Aktsiaselts PlusPlus Capital

Consolidated annual report 2022

Aktsiaselts PlusPlus Capital
CONSOLIDATED ANNUAL REPORT 2022

Business name	Aktsiaselts PlusPlus Capital
Registry	Commercial Register of the Republic of Estonia
Commercial Registry number	11919806
Date of entry	5 April 2010
Address	Tartu Road 83, 10115 Tallinn, Estonia
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E-mail	info@pluspluscapital.eu
Corporate website	www.pluspluscapital.eu
Reporting period	1 January 2022 – 31 December 2022
Chairman of the management board	Peeter Piho
Core business line	64301
Auditor	KPMG Baltics OÜ

TABLE OF CONTENTS

CEO FOREWORD

2022 was a challenging year for Baltic and Finnish economies and Aktsiaselts PlusPlus Capital group (PlusPlus) alike. The Baltics and Finland were able to deal with the negative consequences of the COVID-19 better than Eurozone economies on average and emerge from pandemic in a good position.

On February 24, 2022, the Russian-Ukrainian war started, and this had an instant impact on the financial markets. The war resulted in the rapid increase of energy prices and fuelled the overall high inflation that has been most evident in the Baltics. Estonia, Latvia and Lithuania were among the TOP 5 in annual inflation in the EU in December 2022 with inflation rates between 17.5%-20.7%.

After the successful equity issue in December 2021 and in February 2022, PlusPlus continued with its initial plan to have an Eurobond issue in May of 2022. Eurobonds were to be issued by PlusPlus Capital Financial S.à.r.l, an entity registered under Luxembourg law and a subsidiary fully owned by PlusPlus Capital.

Geopolitical and macroeconomic turmoil together with longer than expected preparations for the bond issue meant the postponement of the launch of the bond to July 2022. In the early summer, a crisis began in the high-yield bond market. The prices of existing bonds fell and virtually no new issues were bought. Decision was made to issue the bonds despite poor market situation, which has justified itself as it created an instrument necessary in building the subsequent restructuring of liabilities.

In the end of October, PlusPlus did not redeem the bond issue in the amount of 11 million euros and did not pay the interest on the bonds with maturity dates in October 2023 and October 2024, in the total amount of more than 32 million euros. To facilitate full repayment of principal and accrued interest, PlusPlus offered investors to exchange their existing notes against Eurobonds. Alternatively, investors had the option to exit their positions at a discounted price.

To ensure investors of the commitments PlusPlus promised during negotiations and to enable the conversion into Eurobond, it was necessary to hold a Eurobond holders' meeting, which took place on 17 April 2023. Bondholders representing 79% of outstanding balance attended, 100% of them present voted in favour of the PlusPlus's proposals. Thereby, the conditions for exchanging the outstanding Baltic notes into the EUR 2022/2026 bonds were provided. As a result, the cross-default of the EUR 2022/2026 bonds was also to be cured.

In 2022, PlusPlus produced solid financial results. PlusPlus estimated remaining collections increased by close to 30% to 210 million euros. Incoming payments from clients hit another record by reaching 19.6 million euros in 2022. Although Cash EBITDA increased to 13.0 million euros compared to 10.1 million in 2021, the net profit decreased to 1.3 million from 5.4 million euros in the prior year.

By the end of 2022, PlusPlus completed the development of a new digital client self-service system together with full process automation in Estonia and Finland. The launch of the system that creates significant cost reduction possibilities is an important addition to Group's IT architecture based on an internal data warehouse.
Overall, the focus of our IT developments has been to improve operational efficiency while at the same time increasing customer engagement. To do that we have improved our connections to formal registries, enhanced our ability to track our key processes and automatized micro-management activities done by our employees.

This year PlusPlus also continued the ESG (Environment, Social and Governance) journey and has compiled a Sustainability Report. Sustainability is an integral part of PlusPlus's operations and interaction with financing partners and other stakeholders. Our biggest opportunity for societal impact is in ensuring that each customer is seen as an individual deserving individual assessment and option to be reintegrated into financial services' ecosystem.

From the strategic point of view, the Group aims at returning to purchasing portfolios that allow it to capitalize on the excellent market situation currently present in all our home markets. Over the forthcoming years, PlusPlus will continue to focus on growth in combination with product development and increasing share of IT-based solutions in its' activity.

Peeter Piho
CEO
Aktsiaselts PlusPlus Capital

MANAGEMENT REPORT

Aktsiaselts PlusPlus Capital (AS PlusPlus Capital, PlusPlus, the Company, PPC), established on 5 April 2010 is a financial services company that performs two functions.

Firstly, PlusPlus is a receivables management company that purchases, structures, and monitors non-performing claim portfolios acquired from banks, non-bank credit providers, telecoms, and other sellers of overdue receivables.

Secondly, PlusPlus is the parent company of PlusPlus Group (The Group) active in Estonia, Latvia, Lithuania, and Finland that in addition to portfolio management business is also active in providing credit and developing a P2P crediting platform.

Portfolio management is PlusPlus Group's main, the oldest and most established business launched in Estonia in 2010, in Latvia in 2012, in Lithuania in 2013 and Finland in 2019. In all three Baltic countries, PlusPlus is an established, leading player while Finland is perceived as an emerging opportunity with large growth potential due to market size and nature of competitive environment. Portfolio management business in Baltic countries is carried out by PPC itself and its' subsidiary PlusPlus Baltic OÜ that has branch offices in Latvia and Lithuania. Finnish operation is exercised by PlusPlus Capital OY, PPC's subsidiary in Finland.

Crediting activities of the group have been consolidated into PPC's subsidiary Fresh Finance Group that owns subsidiaries in Estonia, Latvia and Lithuania, all licenced and supervised credit providers in respective countries. The development of credit issuing project commenced in 2018 and current structure was launched in 2019.

P2P loan platform business is carried out by Estonian company Monestro P2P and its' subsidiaries in Estonia. The acquisition process of Monestro was finalised in first half of 2020.

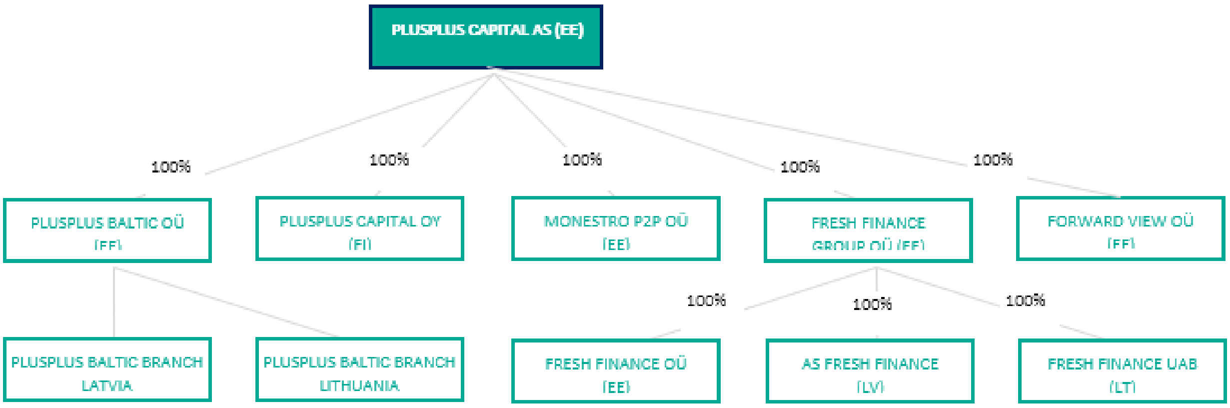
As at 31 December 2022, PlusPlus Group included following entities:

Entity/Branch:	**Country of Domicile**	**PlusPlus Capital's share***	**Activity**
Parent company			
AS PlusPlus Capital	Estonia	N/A	Receivables portfolio management and group holding company
Portfolio management			
PlusPlus Baltic OÜ	Estonia	100%	Receivables portfolio management
PlusPlus Baltic OU filiāle Latvijā	Latvia	Branch	Receivables portfolio management in Latvia
PlusPlus Baltic OU Lietuvos filialas	Lithuania	Branch	Receivables portfolio management in Lithuania
PlusPlus Capital Oy	Finland	100%	Receivables portfolio management in Finland
Credit issuance			
Fresh Finance Group OÜ	Estonia	100%	Parent company (holding) of credit issuing business in Baltic states
Fresh Finance AS	Latvia	100%	Credit provider in Latvia
Fresh Finance UAB	Lithuania	100%	Credit provider in Lithuania
Fresh Finance OÜ	Estonia	100%	Credit provider in Estonia
P2P Platform			
Monestro P2P OÜ	Estonia	100%	P2P platform investment activities
Monestro Investor OÜ	Estonia	100%	P2P platform investment activities

Support units			
PlusPlus Invest OÜ	Estonia	100%	Holder of property investments
Forward View OÜ	Estonia	100%	IT development
PlusPlus Financial S.à r.l.	Luxembourg	100%	Financing vehicle
Defunct entities			
PlusPlus Inkasso SIA	Latvia	100%	Defunct Unit
PlusPlus Inkaso UAB	Lithuania	100%	Defunct Unit

** Stakes owned by PlusPlus Capital directly or through subsidiaries*

Operational entities carrying out business activities are structured as follows:



PORTFOLIO MANAGEMENT BUSINESS LINE

The core business of the Group is acquisition, restructuring and management of overdue claim portfolios in the Baltics and Finland. The main sellers of the claim portfolios are banks, credit providers and telecommunication companies. Majority of the claims are against private individuals, unsecured and originate from loans, credit card agreements, hire purchase agreements, leasing agreements and other similar products.

Since inception in 2010, PlusPlus has handled 814 portfolios representing 118 thousand claims.

Portfolios are generally divided into three categories:

- Forward flow agreements where the seller sells and assigns to the purchaser claims during a certain period (typically 1-2 years) whereby the assignments are executed periodically at fixed conditions.
- One-off regular portfolio transactions have similar characteristics as the forward-flow contracts whereby one portfolio or number of portfolios are sold at once in the same process.
- One-off special transactions might include residual mortgage claims or commercial loans besides the ordinary consumer loan facilities.

Portfolios of claims are sold in competitive market. PlusPlus purchases different types of portfolios that make prices vary largely. The main factor in price determination is the quality of claims while applicable legal framework in different countries has its' impact as well.

The Group's key strategy focuses on maintaining strong portfolio management, maximising synergies between different operations, establishing long-term client relations and ESG factors. The Group aims at finding long term client relationships to maximize client satisfaction and to improve returns for its stakeholders.

PlusPlus applies socially responsible operating model encouraging clients to actively participate in preparing affordable payment solutions that allows clients to be guided through whole process in a discreet and dignified manner. Helping clients overcome temporary financial difficulties and return to normal financial life combined with regaining access to comprehensive range of financial services is the ultimate goal for PlusPlus.

CREDIT ISSUANCE BUSINESS LINE

Since 2019, the Group offers consumer financing products through Fresh Finance Group formed by Fresh Finance entities in Estonia, Latvia, and Lithuania, which are all licenced credit providers. The Fresh Finance entities offer a carefully selected product placement, with a focus on untapped market segments and intragroup synergy.

Fresh Finance offers highly digital, sustainable financing to Baltic consumers with adverse credit history to solve their temporary liquidity problems. The Group is developing advanced refinancing and consumer finance products. A refinancing loan offered by Fresh Finance bundles together different claims against a customer by agreeing affordable payment schedules based on customer's net income and other relevant credit criteria. The Group's highly digital solutions enable to evaluate client risk and payment behaviour and to develop the Group's credit risk models and crediting processes.

P2P PLATFORM BUSINESS LINE

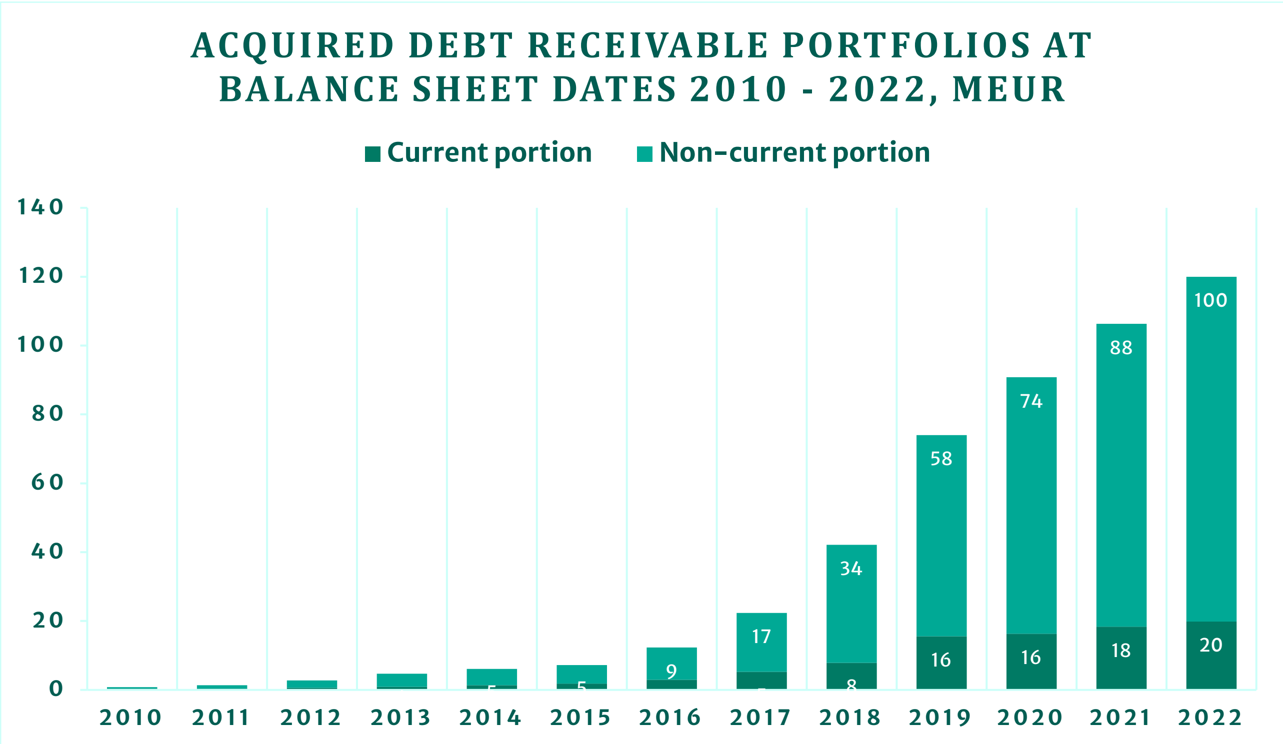
In 2020, the Group acquired Monestro P2P OÜ, an Estonian credit intermediator. Following the acquisition, in 2021 the business of Monestro was completely restructured and the company was transformed into a peer-to-peer investment platform that allows investors to purchase claims from loan originators. Such claims derive from existing credit agreements concluded between the originator and the client. The loans assigned through the platform relate typically to consumer credit agreements.

Monestro targets loan originators and investors globally. All types of investors can purchase assigned claims. The investors may choose the claims for investment either manually or by using the AutoInvest feature, which acts automatically based on pre-defined criteria set by the investor. The investor may also choose the amount of the investment, as claims may be assigned in part or in full. By confirming the amount of investment into a specific claim, an assignment agreement is automatically concluded via the platform.

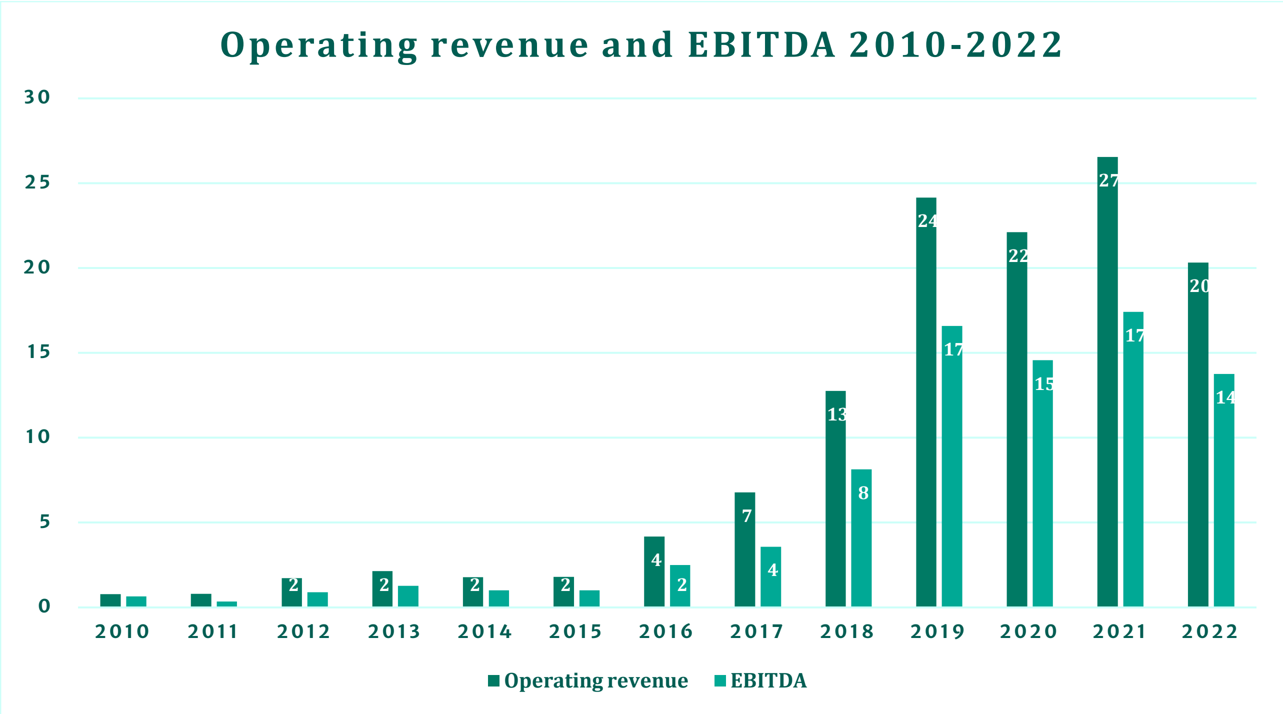
FINANCIAL PERFORMANCE

In 2022, total assets of the group increased from 113.5 million euro to 133.6 million euro. Net profit decreased from 5.4 million euro to 1.3 million euro.

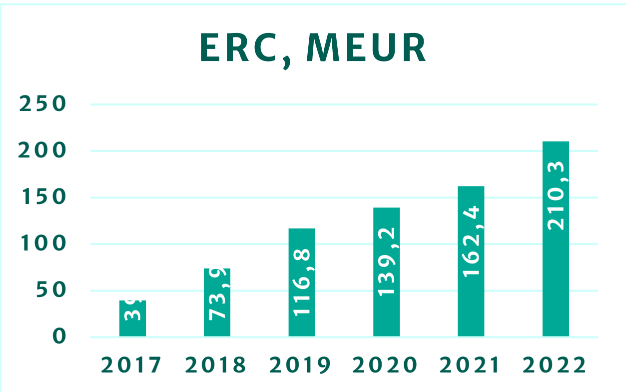
Book value of receivables portfolios continued to increase steadily and comprised 120 million euro at the end of 2022 representing a 13% growth as compared with 2021 (106 million euro).

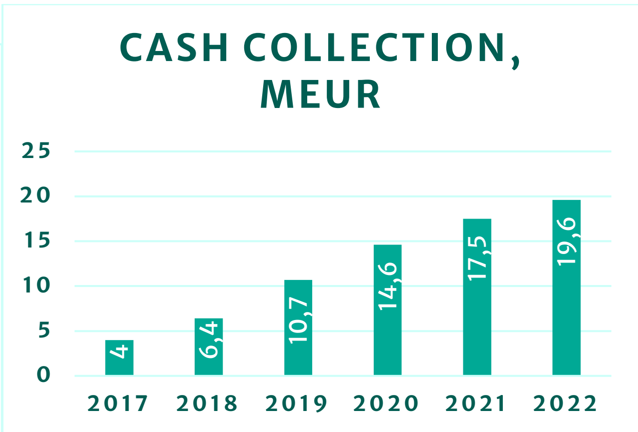


In 2022 operating revenue was 20.3 million euro (2021: 26.5 million euro) and EBITDA amounted to 13.8 million euro (2021: 17.4 million euro).



Across the year, PlusPlus estimated remaining collections (ERC) increased by 29.5% to 210.3* million euro and cash collection hit another record by reaching 19.6 million euro a year, 12 per cent more than in 2021 (17.5 million euro).





** Based on 180-months modelled ERC, which represents ERC over expected total lifetime of portfolios, including period after 10th year since balance sheet date. In accordance with fair value method applied till 31.12.2021, the book value was recognised with 10-years ERC till 31.12.2021 and with 15-years or lifetime ERC 01.01.2022 onwards.*

Key financial dynamics of PlusPlus in a nutshell:

Group financials in €m	2018	2019	2020	2021	2022
Revenue	12.8	24.2	22.0	26.5	20.3
EBITDA	8.1	16.6	14.5	17.4	13.8
Net profit	3.8	9.4	6.0	5.4	1.3
Cash Collection	6.4	10.7	14.6	17.5	19.6
Cash EBITDA*	1.8	4.2	8.3	10.1	13.0
Equity	10.7	20.2	24.6	39.8	43.5
ERC	73.9	116.8	139.2	162.4	210.3
Net Debt**/EBITDA	3.6x	3.3x	4.5x	3.9x	6.1x
Capitalisation ratio***	20.5%	24.2%	25.0%	35.2%	32.5%

* Cash EBITDA	cash revenues (portfolio collections) less operating expenses of core business (portfolio management business line, other business lines excluded)
** Net Debt	total of interest-bearing loans and borrowings less cash and cash equivalents
*** Capitalisation ratio	total equity divided by total assets

MACROECONOMICAL ENVIRONMENT

The Group operates in the Baltic states and Finland, which are influenced by global and especially by Eurozone trends. As the Baltics are small open economies, they can better react to changing economic circumstances, but at the same time this also means they are more vulnerable to external factors.

During the COVID-19 pandemic the Baltics and Finland were able to deal with the negative consequences better than Eurozone economies on average. 2020 GDP decrease in the Baltics and in Finland was significantly lower than the Eurozone on average of -6.4% and in 2021 the average growth of the four countries was close to the Eurozone average. In 2022, the impact from Russian aggression towards Ukraine, rapid increase in energy prices and overall high inflation has been felt more significantly in the Baltics and Finland. This being most evident in the Baltics, as Estonia, Latvia and Lithuania were among the TOP 5 in annual inflation in the EU in December 2022 and inflation rates were between 17.5%-20.7%.

GDP growth (%)	2020	2021	2022	'22 vs '19
EE	-3.0%	7.5%	-1.3%	2.9%
LV	-3.6%	4.7%	2.8%	3.8%
LT	-0.1%	4.8%	1.9%	6.7%
FI	-2.8%	3.5%	2.1%	2.7%
Eurozone	-6.4%	5.3%	3.5%	2.0%

In the beginning of the COVID-19 pandemic, there was a significant fear for a rapid growth of unemployment for an extended period which would have had a significant impact for the overall economy. Although the unemployment numbers did increase in 2020, then in the next two years unemployment has decreased to pre-pandemic levels or close to those in all countries. Nonetheless, according to the Spring 2023 economic forecast by European Commission, in other three countries except Latvia, unemployment is expected to grow in 2023, but remain in relatively reasonable levels.

Unemployment (%)	2019	2020	2021	2022
EE	4.4%	6.8%	6.2%	5.6%
LV	6.3%	8.1%	7.6%	6.9%
LT	6.5%	8.5%	7.1%	5.9%
FI	6.7%	7.8%	7.7%	6.8%

The current economic trends have created excellent market conditions for portfolio purchases. Although there has been rapid inflation during the past year, the countries were able to mitigate spikes in energy prices over the winter of 2022 and 2023. There has been an impact on GDP growth figures and expected growth in unemployment, but still it is expected that those effects will be contained. The aforementioned together with decreased competitiveness in the portfolio acquisition market, has created market conditions where the sold portfolios have increased in size, but the prices have decreased. Higher inflation together with the contained increase of unemployment creates a positive market environment for the Group overall. We expect that people will be able to continue to service their debts and at the same time inflation combined with salary growth as part of it will devaluate their claims in general.

CAPITAL AND FUNDING

After successful equity issue in December 2021 and in February 2022, PlusPlus turned its focus to the planned Eurobond issue. Initial timeline was to issue the Eurobond in May of 2022. On February 24, 2022, the Russian-Ukrainian war started and instantly impacted financial markets. In addition, the KYC process carried out by one of service providers was delayed due to the country risk in Estonia and Lithuania. Due to those reasons the bond issue was postponed to July.

In the spring and summer of 2022, a crisis began in the high-yield bond market. The prices of existing bonds fell and virtually no new issues were bought.

The issue of the Eurobond took place on July 29, 2022. Although the Company was able to convert some of the Baltic bond holders to Eurobond and to raise some additional funds, then it did not meet the initial plans. In essence, the Eurobond issue failed due to a sharp deterioration of the market situation in 2022. At the same time, the decision to issue the bonds despite poor market situation created an instrument necessary in building the subsequent restructuring of liabilities.

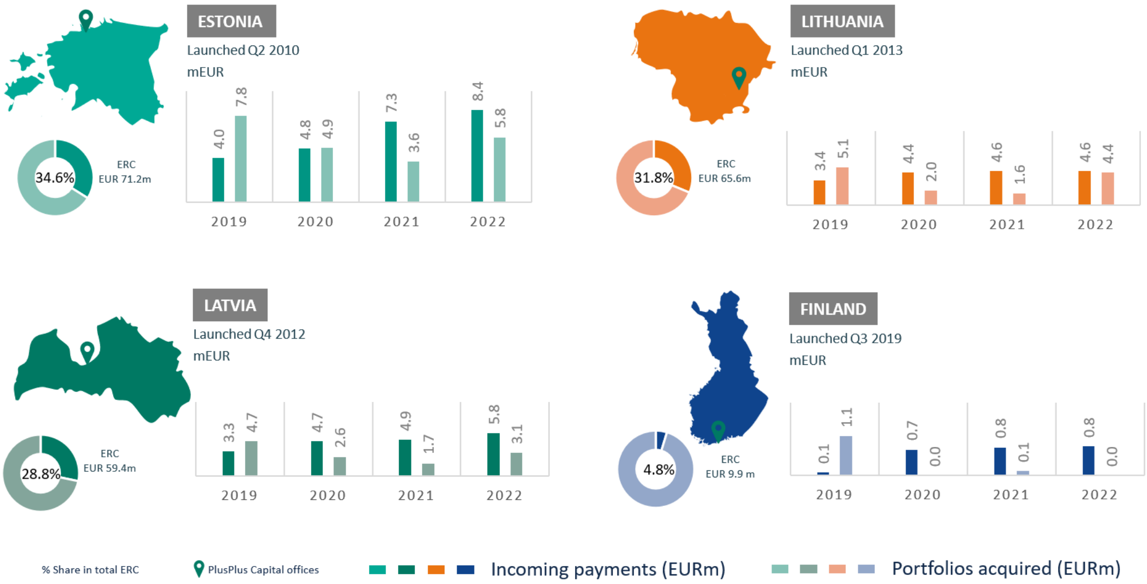
In the end of October, PlusPlus did not redeem the bond issue in the amount of 11 million euros and did not pay the interest on the bonds with maturity dates in October 2023 and October 2024, in the total amount of more than 32 million euros. To facilitate full repayment of principal and accrued interest, PlusPlus offered investors to exchange their existing notes against Eurobonds. Alternatively, investors had the option to exit their positions at a discounted price.

In order to ensure investors of the commitments PlusPlus promised during negotiations and to enable the conversion into Eurobond, it was necessary to hold a Eurobond holders' meeting, which took place on 17 April 2023. Bondholders representing 79% of outstanding balance attended, 100% of them present voted in favour of the PlusPlus's proposals. Thereby, the conditions for exchanging the outstanding Baltic notes into the EUR 2022/2026 bonds were provided. As a result, the cross-default of the EUR 2022/2026 bonds was also cured.

GEOGRAPHICAL FOCUS

With its headquarters located in Tallinn, Estonia, the Group currently operates in four countries Estonia, Latvia, Lithuania and Finland through subsidiaries of the Holding company. In each country, the Group has set up fully operative offices which carry out the full spectrum of the Group's claim portfolio business, from sourcing transactions to managing client relationships. The Group considers local competence to be critical to effectively navigate in different cultural and legal spaces.

In terms of asset allocation, PlusPlus seeks to maintain exposure to each of the three Baltic states on a similar level and considers Finland as new business opportunity with remarkable growth perspective. As at 31 December 2022, approximately 34.6% of assets in ERC (Estimated remaining collection) terms were in Estonia, 31.8% in Lithuania, 28.8% in Latvia and 4.8% in Finland.



SUSTAINABILITY REPORT

PLUSPLUS PRINCIPLES OF SUSTAINABLE DEVELOPMENT

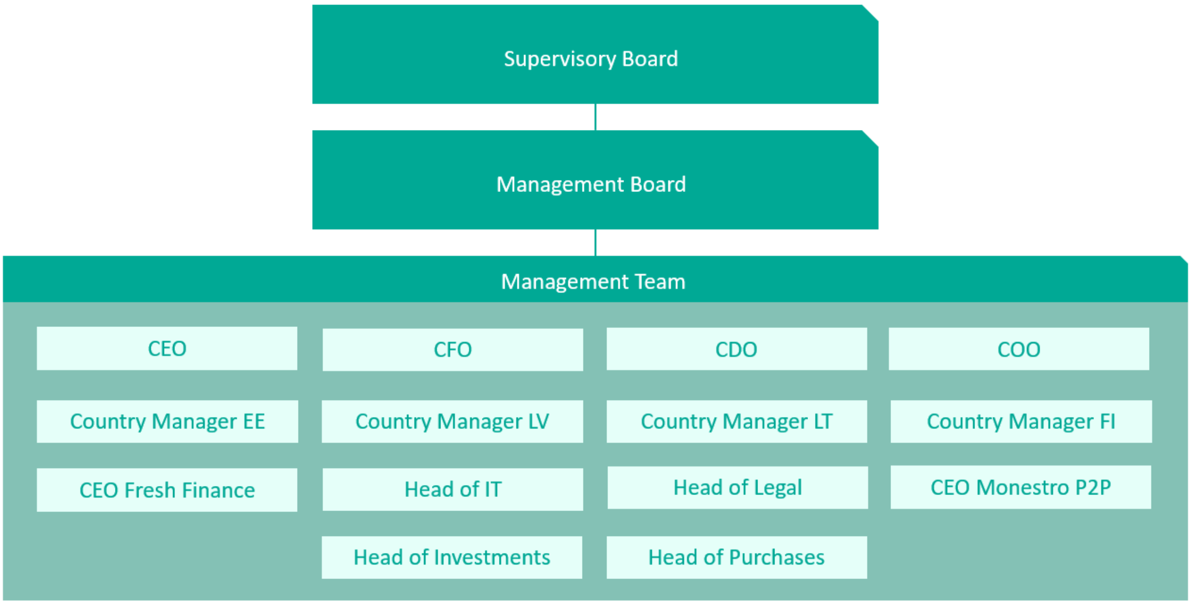
For PlusPlus, sustainability is an integral part of group's operations and interaction with financing partners and other stakeholders.

The Management Board has established the principles of sustainable development, which are used as a basis for planning and implementing group's strategy as well as the day-to-day operations.

- We develop sustainable services so that clients can be reintegrated successfully into the financial services ecosystem.
- We carry out all aspects of client relationship transparently and respectfully.
- We strive to improve our ability to provide smooth transformation from debt to client relationship based on a mutually beneficial payment solution.
- We use innovative IT systems and digital services to find individual solutions to each client.
- We regularly analyse and are aware of the impact of our activities from economic, social and environmental perspective.
- We use resources in a sustainable manner.
- We operate in compliance with legislations, internationally accepted industry best practice rules and sustainability principles.
- We operate in an open and transparent manner and give information about our sustainable development steps to stakeholders.
- We consistently and sustainably develop our management practices, processes and internal systems.

MANAGEMENT OF SUSTAINABLE DEVELOPMENT

Group management structure ensures the implementation of sustainable development goals.



Supervisory Board provides sustainability guidelines and supervises their implementation.

The Group Management Board identifies the Group's impacts on the economy, environment and people. In conjunction, it approves Group's sustainable development policy, strategy, statements and goals. The Group Management Board delegates responsibility for managing impacts and implementing sustainability activities to Management Team members.

Management Team is responsible for implementation of sustainability management based on tasks assigned by Group Management Board.

SUSTAINABLE DEVELOPMENT GOALS

We have chosen UN Sustainable Development Goals (SDGs) as the basis for developing PlusPlus sustainable development framework. This is an internationally accepted methodology based on which each company can set their sustainability targets, regardless of their industry. Based on multiple discussions in the Group Management Team, we have chosen nine development goals through which PlusPlus can have the most significant impact.

SDG GOALS	PLUSPLUS CONTRIBUTION
1 NO POVERTY	... all people, in particular the poor and the vulnerable, should have equal rights to economic resources, access to financial services, also possibility to increase their resilience
3 GOOD HEALTH AND WELL-BEING	... promote mental health and well-being of employees
4 QUALITY EDUCATION	... increase people's knowledge and skills to better manage their financial responsibilities, thereby increasing their ability to cope and participate successfully in working life
5 GENDER EQUALITY	... to help ensure that everyone has equal access to financial services. Also ensure professional development and equal opportunities for employees regardless of gender and age
8 DECENT WORK AND ECONOMIC GROWTH	... ensure the sustainable business growth so that financial services are accessible to all
10 REDUCED INEQUALITIES	... to contribute to the improvement of financial regulations and legislation to ensure dignified and equal treatment of people in temporary financial difficulties
13 CLIMATE ACTION	... operate in an environmentally sound manner, prevent and mitigate the impacts of environmental and climate change.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	... ensure equal legal protection for all through compliance and improvement of the law
17 PARTNERSHIPS FOR THE GOALS	... cooperate actively with the public and private sectors to develop a socially acceptable framework for helping people in temporary financial difficulties

SUSTAINABLE DEVELOPMENT AND ESG PRINCIPLES

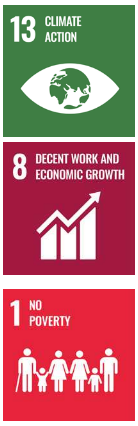
PlusPlus Group Management has developed a comprehensive approach towards its sustainable development and an action plan for the upcoming years. This was done in order to ensure our contribution towards achieving UN SDGs, taking into account ESG principles and criteria.

PLUSPLUS ESG FRAMEWORK

SDG GOALS

PLUSPLUS ESG goals and activities

E ENVIRONMENTAL



Reducing environmental and climate impacts

- focus on digital services
- sustainable energy consumption
- implementation of the principles of the Green Office
- compliance with environmental legislation

S SOCIAL

Everybody is a part of financial ecosystem

- understanding disadvantaged people, dignified problem solving
- contributing into ability to cope by improving the knowledge
- public communication that supports the dignified treatment of people in difficulty
- reduction of stigmatization
- partnership to promote socially acceptable framework for assisting people in temporary financial difficulties

Supportive working environment

- development of professional competence
- promoting mental health and well-being
- healthy and safe working conditions
- equal opportunities
- compliance with labor and health & safety legislation

G GOVERNANCE

Inclusive customer experience

- personal communication, active listening, empathy
- respectful client relationship
- customized payment plans to regain the control over finances
- digital services

Good corporate governance

- sustainable growth and profitability
- balance of automated and non-automated processes
- ensuring compliance with all regulations
- effective management system and certification schemes
- participation in developing legal framework

More detailed overview of all activities in each of the ESG areas is presented below.

E ENVIRONMENT

Under the Environment category, the group aims to reduce the environmental and climate impact of its day-to-day operations. As the business process and office activities cause the majority of the group's environmental impact, we decided to pay more attention to the use of resources in our processes, office operations and the behaviour of employees.

Our goals

Reducing environmental and climate impacts

- focus on digital services
- sustainable energy consumption
- implementation of the principles of the green office
- compliance with environmental legislation

KPI	2020	2021	2022
Share of digitally signed client agreements (%)	56	69	64
Share of PlusPlus Baltic clients paying through self-service (%)	18	23	22

Focus on digital services

Due to the nature of services that PlusPlus provides and due to requirements of the regulations, significant amount of documentation is produced with our business processes. Digitalising our services is one of the main ways to reduce the amount of paper and resources used by the Group and to transition to Green Office concept. During 2022, one of PlusPlus IT development focuses was to enhance solutions that enable to be closer to formal registries and proceedings. The aim of this was to ensure improve operational efficiency and resource usage.
The level of digitalization differs between countries – in Estonia and Finland most of procedures can be concluded digitally and clients have adopted these options. Contrastingly, in Latvia and Lithuania there is potential to grow the share of digital procedures and encourage clients to use these opportunities. Although we have seen the decrease of paper usage in our processes, PlusPlus will continue to focus on digitalization of our services.

Sustainable energy consumption

The largest part of our energy consumption comes from electricity, heating and usage of fuels for business travel. In Estonia, we have two office premises under PlusPlus ownership and these use smart office solutions. Premises in other countries are rental properties and PlusPlus does not have direct overview of the general resource consumption. Nonetheless, we monitor our energy consumption and strive towards finding energy saving alternatives.

During COVID-19 pandemic, business travel was halted and as many other companies PlusPlus had to find new ways to communicate within the organisation and also with our external partners via remote channels. From that point onward, we have monitored our business travel within the Group more closely. Business trips are necessary to meet with local clients, other stakeholders and for in-house meetings. We see opportunity to continue to increase the share of virtual meetings and to continue to specify and analyse data related to business travel.

Green Office

Although the Group has an overview of the main environmental impacts, going forward we plan to develop a systematic environmental management system, continue to analyse the environmental impact caused by the Group's activities and apply the principles of a Green Office in all offices to further reduce environmental impact.
It is important to find ways to reduce greenhouse gas emissions and to build a transparent data collection system for measuring the carbon footprint in order to make a greater contribution to mitigating the effects of climate change in the future.

S SOCIAL

PART OF FINANCIAL SERVICES ECOSYSTEM

On a daily basis, PlusPlus comes across with people in financial difficulties. Approximately 15% of the labour force has access to financial services restricted due to indebtedness.
Therefore, PlusPlus sees the biggest opportunity for social impact in ensuring that each customer is seen as an individual – they deserve individual assessment and option to be reintegrated into financial services ecosystem.

Our goals

Everybody is a part of financial ecosystem

- understanding disadvantaged people, dignified problem solving
- contributing into ability to cope by improving the knowledge
- public communication that supports the dignified treatment of people in difficulty
- reduction of stigmatization
- partnership to promote socially acceptable framework for assisting people in temporary financial difficulties

KPI

	2020	2021	2022
Number of claims paid in full (pcs)	6 257	7 778	9 935

Reducing stigmatisation

Acknowledging the problem is the first step to solving it – reducing stigmatisation and helping develop forward-looking solutions. In majority of the cases, financial difficulties are temporary and due to sickness, unemployment or similar causes. These people are cut off from regular financial activity which negatively impacts the society altogether.
We have identified public sector target groups to address the topic and discuss cooperation in improving legal framework and business environment.

Through public communication PlusPlus helps to improve competence of financial liability management in society. PlusPlus is an active member of a public-private cluster initiative with the aim to deal with all relevant topics impacting the financial services sector in Estonia.

Cooperation with partners aiming at restoring client's access to financial services

Existing legal framework and market practices do not support effective solutions to help clients regain access to financial services. This needs cooperation between financial institutions to develop necessary legal framework to effectively help people in financial difficulties. With its cooperation partners, PlusPlus can change existing market practices by delivering a socially responsible, consumer-friendly approach that helps reshape non-performing credit portfolios.

Dignified problem solving

Helping indebted people requires knowledge, experience and necessary skillset – all of which are parts of modern financial system. People are encouraged to find a way out of their financial difficulties in a dignified manner by actively participating in working out personal financial solutions. People will be more proactive if they see that they can solve their problems in a discreet way.

PLUSPLUS AS EMPLOYER

A well-functioning and competent team is key to achieve sustainable development.

Our goals

Supportive working environment

- development of professional competence
- promoting mental health and well-being
- healthy and safe working conditions
- equal opportunities
- compliance with labor and health & safety legislation

KPI	2020	2021	2022
Total employees	96	100	111
Proportion of female/male employees (no)	57/39	57/43	64/47
Age group under 30 y (%)	26%	22%	20%
Age group 30 – 40 y (%)	46%	48%	44%
Age group 41 – 50 y (%)	24%	22%	23%
Age group over 50 y (%)	4%	8%	13%
Length of the service under 3 y	69%	68%	51%
Length of the service 3 – 5 y	21%	22%	38%
Length of the service 6 – 10 y	9%	8%	9%
Length of the service over 10 y	1%	2%	2%
Number of occupational accidents	0	0	0

Equal opportunities

PlusPlus provides equal opportunities to people regardless of their gender, race, age, religion or sexual orientation, taking only into account peoples' competence and suitability for the position. In majority, Groups employees are below age of 40 and 58% are female and 42% are male. PlusPlus' remuneration policy takes account of persons' knowledge and experience, and we offer competitive pay within the industry.

Supporting employee development

Employees are supported with trainings necessary to perform daily activities. These are mainly related to how to use different IT systems, how to interact with customers over phone and how to communicate with indebted clients. All countries' management team plans and delivers necessary trainings to their teams depending on the job roles or individual needs. For people in management position, we have provided and continue providing leadership training.

Well-being of employees

During the COVID-19 pandemic, PlusPlus offered more opportunities to work remotely. After the pandemic, PlusPlus employees have returned to office, and we see this as the main way of working going forward. That being said, we acknowledge the importance of flexibility and offer it to employees if and when possible.
We also create a supportive working environment – through providing fruits and other healthy food and different types of events. Depending on the country we have also provided health insurance programs, fitness programs and accident insurance for our employees. During 2022, we have also widened our health check-up program.

Ensuring safe working environment

Each Group entity ensures the safety of their employees by following all the legal requirements on workplace safety. We have conducted the necessary risk analysis and given guidance and instructions to employees. In office premises, we have ergonomic and modern working equipment for our employees to minimize the risks on health when working in the office.

G GOVERNANCE

CLIENT RELATIONS

Good customer experience is the foundation for Group's sustainable development and growth. We see modern and easy to use digital solutions as one of the key aspects of good customer experience, at the same time always being open and keeping the balance of digital and person-to-person interaction.

Our goals

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

Inclusive customer experience

- personal communication, active listening, empathy
- respectful client relationship
- customized payment plans to regain the control over finances
- digital services

KPI	2020	2021	2022
Share of digitally signed client agreements (%)	56	69	64
Share of PlusPlus Baltic clients paying through self-service (%)	18	23	22
No of PlusPlus Baltic different payment solutions	24	24	24

Customised payment plans

PlusPlus offers debtors a restructuring process to upgrade the status of the case from indebtedness into client relationship based on a mutually beneficial payment solution. Preferred solution is to restructure non-performing private loans into affordable payment schedules to provide people an opportunity to resolve temporary financial difficulties.
PlusPlus is also able to help customers when they have debt with multiple creditors – we are able to offer a solution where all the debts are refinanced into one loan.

Close to 30% of debtors are able to solve the situation by their own initiative through the self-service application. With implementing the Self-Service and automated payment processing technology, the privacy of customers is highly protected since the customers can easily develop payment schedule for themselves without negotiating with anyone face to face.

To balance and complement its digital power, PlusPlus has implemented robust operations based on educated and well-trained employees to reach out to the people with no initial response by electronic communication channels.

In many cases, employees are first persons over prolonged period of time to establish the personal contact outside digital channels. Employees listen to people and learn the core cause of the financial distress and assist in solving the situation. PlusPlus recognizes the value of its fist-hand experience in understanding the needs of people in disadvantaged situations.

Digital services

PlusPlus's data and technology-driven approach, and unbeaten customer response, have helped to become a leading platform with the ability to offer the best service for its customers.

PlusPlus has focused on digitalized processes with increased effort to adjust the operational models and accessibility of service according to behavioural patterns of specific segments.
PlusPlus has reached operational efficiency where 30% of the claims are solved by the individuals themselves via Self-Service IT solution.

PlusPlus implemented the use of Self-Service and Automated payment processing system in 2018. Payment schedules made in Self-Service were 48% more likely to repay obligations on-time compared with schedules made in traditional ways. Less than 10% of schedules concluded in Self-Service end up in legal or enforcement stage, which is 2,5 times less compared with conventional schedules. It shows that if clients make payment schedules themselves and assess their own financial situation, they are more likely to make an agreed payment on time.

CORPORATE GOVERNANCE

Emphasis on corporate governance ensures best services to our clients, good working environment for our employees and delivering on the promises to our shareholders – doing all of this whilst complying with all the applicable legal framework.

Our goals

Good corporate governance

- sustainable growth and profitability
- balance of automated and non-automated processes
- ensuring compliance with all regulations
- effective management system and certification schemes
- participation in developing legal framework

KPI	2020	2021	2022
Number of Management Team members	11	12	13
Proportion of female employees in Management Team (%)	18	25	31
Number of data protection incidents	0	2	0

Sustainable growth

We are a growing group with ambition to increase our portfolios and market share. We always plan our growth keeping in mind the portfolio balance between our home markets and holding necessary equity ratio and liquidity buffers. We have fixed performance-related return targets to be met to attain sustainable development and growth of the Group. In addition, during 2022 we have added the ESG component to the bonus system of managerial positions to facilitate reaching our sustainability targets.

Compliance with laws and regulations

The legal framework relevant for Group companies varies across the business lines and markets in which the Group operates. Depending on the jurisdiction and activities of the relevant Group entities, the companies must comply with applicable legal acts regulating general civil law matters, contractual relationships, lending activities, debt collection, consumer protection, prevention of money laundering and terrorist financing etc. The Group has implemented appropriate measures and practices to ensure compliance with the applicable legal framework. During 2022, PlusPlus was actively participating in giving feedback to European Union legislation impacting the receivables management industry.

Ensuring customer and data privacy

In order to carry out their business operations, Group companies process a considerable amount of personal data in different jurisdictions and must therefore also comply with the EU General Data Protection Regulation (GDPR) and applicable local legal acts. Personal data processing must take place in compliance with the applicable requirements by applying technical and organisational measures which ensure personal data protection, particularly against unauthorised disclosure to third parties. In response, relevant Group companies have prepared and implemented an internal data protection system involving appropriate procedures and practices.

We also keep track and respond to requests by the data subjects in accordance with the requirements of the EU General Data Protection Regulation and internal procedures of personal data processing. Depending on specifics of each request, the customer will be provided with requested information or other actions will be taken by the relevant Group company.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

In Euros	**Notes**	**31.12.2022**	**31.12.2021**
ASSETS			
Non-current assets			
Property, plant and equipment	6	1 409 051	1 706 915
Intangible assets	7	2 963 074	2 132 827
Acquired debt receivable portfolios	9	100 108 541	87 932 549
Loans and advances to customers	10, 11	1 794 934	1 435 436
Trade and other receivables	12	3 197 875	45 000
Total non-current assets		**109 473 475**	**93 252 727**
Current assets			
Acquired debt receivable portfolios	9	19 885 293	18 350 205
Loans and advances to customers	10, 11	2 230 420	874 494
Trade and other receivables	12	1 275 944	464 868
Cash and cash equivalents	13	778 904	566 413
Total current assets		**24 170 561**	**20 255 980**
Total assets		**133 644 036**	**113 508 707**
EQUITY AND LIABILITIES			
Share capital	14	17 108 856	15 666 399
Share premium	14	8 408 934	6 216 399
Statutory legal reserve	14	1 100 000	500 000
Retained earnings		16 876 412	17 545 029
Total equity		**43 494 202**	**39 927 827**
LIABILITIES			
Non-current liabilities			
Subordinated convertible loans	15	0	1 486 107
Interest-bearing loans and borrowings	18	20 289 897	42 582 235
Total non-current liabilities		**20 289 897**	**44 068 342**
Current liabilities			
Trade and other payables	17, 19	5 994 790	1 969 228
Subordinated convertible loans	15	2 151 134	2 000 000
Interest-bearing loans and borrowings	18	61 714 013	25 543 310
Total current liabilities		**69 859 937**	**29 512 538**
Total equity and liabilities		**133 644 036**	**113 508 707**

The accompanying notes on pages 23-67 are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December

In Euros	Notes	2022	2021
Operating revenue	21	19 830 440	25 932 270
Interest income	22	683 908	609 316
Net interest income		**683 908**	**609 316**
Net fee and commissions income		38 002	23 175
Other revenue		48 907	33 836
Net charge for expected credit losses on loans and advances to customers	11	-275 749	-50 961
Total operating revenue		**20 325 508**	**26 547 636**
Operating expenses	23	2 246 305	4 259 616
Salary expense	24	4 320 088	4 860 287
Depreciation and amortisation	6, 7	551 904	573 144
Other expenses		6 660	7 070
Total operating expenses		**7 124 957**	**9 700 117**
Net operating profit		**13 200 551**	**16 847 519**
Finance income	25	92	2 912
Finance expense	26	11 657 341	10 990 042
Profit before income tax		**1 543 302**	**5 860 389**
Income tax	**16**	261 919	482 558
Net profit for the year		**1 281 383**	**5 377 831**
Total comprehensive income		**1 281 383**	**5 377 831**

The accompanying notes on pages 23-67 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December

In Euros	**Notes**	**2022**	**2021**
Cash flows from operating activities			
Profit before income tax		1 543 302	5 860 389
Adjustments for non-cash items:			
Depreciation and amortisation	6, 7	551 904	573 144
Changes in working capital:			
Change in trade and other receivables	12	-3 964 165	91 018
Change in trade and other payables	17	-1 810 074	-3 354 855
Change in acquired debt receivable portfolios	9	-13 711 080	-15 518 198
Change in loans and advances to customers		-1 715 424	339 125
Other adjustments:			
Interest expense	18, 26	11 654 980	10 989 892
Other financial income and expense	25, 26	-2 359	-2 633
Interest income	22	90	129
Net cash used in operating activities		**-7 452 826**	**-1 021 989**
Cash flows from investing activities			
Acquisition of tangible and intangible assets	6, 7	-231 037	-880 249
Interests received		0	65 311
Net cash used in investing activities		**-231 037**	**-814 938**
Cash flows from financing activities			
Loans received and bonds issued	18	22 790 867	22 960 765
Repayments of loans received and bonds issued	18	-10 565 366	-10 333 767
Repayments of financial lease liabilities	18	-35 492	-42 389
Paid in contribution	14	3 634 992	0
Paid dividend		-1 350 000	-2 000 000
Income tax paid from dividend		-261 919	-482 558
Interests paid on loans and borrowings	18, 26	-6 314 410	-8 435 657
Interest paid on financial lease liabilities	18, 26	-2 318	-3 294
Net cash generated from financing activities		**7 896 354**	**1 663 100**
Net change in cash and cash equivalents		212 491	-173 827
Cash and cash equivalents at the beginning of the year	13	**566 413**	**740 240**
Cash and cash equivalents at the end of the year	13	**778 904**	**566 413**

The accompanying notes on pages 23-67 are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

In Euros	Notes	Share capital	Share premium	Statutory legal reserve	Subordinated convertible loans	Retained earnings	Total
As at 1 January 2021	14	**5 000 000**	**0**	**500 000**	**436 281**	**18 617 198**	**24 553 479**
Subordinated convertible loan	15	0	0	0	-436 281	0	**-436 281**
Dividend paid	16	0	0	0	0	-2 000 000	**-2 000 000**
Non-monetary contribution	14	6 216 399	6 216 399	0	0	0	**12 432 798**
Bonus issue	14	4 450 000	0	0	0	-4 450 000	**0**
Total transactions with owners		**10 666 399**	**6 216 399**	**0**	**-436 281**	**-6 450 000**	**9 996 517**
Net profit for the year		0	0	0	0	5 377 831	**5 377 831**
Total comprehensive income		**0**	**0**	**0**	**0**	**5 377 831**	**5 377 831**
As at 31 December 2021	14	**15 666 399**	**6 216 399**	**500 000**	**0**	**17 545 029**	**39 927 827**
As at 1 January 2022	14	**15 666 399**	**6 216 399**	**500 000**	**0**	**17 545 029**	**39 927 827**
Dividend paid	16	0	0	0	0	-1 350 000	**-1 350 000**
Monetary contribution	14	1 442 457	2 192 535	0	0	0	**3 634 992**
Allocation of retained earnings		0	0	600 000	0	-600 000	**0**
Total transactions with owners		**1 442 457**	**2 192 535**	**600 000**	**0**	**-1 950 000**	**2 284 992**
Net profit for the year		0	0	0	0	1 281 383	**1 281 383**
Total comprehensive income		**0**	**0**	**0**	**0**	**1 281 383**	**1 281 383**
As at 31 December 2022	14	**17 108 856**	**8 408 934**	**1 100 000**	**0**	**16 876 412**	**43 494 202**

For more information refer to Note 14.

For details of the subordinated convertible loans please see Note 15.

The accompanying notes on pages 23-67 are an integral part of these consolidated financial statements.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Aktsiaselts PlusPlus Capital (hereinafter the Company, or the Parent, or together with its subsidiaries the Group) is a public limited liability company registered in the Republic of Estonia. The Company was registered on 5 April 2010.

The address of its registered office is Tartu Road 83, 10115 Tallinn, Estonia.
The principal activities of the Group are described in Note 3.
The financial year of the Group starts on 1 January of the calendar year and ends on 31 December of the same calendar year.

All the shares of the Company are ordinary shares without nominal value and were fully paid as at 31 December 2022 and 31 December 2021. The list of shareholders of the Company is disclosed in Note 14.

The Company's management approved these financial statements on **14 July 2023**. The shareholders of the Company have the statutory right to approve these consolidated financial statements or not to approve them and to require preparation of a new set of consolidated financial statements.

2. Summary of significant accounting policies

2.1. Basis of preparation

The consolidated financial statements of the Group as at 31 December 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

The financial statements are presented in euros, except when otherwise indicated.

Income and cash flow statements

The Group has elected to present a single consolidated statement of comprehensive income. The Group reports cash flows from operating activities using the indirect method. Interest income is presented within operating cash flows; interest paid is presented within financing cash flows. The transactions with acquired debt receivable portfolios are disclosed as cash flows from operating activities because this most appropriately reflects the Group's business activities.

Preparation of the consolidated financial statements

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, the disclosure of contingent assets and contingent liabilities and other significant matters.

Use of significant accounting judgments and estimates

Although estimates and underlying assumptions are reviewed on an ongoing basis and they are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances, actual results may differ from these estimates. Information about management's critical judgements and estimates that have a material effect on the amounts reported in the consolidated financial statements is provided below.

Change in accounting of the acquired debt receivable portfolio as of 1 January 2022 from fair value through profit or loss to amortised cost

Change in business model

Previously the Group accounted for the acquired portfolios of defaulted terminated debt claims at fair value through profit or loss (FVTPL) as the Group's ultimate intent was to restructure acquired portfolios and sell them to third parties (there have been negotiations with external parties for the sale), the management monitored the fair value of the portfolios on an ongoing basis, management's performance-based bonuses were based on the increase in the fair value of the portfolios and the fair value was reported to the creditors of the Group quarterly. Such fair values whereas used for day-to-day activities as well as for settlement of the transactions with investors. Taking into account all of the above, the business model for a portfolio of financial assets was assessed as at FVTPL (the business model is neither held to collect nor held for collect and sale as per IFRS 9), as it was managed and its performance was evaluated on its fair value basis, and the entity was primarily focused on fair value information and used that information to assess the assets' performance and to make decisions.

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With time passing, the management of the Group in cooperation with the shareholders decided that the change in the business model was needed. The change was significant for the operations of the Group as all portfolios were affected. The acquisition of the portfolios was historically mainly done with the aim to managing the assets on a fair value basis in order to maximise the cash flows through sale, whereas the changed business model defines the strategy as hold and collect the contractual cash flows from those portfolios. The fair value of the portfolio ceased to be the indicator of the management's performance (the fair value of the portfolios was no longer calculated), the main KPI was expected cash flows (expected remaining collections or ERC). The decision in respect of the business model change was discussed and agreed during shareholders' meeting, therefore they were communicated to shareholders and external parties.

The solely payments of principal and interest (SPPI) criteria

The Group has assessed that the SPPI test criteria was met for the underlying products within the portfolio (credit card receivables, overdraft and consumer loans):

- Principal was the fair value of the portfolio at time of acquisition as portfolios were acquired in tenders from market.
- No interest is applied, the underlying agreements are terminated (i.e., the balances are due on demand), and no new credit agreements are concluded, instead the original penalty rate is used as accrual over restructuring period and other fees and fines and court determined expenses are added to the debt amount.
- Although there is no payment schedule concluded in standard credit agreement format, in practice the Group contacts the borrower (by phone or email) and reconfirms the outstanding balance. Initial schedule to repay the total accrued debt and other fees incurred throughout the restructuring is normally agreed. No formal agreement is concluded. On the unpaid balance, penalty interest is accrued. The penalty rate used is taken from the original loan agreement, it is fixed rate capped to the maximum rate allowed by the local law. Both penalty interest and any additional fees charged to the debtors (such as fees for sending the reminder letters) represent basic lending fees and costs.
- There is no exposure to changes in equity or commodity prices.
- The currency of the repayment is not different from the portfolio's currency.
- The underlying credit agreements have been terminated before acquisition of the portfolio (the balances are due on demand), and no new credit agreements are concluded. Instead, different partial payment options are agreed with clients to repay the total accrued debt and other fees.
- In case the clients wish to change the way of repayments or return the whole amount earlier than initially agreed, they have a possibility to do so. The prepayment possibility does not violate the SPPI test requirements because:

    - Entity acquired the loan at a discount to the contractual par amount;
    - The prepayment amount would consist of the nominal amount of the debt and accrued penalties (if any) at the moment of repayment;
    - The fair value of the prepayment feature is insignificant, as the Group accounts for the whole portfolio of similar debts, the prepayments are of a one-off nature and clearly insignificant in terms of the whole portfolio.

Change in accounting treatment

As the changed business model of the Group meets the definition 'held to collect' where the contractual terms of the financial assets within the portfolios give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding, and other fees and sums, which are not standard repayments of principal or interest (like fines, penalties, court determined expenses etc), the Group accounts for those portfolios at amortised cost (as purchased or originated credit-impaired ('POCI') assets) starting from the reclassification date 1 January 2022.

The reclassification was accounted for prospectively from the reclassification date. The date of reclassification was a deemed date of initial recognition of the reclassified asset. No restatement of any previously recognised gains, losses and interest was done which is in line with the requirements in "IFRS 9 - Financial instruments" (please refer to IFRS 9 chapters 5.6.1. and 5.6.3.). Fair value at the reclassification date became the new gross carrying amount of portfolios acquired till reclassification date (vintages 2010 to 2021, acquired till 31.12.2021), and the WACC used for determination of the fair value of vintages 2010 to 2021 as at 31.12.2021 (see details in Note 3 chapter "Weighted average discount rate, till 31.12.2021 (before transition to amortised cost)", WACC used for vintages 2010 to 2021 at 31.12.2021 was 9.67%) was considered as the effective interest rate for these vintages existing until the reclassification date.

The effective interest rate was determined on the basis of the fair value at the reclassification date and considering the expected credit losses (i.e., as credit adjusted effective rate) at the reclassification date. Subsequent cumulative changes in lifetime expected credit losses since initial recognition are recognised as loss allowance and in consolidated statement of comprehensive income the amount of the change in lifetime expected credit losses as a credit impairment gain or loss.

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New portfolios acquired after the reclassification date meet the definition of the POCI financial assets, thus the Group calculates the credit-adjusted effective interest rate, which incorporates the impact of expected credit losses in the estimated future cash flows. POCI financial assets acquired after the reclassification accrue interest income calculated by applying the original credit-adjusted effective interest rate to the amortised cost of those portfolios.

Till reclassification date the estimated remaining collections (ERC) of portfolios was modelled according to restructuring stages at each balance sheet date (quarterly and yearly) with rolling 5-10-year or 60-120-months collection curves. After reclassification date all new portfolio acquisitions are modelled according to total lifetime ERC model with 5-15-year or 60-180-months collection curves applicable for amortised cost model. Similarly, all the older vintages (2010-2021) were remodelled after reclassification date using the new amortised cost applicable 60-180-months total lifetime ERC model. Differences resulted were recognised in profit and loss for 2022 as revaluation and impairment (see Note 9).

2.2. Estimation of uncertainty

The estimates made by management are based on historical experience and the information that has become available by the date of preparation of the consolidated financial statements. Therefore, there is a risk with the assets and liabilities presented at the balance sheet date, and the related revenue and expenses, that the estimates applied need to be revised in the future. The key sources of estimation uncertainty that have a significant risk of causing material restatements to the consolidated financial statements are described below.

a) Measurement of acquired debt receivable portfolios

Since 01.01.2022 onwards, after transition of recognition of acquired debt receivable portfolios to amortised cost

The acquired debt receivable portfolios are recognised since 01.01.2022 onwards at amortised cost according to change in the Group's risk management and investment strategy from previous "hold and sell" to current "hold and collect" business model. At transition the existing portfolios' (acquired till 31.12.2021) estimated remaining collections (ERC) for 10-year or 120-months period were replaced with total lifetime or 15-year or 180-months estimated remaining collections (ERC), while the weighted average discount rate used for recognition of existing portfolio as at 31.12.2021 was considered as effective interest rate for the existing portfolios. For new portfolios, acquired since 01.01.2022 onwards, the effective interest rate is calculated based on total lifetime or 15-year or 180-months estimated remaining collections (ERC). Initial estimations are made at acquisition of portfolios and revised and approved total lifetime or 15-year or 180-months estimated remaining collections (ERC) and corresponding effective interest rate, calculated based on final agreed purchase price and attributable costs, are determined at first balance sheet date after acquisition date (monthly or quarterly).

Till 31.12.2021, before transition of recognition of acquired debt receivable portfolios to amortised cost

In comparative reporting period, the acquired debt receivable portfolios were designated at fair value through profit or loss by the entity upon initial recognition. Subsequently the acquired debt receivables were managed, and their performance evaluated by portfolios on a fair value basis, in accordance with the documented risk management and investment strategy of the Group. The subsequent fair value evaluation model was based on 5-year to 10-year (60 to 120 months) discounted cash flow (DCF) forecast analysis by the acquired debt receivable portfolios. The expected remaining collections (ERC) were modelled over estimated lifetime of each single portfolio. The Group has used ERC curves up to 10 years (120 months) for composition of financial statements as at 31 December 2021, or shorter periods according to estimations made on remaining lifetime of each single portfolio. Management has considered the maximum of 10 years for curve periods to be justified, because 10-year period covers significant majority of the periods of agreed payment schedules within the portfolios as at the relevant balance sheet date.

The acquired debt portfolios at fair value through profit or loss were remeasured to fair value at each subsequent balance sheet date until these assets were derecognised. The gains and losses arising from changes in fair value were included in the statement of profit and loss in the period in which they occurred. Such gains and losses included both realised gains and losses arising on the disposal of these financial assets and unrealised gains and losses arising from changes in the fair value of these assets still held.

For more details, please refer to Note 3 "Financial risk management" and Note 9 "Acquired debt receivable portfolios".

b) Current versus non-current classification

The Group presents assets and liabilities in the consolidated financial statements based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle,

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- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Current portion of acquired debt receivable portfolios is determined using the discounted value of estimated remaining collections (ERC) in the next twelve months after the balance sheet date, while the discount rate equals to the effective interest rate specific to each single portfolio (2021: weighted average discount rate). The residual amount of discounted ERC is classified as non-current.

2.3. Adoption of new or revised standards and interpretations

The following new or revised standards and interpretations became effective for the Group from 1 January 2022, but will not have any material impact of the Group:

These standards are the following:

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

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2022 that would have a material impact on the Group.

New Accounting Pronouncements:

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1. January 2023, and which the Group has not early adopted.

Amendments to IAS 1 Presentation of Financial Statements

Effective for annual periods beginning on or after 1 January 2023; to be applied retrospectively. Early application is permitted.

The amendments clarify that the classification of liabilities as current or non-current is based solely on the entity's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

The Group analyses and discloses the effect of this change after its implementation.

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

Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.

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

• Requiring companies to disclose their material accounting policies rather than their significant accounting policies;

• Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

• Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures.

The amendments are consistent with the refined definition of material:

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements".

The Entity analyses and discloses the effect of this change after its implementation.

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

Effective for annual periods beginning on or after 1 January 2023; to be applied prospectively. Early application is permitted.

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

The Group analyses and discloses the effect of this change after its implementation.

Amendments to IAS 12 Income Taxes

Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.

The amendments clarify the accounting for deferred tax on transactions that involve recognizing both an asset and a liability with a single tax treatment related to both. The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The Group analyses and discloses the effect of this change after its implementation.

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

Effective for annual periods beginning on or after 1 January 2023, not yet adopted in the European Union.

The amendments to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement the classification changes resulting from the amended guidance.

The Group analyses and discloses the effect of this change after its implementation.

Other changes

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Entity.

2.4. Significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements.

a) Basis of consolidation

The consolidated financial statements present the financial information of Aktsiaselts PlusPlus Capital and its subsidiaries, consolidated on a line-by-line basis. The subsidiaries are consolidated from the date on which control is obtained by the Group, and subsidiaries are deconsolidated from the date that control ceases.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The subsidiaries use the same accounting policies in preparing their financial statements as the parent company. All intercompany transactions, receivables and payables and unrealised gains and losses from transactions between the Group companies have been fully eliminated in the consolidated financial statements. Unrealised losses are not eliminated if it constitutes asset impairment by substance.

The subsidiaries are recognized in the consolidated financial statements using the acquisition method.

The cost of a business combination accounted for using the acquisition method is allocated to the fair value of assets, liabilities and contingent liabilities as at the date of acquisition. The difference between the cost of the acquisition and the fair value of acquired assets, liabilities and contingent liabilities is recognised as goodwill. If fair value exceeds cost, the difference (negative goodwill) is immediately recognised as income of the period.

Investments in subsidiaries in the unconsolidated balance sheet of the parent company

In the separate balance sheet of the parent company (presented in Note 29), the investments in subsidiaries are measured using the equity method. Dividends paid by subsidiaries are recognised at the moment when the parent company obtains the right to these dividends (i.e., when the decision has been adopted).

c) Operating revenue

Operating revenue of the Group comprise the interest revenue and impairment losses arising from application of the amortised cost method (till 31.12.2021: from fair value revaluations) of the acquired debt receivable portfolios, and the revenue from services provided. The acquired debt portfolios are designated as at amortised cost (till 31.12.2021: fair value through profit or loss) by the Group upon initial recognition. The carrying amounts are remeasured at each subsequent balance sheet date until these assets are derecognised.

Operating revenue (including realised and unrealised gains and losses) is included in the income statement in the period in which it occurs.

d) Other revenue and financial income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Other revenue also includes penalty revenue and other commission income. Penalties are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received, or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes other commissions and fees (like reminder fees or similar) arising from operating activities.

Other revenue comprises of other irregular income not related to the core operations.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised, see criteria for dividends explained below:

Dividends
Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividends.

e) Foreign currency

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. For transaction other in euros, the European Central Bank exchange rate is used. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

f) Income tax

Parent company and subsidiaries registered in Estonia

According to the Income Tax Act, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends. The tax rate on (net) dividends is 20/80. Income tax arising from dividend distribution is expensed when dividends are declared (when the liability arises).

From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account.

Subsidiaries in Finland, Latvia, Lithuania and Luxembourg

The net profit of companies is taxed with a 20% (2021: 20%) income tax in Finland. Taxable income is calculated from the company's profit before income tax, adjusted in income tax returns by temporary or permanent income or expense adjustments under the requirements of the local income tax legislation.

For Finnish subsidiary, the deferred income tax assets or liabilities are determined for all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date. Deferred tax assets are recognised in the balance sheet only when it is probable that future taxable profit will be available against which the deductions can be made.

In Lithuania, the net profit of companies is taxed with a 15% (2021: 15%) income tax. Taxable income is calculated from the company's profit before income tax, adjusted in income tax returns by temporary or permanent income or expense adjustments under the requirements of the local income tax legislation.

For Lithuanian subsidiaries, the deferred income tax assets or liabilities are determined for all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date. Deferred tax assets are recognised in the balance sheet only when it is probable that future taxable profit will be available against which the deductions can be made.

In accordance with the Corporate Income Tax Law, starting from 1 January 2018, corporate income tax with a rate of 20/80 is levied on profits arisen after 2017 only upon their distribution. Transitional provisions of the law allow for reductions in the income tax payable on dividends if the entity has unused tax losses or certain provisions recognised by 31 December 2017.

Due to the new tax law, there are no longer differences between the tax bases and carrying amounts of assets and liabilities, and hence, deferred income tax assets and liabilities no longer arise in respect of subsidiaries in Latvia.

For subsidiary in Luxembourg the local tax legislation applies. In Luxembourg, the corporate income tax for resident and non-resident companies has been set at the following rate:
- 15 % where the taxable income does not exceed EUR 175,000;
- 17 % where the taxable income exceeds EUR 200,000.

An additional charge of 7 % is levied on corporate income tax as a contribution to the employment fund. In some cases, businesses are subject to the payment of a minimum tax where the amount set is based on the closing balance in their last annual accounts.

g) Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the cost of asset can be measured reliably.

The useful lives of intangible assets can be either definite or indefinite.

After initial recognition intangible assets with finite lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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The useful lives, residual values and amortisation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits.

Research and development costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- Its intention to complete and its ability to use or sell the asset,
- How the asset will generate future economic benefits,
- The availability of resources to complete the asset, or
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in operating expenses.

	Computer software	**Development costs**
Useful life (years)	2-10	2-10
Amortisation method	straight line	straight line
Internally generated or acquired	acquired	acquired

Computer software – the costs of acquisition of new software are capitalized and treated as an intangible asset if these costs are not an integral part of the related hardware.

Costs incurred in order to restore or maintain the future economic benefits that the Group expects from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

Goodwill
Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment is ready for its intended use, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred.

Depreciation is computed on a straight-line basis over the following useful lives:

Vehicles	2-10 years,
Computers and hardware	2-5 years,
Property	up to 25 years.

The useful lives, carrying values and depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

i) Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the statement of comprehensive income under amortisation and depreciation. An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

j) Financial assets and financial liabilities

a. Investments and other financial assets

(i) Financial assets and financial liabilities initial recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets, including purchased or originated credit-impaired (POCI) assets, under normal market conditions are recognised on the trade date, the date on which the Group commits to the purchase or sale of the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability that is not at fair value through profit or loss (FVTPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in income statement.

Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for assets measured at amortised cost (AC) and at fair value through other comprehensive income (FVOCI), which results in an accounting loss being recognised in income statement when an asset is newly originated.

(ii) Amortised cost and effective interest rate

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e., its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes all fees paid and received between contracting parties, transaction costs, premiums or discounts that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired (POCI) financial assets - assets that are credit-impaired at initial recognition - the Group calculates the credit-adjusted effective interest rate, which is

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calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes in value are recognised in statement of profit and loss.

(iii) Financial assets subsequent measurement and derecognition

Debt and equity instruments in financial assets
Subsequent measurement of debt instruments depends on the Group's business model for managing such assets (i.e. whether the Group's objective is solely to collect the contractual cash flows from the assets, or to collect both the contractual cash flows and also the cash flows from the sale of assets; or is none of the above described two models) and the cash flow characteristics of the asset (i.e. whether the cash flows represent solely payments of principal and interest ("SPPI"), interest including only consideration for credit risk, time value of money, other basic lending risks and profit margin).

All Group's debt instruments are classified in amortised cost measurement category.

Amortised cost - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is accounted using the effective interest rate method. The carrying amount of these assets is adjusted by any expected credit loss allowance.

The Group has no equity investments at fair value.

Write-off policy
The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Derecognition of financial assets
Financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets have expired, or when they have been transferred and either:

- the Group transfers substantially all the risks and rewards of ownership, or
- the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

Modification of loans
The Group sometimes renegotiates or otherwise modifies the contractual terms and conditions of issued loans.

If the new terms are substantially different, the Group derecognises the original financial asset and recognises a "new" asset at fair value and recalculates a new effective interest rate for the asset. The Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition. Differences in the carrying amount are also recognised in income statement.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount of the financial asset based on the revised cash flows discounted at the original effective interest rate and recognises a modification gain or loss in income statement.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables and contract assets without a significant financing component the Group applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables. The Group uses a provision matrix in which allowance for impairment losses is calculated for trade receivables falling into different ageing or overdue periods.

For all other debt instruments at amortised cost, the Group follows a three-stage model based on changes in credit quality since initial recognition:

- Stage 1 - comprises balances for which the credit risk has not increased significantly since initial recognition. ECL is measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (12-month ECL).
- Stage 2 - comprises balances for which there has been a significant increase in credit risk since initial recognition, but which do not have objective evidence of impairment. The expected credit losses are determined on a lifetime basis.
- Stage 3 - comprises balances that are credit-impaired (i.e., which are overdue more than 90 days, if debtor is insolvent, if it is likely that the debtor will enter bankruptcy or financial reorganisation). The expected credit losses are measured as lifetime expected credit losses.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible (please refer to write off policy described above under (iii). Debt and other instruments are considered to be low credit risk when they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

b. Financial liabilities
The Group recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract. All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at FVTPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost, unless the Group opted to measure a liability at FVTPL. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. All loans and borrowings are initially recognized initially at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest-bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

c. Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

d. Acquired debt receivable portfolios
A financial asset that is a debt instrument is classified as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL), by assessing:

- The contractual cash flow characteristics of the financial asset, and
- The business model for managing the financial asset.

Assessment of the contractual cash flow characteristics involved analysis, whether the contractual cash flows of the financial asset represent solely payments of principal and interest (SPPI). 'Principal' is defined as the fair value of the financial asset at initial recognition. 'Interest' consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding, and for other basic lending risks (for example, liquidity risk) and costs (for example, servicing or administrative costs) associated with holding a financial asset for a period of time, as well as a profit margin. These are consistent with features of a basic lending arrangement. Considering that the Group acquires terminated private consumer debt claims and similar assets, the Group management assesses that all these debts meet the SPPI test conditions.

For debt investments that meet the SPPI test criteria, the accounting policy is determined as follows:

- **Since 01.01.2022 onwards:** the business model for a portfolio of financial assets is "hold and collect" (compared to previous model "hold and sell") and thus those portfolios are measured at amortised cost since 01.01.2022 onwards.
- **Till 31.12.2021:** the business model for a portfolio of financial assets is to manage it and evaluate its performance on a fair value basis, and as the Entity is primarily focused on fair value information and uses that information to assess the assets' performance and makes decisions, those portfolios are measured at FVTPL. The requirements regarding the documents and policies to demonstrate such a business model are similar to those in IAS 39, as described below in section *Accounting under IAS 39, Financial instruments: Recognition and Measurement*.

The Group's business model is determined to meet the designation criteria under IAS 39 (as explained above) and thus also under IFRS 9, the debt receivable portfolios are classified as at amortised cost (till 31.12.2021: as voluntary designation to FVTPL).

The Group's financial assets are classified as financial assets at amortised cost (till 31.12.2021: fair value through profit or loss). All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets at fair value through profit or loss, FVTPL) – valid till 31.12.2021, before transition to amortised cost effective since 01.01.2022 onwards.

The category of financial assets at fair value through profit or loss includes acquired debt receivable portfolios that are designated as at fair value through profit or loss by the entity upon initial recognition. According to IFRS 9, an entity may use this designation when doing so results in more relevant information, because the group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

The Group measures debt receivables at fair value at each balance sheet date. Fair value related disclosures are summarised in Note 3 "Financial risk management" and Note 9 "Acquired debt receivable portfolios".

Change in fair value of acquired debt receivable portfolios includes gains and losses arising from the fair value revaluation of acquired debt receivable portfolios. The acquired debt receivable portfolios are designated as at fair value through profit or loss by the Group upon initial recognition. The acquired debt receivable portfolios at fair value through profit or loss are remeasured to fair value at each subsequent balance sheet date until these assets are derecognised. The gains and losses arising from changes in fair value are included in the income statement in the period in which they occur. Gains and losses will include both realised gains and losses arising on the disposal of these financial assets and unrealised gains and losses arising from changes in the fair value of these assets still held.

k) Subordinated convertible loans

The subordinated convertible loans represent compound financial instrument that from the issuer's perspective, contain both a liability and an equity component. According to IAS 32 (IAS 32.28 – 32.31), the Company recognises (see also Note 15):

(1) a financial liability to reflect the obligation to transfer cash for repayment of nominal amount and interest, and
(2) equity component for the conversion option granted.

On initial recognition, the Company first measures the liability component of the compound instrument at its fair value. The equity component is measured as the residual amount that results from deducting the fair value of the liability component from the initial carrying amount of the instrument as a whole. This method is consistent with the requirements for initial measurement of a financial liability in IFRS 9, and the definitions in IAS 32 and the framework of an equity instrument as a residual interest.

The initial classification of the liability and equity components is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when the option's exercise might appear to have become economically advantageous to some holders. The entity's contractual obligation to make future payments remains outstanding until it is extinguished through conversion, the instrument's maturity or some other transaction that may eventually occur within the contracts.

Subsequently, the liability is measured at amortised cost in accordance with IFRS 9.4.2.1. The effective interest rate is the same rate as was used for discounting to determine the fair value of the liability at recognition. The equity component is excluded from the scope of IFRS 9, and it is not remeasured after initial recognition.

l) Leases

The Group is as lessee in all lease agreements. The Group leases offices, machinery and equipment, vehicles. At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. A lessee reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee; and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

Initial measurement
At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability.

At the commencement date, a lessee shall measure the right-of-use asset at cost.

The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use asset are disclosed in the notes of the financial statements.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with the average interest margin of the industry adjusted with the credit risk of the group;
- makes adjustments specific to the lease, e.g., lease term, country, currency and security.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments, less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date. Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

For a contract that contains a lease component and one or more additional non-lease components. As a practical expedient, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

Subsequent measurement
After the commencement date, a lessee measures the right-of-use asset applying a cost model. To apply a cost model, a lessee measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

After the commencement date, a lessee shall measure the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. After the commencement date, a lessee recognises in profit or loss interest on the lease liability and variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

If there are changes in lease payments, there may be needed to remeasure the lease liability. A lessee shall recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss.

A lessee shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

(a) there is a change in the lease term. A lessee shall determine the revised lease payments on the basis of the revised lease term; or
(b) there is a change in the assessment of an option to purchase the underlying asset. A lessee shall determine the revised lease payments to reflect the change in amounts payable under the purchase option.

A lessee shall remeasure the lease liability by discounting the revised lease payments, if either:

a) here is a change in the amounts expected to be payable under a residual value guarantee. A lessee shall determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.

b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review. The lessee shall remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows (i.e., when the adjustment to the lease payments takes effect). A lessee shall determine the revised lease payments for the remainder of the lease term based on the revised contractual payments. The lessee shall use an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates.

A lessee shall account for a lease modification as a separate lease if both: (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

The Group has elected not to apply the requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of IT equipment.

m) Contingent liabilities

Contingent liabilities are not recognised in the consolidated financial statements, except for contingent liabilities associated with business combinations. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

n) Share capital and other equity components

Share capital is recognised according to registered share capital.

According to the Commercial Code of the Republic of Estonia, at least 5% of net profit is entered in the statutory legal reserve each year until the legal reserve accounts for at least 10% of share capital if so determined in the articles of association of an entity. The statutory legal reserve may not be paid out as dividends, but it may be used to cover loss if losses cannot be covered from available equity. The statutory legal reserve may be also used to increase share capital.

o) Subsequent events

Subsequent events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

p) Related parties

Persons and entities are considered as related parties for preparation of current annual report, if a person (or a close member of that person's family) or entity is related to the reporting entity by:

(i) having control or joint control over the reporting entity,

(ii) having significant influence over the reporting entity, or

(iii) being a member of the key management personnel of the reporting entity, or of a parent of the reporting entity.

q) Fair value measurement of acquired debt receivable portfolios (recognised till 31.12.2021 in fair value, till transition to recognition at amortised cost since 01.01.2022 onwards)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

See Note 3 "Financial risk management" chapter "Fair value" for detailed description of the fair value evaluation model used for recognition and measurement of the acquired debt receivable portfolios.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities,
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable,
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial information at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

The Group's principal financial instruments carried at fair value were till 31.12.2021 the acquired debt receivable portfolios, since 01.01.2022 onwards the acquired debt receivable portfolios are recognised at amortised cost. Please refer to Note 3 "Financial risk management" and Note 9 "Acquired debt receivable portfolios" for more details.

3. Financial risk management

The Group's principal financial assets include debt receivable portfolios, other receivables and cash that derives from its operations. The Group's financial liabilities comprise mainly of loans and borrowings, trade and other payables.

The main risk that the Group is exposed to are market risk, credit risk and liquidity risk. The Group's senior management (management board) oversees the management of these risks and is supported by internal financial management function that advises on financial risk governance framework of the Group. Internal financial management function is governed by Group's CFO who reviews and agrees procedures and practices for managing each of these risks, as summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include loans and borrowings. The sensitivity analyses in the following sections relate to the position as at 31 December 2022 and 31 December 2021.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

As of 31 December 2022, and 31 December 2021 the Group had following interest-bearing loan obligations with variable interest rates from which the interest rate risk would arise:

As at	**Note**	**31.12.2022**	**31.12.2021**
Bank loans	18	496 318	545 165
Leases	18	71 877	120 045
Total		**568 195**	**665 210**

Other interest-bearing loans have fixed interest rates.

Interest rate sensitivity

The following sensitivity analysis gives an overview of the effect on income statement if the interest rate of floating rate financial liabilities would change 1 basis points, which is 1%. In case Euribor rate is below 0%, then it is considered as equal to 0%, but for Euribor rate fluctuations above 0% the Euribor rate change effect is as described below:

	Increase/ decrease in basis points	**Effect of profit before tax**
31.12.2022	+1%	6 167
	-1%	-6 167
31.12.2021	+1%	7 005
	-1%	-7 005

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Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily debt receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments. Debt receivables credit risk is managed by internal financial management function, whereby risks are continuously managed.

The carrying amount of debt and other receivables and cash balances represents the maximum credit exposure risk at the reporting date.

	Note	31.12.2022	31.12.2021
Cash and cash equivalents	13	778 904	566 413
Trade and other receivables	12	4 473 819	509 868
Loans and advances to customers	10, 11	4 025 354	2 309 930
Acquired debt receivable portfolios	9	119 993 834	106 282 754
		129 271 911	**109 668 965**

The bank account balances presented as part of the cash and cash equivalents of the Group are divided according to the credit ratings of banks (Moody's long-term) as follows:

Rating*	**Note**	**31.12.2022**	**31.12.2021**
Aa2		24 408	0
Aa3		634 506	407 944
Baa1		34 033	30 815
Baa3		35 594	21 644
Total	13	**728 541**	**460 403**

**Ratings used for local banks or parent groups, as applicable*

The Group management assesses that there is no need for an impairment for cash and cash equivalents because the Group holds its liquid assets in banks with very good ratings. Trade and other receivables originate from ordinary operating activities and impairment risks are not considered as significant for these balances.

In relation with the credit risks of the Group we have considered the terrorist state Russia initiated war in Ukraine since February 2022 (and in 2021 also the outbreak of the COVID-19 (Coronavirus) pandemic) and its current and future potential effects on the Group. As the situation is rather unpredictable, management considers it impracticable to provide a quantitative estimate of the potential impact of this war on the Group.

Similarly to prior year, however, the management of the Group estimates that in short-term (within 12 months as of drafting of this consolidated annual report) the impact on Group's cash-flows could be significant and the potential effect on the fair value of the acquired debt receivable portfolios could be within the value ranges of the sensitivity analysis disclosed in Note 3 to the current consolidated annual report.

For further details please refer also to the Notes 18 and 28 below.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial liabilities when they fall due. In order to ensure that the Group has sufficient liquidity to meet its liabilities, the management concludes detailed cash flow prognoses and assures that investments are aligned with relevant framework. The table below analyses the Group's financial liabilities and assets by categorizing them into relevant maturity groupings based on the settlement terms and the below amounts are shown at the carrying amounts (at the undiscounted gross amounts of cash flows) because they do not differ materially from the discounted amounts.

As at		Notes	Less than 1 year	From 1 to 5 years	Over 5 years	TOTAL
31.12.2022	**Liabilities**					
	Loans and borrowings	**18**	65 807 343	37 960 539	0	**103 767 882**
	Subordinated convertible loans	**15**	2 468 698	0	0	**2 468 698**
	Trade and other payables	**17**	5 994 790	0	0	**5 994 790**
	Lease liabilities	**18**	182 471	62 259	0	**244 730**
	Liabilities total		**74 453 302**	**38 022 798**	**0**	**112 476 100**
	Assets					
	Trade and other receivables	**12**	1 275 944	3 197 875	0	**4 473 819**
	Acquired debt receivable portfolios	**9**	21 522 485	79 820 019	108 969 035	**210 311 539**
	Loans and advances to customers	**10, 11**	902 996	2 129 096	79 315	**3 111 407**
	Assets total		**23 701 412**	**85 146 990**	**109 048 350**	**217 896 765**
	Maturity gap		**-50 751 890**	**47 124 192**	**109 048 350**	**105 420 665**

As at		Notes	Less than 1 year	From 1 to 5 years	Over 5 years	TOTAL
31.12.2021	**Liabilities**					
	Loans and borrowings	**18**	34 136 553	49 774 652	0	**83 911 205**
	Subordinated convertible loans	**15**	2 476 867	1 540 836	0	**4 017 703**
	Trade and other payables	**17**	1 651 710	0	0	**1 651 710**
	Lease liabilities	**18**	197 799	233 076	0	**430 875**
	Liabilities total		**38 462 929**	**51 548 564**	**0**	**90 011 493**
	Assets					
	Trade and other receivables	**12**	464 868	45 000	0	**509 868**
	Acquired debt receivable portfolios	**9**	19 288 998	91 743 529	41 547 154	**152 579 681**
	Loans and advances to customers	**10, 11**	1 003 938	2 527 507	103 247	**3 634 692**
	Assets total		**20 757 804**	**94 316 036**	**41 650 401**	**156 724 241**
	Maturity gap		**-17 705 125**	**42 767 472**	**41 650 401**	**66 712 748**

The liquidity gaps will be covered (see Note 28) with the operating revenues and with the financing raised by the parent entity.

For additional information, see also liquidity risk information disclosed in **Chapter 3 "Capital management"**.

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As at 31 December 2022 the current liabilities of the Group exceed current assets by EUR 45.7 million and the current ratio is 0.3 (31 December 2021: 9.3 million euros and current ratio was 0.7), which is in accordance with the long-term financing strategy of the Group. Long-term loans and bonds, which are maturing during 2023, are planned to be repaid and refinanced.

In relation with the liquidity risks of the Group, we have also considered the potential effect of the terrorist state Russia and its allies initiated war since February 2022 in Ukraine on the Group and taking into account the ongoing nature of the war, the management considers it impracticable to provide a quantitative estimate of the respective potential impact.

However, the management of the Group considers that in short-term (during 12 months as of the balance sheet date of these consolidated financial statements), the proceeds from portfolios may suffer, which may result in higher liquidity risks and affect the terms of restructuring of financial liabilities and fund-raising.

Capital management

The primary objective of the Group's capital management is to ensure that the Group maintains its creditability and equity ratios, in order to support the Group's business activities and maximize shareholder value. The Group's capital includes borrowings and equity. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

The Group monitors the equity ratio calculated by dividing equity by total assets, target is to keep the ratio above 25%. The Group's equity includes issued share capital, share premium, legal reserve, subordinated convertible loan (see Note 15) and retained earnings.

	31.12.2022	**31.12.2021**
Total equity*	43 494 202	43 413 934
Total consolidated assets	133 644 036	113 508 707
Total borrowings	84 155 044	71 611 545
Capital Ratio	**32.54%**	**38.25%**

**Subordinated convertible loans are considered as equity for financial ratios, according to contractual terms.*

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Fair value (recognition principle of acquired debt receivable portfolios till 31.12.2021)

The Group's principal financial instruments carried at fair value are acquired debt receivable portfolios. The internal fair value model and fair value process is based on significant estimations made by the PlusPlus management. The recognition and measurement of the acquired debt receivable portfolios is in accordance with requirements of IFRS 9 (2017: IAS 39) and IFRS 13, including among others the following:

- Upon initial recognition the acquired debt receivable portfolios are designated by the Group as at fair value through profit or loss.
- The acquired debt receivable portfolios are managed, and their performance is evaluated on a fair value basis, in accordance with the Group documented risk management or investment strategy.
- Information about the acquired debt receivable portfolios is provided internally on that basis to the Group's key management personnel, and among others to the entity's board of directors and chief executive officer (CEO).
- Targets and motivation system is based on fair value info.
- Direct indicators, financial information, investor information, significant financial ratios are calculated, and decisions made in operating activities based on fair value info of acquired debt receivable portfolios.
- Group risk management and investment strategy supports the justifications for recognition and measurement of acquired debt receivable portfolios at fair value through profit and loss.

The debt receivables are acquired by the Group by portfolios comprising of several debt receivables bearing similar features, such as type, amount, or age of debt, or other characteristics. Subsequently the acquired debt receivables are managed and recognised by portfolios.

Each of the acquired debt portfolios consists of several (hundreds or thousands) of single debt receivables or claims. The acquired debt receivable portfolios are designated as at fair value through profit or loss by the Group upon initial recognition. Subsequently the acquired debts receivables are managed, and their performance is evaluated by portfolios on a fair value basis, in accordance with the documented risk management and investment strategy of the Group.

The acquired debt receivable portfolios at fair value through profit or loss are remeasured to fair value at each subsequent balance sheet date until these assets are derecognised. The gains and losses arising from changes in fair value are included in the income statement in the period in which they occur. Gains and losses will include both realised gains and losses arising on the disposal of these financial assets and unrealised gains and losses arising from changes in the fair value of these assets still held.

The subsequent fair value evaluation model is based on discounted cash flow (DCF) forecast analysis by the acquired debt portfolios. At each balance sheet date management prepares estimated remaining collection (ERC) forecast by portfolios. The ERC forecast is analysed according to internal fair value model and is based on significant estimations made by PlusPlus management for timing and amount and probability of expected remaining collections. The ERC is allocated over the residual lifetime of each portfolio. The expected collection periods vary by characteristics of the portfolios. The total amount of expected remaining collection at period end is allocated over the expected collection future periods by collection curves specific to the individual portfolios or group of portfolios with similar characteristics. The collection curves are developed based on historical experience with similar portfolios and adjusted by the current strategy applied on management of portfolios. Based on the collection curves the timing of expected remaining collection is allocated over periods. ERC of majority of portfolios is periodized over 60- to 120-month periods since balance sheet date. Until 2018 the Entity used yearly summarised cash-flow projections, and since 2019 monthly cash-flow projections.

The Group has used the weighted average discount rate, which is developed based on specifics of each single acquired debt receivable portfolios, as the basis for development of the applicable discount rate for fair value analysis of debt portfolios under DCF method. The discount rate analysis is performed regularly at balance sheet dates (at quarterly interim reporting dates and at year-ends). The input data for fair value model are periodically reviewed and adjusted according to the changes in relevant estimates and the changes in economic and legal environment where the Group operates.

The collection curves used for periodization of ERC are reviewed periodically at each balance sheet date based on back-testing of existing portfolios and considering changes in input data affecting the valuation model. The back-testing consist of analytical comparison of the historical ERC assessments with the actually realised ERC increase and cash collected. The back-testing analysis results are used for improvement of preciseness of forecasts of ERC (amounts, probability and timing).

The input information comprises considerations related to ERC amounts (portfolio management strategy and legislative proceedings affecting the ERC quantitative development), probability (detailed structure of each single portfolio, economical and legislative environment, historical experience with similar portfolios) and timing (legislative requirements, expected timing for selected strategical proceedings, historical experience with similar portfolios). For specific portfolios different curves can be used based on their characteristics (based on industry, country, vintage etc specific characteristics of a single portfolio). The cash collection curves are applied continuously over the portfolio lifetime. When the collections of a specific debt portfolio are expected to continue also after the initially set 10-year period, then the collection curve is rolled forward until the end of expected cash flows from this specific debt portfolio. For specific portfolios shorter periods can be used also when justified, for example by closing lifetime, justified shorter collection period estimations, or by specific features of the debt receivables in portfolio.

At balance sheet date, the Group finds the expected amount of collection of the debt receivables in the acquired portfolio over the lifetime of the claims by the categories and using the coefficient equalling to the probability of default (PD) x loss given default (LGD) - (PD x LGD). The following six categories are used: payment schedules, legal proceedings, bailiff proceedings, debt collection in progress, unstructured fresh portfolios, and other proceedings. Each category comprises several specific statuses according to the stage of each single debt receivable claim in portfolio according to management proceedings applied to this single debt receivable claim. The coefficients are applied on portfolio level. As a result, the ERC is calculated by multiplying the total nominal amount of acquired debt receivables in a portfolio at evaluation date by a coefficient adjusted by the unlikely collectible amounts. For that purpose, management board of the Group assigns the specific coefficients to each subcategory of the debt receivables (summarily, expecting that all the PD values for the single debt receivables (claims) in the subcategory bear the same PD).

To set the specific coefficients for an acquired debt receivable portfolio based on its specific characteristics (based on industry, country, vintage etc specific characteristics of a single portfolio), management takes into account historical performance of similar portfolios in the past, and the specifics of the portfolio currently passing evaluation process. In the coefficient development calculation, each of these criteria has the 50 per cent weight. The coefficient varies depending on specifics of each specific portfolio and by the different categories and stages in between 0.0 to 1.4 as a rule.

For fresh new acquired portfolios during the initial restructuring period the fair value model is not applied. Initial restructuring is performed during first quarter since acquisition of a portfolio. During second quarter the fair value model is applied proportionally according to restructuring process performance by using a sliding scale (80% of restructuring activities planned for two first quarters are expected to be completed by the end of 4^{th} month since acquisition, and 90% by the end of 5^{th} month since acquisition). For portfolios aged 6 months and older since acquisitions the fair value model is applied by regular quarterly evaluations.

The fair value measurements are categorized within level 3 of the fair value hierarchy.

The preparation of the consolidated financial information in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosures of contingent liabilities. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In relation with the fair value of the debt receivable portfolios acquired by the Group we have considered the outbreak of the COVID-19 (Coronavirus) pandemic and its current and future potential effects on the Group. As the situation is still developing, management considers it impracticable to provide a quantitative estimate of the potential impact of this outbreak on the Group.

However, the management of the Group estimates that in short-term (within 12 months since composition of the current annual report) the impact on Group's cash-flows could be significant and the potential effect on the fair value of the acquired debt receivable portfolios could be within the value ranges of the sensitivity analysis disclosed below in Note 3.

Quantitative disclosures on amortised cost (till 31.12.2021: fair value) measurement hierarchy at balance sheet dates:

Acquired debt receivable portfolios	As at	Note	Carrying value	Total	Level 1	Level 2	Level 3
Assets measured at amortised cost							
Acquired debt receivable portfolios	31.12.2022	9	119 993 834	119 993 834	0	0	119 993 834
Assets measured at fair value							
Acquired debt receivable portfolios	31.12.2021	9	106 282 754	106 282 754	0	0	106 282 754

Assets	**As at**	**Note**	**Carrying value**	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	31.12.2022	13	778 904	778 904	778 904	0	0
Trade and other receivables	31.12.2022	12	4 473 819	4 473 819	0	0	4 473 819
Loans and advances to customers	31.12.2022	10, 11	4 025 354	4 025 354	0	0	4 025 354
Liabilities	**As at**	**Note**	**Carrying value**	**Total**	**Level 1**	**Level 2**	**Level 3**
Trade and other payables	31.12.2022	17, 19	5 994 790	5 994 790	0	0	5 994 790
Subordinated convertible loans	31.12.2022		2 151 134	2 151 134	0	0	2 151 134
Interest-bearing loans and borrowings	31.12.2022		82 003 910	82 003 910	0	0	82 003 910

Assets	**As at**	**Note**	**Carrying value**	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	31.12.2021	13	566 413	566 413	0	0	566 413
Trade and other receivables	31.12.2021	12	509 868	509 868	0	0	509 868
Loans and advances to customers	31.12.2021	10, 11	2 309 930	2 309 930	0	0	2 309 930
Liabilities	**As at**	**Note**	**Carrying value**	**Total**	**Level 1**	**Level 2**	**Level 3**
Trade and other payables	31.12.2021	13	1 969 228	1 969 228	0	0	1 969 228
Subordinated convertible loans	31.12.2021	12	3 486 107	3 486 107	0	0	3 486 107
Interest-bearing loans and borrowings	31.12.2021	10, 11	68 125 545	68 125 545	0	0	68 125 545

Amortised cost effective interest rate (till 31.12.2021: weighted average discount rate) and estimated remaining collection (ERC) forecast sensitivity (see sensitivity analysis on next page)

Effective interest rate, since 01.01.2022 onwards (since transition to amortised cost)

The effective interest rate for amortised cost recognition model is calculated based on specifics of each single acquired debt receivable portfolios, considering the purchase price and total lifetime or 180-months estimated remaining collections (ERC). The effective interest rate for vintages existing at transition (01.01.2022) is considered as equal to the discount rate used for fair value calculations as at 31.12.2021.

Weighted average discount rate, till 31.12.2021 (before transition to amortised cost)

The weighted average discount rate is developed based on specifics of each single acquired debt receivable portfolios and comparative reconciliation for discount rate analysis research is performed on the following assumptions and input information:

- Unlevered beta (peer group median unlevered beta, source: Damodaran).
- Effective tax rate (weighted average of corporate income tax (CIT) on markets where the Group is operating: Finland, Estonia, Latvia, Lithuania).
- Debt/Equity ratio (peer group median debt/equity ratio, based on public information of selected peer group: Intrum Justitia AB, Hoist Finance AB, B2Holding ASA, Axactor AB, Arrow Global Group PLC, KRUK S.A., DDM Debt AB).
- Risk-free rate, calculated as average of interest rates during last twelve months (LTM) of 10-year risk free government bonds applicable for markets where the Group is operating, source: ECB).
- Equity risk premium (size premium by total assets compared to EU companies (source: Duff & Phelps 2016).

- Industry company specific risk premium (professional judgement).
- Credit spread for the company (industry related cost of debt, industry risk based on stock market returns deviations + global default spread, source: Damodaran).

As at 31 December 2022 the Group manages 799 portfolios (2021: 645 portfolios). There are over 20 different curves used for allocating ERC over lifetime or 180 months (2021: 120 months) of portfolios. During 1st year the expected return from portfolios according to used curves amount as a rule from 2% to 25% (2021: 5% to 25%) of total ERC, for 2nd to 3rd year from 3% to 30% (2021: 5% to 30%), for 4th to 5th year from 4.5% to 30% (2021: 10% to 30%), for 6th to 10th year from 0% to 15% (2021: 0% to 20%), and from 11th to 15th year from 0% to 9% (2021: 0% to 0%), respectively to the specifics of the portfolios under restructuring during these periods.

Estimating the timing and amount of cash flows requires significant management judgement regarding key assumptions, including the probability of default, severity of loss, amounts and timing of payment receipts and all of these factors are inherently subjective and can result in significant changes in cash flow estimates over the term of the loan. Accordingly, we disclose information that enables users of the financial information to evaluate the effect of significant changes in key assumptions. See below the sensitivity of critical accounting estimates and judgements for the amortised cost book value (till 31.12.2021: fair value) of acquired debt receivable portfolios.

To integrate the time factor into amortised cost (till 31.12.2021: fair value) calculation, a discount factor is applied to the estimated remaining collection cash flows over the expected collection period. The following sensitivity analysis gives an overview of the effect on amortised cost (till 31.12.2021: fair value) of the acquired debt receivable portfolios if the effective interest rate (EIR) (till 31.12.2021: discount rate) would change or ERC forecast would change by deviations as indicated below:

Sensitivity analysis

Effective interest rate 31.12.2022	**Estimated remaining collection % of ERC used in model for 31.12.2022**		
	90%	**100%**	**110%**
	Sensitivity of amortise cost due to changes in effective interest rate and ERC		
Effective %rate plus 3.0 percentage points	97 049 123	107 832 359	118 615 595
Effective %rate plus 2.0 percentage points	100 427 568	111 586 186	122 744 805
Effective %rate plus 1.0 percentage points	104 066 916	115 629 906	127 192 897
Effective interest rate 31.12.2022*	107 994 451	**119 993 834**	131 993 218
Effective %rate less 1.0 percentage points	112 240 926	124 712 141	137 183 355
Effective %rate less 2.0 percentage points	116 841 073	129 823 414	142 805 756
Effective %rate less 3.0 percentage points	121 834 193	135 371 325	148 908 458

Discount rate in model 31.12.2021	**Estimated remaining collection % of ERC used in model for 31.12.2021**		
	90%	**100%**	**110%**
	Sensitivity of fair value due to changes in discount rate and ERC		
Discount rate plus 3.0 percentage points	87 433 191	96 826 838	106 220 331
Discount rate plus 2.0 percentage points	90 112 045	99 803 342	109 494 640
Discount rate plus 1.0 percentage points	92 944 918	102 950 979	112 957 040
Discount rate used for 31.12.2021: 9.67%	95 943 516	**106 282 754**	116 621 993
Discount rate less 1.0 percentage points	99 120 623	109 812 873	120 505 124
Discount rate less 2.0 percentage points	102 490 215	113 556 864	124 623 513
Discount rate less 3.0 percentage points	106 067 587	117 531 723	128 995 858

**Since 01.01.2022 onwards each portfolio has its own EIR*

4. Use of significant accounting judgments and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies.

Significant accounting estimates

Fair value measurement of debt receivables (recognition principle till 31.12.2021, before transition of debt receivables recognition principle to amortised cost 01.01.2022)

The acquired debt portfolios are designated as at fair value through profit or loss by the entity upon initial recognition. Subsequently the acquired debts are managed, and their performance is evaluated by portfolios on a fair value basis, in accordance with the documented risk management and investment strategy of the entity. The subsequent fair value evaluation model is based on 10-year discounted cash flow (DCF) forecast analysis by the acquired debt portfolios.

The acquired debt portfolios at fair value through profit or loss are remeasured to fair value at each subsequent balance sheet date until these assets are derecognised. The gains and losses arising from changes in fair value are included in the income statement in the period in which they occur. Gains and losses will include both realised gains and losses arising on the disposal of these financial assets and unrealised gains and losses arising from changes in the fair value of these assets still held.

Amortised cost measurement of debt receivables (recognition principle since 01.01.2022, after transition of debt receivables recognition principle to amortised cost)

The acquired debt portfolios, acquired since 01.01.2022 onwards, are designated as at amortised cost by the entity upon initial recognition. Subsequently the acquired debts are managed, and their performance is evaluated by portfolios on an amortised cost method basis, in accordance with the documented risk management and investment strategy of the entity. The subsequent amortised cost evaluation model is based on total lifetime or 15-year estimated remaining collections (ERC) forecast analysis by the acquired debt portfolios.

The acquired debt portfolios' book values at amortised cost are remeasured to fair value at each subsequent balance sheet date until these assets are derecognised. The gains and losses resulted by write-ups and -downs arising from changes in amortised cost are included in the income statement in the period in which they occur. Gains and losses will include both realised gains and losses arising on the disposal of these financial assets and unrealised gains and losses arising from changes in the amortised cost of these assets still held due to the corrections of estimations related to the future forecasts.

For more details, please see Note 3 "Financial risk management" and Note 9 "Acquired debt receivable portfolios".

5. Group structure and changes in the Group

Aktsiaselts PlusPlus Capital is the parent company of the Group. As at 31 December 2022 and 31 December 2021 the Company held these directly and indirectly controlled subsidiaries (hereinafter the Group):

Subsidiary	Country of incorporation	Field of activity	Ownership interest	
			31.12.2022	31.12.2021
PlusPlus Invest OÜ	Estonia	Property investments	100%	100%
PlusPlus Baltic OÜ	Estonia	Management of receivable portfolios	100%	100%
PlusPlus Baltic OU filiāle Latvijā (branch in Latvia)	Latvia	Management of receivable portfolios	Branch	Branch
PlusPlus Baltic OU Lietuvos filialas (branch in Lithuania)	Lithuania	Management of receivable portfolios	Branch	Branch
PlusPlus Capital Oy	Finland	Management of receivable portfolios	100%	100%
Fresh Finance Group OÜ	Estonia	Holding entity for credit issuance business line	100%	100%
Fresh Finance OÜ	Estonia	Credit issuance	100%	100%
Fresh Finance AS	Latvia	Credit issuance	100%	100%
Fresh Finance UAB	Lithuania	Credit issuance	100%	100%
Forward View OÜ	Estonia	Support activities	100%	100%
Monestro P2P OÜ	Estonia	Credit intermediation activities	100%	100%
Monestro Investor OÜ	Estonia	Investment activities	100%	100%
Monestro Finland Oy	Finland	Credit intermediation activities	-*	100%
PlusPlus Inkaso UAB	Lithuania	Defunct unit	100%	100%
PlusPlus Inkasso SIA	Latvia	Defunct unit	100%	100%
PlusPlus Capital Financial S.à r.l.	Luxembourg	Financing vehicle	100%	0%

* *liquidated in 2022*

6. Property, plant and equipment

	Property	Vehicles	Right-of-use assets	Equipment	TOTAL
Cost as at 31 December 2021	**1 153 717**	**121 850**	**910 114**	**729 804**	**2 915 485**
Accumulated depreciation as at 31 December 2021	-271 301	-121 850	-453 821	-361 598	**-1 208 570**
Residual value as at 31 December 2021	**882 416**	**0**	**456 293**	**368 206**	**1 706 915**
Acquisitions	0	40 800	-40 800	53 177	**53 177**
Depreciation	-43 263	-4 8350	-154 325	-133 922	**-336 345**
Disposals	0	0	-21 754	-55	**-21 809**
Cost as at 31 December 2022	**1 153 717**	**101 000**	**763 837**	**784 362**	**2 802 916**
Accumulated depreciation as at 31 December 2022	-314 564	-92 375	-530 894	-456 032	**-1 393 865**
Residual value as at 31 December 2022	**839 153**	**8 625**	**232 943**	**328 330**	**1 409 051**

Net book value	**Property**	**Vehicles**	**Right-of-use assets**	**Equipment**	**TOTAL**
At 01 January 2021	**940 100**	**0**	**636 411**	**426 399**	**2 002 910**
At 31 December 2021	**882 416**	**0**	**456 293**	**368 206**	**1 706 915**
At 31 December 2022	**839 153**	**8 625**	**232 943**	**328 330**	**1 409 051**

There were no material fully depreciated property, plant and equipment in the Group as at 31 December 2022 and 31 December 2021.

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7. Intangible assets

	Computer software	Unfinished software	Goodwill	Total
Cost as at 31 December 2021	**1 781 548**	**723 470**	**190 666**	**2 695 684**
Accumulated amortisation as at 31 December 2021	-562 857	0	0	**-562 857**
Residual value as at 31 December 2021	**1 218 691**	**723 470**	**190 666**	**2 123 827**
Acquisitions	88 094	981 862	0	**1 069 957**
Amortisation	-215 559	0	0	**-215 559**
Cost as at 31 December 2022	**1 845 492**	**1 705 332**	**190 666**	**3 741 491**
Accumulated amortisation as at 31 December 2022	-778 416	0	0	**-778 416**
Residual value as at 31 December 2022	**1 067 076**	**1 705 332**	**190 666**	**2 963 074**

Net book value	**Computer software**	**Unfinished software**	**Goodwill**	**Total**
At 31 December 2020	**1 174 765**	**212 637**	**190 666**	**1 578 068**
At 31 December 2021	**1 218 691**	**723 470**	**190 666**	**2 132 827**
At 31 December 2022	**1 067 076**	**1 705 332**	**190 666**	**2 963 074**

There were no material fully amortised intangible assets in the Group as at 31 December 2022 and 31 December 2021.

8. Investments

In financial year 2022 a financing vehicle (fully owned subsidiary) PlusPlus Capital Financial S.à r.l. was established in Luxembourg with the aim to raise listed bond for European investors. During 2022 the bond was issued, and first investments were made by investors.

9. Acquired debt receivable portfolios

	31.12.2022	31.12.2021
Acquired debt receivable portfolios	119 993 834	106 282 754
Total, including:	**119 993 834**	**106 282 754**
Current:	*19 885 293*	*18 350 205*
Non-current:	*100 108 541*	*87 932 549*

	2022	2021
As at 1 January	**106 282 754**	**90 764 556**
Acquisitions of acquired debt receivable portfolios	13 480 172	7 119 289
Proceeds from acquired debt receivable portfolios	-19 599 532	-17 533 361
Interest income from acquired debt receivable portfolios	10 927 720	-
Revaluation and impairment of debt receivable portfolios	8 902 720	-
Change in fair value of acquired debt receivable portfolios	-	25 932 270
As at 31 December	**119 993 834**	**106 282 754**

Core activity revenues by countries	2022	2021
Finland	1 922 538	1 894 704
Estonia	6 536 200	9 622 113
Latvia	9 049 961	4 212 433
Lithuania	2 321 741	10 203 020
Change in fair value total	**19 830 440**	**25 932 270**

Revenues by field of activity	2022	2021
Operating revenues (Note 21)	**19 830 440**	**25 932 270**
including restructuring	*19 830 440*	*25 932 270*
Net interest income (Notes 22)	**683 908**	**609 316**
Net fee and commission income	**38 002**	**23 175**
Other operating income	**48 907**	**33 836**
Loan impairment expense	275 749	50 961
Total revenues by field of activity	**20 325 508**	**26 547 636**

The total estimated remaining collections (ERC) according to scenarios (ERC of target and conservative scenarios are in 2022 +/- 5% (2021: +/-5%) compared to moderate scenario) and by aging of portfolios at period ends were as follows:

Estimated remaining collection (ERC) as at:	**Conservative scenario**	**Moderate scenario***	**Target scenario**
Total 31.12.2022, including:	**199 795 962**	**210 311 539**	**220 827 116**
Portfolios acquired 2010 till 2021 (recognised till 31 December 2021 according to fair value method)	165 799 466	174 525 754	183 252 042
Portfolios, which are acquired 2022 onwards (recognised since acquisition at amortised cost)	33 966 496	35 785 785	37 575 074
Total 31.12.2021, including:**	**146 935 557**	**154 669 007**	**162 402 457**
Restructured portfolios (over 6 months since acquisition)	136 973 936	144 183 089	151 392 244
New portfolios (fair value model sliding scale applied)	8 174 036	8 396 591	8 619 145
Fresh new portfolios (fair value model not applied)	1 787 585	2 089 327	2 391 068

**Moderate scenario has been used for recognition of acquired debt receivable portfolios in accounting as at 31 December 2022 according to amortised cost model and effective interest rate model applied for recognition of the amortised cost of acquired debt receivable portfolios in accordance with standard IFRS 9 (31 December 2021: according to fair value model and discount rate model applied for recognition of the fair value of acquired debt receivable portfolios in accordance with standard IFRS 9).*
***See also Note 2.1. for change in accounting 01.01.2022 onwards*

As at 31 December 2022 the Group has under restructuring 799 debt portfolios (31 December 2021: 645). The Group has acquired debt receivable portfolios mainly from finance institutions (banking sector), telecom entities, consumer finance providers, utilities and public sector entities and from other sellers of terminated claims and receivables against private

individuals. Proportionally majority of acquired debt receivable portfolios originate from banking sector, followed by consumer finance sector and telecom sector. The Group has hitherto been solely focusing on claims against private persons.
The Group has developed a specific business process including evaluation of portfolios, restructuring of products and management of repayments over the lifecycle of the agreements made with clients during the restructuring process. The Group's priority is to offer debtors a mutually beneficial agreement to overcome problems arising from overdue obligations. The Group offers tailor made solutions, most often affordable partial repayment possibility (repayment schedules) to the clients. Collection through litigation process is an exception applied only when debtors fully ignore their obligations.

The aging of estimated remaining collection of the acquired debt receivable portfolios by vintages is as follows:

	31.12.2022	31.12.2021
Estimated remaining collection (ERC) by vintage		
Debt receivable portfolios acquired in 2010	285 447	232 944
Debt receivable portfolios acquired in 2011	629 414	546 625
Debt receivable portfolios acquired in 2012	545 318	391 128
Debt receivable portfolios acquired in 2013	2 467 796	1 945 879
Debt receivable portfolios acquired in 2014	480 922	472 976
Debt receivable portfolios acquired in 2015	1 015 388	1 119 429
Debt receivable portfolios acquired in 2016	9 401 907	8 073 992
Debt receivable portfolios acquired in 2017	17 309 122	15 230 369
Debt receivable portfolios acquired in 2018	37 917 006	34 158 274
Debt receivable portfolios acquired in 2019	54 071 750	48 253 224
Debt receivable portfolios acquired in 2020	26 187 187	25 785 603
Debt receivable portfolios acquired in 2021	24 214 497	18 458 564
Debt receivable portfolios acquired in 2022	35 785 785	-
Total ERC as at 31 December	**210 311 539**	**154 669 007**

10. Loans and advances to customers

	31.12.2022	31.12.2021
Refinancing	2 143 319	1 360 484
Consumer credits	2 112 231	1 009 714
Mortgage loans	51 562	136 058
Leases	1 693	8 285
Other	32 288	55 042
Total	**4 341 093**	**2 569 583**
Allowance	**-315 738**	**-259 653**
Total, including:	**4 025 354**	**2 309 930**
Current portion:	*2 230 420*	*874 494*
Non-current portion:	*1 794 934*	*1 435 436*

Detailed explanation of classes of loans issued is provided below:

- **Refinancing** – uncollateralized loans issued to private individuals for debt consolidation and refinancing of existing obligations.
- **Consumer credits** - uncollateralized loans issued to private individuals under standard terms where use of proceeds is not limited.
- **Mortgage loans** – loans issued to private individuals and small-sized companies under standard terms that are collateralized by mortgages mostly on residential property, mainly for consumer spending and working capital.
- **Leases** – loans issued to private individuals for financing purchase of vehicles.
- **Other** – loans issued to legal entities collateralized by personal surety or other smaller loans to corporates, mainly for working capital and investments into fixed assets.

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11. Credit risk: loans and advances to customers

	2022				
	Stage 1	**Stage 2**	**Stage 3**		
	12-month ECL	**Lifetime ECL for SICR**	**Lifetime ECL for credit impaired**	**Purchased originated credit-impaired loans**	**Total**
Refinancing	1 321 393	279 469	539 046	3 411	**2 143 319**
Consumer credits	236 590	27 189	136 134	1 712 317	**2 112 231**
Mortgage loans	31 092	1 054	12 789	6 626	**51 562**
Leases	536	0	1 157	0	**1 693**
Other	5 275	0	27 013	0	**32 288**
Gross carrying amount	**1 594 886**	**307 713**	**716 139**	**1 722 354**	**4 341 093**
Loss allowance	-95 731	-13 951	-200 137	-5 919	**-315 738**
Carrying amount	**1 499 155**	**293 762**	**516 002**	**1 716 435**	**4 025 354**
Including:					
Current portion					***1 794 934***
Non-current portion					***2 230 420***

	2021				
	Stage 1	**Stage 2**	**Stage 3**		
	12-month ECL	**Lifetime ECL for SICR**	**Lifetime ECL for credit impaired**	**Purchased originated credit-impaired loans**	**Total**
Refinancing	811 452	141 282	381 916	25 834	**1 360 484**
Consumer credits	523 628	60 313	186 614	239 159	**1 009 714**
Mortgage loans	76 802	0	25 823	33 433	**136 058**
Leases	8 239	46	0	0	**8 285**
Other	13 599	0	41 443	0	**55 042**
Gross carrying amount	**1 433 720**	**201 641**	**635 796**	**298 426**	**2 569 583**
Loss allowance	-59 159	-9 101	-183 780	-7 613	**-259 653**
Carrying amount	**1 374 561**	**192 540**	**452 016**	**290 814**	**2 309 930**
Including:					
Current portion					***874 494***
Non-current portion					***1 435 436***

Credit risk
The following principles are applied to loans and advances to loan clients of Fresh Finance that represent approximately 3% of total assets as at 31 December 2022 (2021: 3%).

Fresh Finance is exposed to a risk of financial loss for the other party by failing to meet an obligation. Exposure to credit risk arises from Group's lending and other transactions with counterparties. The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position.

There were no existing non-issued loans or unused limits as at year-ends 2022 nor 2021.

Group management carefully manages its exposure to credit risk. The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Loan applications originating with the relevant client relationship managers are passed on to the relevant credit committee for the approval of the credit limit. Exposure to credit risk is also managed, in part, by obtaining collateral as well as corporate and personal guarantees.

Measurement of expected credit loss (ECL)
IFRS 9 provides a three-phase model for measuring credit losses that takes into account changes in credit quality since initial recognition as follows:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet considered to be credit impaired. If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis and considered under Stage 3.

Significant increase in credit risk (SICR)
The Group considers a financial instrument to have experienced a significant increase in credit risk when there have been adverse changes in the economic environment, which might affect the borrowers' performance (e.g., adverse changes in regional unemployment rate, in inflation, in income).

A backstop is applied, and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 90 days past due on its contractual payments. The Group has not used the low credit risk exemption for any financial instruments in the year.

Definition of default and credit-impaired assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when the borrower is more than 60 days past due on its contractual payments or when the borrower is in significant financial difficulty. These are instances where the borrower is deceased, is insolvent or is marked as in proceeding in case of retail loans or liquidation, execution or going through reorganisation proceedings in case of non-retail loans.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected credit loss calculations.

An instrument is considered to no longer be in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

Measuring ECL – inputs, assumptions, and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is expressed by Group's assessment of the amounts the Group expects to be owed at the time of default. For off-balance-sheet items, the EAD shall include an estimate of what amounts will be taking into account at the time of the default.

- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). The LGDs are determined based on the factors which impact the recoveries made post default.

The ECL is calculated as a product of the main inputs - PD, LGD and EAD, discounted by effective interest rate (EIR). Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD.

The assumptions underlying the ECL calculation are monitored and reviewed on a regular basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Group has identified certain key economic variables that correlate with developments in credit risk and ECLs.

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information available for the Group to be statistically credible.

Where sufficient information is not available internally, the Group has considered benchmarking internal / external supplementary data to use for modelling purposes.

The characteristics and any supplementary data used to determine groupings are product type, contract type, market, number of overdue days of the contract, contract age as months in book. The appropriateness of groupings is monitored and reviewed on a periodic basis.

Information about collaterals of loans

The collaterals assigned on specific credit products consist of personal suretyships, mortgages, register pledges and other similar collaterals. The collaterals are agreed with clients according to product-based risk analysis and internal regulations. As a rule, the collateral is set up to minimise the risks on acceptable level for the Group.

Upon the initial recognition of loans to customers, the fair value of collateral is based on the valuation techniques commonly used for the corresponding types of collateral. Market values (or purchase price, whichever is lower) are used for real estate and movable assets serving as collateral. The value of collateral should be reconsidered periodically. The frequency and conditions mostly depend on the performing / non-performing status and exposure size. The value of residential real estate is recalculated periodically by applying the indices. Guarantees and warranties issued by other parties (private individuals, legal entities), although they mitigate the risk, are considered immaterial and are not disclosed here. If exposure is secured by several different types of collateral, priority in recognition of a collateral is based on its liquidity. Securities, cash, and guarantees are treated as the types of collateral with the highest liquidity, followed by residential real estate and then other real estate. Movable assets like transport vehicles, equipment and other assets are treated as having the lowest liquidity.

Valuation of collateral

Fair value evaluations based on the statistical revaluation (indexing) of residential real estate collaterals is performed according to needs and at least once annually in Estonia and in Latvia and Lithuania and covers houses, apartments and residential land plots, pledged against all types of credit products of private individuals. All assets that are pledged to or leased from the Group must be evaluated at least once a year. Exceptions can be approved by ultimate decision-making authority including a reason for the exception.

12. Trade and other receivables

	31.12.2022	31.12.2021
Prepaid and refundable taxes (Note 19)	4 216	3 539
Other assets	0	38 743
Prepayments made	239 284	207 505
Other receivables	4 230 319	260 081
Total, including:	**4 473 819**	**509 868**
Current:	*1 275 944*	*464 868*
Non-current:	*3 197 875*	*45 000*

Prepayments as at 31.12.2022 and 31.12.2021 include prepayments for operating activities (including prepayments for rent, media, services and other similar activities). Other assets consist of acquired collateral assets related to acquired debt receivable portfolios, which are expected to be realised within current business cycle. Other receivables are related to other operating services except for portfolio management.

Trade and other receivables include receivables against related parties as at 31 December 2022 for 75 086 euros (31 December 20201: 102 694 euros, see more detailed info in Note 27).

13. Cash and cash equivalents

	31.12.2022	31.12.2021
Cash in bank	728 541	460 403
Cash at hand	50 363	106 010
Total	**778 904**	**566 413**

14. Share capital

	Ordinary shares	
	31.12.2022	**31.12.2021**
Share capital	17 108 856	15 666 399
Number of ordinary shares	17 108 856	15 666 399
Nominal value per share	-	-

In financial year 2022 the share capital was increased by EUR 1 442 457 with monetary contributions (and by share premium EUR 2 192 535) by emission of new shares. In financial year 2021 the share capital was increased by EUR 6 216 399 (and by share premium EUR 6 216 399) by emission of new shares (with non-monetary contribution) and by EUR 4 450 000 up to EUR 15 666 399 through bonus issue from retained earnings.

	31 December 2022		31 December 2021	
Shareholder	**Number of shares held**	**Percentage**	**Number of shares held**	**Percentage**
Mirje Trumsi	5 821 597	34.03%	7 068 600	45.12%
Investors	8 944 604	52.28%	6 688 899	42.70%
Management	2 342 655	13.69%	1 908 900	12.18%
Total	**17 108 856**	**100.00%**	**15 666 399**	**100.00%**

Shareholdings are owned directly and through entities. Shares of management are owned by 5 management team members. All the investors and management team members have less than 10% of individual shareholdings.

15. Subordinated convertible loans

	31.12.2022	31.12.2021
Subordinated convertible loans in liabilities	2 151 134	3 486 107
Total of convertible subordinated loans by split-accounting	**2 151 134**	**3 486 107**
Difference of discounted cash flows in interest expense (Note 26)	48 866	213 893
Total	**2 200 000**	**3 700 000**

As at 31 December 2021 the convertible subordinated loans raised in amount of EUR 2.2 million (31 December 2021: EUR 3.7 million) are recognised according to split-accounting method by equity and liability components, the details of recognition principles are disclosed in Note 2.6. section k. The conversion maturity dates of the convertible subordinated loans were 1 July 2021 and 29 December 2022 respectively, with at least 6-months prenotice, the interest rates are 9.5% - 11.0%, currency is euro, and no collaterals nor pledges are set.

As at 31 December 2021 the conversion options of convertible subordinated loans matured, and the respective change in interest expense was recognised for EUR 436 281 as decrease of interest expense in financial year 2021 (2020: EUR 906 037).

16. Distributions made and proposed

Dividends were declared and distributed in 2022 in amount of 1 611 919 euros and net dividends 1 350 000 euros (2021: 2 482 558 euros and net dividends 2 000 000 euros), corporate income tax expense from dividends for 2022 was 261 919 (2021: 482 558 euros). Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December.

As at 31 December 2022 the maximum possible income tax liability that could arise upon the payment of all the retained earnings as dividends would be 4 107 184 EUR (31.12.2021: 3 457 006 EUR) and therefore 12 769 228 EUR could be paid out as net dividends (31.12.2021: 14 088 023 EUR).

17. Trade and other payables

	31.12.2022	31.12.2021
Trade payables	1 136 010	196 787
Payables to employees	576 834	495 437
Taxes payable (Note 19)	438 903	317 518
Interest payable	3 843 042	959 486
Total	**5 994 790**	**1 969 228**

The trade and other payables include payables to related parties (see Note 27) as at 31 December 2022 for 238 990 euros (31.12.2021: 155 893 euros). Trade and other payables are due in the course of normal operating cycle of the Group (normally within twelve months).

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18. Interest-bearing loans and borrowings

	31.12.2022	Due in 12 months	Due in 1-5 years	Interest rate	Maturity date
Bonds	66 201 900	43 655 900	22 546 000	9% - 12%	2023 – 2026
Bank loans	496 318	64 174	432 144	2.75%*	2023 - 2027
Other loans	19 663 430	19 663 430	0	9.5%	2023
Other borrowings	60 467	60 467	0	10%	2023
Leases	233 076	173 782	59 294	2% - 5%	2023 – 2026
Capitalised expense	-4 651 281	-1 903 740	-2 747 541	9% - 12%	2023 – 2026
Total obligation	**82 003 910**	**61 714 013**	**20 289 897**		

	31.12.2021	Due in 12 months	Due in 1-5 years	Interest rate	Maturity date
Bonds	46 408 100	18 146 200	28 261 900	9% - 12%	2022 – 2024
Bank loans	545 165	545 165	0	2.75%*	2022
Other loans	24 511 240	8 577 080	15 934 160	9.5%	2022 – 2024
Other borrowings	22 857	22 857	0	10%	2022
Leases	430 875	197 799	233 076	2% - 5%	2022 – 2026
Capitalised expense	-3 792 692	-1 945 791	-1 846 901	9% - 12%	2022 – 2024
Total obligation	**68 125 545**	**25 543 310**	**42 582 235**		

**2.75% + 6-months Euribor*

Main covenant for issued secured and unsecured bonds and secured loans is equity ratio (total equity / total assets), which shall be maintained at all times at 20% (for some credit lines 25% or30% or higher (see Note 3 section "Capital management" for more details of equity ratio at 31 December 2022 and at year-ends of comparative periods). The equity ratio is compliant with the requirements according to covenants set in financing agreements as at 31 December 2022 and 31 December 2021 (See Note 3).

Significant covenant ratios

Covenant	31.12.2022	31.12.2021	Covenant threshold
Equity ratio (Total equity / Total assets less cash)	32.6%	35.2%	At least 20.0%
Net loan to value (LTV) (Net debt / ERC)	39.74%	43.75%	Not exceeding 65.0%
Net leverage ratio, times (Net debt to cash EBITDA)	5.59	7.00	Not exceeding 6.0
Interest service coverage ratio (ISCR), times (Cash EBITDA / interest expense)	1.28	0.92	At least 1.50

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Also, there are certain restrictions set as covenants for equity distributions exceeding defined restricted equity level, and for changes in shareholders.

Carrying amount of assets under lease	**31.12.2022**	**31.12.2021**
Lease	232 943	456 293
Total	**232 943**	**456 293**

Carrying amount of assets pledged as collateral	**31.12.2022**	**31.12.2021**
Carrying amount	119 993 834	106 282 754
Total	**119 993 834**	**106 282 754**

PlusPlus has issued secured and unsecured bonds and raised secured and unsecured loans from investors and banks. Bonds and secured loans are secured by pledged collaterals consisting mainly of acquired debt receivable portfolios. Bank loan liabilities are secured by a commercial pledge for assets in amount of EUR 1 755 000.

In 2022, the following changes occurred in interest bearing loans and borrowing balances:

Interest bearing loans and borrowings	**Balance as at 31.12.2021**	**Loans raised during period**	**Loans repaid during period**	**Balance as at 31.12.2022**
Bonds	46 408 100	37 503 800	-17 710 000	66 201 900
Bank loans	545 165	0	-48 847	496 318
Other loans	24 511 240	0	-4 847 810	19 663 430
Other borrowings	22 857	77 819	-40 209	60 467
Lease liabilities	430 875	0	-197 799	233 076
Capitalised expense	-3 792 692	-3 370 394	2 511 805	-4 651 281
Total	**68 125 545**	**34 211 225**	**-20 332 860**	**82 003 910**

As at 31 December 2021 the current liabilities of the Group exceed current assets by EUR 45.7 million and the current ratio is 0.3 (31 December 2021 by EUR 9.3 million and current ratio was 0.7), which is in accordance with the long-term financing strategy of the Group. Long-term loans and bonds, which are maturing in year 2023, will be repaid and refinanced according to the terms to be agreed with investors. For further details please refer to the Note 3 “Financial risk management” chapters “Credit risk”, “Liquidity risk” and “Fair value”.

19. Tax liabilities and prepayments

	31.12.2022		**31.12.2021**	
	Tax prepayment	**Tax liabilities**	**Tax prepayment**	**Tax liabilities**
Value added tax	0	4 675	0	4 123
Corporate income tax	0	0	0	0
Personal income tax	0	148 863	0	104 086
Income tax from fringe benefits	0	3 878	0	4 832
Social security tax	0	255 841	0	179 371
Pension contribution	0	13 879	0	15 546
Unemployment contribution	0	11 767	0	9 560
Prepayment	4 216	0	3 539	0
Total tax liabilities and prepayments (Notes 12 and 17)	**4 216**	**438 903**	**3 539**	**317 518**

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20. Commitments and contingencies

Operating lease commitments are recognised under IFRS 16 as lease liabilities — Group as lessee

The Group entities have entered into long-term non-cancellable premise lease agreements in Estonia, Latvia and Lithuania.

Considerations related to potential tax audit

Estonia
The tax authorities have neither started nor performed any tax audits or individual case audits in any of the Group companies. The tax authorities have the right to verify the company's tax records up to 5 years from the time of filing the tax return and upon finding errors, impose additional taxes, interest and fines. The management estimates that there are not any circumstances, which may lead the tax authorities to impose additional significant taxes on the Group.

Latvia, Lithuania, Finland, and Luxembourg
The management estimates that there are not any circumstances, which may lead the tax authorities to impose additional significant taxes on the Group.

For contingent income tax please see Note 16.

21. Operating revenue

Operating revenue by countries	**2022**	**2021**
Finland	1 922 538	1 894 704
Estonia	6 994 347	10 032 871
Latvia	9 277 216	4 367 885
Lithuania	2 407 156	10 303 137
Loan impairment expense	275 479	50 961
Operating revenues total	**20 325 508**	**26 547 636**

Operating revenues by field of activity	**2022**	**2021**
Management of debt portfolios	**19 830 440**	**25 932 270**
Other revenues	48 907	33 836
Credit issuance activities	**721 910**	**632 491**
Including interest income (Note 22)	*683 908*	*609 316*
Loan impairment expense	275 479	50 961
Operating revenues total	**20 325 508**	**26 547 636**

22. Interest income

	2022	**2021**
Refinancing	369 310	331 256
Mortgage loans	34 194	32 342
Consumer credits	266 724	236 195
Leases	0	953
Other	13 680	8 570
Total interest income	**683 908**	**609 316**
Including:		
Estonia	*371 238*	*381 504*
Latvia	*227 255*	*146 384*
Lithuania	*85 415*	*81 428*

23. Operating expenses

	2022	2021
Acquired debt portfolio management costs	1 969 596	2 277 085
Consultations and compliance	106 546	136 921
Fees, taxes and insurance	211 726	155 290
Travel and transportation	180 329	158 080
Telecommunication and data	305 281	273 379
Premises and furnishings	286 496	222 423
Equipment and supplies	44 075	39 739
Marketing and development	213 420	239 684
Personnel and trainings	188 628	229 752
Professional services	646 715	419 869
Other miscellaneous operating expenses	79 814	107 394
Total operating expenses	**4 232 626**	**4 259 616**
Capitalised operating expenses	-1 986 321	0
Total operating expenses	**2 246 305**	**4 259 616**

24. Salary expense

	2022	2021
Wages and salaries	4 970 471	3 855 877
Social security costs	1 338 687	1 004 410
Total salary expense	**6 309 158**	**4 860 287**
Capitalised salary expense	-1 989 070	0
Total salary expense	**4 320 088**	**4 860 287**
Average number of employees	110	100

25. Finance income

	2022	2021
Interest income	90	130
Other finance income	2	2 782
Total finance income	**92**	**2 912**

26. Finance expense

	2022	2021
Interest expense on bonds	6 729 528	4 356 314
Interest expense on interest-bearing loans	2 800 600	4 733 898
Expenses directly related to financing activities (raised bonds and loans)	2 279 648	2 069 066
Discounted cash flows effect for subordinated convertible loans	-165 027	-200 140
Other finance expense	12 592	12 494
Total finance expense	**11 657 341**	**10 990 042**

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27. Related party transactions

Note 5 provides the information about the Group's structure including the details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into, and relevant balances at the balance sheet date with related parties for the relevant financial year.

	31.12.2022		31.12.2021	
	Receivables	**Payables**	**Receivables**	**Payables**
Private investors	0	20 655 219	0	24 877 148
Management board and private investors with significant ownership interest; entities under their control or significant influence	75 086	238 990	102 694	155 893
Total	**75 086**	**20 894 209**	**102 694**	**25 033 041**

	2022	2021
Private investors	**Paid dividends**	**Paid dividends**
	1 350 000	2 000 000
Total	**1 350 000**	**2 000 000**

	2022		2021	
	Purchases	**Sales**	**Purchases**	**Sales**
Management board and private investors with significant ownership interest; entities under their control or significant influence	912 031	0	1 375 307	0
Total	**912 031**	**0**	**1 375 307**	**0**

Key management benefits

	2022	2021
Salaries and remuneration	707 924	472 802
Total	**707 924**	**472 802**

In financial years 2022 and 2021 no discounts were made to related parties. Severance pays according to agreements with board members were 38 000 euros as at 31 December 2022 (31 December 2021: 79 400 euros).

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28. Subsequent events and going concern

We have considered the war in Ukraine and its current and future potential effects on the Group.

In financial year 2022 the collections from acquired debt receivable portfolios realised as expected as at 31 December 2021. As the situation is developing, management considers it impracticable to provide a quantitative estimate of the potential impact of this war on the Group for current financial year. However, the management of the Group estimates that in short-term (within 12 months since compilation of the current annual report) the impact on Group's cash-flows could be significant and the potential effect on the fair value of the acquired debt receivable portfolios could be within the value ranges of the sensitivity analysis disclosed in Note 3.

Since February 2022, due to Russian initiated war against Ukraine, the macroeconomic forecasts have been worsened, long-term effect cannot yet be predicted.

As at end of 2022, AS PlusPlus Capital had not fulfilled its obligations on servicing following liabilities:

- Principal and interest payments of bond issue ISIN: EE3300001726 (repayment date 30.10.2022), outstanding principal balance 11,026,100 EUR
- Interest payments of bond issues ISIN: EE3300002005 (repayment date 30.10.2023), ISIN: EE3300001437 (repayment date 30.10.2023), ISIN: EE3300002179 (repayment date 30.10.2024) due 31.10.2022 representing aggregate outstanding principal balance of 32,629,800 EUR. Total outstanding principal balance of bonds issued by PlusPlus Capital 43,655,900 EUR.
- Principal and interest payments on loans and convertible loans from Front Capital Oy with the principal balance of 19,863,429 EUR
- Subordinated loans with the principal balance in the amount of 2,000,000 EUR.

In addition, Eurobonds issued by PlusPlus Capital Financial S.a r.l., a subsidiary of AS PlusPlus Capital (ISIN: XS2502401552), repayment date 29.07.2026 in the amount of 22,546,000 EUR were in cross default due to unfulfilled obligations arising from abovementioned liabilities.

In sum, the aggregate principal amount of liabilities not duly serviced was 65.5 million EUR while Eurobonds in the amount of 22.5 million EUR were in cross default.

To restructure liabilities, in November 2022 PlusPlus Capital had offered bond investors and loan investors represented by Front Capital to either convert their Baltic bond positions with accrued interest into a Eurobond at a discounted price (96% of nominal value plus accrued interest) or sell the bonds back to PlusPlus at a price of 70% of the principal plus accrued interest in September 2023.

As at 12 June 2023, PlusPlus Capital bondholders representing approximately 75% of outstanding balance on 31 October 2022, had chosen to convert their position into Eurobond, 16% had chosen to sell their bonds back to the issuer, agreements with investors holding 2% of the total balance were in signing process, and negotiations were still ongoing with investors representing 6% of the outstanding amount.

Out of loan and subordinated loan investors represented by Front Capital, investors representing nominal value of 13.5 million EUR (approximately 68% of total outstanding balance) decided to convert their positions into Eurobond while investors representing nominal value of 6.4 million EUR (approximately 32% of total) opted to sell their loans back to the borrower at 70% of nominal value plus accrued interest.

A 2 million EUR subordinated loan has been fully converted into Eurobond.

As of 21 June 2023, in addition to the 31.12.2022 balance of 22.5 million EUR, investors had received Eurobonds in aggregate nominal value of 50.2 million EUR and the total nominal value of Eurobonds held by investors was 72.7 million EUR. In addition, the amount of buyout due on 30 September 2023 was 11.3 million EUR.

As a result, short-term liabilities were reduced by 68 per cent, from 65.5 million EUR to 21 million that significantly improves maturity profile of the liabilities with 74 per cent of liabilities due in July 2026.

Investors representing 549 thousand EUR, PlusPlus has agreed solutions other than Eurobond conversion or buyback at 70 per cent. Negotiations with bondholders representing 2.6 million EUR in nominal value are still in process.

To facilitate conversion of existing positions, PlusPlus Capital Financial S.a r.l., a subsidiary of AS PlusPlus Capital, the issuer of Eurobonds (ISIN: XS2502401552) held a bondholders' meeting on 17 April 2023. The bondholders decided, having considered the cross default, not to terminate the bonds and amend Terms and Conditions.

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14. 07. 2023
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On 26 May 2023, PlusPlus Capital Financial S.a r.l. completed a tap issue of EUR 11.00 PlusPlus Capital Financial S.a r.l. 22-2026 bonds (ISIN: XS2502401552). The volume of the additional issue was EUR 30,000,000.

During the second half of 2023 the company envisages focusing on return to the portfolio purchase market, taking advantage of the favourable market situation. Securing funding is very important to fulfilment of set goals. PlusPlus is working on attaining access to funding through additional equity issue, a working capital facility for purchasing portfolios, and selling daughter company's Eurobonds to the investors. PlusPlus sees the completion of liabilities restructuring and raising fresh capital as integral part to ensure successful continuation of the business. Fulfilment of obligations and the entity's ability to continue as a going concern are dependent on the completion of liabilities restructuring and raising fresh capital.

During the period of preparation of the financial statements since balance sheet date 31 December 2022 there have been no other significant subsequent events which would significantly affect the current financial statements.

Regarding the potential impact of the above-described economic situation evolved in 2022 and in 2023 to the Group please refer to the Note 3 "Financial risk management" chapters "Credit risk", "Liquidity risk" and "Fair value".

29. Unconsolidated primary financial statements of the parent

Pursuant to the Accounting Act of the Republic of Estonia, information of the annual unconsolidated financial statements (primary statements) of the consolidating entity (Parent Company) shall be disclosed in the notes to the consolidated financial statements. In preparing the primary financial statements of the Parent Company, the same accounting policies have been used as in preparing the consolidated financial statements

The Parent Company's unconsolidated statements include investments into subsidiaries at equity method.

Unconsolidated statement of financial position
As at year end 31 December

	31.12.2022	31.12.2021
Non-current assets		
Property, plant and equipment	78 856	162 436
Right-of-use of assets	117 633	26 807
Intangible assets	435 313	617 011
Investments into subsidiaries	21 551 054	14 142 355
Acquired debt receivable portfolios	64 186 421	58 810 948
Loans to subsidiaries	33 678 528	28 154 219
Total non-current assets	**120 047 805**	**101 913 776**
Current assets		
Acquired debt receivable portfolios	13 133 020	12 408 981
Trade and other receivables	5 531 410	3 309 182
Cash and cash equivalents	237 344	137 894
Total current assets	**18 901 774**	**15 856 057**
Total assets	**138 949 579**	**117 769 833**
Equity		
Share capital	17 108 856	15 666 399
Share premium	8 408 934	6 216 399
Statutory legal reserve	1 100 000	500 000
Retained earnings	23 918 607	23 000 327
Total equity	**50 536 397**	**45 383 125**
Liabilities		
Non-current liabilities		
Subordinated convertible loans	0	1 486 107
Interest-bearing loans and borrowings	19 615 902	42 349 159
Lease liabilities	96 855	0
Total non-current liabilities	**19 712 757**	**43 835 266**
Current liabilities		
Trade and other payables	4 644 576	1 724 311
Subordinated convertible loans	2 151 134	2 000 000
Interest-bearing loans and borrowings	61 883 927	24 777 489
Lease liabilities	20 788	49 642
Total current liabilities	**68 700 425**	**28 551 442**
Total equity and liabilities	**138 949 579**	**117 769 833**

Unconsolidated statement of comprehensive income
for the year ended 31 December

	2022	2021
Operating revenue	8 600 605	19 617 959
Other revenue	11 200	2 750
Operating expenses	2 233 429	2 432 843
Salary expense	1 851 592	1 447 284
Depreciation and amortisation	311 433	320 603
Other expenses	7 978	24 362
Operating profit	**4 207 373**	**15 395 617**
Finance income	10 284 147	2 643 670
Finance expense	11 361 321	10 960 416
Profit before income tax	**3 130 199**	**7 078 871**
Income tax	261 919	482 558
Net profit for the year	**2 868 280**	**6 596 313**
Total comprehensive income	**2 868 280**	**6 596 313**

Unconsolidated statements of cash flows
for the year ended 31 December

	2022	2021
Cash flows from operating activities		
Profit before income tax	3 130 199	7 078 871
Adjustments for non-cash items:		
Depreciation and amortisation	311 433	320 603
Changes in working capital:		
Change in trade and other receivables	-1 225 135	-84 032
Change in trade and other payables	2 642 443	-107 140
Change in acquired debt receivable portfolios	-6 099 512	-13 306 952
Other adjustments:		
Interest expense	9 190 966	8 891 248
Other financial income	-10 284 065	-2 643 460
Interest income	82	107
Net cash generated from operating activities	**-2 333 589**	**149 245**
Cash flows from investing activities		
Acquisition of tangible and intangible assets	-40 099	-164 091
Loans issued	-6 274 000	-3 331 000
Repayments of loans issued	0	22 942
Interests received	2 531 000	2 157 026
Net cash used in investing activities	**-3 783 099**	**-1 315 123**
Cash flows from financing activities		
Loans received and bonds issued	20 988 545	22 149 129
Repayment of loans received and bonds issued	-10 476 310	-10 256 486
Repayment of lease liabilities	-22 836	-14 313
Interests paid for loans	-6 295 348	-8 419 078
Interest paid for lease liabilities	-986	-764
Paid in contribution	3 634 992	0
Dividend distribution	-1 350 000	-2 000 000
Income tax paid from dividend	-261 919	-482 558
Net cash flows from (to) financing activities	**6 216 138**	**975 930**
Net increase (decrease) in cash and cash equivalents	99 450	-189 948
Cash and cash equivalents at the beginning of the year	**137 894**	**327 842**
Cash and cash equivalents at the end of the year	**237 344**	**137 894**

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14. 07. 2023
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Unconsolidated statement of changes in equity
for the year ended 31 December

	Share capital	Share premium	Statutory legal reserve	Subordinated convertible loans	Retained earnings	Total
As at 1 January 2021	**5 000 000**	**0**	**500 000**	**436 281**	**22 854 014**	**28 790 295**
Subordinated convertible loan	0	0	0	-436 281	**0**	**-436 281**
Dividend paid	0	0	0	0	-2 000 000	**-2 000 000**
Non-monetary contribution	6 216 399	6 216 399	0	0	0	**12 432 798**
Bonus issue	4 450 000	0	0	0	-4 450 000	**0**
Total transactions with owners	**10 666 399**	**6 216 399**	**0**	**-436 281**	**-6 450 000**	**9 996 517**
Net profit for the year	0	0	0	0	6 596 313	**6 596 313**
Total comprehensive income	**0**	**0**	**0**	**0**	**6 596 313**	**6 596 313**
As at 31 December 2021	**15 666 399**	**6 216 399**	**500 000**	**0**	**23 000 327**	**45 383 125**
As at 1 January 2022	**15 666 399**	**6 216 399**	**500 000**	**0**	**23 000 327**	**45 383 125**
Dividend paid	0	0	0	0	-1 350 000	**-1 350 000**
Monetary contribution	1 442 457	2 192 535	0	0	0	**3 634 992**
Allocation of retained earnings	0	0	600 000	0	-600 000	**0**
Total transactions with owners	**1 442 457**	**2 192 935**	**600 000**	**0**	**-1 950 000**	**2 885 392**
Net profit for the year	0	0	0	0	2 868 280	**2 868 280**
Total comprehensive income	**0**	**0**	**0**	**0**	**2 868 280**	**2 868 280**
As at 31 December 2022	**17 108 856**	**8 408 934**	**1 100 000**	**0**	**23 918 607**	**50 536 397**

The adjusted unconsolidated equity of the parent is as follows as at:

	31.12.2022	**31.12.2021**
Parent company's unconsolidated equity	53 536 397	45 383 125
Less carrying amount of subsidiaries in the unconsolidated statement of financial position (-)	-21 551 054	-21 551 054
Add carrying amount of subsidiaries under equity method (+)	21 551 054	21 551 054
Total	**53 536 397**	**45 383 125**

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Confirmation of the management board to the 2022 consolidated annual report

Hereby, we confirm the correctness of the information disclosed in the 2022 consolidated annual report of Aktsiaselts PlusPlus Capital.

Member of the Management Board
Peeter Piho

Member of the Management Board
Linda Visocka

Member of the Management Board
Kaarel Raik

Tallinn, 14 July 2023

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Independent Auditors' Report

To the Shareholders of Aktsiaselts PlusPlus Capital

Opinion

We have audited the consolidated financial statements of Aktsiaselts PlusPlus Capital (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements presented on pages 19 to 67, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Material uncertainty related to going concern

We draw attention to Note 28 which indicates that as at 31 December 2022 the Group's aggregate principal amount of liabilities not duly serviced was 65.5 million EUR; in addition Eurobonds in the amount of 22.5 million EUR were in cross default. As at 31 December 2022, the Group's current liabilities exceeded its current assets by 45.7 million EUR. These events, or conditions, along with other matters as set forth in Note 28, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard and we state that the information presented in the management report is materially consistent with the consolidated financial statements and in accordance with the applicable legal and regulatory requirements.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

KPMG Baltics OÜ
Licence No 17

Eero Kaup

Certified Public Accountant, Licence No 459

Tallinn,14 July 2023

Profit allocation proposal

The Management Board of Aktsiaselts PlusPlus Capital proposes to the General Meeting of Shareholders to distribute the profit for financial year 2022 as follows (in euros):

Retained earnings as at 31.12.2022	16 876 412
Dividends	0
Retained earnings after allocation	16 876 412

Member of the Management Board
Peeter Piho

Member of the Management Board
Linda Visocka

Member of the Management Board
Kaarel Raik

Tallinn, 14 July 2023

30. Allocation of consolidated income according to EMTAK classificators

The consolidated income of Aktsiaselts PlusPlus Capital Group for financial year 2022 is allocated according to EMTAK classificators as follows:

Field of activity	**EMTAK code**	**Income (EUR)**	**Income (%)**	**Main activity**
Investments in bonds, securities and other similar financial vehicles	64301	19 830 440	98%	Yes
Other credit issuance, except for lombarding	64929	495 068	2%	Yes
Total operating revenues		**20 325 508**		

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CAPITAL

Müügitulu jaotus tegevusalade lõikes

Tegevusala	EMTAK kood	Müügitulu (EUR)	Müügitulu %	Põhitegevusala
Usaldusfondide, investeerimisfondide ja sarnaste finantsüksuste investeerimine võlakirjadesse, väärtpaberitesse jms finantsvahenditesse	**64301**	**8611805**	**100.00%**	**Jah**

Sidevahendid

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