ANNUAL REPORT

beginning of the financial year:	1 January 2018
end of the financial year:	31 December 2018
business name:	Wallester AS
registry code:	11812882
street, building, apartment, farm:	Pärnu mnt 20
city:	Tallinn
county:	Harju County
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Management report

Wallester AS (hereinafter referred to as 'Wallester') is a fintech company which was founded as a spin-off of Folkefinans AS, a Norwegian credit provider and one of Wallester's shareholders to date. Wallester issues credit cards to its clients' customers who are natural persons. Wallester uses its cloud-based technological solutions in collaboration with third parties to provide the service. In December 2017, the Financial Supervision Authority issued Wallester a payment service provider licence.

Major events in the financial year 2018:

- In April, Wallester became an issuing member of Visa Europe Ltd.
- In June, Wallester launched the first version of their platform, initiating cooperation with Holm Bank AS (former Koduliising AS) and issuing the first Visa Credit Classic cards.
- In October, a virtual Visa credit card was added to the product portfolio and in January 2019, a pilot project for the contactless Micro Tag credit cards was launched.

As at the end of 2018, Wallester employed 20 people.

Financial results

The net loss for 2018 was 754 thousand euros (in 2017: 463 thousand euros) and the turnover was 346 thousand euros (in 2017: 0 thousand euros). As at the end of the year, the volume of assets increased by 24% to 2,350 thousand euros (on 31 December 2017: 1,896 thousand euros) mainly due to the development of the Wallester platform.
Taking into account the fact that the company is in the development phase and the first customer was launched mid-2018, the financial results were as expected.

In 2018, the required additional capital was mainly raised from existing investors.

Directions for 2019

In 2019, Wallester plans to further develop and launch a new platform with expanded services. To achieve this, in 2019, Wallester involved a new strategic investor from the field of payment solutions. At the same time, the company continues to actively seek new customers and partners. Wallester aims to provide their customers flexible and personalised solutions based on existing and future payment methods.

Main risks

The main economic risks for the company are related to the general macroeconomic situation in Europe which directly affects our customers' business volumes. Business risks depend on completing the company's development projects on time and in the planned volume.

Wallester is guided by the principles of social, economic, and environmental responsibility in its activities, paying close attention to compliance with regulations, including the prevention of money laundering and terrorist financing.

As the company does not have a significant amount of settlements in foreign currencies or investments on the stock exchange, we estimate the risks associated with these areas to be low. Turnover in the year-end period is higher than at the beginning of the year; as in many other service sectors, however, seasonality is not a significant factor in the area of activity of Wallester.

Given the nature, scale, and level of complexity of the company's operations, the management board considers the current risk control measures sufficient.

Key ratios:

	2018	**2017**
Revenue (thousand euros)	321	0
Net loss (thousand euros)	−754	−463
Increase/decrease of loss	62.8%	608.7%
Net profit margin	−235.0%	0.0%
Working capital ratio	1.4	4.5
ROA	−32.1%	−24.4%
ROE	−38.8%	−25.9%

Formulas used to calculate ratios:
Net profit margin (%) = net income / revenue × 100
Working capital ratio (multiples) = current assets / current liabilities
ROA (%) = net income / total assets × 100
ROE (%) = net income / equity × 100

Annual accounts

Balance sheet

(in euros)

	31 December 2018	31 December 2017	Note
Assets			
Current assets			
Cash and cash equivalents	162,687	470,704	
Receivables and prepayments	413,616	5,537	2
Inventories	9,216	0	
Total current assets	**585,519**	**476,241**	
Non-current assets			
Tangible assets	24,023	6,773	4
Intangible assets	1,740,429	1,413,068	5
Total fixed assets	**1,764,452**	**1,419,841**	
Total assets	**2,349,971**	**1,896,082**	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	407,221	106,859	6
Total current liabilities	**407,221**	**106,859**	
Total liabilities	**407,221**	**106,859**	
Equity			
Share capital in nominal value	219,972	166,981	7
Share premium	1,584,261	737,252	
Other reserves	1,420,218	1,413,068	
Retained earnings (loss)	−528,078	−65,292	
Annual period profit (loss)	−753,623	−462,786	
Total equity	**1,942,750**	**1,789,223**	
Total liabilities and equity	**2,349,971**	**1,896,082**	

Income statement
(in euros)

	2018	2017	Note
Revenue	320,623	0	8
Other income	25,585	126	
Work performed by entity and capitalised	398,097	0	
Raw materials and consumables used	−309,514	0	9
Other operating expenses	−151,790	−119,776	10
Labour expenses	−820,571	−341,439	11
Depreciation and impairment loss (reversal)	−212,088	−1,722	4,5
Other expenses	−3,991	−1	
Operating profit (loss)	**−753,649**	**−462,812**	
Interest income	26	26	
Profit (loss) before tax	**−753,623**	**−462,786**	
Annual period profit (loss)	**−753,623**	**−462,786**	

Statement of cash flows
(in euros)

	2018	2017	Note
Cash flows from operating activities			
Operating profit (loss)	−753,649	−462,812	
Adjustments			
Depreciation and impairment loss (reversal)	212,088	1,722	4, 5
Other adjustments	7,150	0	11
Total adjustments	**219,238**	**1,722**	
Changes in receivables and prepayments related to operating activities	−408,079	−2,832	
Changes in inventories	−9,216	0	
Changes in payables and prepayments related to operating activities	300,362	62,536	
Interest received	26	26	
Total cash flows from operating activities	**−651,318**	**−401,360**	
Cash flows from investing activities			
Purchase of tangible assets and intangible assets	−556,699	−7,365	4, 5
Total cash flows from investing activities	**−556,699**	**−7,365**	
Cash flows from financing activities			
Proceeds from issuing shares	900,000	879,233	7
Total cash flows from financing activities	**900,000**	**879,233**	
Total cash flows	**−308,017**	**470,508**	
Cash and cash equivalents at beginning of period	470,704	196	
Change in cash and cash equivalents	**−308,017**	**470,508**	
Cash and cash equivalents at end of period	162,687	470,704	

Statement of changes in equity
(in euros)

					Total
	Share capital in nominal value	Share premium	Other reserves	Retained earnings (loss)	
31 December 2016	25,000	0	0	−65,292	−40,292
Annual period profit (loss)	0	0	0	−462,786	−462,786
Issued share capital	141,981	737,252	1,413,068	0	2,292,301
31 December 2017	166,981	737,252	1,413,068	−528,078	1,789,223
Annual period profit (loss)	0	0	0	−753,623	−753,623
Issued share capital	52,991	847,009	0	0	900,000
Changes in reserves	0	0	7,150	0	7,150
31 December 2018	219,972	1,584,261	1,420,218	−1,281,701	1,942,750

On 14 June 2018, an option contract was concluded between the members of the management board and Wallester AS. Members of the management board can subscribe up to 8,349 shares of Wallester AS until the end of the option programme. Members of the management board are entitled to subscribe the shares from 14 June 2019 until the closing date of the programme on 14 June 2021.

Notes

Note 1 Accounting principles

General information

The Annual Report 2018 of Wallester AS was prepared in line with the Estonian financial reporting standards. The Estonian financial reporting standards is a collection of financial reporting requirements based on the internationally recognised accounting and reporting principles and aimed at the public, the main requirements of which are established with the Accounting Act of the Republic of Estonia and specified by the Guidelines of the Accounting Standards Board.

The Annual Report is prepared in euros.

Wallester AS has prepared the abbreviated Annual Report of a medium-sized company, which consists of the balance sheet, income statement, statement of changes in equity, and notes.

Cash and cash equivalents

Cash in cash registers and balances of bank accounts are reflected as cash and its equivalents in the cash flow statement.

Receivables and prepayments

Trade receivables record short-term receivables arising from normal operations of the company, except receivables from other companies of the group. Customer receivables are evaluated in the balance sheet on the basis of the probability of receipt of the receivables. Unpaid receivables will be evaluated separately for each customer, taking into account the available information concerning the customer's solvency.

Doubtful receivables are recognised in the balance sheet as probable income (the discounting is recorded in the balance on a separate row 'doubtful receivables') and are reflected as an expense in the income statement. Uncollectible receivables have been written off from the balance sheet. Receipt of doubtful receivables discounted earlier are recorded as decreased expenses of doubtful receivables.

Tangible and intangible assets

Tangible fixed assets are assets used in the business activities of the company with a useful life exceeding one year and value exceeding 1,000 euros. Assets with a useful life exceeding one year but with a value of less than 1,000 euros are recorded as expenses at the moment the asset is put into service.

Tangible fixed assets are recorded in the balance sheet at the acquisition cost minus accumulated depreciation and possible allowances due to decrease in value.

Subsequent expenses to an object of tangible fixed assets are recorded under fixed assets if it is probable that the company can receive future economic benefit from the object and the acquisition cost of the object can be reliably measured. Other maintenance and repair costs are recorded as costs at the moment of their occurrence.

The straight-line method is used for depreciation. The depreciation rate is fixed separately for each fixed asset, depending on its useful lifetime. If a non-current asset consists of distinguishable components which have different useful lifetimes, those components are recorded in accounting as separate objects and different depreciation rates will be determined pursuant to their useful life.

The annual depreciation rates for non-current asset groups are as follows:
Other tangible fixed assets: 20–40%

Depreciation calculation will start from the moment the asset becomes usable in accordance with the intended purpose planned by the management. Depreciation will no longer be calculated if the final value exceeds the residual value or the asset is removed from use. On each balance sheet date, the reasonableness of the depreciation rates used, the depreciation method, and the residual value is assessed.

If the recoverable value of a fixed asset (i.e. higher than the two following indicators: net sale price of the asset or use value of the asset) is smaller than its residual value, the objects of tangible assets will be discounted to their recoverable value.

Intangible assets are initially recorded at the acquisition cost which consists of the purchase price and costs directly attributable to the acquisition. Intangible assets are recorded in the balance sheet at the acquisition cost minus accumulated depreciation and possible allowances due to decrease in value.

The straight-line method is used for depreciation. The depreciation rate is fixed separately for each intangible asset, depending on its useful life.

Financial liabilities

All financial liabilities (supplier payables, taken loans, accrued expenses, and other short- and long-term liabilities) are initially recorded at their acquisition cost including all direct costs related to purchase. After the initial recording, financial liabilities are recorded using the method of corrected acquisition cost.

The corrected acquisition cost of current liabilities is usually equal to their nominal value; thus, current liabilities are recorded in the balance sheet in the payable sum. Calculation of acquisition cost of long-term financial liabilities is performed using the internal interest rate method.

Revenue

Revenue from the sale of goods is recorded when all material risks regarding the ownership have been transferred to the buyer and the sales revenue and the costs connected with the transaction can be reliably determined.

Revenue from the sale of services is recorded upon offering the service.

Interest income is calculated using the effective interest rate, except in cases when the receipt of interest is uncertain. In those cases, interest revenue is calculated on a cash basis.

Taxation

Pursuant to the applicable legislation, a company's profit is not taxable in Estonia; therefore, there are no deferred income tax claims or liabilities. Instead of profit, Estonia taxes dividends paid from retained profits at the tax rate of 20/80 of the sum paid as net dividends. From 2019, it is possible to apply a tax rate of 14/86 to dividend payments in some cases. This more favourable tax rate can be applied to dividend payments which are smaller than or equal to the average dividend payment of the previous three calendar years taxed at a 20/80 tax rate. In calculating the average dividend payment of the three preceding financial years, 2018 is the first year to be taken into account. The company's income tax related to the payment of the dividends is recorded in the income statement as income tax expense during the same period the dividends are declared, regardless of the fact for which period they have been declared or when they would be really paid.

Related parties

In the preparation of the annual report of Wallester AS, the following have been considered related parties:
* owners (parent company and individuals who control or has a significant influence over parent company);
* management board and supervisory board;
* close relatives of the aforementioned persons and the companies related to them.

Share-based payments

Wallester AS has set up a share-based payment option programme, pursuant to which the company pays members of the board for their services by issuing options to acquire shares of Wallester AS. During the option programme, the fair value of issued options is recorded as a labour expense and as an increase in equity (other reserves). The total expenditure is determined by the fair value of the options at the time of issue.

Note 2 Receivables and prepayments

(in euros)

	31 December 2018	Within 12 months	Note
Trade receivables	44,473	44,473	
Customer receivables	44,473	44,473	
Prepaid and deferred taxes	861	861	3
Other receivables	297,598	297,598	
Accrued income	297,598	297,598	
Prepayments	70,684	70,684	
Deferred expenses	68,707	68,707	
Other paid prepayments	1,977	1,977	
Total receivables and prepayments	**413,616**	**413,616**	
	31 December 2017	**Within 12 months**	**Note**
Prepaid and deferred taxes	5,087	5,087	3
Prepayments	450	450	
Other paid prepayments	450	450	
Total receivables and prepayments	**5,537**	**5,537**	

Note 3 Tax prepayments and liabilities

(in euros)

	31 December 2018		31 December 2017	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Value-added tax	861	0	5,087	0
Personal income tax	0	21,743	0	8,669
Fringe benefit income tax	0	674	0	241
Social tax	0	37,846	0	15,768
Contributions to mandatory funded pension	0	1,952	0	950
Unemployment insurance tax	0	2,063	0	1,119
Total tax prepayments and liabilities	**861**	**64,278**	**5,087**	**26,747**

Additional information is available in notes 2 and 6.

Note 4 Tangible assets

(in euros)

	Other tangible assets	Total
31 December 2016		
Acquisition cost	1,159	1,159
Accumulated depreciation	−29	−29
Residual cost	1,130	1,130
Acquisitions and additions	7,365	7,365
Depreciation	−1,722	−1,722
31 December 2017		
Acquisition cost	8,524	8,524
Accumulated depreciation	−1,751	−1,751
Residual cost	6,773	6,773
Acquisitions and additions	25,072	25,072
Depreciation	−7,822	−7,822
31 December 2018		
Acquisition cost	33,596	33,596
Accumulated depreciation	−9,573	−9,573
Residual cost	24,023	24,023

Note 5 Intangible assets

(in euros)

	Other intangible assets	Total
31 December 2016		
Acquisition cost	0	0
Accumulated depreciation	0	0
Residual cost	0	0
Acquisitions and additions	1,413,068	1,413,068
31 December 2017		
Acquisition cost	1,413,068	1,413,068
Accumulated depreciation	0	0
Residual cost	1,413,068	1,413,068
Acquisitions and additions	531,627	531,627
Depreciation	−204,266	−204,266
31 December 2018		
Acquisition cost	1,944,695	1,944,695
Accumulated depreciation	−204,266	−204,266
Residual cost	1,740,429	1,740,429

Intangible assets include Visa Associate Membership, VISA VEAS server usage rights, settlement account usage rights, and software development.

According to the management, the following criteria regarding intangible assets are met:

(a) existing technical and financial capability and positive intention to carry out a project;

(b) the entity is able to use or sell the assets being created;

(c) the future economic benefits of an intangible asset can be estimated;

(d) development costs can be reliably measured.

In order to assess the need for discounting of fixed assets, the management of the company has performed an asset value test. As part of the asset value test, the recoverable amount of intangible assets was determined by assessing the value of the cash-generating unit because the cash flows generated by the intangible assets are not distinguishable from the rest of the cash flows of the entity. The valuation of cash-generating units was performed using the discounted cash flow method. Cash flow projections are based on the cash flows of a cash-generating unit related to intangible assets. In determining the value in use of intangible assets, the operating profit from cash flows of 2019–2035 was taken into account and the need for discounting assets was not detected.

Note 6 Payables and prepayments
(in euros)

	31 December 2018	Within 12 months	Note
Trade payables	33,270	33,270	
Employee payables	51,224	51,224	
Tax payables	64,278	64,278	3
Other payables	242,552	242,552	
Other accrued expenses	242,552	242,552	
Prepayments received	15,897	15,897	
Other received prepayments	15,897	15,897	
Total payables and prepayments	**407,221**	**407,221**	
	31 December 2017	**Within 12 months**	**Note**
Trade payables	36,059	36,059	
Employee payables	19,191	19,191	
Tax payables	26,747	26,747	3
Other payables	24,862	24,862	
Other accrued expenses	24,862	24,862	
Total payables and prepayments	**106,859**	**106,859**	

Note 7 Share capital
(in euros)

	31 December 2018	31 December 2017
Share capital	219,972	166,981
Number of shares (pcs)	219,972	166,981
Nominal value of shares	1	1

In 2018, during the increasing of share capital, 52,991 (in 2017: 141,981) ordinary shares with a nominal value of 52,991 euros (in 2017: 141,981 euros) were issued with a share premium of 847,009 euros (in 2017: 737,252 euros). The shares were paid for in money.

In 2017, the general meeting of shareholders decided to set up a voluntary reserve capital in the amount of 1,413,068 euros. The voluntary reserve was created from a non-monetary contribution by the Estonian branch of Folkefinans AS.

Note 8 Sales revenue
(in euros)

	2018	2017
Sales revenue by geographical location		
Sales revenue in the European Union		
Estonia	320,623	0
Total sales revenue in the European Union	**320,623**	**0**
Total revenue	**320,623**	**0**
Sales revenue by operating activities		
Payment services	320,623	0
Total sales revenue	**320,623**	**0**

Note 9 Goods, raw materials, and services
(in euros)

	2018	2017
Goods purchased for resale	20,406	0
Services purchased for resale	289,108	0
Total goods, raw materials and services	**309,514**	**0**

Note 10 Miscellaneous operating expenses
(in euros)

	2018	2017
Leases	−8,462	−1,127
Energy	**−6,488**	**−345**
Miscellaneous office expenses	−19,831	−12,608
Travel expenses	−24,607	−4,689
Training expenses	−6,954	−179
Consultation costs	−27,734	−65,769
Accounting and audit costs	−11,503	−7,193
Other	−46,211	−27,866
Total miscellaneous operating expenses	**−151,790**	**−119,776**

Note 11 Labour expenses

(in euros)

	2018	2017
Wage and salary expenses	622,410	255,186
Social security taxes	191,011	86,253
Option programme	7,150	0
Total labour expenses	**820,571**	**341,439**
Average number of employees in full time equivalent units	14	5

Note 12 Related parties

(in euros)

Related party balances by groups

	31 December 2018	31 December 2017
	Liabilities	Liabilities
Legal persons with qualifying holdings and entrepreneurs under their prevalent or material influence	0	3,192

2017	Loans received	Repayments of loans received
Legal persons with qualifying holdings and entrepreneurs under their prevalent or material influence		
Brandberg OÜ	1,750	3,250
Ingles Investments OÜ	1,000	3,000
Formentor OÜ	3,250	3,250

Remuneration and other significant benefits provided to the executive and higher management		
	2018	2017
Remuneration	175,660	138,984

Signatures of the report

Date of completing the report: 13 May 2019

The accuracy of data of the annual report of Wallester AS (registry code: 11812882) for 1 January 2018 – 31 December 2018 has been electronically confirmed by:

Name of the signatory	Role of the signatory	Time of signing
AHTO PÄRL	Member of the Management Board	13 May 2019
VEIKO-JOEL KOKK	Member of the Management Board	13 May 2019
AINAR NURK	Member of the Management Board	13 May 2019

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INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)

To the Shareholders of AS Wallester

Opinion

We have audited the financial statements of AS Wallester (the Company), which comprise the balance sheet as at December 31, 2018, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Estonian financial reporting standard.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Management report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the Management report and, in doing so, consider whether the Management report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management report, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation of the financial statements in accordance with Estonian financial reporting standard, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA (EE)s 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 financial statements.

As part of an audit in accordance with ISA (EE)s, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the

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financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Aivar Kangust
Sworn Auditor
License number 223

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Pärnu mnt 22, 10141 Tallinn
May 14, 2019