands euros)

	01.01.2018-31.12.2018	01.01.2017-31.12.2017	Note
Interest income	24 172	19 604	2
Interest expense	-7 615	-5 492	2
Net interest income	**16 557**	**14 112**	
Loan impairment charges	-4 809	-4 425	2
Other operating income	1 217	1 783	3
Other operating expenses	-6 404	-6 709	3
Wages and salaries	-2 766	-1 969	
Depreciation of fixed assets	-436	-350	7
FX costs	-300	-22	
Operating profit	**3 059**	**2 420**	
Corporate Income Tax	-199	-219	
Net profit for the year	**2 860**	**2 201**	

Consolidated Balance Sheet

(In thousands euros)

Assets	31.12.2018	31.12.2017	Note
Cash	939	404	4
Loans to customers	83 201	61 463	5
Other receivables and prepayments	**2 375**	911	6
Total current assets	**86 515**	**62 779**	
Intangible fixed assets	4 491	3 819	7
Total fixed assets	**4 491**	**3 819**	
Total assets	**91 006**	**66 598**	

Liabilities and Equity			
Short-term borrowings	48 503	38 258	8
Payables and prepayments	1 866	1 851	9
Total current liabilities	**50 369**	**40 109**	
Long-term borrowings	21 429	12 191	8
Total long-term liabilities	**21 429**	**12 191**	
Total liabilities	**71 798**	**52 300**	

Equity			
Issued capital	9 765	9 765	10
Other reserves	2 000	-	
Mandatory reserve	325	325	
Retained earnings	7 118	4 208	10
Total equity	**19 208**	**14 298**	
Total liabilities and equity	**91 006**	**66 598**	

Consolidated Statement of Changes in Equity

(In thousands euros)

	Issued capital	Retained Earnings	Legal reserve	Other reserves	Total
As at 31 December 2015	**9 765**	**531**	**320**	**-**	**10 616**
Total income	-	1 364	-	-	1 364
Increase of share capital	-	29	-	-	29
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**

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 thousands euros)

Operating activities	01.01.2018-31.12.2018	01.01.2017-31.12.2017	Note
Profit for the year	2 860	2 201	10
Adjustment to net profit			
thereof depreciation	**436**	350	7
thereof interest expenses	7 615	5 492	2
thereof interest income	**-5 672**	-5 141	2
thereof loan impairment charges	**4 533**	3 995	2
thereof FX impact	264	22	
Change in operating assets			
thereof loans to customers	-21 738	-19 176	
thereof other receivables and prepayments	-1 464	1 082	6
Change in operating liabilities	15	360	9
Net cash flow from operating activities	**-13 151**	**-10 817**	

Investing activities			
Acquisition of fixed assets	-	-	7
Total cash flow from investing activities	**-**	**-**	

Financing activities			
Proceeds from notes issued and other borrowed funds	30 330	20 853	8
Repayment of notes issued and other borrowed funds	-7 983	-4 076	8
Change in bank overdraft	-1 200	-800	8
Interest paid	-7 461	-5 124	
Total cash flow from financing activities	**13 686**	**10 853**	
Total cash flow	**535**	**36**	
Cash and cash equivalents in the beginning	**404**	**368**	**4**
Change in cash and cash equivalents	535	36	
Cash and cash equivalents at closing	**939**	**404**	**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%
Reisiraha 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.

Reisiraha 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 Chech Republic. The main objective of Creditstar Czech is financing of private persons in Chech 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 1,000 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 1,000 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

MMaterial 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 and Loan Impairment Charges

(Per annum, in thousands euros)

Interest income by geographical area:	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Estonia	13 647 (56,45%)	10 820 (55,19%)
Other Member States of the European Union	10 525 (43,54%)	8 784 (44,81%)
Total	**24 172**	**19 604**

Interest income by fields of activity:	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Other lending activity, except for pawn shops [1]	**24 172**	19 604

Interest income by type:	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Loans to customers	17 743	14 142
Loans to customers with amended terms	3 415	2 492
Interest income from court orders [2]	3 014	2 970
Total	**24 172**	**19 604**

[1] The 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 notes receivable.

Note 2. (Continued) Interest Income and Expense and Loan Impairment Charges

(Per annum, in thousands euros)

Interest expense by type:	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Notes issued	-3 794	-2 711
Loans and other financial instruments	-3 821	-2 781
Total	**-7 615**	**-5 492**

Loan impairment charges and amounts written off:	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Loan impairment charges	-4 533	-3 995
Amounts written off from balance sheet	-276	-430
Total	**-4 809**	**-4 425**

Note 3. Other operating income and expenses

(In thousands euros)

Other income	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Other irregular income	1 216	1 782
SMS services	1	1
Total	**1 217**	**1 783**

Operating expenses	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Rental charges and administrative expenses	-412	-430
Professional and legal fees	-803	-742
IT expenses	-236	-214
Credit inspection expense	-478	-440
Marketing and advertisements	-3 544	-3 876
Bank charges	-251	-267
Databases useage cost	-392	-415
Other expenses	-288	-325
Total	**-6 404**	**-6 709**

Note 4. Cash

(In thousands euros)

	31.12.2018	31.12.2017
Balance on bank accounts	939	404
Total	**939**	**404**

Note 5. Loans to Customers

(In thousands euros)

	31.12.2018	31.12.2017
Loans to customers [1]	105 657	79 150
Loan impairment accruals	-22 456	-17 687
Total	**83 201**	**61 463**

[1] All loans to customers are unsecured loans to private individuals with amounts ranging from 50 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 thousands euros)

Other receivables:	31.12.2018	31.12.2017
Other receivables:		
Other receivables [2]	755	273
Prepayments:		
Deposits and prepaid expenses	1 620	639
Total other receivables and prepayments	2 375	**912**

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

Note 7. Tangible and Intangible Fixed Assets

(Per annum, in thousands euros)

	Intangible assets	Tangible assets	Other assets
Net book value at 31. December 2015	**3 050**	**-**	**3 050**
Re-classifications	**1 119**	-	1 119
Depreciation	**-350**	-	-350
Net book value at 31. December 2016	**3 819**	**-**	**3 819**
Acquisitions	1 108	-	1 108
Depreciation	-436	-	-436
Net book value at 31. December 2017	**4 491**	**-**	**4 491**

As at 31 December 2017	Intangible assets	Tangible assets	Other assets
Acquisition cost	5 655	-	5 655
Accrued depreciation	**-1 836**	-	-1 836
Balance	**3 819**	**-**	**3 819**

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

Note 8. Short-term and Long-term Borrowings

(In thousands euros)

	30.06.2018	31.12.2017
Short-term borrowings:		
Bank overdraft	-	1 200
Notes issued [1]	17 568	14 160
Borrowings [2]	30 349	22 160
Interest accrued on notes issued	402	312
Interest accrued on bank overdraft	-	20
Interest accrued on borrowings	184	406
Total short-term borrowings	**48 503**	**38 258**
Long-term borrowings:		
Notes issued [2]	21 429	12 191
Total long-term borrowings	**21 429**	**12 191**

[1] As of 31.12.2018 Creditstar International OÜ has issued bonds in the amount of 39 million Euros with a due dates between 2019 - 2021. The annual interest rate of the issued notes is 7% up to 12,5%.

[2] The liability of other financial instruments of the Group at 31.12.2018 was 30,35 million Euros with annual interest rates from 10% up to 19%.

Note 9. Payables and Prepayments

(At 31. December, in thousands euros)

	31.12.2018	31.12.2017
Accounts payable	977	1 192
Employee-related liabilities	542	414
Tax liabilities	347	245
Total	**1 866**	**1 851**

Note 10. Owner's Equity

As of 31 December 2018, the Group's share capital was divided into 1,550 thousand 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 2018, the Group's retained earnings amounted to 7 118 thousand euros. The maximum possible corporate income tax liability related to the disbursement of the whole retained earnings balance as dividends is 1 424 thousand euros. Thus, the Group can pay dividends in the total amount of 5 694 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 2018.

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 POLAND SP.Z.O.O	Poland	www.creditstar.pl	16,7%
CREDITSTAR CZECH S.R.O.	Czech Republic	www.creditstar.cz	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.creditstarfi	100%
CREDITSTAR SWEDEN AB	Sweden	www.creditstar.se	100%
CREDITSTAR LITHUANIA UAB	Lithuania	www.creditstar.lt	100%
REISIRAHA OÜ	Estonia	11953111	100%
CREDITSTAR POLAND SP.Z.O.O	Poland	www.creditstar.pl	83,3%
CREDITSTAR SPAIN S.L.	Spain	www.creditstar.es	97,1%
CREDITSTAR UK LTD	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 thousands euros)

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

a) Shareholder's 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:	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Companies controlled by shareholders with significant influence over the Group	361	383

Sales to related parties:	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Companies controlled by shareholders with significant influence over the Group	3 528	3 413

Amounts owed to related parties:	31.12.2018	31.12.2017
Companies controlled by shareholders with significant influence over the Group	391	1 810

Amounts owed by related parties:	31.12.2018	31.12.2017
Companies controlled by shareholders with significant influence over the Group	16 588	14 647

Management remunerations:	01.01.2018-31.12.2018	01.01.2017-31.12.2017
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 50 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.

<u>Fair value of assets and liabilities.</u>

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 SMS Laen 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 2018, 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

There are no events after the balance sheet date that would affect the figures presented in this report.

Note 16. Parent Company's Separate Income Statement

(In thousands euros)

	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Interest income	-	-
Interest expenses	-	-3
Net interest income	**-**	**-3**
Retained profit of subsidiaries	2 858	1 983
Other operating income	116	405
Other operating expenses	-114	-160
Depreciation	-	-24
Operating profit	**2 860**	**2 201**
Profit for the year	**2 860**	**2 201**

Note 17. Parent Company's Separate Balance Sheet

(In thousands euros)

Assets	31.12.2018	31.12.2017
Cash	1	1
Other receivables	1 160	972
Total current assets	**1 161**	**973**
Investments in subsidiaries	15 503	12 645
Intangible assets	-	345
Total fixed assets	**15 503**	**12 990**
Total assets	**13 963**	**13 963**

Liabilities and Equity		
Short-term borrowings (incl. interest payable)	-	100
Payables and prepayments	5	64
Total current liabilities	**5**	**164**
Total liabilities	**5**	**164**

Equity		
Issued capital	9 765	9 765
Retained earnings	6 894	4 034
Total equity	**16 659**	**13 799**
Total liabilities and equity	**16 664**	**13 963**

Note 18. Parent Company's Separate Statement of Changes in Equity

(In thousands euros)

	Issued capital	Retained earnings	Total
As at 31 December 2015	**9 765**	**456**	**10 221**
Profit for the year	-	1 364	1 364
Increase of share capital	-	13	13
As at 31 December 2016	9 765	**1 833**	**11 598**
Profit for the year	-	2 201	2 201
As at 31 December 2017	**9 765**	**4 034**	**13 799**
Profit for the year	-	2 860	2 860
As at 31 December 2018	**9 765**	**6 894**	**16 659**

Note 19. Parent Company's Separate Cash Flow Statement

(In thousands euros)

Cash flow from operating activities	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Profit for the year	2 860	2 201
Adjustment to net profit	506	-1 957
thereof depreciation	-	24
thereof interest expenses	-	-
thereof interest income	-	3
thereof other adjustments	**506**	-1 984
Change in receivables related to operating activities	-	123
Change in payables related to operating activities	-59	-106
Total cash flow from operating activities	**447**	**261**

Investing activities		
Acquisition of subsidiaries	-	-
Other loans issued	-	100
Repayment of other loans issued	-347	-341
Total cash flow from investing activities	**-347**	**-241**

Financing activities		
Proceeds from notes issued and other borrowed funds	-	100
Repayment of notes issued and other borrowed funds	-100	-90
Interest paid	-	-30
Total cash flow from financing activities	**-100**	**-20**
Total cash flow	**0**	**0**
Cash and cash equivalents in the beginning	**1**	**1**
Change in cash and cash equivalents	0	0
Cash and cash equivalents at closing	**1**	**1**

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: 2 860 thousand euros.

Member of the Management Board Aaro Sosaar *signed digitally* 22.04.2019

Signatures to the Annual Report 01.01.2018 - 31.12.2018

Management board of Creditstar Group AS has approved the Annual Report for 01.01.2018 - 31.12.2018 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	*signed digitally*	22.04.2019

TRANSLATION OF THE ESTONIAN ORIGINAL

Statutory Auditor's Report

To the shareholders of Creditstar Group AS

Opinion

We have audited the consolidated financial statement of Creditstar Group AS and its subsidiaries (group), the consolidated financial statement comprises of the consolidated balance sheet as of 31.12.2018, and the consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity for the year ended in 31.12.2018, and notes to the consolidated financial statement including a summary of significant accounting principles.

The attached consolidated financial statement is signed by us for identification.

In our opinion, as of 31.12.2018 the financial statement presents fairly in all material respects the financial position of the group, the consolidated financial result of the group and consolidated cash flows of the group in accordance with financial reporting standards of Estonia.

Basis of the opinion

The audit was conducted by adhering to international auditing standards (Estonia). Our responsibilities are explained in detail inside the report under "Statutory auditor's responsibilities relating to the auditing of the annual Consolidated Financial Statements". We are independent from the Group in accordance with the Ethical Code of Professional Accountants (Estonia) (ethics code EE)) and have fulfilled our other ethical requirements in accordance with the requirements in the ethics code (EE). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other information

The management is responsible for other information. Other information covers the management report but does not cover the Consolidated Financial Statements nor our Statutory Auditor's Report.

Our opinion on the Consolidated Financial Statements does not cover other information and we will not make any assured conclusions on it in any form.

Our obligation in relation to the audit of the Consolidated Financial Statements is to read the other information and deliberate whether the other information differs greatly from the Consolidated Financial Statements or differs greatly from the information we gather during the audit or seems to be incorrectly represented in any other way.

Management's Responsibility for the Consolidated Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Estonia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

When compiling the Consolidated Financial Statements the management is responsible for the evaluation of the Group's capability to continue their business activities, to give information where appropriate and to use the basic accounting principles to ensure the continuing of the business, unless it is planned by the management to dissolve the group or to discontinue the business.

Statutory Auditor's Obligations Relating to the Audit of the Consolidated Financial Statements

Our goal is to achieve reasonable assurance if the Consolidated Financial Statements are free of misrepresentations due to deception or errors and to issue the Statutory Auditor's Report which includes our opinion. Reasonable assurance is high level assurance but it does not guarantee that during the audit, which is carried out in accordance with the International Auditing Standards (Estonia), a misrepresentation is discovered. Misrepresentations may arise due to deception or errors and these are deemed important if there's reasonable assumption that these may on their own or together influence financial decisions which the readers make based on the Consolidated Financial Statements.

We conduct our audit in accordance with the International Auditing Standards (Estonia) and throughout the audit we maintain professional skepticism and professional judgement. We also do the following:

- We determine and assess the risks of misrepresentation which may arise from deception or errors, plan and carry out audit procedures to counteract the risks and obtain sufficient and appropriate audit evidence which is the basis of our opinion. The risk of not discovering important misrepresentations arising from deception are higher than misrepresentations arising from mistakes because deceptions might mean secret agreements, forgery, withholding information, giving incorrect information or disregard for internal controls;
- We obtain an understanding on the internal controls relevant to the audit to plan appropriate auditing procedures in these conditions but do not give an opinion on the performance of the internal controls;

- We assess the appropriateness of the accounting principles used and the accounting assessment of the management and the relevance of the information published in relation to the aforementioned;

- We make conclusions on the appropriateness of the management's use of the basic accounting principles to ensure business continuity; and based on the evidence of the audit we make conclusions if there are uncertainties in events or conditions which may create significant doubt in the Group's ability to continue business activities. If we conclude that there is significant uncertainty, then we are obliged to point it out in the Statutory Auditor's Report by referring to the information provided in the Consolidated Financial Statements and if the information is insufficient we will modify our opinion. Our conclusions are based on the audit evidence we've received by the date of the Statutory Auditor's Report. Future events or conditions may still damage the Group's ability to continue business activities;

- We evaluate the general presentation, structure and content of the Consolidated Financial Statements, including published information, and whether the Consolidated Financial Statements present the transactions which it is based on in a way that is fair.

- We obtain sufficient evidence on the Group's entities or financial information on business activities to give our opinion on the Group's Consolidated Financial Statements. We are responsible for the carrying out, conduct and supervision of the audit. We are solely responsible for the audit opinion.

In Tallinn, 22 April 2019

Raul Randväli

Auditor's number 467

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