

**SIA “DELFINGROUP”
ANNUAL ACCOUNTS FOR THE YEAR ENDED
31 DECEMBER 2019 AND
CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
PREPARED IN ACCORDANCE WITH THE
INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY EU**

TRANSLATION FROM LATVIAN

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

TABLE OF CONTENTS

| | |
|---|---------|
| Information on the Company and subsidiaries | 3 – 5 |
| Statement of management's responsibility | 6 |
| Management report | 7 - 8 |
| Corporate governance statement | 9 |
| Profit or loss account | 10 |
| Comprehensive income statement | 10 |
| Balance sheet | 11 – 12 |
| Statement of changes in equity | 13 |
| Cash flow statement | 14 – 15 |
| Notes | 16 – 40 |
| Independent Auditors' report | 41 – 46 |

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Information on the Company and Subsidiaries

| | |
|---|---|
| Name of the Company | DelfinGroup (till 04.02.2020. ExpressCredit) |
| Legal status of the Company | Limited liability company |
| Number, place and date of registration | 40103252854 Commercial Registry Riga, 12 October 2009 |
| Operations as classified by NACE classification code system | NACE2 64.92 Other credit granting NACE2 64.91 Financial leasing NACE2 47.79 Retail sale of second-hand goods in stores NACE 69.20 Accounting and auditing services, tax consultancy |
| Address | Skanstes street 50A (till 10.03.2020. Raunas street 44 k-1), Riga, LV-1013 Latvia |
| Names and addresses of shareholders | Lombards24.lv, SIA (65.99% till 07.12.2018., 65.18% from 07.12.2018.), Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas street 44k-1) AE Consulting, SIA (10.00%), Skanstes street 50A, Riga, Latvia (till 10.03.2020. Posma street 2) EC finance, SIA (21.51% till 07.12.2018., 21.32% from 07.12.2018.), Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas street 44k-1) Private individuals (3.5%) |
| Ultimate parent company | EA investments, AS Reg. No. 40103896106 Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas street 44k-1) |
| Names and positions of Board members | Agris Evertovskis – Chairman of the Board Kristaps Bergmanis – Member of the Board Didzis Ādmīdiņš – Member of the Board Ivars Lamberts – Member of the Board |
| Names and positions of Council members | Uldis Judinskis – Chairperson of the Council (from 16.05.2019.) Ramona Miglāne – Deputy Chairman of the Council (from 16.05.2019.) Anete Ozoliņa – Member of the Council (ex.Anete Zīlīte, from 16.05.2019.) Ieva Judinska-Bandeniece – Chairperson of the Council (from 10.07.2014. till 16.05.2019.) Uldis Judinskis – Deputy Chairman of the Council (from 27.06.2014. till 16.05.2019.) Ramona Miglāne – Member of the Council (from 27.06.2014. till 16.05.2019.) |
| Responsible person for accounting | Inta Pudāne - Chief accountant |
| Financial year | 1 January 2019 - 31 December 2019 |

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
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Name and address of the auditor

SIA BDO ASSURANCE
Certified Auditors' Company
license No. 182
Kaļķu street 15-3B,
Riga, LV-1050
Latvia

Responsible Certified Auditor:
Modrīte Johansone
Certificate No. 135

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Information on the Subsidiaries

| | |
|---|---|
| Subsidiary | SIA ExpressInkasso (parent company interest in subsidiary – 100%) |
| Date of acquisition of the subsidiary | 22.10.2010. |
| Number, place and date of registration of the subsidiary | 40103211998; Riga, 27 January 2009 |
| Address of the subsidiary | Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas Street 44 k-1) |
| Operations as classified by NACE classification code system of the subsidiary | 66.19 Financial support services except insurance and pension accrual |
| Subsidiary | SIA ViziaFinance (parent company interest in subsidiary – 100%) |
| Date of acquisition of the subsidiary | 23.02.2015. |
| Number, place and date of registration of the subsidiary | 40003040217; Riga, 06 December 1991 |
| Address of the subsidiary | Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas Street 44 k-1) |
| Operations as classified by NACE classification code system of the subsidiary | 64.92 Other financing services |
| Subsidiary | SIA REFIN (parent company interest in subsidiary – 100%) |
| Date of acquisition of the subsidiary | 03.10.2018. |
| Number, place and date of registration of the subsidiary | 40203172517; Riga, 03 October 2018 |
| Address of the subsidiary | Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas Street 44 k-1) |
| Operations as classified by NACE classification code system of the subsidiary | 64.92 Other financing services |

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
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Statement of management's responsibility



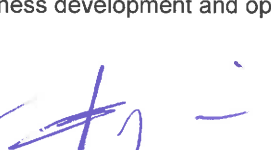
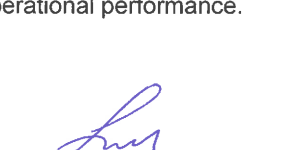
The management of SIA „DelfinGroup” group is responsible for the preparation of the financial statements.

Based on the information available to the Board of the parent company of the Group, the financial statements are prepared on the basis of the relevant primary documents and statements in accordance with International Financial Reporting Standards as adopted by the European Union and present a true and fair view of the Group's assets, liabilities and financial position as at 31 December 2019 and its profit and cash flows for 2019.

The management of the parent company confirms that the accounting policies and management estimates have been applied consistently and appropriately. The management of the parent company confirms that the consolidated financial statements have been prepared on the basis of the principles of prudence and going concern.

The management of the parent company confirms that is responsible for maintaining proper accounting records and for monitoring, controlling and safeguarding the Group's assets. The management of the parent company is responsible for detecting and preventing errors, irregularities and/or deliberate data manipulation. The management of the parent company is responsible for ensuring that the Group operates in compliance with the laws of the Republic of Latvia.

The management report presents fairly the Group's business development and operational performance.

| | | | |
|--|--|---|--|
|  _____ Agris Evertovskis Chairman of the Board |  _____ Didzis Ādmiņš Board Member |  _____ Kristaps Bergmanis Board Member |  _____ Ivars Lamberts Board Member |
|--|--|---|--|

Riga, 24th April 2020

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Management report

The Group's turnover in 12 months of 2019, compared to the same period of the previous year, has increased by 16% to EUR 21.8 million, while the company's loan portfolio amounted to EUR 31.6 million, which is an increase of 56% over the period.

In 2019, the Group's operations were affected by the changes in the Law on Consumer Rights that came into force on July 1, 2019. The unaudited results show that the company has been able to keep growing in size and in profitability under the new regulation. One reason for such track record is that 38% of DelfinGroup's revenues are generated by pawn shop operations (pawn loans, sale of goods etc.) which are not subject to the new regulation. Another reason is the company's overall efficiency achieved by the introduction of new value adding services and products and by closely monitoring the cost base. The company has further increased the maximum loan amount to EUR 5000. The Group continued to develop its youngest brand VIZIA reaching 75% annual growth in the net loan portfolio.

The company celebrated 10-year anniversary in October 2019 and marked the first completed business decade by defining a brand-new corporate identity, including the change of name from ExpressCredit to DelfinGroup in February 2020. DelfinGroup upgraded mission is to create and provide innovative and custom finance solutions to its clients.

In Q4 2019, DelfinGroup prepared for the new EUR 5 million bond issue. The preparation included setting up a new creditor structure whereby the bond holders of two existing notes issues (ISIN LV0000802213 and ISIN LV0000801322) and one new bond issue (ISIN LV0000802379), as well as Mintos platform became secured creditors of DelfinGroup. The aforementioned creditor claims are secured by a commercial pledge whereby SIA DelfinGroup and its subsidiaries SIA ViziaFinance, SIA ExpressInkasso, and SIA REFIN have pledged all their property and receivables as an aggregation of property at the moment of pledging as well as its future components. The pledgee is Law Office Eversheds Sutherland Bitāns according to the collateral agent agreement, and the commercial pledge is worth EUR 40.5 million. The subscription for the new bond issue was started on November 15, 2019 and by now ISIN LV0000802379 is subscribed by 72% or EUR 3.6 million.

By implementing business strategy and all planned activities the following financial results of the Group were achieved in year 2019 compared to year 2018:

| Position | EUR, million | Change, % |
|--------------------|---------------------|------------------|
| Net loan portfolio | 31.55 | +56.2 |
| Assets | 38.27 | +43.5 |
| Net profit | 3.91 | - 3.5 |

As to compliance with the Issue Terms of notes issue ISIN LV0000802213, ISIN LV0000802213, and ISIN LV0000802379 financial covenant computation are as follows:

| Covenant | Value as of 31.12.2019. | Compliance |
|---|--------------------------------|-------------------|
| <i>dividend amount including any interim dividends shall not exceed 40% of the last audited net profit</i> | 33% | yes |
| <i>to maintain Net Debt/Net Equity indicator not exceeding 4 to 1</i> | 3.60 | yes |
| <i>total consolidated value of inventories and loans and receivables, plus cash, shall exceed at least 1.15 times the sum of total consolidated secured liabilities</i> | 1.28 | yes |
| <i>total consolidated loan amount to shareholders, management and other Related Persons shall not exceed EUR 1,400,000</i> | 1 307 683 EUR | yes |

Branches

During the period from 1 January 2019 to 31 December 2019, the company continued to work on the branch network efficiency. As at 31 December 2018 the Group had 87 branches in 38 cities in Latvia (31.12.2018. - 86 branches in 39 cities).

Risk management

The Group is not exposed to significant foreign exchange rate risk because basic transaction currency is euro. Significant amount of funding of the Group consist of fixed coupon rate bonds, so that the Group is not significantly exposed to variable interest rate risk. Accurate application of the prudent strategies chosen has allowed the Group to successfully manage its financial risks, particularly the liquidity and credit risk.

Post balance sheet events

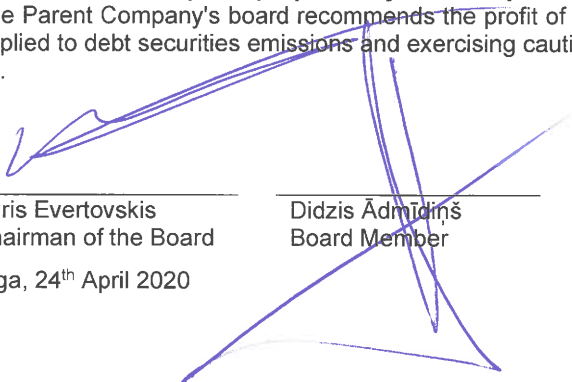
On March 12 2020, the Cabinet of Ministers of the Republic of Latvia decided to declare emergency situation in the country in relation to COVID-19. Even though the length and negative economic impact of the emergency situation cannot be precisely estimated, the Company has made, and will make in the future, decisions to ensure the Company's liquidity, cost reduction and portfolio quality until the COVID-19 situation is solved.

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Except the aforementioned, there are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2019.

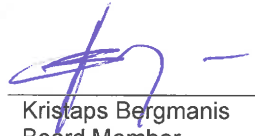
Distribution of the profit proposed by the Group

The Parent Company's board recommends the profit of 2019 to pay out in dividends, respecting the restrictions applied to debt securities emissions and exercising caution in relation to the uncertainty of the impact of COVID-19.



Agris Evertovskis
Chairman of the Board

Didzis Ādmiņš
Board Member



Kristaps Bergmanis
Board Member



Ivars Lamberts
Board Member

Riga, 24th April 2020

Corporate governance statement

Due to the fact that SIA "ExpressCredit", VNR 40103252854 (hereinafter "Company") bonds are listed on the Nasdaq Riga Stock Exchange, the Corporate Governance Statement in 2019 was prepared in accordance with Section 56.2. requirements of the third paragraph of Financial Instruments Market Law.

Information on the key elements of Company's internal control and risk management system applied in the preparation of financial statements.

Company's management, internal control and risk management are carried out in accordance with the principles of prudence and effectiveness with the aim of ensuring Company's sustainable operation in accordance with the existing laws and regulations and the interests of Company's shareholders and creditors.

The financial statements are prepared in accordance with existing laws and regulations and in accordance with International Financial Reporting Standards as adopted by the EU. Statements are prepared by an accountant using licensed accounting software and supervised by the management. In 2014, Company set up a council that also carries out the monitoring function of annual reporting. The reports are independently audited, within which the auditor provides an opinion on the compliance of the accounts with regulatory enactments and International Standards.

Basic business data, regardless of accounting, is accounted for in a specially tailored data processing system. This ensures double control of the underlying data and reduces the impact of human error factors on enterprise data records.


Company's financial risks are monitored by Company's management. The supervision of capital adequacy and liquidity is being managed conservatively and followed up so that the company can meet all its external obligations. Company is not exposed to significant currency fluctuations because all assets and liabilities are denominated in EUR. The risk of fluctuations in interest rates is insignificant due to the fact that borrowings with variable interest rates are basically short-term and non-substantial.

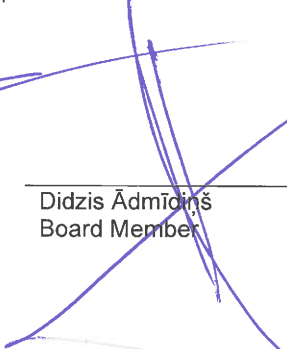
To compensate for credit risks arising from Company's operating activities - lending, the Company performs following principles: (1) all credit granting decisions are made on the basis of an approach approved by management and based on statistical analysis; (2) adhere to the principle of diversification - without concentrating loans towards one or a few clients; (3) calculates provisions for doubtful debts according to the developed methodology; (4) attracts and trains professional staff who work with problem debtors; (5) problematic debtors that qualify for certain criteria are assigned to debt collection companies via cession.

Company's legal risks are supervised and managed by the members of the Board in line with the responsibilities, by attracting professional legal service providers.

The Board of the Company is responsible for ensuring the functioning of the multilateral and appropriate internal control and risk management system.

The Company's Annual Report and Corporate Governance Report for 2019 is available on the website of AS Nasdaq Riga www.nasdaqbaltic.com and on the Company's website www.delfingroup.lv.


Agris Evertovskis
Chairman of the Board


Didzis Ādmiņš
Board Member


Kristaps Bergmanis
Board Member


Ivars Lamberts
Board Member

Riga, 24th April 2020

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
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Profit or loss account for the year ended 31 December 2019


| | Notes | Parent company 2019 EUR | Group 2019 EUR | Parent company 2018 EUR | Group 2018 EUR |
|---|-------|----------------------------------|----------------------|----------------------------------|----------------------|
| Net sales | (1) | 5 403 464 | 5 403 464 | 4 186 422 | 4 186 422 |
| Cost of sales | (2) | (3 603 607) | (3 603 607) | (2 658 754) | (2 658 754) |
| Interest income and similar income | (3) | 14 968 334 | 16 382 466 | 13 793 021 | 14 663 755 |
| Interest expenses and similar expenses | (4) | (3 856 979) | (4 352 226) | (2 679 091) | (2 792 480) |
| Gross profit | | 12 911 212 | 13 830 097 | 12 641 598 | 13 398 943 |
| Selling expenses | (5) | (5 641 153) | (5 974 428) | (5 558 053) | (5 931 648) |
| Administrative expenses | (6) | (3 335 473) | (3 487 530) | (2 659 968) | (2 770 859) |
| Other operating income | | 113 712 | 94 932 | 93 244 | 80 184 |
| Other operating expenses | (7) | (197 288) | (199 778) | (151 363) | (151 419) |
| Income from investments | | - | - | 490 000 | - |
| Profit before corporate income tax | | 3 851 010 | 4 263 293 | 4 855 458 | 4 625 201 |
| Income tax expense | (8) | (349 957) | (349 957) | (78 868) | (78 879) |
| Profit after corporate income tax | | 3 501 053 | 3 913 336 | 4 776 590 | 4 546 322 |
| Interim dividend | | - | - | (490 000) | (490 000) |
| Profit for the reporting year | | 3 501 053 | 3 913 336 | 4 286 590 | 4 056 322 |


Comprehensive income statement for 2019


| | 2019 EUR | 2019 EUR | 2018 EUR | 2018 EUR |
|--------------------------------------|------------------|------------------|------------------|------------------|
| Profit for the reporting year | 3 501 053 | 3 913 336 | 4 776 590 | 4 546 322 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | 3 501 053 | 3 913 336 | 4 776 590 | 4 546 322 |


Notes on pages from 16 to 40 are integral part of these financial statements.


Agris Evertovskis
Chairman of the Board


Kristaps Bergmanis
Board Member


Didzis Ādmiņš
Board Member


Ivars Lamberts
Board Member


Ināra Pudāne
Chief accountant


Rīga, 24th April 2020

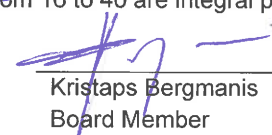
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FOR THE YEAR ENDED 31 DECEMBER 2019
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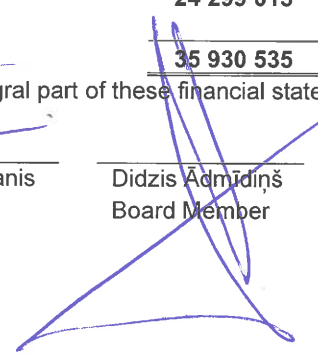
Balance sheet as at 31 December 2019


| <u>Assets</u> | Notes | Parent company 31.12.2019. EUR | Group 31.12.2019. EUR | Parent company 31.12.2018. EUR | Group 31.12.2018. EUR |
|---|---------|---|-----------------------------|---|-----------------------------|
| Non-current assets: | | | | | |
| Intangible assets: | | | | | |
| Concessions, patents, licenses, trademarks and similar rights | | 184 201 | 184 201 | 204 024 | 204 024 |
| Other intangible assets | | 16 005 | 35 733 | 22 777 | 43 204 |
| Goodwill | | - | 127 616 | - | 127 616 |
| Advances on intangible assets | | 6 748 | 6 748 | - | - |
| Total intangible assets: | (9) | 206 954 | 354 298 | 226 801 | 374 844 |
| Property, plant and equipment: | | | | | |
| Investments in property, plant and equipment | | 54 515 | 54 515 | 34 525 | 34 525 |
| Right-of-use assets | | 1 980 106 | 1 980 106 | - | - |
| Other fixtures and fittings, tools and equipment | | 351 553 | 351 553 | 193 571 | 193 571 |
| Total property, plants and equipment | (10;11) | 2 386 174 | 2 386 174 | 228 096 | 228 096 |
| Non-current financial assets: | | | | | |
| Investments in related companies | (12) | 1 682 828 | - | 1 182 828 | - |
| Loans to related companies | (16) | 117 620 | 117 620 | - | - |
| Loans and receivables | (15) | 6 215 523 | 8 859 789 | 3 121 260 | 3 491 915 |
| Loans to shareholders and management | (13) | 1 022 423 | 1 022 423 | 1 073 823 | 1 072 274 |
| Total long-term investments: | | 9 038 394 | 9 999 832 | 5 377 911 | 4 564 189 |
| Total non-current assets: | | 11 631 522 | 12 740 304 | 5 832 808 | 5 167 129 |
| Current assets: | | | | | |
| Inventories: | | | | | |
| Finished goods and goods for sale | (14) | 1 155 352 | 1 155 352 | 848 111 | 848 111 |
| Total inventories: | | 1 155 352 | 1 155 352 | 848 111 | 848 111 |
| Receivables: | | | | | |
| Loans and receivables | (15) | 16 163 461 | 22 687 085 | 14 886 732 | 16 658 940 |
| Receivables from affiliated companies | (16) | 165 112 | 165 112 | 518 695 | 204 335 |
| Debt to related companies | (16) | 5 725 734 | 2 528 | - | - |
| Other debtors | (17;26) | 183 065 | 275 751 | 218 449 | 230 989 |
| Deferred expenses | (18) | 93 988 | 108 539 | 52 085 | 66 945 |
| Total receivables: | | 22 331 360 | 23 239 015 | 15 675 961 | 17 161 209 |
| Cash and bank | (19) | 812 301 | 1 135 644 | 3 368 567 | 3 489 176 |
| Total current assets: | | 24 299 013 | 25 530 011 | 19 892 639 | 21 498 496 |
| Total assets | | 35 930 535 | 38 270 315 | 25 725 447 | 26 665 625 |


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Agris Evertovskis
Chairman of the Board


Kristaps Bergmanis
Board Member


Didzis Admiņš
Board Member


Ivars Lamberts
Board Member



Inta Pudāne
Chief accountant


Riga, 24th April 2020

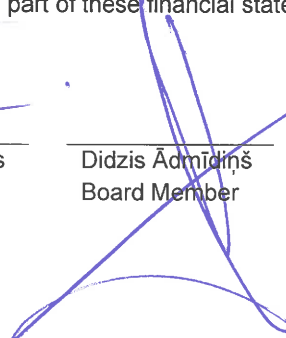
**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**


| Balance sheet as at 31 December 2019 | | Parent | Group | Parent | Group |
|---|---------|------------------------|-------------------|------------------------|-------------------|
| <u>Liabilities</u> | Notes | company 31.12.2019. | 31.12.2019. | company 31.12.2018. | 31.12.2018. |
| Shareholders' funds: | | EUR | EUR | EUR | EUR |
| Share capital | (20) | 1 500 000 | 1 500 000 | 1 500 000 | 1 500 000 |
| Retained earnings | | 2 774 384 | 2 954 156 | (12 206) | 397 834 |
| Profit for the reporting year | | 3 501 053 | 3 913 336 | 4 286 590 | 4 056 322 |
| Total shareholders' funds: | | 7 775 437 | 8 367 492 | 5 774 384 | 5 954 156 |
| Creditors: | | | | | |
| Long-term creditors: | | | | | |
| Bonds issued | (21) | 6 059 853 | 6 059 853 | 6 192 631 | 6 192 631 |
| Other borrowings | (22) | 4 810 611 | 5 637 790 | 936 930 | 996 544 |
| Lease liabilities for right-of-use assets | (11;23) | 1 475 350 | 1 475 350 | - | - |
| Total long-term creditors: | | 12 345 814 | 13 172 993 | 7 129 561 | 7 189 175 |
| Short-term creditors: | | | | | |
| Bonds issued | (21) | 1 764 767 | 1 764 767 | 1 722 136 | 1 722 136 |
| Other borrowings | (22) | 11 522 068 | 13 078 131 | 9 810 701 | 10 643 864 |
| Lease liabilities for right-of-use assets | (11;23) | 549 585 | 549 585 | - | - |
| Trade payables | (25) | 480 690 | 501 355 | 384 573 | 400 778 |
| Accounts payable to affiliated companies | (24) | 234 266 | 179 | 171 611 | 416 |
| Taxes and social insurance | (26) | 233 164 | 243 989 | 195 303 | 199 137 |
| Accrued liabilities | (25) | 1 024 744 | 591 824 | 537 178 | 555 963 |
| Total short-term creditors: | | 15 809 284 | 16 729 830 | 12 821 502 | 13 522 294 |
| Total creditors | | 28 155 098 | 29 902 823 | 19 951 063 | 20 711 469 |
| <u>Total liabilities and shareholders' funds</u> | | 35 930 535 | 38 270 315 | 25 725 447 | 26 665 625 |


Notes on pages from 16 to 40 are integral part of these financial statements.


Agris Evertovskis
Chairman of the Board


Kristaps Bergmanis
Board Member


Didzis Ādmiņš
Board Member


Ivars Lamberts
Board Member


Ināra Pudāne
Chief accountant

Riga, 24th April 2020

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
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Statement of changes in equity of the Parent Company's for the year ended 31 December 2019

| | Share capital EUR | Retained earnings EUR | Profit for the reporting year EUR | Total EUR |
|--------------------------------|----------------------|--------------------------|---|------------------|
| As at 31 December 2017 | 1 500 000 | - | 1 739 714 | 3 239 714 |
| Dividends paid | - | (1 739 714) | (490 000) | (2 229 714) |
| Profit transfer | - | 1 739 714 | (1 739 714) | - |
| Decrease in retained earnings* | - | (12 206) | - | (12 206) |
| Profit for the reporting year | - | - | 4 776 590 | 4 776 590 |
| As at 31 December 2018 | 1 500 000 | (12 206) | 4 286 590 | 5 774 384 |
| Dividends paid | - | (1 500 000) | - | (1 500 000) |
| Profit transfer | - | 4 286 590 | (4 286 590) | - |
| Profit for the reporting year | - | - | 3 501 053 | 3 501 053 |
| As at 31 December 2019 | 1 500 000 | 2 774 384 | 3 501 053 | 7 775 437 |

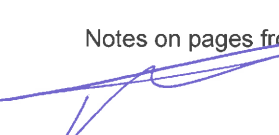
* IFRS 9 transitional provisions adjustment of the carrying amount of financial assets for 01.01.2018. is recognized in retained earnings of previous years.

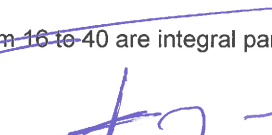
Statement of changes in equity of the Group for the year ended 31 December 2019

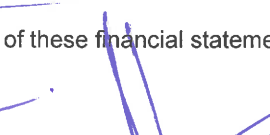
| | Share capital EUR | Retained earnings EUR | Profit for the reporting year EUR | Total EUR |
|--|----------------------|--------------------------|---|------------------|
| As at 31 December 2017 | 1 500 000 | 232 708 | 1 956 770 | 3 689 478 |
| Dividends paid | - | (1 739 714) | (490 000) | (2 229 714) |
| Prior years' retained earnings of subsidiary sold | - | - | (3 343) | (3 343) |
| Profit transfer | - | 1 953 427 | (1 953 427) | - |
| Decrease in retained earnings* | - | (48 587) | - | (48 587) |
| Profit for the reporting year | - | - | 4 546 322 | 4 546 322 |
| As at 31 December 2018 | 1 500 000 | 397 834 | 4 056 322 | 5 954 156 |
| Dividends paid | - | (1 500 000) | - | (1 500 000) |
| Profit transfer | - | 4 056 322 | (4 056 322) | - |
| Profit for the reporting year | - | - | 3 913 336 | 3 913 336 |
| As at 31 December 2019 | 1 500 000 | 2 954 156 | 3 913 336 | 8 367 492 |

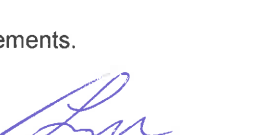
* IFRS 9 transitional provisions adjustment of the carrying amount of financial assets for 01.01.2018. is recognized in retained earnings of previous years.


Notes on pages from 16 to 40 are integral part of these financial statements.


Agris Evertovskis
Chairman of the Board


Kristaps Bergmanis
Board Member


Didzis Aomidiņš
Board Member


Ivars Lamberts
Board Member


Inta Pudāne
Chief accountant

Riga, 24th April 2020

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Cash flow statement for the year ended 31 December 2019

| | Parent company 2019 EUR | Group 2019 EUR | Parent company 2018 EUR | Group 2018 EUR |
|--|----------------------------------|----------------------|----------------------------------|----------------------|
| <u>Cash flow from operating activities</u> | | | | |
| Profit before extraordinary items and taxes | 3 851 010 | 4 263 293 | 4 855 458 | 4 625 201 |
| <u>Adjustments for:</u> | | | | |
| a) fixed assets and intangible assets depreciation | 238 974 | 243 863 | 241 753 | 250 463 |
| b) right-of-use assets depreciation | 741 956 | 741 956 | - | - |
| c) accruals and provisions (except for bad debts) | 977 659 | 1 677 719 | 308 741 | 350 187 |
| d) write-off of provisions | - | - | 75 263 | 75 263 |
| e) cessation results | 1 169 308 | 1 499 243 | 440 273 | 494 170 |
| f) interest income | (14 968 334) | (16 382 466) | (13 793 021) | (14 663 755) |
| g) interest and similar expense | 2 687 671 | 2 852 983 | 2 238 818 | 2 298 310 |
| h) impairment of non-current and current financial assets | (34 601) | (34 601) | (14 454) | (13 151) |
| i) other adjustments | 15 527 | 15 527 | - | (3 343) |
| Loss before adjustments of working capital and short-term liabilities | (5 320 830) | (5 122 483) | (5 647 169) | (6 586 655) |
| <u>Adjustments for:</u> | | | | |
| a) increase in consumer loans issued (core business) and other debtors | (5 306 286) | (13 094 722) | (3 802 524) | (4 688 586) |
| b) stock (increase)/ decrease | (307 241) | (307 241) | (240 379) | (240 379) |
| c) trade creditors increase | 1 546 901 | 1 106 837 | 228 441 | 239 400 |
| d) Acquisition of right-of-use assets | (2 737 589) | (2 737 589) | - | - |
| Gross cash flow from operating activities | (12 125 045) | (20 155 198) | (9 461 631) | (11 276 220) |
| Corporate income tax payments | (78 868) | (78 879) | (338 863) | (367 824) |
| Interest income | 15 023 844 | 16 421 309 | 13 667 153 | 14 521 911 |
| Interest paid | (2 971 149) | (2 766 157) | (2 217 432) | (2 276 924) |
| Net cash flow from operating activities | (151 218) | (6 578 925) | 1 649 227 | 600 943 |
| <u>Cash flow from investing activities</u> | | | | |
| Acquisition of affiliated, associated or other companies shares or parts | (500 000) | - | (300 000) | - |
| Earnings from the disposal of shares in subsidiaries | - | - | 513 000 | - |
| Acquisition of fixed assets and intangibles | (426 272) | (430 462) | (206 020) | (222 690) |
| Proceeds from sales of fixed assets and intangibles | 63 774 | 63 774 | 15 369 | 19 226 |
| Loans issued/repaid (other than core business of the Company) (net) | (5 438 371) | (31 074) | (287 067) | 25 981 |
| Net cash flow from investing activities | (6 300 869) | (397 762) | (264 718) | (177 483) |

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Cash flow statement for the year ended 31 December 2019 (continued)

| <u>Cash flow from financing activities</u> | | | | |
|---|--------------------|--------------------|------------------|------------------|
| Loans received and bonds issued (net) | 11 462 075 | 14 279 871 | 8 204 777 | 8 559 898 |
| Redemption/purchase of bonds | (1 750 000) | (1 750 000) | (1 106 000) | (1 106 000) |
| Loans repaid | (5 040 349) | (7 130 811) | (4 896 114) | (4 316 328) |
| Finance lease payments | (104 394) | (104 394) | (61 887) | (61 887) |
| Lease liabilities for right-of-use assets payments | 828 489 | 828 489 | - | - |
| Dividends paid | (1 500 000) | (1 500 000) | (2 229 714) | (2 229 714) |
| Net cash flow from financing activities | 3 895 821 | 4 623 155 | (88 938) | 845 969 |
| Net cash flow of the reporting year | (2 556 266) | (2 353 532) | 1 295 571 | 1 269 429 |
| Cash and cash equivalents at the beginning of the reporting year | 3 368 567 | 3 489 176 | 2 072 996 | 2 219 747 |
| Cash and cash equivalents at the end of reporting year | 812 301 | 1 135 644 | 3 368 567 | 3 489 176 |

Notes on pages from 16 to 40 are integral part of these financial statements.

| | | | | |
|---|---|--|--|---|
|  |  |  |  |  |
| _____ Agris Evertovskis Chairman of the Board | _____ Kristaps Bergmanis Board Member | _____ Didzis Ādmidiņš Board Member | _____ Ivars Lamberts Board Member | _____ Ināta Pudāne Chief accountant |

Rīga, 24th April 2020

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes

Accounting policies

(a) Basis of preparation

These financial statements have been prepared based on the accounting policies and measurement principles as set out below.

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial statements are prepared based on historic cost method. In cases when reclassification not affecting prior year profit and equity is made, the relevant explanations are provided in the notes to the financial statements.

The preparation of financial statements in accordance with IFRS requires the use of significant estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the information on contingent assets and liabilities at the balance sheet date and the revenues and costs for the reporting period. Although these estimates are based on the information available to the management regarding the current events and actions, the actual results may differ from the estimates used. Critical assumptions and judgements are described in the relevant sections of the Notes to the financial statements.

The Company have adopted the following new standards and amendments to standards that are published and adopted by the EU:

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognize a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

Effect of IFRS 16 adoption

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group also applied the available practical expedients wherein it:

- * Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- * Relied on its assessment of whether leases are onerous immediately before the date of initial application
- * Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- * Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The Group chose to use exceptions to leases that are short term, and leases of value that is not material. The Group has two main categories of right-of-use assets - lease of premises and lease of motor vehicles.

The off-balance sheet lease obligations as of 31 December 2018 are reconciled as follows to the recognized lease liabilities as of 1 January 2019:

| | 01.01.2019. |
|--|--------------------|
| | EUR |
| Off-balance sheet lease obligations as of 31 December, 2018. | 2 484 108 |
| Operating lease obligations as of January 1, 2019 (gross without discounting) | 2 484 108 |
| Operating lease obligations as of January 1, 2019 (net, discounted) | 2 007 825 |
| Residual value guarantees | - |
| Non-lease-components | - |
| Lease liabilities due to initial application of IFRS 16 as of January 1, 2019 | 2 007 825 |

The quantitative impact of the first-time application of IFRS 16 on the consolidated balance sheet as of 31 December 2018 or 1 January 2019 is shown in the following table:

| | 31.12.2018 before application of new IFRS | Adjutments IFRS 16 | 01.01.2019 after application of new IFRS |
|---|---|-----------------------|--|
| | EUR | EUR | EUR |
| Right-of-use assets | - | 2 010 644 | 2 010 644 |
| Prepayments | - | (4 178) | (4 178) |
| Lease liabilities for right-of-use assets | - | (2 007 825) | (2 007 825) |

Additional information on IFRS 16 adoption is disclosed in Note 11.

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

Accounting policies (continued)

The following amended standards became effective from 1 January 2019, but did not have any material impact on the Company and the Group, according to the Company's and the Group's management assessment:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual improvements for IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 2019).

New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. The Company and the Group does not plan to adopt these standards early.

(i) Amendments to References to Conceptual Framework in IFRS Standards

Amendments to References to Conceptual Framework in IFRS Standards published on 29 March 2018 are effective for annual periods beginning after 1 January 2020 or later.

(ii) Amendments to IFRS 3: Business Combinations

Amendments to IFRS 3: Business Combinations published on 22 October 2018 are effective for annual periods beginning after 1 January 2020 or later.

(iii) Amendments to IAS 1 and IAS 8 regarding the definition of materiality

Amendments to IAS 1 and IAS 8 regarding the definition of materiality published on 31 October 2018 are effective for annual periods beginning after 1 January 2020 or later.

(b) Accounting principles applied

The items in the financial statements have been measured based on the following accounting principles:

- a) It is assumed that the company will continue as a going concern;
- b) The measurement methods applied in the previous reporting year have been used;
- c) The measurement of the items has been performed prudently meeting the following criteria:
 - Only profits accruing up to the balance sheet date have been included in the report;
 - All possible contingencies and losses arising in the reporting year or the previous year have been recognised, even if they became known in the period between the balance sheet date and the issuance of the annual report;
 - All impairment and depreciation charges have been calculated and recognised irrespectively of whether the company has operated profitably or not during the reporting year;
- d) All income and expenses relating to the accounting year irrespective of the date of the payments made or the dates of receipt or payment of invoices have been recognised. Revenues are matched with expenses in the reporting year.
- e) Assets and liabilities are presented at their gross amounts;
- f) The opening balances of the reporting period reconcile with the closing balances of the previous reporting period;
- g) All items which may materially affect the assessment or decision-making of the users of the financial statements are presented, immaterial items have been aggregated and their breakdown is presented in the Notes;
- h) Business transactions are presented based on their economic substance rather than their legal form.

Asset and liability recognition is performed on historical cost basis. All financial assets and liabilities are classified as held to maturity or loans and receivables.

(c) Consolidation principles

The consolidated financial statements have been prepared under the cost method. The companies included in the consolidation are the Group's parent company and the subsidiaries in which the Group's parent company holds, directly or indirectly, more than a half of the voting rights, or the right to control their financial and operating policies is acquired otherwise. Where the Group owns more than a half of the share capital of another company without controlling the company, the respective company is not consolidated. The subsidiaries of the Group are consolidated from the moment the Group has taken over control, and the consolidation is terminated when the control cease to exist. Where the date of the share purchase agreement or the date of the decision of shareholders on making further investments is fundamentally different from the date of on which share ownership changes or the registration date as recorded in the Register) of Enterprises, the date of agreement shall be considered the date of the share purchase or the date of the investment, unless the agreement provides otherwise. The Group's all inter-company transactions and balances and unrealised profit on transactions between group companies are eliminated; unrealised losses are eliminated as well, except for the cases when the expenses are not recoverable. Where necessary, the accounting and measurement methods applied by the Group's subsidiaries have been changed to bring them in compliance with the Group's accounting and measurement methods.

In these statements the minority interest in the share capital of the Group's consolidated subsidiaries and their income statement have been presented separately.

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

Accounting policies (continued)

(d) Recognition of revenue and expenses

- **Net sales**

Net revenue represents the total value of goods sold and services provided during the year net of value added tax.

- **Interest income and similar income**

The Company presents interest income in the section of the Profit and loss account prior to calculation of gross profit, as this income is related to the basic activities of the Company – charging interest for loans issued in return to pledge held as security or loans issued on other conditions. Interest income is recognised using accruals principle. Interest income is not recognised from the moment the recoverability of principal is considered doubtful. Penalty interest is recognised on a cash basis.

- **Other income**

Other income is recognised based on accruals principle.

- **Penalties and similar income**

Of collection exists, is recognised based on cash principle.

- **Expenses**

Expenses are recognised based on accruals principle in the period of origination, irrespective of the moment of payment. Expenses related to financing of loans is recognised in the period of liability origination and included in the profit and loss items „Interest and similar expenses”.

(e) Foreign currency translation

(e1) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statement items are denominated in euro (EUR), which is the Company's functional and presentation currency.

(e2) Transactions and balances

All transactions in foreign currencies are translated into the functional currency using the exchange rates at the date of the respective transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement of the respective period. At the balance sheet date the rates set by the Bank of Latvia were:

| | 31.12.2019. | 31.12.2018. |
|-----|--------------------|--------------------|
| | 1 EUR | 1 EUR |
| USD | 1.12 | 1.15 |
| RUB | 69.96 | 79.72 |

(f) Fair value of Financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Fair values of financial assets or liabilities, including derivative financial instruments in active markets are based on quoted market prices. If the market for a financial asset or liability is not active (and for unlisted securities) the Group establishes fair value by using valuation techniques. These include the use of discounted cash flow analysis, option pricing models and recent comparative transactions as appropriate and may require the application of management's judgement and estimates.

Where, in the opinion of the Management, the fair values of financial assets and liabilities differ materially from their book values such fair values are separately disclosed in the notes to the accounts.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments plus accrued interest and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any) are not presented separately and are included in the carrying values of related items on the balance sheet.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(g) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

Accounting policies (continued)

(h) Intangible assets (including Company's goodwill) and fixed assets

All intangible assets and fixed assets are initially measured at cost. Intangible assets and fixed assets are recorded at historic cost net of depreciation and permanent diminution in value. Depreciation or amortisation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

| | years |
|--------------------|-------|
| Intangibles | 3 – 5 |
| Other fixed assets | 3 – 5 |

The residual values, remaining useful lives and methods of depreciation are reviewed and, if required, adjusted annually. Fixed asset and intangibles recognition is terminated in case of its liquidation or when no future benefits are expected in connection with the utilisation of the respective asset. Any profit or loss connected with the termination of recognition (calculated as difference between the disposal gains and net book value as at the moment of derecognition), is recognised in the profit or loss account in the period when derecognition occurs. Leasehold improvements are written down on a straight-line basis over the shorter of the estimated useful life of the leasehold improvement and the term of the lease. Current repairs and maintenance costs are charged to profit and loss account in the period when the respective costs are incurred.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the net fair value of share of equity acquired. The recognised goodwill is reassessed at least on an annual basis to make sure no permanent diminution in value has occurred. In case such diminution in value is identified, the diminution in value is recognised in the income statement of the respective year.

(i) Investments in the subsidiaries and associated companies

In the financial statements the investments in associated companies are carried at equity method. Under this method the value of the investment at the balance sheet date comprises the value of the equity of the associated company corresponding to the share of investment and the book value of the positive goodwill arising at the acquisition of the investment.

At the year-end the amount of the reported item is increased or decreased by reference to the Company's share in the profit or loss of the associated company during the year (in the post-acquisition period), or other changes in equity, as well as by the reduction of the goodwill arising at acquisition to its recoverable amount. Unrealised profit on inter-company transactions is excluded. Profit distribution is presented in the year following the reporting year in which the shareholders adopt a decision on profit distribution.

(j) Impairment of assets

Intangible assets which are not put into operation or which do not have a useful life are not amortised; their value is reviewed annually. The value of the assets subject to depreciation or amortisation is reviewed whenever any events or circumstances support that their carrying value may not be recoverable. Impairment losses are recognised in the amount representing the difference between the carrying value of the asset and its recoverable value. Recoverable amount is the higher of the respective asset's fair value less the costs to sell and the value in use. In order to determine impairment, assets are grouped based on the smallest group of assets that independently generates cash flow (cash generating units).

(k) Segments

A geographical segment provides products or services within a particular economic environment that is subject to other economic environments characterized by different risks and benefits. A business segment is a share of assets and operations, providing products and services that are subject to other business segments of different risks and benefits.

(l) Inventories

Inventories are stated at the lower of cost or market price. Inventories are measured using the weighted FIFO method. The Company assesses at each balance sheet date whether there is objective evidence that inventories are impaired and makes provisions for slow-moving or damaged inventories. Inventories loss is recognised in the period such loss is identified, writing off the relevant inventory values to the period profit and loss account.

(m) Seized assets

Collateral is repossessed following the foreclosure on loans that are in default. Seized assets are measured at the lower of cost or net realisable value and reported within "Inventories".

(n) Trade and other receivables

Accounts receivable comprise loans and other receivables (other debtors, advances and deposits) that are non-derivative financial assets with fixed or determinable payments. Loans are carried at amortised cost where cost is defined as the fair value of cash consideration given to originate those loans. All loans and receivables are recognised when cash is advanced to borrowers and derecognised on repayments. The Company has granted consumer loans to customers throughout its market area. The economic condition of the market area may have an impact on the borrowers' ability to repay their debts. Restructured loans are no longer considered to be past due unless the loan is past due according to the renegotiated terms.

From October 2015 the Company has started issuance of pledged loans (except pledges in the form of golden and silver articles) with new lending conditions, that assume 10% commission in case of loan default and subsequent sale of the pledge, i.e., the revenues received by the Company from the sale of the pledge, decreased by the VAT portion. The pledges are made available for sale after 30 days of default however, they continue to hold the status of the pledge and the loan recipient has the rights to buy out the pledge before the sale. In the financial statements these pledges are classified as loans issued. In case a surplus originates upon a sale of the pledge and the related costs (loan issued, interest and penalties accrued, intermediary and holding commissions), the surplus is recognised as the liability of the company to the loan recipient. The liability expires, if the loan recipient does not claim the amount due within the 10 years term as defined in Article 1895 of the Civil Code. If the loan recipient has not claimed the surplus within the legally defined time limits, the Company recognises the income. Such income is outside VAT legislation and is not VAT taxable.

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

Accounting policies (continued)

The Company assesses at each balance sheet date whether there is objective evidence that loans are impaired. If any such evidence exists, the amount of the allowances for loan impairment is assessed as the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from collateral discounted at the original effective interest rate. The assessment of the evidence for impairment and the determination of the amount of allowances for impairment or its reversal requires the application of management's judgement and estimates. Management's judgements and estimates consider relevant factors including but not limited to, the identification of non-performing loans (loan repayment schedule compliance), the estimated value of collateral (if taken) as well as other relevant factors affecting loan and recoverability and collateral values. These judgements and estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become known. The Management of the Company have made their best estimates of losses based on objective evidence of impairment and believe those estimates presented in the financial statements are reasonable in light of available information.

When loans cannot be recovered they are written off and charged against allowances for loan impairment losses. They are not written off until all the necessary legal procedures have been completed and the amount of the loss is finally determined.

The provision in the allowance account is reversed if the estimated recovery value exceeds the carrying amount.

Provisions for interest income debts is made in accordance with the policies set by the management of the Company. In accordance with the provisioning policy the Company calculates the provision required based on prior experience of loan volumes that turn out to be doubtful and the statistics of recoverability of such debts. The provision for interest accrued is made in accordance with the provisioning policies set by the management making sure that cash flows from interest receivable are excluded from cash flows used as the basis for principal recoverability testing.

The recoverability of other debtors, advances and deposits paid is valued on individual basis if there are any indications of net book value of the asset exceeding its recoverable amount.

(o) Finance lease

Where the property, plant and equipment are acquired under a finance lease arrangement and the Company/Group takes over the related risks and rewards, the property, plant and equipment items are measured at the value at which they could be purchased for an immediate payment. Leasing interest is charged to the profit and loss in the period in which it arises.

(p) Operating leases

Company is a lessor

The type of lease in which the lessor retains a significant part of the risks and rewards pertaining to ownership, is classified as operating lease. Lease payments and prepayments for a lease (net of any financial incentives received from the lessor) are charged to the profit and loss under a straight-line method over the lease term.

(q) Taxes

The corporate income tax expense is included in the financial statements based on the management's calculations made in accordance with the requirements of Latvian tax legislation.

As of 1 January 2018, Corporate Income Tax is paid on distributed and notionally distributed profits.

The distributed and conditionally distributed profit will be subject to a 20 percent gross tax or 20/80 of the net cost. Corporate income tax on dividend payments is recognized in the income statement.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences are reversed or the tax loss carry forwards are utilised. Deferred tax balance is measured at a tax rate which is applicable for undistributed profits until decision of profits distribution is made. Therefore, any deferred tax liabilities or assets are recognised at tax rate applicable to undistributed profits.

(r) Provisions for unused annual leave

The amount of provision for unused annual leave is determined by multiplying the average daily pay of employees during the last 6 months by the number of accrued but unused annual leave days the end of the reporting year. The company separates the vacation provisions paid out till the date of annual report preparation and treats them as CIT deductible in the reporting period.

(s) Borrowings

Initially borrowings are recognised at the proceeds received net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost which is determined using the effective interest method. The difference between the proceeds received, net of transaction costs and the redemption value of the borrowing is gradually recognized in the profit and loss account over the term of the borrowing.

(t) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, balances of current accounts with banks and short-term deposits with a maturity term of up to 90 days.

(u) Payment of dividends

Dividends due to the shareholders are recognized in the financial statements as a liability in the period in which the shareholders approve the disbursement of dividends.

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

Accounting policies (continued)

(v) Financial risk management

(v1) Financial risk factors

The activities of the Company expose it to different financial risks:

- (v1.1) foreign currency risk;
- (v1.2) credit risk;
- (v1.3) operational risk;
- (v1.4) market risk;
- (v1.5) liquidity risk;
- (v1.6) cash flow and interest rate risk.

The Company's overall risk management is focused on the uncertainty of financial markets and aims to reduce its adverse effects on the Company's financial indicators. The Finance Director is responsible for risk management. The Finance Director identifies, assesses and seeks to find solutions to avoid financial risks acting in close cooperation with other structural units of the Company.

(v1.1) Foreign exchange risk

The Company operates mainly in the local market and its exposure to foreign exchange risk is low. With the current income-expenditure structure additional monitoring procedures for currency risk monitoring are not deemed necessary. No further risk prevention mechanisms are used on the account that the overall currency risk has been assessed as low.

(v1.2) Credit risk

The Company has a credit risk concentration based on its operational specifics – issuance of loans against pledge, as well as issuance of non-secured loans that is connected with an increased risk of asset recoverability. The risk may result in short-term liquidity problems and issues related to timely coverage of short-term liabilities. The Company's policies are developed in order to ensure maximum control procedures in the process of loan issuance, timely identification of bad and doubtful debts and adequate provisioning for potential loss.

(v1.3) Operational risk

Operational risk is a loss risk due to external factors namely (natural disasters, crimes, etc.) or internal ones (IT system crash, fraud, violation of laws or internal regulations, insufficient internal control). Operation of the Company carries a certain operational risk which can be managed using several methods including methods to identify, analyse, report and reduce the operational risk. Also self-assessment of the operational risk is carried out as well as systematic approval of new products is provided to ensure the compliance of the products and processes with the risk environment of the activity.

(v1.4) Market risk

The Company is exposed to market risks, basically related to the fluctuations of interest rates between the loans granted and funding received, as well as demand for the Company's services fluctuations. The Company attempts to limit market risks, adequately planning the expected cash flows, diversifying the product range and fixing funding resource interest rates.

(v1.5) Liquidity risk

The Company complies with the prudence principle in the management of its liquidity risk and maintains sufficient funds. The management of the Company has an oversight responsibility of the liquidity reserves and make current forecasts based on anticipated cash flows. Most of the Company's liabilities are short-term liabilities. The management is of the opinion that the Company will be able to secure sufficient liquidity by its operating activities, however, if required, the management of the Company is certain of financial support to be available from the owners of the Company.

(v1.6) Cash flow interest rate risk

As the Company has borrowings and finance lease obligations, the Company's cash flows related to financing costs to some extent depend on the changes in market rates of interest. The Company's interest payment related cash flows depend on the current market rates of interest. The risk of fluctuating interest rates is partly averted by the fact that a number of loans received have fixed interest rates set. Additional risk minimization measures are not taken because the available bank products do not provide an effective control of risks.

(v2) Accounting for derivative financial instruments

The Company does not actively use derivative financial instruments in its operations. Derivative financial instruments are initially recognized at fair value on the date of the contract, and are thereafter measured at fair value at the balance sheet date. Derivative financial instruments are carried as assets if their fair value is positive and as liabilities if fair value is negative. Any gains or losses arising due to the changes in the fair value of the derivative financial instrument are not classified hedges and are recognized directly in the profit and loss.

(v3) Fair value

The carrying value of financial assets and liabilities approximates their fair value. See also note (f).

(v4) Management of the capital structure

In order to ensure the continuation of the Company's activities, while maximizing the return to stakeholders' capital management, optimization of the debt and equity balance is performed. The Company's capital structure consists of borrowings from related persons, third party loans and loans from credit institutions and finance lease liabilities, cash and equity, comprising issued share capital, retained earnings and share premium. At year-end the ratios were as follows:

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

Accounting policies (continued)

| | Parent company 31.12.2019. EUR | Group 31.12.2019. EUR | Parent company 31.12.2018. EUR | Group 31.12.2018. EUR |
|---------------------------------------|---|-----------------------------|---|-----------------------------|
| Loan and lease liabilities | 24 391 565 | 26 540 720 | 18 834 009 | 19 555 591 |
| Cash and bank | (812 301) | (1 135 644) | (3 368 567) | (3 489 176) |
| Net debts | 23 579 264 | 25 405 076 | 15 465 442 | 16 066 415 |
| Equity | 7 775 437 | 8 367 492 | 5 774 384 | 5 954 156 |
| Liabilities / equity ratio | 3.14 | 3.17 | 3.26 | 3.28 |
| Net liabilities / equity ratio | 3.03 | 3.04 | 2.68 | 2.70 |

(w) Significant assumptions and estimates

The preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the EU and Latvian law requires the management to rely on estimates and assumptions that affect the reported amounts of assets and liabilities and off-balance sheet assets and liabilities at the date of financial statements, as well as the revenues and expenses reporting in the reporting period. Actual results may differ from these estimates.

The following judgements and key assumptions concerning the future are critical, and other causes of inaccuracies in the calculations as at the date of financial statements, with a significant risk of causing a material change in the balance sheet value of assets and liabilities within the next financial year:

- The Company review the useful lives of its fixed assets at the end of each reporting period. The management makes estimates and uses assumptions with respect to the useful lives of fixed assets. These assumptions may change and the calculations may therefore change.
- The Company review the value of its fixed assets and intangible assets whenever any events or circumstances support that the carrying value may not be recoverable. Impairment loss is recognised in the amount equalling the difference between the carrying value of the asset and its recoverable value. Recoverable amount is the higher of an asset's fair value less the costs to sell and the value in use. The Company is of the view that considering the anticipated volumes of services no material adjustments due to impairment are required the asset values.
- In measuring inventories the management relies on its expertise, past experience, background information, and potential assumptions and possible future circumstances. In assessing the impairment of the value of inventories consideration is given to the possibility to sell the item of inventories and the net realisable value.
- The Company's management, based on estimates, makes provisions for the impairment of the value of receivables. The Company's management is of the opinion that the provisions for receivables presented in the financial statements accurately reflect the expected cash flows from these receivables and that these estimates have been made based on the best available information.
- The Company is composed with caution savings potential future payment obligations in cases where disputes the validity of such legal obligation, or there are legal disputes about the amount of such liabilities.

(x) Related parties

Related parties include the shareholders, members of the Board of the Company, their close family members and companies in which the said persons have control or significant influence. Term "Related parties" agrees to Commission Regulation (EC) 1126/2008 of 3 November 2018 which took in force various IAS according to European Parliament and Council Regulation (EC) 1606/2002 mentioned in Annex of IAS 24 "Related Party Disclosures".

(y) Subsequent events

Post-period-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

(z) Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(aa) Earnings per share

Earnings per share (EPS) are calculated by dividing the net profit or loss for the year attributable to the shareholders with the weighted-average number of shares outstanding during the year. Diluted EPS is calculated as net income divided by the sum of average number of shares and other convertible instruments.

(ab) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker – the Company's Board, which allocates resources to and assesses the performance of the operating segments of the Group. The Company and the Group operates as a single segment – consumer lending to individuals in Latvia.

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

(1) Net sales

Net revenue by type of revenue

| | Parent company 2019 EUR | Group 2019 EUR | Parent company 2018 EUR | Group 2018 EUR |
|---|--|-------------------------------|--|-------------------------------|
| Income from sales of goods | 3 186 585 | 3 186 585 | 2 423 601 | 2 423 601 |
| Income from sales of precious metals | 1 459 345 | 1 459 345 | 1 008 004 | 1 008 004 |
| Other income, loan and mortgage realization and storage commissions | 757 534 | 757 534 | 754 817 | 754 817 |
| | 5 403 464 | 5 403 464 | 4 186 422 | 4 186 422 |

Net revenue by geographical markets and type of operation

| | 2019 EUR | 2019 EUR | 2018 EUR | 2018 EUR |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Sales of product in Latvia | 3 186 585 | 3 186 585 | 2 423 601 | 2 423 601 |
| Sales of precious metals in Latvia | 1 459 345 | 1 459 345 | 1 008 004 | 1 008 004 |
| Sales of services in Latvia | 757 534 | 757 534 | 754 817 | 754 817 |
| | 5 403 464 | 5 403 464 | 4 186 422 | 4 186 422 |

(2) Cost of sales

| | 2019 EUR | 2019 EUR | 2018 EUR | 2018 EUR |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|
| Cost of pledges taken over | 3 600 319 | 3 600 319 | 2 654 970 | 2 654 970 |
| Goods and accessories purchased | 3 288 | 3 288 | 3 784 | 3 784 |
| | 3 603 607 | 3 603 607 | 2 658 754 | 2 658 754 |

(3) Interest income and similar income

| | 2019 EUR | 2019 EUR | 2018 EUR | 2018 EUR |
|---|---------------------|---------------------|---------------------|---------------------|
| Interest income on unsecured loans | 10 290 103 | 11 704 235 | 9 431 891 | 10 302 625 |
| Interest income on pledges realization | 4 678 129 | 4 678 129 | 4 351 774 | 4 351 774 |
| Interest income on loans to the vehicle pledges | - | - | 6 905 | 6 905 |
| Interest income on mortgage loans | 102 | 102 | 2 451 | 2 451 |
| | 14 968 334 | 16 382 466 | 13 793 021 | 14 663 755 |

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

(4) Interest expenses and similar expenses

| | Parent company 2019 EUR | Group 2019 EUR | Parent company 2018 EUR | Group 2018 EUR |
|--|--|-------------------------------|--|-------------------------------|
| Interest expense on other borrowings | 1 473 703 | 1 639 014 | 1 075 659 | 1 135 151 |
| Losses from cession | 1 169 308 | 1 499 243 | 440 273 | 494 170 |
| Bonds' coupon expense | 1 075 282 | 1 075 282 | 1 155 315 | 1 155 315 |
| Interest expense for right to use premises | 133 137 | 133 137 | - | - |
| Interest expense on lease | 3 968 | 3 968 | 6 388 | 6 388 |
| Interest expense for right to use vehicles | 1 347 | 1 347 | - | - |
| Net loss on foreign exchange | 234 | 235 | 1 456 | 1 456 |
| | 3 856 979 | 4 352 226 | 2 679 091 | 2 792 480 |

(5) Selling expenses

| | 2019 EUR | 2019 EUR | 2018 EUR | 2018 EUR |
|--|---------------------|---------------------|---------------------|---------------------|
| Salary expenses | 2 408 184 | 2 408 184 | 2 330 577 | 2 397 846 |
| Rental expense | 780 860 | 780 860 | 776 773 | 788 422 |
| Social insurance | 577 146 | 577 146 | 558 351 | 574 568 |
| Provisions for doubtful debtors and illiquid stocks | 505 252 | 630 944 | 344 731 | 328 914 |
| Advertising | 330 882 | 474 651 | 405 150 | 610 084 |
| Non-deductible VAT | 247 733 | 292 043 | 227 780 | 287 263 |
| Depreciation of fixed assets | 238 974 | 243 863 | 241 753 | 250 463 |
| Other expenses | 188 246 | 202 218 | 125 295 | 144 026 |
| Utilities expense | 180 102 | 180 102 | 197 410 | 199 262 |
| Transportation expenses | 92 578 | 92 578 | 93 155 | 93 155 |
| Maintenance expenses | 52 683 | 53 260 | 38 747 | 38 536 |
| Communication expenses | 35 940 | 36 006 | 55 560 | 56 802 |
| Goods and fixed assets write-off | 34 289 | 34 289 | 101 451 | 102 420 |
| Security expenses | 25 477 | 25 477 | 23 946 | 24 061 |
| Renovation expenses | 20 444 | 20 444 | 26 209 | 27 573 |
| Business trip expenses | 6 836 | 6 836 | 17 420 | 17 420 |
| Provisions for unused annual leave and bonuses | 1 251 | 1 251 | (6 255) | (9 167) |
| Depreciation of right-of-use assets - motor vehicles | (3 123) | (3 123) | - | - |
| Depreciation of right-of-use assets - premises | (82 601) | (82 601) | - | - |
| | 5 641 153 | 5 974 428 | 5 558 053 | 5 931 648 |

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

(6) Administrative expenses

| | Parent company 2019 EUR | Group 2019 EUR | Parent company 2018 EUR | Group 2018 EUR |
|--|--|-------------------------------|--|-------------------------------|
| Salary expenses | 2 053 114 | 2 074 648 | 1 529 234 | 1 539 845 |
| Social insurance | 494 134 | 499 321 | 368 060 | 370 616 |
| Bank commission | 409 236 | 452 556 | 304 695 | 327 331 |
| Information database subscriptions, maintenance | 90 581 | 127 043 | 152 562 | 194 819 |
| Office rent | 62 288 | 62 288 | 42 010 | 42 010 |
| Legal advice | 60 097 | 69 294 | 59 249 | 63 179 |
| Office expenses | 30 616 | 30 616 | 32 355 | 32 355 |
| Membership fees in professional organizations | 28 146 | 31 546 | 48 974 | 50 174 |
| Other administrative expenses | 28 116 | 33 689 | 27 131 | 31 902 |
| Communication expenses | 26 854 | 27 294 | 23 000 | 23 000 |
| Audit expenses* | 18 700 | 29 603 | 17 950 | 28 964 |
| State fees and duties, licence expense | 17 189 | 32 845 | 28 678 | 42 956 |
| Provisions for unused annual leave and bonuses | 16 155 | 16 540 | 26 070 | 23 707 |
| Depreciation of right-of-use assets - motor vehicles | 2 498 | 2 498 | - | - |
| Depreciation of right-of-use assets - premises | (2 251) | (2 251) | - | - |
| | 3 335 473 | 3 487 530 | 2 659 968 | 2 770 859 |

* During the reporting year the Company has not received any other services from the auditors.

(7) Other operating expenses

| | 2019 EUR | 2019 EUR | 2018 EUR | 2018 EUR |
|----------------|---------------------|---------------------|---------------------|---------------------|
| Other expenses | 126 883 | 129 373 | 93 106 | 93 162 |
| Donations | 66 000 | 66 000 | 58 000 | 58 000 |
| Fines | 4 405 | 4 405 | 257 | 257 |
| | 197 288 | 199 778 | 151 363 | 151 419 |

(8) Corporate income tax for the reporting year

| | 2019 EUR | 2019 EUR | 2018 EUR | 2018 EUR |
|--|---------------------|---------------------|---------------------|---------------------|
| Corporate income tax charge for the current year | 349 957 | 349 957 | 78 868 | 78 879 |
| | 349 957 | 349 957 | 78 868 | 78 879 |

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

(9) Intangible of the Parent company

| | Concessions, patents, trademarks and similar rights EUR | Other intangible assets EUR | Advances EUR | Total EUR |
|-----------------------------------|--|--------------------------------------|-----------------|----------------|
| Cost | | | | |
| 31.12.2018. | 307 363 | 39 504 | - | 346 867 |
| Additions | 47 555 | 4 844 | 6 748 | 59 147 |
| Disposals | (145) | (12 500) | - | (12 645) |
| 31.12.2019. | 354 773 | 31 848 | 6 748 | 393 369 |
| Depreciation | | | | |
| 31.12.2018. | 103 339 | 16 727 | - | 120 066 |
| Charge for 2019 | 67 378 | 11 616 | - | 78 994 |
| Disposals | (145) | (12 500) | - | (12 645) |
| 31.12.2019. | 170 572 | 15 843 | - | 186 415 |
| Net book value 31.12.2019. | 184 201 | 16 005 | 6 748 | 206 954 |
| Net book value 31.12.2018. | 204 024 | 22 777 | - | 226 801 |

Intangible of the Group

| | Concessions, patents, trademarks and similar rights EUR | Other intangible assets EUR | Advances EUR | Company's Goodwill EUR | Total EUR |
|-----------------------------------|--|--------------------------------------|-----------------|------------------------------|----------------|
| Cost | | | | | |
| 31.12.2018. | 307 363 | 64 288 | - | 127 616 | 499 267 |
| Additions | 47 555 | 9 034 | 6 748 | - | 63 337 |
| Disposals | (145) | (12 500) | - | - | (12 645) |
| 31.12.2019. | 354 773 | 60 822 | 6 748 | 127 616 | 549 959 |
| Depreciation | | | | | |
| 31.12.2018. | 103 339 | 21 084 | - | - | 124 423 |
| Charge for 2019 | 67 378 | 16 505 | - | - | 83 883 |
| Disposals | (145) | (12 500) | - | - | (12 645) |
| 31.12.2019. | 170 572 | 25 089 | - | - | 195 661 |
| Net book value 31.12.2019. | 184 201 | 35 733 | 6 748 | 127 616 | 354 298 |
| Net book value 31.12.2018. | 204 024 | 43 204 | - | 127 616 | 374 844 |

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

| | (10) Fixed assets of the Parent company | | | | | | | Total |
|-----------------------------------|--|-----------------|-------------------------------|------------------------------|------------------------------|-----------------------------------|------------------|--------------|
| | Other fixed assets and inventory | Advances | Leasehold improvements | Right-of-use premises | Right-of-use vehicles | Right-of-use assets, total | | |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | |
| Cost | | | | | | | | |
| 31.12.2018. | 1 056 274 | - | 369 066 | - | - | - | 1 425 340 | |
| IFRS 16 adoption impact | - | - | - | 1 991 044 | 19 600 | 2 010 644 | 2 010 644 | |
| Additions | 309 413 | 4 770 | 52 942 | 362 795 | 17 240 | 380 035 | 747 160 | |
| Remeasurement | - | - | - | 346 910 | - | 346 910 | 346 910 | |
| Disposals | (185 480) | - | - | (24 983) | - | (24 983) | (210 463) | |
| Transferred to others | 4 770 | (4 770) | - | - | - | - | - | |
| 31.12.2019. | 1 184 977 | - | 422 008 | 2 675 766 | 36 840 | 2 712 606 | 4 319 591 | |
| Depreciation | | | | | | | | |
| 31.12.2018. | 862 703 | - | 334 541 | - | - | - | 1 197 244 | |
| Charge for 2019 | 127 028 | - | 32 952 | 732 163 | 9 793 | 741 956 | 901 936 | |
| Disposals | (156 307) | - | - | (9 456) | - | (9 456) | (165 763) | |
| 31.12.2019. | 833 424 | - | 367 493 | 722 707 | 9 793 | 732 500 | 1 933 417 | |
| Net book value 31.12.2019. | 351 553 | - | 54 515 | 1 953 059 | 27 047 | 1 980 106 | 2 386 174 | |
| Net book value 31.12.2018. | 193 571 | - | 34 525 | - | - | - | 228 096 | |

As at 31 December 2019 the residual value of the fixed assets acquired under the terms of financial lease was 68 875 euro. (31.12.2018.: 148 678 euro). The ownership of those fixed assets will be transferred to the Group only after settlement of all lease liabilities.

| | Fixed assets of the Group | | | | | | Total |
|-----------------------------------|---|-----------------|-------------------------------|------------------------------|------------------------------|-----------------------------------|------------------|
| | Other fixed assets and inventory | Advances | Leasehold improvements | Right-of-use premises | Right-of-use vehicles | Total, Right-of-use assets | |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| Cost | | | | | | | |
| 31.12.2018. | 1 056 274 | - | 369 066 | - | - | - | 1 425 340 |
| IFRS 16 adoption impact | - | - | - | 1 991 044 | 19 600 | 2 010 644 | 2 010 644 |
| Additions | 309 413 | 4 770 | 52 942 | 362 795 | 17 240 | 380 035 | 747 160 |
| Remeasurement | - | - | - | 346 910 | - | 346 910 | 346 910 |
| Disposals | (185 480) | - | - | (24 983) | - | (24 983) | (210 463) |
| Transferred to others | 4 770 | (4 770) | - | - | - | - | - |
| 31.12.2019. | 1 184 977 | - | 422 008 | 2 675 766 | 36 840 | 2 712 606 | 4 319 591 |
| Depreciation | | | | | | | |
| 31.12.2018. | 862 703 | - | 334 541 | - | - | - | 1 197 244 |
| Charge for 2019 | 127 028 | - | 32 952 | 732 163 | 9 793 | 741 956 | 901 936 |
| Disposals | (156 307) | - | - | (9 456) | - | (9 456) | (165 763) |
| 31.12.2019. | 833 424 | - | 367 493 | 722 707 | 9 793 | 732 500 | 1 933 417 |
| Net book value 31.12.2019. | 351 553 | - | 54 515 | 1 953 059 | 27 047 | 1 980 106 | 2 386 174 |
| Net book value 31.12.2018. | 193 571 | - | 34 525 | - | - | - | 228 096 |

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

(11) Right-of-use assets and lease liabilities

The Group adopted IFRS 16 with an initial application date of 1 January 2019. The entity applied the modified retrospective transition method. The amounts disclosed in the extracts are expressed in euros. The entity provided quantitative disclosures in its consolidated financial statements in a tabular format based on the nature of the disclosure item (i.e., asset, equity and liability and income statement).

Right-of-use assets and other liabilities for rights to use assets are shown as follows in the consolidated statement of financial position and statement of comprehensive income:

| | 31.12.2019. | 01.01.2019. |
|---|--------------------|--------------------|
| | EUR | EUR |
| Non-current assets | | |
| Right-of-use assets - premises | 1 953 059 | 1 991 044 |
| Right-of-use assets - motor vehicles | 27 047 | 19 600 |
| Assets, total | 1 980 106 | 2 010 644 |
| | | |
| Non-current liabilities | | |
| Lease liabilities for right-of-use assets | 1 475 350 | 1 370 927 |
| Current liabilities | | |
| Lease liabilities for right-of-use assets | 549 585 | 636 898 |
| Equity and Liabilities, total | 2 024 935 | 2 007 825 |

| | 2019 |
|---|-----------------|
| | EUR |
| <i>Interest expenses and similar expenses</i> | |
| Interest expense for right to use premises | (133 137) |
| Interest expense for right to use vehicles | (1 347) |
| <i>Selling expense</i> | |
| Depreciation of right-of-use assets - premises | 82 601 |
| Depreciation of right-of-use assets - motor vehicles | 3 123 |
| <i>Administrative expenses</i> | |
| Depreciation of right-of-use assets - premises | 2 251 |
| Depreciation of right-of-use assets - motor vehicles | (2 498) |
| | |
| Leases in the statement of comprehensive income, total | (49 007) |

In 2019 the Group incurred expenses for lease agreements which did not qualify for recognition of Right-of-use assets. The weighted-average incremental borrowing rate for lease liabilities initially recognized as of 1 January 2019 was 6.33% per year. The average interest rate for motor vehicles as of January 1, 2019 is approximately 3.70% per year.

The cost relating to variable lease payments that do not depend on an index or a rate amounted to EUR nil for the year ended December 31, 2019. There were no lease with residual value of guarantees or leases not yet commenced to which the Group is committed.

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

(12) Parent Company's investments in subsidiaries

The Parent company is the sole shareholder of the subsidiary SIA "ExpressInkasso" (100%), of the subsidiary SIA "ViziaFinance" (100%), and implemented acquisition of (100%) shares of the subsidiary SIA "REFIN" in 2019.

a) participating interest in subsidiaries

| Noame | Acquisition price of subsidiaries | | Participating interest in share capital of subsidiaries | |
|----------------------------|-----------------------------------|------------------|---|-------------|
| | 31.12.2019. | 31.12.2018. | 31.12.2019. | 31.12.2018. |
| | EUR | EUR | % | % |
| SIA ExpressInkasso | 2 828 | 2 828 | 100 | 100 |
| SIA ViziaFinance | 880 000 | 880 000 | 100 | 100 |
| SIA REFIN from 03.10.2018. | 800 000 | 300 000 | 100 | 100 |
| | 1 682 828 | 1 182 828 | | |

b) information on subsidiaries

| Name | Address | Shareholders' funds | | Profit/ (loss) for the period | |
|--------------------|--|---------------------|-------------|-------------------------------|---------|
| | | 31.12.2019. | 31.12.2018. | 2019 | 2018 |
| | | EUR | EUR | EUR | EUR |
| SIA ExpressInkasso | Skanstes street 50A, LV-1013 Riga, Latvia | 366 841 | 245 955 | 120 886 | 242 795 |

Basic operations of SIA ExpressInkasso are other financial services, except insurance and pension savings. The company is engaged in debt collection activities and is licensed by the Consumer Rights Protection Center in the field of out-of-court debt recovery.

| | | | | | |
|------------------|--|---------|---------|---------|--------|
| SIA ViziaFinance | Skanstes street 50A, LV-1013 Riga, Latvia | 921 436 | 693 541 | 227 895 | 21 447 |
|------------------|--|---------|---------|---------|--------|

Basic operation of SIA ViziaFinance is providing consumer lending services, dealing with unsecured loans. The company has a Consumer Rights Protection Center's license in the field of consumer lending.

| | | | | | |
|---------------------------------|--|---------|---------|-----------|---------|
| SIA REFIN (from 03.10.2018.) | Skanstes street 50A, LV-1013 Riga, Latvia | 408 991 | 295 488 | (386 497) | (4 512) |
|---------------------------------|--|---------|---------|-----------|---------|

Basic operation of SIA REFIN is providing consumer lending services, issuing loans for unsecured real estate loans.

(13) The Group's loans to shareholders and management

| Cost | Loans to members |
|---|------------------|
| | EUR |
| 31.12.2018. | 1 072 274 |
| Loans issued | 371 000 |
| Loans repaid | (450 435) |
| Interest of loans | 29 584 |
| 31.12.2019. | 1 022 423 |
| Net book value as at 31.12.2019. | 1 022 423 |
| Net book value as at 31.12.2018. | 1 072 274 |

Interest on borrowing is in range of 2.92% - 4% per annum. The loan maturity - 31 December 2024 (including the loan principal amount and accrued interest). The Company's management has assessed the recoverability of the loans and is convinced that a provision is not necessary. Loans are not secured. Loans are denominated in euro.

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

(14) Goods for sale of the Parent company and the Group

| | 31.12.2019. EUR | 31.12.2018. EUR |
|---|--------------------|--------------------|
| Goods for sale and pledges taken over | 1 127 284 | 945 768 |
| Gold | 305 476 | 275 088 |
| Provision for obsolete stock and inventory impairment | (277 408) | (372 745) |
| | <u>1 155 352</u> | <u>848 111</u> |

a) Age analysis of stock

| | 31.12.2019. EUR | 31.12.2018. EUR |
|------------------------------------|--------------------|--------------------|
| Outstanding for 0-180 days | 822 135 | 587 852 |
| Outstanding for 181-360 days | 292 570 | 286 483 |
| Outstanding for more than 360 days | 318 055 | 346 521 |
| Total stock | <u>1 432 760</u> | <u>1 220 856</u> |

b) Provision for obsolete stock

| | 2019 EUR | 2018 EUR |
|---|----------------|----------------|
| Provisions for obsolete stock at the beginning of the year | 372 745 | 238 928 |
| Written-off | (95 337) | (124 900) |
| Additional provisions | - | 258 717 |
| Provisions for obsolete stock at the end of the year | <u>277 408</u> | <u>372 745</u> |

(15) Loans and receivables

| | Parent company 31.12.2019. EUR | Group 31.12.2019. EUR | Parent company 31.12.2018 EUR | Group 31.12.2018 EUR |
|--|---|-----------------------------|--|----------------------------|
| Long-term loans and receivables | | | | |
| Debtors for loans issued against pledge | 82 067 | 82 067 | 32 631 | 32 631 |
| Debtors for loans issued without pledge | 6 133 456 | 8 777 722 | 3 088 629 | 3 459 284 |
| Long-term loans and receivables, total | <u>6 215 523</u> | <u>8 859 789</u> | <u>3 121 260</u> | <u>3 491 915</u> |
| Short-term loans and receivables | | | | |
| Debtors for loans issued against pledge | 2 410 406 | 2 410 406 | 2 010 735 | 2 010 735 |
| Debtors for loans issued against pledge, for realization | 873 750 | 873 750 | 853 160 | 853 160 |
| Debtors for loans issued without pledge | 14 367 295 | 21 741 070 | 12 877 096 | 14 782 462 |
| Interest accrued | 611 204 | 1 097 958 | 666 714 | 720 401 |
| Provisions for bad and doubtful trade debtors | (2 099 194) | (3 436 099) | (1 520 973) | (1 707 818) |
| Short-term loans and receivables, total | <u>16 163 461</u> | <u>22 687 085</u> | <u>14 886 732</u> | <u>16 658 940</u> |
| Loans and receivables | <u>22 378 984</u> | <u>31 546 874</u> | <u>18 007 992</u> | <u>20 150 855</u> |

All loans are issued in euro. Long term receivables for the loans issued don't exceed 5 years.

Parent company signed a contract with third party for the receivable amounts regular cession to assign debtors for loans issued which are outstanding for more than 90 days. The carrying value of the claim amount until 31 December 2019 in total – EUR 3 678 558, the amount of compensation – EUR 2 179 315. Losses from these transactions were recognised in the current year.

Losses from the above noted cessions are partly covered by provisions made for the loans issued in previous accounting period or are included in the current year's profit and loss account, if cession of loans issued in current year is performed.

The claims in amount of EUR 2 492 473 (31.12.2018: EUR 3 055 582) are secured by the value of the collateral. Claims against debtors for loans issued against pledge is secured by pledges, whose fair value is about EUR 4 162 430, which is 1.67 times higher than the carrying value, therefore provisions for overdue loans are not made. All pledges, for which loan payments are delayed, becomes the Group's property and are realized in the Group's stores.

'Debtors for loans issued without pledge' includes The Company's subsidiary SIA REFIN has unsecured claim rights for loans to legal entities registered in Latvia, whose economic activity includes the development and sale of real estate. The carrying amount of the acquired receivables at the reporting date is EUR 6.28 million.

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

Loans and receivables (continued)

a) Age analysis of claims against debtors for loans issued:

| | Parent company 31.12.2019. | Group 31.12.2019. | Parent company 31.12.2018 | Group 31.12.2018 |
|--|----------------------------------|----------------------|---------------------------------|---------------------|
| | EUR | EUR | EUR | EUR |
| Receivables not yet due | 20 799 577 | 30 599 448 | 16 406 829 | 18 304 695 |
| Outstanding 1-30 days | 1 631 700 | 1 975 902 | 1 144 514 | 1 277 681 |
| Outstanding 31-90 days | 780 027 | 957 883 | 599 622 | 666 441 |
| Outstanding 91-180 days | 418 184 | 482 098 | 408 491 | 456 618 |
| Outstanding for 181-360 days | 326 046 | 364 104 | 466 544 | 515 720 |
| Outstanding for more than 360 days | 522 644 | 603 538 | 502 965 | 637 518 |
| Total claims against debtors for loans issued | 24 478 178 | 34 982 973 | 19 528 965 | 21 858 673 |

b) Provisions for bad and doubtful trade and other receivables

| | Parent company 2019 | Group 2019 | Parent company 2018 | Group 2018 |
|---|---------------------------|------------------|---------------------------|------------------|
| | EUR | EUR | EUR | EUR |
| Provisions for bad and doubtful receivables at the beginning of the year | 1 520 973 | 1 707 818 | 1 212 219 | 1 357 617 |
| Written-off | - | - | - | (9 016) |
| Additional provisions | 578 221 | 1 728 281 | 308 754 | 359 217 |
| Provisions for bad and doubtful receivables at the end of the year | 2 099 194 | 3 436 099 | 1 520 973 | 1 707 818 |

Additional provisions includes provision made on the reporting date in the amount of EUR 450 000 for unsecured claims rights of the Company's subsidiary SIA REFIN for loans to legal entities registered in Latvia, whose economic activity includes the development and sale of real estate.

c) Loan loss allowance:

| | Parent company 31.12.2019. | Group 31.12.2019. | Parent company 31.12.2018. | Group 31.12.2018. |
|---|----------------------------------|----------------------|----------------------------------|----------------------|
| | EUR | EUR | EUR | EUR |
| Classification of loans by impairment stages | | | | |
| Stage 1 | 16 966 443 | 27 040 162 | 12 316 576 | 13 997 315 |
| Stage 2 | 528 933 | 706 789 | 381 738 | 448 558 |
| Stage 3 | 855 707 | 999 231 | 909 859 | 1 056 541 |
| Secured loans (no impairment recognised) | 6 127 095 | 6 236 791 | 5 920 792 | 6 356 259 |
| Loans and receivables, gross value | 24 478 178 | 34 982 973 | 19 528 965 | 21 858 673 |
| Allocation of loan loss allowance by stages | | | | |
| Stage 1 | (1 243 477) | (2 413 208) | (530 799) | (571 181) |
| Stage 2 | (222 337) | (292 044) | (201 464) | (234 110) |
| Stage 3 | (633 380) | (730 847) | (788 710) | (902 527) |
| Loan loss allowance, total | (2 099 194) | (3 436 099) | (1 520 973) | (1 707 818) |
| Loans and receivables, net value | 22 378 984 | 31 546 874 | 18 007 992 | 20 150 855 |

Loan loss allowance has been defined based on collectively assessed impairment.

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

(16) Receivables from affiliated companies and management

| | Parent company 31.12.2019. EUR | Group 31.12.2019. EUR | Parent company 31.12.2018. EUR | Group 31.12.2018. EUR |
|---|---|-----------------------------|---|-----------------------------|
| Long-term loans to affiliated companies | | | | |
| SIA Banknote liability for loan issued | 117 620 | 117 620 | - | - |
| Long-term loans to affiliated companies, total | 117 620 | 117 620 | - | - |
| Short-term receivables from affiliated companies | | | | |
| SIA REFIN liability for loan issued and loan interest | 5 723 024 | - | - | - |
| SIA Lombards24.lv liability for loan issued and loan interest | 70 186 | 70 186 | 57 569 | 57 569 |
| SIA AE Consulting liability for loan issued and loan interest | 50 000 | 50 000 | - | - |
| Liabilities of the Parent company's board for the loan issued and loan interest | 44 853 | 44 853 | 10 000 | 10 000 |
| SIA Banknote liability for loan issued, loan interest and services delivered | 2 263 | 2 263 | 133 948 | 133 948 |
| Debts for goods and fixed assets sold, prepayment | 520 | 338 | 2 817 | 2 818 |
| SIA ViziaFinance liability for loan issued, loan interest and debt for the assigned rights of claim | - | - | 314 361 | - |
| Short-term receivables from affiliated companies, total | 5 890 846 | 167 640 | 518 695 | 204 335 |
| Loans and receivables from affiliated companies, total | 6 008 466 | 285 260 | 518 695 | 204 335 |

The interest rate on loans to related parties 2.92 - 12%. All loans and other claims denominated in euro. The Company has no debt overdue.

(17) Other debtors

| | Parent company 31.12.2019. EUR | Group 31.12.2019. EUR | Parent company 31.12.2018. EUR | Group 31.12.2018. EUR |
|---|---|-----------------------------|---|-----------------------------|
| Guarantee deposit | 70 768 | 70 910 | 69 768 | 69 911 |
| Settlements with buyers and customers | 65 570 | 137 501 | 40 765 | 42 325 |
| Other debtors | 54 792 | 54 792 | 60 327 | 60 327 |
| Advance payments | 14 501 | 14 501 | 19 882 | 19 882 |
| Tax overpayment | 1 652 | 8 454 | 54 218 | 65 055 |
| Loans to employees and other third parties | 1 510 | 1 510 | 1 510 | 1 510 |
| Settlement of staff claims | 1 202 | 1 306 | 1 065 | 1 065 |
| Provisions for bad and doubtful other debtors | (26 930) | (13 223) | (29 086) | (29 086) |
| | 183 065 | 275 751 | 218 449 | 230 989 |

a) Provisions for bad and doubtful other debtors

| | Parent company 2019 EUR | Group 2019 EUR | Parent company 2018 EUR | Group 2018 EUR |
|---|----------------------------------|----------------------|----------------------------------|----------------------|
| Provisions for bad and doubtful other debtors at the beginning of the year | 29 086 | 29 086 | 29 099 | 29 099 |
| Written-off | (2 156) | (15 863) | (123 948) | (123 948) |
| Additional provisions | - | - | 123 935 | 123 935 |
| Provisions for bad and doubtful other debtors at the end of the year | 26 930 | 13 223 | 29 086 | 29 086 |

b) Age analysis of other debtors:

| | Parent company 31.12.2019. EUR | Group 31.12.2019. EUR | Parent company 31.12.2018. EUR | Group 31.12.2018. EUR |
|------------------------------------|---|-----------------------------|---|-----------------------------|
| Repayable upon request | 96 652 | 103 493 | 205 159 | 217 699 |
| Receivables not yet due | 49 233 | 121 371 | 30 052 | 30 052 |
| Outstanding for 1-30 days | 4 874 | 4 874 | 358 | 358 |
| Outstanding for 31-90 days | 6 247 | 6 247 | 9 443 | 9 443 |
| Outstanding for 91-180 days | 2 662 | 2 662 | 513 | 513 |
| Outstanding for 181-360 days | 13 744 | 13 744 | - | - |
| Outstanding for more than 360 days | 36 583 | 36 583 | 2 010 | 2 010 |
| Provisions | (26 930) | (13 223) | (29 086) | (29 086) |
| Total other debtors | 183 065 | 275 751 | 218 449 | 230 989 |

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

(18) Deferred expenses

| | Parent company 31.12.2019. EUR | Group 31.12.2019. EUR | Parent company 31.12.2018. EUR | Group 31.12.2018. EUR |
|---|---|-----------------------------|---|-----------------------------|
| Insurance | 18 956 | 18 956 | 16 058 | 16 058 |
| License for lending services and debt recovery services | 15 351 | 29 576 | 16 665 | 30 890 |
| Prepayment for rent and other costs | 59 681 | 60 007 | 19 362 | 19 997 |
| Total deferred expenses | 93 988 | 108 539 | 52 085 | 66 945 |

(19) Cash and bank

| | 31.12.2019. EUR | 31.12.2019. EUR | 31.12.2018. EUR | 31.12.2018. EUR |
|--------------|--------------------|--------------------|--------------------|--------------------|
| Cash at bank | 564 984 | 888 327 | 3 196 605 | 3 317 214 |
| Cash in hand | 247 317 | 247 317 | 171 962 | 171 962 |
| | 812 301 | 1 135 644 | 3 368 567 | 3 489 176 |

All the Parent company's and the Group's cash is in euro.

(20) Share capital

The Parent Company's share capital is EUR 1 500 000 which consists of 1 500 000 ordinary shares, each of them with a nominal value of EUR 1.

(21) Bonds issued

| | Parent company 31.12.2019. EUR | Group 31.12.2019. EUR | Parent company 31.12.2018. EUR | Group 31.12.2018. EUR |
|--|---|-----------------------------|---|-----------------------------|
| Bonds issued | 6 100 000 | 6 100 000 | 6 201 500 | 6 201 500 |
| Bonds commission | (40 147) | (40 147) | (8 869) | (8 869) |
| Total long-term part of bonds issued | 6 059 853 | 6 059 853 | 6 192 631 | 6 192 631 |
| Bonds issued | 1 750 000 | 1 750 000 | 1 705 500 | 1 705 500 |
| Bonds commission | (15) | (15) | (378) | (378) |
| Interest accrued | 14 782 | 14 782 | 17 014 | 17 014 |
| Total short-term part of bonds issued | 1 764 767 | 1 764 767 | 1 722 136 | 1 722 136 |
| Bonds issued, total | 7 850 000 | 7 850 000 | 7 907 000 | 7 907 000 |
| Interest accrued, total | 14 782 | 14 782 | 17 014 | 17 014 |
| Bonds commission, total | (40 162) | (40 162) | (9 247) | (9 247) |
| Bonds issued net | 7 824 620 | 7 824 620 | 7 914 767 | 7 914 767 |

As at the date of signing of the annual report the Parent company of the Group has registered bonds (ISIN LV0000801322) with the Latvia Central Depository on the following terms – number of financial instruments 3 500 with the nominal value of 500 euro, with the total nominal value of 1 750 000 euro. Coupon rate - 15%, coupon is paid once a month on the 25th date. The principal amount is to be repaid once in a quarter in the amount of 125 euro per bond starting 25 March 2019. The maturity of the bonds – 25 December 2020. On 14 April 2014 the public quotation of the bonds with NASDAQ Baltic Bond List was started. Debt securities list. The bonds are secured by a commercial pledge on the property and claims of the Company and all its subsidiaries.

As at the date of signing of the annual report the Parent company of the Group has registered bonds (ISIN LV0000802213) with the Latvia Central Depository on the following terms –number of securities issued: 5 000, nominal value 1 000 euro per each with the total nominal value of 5 000 000 euro. Coupon rate - 14%, coupon is paid once a month on the 25th date. The principal amount (EUR 1000 per each bond) is to be repaid on 25 October 2021. The bond was publicly listed on NASDAQ Baltic First North Alternative market on 19 March 2018. Debt securities list. The bonds are secured by a commercial pledge on the property and claims of the Company and all its subsidiaries.

As at the date of signing of the annual report the Parent company of the Group has registered bonds (ISIN LV0000802379) with the Latvia Central Depository on the following terms –amount of emissions recorded 5 000, amount of emissions recorded (on 31 December 2019) 1 100 with nominal value 1 000 euro per each with the total nominal value of 1 100 000 euro. Coupon rate - 14%, coupon is paid once a month on the 25th date. The principal amount (EUR 1000 per each bond) is to be repaid till 25 November 2022. The bond issue is not publicly traded. The bond issue launched on 15 November 2019. Debt securities list. The bonds are secured by a commercial pledge on the property and claims of the Company and all its subsidiaries.

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

Bonds issued (continued)

| Term: | Gross future minimum payments | NPV of future minimum payments | Interest expenses | Gross future minimum payments | NPV of future minimum payments | Interest expenses |
|----------------|-------------------------------|--------------------------------|--------------------|-------------------------------|--------------------------------|--------------------|
| | 31.12.2019. EUR | 31.12.2019. EUR | 31.12.2019. EUR | 31.12.2018. EUR | 31.12.2018. EUR | 31.12.2018. EUR |
| up to one year | 3 136 339 | 1 750 000 | 1 386 339 | 2 758 334 | 1 705 500 | 1 052 834 |
| 2 – 3 years | 7 966 200 | 6 100 000 | 1 866 200 | 7 518 317 | 6 201 500 | 1 316 817 |
| | 11 102 539 | 7 850 000 | 3 252 539 | 10 276 651 | 7 907 000 | 2 369 651 |

(22) Other borrowings

| | Parent company | Group | Parent company | Group |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 31.12.2019. EUR | 31.12.2019. EUR | 31.12.2018. EUR | 31.12.2018. EUR |
| Long-term finance lease | 61 411 | 61 411 | 98 234 | 98 234 |
| Other long-term loans | 4 749 200 | 5 576 379 | 838 696 | 898 310 |
| Total other long-term loans | 4 810 611 | 5 637 790 | 936 930 | 996 544 |
| Short-term finance lease | 40 946 | 40 946 | 50 444 | 50 444 |
| Other short-term loans | 11 481 122 | 13 037 185 | 9 760 257 | 10 593 420 |
| Total other short-term loans | 11 522 068 | 13 078 131 | 9 810 701 | 10 643 864 |
| Total other loans | 16 332 679 | 18 715 921 | 10 747 631 | 11 640 408 |

The Parent company has acquired fixed assets on finance lease. As at 31 December 2019 the interest rate was set as 6M Euribor + 2,15 – 3,7% and the repayment term is 30.08.2023.

The Parent company has received loans from private individuals and legal entities. The interest is charged from 2,92% to 14 % and the repayment term is 18.10.2024. The loans are received without security granted.

The Company has received loans from a crowdfunding platform registered in the European Union. The weighted average interest rate is from 10,62% to 11,97% per year with repayment terms in accordance with the loan agreements concluded by the Company with its customers. The loans are secured by a commercial pledge.

Total future minimum lease payments – present value and interest expense for Parent company other borrowings and borrowings from affiliated companies:

| Term: | Gross future minimum payments | NPV of future minimum payments | Interest expenses | Gross future minimum payments | NPV of future minimum payments | Interest expenses |
|----------------|-------------------------------|--------------------------------|--------------------|-------------------------------|--------------------------------|--------------------|
| | 31.12.2019. EUR | 31.12.2019. EUR | 31.12.2019. EUR | 31.12.2018. EUR | 31.12.2018. EUR | 31.12.2018. EUR |
| up to one year | 12 957 387 | 11 522 068 | 1 435 319 | 11 038 094 | 9 813 073 | 1 225 021 |
| 2 – 5 years | 6 945 924 | 4 810 611 | 2 135 313 | 1 026 310 | 934 558 | 91 752 |
| | 19 903 311 | 16 332 679 | 3 570 632 | 12 064 404 | 10 747 631 | 1 316 773 |

Total future minimum lease payments – present value and interest expense for Group other borrowings and borrowings from affiliated companies:

| Term: | Gross future minimum payments | NPV of future minimum payments | Interest expenses | Gross future minimum payments | NPV of future minimum payments | Interest expenses |
|----------------|-------------------------------|--------------------------------|--------------------|-------------------------------|--------------------------------|--------------------|
| | 31.12.2019. EUR | 31.12.2019. EUR | 31.12.2019. EUR | 31.12.2018. EUR | 31.12.2018. EUR | 31.12.2018. EUR |
| up to one year | 14 705 646 | 13 078 131 | 1 627 515 | 11 975 403 | 10 646 236 | 1 329 166 |
| 2 – 5 years | 8 125 440 | 5 637 790 | 2 487 650 | 1 091 865 | 994 172 | 97 693 |
| | 22 831 086 | 18 715 921 | 4 115 165 | 13 067 268 | 11 640 408 | 1 426 859 |

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

(23) Lease liabilities for right-of-use assets

| | Parent company 31.12.2019. EUR | Group 31.12.2019. EUR | Parent company 31.12.2018. EUR | Group 31.12.2018. EUR |
|---|---|-----------------------------|---|-----------------------------|
| Long term lease liabilities for right-of-use assets - premises | 1 460 753 | 1 460 753 | - | - |
| Long term lease liabilities for right-of-use assets - vehicles | 14 597 | 14 597 | - | - |
| Total long-term lease liabilities for right-of-use assets | 1 475 350 | 1 475 350 | - | - |
| Short term lease liabilities for right-of-use assets - premises | 540 601 | 540 601 | - | - |
| Short term lease liabilities for right-of-use assets - vehicles | 8 984 | 8 984 | - | - |
| Total short-term lease liabilities for right-of-use assets | 549 585 | 549 585 | - | - |
| Lease liabilities for right-of-use assets, total | 2 024 935 | 2 024 935 | - | - |

Premises lease agreements are signed for a period of one year to eighteen years and six months. Car rental agreements are signed for a period of three years to three years and eleven months.

(24) Accounts payable to affiliated companies

| | Parent company 31.12.2019. EUR | Group 31.12.2019. EUR | Parent company 31.12.2018. EUR | Group 31.12.2018. EUR |
|--|---|-----------------------------|---|-----------------------------|
| Accrued liabilities for facilities management and utilities to SIA Banknote | 179 | 179 | 235 | 235 |
| Debt for the services provided by the SIA AE Consulting | - | - | - | 181 |
| Debt for the services provided by the SIA ViziaFinance | 17 | - | - | - |
| Debt for received payments of the assigned rights of claim to SIA ExpressInaksso | 234 070 | - | 171 376 | - |
| Total liabilities to related parties | 234 266 | 179 | 171 611 | 416 |

(25) Trade creditors and accrued liabilities

| | Parent company 31.12.2019. EUR | Group 31.12.2019. EUR | Parent company 31.12.2018. EUR | Group 31.12.2018. EUR |
|--------------------------------|---|-----------------------------|---|-----------------------------|
| Debts to suppliers | 198 397 | 219 062 | 171 018 | 187 255 |
| Salaries | 238 214 | 239 824 | 203 546 | 205 488 |
| Vacation liabilities | 278 778 | 281 035 | 261 372 | 263 244 |
| Amounts due to loan recipients | 282 293 | 282 293 | 213 553 | 213 553 |
| Other liabilities | 507 752 | 70 965 | 72 262 | 87 201 |
| | 1 505 434 | 1 093 179 | 921 751 | 956 741 |

Parent company's and Group's all trade creditors and accrued liabilities by currency, translated into EUR.

a) Ageing analysis of trade creditors and accrued liabilities:

| | 31.12.2019. EUR | 31.12.2019. EUR | 31.12.2018. EUR | 31.12.2018. EUR |
|--|--------------------|--------------------|--------------------|--------------------|
| Receivables not yet due | 1 466 598 | 1 053 391 | 738 048 | 757 831 |
| Outstanding for 1-30 days | 37 513 | 37 513 | 10 696 | 10 696 |
| Outstanding more than 30 days | 1 323 | 2 275 | 173 007 | 188 214 |
| Total trade creditors and accrued liabilities | 1 505 434 | 1 093 179 | 921 751 | 956 741 |

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

(26) Taxes and social insurance payments

Parent company's taxes and social insurance

| | VAT | Corporate income tax | Business risk charge | Social insurance | Payroll tax | Vehicles tax | Natural resource tax | Total |
|---------------------------|-----------|-------------------------|----------------------------|---------------------|----------------|-----------------|----------------------------|----------|
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| Liabilities | | | | | | | | |
| 31.12.2018. | 17 133 | - | 90 | 115 774 | 58 214 | 4 092 | - | 195 303 |
| (Overpaid) | | | | | | | | |
| 31.12.2018. | - | (54 218) | - | - | - | - | - | (54 218) |
| Charge for 2019 | 295 931 | 349 957 | 1 172 | 1 560 289 | 800 843 | 14 414 | 756 | |
| Late payment penalty 2019 | - | 609 | - | - | 88 | - | 24 | |
| Paid in 2019 | (281 437) | (298 000) | (1 165) | (1 542 405) | (795 547) | (14 876) | (226) | |
| (Overpaid) | | | | | | | | |
| 31.12.2019. | - | (1 652) | - | - | - | - | - | (1 652) |
| Liabilities | | | | | | | | |
| 31.12.2019. | 31 627 | - | 97 | 133 658 | 63 598 | 3 630 | 554 | 233 164 |

Group's taxes and social insurance

| | VAT | Corporate income tax | Business risk charge | Social insurance | Payroll tax | Vehicles tax | Natural resource tax | Total |
|--------------------------------|-----------|-------------------------|----------------------------|---------------------|----------------|-----------------|----------------------------|----------|
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| Liabilities | | | | | | | | |
| 31.12.2018. | 19 287 | 11 | 90 | 116 900 | 58 757 | 4 092 | - | 199 137 |
| (Overpaid) | | | | | | | | |
| 31.12.2018. | - | (65 048) | (7) | - | - | - | - | (65 055) |
| Charge for 2019 | 325 106 | 349 957 | 1 193 | 1 567 846 | 805 195 | 14 414 | 756 | - |
| Late payment penalty 2019 | - | 609 | - | - | 88 | - | 24 | - |
| Redirected to other taxes 2019 | - | 10 830 | - | (7 120) | (3 710) | - | - | - |
| Paid in 2019 | (302 715) | (298 111) | (1 187) | (1 548 062) | (798 558) | (14 876) | (226) | - |
| (Overpaid) | | | | | | | | |
| 31.12.2019. | - | (1 752) | (10) | (4 577) | (2 115) | - | - | (8 454) |
| Liabilities | | | | | | | | |
| 31.12.2019. | 41 678 | - | 99 | 134 141 | 63 887 | 3 630 | 554 | 243 989 |

(27) Average number of employees

| | 2019 | 2018 |
|---|------|------|
| Average number of employees during the reporting year of the Parent company | 271 | 264 |
| Average number of employees during the reporting year of the Group | 276 | 270 |

(28) Management remuneration

| | 31.12.2019. EUR | 31.12.2018. EUR |
|------------------------------|--------------------|--------------------|
| Board members' remuneration: | | |
| · salary expenses | 273 761 | 199 879 |
| · social insurance | 65 949 | 48 151 |
| | <u>339 710</u> | <u>248 030</u> |

Council members do not receive any remuneration for their work as council members. During the year loans in the amount of EUR 76 000 were issued to the board members. Loans and accrued interest in the amount of EUR 42 000 were repaid during the reporting period. The interest on loans is charged as 2.92% p.a. As at 31.12.2019. loans balance in the amount of Eur 44 000 to the board members.

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

(29) Additional disclosure on loans issued and received movement in accordance with cashflow information disclosure initiative

(29a) Loans received – movement during the year

| | Parent company 2019 EUR | Group 2019 EUR | Parent company 2018 EUR | Group 2018 EUR |
|---|----------------------------------|----------------------|----------------------------------|----------------------|
| Bonds issued | 7 914 767 | 7 914 767 | 8 066 930 | 8 066 930 |
| Other loans | 10 747 631 | 11 640 408 | 7 722 043 | 8 279 165 |
| Loan from affiliated companies | 171 611 | 416 | 820 987 | 50 541 |
| Total loans received and bonds issued at the beginning of the year | 18 834 009 | 19 555 591 | 16 609 960 | 16 396 636 |
| Loans received | 11 462 075 | 14 279 871 | 8 204 777 | 8 559 897 |
| Loans repaid | (6 790 349) | (8 880 811) | (6 002 114) | (5 422 328) |
| Interest charged | 3 856 979 | 4 352 226 | 2 238 818 | 2 298 310 |
| Interest paid | (2 971 149) | (2 766 157) | (2 217 432) | (2 276 924) |
| Total loans received and bonds issued at the end of the year inclusive | 24 391 565 | 26 540 720 | 18 834 009 | 19 555 591 |
| Bonds issued | 7 824 620 | 7 824 620 | 7 914 767 | 7 914 767 |
| Other loans | 16 332 679 | 18 715 921 | 10 747 631 | 11 640 408 |
| Related parties' loans | 234 266 | 179 | 171 611 | 416 |

(29b) Loans issued – movement during the year

| | Parent company 2019 EUR | Group 2019 EUR | Parent company 2018 EUR | Group 2018 EUR |
|---|----------------------------------|----------------------|----------------------------------|----------------------|
| <i>Loans and receivables</i> | 18 007 992 | 20 150 855 | 14 468 503 | 15 843 672 |
| <i>Loans to shareholders and management</i> | 1 073 823 | 1 072 274 | 746 619 | 746 619 |
| <i>Loans to related parties</i> | 518 695 | 204 335 | 551 594 | 551 594 |
| Total loans issued the beginning of the year | 19 600 510 | 21 427 464 | 15 766 716 | 17 141 885 |
| Loans issued within operating activities | 53 870 228 | 66 445 724 | 48 083 648 | 52 111 188 |
| Loans repaid | (47 923 165) | (53 044 546) | (43 808 530) | (46 954 055) |
| Other loans issued | 7 135 464 | 494 564 | 1 747 016 | 1 303 620 |
| Other loans repaid | (1 729 665) | (491 665) | (1 459 949) | (1 329 601) |
| Interest charge | 14 968 334 | 16 382 466 | 13 793 021 | 14 663 755 |
| Interest payments received | (15 023 844) | (16 421 309) | (13 667 153) | (14 521 911) |
| Accrued interest | 611 204 | 1 097 958 | 666 714 | 720 401 |
| Bad debt provisions | (2 099 193) | (2 986 099) | (1 520 973) | (1 707 818) |
| Total loans issued the end of the year inclusive | 29 409 873 | 32 904 557 | 19 600 510 | 21 427 464 |
| Loans and receivables | 22 378 984 | 31 596 874 | 18 007 992 | 20 150 855 |
| Loans to shareholders and management | 1 022 423 | 1 022 423 | 1 073 823 | 1 072 274 |
| Loans to related parties | 6 008 466 | 285 260 | 518 695 | 204 335 |

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

(30) Related party transactions

In the annual report there are presented only those related parties with whom have been transactions the reporting year or in the comparative period.

| Related party | Transactions in 2019 | Transactions in 2018 |
|--|----------------------|----------------------|
| Parent company's owners | | |
| "Lombards24.lv", SIA, reg. No. 40103718685 | - | - |
| "AE Consulting", SIA, reg. No. 40003870736 | - | - |
| "EC finace", SIA, reg. No. 40103950614 | - | - |
| Didzis Ādmīdiņš, p.c. 051084-11569 | - | - |
| Kristaps Bergmanis, p.c. 040578-13052 | - | - |
| Ivars Lamberts, p.c. 030481-10684 | - | - |
| Companies and individuals under common control or significant influence | | |
| Agris Evertovskis, p.c. 081084 -10631 | - | - |
| EA investments, AS, reg.No. 40103896106 | - | - |
| Subsidiary | | |
| "ExpressInkasso", SIA, reg. No. 40103211998 | - | - |
| "ViziaFinance", SIA, reg. No. 40003040217 | - | - |
| "REFIN", SIA, reg. No. 40203172517 | - | - |
| Other related companies | | |
| "Banknote" SIA, reg. No. 40103501494 | - | - |
| "KALPAKS", SIA, reg.No. 40203037474 | - | - |
| "EL Capital", SIA, reg.No. 40203035929 | - | - |
| "EuroLombard Ltd", reg. No. 382902595000 | - | - |
| "OBDO Gin", SIA, reg. Nr. 50103451231 | - | N/A |

| | 2019 EUR | 2018 EUR |
|--|-------------|-------------|
| Parent company transactions with: | | |
| Owners of the parent company | | |
| Loans issued | 371 760 | 203 381 |
| Loan repayment received | 59 660 | 188 000 |
| Interest paid | 2 525 | 2 988 |
| Interest received | 31 020 | 37 358 |
| Dividends paid | 1 500 000 | 2 229 714 |
| Services received | 1 326 | 1 602 |
| Services delivered | 394 | 1 788 |
| Goods sold | - | 2 080 |
| Investment in shares | - | 4 132 |
| Parent company's transactions with: | | |
| Subsidiaries | | |
| Loans received | 696 400 | 661 704 |
| Loans repaid | 696 400 | 969 920 |
| Loans issued | 6 640 900 | 443 396 |
| Loan repayment received | 1 238 000 | 135 796 |
| Interest paid | 5 341 | 16 061 |
| Interest received | 15 852 | 4 845 |
| Services delivered | 43 010 | 53 756 |
| Services received | 94 547 | 281 773 |
| Fixed asset additions | - | 3 856 |
| Investment in shares | 500 000 | 300 000 |

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)

Related party transactions (continued)

| | 2019 | 2018 |
|--|-------------|-------------|
| | EUR | EUR |
| Companies and individuals under common control or significant influence | | |
| Loans repaid | - | 50 000 |
| Loans issued | 76 000 | 15 000 |
| Loan repayment received | 42 000 | 5 000 |
| Interest paid | - | 152 |
| Interest received | 572 | 35 |
| Services delivered | 1 875 | 60 |
| Other related companies | | |
| Loans issued | - | 844 679 |
| Loan repayment received | 380 005 | 967 960 |
| Interest received | 40 528 | 62 729 |
| Services received | 20 900 | 21 239 |
| Services delivered | 14 014 | 4 042 |
| Group's transactions with: | | |
| Owners of the parent company | | |
| Loans issued | 371 760 | 203 381 |
| Loan repayment received | 59 660 | 188 000 |
| Interest paid | 2 525 | 2 988 |
| Interest received | 31 020 | 37 358 |
| Dividends paid | 1 500 000 | 2 229 714 |
| Services received | 3 504 | 3 780 |
| Services delivered | 394 | 1 788 |
| Goods sold | - | 2 080 |
| Fixed assets sold | - | 4 132 |
| Companies and individuals under common control or significant influence | | |
| Loans repaid | - | 50 000 |
| Loans issued | 76 000 | 15 000 |
| Loan repayment received | 42 000 | 5 000 |
| Interest paid | - | 152 |
| Interest received | 572 | 35 |
| Services delivered | 1 875 | 60 |
| Other related companies | | |
| Loans issued | - | 844 679 |
| Loan repayment received | 380 005 | 967 960 |
| Interest received | 40 528 | 62 729 |
| Services received | 20 900 | 21 239 |
| Services delivered | 14 014 | 4 042 |

**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

Notes (continued)



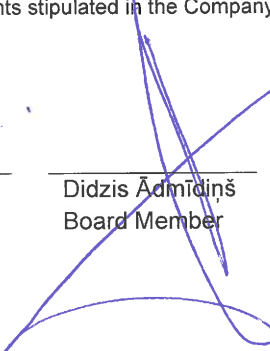
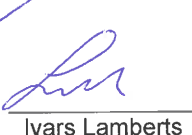
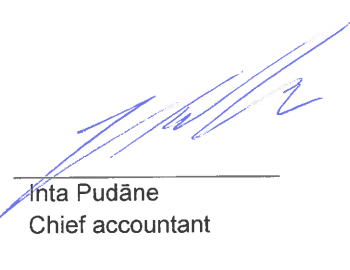
(31) Guarantees issued, pledges

As at 31.12.2017, the Company has issued guarantees for another Company to purchase cars on financial lease terms. The total amount guaranteed as at 31.12.2019 is EUR 37 633. The guarantee is in force until 2021. On December 4, 2019, the Company registered a commercial pledge by pledging all its property and receivables in amount of EUR 40.5 million as a collateral for bondholders of notes issues ISIN LV0000802213, ISIN LV0000801322, and ISIN LV0000802379, as well as for SIA "Mintos Finance".

(32) Subsequent events

After the end of the financial year, in March 2020, the Republic of Latvia and many other countries have announced coronavirus related restrictions that substantially decrease the economic development of the country and of the world. It is unpredictable how the situation would develop in the future, and therefore uncertainty regarding economic development remains. The Company's management is continuously assessing the situation and currently the Company's operations have not been significantly negatively affected.

To ensure the Company's operational stability in unclear economic environment, the Company's management has taken necessary actions including: (1) decrease of operational costs, (2) decrease of lending activity and focus on long-term clients with good credit history, (3) measures for maintaining high liquidity. The Company's management believes that these actions will allow to overcome the emergency situation and economic crisis related to it. However, this conclusion is based on the information available at the moment of signing these financial statements and the impact of further events on overall economic situation is unpredictable. Therefore, it is possible that the Company's loan portfolio will decrease, but credit risk will increase, to a greater extent than the Company has estimated. That will have a negative effect on the Company's performance and it can impact the compliance with financial covenants stipulated in the Company's financing agreements.

| | | | | |
|--|---|--|--|--|
|  _____ Agris Evertovskis Chairman of the Board |  _____ Kristaps Bergmanis Board Member |  _____ Didzis Admiņiņš Board Member |  _____ Ivars Lamberts Board Member |  _____ Īnta Pudāne Chief accountant |
|--|---|--|--|--|

Riga, 24th April 2020

Translation from Latvian original

Independent Auditor's Report

To the shareholders of SIA "DelfinGroup"

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the separate financial statements of SIA "DelfinGroup" ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 10 to 40 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate and consolidated statement of financial position as at 31 December 2019;
- the separate and consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the separate and consolidated statement of changes in equity for the year then ended;
- the separate and consolidated statement of cash flows for the year then ended;
- notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group as at 31 December 2019, and of its separate and consolidated financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements* section of our report.

We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the note 32 of the separate and consolidated financial statements, which describes uncertainty in the economic environment created by the outbreak of the novel coronavirus. The magnitude of uncertainty encumbers Company's management capacity to forecast the Company's development in near term. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report:

Impairment of the loans to customers (the Company and the Group)

| | |
|-------------------------|--|
| Key audit matter | The Company and the Group are providing unsecured loans to individuals in Latvia. Total gross amount of the Group's loans comprised EUR 34,983 thousand and provision for expected credit loss comprised EUR 3,436 thousand as at 31 December 2019 (further information is provided in the note 15 of the accompanying separate and consolidated financial statements). We considered impairment in the value of loans and associated estimates for the loan loss allowance as a key audit matter as loan portfolio represents 82% of the Group's total consolidated assets as at 31 December 2019 and potential loan loss impact on the financial performance of the Company and the Group. |
|-------------------------|--|

| | |
|---------------------------|--|
| Our audit response | <p>Our main audit procedures were as follows:</p> <ul style="list-style-type: none">• We assessed whether the Company's and the Group's accounting policies in relation to the impairment of loans to customers are in compliance with the IFRS requirements.• We tested internal controls applied within processes related to the loan approval and issuance as well as control over delayed payments and debt collection. This also included testing of general IT controls related to the automated loan issuance and re-payment control processes as well as data gathering and processing for the calculation of loan loss allowance.• We tested the logic and accuracy of expected credit loss calculation models developed by the Company with a particular focus on the assessment of probability of default and loss given default ratios. We tested completeness and accuracy of data used for the calculation of loan loss allowance. |
|---------------------------|--|

Expected credit loss for the real estate loans (the Group)

Key audit matter As disclosed in the note 15 of the accompanying separate and consolidated financial statements, during the reporting period one of the Group's entities acquired unsecured claim rights against companies involved in real estate trading. The gross value of these assets as at 31 December 2019 comprised EUR 6,279 thousand while provision of expected credit loss - EUR 450 thousand. We considered these assets as a key audit matter because their risk profile is significantly different from the rest of the Group's loan portfolio, their recovery depends on successful completion of real estate projects and significant negative deviations from management estimates for expected credit loss may result in major impact on the financial performance of the Group.

Our audit response Our main audit procedures were as follows:

- We did detailed analysis of management estimates for expected credit loss, including comparison of real estate sales price assumptions used by the management with third party information.
- Where necessary, we asked to make corrections for management assumptions related to the projected time period to complete the sale of properties and associated calculation of expected credit loss.
- We tested completeness and accuracy of information disclosed in the financial statements with respect to these assets.

Reporting on Other Information

The Company's and the Group's management is responsible for the other information. The other information comprises:

- Information about the Company and the Group, as set out on pages 3 to 5 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 6 of the accompanying Annual Report,
- the Management Report, as set out on pages 7 to 8 of the accompanying Annual Report,
- the Statement of Corporate Governance as set out on page 9 of the accompanying Annual Report.

Our opinion on the separate and consolidated financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* related to other information section of our report.

In connection with our audit of the separate and 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 separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, 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.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Law On the Annual Reports and Consolidated Annual Reports.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the Law On the Annual Reports and Consolidated Annual Reports.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.², third paragraph of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.², third paragraph of the Financial Instruments Market Law.

The Group does not prepare the Non-financial statement.

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

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view 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 separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements

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



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and 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 Company's and 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 Company's and/or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves a 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by those charged with governance on 20 November 2018 to audit the separate and consolidated financial statements of SIA “DelfinGroup” for the year ended 31 December 2019. Our total uninterrupted period of engagement is two years, covering the periods ending 31 December 2018 to 31 December 2019.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Council of the Company and the Group who executes the Audit Committee function;
- as referred to in the paragraph 37.6 of the Law on Audit Services of the Republic of Latvia we have not provided to the Company and the Group the prohibited non-audit services (NASs) referred to in the article 5, paragraph 1 of the EU Regulation (EU) No 537/2014. We also remained independent of the audited Company and the Group in conducting the audit.

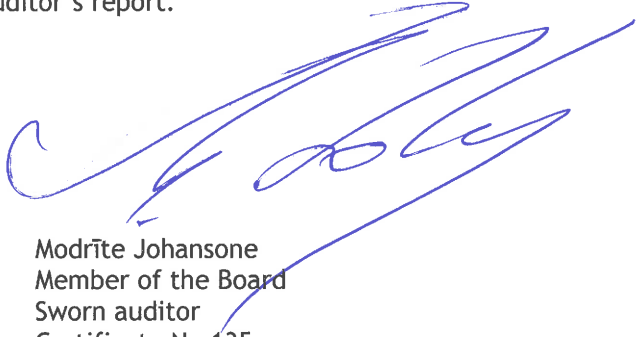
For the period to which our statutory audit relates, we have not provided any other services apart from the audit, to the Company and the Group.

Mārtiņš Zutis is the responsible engagement partner and Modrīte Johansone is the responsible sworn auditor on the audit resulting in this independent auditor’s report.

“BDO ASSURANCE” SIA
Licence No 182



Mārtiņš Zutis
Director
on behalf of SIA “BDO ASSURANCE”



Modrīte Johansone
Member of the Board
Sworn auditor
Certificate No 135

Riga, Latvia
24 April 2020