

SIA “DELFINGROUP”

**UNAUDITES CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD 01.01.2020. - 30.09.2020.**

**PREPARED IN ACCORDANCE WITH THE INTERNATIONAL
FINANCIAL REPORTING STANDARDS AS ADOPTED BY EU**

TRANSLATION FROM LATVIAN

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TABLE OF CONTENTS

Information on the Company and subsidiaries	3 – 4
Statement of management's responsibility	5
Management report	6 - 7
Profit or loss account	8
Balance sheet	9 – 10
Notes	11

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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 Ramona Miglāne – Deputy Chairman of the Council Anete Ozoliņa – Member of the Council
Responsible person for accounting	Inta Pudāne - Chief accountant
Financial year	1 January 2020 - 30 September 2020

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
Subsidiary	SIA Banknote commercial properties (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	30.09.2020.
Number, place and date of registration of the subsidiary	40103501494; Riga, 17 January 2012
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	68.20 Renting and managing of own or leased real estate

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 30 September 2020 and its profit for 3 quarters of 2020.

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 Ādmīdiņš
Board Member

Kristaps Bergmanis
Board Member

Ivars Lamberts
Board Member

Riga, 2nd November 2020

Management report

In the 3 quarters of year 2020, the company's turnover has increased by 4.3% compared to the corresponding period of year 2019, reaching EUR 16.7 million, while the profit reached EUR 3.16 million.

In the 3rd quarter of 2020, the amount of issued loans was gradually increased, which in total reached 14.6 million euros in the period, respectively, by 71.4% more than in the previous quarter and by 16% more than in the 3rd quarter of 2019. During the COVID – 19 emergency situation and now, DelfinGroup has worked and is actively working on product improvements to provide better customer service. Based on the Group's conservative credit policy and a stable and reliable customer base, the ratio of non-performing loans (NPLs) has remained relatively low, ensuring stable portfolio quality.

DelfinGroup's chairman of the Board Agris Evertovskis comments on the results: ""DelfinGroup has shown great resilience in the first wave of the current pandemic and has been able to provide a service that promotes financial inclusion throughout the territory of Latvia and is important for a large part of the population, as evidenced by the growth of the loan portfolio. In addition, stable results have been achieved, justified by overall financial indicators. In addition to operational stability, I would also like to emphasize that DelfinGroup has important features that justify the high credit rating among other companies in the industry. We have a diversified income structure - approximately 35% of our income is generated by pawnshops with more than 312 thousand customers and more than 42% of the market share in Latvia in this stable business segment, which is driven by our network of 87 branches in 38 cities and towns of Latvia. We have a diversified funding structure - with a P2P platform Mintos, regular bond issues and equity, in a ratio of about 3: 3: 2."

In the 3rd quarter of 2020, the shareholders of SIA DelfinGroup decided to increase the share capital to 4 million euros, transferring the profit of the previous periods to the share capital. The Company was also active in the field of investor relations and attracting financing. On 11 August 2020, bonds issue in the amount of EUR 5 million was listed on the Nasdaq First North exchange. At the end of the quarter, new and existing private and institutional investors fully subscribed for new unsecured bond issue in the amount of EUR 3.5 million with a coupon rate of 12% and a maturity date of 25 November 2022.

Didzis Ādmīdiņš, CEO and member of the Board, adds: "It is pleasure to announce that we are committed to implement ESG reporting best practices from 2020, aiming for even greater openness and transparency in our operations. We are already starting to report on employment rates, energy efficiency and the circular economy for the 9 months of 2020. We believe that one achieves what it measures. Our vision is to inspire other companies by setting an example of how to think and act in developing sustainable and responsible business practices, that are related to the environment, corporate governance and social aspects. It is a sensible move and it will add value to our investors and the wider community."

On 25 August 2020, the members of SIA DelfinGroup made a decision to change the legal form to a joint stock company, which, in accordance with the Commercial Law, will take place until 11 January 2021. As part of the reorganization, the corporate governance of the company will be strengthened, which envisages the expansion of the supervisory board with independent members and further progress in the implementation of the highest quality corporate governance policies.

Following financial results of the Group were achieved in the 3rd quarter of 2020:

Position	EUR, million	Change*, %
Net loan portfolio	34.04	+ 7.9
Assets	42.62	+ 11.4
Net profit before taxes	3.65	- 2.0
Net profit	3.16	- 6.1

* Net loan portfolio and assets compared to 31.12.2019.
Net profit is compared to the corresponding period of 2019.

As to compliance with the Issue Terms of notes issue ISIN LV0000802213, ISIN LV0000802213, ISIN LV0000802429 and ISIN LV0000802379 financial covenant computation are as follows:

Covenant	Value as of 30.09.2020.	Compliance
<i>dividend amount including any interim dividends shall not exceed 40% of the last audited net profit. If only Net Debt/Net Equity indicator is not exceeding 3.5 to 1, dividend amount shall exceed 40%</i>	2.75	yes
<i>to maintain Net Debt/Net Equity indicator not exceeding 4 to 1</i>	2.75	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>	1.38	yes

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<i>total consolidated loan amount to shareholders, management and other Related Persons shall not exceed EUR 1,400,000</i>	376 221 EUR	yes
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Branches

During the period from 1 January 2020 to 30 September 2020, the Group had 87 branches in 38 cities in Latvia (31.12.2019. - 87 branches in 38 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

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 30 June 2020.

Agris Evertovskis
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Didzis Ādmīdiņš
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Ivars Lamberts
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Riga, 2nd November 2020

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Profit or loss account for the period 01.01.2020. - 30.09.2020.

	Group 01.01.2020- 30.09.2020. EUR	Group 01.01.2019.- 30.09.2019. EUR
Net sales	4 685 763	3 945 280
Cost of sales	(3 169 580)	(2 621 745)
Interest income and similar income	12 030 081	12 081 996
Interest expenses and similar expenses	(3 075 938)	(2 977 965)
Gross profit	10 470 326	10 427 566
Selling expenses	(4 217 663)	(4 239 510)
Administrative expenses	(2 495 402)	(2 446 271)
Other operating income	44 595	73 288
Other operating expenses	(147 331)	(107 666)
Profit before corporate income tax	3 654 525	3 707 407
Income tax expense	(495 299)	(342 737)
Profit for the reporting year	3 159 226	3 364 670

Comprehensive income statement

	01.01.2020- 30.09.2020. EUR	01.01.2019.- 30.09.2019. EUR
Profit for the reporting year	3 159 226	3 364 670
Other comprehensive income	-	-
Total comprehensive income	3 159 226	3 364 670

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Balance sheet as at 30 September 2020	Group	Group
<u>Assets</u>	30.09.2020.	31.12.2019.
Non-current assets:	EUR	EUR
Intangible assets:		
Concessions, patents, licenses, trademarks and similar rights	139 396	184 201
Other intangible assets	54 268	35 733
Goodwill	127 616	127 616
Advances on intangible assets	-	6 748
Total intangible assets:	321 280	354 298
Property, plant and equipment:		
Land, buildings and civil engineering	88 650	-
Investments in property, plant and equipment	219 293	54 515
Right-of-use assets	2 927 542	1 980 106
Other fixtures and fittings, tools and equipment	297 851	351 553
Total property, plants and equipment	3 533 336	2 386 174
Non-current financial assets:		
Loans to related companies	25 000	117 620
Loans and receivables	10 663 458	8 859 789
Loans to shareholders and management	180 260	1 022 423
Total long-term investments:	10 868 718	9 999 832
Total non-current assets:	14 723 334	12 740 304
Current assets:		
Inventories:		
Finished goods and goods for sale	1 544 803	1 155 352
Total inventories:	1 544 803	1 155 352
Receivables:		
Loans and receivables	23 377 427	22 687 085
Receivables from members and board	161 221	165 112
Debt to related companies	9 740	2 528
Other debtors	198 802	275 751
Deferred expenses	165 931	108 539
Total receivables:	23 913 121	23 239 015
Cash and bank	2 434 389	1 135 644
Total current assets:	27 892 313	25 530 011
Total assets	42 615 647	38 270 315

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Balance sheet as at 30 September 2020	Group	Group
<u>Liabilities and equity</u>	30.09.2020.	31.12.2019.
Equity:	EUR	EUR
Share capital	4 000 000	1 500 000
Retained earnings	2 353 992	2 954 156
Profit for the reporting year	3 159 226	3 913 336
Total equity:	9 513 218	8 367 492
Creditors:		
Long-term creditors:		
Bonds issued	13 017 419	6 059 853
Other borrowings	4 617 077	5 637 790
Lease liabilities for right-of-use assets	2 459 142	1 475 350
Total long-term creditors:	20 093 638	13 172 993
Short-term creditors:		
Bonds issued	459 915	1 764 767
Other borrowings	9 481 285	13 078 131
Lease liabilities for right-of-use assets	650 087	549 585
Trade payables	634 244	501 355
Accounts payable to affiliated companies	1 921	179
Taxes and social insurance	1 290 920	243 989
Accrued liabilities	490 419	591 824
Total short-term creditors:	13 008 791	16 729 830
Total creditors	33 102 429	29 902 823
<u>Total liabilities and equity</u>	<u>42 615 647</u>	<u>38 270 315</u>

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Riga, 2nd November 2020

Notes

Age analysis of claims against debtors for loans issued:

	Group 30.09.2020. EUR	Group 31.12.2019. EUR
Receivables not yet due	33 061 084	30 599 448
Outstanding 1-30 days	2 901 579	1 975 902
Outstanding 31-90 days	969 179	957 883
Outstanding 91-180 days	589 803	482 098
Outstanding for 181-360 days	630 910	364 104
Outstanding for more than 360 days	675 238	603 538
Total gross claims against debtors for loans issued	38 827 793	34 982 973
Provisions for bad and doubtful trade debtors	(4 786 908)	(3 436 099)
Total net claims against debtors for loans issued	34 040 885	31 546 874

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