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AS “DelfinGroup”
Unaudited
consolidated interim
report
January – June
2023

Translation from Latvian

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Information on the Company and Subsidiaries

Name of the Company	DelfinGroup
Legal status of the Company	Joint stock company (till 19.01.2021, 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 47.91 Retail sale via mail order houses or via Internet NACE2 47.79 Retail sale of second-hand goods in stores NACE 47.77 Retail sale of watches and jewellery in specialised stores
Address	50A Skanstes Street, Riga, LV-1013 Latvia
Names and addresses of shareholders	SIA L24 Finance (47.84%), 12 Jūras Street, Liepaja, Latvia SIA AE Consulting (8.75%), 50A Skanstes Street, Riga, Latvia SIA EC finance (14.95%), 50A Skanstes Street, Riga, Latvia Other (28.46%)
Ultimate parent company	SIA L24 Finance Reg. No. 40103718685 12 Jūras Street, Liepaja, Latvia
Names and positions of Board members	Didzis Ādmīdiņš – Chairman of the Board (from 19.01.2021) Aldis Umblejs – Member of the Board (from 15.12.2021) Sanita Pudnika – Member of the Board (from 01.03.2022) Nauris Bloks – Member of the Board (from 08.06.2023)

Names and positions of Supervisory Board members

Agris Evertovskis – Chairperson of the Supervisory Board (from 13.04.2021)

Gatis Kokins – Deputy Chairman of the Supervisory Board (from 13.04.2021)

Mārtiņš Bičevskis – Member of the Supervisory Board (from 13.04.2021)

Jānis Pizičs – Member of the Supervisory Board (from 13.04.2021)

Edgars Voļskis – Member of the Supervisory Board (from 13.04.2021)

Reporting period

1 January 2023 – 30 June 2023

Information on the Subsidiaries

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	50A Skanstes Street, Riga, Latvia
Operations as classified by NACE classification code system of the subsidiary	64.92 Other financing services

Statement of management`s responsibility

The management of AS *DelfinGroup* (hereinafter – the Company) is responsible for the preparation of the Consolidated interim report January – June 2023 (hereinafter – interim report) of the Company and its subsidiaries (hereinafter – the Group or DelfinGroup).

The interim report set out on pages 12 to 26 are prepared in accordance with the source documents and present the financial position of the Group as of 30 June 2023 and the results of its operations, changes in shareholders' equity and cash flows for the six-month period ended 30 June 2023. The management report set out on pages 7 to 11 presents fairly the financial results of the reporting period and future prospects of the Group.

The interim report are prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the European Union. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

The Management of AS *DelfinGroup* is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group. The Management is also responsible for compliance with requirements of legal acts of the countries where Group companies and the Parent company operate.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Pudnika
Board Member

Nauris Bloks
Board Member

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Management report

During the first half of 2023, Latvian financial services group AS *DelfinGroup* reached an income of 23.7 million euros which is 51% more compared to the same period in 2022. Moreover, EBITDA showed stable growth in the first six months of 2023, increasing by 46% yearly and reaching 8.3 million euros. The significant improvements in turnover also fostered profitability growth. Profit before taxes in 6 months of 2023 was EUR 3.8 million, an 11% increase, while net profit grew by 36%, reaching EUR 3.4 million.

Similar positive results were recorded in the 2nd quarter of 2023. Income grew by 52% compared to the corresponding period last year and reached 12.3 million euros. EBITDA in the 2nd quarter increased by 41% while profit before tax grew by 7% to 2.0 million euros. Net profit of the period was EUR 1.8 million, an increase of 61%.

Stable demand for *DelfinGroup* products continued throughout the first half of 2023. During the period, the Group issued a record high amount in loans – EUR 45.7 million, an increase of 29%, but in the 2nd quarter, the issuance grew by 7% compared to the last year. Although the demand from the client side remained stable, the Group purposefully limited the volume of loan issuance to ensure balanced growth and the fulfilment of financial covenants. Thus new consumer loan issuance grew by 2% in the second quarter reaching 15.7 million euros, but in 6 months grew by 27%. Meanwhile, the pawn lending business showed significant improvements by increasing loan issuance in a 6-month period by 36% to EUR 11.7 million and setting a historical record of quarterly issuance – 6.0 million euros in the second quarter of 2023. Consequently, increasing loan issuance during the first half of the year resulted in a record-high net loan portfolio amount - EUR 78.1 million, already surpassing the strategic aim to reach EUR 77 million net loan portfolio at the end of 2023. Since the beginning of the year, the net loan portfolio of the Group has grown by 16%.

In the segment of sale of pre-owned and new goods, the Group made significant improvements. Sales of the segment in a 6-month period was 6.8 million euros, a 39% increase compared to 2022, while the second quarter showed record-high sales of 3.5 million euros.

During this period, the Group focused on improving its circular economy business. As a result, several significant milestones were reached in the second quarter of 2023. In April, the Group opened its largest store of pre-owned goods, *Banknote XL*, in Imanta, Riga, with an area of 300 m². The store provides the opportunity to buy more than 4 500 new and pre-owned goods on-site and sell things that are no longer used in the household. The newly opened *Banknote XL* store offers a wide selection of tested goods – affordable prices on jewellery, smartphones, home appliances, laptops, work tools, audio and video equipment, sports equipment, watches, home furnishings and other goods. These goods can be bought and sold on-site, freeing up space in client's homes and earning them extra money. Consequently these actions have a great impact on the environment reducing CO₂ emissions made in producing new consumer goods.

In addition, to make it easier for people to re-sell pre-owned and slightly pre-owned goods and motivate people to follow the circular economy principles, *DelfinGroup* introduced the remote purchasing of goods. People can sell items that are no longer in use but still functioning remotely on the *Banknote* website pardod.banknote.lv, thus supporting circular economy principles and earning money. After the seller fills out an application form and receives an evaluation for the item online, the remote buying is organised through *DPD Pickup Stations* in cooperation with *DPD*. *Banknote* also covers the client's shipping costs.

During the 2nd quarter of 2023, the two largest shareholders of the Company – SIA *L24 Finance* and SIA *EC finance* organised a public offering of *DelfinGroup* shares. In total, they offered 4.7 million *DelfinGroup* shares which represented 10.3% of total *DelfinGroup* shares. The offer price was 1.35 euros per share. The public offer took place from 22 May until 2 June 2023. During the offer, 2 915 investors subscribed to 5 242 209 shares, equivalent to approximately 7.1 million euros, indicating that the offering was oversubscribed by 1.12 times. The highest interest in *DelfinGroup* shares came from Estonia, followed by Latvia and Lithuania. As a result, the free float of *DelfinGroup* stock has increased significantly, reaching 27.1% at the end of June 2023.

In June 2023, financial technology and innovation expert Nauris Bloks was appointed to the Management Board of the Company to strengthen innovation development as a strategic priority for the Group. The change in the Management Board is in line with *DelfinGroup* strategy to continue its growth by strengthening it with new innovative fintech solutions. For six years, Nauris had been working in the fintech industry company *TWINO*, where he managed the IT support, infrastructure, and development teams. For the last four years, he was Chief Technology Officer (CTO), responsible for IT in all countries of the company's operations, IT strategy, innovation, IT teams, and various development projects. Under the leadership of Nauris, new lending, AML, accounting, investment, and other systems were introduced, IT infrastructure was transferred to cloud services, IT management was optimized and streamlined, and several development projects were implemented.

In the 2nd quarter of 2023, the Group continued to adhere to the promise of regular dividend distribution. Consequently, shareholders of *DelfinGroup* during the quarter received two dividend payments. The first payment was from the profit of the 4th quarter of 2022, and the second was from the profit of the 1st quarter of 2023. Shareholders received EUR 1.6 million, namely 0.0362 euros per share.

For last year's performance in the area of corporate social responsibility, the Company received the *Institute for Corporate Sustainability and Responsibility's* award *Sustainability Index 2023* in the gold category, which confirms the Company's systematic and strategic approach to the work environment, the environment, good governance and other key aspects of sustainability.

Management report (CONTINUED)

By implementing the business strategy and all planned activities, the following financial results of the Group were achieved in the first six months of 2023 (profit statement items are compared to the same period of the previous year, balance sheet items are compared to the data as at 31.12.2022):

Position	EUR, million	Change, %
Net loan portfolio	78.1	+15.7
Assets	91.4	+18.5
Revenue	23.7	+51.0
EBITDA	8.3	+46.3
Profit before taxes	3.8	+11.0
Net profit	3.4	+35.8

And following the Group's key financial figures for the last 5 financial quarters:

Position	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2
Revenue, EUR million	8.1	9.6	10.5	11.4	12.3
EBITDA, EUR million	3.1	3.6	3.8	3.9	4.3
EBITDA margin, %	38%	38%	37%	37%	36%
EBIT, EUR million	2.8	3.3	3.5	3.6	4.0
EBIT margin, %	35%	35%	34%	32%	33%
Profit before taxes, EUR million	1.8	1.9	1.9	1.8	2.0
Net profit, EUR million	1.1	1.8	1.7	1.6	1.8
Net profit margin, %	14%	19%	16%	14%	14%
ROE (annualised), %	26%	41%	38%	35%	37%
Current ratio	1.3	1.3	0.7	0.7	0.7

In some cases, quantitative values have been rounded up to the nearest decimal place or whole number to avoid an excessive level of detail. As a result, certain values may not necessarily add up to the respective totals due to the effects of the approximation. 2022 Q2 are corrected by restatements in Note 1. 2022 Q4 and 2022 Q3 are corrected by restatements in Note 1 of Group's annual consolidated financial statements as at 31 December 2022.

EBITDA calculation, EUR million:

Item	2023 Q2	2022 Q2
Profit before tax	2.0	1.8
Interest expenses and similar expenses	2.1	1.0
Depreciation of fixed assets and amortisation	0.3	0.3
EBITDA, EUR million	4.3	3.1

Management report (CONTINUED)

As for compliance with the Issue Terms of notes issue ISIN LV0000850048, ISIN LV0000802536 and ISIN LV0000850055 the financial covenant computation is as follows:

Covenant	Value as of 30.06.2023	Compliance
to maintain a Capitalization Ratio at least 25%	26%	yes
to maintain consolidated Interest Coverage Ratio of at least 1.25 times, calculated on the trailing 12 month basis	2.3	yes
to maintain the Net Loan portfolio, plus Cash, net value of outstanding Mintos Debt Security and secured notes balance, at least 1.2 times the outstanding principal amount of all unsecured interest-bearing debt on a consolidated basis.	1.6	yes

Principles of alternative performance measures

Dividend yield = dividends paid per share / share price at the end of the period * 100.

Net loan portfolio = non-current loans and receivables + current loans and receivables.

Revenue = net sales + interest income and similar income.

EBITDA margin = (profit before tax + interest expenses and similar expenses + depreciation of property, plant and equipment and amortization of intangible assets + depreciation of right-of-use assets) / (net sales + interest income and similar income) * 100.

EBIT margin = (profit before tax + interest expenses and similar expenses) / (net sales + interest income and similar income) * 100.

Net profit margin = net profit / (net sales + interest income and similar income) * 100.

ROE = net profit / ((total equity as at start of the period + total equity as at period end) / 2) * 100.

Current ratio = total current assets / total short-term liabilities * 100.

Capitalization ratio = total equity / (non-current loans and receivables + current loans and receivables) * 100.

Interest coverage ratio = (profit before tax + interest expenses and similar expenses) / interest expenses and similar expenses

Equity ratio = total equity / total assets * 100.

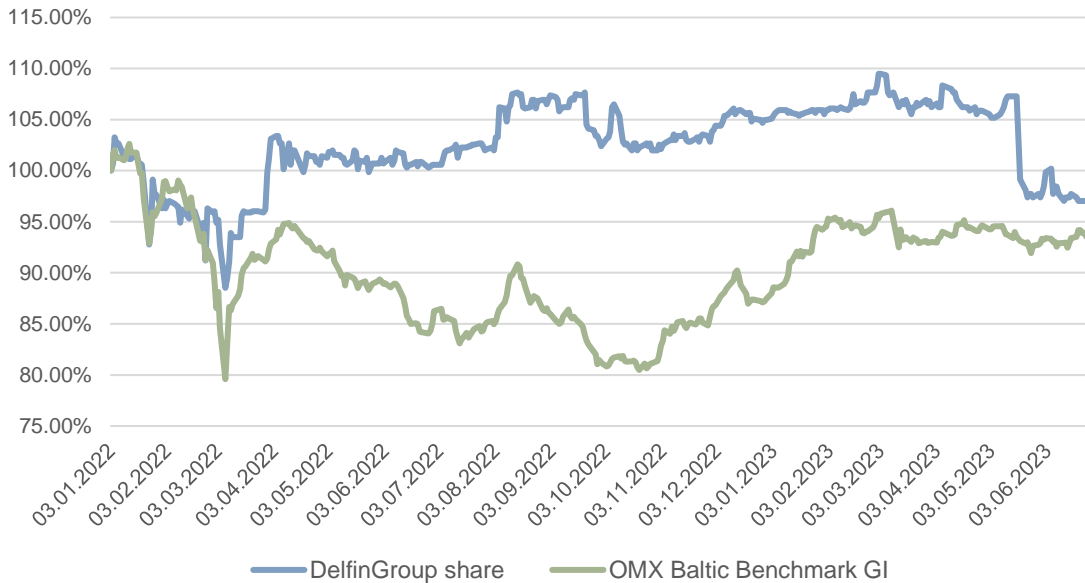
Cost to income ratio = (selling expenses + administrative expenses + other operating expenses – debt sale results) / (net sales – cost of sales + interest income and similar income – interest expenses and similar expenses + other operating income) * 100.

Investor information

DelfinGroup shares are listed on the Baltic Main List on the Nasdaq Riga stock exchange with the ISIN code LV0000101806. As of 30 June 2023, a total of 45,319,594 shares had been issued. The share price was EUR 1.365, making a total market capitalization of EUR 62 million. During the 6-month period of 2023, the trading of DelfinGroup shares reached EUR 2.5 million euros. In six months, the share price decreased by 7.89%. The lowest price at which the Company's shares were traded was 1.355 euros, and the highest was 1.55 euros.

Management report (CONTINUED)

Price changes since the beginning of 2022, %



Branches

As at 30 June 2023, the Group had 92 branches in 38 cities in Latvia (31.12.2022 - 91 branches in 38 cities).

Risk management

The Group is not exposed to foreign exchange rate risk because the basic transaction currency is the Euro. Majority of the funding of the Group consists of fixed coupon rate borrowings, so that the Group is not 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. All Group transactions are performed in Latvia, the Group has no counterparties in Russia and Belarus thus the impact of the war in Ukraine and the associated sanctions has insignificant effect on the company's operations.

Distribution of the profit proposed by the Company

The Company's board recommends the distribution of Q2 2023 profit as dividends in accordance with the Company's dividend policy, which sets the target of up to 50% quarterly dividend pay out.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Pudnika
Board Member

Nauris Bloks
Board Member

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Interim consolidated Statement of profit or loss January – June 2023

	Notes	For 6 months ended 30 June		For 3 months ended 30 June	
		2023	2022 (restated, note 1)	2023	2022 (restated, note 1)
		EUR	EUR	EUR	EUR
Net sales	(2)	4 549 764	2 863 481	2 246 958	1 617 720
Cost of sales		(2 844 605)	(1 859 699)	(1 401 268)	(1 079 976)
Interest income and similar income	(3)	19 129 192	12 818 050	10 028 263	6 477 756
Interest expenses and similar expenses	(4)	(3 844 283)	(1 647 163)	(2 052 323)	(958 252)
Credit loss expenses		(5 235 588)	(2 492 286)	(2 769 195)	(1 082 001)
Gross profit		11 754 480	9 682 383	6 052 435	4 975 247
Selling expenses	(5)	(4 115 790)	(3 443 038)	(2 053 218)	(1 685 972)
Administrative expenses	(6)	(3 722 602)	(2 625 706)	(1 957 751)	(1 346 302)
Other operating income		26 911	46 651	11 968	22 376
Other operating expenses		(146 333)	(239 408)	(82 084)	(123 491)
Profit before corporate income tax		3 796 666	3 420 882	1 971 350	1 841 858
Income tax expenses		(414 428)	(930 074)	(202 198)	(742 418)
Net profit		3 382 238	2 490 808	1 769 152	1 099 440
Basic earnings per share	(7)	0.075	0.055	0.039	0.024
Diluted earnings per share	(7)	0.075	0.055	0.039	0.024

Notes on pages from 17 to 26 are an integral part of these interim reports.

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Interim consolidated Balance sheet as at 30 June 2023

Assets		Group 30 June 2023	Group 31 December 2022
Non-current assets:			
Intangible assets:	Notes	EUR	EUR
Patents, licences, trademarks and similar rights		16 268	26 906
Internally developed software		509 486	575 458
Other intangible assets		218 197	121 162
Goodwill		127 616	127 616
Advances for intangible assets		331 516	43 801
Total intangible assets:		1 203 083	894 943
Property, plant and equipment:			
Land, buildings and structures		178 487	182 378
Leasehold improvements		205 696	189 340
Right-of-use assets		2 712 208	2 636 223
Other fixtures and fittings, tools and equipment		236 014	203 192
Total property, plant and equipment		3 332 405	3 211 133
Non-current financial assets:			
Loans and receivables	(8)	57 077 951	46 150 128
Total non-current financial assets:		57 077 951	46 150 128
Total non-current assets:		61 613 439	50 256 204
Current assets:			
Inventories:			
Finished goods and goods for sale		4 662 310	2 289 780
Total inventories:		4 662 310	2 289 780
Receivables:			
Loans and receivables	(8)	21 020 767	21 367 679
Other debtors		763 011	574 646
Deferred expenses		342 446	300 670
Total receivables:		22 126 224	22 242 995
Cash and cash equivalents		3 012 605	2 369 029
Total current assets:		29 801 139	26 901 804
Total assets		91 414 578	77 158 008

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Interim consolidated Balance sheet as at 30 June 2023

Liabilities and equity		Group	
		30 June 2023	31 December 2022
Equity:	Notes	EUR	EUR
Share capital		4 531 959	4 531 959
Share premium		6 890 958	6 890 958
Other capital reserves		163 060	93 058
Retained earnings	(9)	8 331 431	6 589 761
Total equity:		19 917 408	18 105 736
Liabilities:			
Long-term liabilities:			
Bonds issued	(10)	8 600 639	4 330 630
Loans from credit institutions		876 453	-
Other borrowings	(11)	19 023 499	15 004 505
Lease liabilities for right-of-use assets		2 189 255	2 353 309
Total long-term liabilities:		30 689 846	21 688 444
Short-term liabilities:			
Bonds issued	(10)	15 960 854	14 783 110
Loans from credit institutions		123 547	-
Other borrowings	(11)	21 286 617	19 856 253
Lease liabilities for right-of-use assets		807 543	565 131
Trade payables		781 433	856 429
Taxes and social insurance		567 503	560 492
Accrued liabilities		1 279 827	742 413
Total short-term liabilities:		40 807 324	37 363 828
Total liabilities		71 497 170	59 052 272
Total liabilities and equity		91 414 578	77 158 008

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Interim consolidated Statement of changes in equity January - June 2023

	Notes	Share capital EUR	Share premium EUR	Other capital reserves EUR	Retained earnings EUR	Total EUR
As at 01 January 2022, as previously		4 531 959	6 890 958	-	5 954 404	17 377 321
Impact of correction of errors (Note 1)		-	-	-	98 661	98 661
Restated as at 01 January 2022		4 531 959	6 890 958	-	6 053 065	17 475 982
Profit for the reporting period (Note 1)		-	-	-	2 490 808	2 490 808
Dividends paid	(9)	-	-	-	(3 983 594)	(3 983 594)
As at 30 June 2022		4 531 959	6 890 958	-	4 560 279	15 983 196
As at 01 January 2023		4 531 959	6 890 958	93 058	6 589 761	18 105 736
Profit for the reporting period		-	-	-	3 382 238	3 382 238
Dividends paid	(9)	-	-	-	(1 640 568)	(1 640 568)
Share-based payments		-	-	70 002	-	70 002
As at 30 June 2023		4 531 959	6 890 958	163 060	8 331 431	19 917 408

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Interim consolidated statement of cash flows January - June 2023

	For 6 months ended 30 June 2023 EUR	For 6 months ended 30 June 2022 EUR
Notes		
<u>Cash flow from operating activities</u>		
Profit before corporate income tax	3 796 666	3 420 882
Adjustments for non-cash items:		
a) depreciation and amortisation	230 462	209 115
b) depreciation of right-of-use assets	349 676	324 200
c) credit loss expenses	5 235 588	2 492 286
d) share-based payment expense	70 002	-
e) interest income and similar income	(3) (19 129 192)	(12 818 050)
f) interest expenses and similar expenses	(4) 3 844 283	1 647 163
Profit before adjustments of working capital and short-term liabilities	(5 602 515)	(4 724 404)
Change in operating assets/liabilities:		
a) (Increase) on loans and receivables and other debtors	(14 966 783)	(12 178 790)
b) (Increase)/ decrease on inventories	(2 372 530)	(1 074 090)
c) (Decrease)/ increase on trade payable and accrued liabilities	1 472 552	265 346
Gross cash flow from operating activities	(21 469 276)	(17 711 938)
Interest received	18 049 304	12 665 166
Interest paid	(4 218 186)	(1 993 747)
Corporate income tax payments	(1 296 108)	(979 191)
Net cash flow from operating activities	(8 934 266)	(8 019 710)
<u>Cash flow from investing activities</u>		
Acquisition of property, plant and equipment	(139 284)	(82 750)
Acquisition of intangible assets	(444 574)	(258 662)
Net cash flow from investing activities	(583 858)	(341 412)
<u>Cash flow from financing activities</u>		
Loans received	10 609 891	13 605 328
Loans repaid	(3 804 877)	(5 954 901)
Bonds issued	5 466 000	3 763 780
Redemption of bonds	-	(2 347)
Repayment of lease liabilities	(468 746)	(463 459)
Dividends paid	(1 640 568)	(2 732 772)
Net cash flow from financing activities	10 161 700	8 215 629
Net cash flow of the reporting period	643 576	(145 493)
Cash and cash equivalents at the beginning of the reporting period	2 369 029	2 459 862
Cash and cash equivalents at the end of the reporting period	3 012 605	2 314 369

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Notes

(1) Accounting policies

Basis of preparation

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

The interim reports for the six-months ended 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Management considers that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim reports do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022.

These interim reports are prepared and disclosed on a consolidated basis. The following subsidiaries are included in the consolidation: SIA *ViziaFinance* (100%) for the period ended 30 June 2023.

Restatement in comparative figures due to correction of errors

- (a) The Management has identified a classification error on pawn loans while preparing Group's financial statements. The error relates to incorrect classification of collateral as Net sales. The error resulted in overstatement of the Group's Net sales by EUR 765 025, Cost of sales by EUR 527 288 in statement of profit or loss for the prior 6 months ended 30 June 2022 and understatement of Interest income and similar income by EUR 237 737 in statement of profit and loss for the prior 6 months ended 30 June 2022.
The Management has identified a classification error on pawn loans while preparing Group's financial statements. The error relates to incorrect classification of collateral as Net sales. The error resulted in overstatement of the Group's Net sales by EUR 434 085, Cost of sales by EUR 301 579 in statement of profit or loss for the prior 3 months ended 30 June 2022 and understatement of Interest income and similar income by EUR 132 506 in statement of profit and loss for the prior 3 months ended 30 June 2022.
- (b) In these financial statements, the Group has improved ECL calculation model. The Group have included defaults from debt sale before payments are past due for more than 90 days in probability of default calculation. Model improvement resulted in an identified understatement of Credit loss expenses by EUR 20 872 in statement of profit or loss for the prior 6 months ended 30 June 2022.
In these financial statements, the Group has improved ECL calculation model. The Group have included defaults from debt sale before payments are past due for more than 90 days in probability of default calculation. Model improvement resulted in an identified overstatement of Credit loss expenses by EUR 226 455 in statement of profit or loss for the prior 3 months ended 30 June 2022.
- (c) The Management has reconsidered the judgment in respect of pawn loan accounting and come to conclusion that pawn loans do not meet solely payment of principal and interest (SPPI) requirements, thus prior period pawn loan measurement according to amortized cost were erroneous. The Group recognizes and subsequently measures pawn loans at fair value. There is no difference in comparative figures of Loans and receivables, and Interest income and similar income due to this error.
- (d) The Management has identified an error on interest revenue calculation on debt financial assets by applying effective interest rate method while preparing Group's financial statements. The error resulted in overstatement of Interest income and similar income by EUR 119 741 in statement of profit and for the prior 6 months ended 30 June 2022. To comply with requirements of IFRS 9, the Group have recalculated interest income and similar income.
The Management has identified an error on interest revenue calculation on debt financial assets by applying effective interest rate method while preparing Group's financial statements. The error resulted in overstatement of Interest income and similar income by EUR 344 767 in statement of profit and for the prior 3 months ended 30 June 2022. To comply with requirements of IFRS 9, the Group have recalculated interest income and similar income.
- (e) The Management has identified a classification error on accounting of e-shop sales while preparing Group's financial statements. The error relates to incorrect recognition of e-shop markup in net sales. The error resulted in understatement of the Group's Net sales by EUR 233 391, Cost of sales by EUR 233 391 in statement of profit or loss for the prior 6 months ended 30 June 2022.
The Management has identified a classification error on accounting of e-shop sales while preparing Group's financial statements. The error relates to incorrect recognition of e-shop markup in net sales. The error resulted in understatement of the Group's Net sales by EUR 122 447, Cost of sales by EUR 122 447 in statement of profit or loss for the prior 3 months ended 30 June 2022
- (f) In these financial statements, the Group have changed the presentation of losses from debt sales. In statement of profit or loss for the prior 6 months ended 30 June 2022 losses from debt sales was presented under Other operating expenses. In these financial statements, for better presentation of financial information, losses from debt sales were reclassified to Credit loss expenses. The reclassification resulted in understatement of Credit loss expenses and overstatement of Other operating expenses by EUR 133 503 in statement of profit and loss for the prior 6 months ended 30 June 2022.
In these financial statements, the Group have changed the presentation of losses from debt sales. In statement of profit or loss for the prior 3 months ended 30 June 2022 losses from debt sales was presented under Other operating expenses. In these financial statements, for better presentation of financial information, losses from debt sales were reclassified to Credit loss expenses. The reclassification resulted in understatement of Credit loss expenses and overstatement of Other operating expenses by EUR 54 034 in statement of profit and loss for the prior 3 months ended 30 June 2022.
- (g) Abovementioned corrections resulted in understatement of retained earnings by EUR 98 661 as at 30 June 2022.

Notes (continued)

(1) Accounting policies (continued)

The aforementioned corrections were performed by restating each of the affected financial statements line items for the prior 6 months ended 30 June period, as follows:

Statement of profit or loss

	Reference	Before restatement for 6 months ended 30 June 2022	Restatement	After restatement for 6 months ended 30 June 2022
Net sales	(a), (e)	3 395 115	(531 634)	2 863 481
Cost of sales	(a), (e)	(2 153 596)	293 897	(1 859 699)
Interest income and similar income	(a), (d)	12 700 054	117 996	12 818 050
Interest expenses and similar expenses		(1 647 163)	-	(1 647 163)
Credit loss expense	(b); (f)	(2 337 911)	(154 375)	(2 492 286)
Gross profit		9 956 499	(274 116)	9 682 383
Selling expenses		(3 443 038)	-	(3 443 038)
Administrative expenses		(2 625 706)	-	(2 625 706)
Other operating income		46 651	-	46 651
Other operating expenses	(f)	(372 911)	133 503	(239 408)
Profit before corporate income tax		3 561 495	(140 613)	3 420 882
Income tax expenses		(930 074)	-	(930 074)
Net profit		2 631 421	(140 613)	2 490 808
Basic earnings per share		0.058	(0.003)	0.055

The aforementioned corrections were performed by restating each of the affected financial statements line items for the prior 3 months ended 30 June period, as follows:

Statement of profit or loss

	Reference	Before restatement for 3 months ended 30 June 2022	Restatement	After restatement for 3 months ended 30 June 2022
Net sales	(a), (e)	1 929 358	(311 638)	1 617 720
Cost of sales	(a), (e)	(1 259 108)	179 132	(1 079 976)
Interest income and similar income	(a), (d)	6 690 017	(212 261)	6 477 756
Interest expenses and similar expenses		(958 252)	-	(958 252)
Credit loss expense	(b); (f)	(1 254 422)	172 421	(1 082 001)
Gross profit		5 147 593	(172 346)	4 975 247
Selling expenses		(1 685 972)	-	(1 685 972)
Administrative expenses		(1 346 302)	-	(1 346 302)
Other operating income		22 376	-	22 376
Other operating expenses	(f)	(177 525)	54 034	(123 491)
Profit before corporate income tax		1 960 170	(118 312)	1 841 858
Income tax expenses		(742 418)	-	(742 418)
Net profit		1 217 752	(118 312)	1 099 440
Basic earnings per share		0.027	(0.003)	0.024

The aforementioned corrections were performed by restating each of the affected financial statements line items for the prior months ended 30 June period, as follows:

Statement of changes in equity

	Share capital EUR	Share premium EUR	Retained earnings EUR	Total EUR
As at 01 January 2022, as previously	4 531 959	6 890 958	5 954 404	17 377 321
Restatement, reference (g)	-	-	98 661	98 661
Restated as at 01 January 2022	4 531 959	6 890 958	6 053 065	17 475 982
Profit for the reporting period, reference (a), (b), (d), (e), (f)	-	-	2 490 808	2 490 808
Dividends paid	-	-	(3 983 594)	(3 983 594)
As at 30 June 2022	4 531 959	6 890 958	4 560 279	15 983 196

Notes (continued)

(2) Net sales

Net revenue by type of revenue

	For 6 months ended 30 June		For 3 months ended 30 June	
	2023	2022 (restated, Note 1)	2023	2022 (restated, Note 1)
	EUR	EUR	EUR	EUR
Income from sales of goods	3901214	2 083 810	1 991 399	1 135 596
Income from sales of precious metals	140 936	460 761	-	318 478
Other income, loan and mortgage realisation and storage commission	507 614	318 910	255 559	163 646
	4 549 764	2 863 481	2 246 958	1 617 720

All net sales are generated in Latvia.

(3) Interest income and similar income

	For 6 months ended 30 June		For 3 months ended 30 June	
	2023	2022 (restated, Note 1)	2023	2022 (restated, Note 1)
	EUR	EUR	EUR	EUR
Interest income on unsecured loans according to effective interest rate method	15 962 767	10 306 851	8 383 931	5 087 164
Interest income on pawn loans	3 163 807	2 510 992	1 642 391	1 390 592
Other interest income according to effective interest rate method	2 618	207	1 941	-
	19 129 192	12 818 050	10 028 263	6 477 756

(4) Interest expenses and similar expenses

	For 6 months ended 30 June		For 3 months ended 30 June	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Interest expense on other borrowings	2 447 811	886 354	1 304 100	547 062
Bonds' interest expense	1 326 879	670 000	718 971	366 824
Interest expense on lease liabilities for leased premises	46 957	89 810	7 266	43 930
Interest expense on loans from credit institutions	21 269	-	21 269	-
Interest expense lease liabilities for leased vehicles	1 349	777	735	355
Net loss on foreign exchange	18	222	(18)	81
	3 844 283	1 647 163	2 052 323	958 252

Notes (continued)

(5) Selling expenses

	For 6 months ended 30 June		For 3 months ended 30 June	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Salary expenses	1 653 394	1 384 904	859 130	704 822
Advertising	448 403	369 019	217 808	162 982
Social insurance	390 358	325 335	203 644	165 507
Depreciation of right-of-use assets - premises	344 729	313 151	182 443	156 159
Non-deductible VAT	258 761	206 734	102 750	92 665
Depreciation of property, plant and equipment and amortisation of intangible assets	230 462	209 115	112 311	105 771
Maintenance expenses	227 525	168 443	113 691	88 843
Utilities expenses	175 583	131 091	70 164	56 484
Provisions for unused annual leave	53 530	43 990	19 713	15 631
Transportation expenses	39 753	54 197	21 948	27 809
Depreciation of right-of-use assets - motor vehicles	4 947	11 049	2 787	5 472
Other expenses	288 345	226 010	146 829	103 827
	4 115 790	3 443 038	2 053 218	1 685 972

(6) Administrative expenses

	For 6 months ended 30 June		For 3 months ended 30 June	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Salary expenses	2 060 558	1 557 850	1 077 254	793 429
Social insurance	523 166	366 664	272 322	186 892
Bank commission	484 130	301 140	271 714	167 210
Communication expenses	284 063	83 463	135 124	45 371
Provisions for unused annual leave	75 895	42 806	36 884	2 590
State fees and duties, licence expenses	67 447	67 795	33 630	33 506
Depreciation of right-of-use assets - premises	46 957	46 957	23 478	23 478
Legal advice	36 930	69 728	25 369	47 979
Audit expenses	7 510	7 000	7 510	7 000
Depreciation of right-of-use assets - motor vehicles	-	1 925	-	377
Other administrative expenses	135 946	80 378	74 466	38 470
	3 722 602	2 625 706	1 957 751	1 346 302

(7) Basic earnings and Diluted earnings per share

Earnings per share are calculated by dividing the net result for the year after taxation attributable to shareholders by the weighted average number of shares in issue during the year. The dilution effect when calculation the Diluted earnings per share comes from share options granted on 1 December 2022 and on 30 June 2023 to employees of the Group. The table below presents the income and share data used in the computations of basic earnings and Diluted earnings per share for the Group:

	For 6 months ended 30 June		For 3 months ended 30 June	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Net profit attributed to shareholders	3 382 238	2 490 808	1 769 152	1 099 440
Weighted average number of shares	45 319 594	45 319 594	45 319 594	45 319 594
Earnings per share	0.075	0.055	0.039	0.024
Weighted average number of shares used for calculating the diluted earnings per shares	45 363 687	45 319 594	45 363 687	45 319 594
Diluted earnings per share	0.075	0.055	0.039	0.024

Notes (continued)

(7) Basic earnings and Diluted earnings per share (continued)

The table below presents the income and share data used in the computations of earnings per share for the Group:

	Change EUR	Actual number of shares after transaction EUR	Actual number of shares after transaction EUR
For 6 months ended 30 June 2022			
Number of shares at the beginning of the period		45 319 594	45 319 594
Number of shares at the end of the period		45 319 594	45 319 594
Weighted average number of shares:			45 319 594
Weighted average number of share options for DelfinGroup AS employees granted in January -June 2022			-
Weighted average potential number of shares			45 319 594
For 6 months ended 30 June 2023			
Number of shares at the beginning of the period		45 319 594	45 319 594
Number of shares at the end of the period		45 319 594	45 319 594
Weighted average number of shares:			45 319 594
Weighted average number of share options for DelfinGroup AS employees granted in January -June 2023*			52 033
Weighted average potential number of shares			45 363 687

*.Number of shares granted on 1 December 2022 73 968 with FV at grant date 1.258 EUR and option exercise price 0.100 EUR. 7 006 of these shares were cancelled because employees to whom the shares were granted left the Group before the term of share options could be exercised. Number of shares granted on 30 June 2022 39 916 with FV at grant date 1.177 EUR and option exercise price 0.100 EUR.

(8) Loans and receivables

a) Loans and receivables by loan type

	Group 30 June 2023 EUR	Group 31 December 2022 EUR
Pawn loans measured at fair value		
Long-term pawn loans	260 473	220 216
Short-term pawn loans	5 931 672	5 880 246
Interest accrued for pawn loans	247 061	221 906
Pawn loans measured at fair value, total	6 439 206	6 322 368
Debtors for loans issued without pledge		
Long-term debtors for loans issued without pledge	56 817 478	45 929 912
Short-term debtors for loans issued without pledge	18 372 440	17 487 363
Interest accrued for loans issued without pledge	2 669 203	2 189 607
Debtors for loans issued without pledge, total	77 859 121	65 606 882
Loans and receivables before allowance, total	84 298 327	71 929 250
ECL allowance on loans issued without pledge	(6 199 609)	(4 411 443)
Loans and receivables	78 098 718	67 517 807

All loans are issued in euros. Weighted average term for consumer loans is 2.9 years and for pawn loans is one month.

The Group signed a contract with a third party for the receivable amounts regular debt sale to assign debtors for loans issued which are outstanding for more than 60 days. Losses from these transactions were recognised in the current period.

Pawn loans in the amount of EUR 6 439 206 (31.12.2022: EUR 6 322 368) are secured by the value of the collateral and measured at fair value.

Notes (continued)

(8) Loans and receivables (continued)

b) Allowance for impairment of loans issued without pledge at amortised cost

An analysis of changes in the gross carrying value for loans issued and corresponding ECL during the three-month period ended 30 June 2023 is as follows:

Group	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	60 306 047	4 160 505	1 140 330	65 606 882
New assets originated or purchased	34 011 569	-	-	34 011 569
Assets settled or partly settled	(15 996 271)	(2 860 574)	(438 537)	(19 295 382)
Assets derecognised due to debt sales	-	(2 490 053)	(332 634)	(2 822 687)
Assets written off	-	-	(112 667)	(112 667)
Effect of interest accruals	515 320	(102 065)	58 151	471 406
Transfers to Stage 1	206 510	(192 357)	(14 153)	-
Transfers to Stage 2	(6 870 030)	6 876 937	(6 907)	-
Transfers to Stage 3	(531 176)	(963 327)	1 494 503	-
At 30 June 2023	71 641 969	4 429 066	1 788 086	77 859 121

Group	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	2 794 161	834 239	783 043	4 411 443
New assets originated or purchased	2 393 648	-	-	2 393 648
Assets settled or partly settled	(1 208 201)	(1 014 355)	(195 558)	(2 418 114)
Assets derecognised due to debt sales	-	(907 592)	(147 605)	(1 055 197)
Assets written off	-	-	(49 687)	(49 687)
Effect of interest accruals	66 506	11 901	210 663	289 070
Transfers to Stage 1	75 641	(70 124)	(5 517)	-
Transfers to Stage 2	(530 219)	533 270	(3 051)	-
Transfers to Stage 3	(15 301)	(351 855)	367 156	-
Impact on period end ECL changes in credit risk and inputs used for ECL calculation	(13 277)	1 975 202	666 521	2 628 446
At 30 June 2023	3 562 958	1 010 686	1 625 965	6 199 609

c) Age analysis of loans issued without pledge at amortised cost:

	Group 30 June 2023 EUR	Group 31 December 2022 EUR
Receivables not yet due	67 518 004	57 445 337
Outstanding 1-30 days	6 158 108	4 555 603
Outstanding 31-90 days	2 394 921	2 465 106
Outstanding 91-180 days	495 012	328 818
Outstanding for 181-360 days	597 614	383 242
Outstanding for more than 360 days	695 462	428 776
Total claims against debtors for loans issued	77 859 121	65 606 882

d) Age analysis of provision for bad and doubtful trade debtors:

	Group 30 June 2023 EUR	Group 31 December 2022 EUR
For trade debtors not yet due	2 747 024	2 252 622
Outstanding 1-30 days	974 622	661 969
Outstanding 31-90 days	879 952	789 067
Outstanding 91-180 days	377 260	184 076
Outstanding for 181-360 days	535 048	245 456
Outstanding for more than 360 days	685 703	278 253
Total provisions for bad and doubtful trade debtors	6 199 609	4 411 443

Loan loss allowance has been defined based on collectively assessed impairment. For ECL calculation purposes debtors for loans issued without pledge were grouped by brands – Banknote and VIZIA.

Notes (continued)

(9) Retained earnings

	For 6 months ended 30 June	
	2023	2022
	EUR	EUR
		(restated, Note 1)
Balance as at 1 January	6 589 761	5 954 404
Impact of correction of errors (Note 1)	-	98 661
Net profit for the period	3 382 238	2 490 808
Dividends declared and paid:		
Interim dividends of 0.0362 EUR (2022: 0.0327 EUR) per share	(1 640 568)	(1 481 951)
Annual dividend of 0.0276 EUR per share declared in 2022	-	(1 250 821)
Dividends declared:		
Annual dividend of 0.0276 EUR per share declared in 2022	-	(1 250 821)
Balance as at 30 June	8 331 431	4 560 279

(10) Bonds issued

	Group	Group
	30 June 2023	31 December 2022
	EUR	EUR
Total long-term part of bonds issued	8 600 639	4 330 630
Bonds issued	15 928 401	14 758 261
Interest accrued	32 453	24 849
Total short-term part of bonds issued	15 960 854	14 783 110
Bonds issued, total	24 529 040	19 088 891
Interest accrued, total	32 453	24 849
Bonds issued net	24 561 493	19 113 740

As of 30 June 2023, the Company of the Group has outstanding bonds (ISIN LV0000850048) in the amount of EUR 5 000 000, registered with the Latvia Central Depository and issued in a closed offer on 9 July 2021 on the following terms: number of bonds issued - 5 000, nominal value - EUR 1 000 per each bond, coupon rate – 9.75%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 August 2023. The bonds are not secured.

As of 30 June 2023, the Company of the Group has outstanding bonds (ISIN LV0000802536) in the amount of EUR 10 000 000, registered with the Latvia Central Depository and issued in a closed offer on 24 November 2021 on the following terms – number of financial instruments 10 000, with a nominal value 1 000 euro per each bond, coupon rate – 8.00%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 November 2023. The bond issue in full amount is traded on NASDAQ Baltic First North Alternative market as of 21.06.2022. The bonds are not secured.

As of 30 June 2023, the Company of the Group has outstanding bonds (ISIN LV0000850055) in the amount of EUR 10 000 000, registered with the Latvia Central Depository and issued in a closed offer on 7 July 2022 on the following terms – number of financial instruments is 10 000, with a nominal value 1 000 euro per each bond, coupon rate –3M EURIBOR + 8.75%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 September 2024. The bond issue in full amount is traded on NASDAQ Baltic First North Alternative market as of 3.07.2023. The bonds are not secured.

As at 30 June 2023 the Group is in compliance with covenants stated in all Terms of the Notes Issue. Please see covenants disclosed in Management report.

Notes (continued)

(11) Other borrowings

	Group 30 June 2023 EUR	Group 31 December 2022 EUR
Other long-term loans	19 023 499	15 004 505
Total other long-term loans	19 023 499	15 004 505
Other short-term loans	21 286 617	19 856 253
Total other short-term loans	21 286 617	19 856 253
Other loans, total	40 310 116	34 860 758

Amount of other borrowings is represented by loans received from crowdfunding platform Mintos, a platform registered in the European Union. The weighted average annual interest rate as of 30 June 2023 is 12.6%. The loan matures according to the particular loan agreement terms concluded by the Group with its customers.

To ensure fulfilment of liabilities the Group has registered commercial pledge, see note 14. As at 30 June 2023 the Group is in compliance with covenants.

(12) Related party transactions

Group's transactions

	Transactions for 6 months 2023 EUR	Transactions in 2022 EUR
Shareholders		
Interest received	-	-
Services delivered	-	-
Goods sold	-	-
Interest paid	25 332	24 235
Key management personnel		
Goods sold	-	-
Interest paid	-	-
Other related companies		
Services delivered	-	-
Services received	1 500	3 900

Bonds issued to shareholders of the related companies

	Group 30 June 2023 EUR	Group 31 December 2022 EUR
Shareholders	307 000	200 000
Long-term part of bonds issued to shareholders of the related companies, total	307 000	200 000
Shareholders	200 000	307 000
Short-term part of bonds issued to shareholders of the related companies, total	200 000	307 000
Bonds issued to related companies, total	507 000	507 000

Notes (continued)

(13) Segment information

For management purposes, the Group is organised into four operating segments based on products and services as follows:

Pawn loan segment	Handling pawn loan issuance, sale of pawn shop items in the branches and online.
Retail of pre-owned goods	Sale of pre-owned goods in the branches and online purchased from customers.
Consumer loan segment	Handling consumer loans to customers, debt collection activities and debt sales to external debt collection companies.
Other operations segment	General administrative services to the companies of the Group, transactions with related parties, dividends payable.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured on consolidation basis. Management mainly focuses on net sales, interest income and similar income and profit before taxes of the segment. For the costs, for which direct allocation to a particular segment is not attributable, the judgement of the management is used to allocate general costs by segments, based on the following cost allocation drivers – loan issuance, segment income, segment employee count, segment employee costs, the amount of segment assets.

Based on the nature of the services, the Group's operations can be divided as follows (statement of profit or loss is compared for the same period of the previous year, balance sheet positions are compared to the data as at 31.12.2022):

EUR	Consumer loans		Pawn loans		Retail of pre-owned goods		Other		Total	
	For 6 months period ended 30 June		For 6 months period ended 30 June		For 6 months period ended 30 June		For 6 months period ended 30 June		For 6 months period ended 30 June	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Assets	79 856 743	65 716 677	5 805 974	8 385 899	5 750 767	3 053 982	1 094	1 450	91 414 578	77 158 008
Liabilities of the segment	61 650 085	49 484 402	5 223 048	7 101 708	4 623 256	2 465 174	781	988	71 497 170	59 052 272
Net sales	-	-	-	-	4 549 764	2 863 481	-	-	4 549 764	2 863 481
Interest income and similar income	15 962 767	10 174 345	3 163 807	2 643 498	-	-	2 618	207	19 129 192	12 818 050
Net performance of the segment	5 995 690	4 053 181	1 104 081	773 812	531 097	378 151	10 081	6 996	7 640 949	5 212 140
Financial (expenses)	(3 404 246)	(1 400 919)	(209 706)	(162 501)	(230 331)	(83 742)	-	-	(3 844 283)	(1 647 162)
Profit/(loss) before taxes	2 591 444	2 652 262	894 375	611 311	300 766	294 409	10 081	6 996	3 796 666	3 564 978
Corporate income tax	(282 859)	(699 853)	(97 628)	(154 195)	(32 831)	(74 261)	(1 110)	(1 765)	(414 428)	(930 074)

(14) Guarantees issued, pledges

The Group has registered four groups of commercial pledges by pledging its assets and claim rights for a maximum amount of EUR 44.4 million as collateral registered to collateral agent SIA *Eversheds Sutherland Bīfāns* (in favour of SIA *Mintos Finance*) and to SIA *Mintos Finance* No.20 and AS *Mintos Marketplace* to provide collateral for loans placed on the Mintos P2P platform.

On 25 May 2023, the Company registered a 2nd rank commercial pledge by pledging its assets for a maximum amount of EUR 1.4 million as collateral registered to AS *Signet Bank*.

As of 30 June 2023, the amount of secured liabilities constitutes EUR 41 310 116 (As of 31 December 2022 EUR 34 860 758).

Notes (continued)

(15) Subsequent events

On 24 July 2023 the Company of the Group has registered new subordinated unsecured bonds issue (ISIN LV0000802700) in the amount of EUR 5 000 000. The offering has been registered with the Latvia Central Depository and issued in a closed offer on the following terms – amount of emissions 5 000, amount of emissions recorded with nominal value 1 000 euro per each bond, coupon rate – 3M EURIBOR + 11.5%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 July 2028.

On 3 August 2023 the Company of the Group has registered new unsecured bonds issue (ISIN LV0000802718) in the amount of EUR 15 000 000 and offers ISIN LV0000850048 bondholders to exchange to new bonds. The offering has been registered with the Latvia Central Depository and issued in a closed offer on the following terms – amount of emissions 15 000, amount of emissions recorded with nominal value 1 000 euro per each bond, coupon rate – 3M EURIBOR + 9%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 February 2026.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Pudnika
Board Member

Nauris Bloks
Board Member

This document is electronically signed with safe electronical signature and contains time stamp.