

SIA EC finance

incorporated and registered in Latvia, with registration number 40103950614

Public offering by SIA EC finance of up to 1,750,000 shares of AS "DelfinGroup"

Price EUR 1.44 per Offer Share

Offer Period 26 September 2022 – 5 October 2022

PROSPECTUS

ON PUBLIC OFFERING OF THE COMPANY'S SHARES

This Prospectus on Public Offering of AS "DelfinGroup" (the "**Company**" or "**DelfinGroup**") Shares (the "**Prospectus**") has been prepared by the Company's shareholder SIA EC finance (the "**Offeror**") in connection with public offering (the "**Offering**") of the Company's shares (the "**Shares**") listed on the Baltic Main List of Nasdaq Riga. The Offering comprises of up to 1,750,000 existing Shares (the "**Offer Shares**") offered by the Offeror. The Offer Shares are existing fully paid-up Shares of the Company. The current share capital of the Company is not being increased or reduced within or as a result of the Offering.

The Offer Shares are offered (i) publicly to retail investors in Latvia, Estonia and Lithuania (the "**Retail Offering**"); and (ii) non-publicly to qualified investors within the meaning of Article 2(e) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the Prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (the "**Prospectus Regulation**") in Latvia and in certain selected Member States of the European Economic Area as well as other selected investors in accordance with the exemptions set out in the legislation of the Member States (the "**Institutional Offering**"). The public offering shall take place in Latvia, Estonia and Lithuania only and Offer Shares shall not be publicly offered in any other jurisdiction. The Prospectus has been approved by the decision of the Latvian Financial Capital Market Commission on 20 September 2022.

The Offer Period of the Offer Shares commences on 26 September 2022 at 10:00 and terminates on 5 October 2022 at 15:30 (the "**Offer Period**") in accordance with the terms and conditions set out in this Prospectus. The Offer Price is EUR 1.44 per one Offer Share (the "**Offer Price**").

The Offeror reserves the right to cancel or postpone the Offering or amend the terms and conditions of the Offering in accordance with the terms and conditions prescribed in this Prospectus.

Investment in shares entails risks. While every care has been taken to ensure that this Prospectus presents a fair and complete overview of the risks related the Company, the operations of the Company and its subsidiary, i.e., ViziaFinance operations, and the Offer Shares, the value of investment in the Offer Shares may be significantly affected by circumstances that are either not evident at the date of approval of this Prospectus or not reflected in the Prospectus. Investment in the Offer Shares must be based on this Prospectus as a whole. Hence, we ask you to study this Prospectus with care.

This Prospectus is valid until the end of the Offer Period. The Offeror is obliged to update the Prospectus by publishing a supplement only in the case if new facts, material errors or inaccuracies occur. Such an obligation does not apply after the end of the validity period of this Prospectus.

MIFID II product governance. The Retail Offering is directed to all retail investors in Latvia, Estonia and Lithuania. The Institutional Offering is directed to qualified investors in Latvia and in certain selected countries of the European Economic Area which have implemented the Prospectus Regulation, as well

as to certain selected investors in accordance with other exemptions available under the laws of respective jurisdictions. Persons who offer, sell or recommend Shares (the Distributors) are independently responsible for the evaluation of the target market and appropriate distribution channels and must guarantee that these are in conformity with the provisions of this Prospectus.

This Prospectus is not, and does not purport to be, investment advice or an investment recommendation to acquire Offer Shares. Based on the investor's own independent review or analysis, each prospective investor of Offer Shares must determine, involving professional counsel if deemed necessary, whether an investment in the Offer Shares is consistent with the investor's financial capacities and investment objectives, and whether the investment is consistent with all the rules, requirements and restrictions that may be applicable to such investor.



AS LHV Pank

Global Lead Manager and Bookrunner

TABLE OF CONTENTS

SUMMARIES	6
1.1. SUMMARY IN ENGLISH	6
1.2. SUMMARY IN ESTONIAN (<i>KOKKUVÕTE</i>)	13
1.3. SUMMARY IN LATVIAN (<i>KOPSAVILKUMS</i>)	20
1.4. SUMMARY IN LITHUANIAN (<i>SANTRAUKA</i>)	27
1.1. <i>SANTRAUKA</i>	27
2. RISK FACTORS	34
2.1. RISK FACTORS RELATING TO MACROECONOMIC CONDITIONS	34
2.2. RISK FACTORS RELATING TO THE INDUSTRY AND MARKET IN WHICH THE GROUP OPERATES	35
2.3. RISK FACTORS RELATED TO THE GROUP'S BUSINESS	36
2.4. RISK FACTORS RELATING TO IT AND INTELLECTUAL PROPERTY	40
2.5. RISK FACTORS RELATING TO LAWS, REGULATIONS AND COMPLIANCE	41
2.6. RISK FACTORS RELATING TO FINANCIAL MATTERS	44
2.7. RISKS RELATING TO THE SHARES AND THE OFFERING	46
3. INTRODUCTORY INFORMATION	48
3.1. APPLICABLE LAW	48
3.2. RESPONSIBLE PERSONS AND LIMITATION OF LIABILITY	48
3.3. PRESENTATION OF INFORMATION	48
3.4. ACCOUNTING PRINCIPLES	49
3.5. FORWARD-LOOKING STATEMENTS	50
3.6. USE OF THIS PROSPECTUS	50
3.7. APPROVAL OF THIS PROSPECTUS	50
3.8. REFERENCES INCORPORATED INTO THIS PROSPECTUS	50
3.9. DOCUMENTS ON DISPLAY	51
4. TERMS AND CONDITIONS OF THE OFFERING	52
4.1. THE OFFERING	52
4.2. OFFER PERIOD	52
4.3. RETAIL OFFERING	52
4.4. INSTITUTIONAL OFFERING	54
4.5. OFFER PRICE	55
4.6. PAYMENT	55
4.7. ALLOCATION OF THE OFFER SHARES	55
4.8. SETTLEMENT THROUGH THE GLOBAL LEAD MANAGER	55
4.9. SETTLEMENT AND TRADING	56
4.10. AGREEMENTS RELATED TO THE OFFERING	56
4.11. CHANGE TO THE OFFER PRICE AND OFFER PERIOD	56
4.12. RELEASE OF FUNDS	56
4.13. POSTPONEMENT OR CANCELLATION OF THE OFFERING	56
4.14. TAXATION	57
4.15. LATVIA	57
4.16. ESTONIA	60
4.17. LITHUANIA	61
5. REASONS FOR OFFERING AND USE OF PROCEEDS	63
5.1. REASONS FOR THE OFFERING	63
5.2. USE OF PROCEEDS	63
6. RIGHT TO DIVIDENDS AND DIVIDEND POLICY	64
6.1. TYPES, DETERMINATION AND DISTRIBUTION OF DIVIDENDS	64
6.2. DIVIDEND POLICY	64
6.3. ENTITLEMENT TO DIVIDEND	65
6.4. AMOUNT OF THE DIVIDEND PER SHARE	65
7. PRINCIPAL MARKETS	67
7.1. INTRODUCTION	67

7.2.	OVERVIEW OF THE CONSUMER LENDING SEGMENT	67
7.3.	KEY DEVELOPMENTS AND TRENDS IN THE PROVISION OF CONSUMER LENDING SERVICES	68
7.4.	COMPETITIVE LANDSCAPE OF CONSUMER LENDING SERVICES	72
7.5.	REGULATORY ENVIRONMENT OF CONSUMER LENDING SERVICES	75
7.6.	OVERVIEW OF THE RETAIL BUSINESS SEGMENT OF PRE-OWNED GOODS	76
7.7.	KEY DEVELOPMENTS AND TRENDS IN THE BUSINESS SEGMENT OF PRE-OWNED GOODS RETAIL.....	76
7.8.	COMPETITIVE LANDSCAPE OF PRE-OWNED GOODS RETAIL.....	77
7.9.	REGULATORY ENVIRONMENT OF PRE-OWNED GOODS RETAIL	77
8.	COMPANY OVERVIEW.....	78
8.1.	ABOUT THE COMPANY.....	78
8.2.	HISTORICAL TIMELINE AND MILESTONE EVENTS	78
8.3.	ORGANISATIONAL STRUCTURE	79
8.4.	SERVICES	80
8.5.	CUSTOMER EXPERIENCE.....	83
8.6.	RISK MANAGEMENT.....	94
8.7.	BIG DATA.....	98
8.8.	INVESTMENTS.....	100
8.9.	STRENGTHS	100
8.10.	STRATEGY AND OBJECTIVES	101
8.11.	COMMUNITY INVESTMENT.....	103
8.12.	EMPLOYEES	108
8.13.	DEPENDENCY ON AGREEMENTS, PATENTS, LICENCES ETC.	108
8.14.	MATERIAL AGREEMENTS	109
8.15.	RELATED PARTY TRANSACTIONS.....	110
8.16.	LEGAL PROCEEDINGS.....	110
9.	GENERAL INFORMATION AND ARTICLES OF ASSOCIATION.....	112
9.1.	GENERAL INFORMATION ON THE COMPANY	112
9.2.	THE ARTICLES OF ASSOCIATION.....	112
10.	SHARE CAPITAL, SHARES, OWNERSHIP STRUCTURE, SELLING SHAREHOLDER.....	114
10.1.	SHARE CAPITAL AND SHARES	114
10.2.	CONDITIONAL EQUITY CAPITAL	115
10.3.	SHAREHOLDERS	115
10.4.	SELLING SHAREHOLDER	116
10.5.	SHAREHOLDER RIGHTS	116
11.	MANAGEMENT AND SUPRVISORY BODIES.....	120
11.1.	GOVERNANCE STRUCTURE.....	120
11.2.	MANAGEMENT BOARD.....	120
11.3.	SUPERVISORY BOARD.....	122
11.4.	THE AUDIT AND RISK COMMITTEE.....	126
11.5.	THE REMUNERATION AND NOMINATION COMMITTEE	126
11.6.	THE BUSINESS DEVELOPMENT COMMITTEE.....	127
11.7.	CONFLICTS OF INTEREST AND OTHER DECLARATIONS	127
11.8.	GOOD CORPORATE GOVERNANCE, SUSTAINABILITY AND COMPLIANCE PRACTICES	128
11.9.	THE EXTERNAL AUDITOR	129
12.	REMUNERATION AND BENEFITS	130
12.1.	REMUNERATION POLICY.....	130
12.2.	PERSONNEL SHARE OPTIONS	131
13.	HISTORICAL FINANCIAL INFORMATION.....	132
14.	OPERATING AND FINANCIAL REVIEW.....	150
14.1.	OVERVIEW	150
14.2.	KEY FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL PERFORMANCE OF THE GROUP	151
14.3.	RESULTS OF OPERATIONS OF THE GROUP.....	152
14.4.	THE GROUP'S FINANCIAL POSITION	157
14.5.	LIQUIDITY AND CAPITAL RESOURCES	159
14.6.	CAPITAL STRUCTURE AND BORROWING REQUIREMENTS	162

14.7.	LONG-TERM OBJECTIVES.....	164
14.8.	RECENT TRENDS, DEVELOPMENT AND MATERIAL CHANGES	164
15.	CAPITALISATION AND INDEBTEDNESS.....	165
15.1.	WORKING CAPITAL STATEMENT	165
15.2.	CAPITALISATION AND INDEBTEDNESS	165
16.	GLOSSARY.....	167
17.	SCHEDULE 1	171
18.	SCHEDULE 2	317
19.	SCHEDULE 3	341

SUMMARIES

1.1. Summary in English

Introduction and warnings

Name and international securities identification number (ISIN) of the securities

Share of the Company (DelfinGroup), international securities identification number (ISIN): LV0000101806.

Identity and contact details of the issuer, including its legal entity identifier (LEI)

AS "DelfinGroup" is a joint stock company (*akciju sabiedrība*), incorporated in Latvia, registered in the Register of Enterprises of Latvia with registration number 40103252854, having its registered address at Skanstes iela 50A, Rīga, LV-1013. The Company's e-mail is ir@delfingroup.lv, telephone number is +371 26189988. Its legal entity identifier (LEI) is 2138002PKHUJIMVMYB13.

Identity and contact details of the offeror, including its legal entity identifier (LEI)

SIA EC finance is a limited liability company (*sabiedrība ar ierobežotu atbildību*), incorporated in Latvia, registered in the Register of Enterprises of Latvia with registration number 40103950614, having its registered address at Skanstes iela 50A, Rīga, LV-1013. The Company's e-mail is Agris.Evertovskis@gmail.com, telephone number is +371 28300664. Its legal entity identifier (LEI) is 984500DD97SA6CC9G232.

Identity and contact details of the competent authority approving the Prospectus

This Prospectus has been approved by the Financial and Capital Market Commission of Latvia, as the competent authority, with its address at Kungu iela 1, Rīga, LV-1050, e-mail: fktk@fktk.lv, telephone number: +371 67774800, in accordance with Regulation (EU) 2017/1129.

Date of approval of the Prospectus

This Prospectus was approved on 20 September 2022.

Warnings

The Summary has been prepared in accordance with Article 7 of Regulation (EU) 2017/1129 and should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on a consideration of the Prospectus as a whole by the investor. The investor could lose all or part of the invested capital. Where a claim relating to the information in the Prospectus is brought before court, the plaintiff investor might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches (relates) only to those persons who have tabled the Summary including any translation thereof, but only where the Summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.

Key information on the Company

Who is the issuer of securities?

Domicile, legal form, LEI, jurisdiction of incorporation and country of operation

The Company is incorporated in Latvia, with its registered address at Skanstes iela 50A, Rīga, LV-1013, and its LEI number is 2138002PKHUJIMVMYB13. The Company is incorporated and registered as a joint stock company (*akciju sabiedrība*) in the Commercial Register of Latvia with registration number 40103252854.

Principal activities

The Group operates under three main brand names: Banknote, VIZIA and *Rīgas pilsētas lombards* (Riga City Pawnshop) and is active in two industries – consumer lending and retail business of pre-owned goods.

The Group offers the following three types of services: (1) consumer lending comprising consumer loans, point of sale loans and credit line financing, (2) pawn loans and (3) retail business of pre-owned goods. The Group is organised into three operating segments based on services as follows:

- (1) **Consumer loan segment:** handling consumer loans for customers, debt collection activities and loan debt sales to external debt collection companies.
- (2) **Pawn loan segment:** handling pawn loan issuance and the sale of pawn shop items.
- (3) **Other operations segment:** providing loans for real estate development (as of the date of this Prospectus not an active service), general administrative services to the companies of the Group (very minor activity, immaterial).

Major shareholders

As of the date of this Prospectus, the following shareholders hold over 5% of all Shares of the Company and the Company considers them its main shareholders:

Name of shareholder	Percentage of total share capital held	Number of Shares held	Ultimate beneficial owner(s) of the shareholder
SIA "AE Consulting"	8.90%	4,032,414	Agris Evertovskis
SIA EC finance	18.81%	8,525,870	Agris Evertovskis
SIA L24 Finance	57.53%	26,074,130	Aigars Kesenfelds Linda Kesenfelde

SIA "AE Consulting" and SIA EC finance jointly own 27.71% of the Company shares (and voting rights). SIA L24 Finance owns 57.53% of the Company shares (and voting rights). SIA "AE Consulting", SIA EC finance and SIA L24 Finance jointly own 85.24% of the Company shares (and voting rights).

There is no shareholders agreement entered into between the Offeror and any other shareholder of the Company.

Key managing directors

The details on the members of key managing directors of the Company, as of the date of this Prospectus, are provided below.

Name	Role	Appointment Date	Expiration of the Term in Office
Didzis Ādmīdiņš	CEO, Chairman of the Management Board	19 January 2021	18 January 2026
Aldis Umblejs	CFO, Member of the Management Board	15 December 2021	14 December 2026
Sanita Zitmane	COO, Member of the Management Board	1 March 2022	28 February 2027
Agris Evertovskis	Chairman of the Supervisory Board	30 March 2021	29 March 2026
Gatis Kokins	Deputy Chairman of the Supervisory Board	30 March 2021	29 March 2026
Edgars Voļskis	Member of the Supervisory Board	30 March 2021	29 March 2026
Mārtiņš Bičevskis	Member of the Supervisory Board	30 March 2021	29 March 2026
Jānis Pizičs	Member of the Supervisory Board	30 March 2021	29 March 2026

Identity of statutory auditors

SIA "BDO ASSURANCE", registration number: 42403042353, registered address at Kaļķu iela 15 - 3B, Rīga, LV-1050, are the statutory auditors of the Group. Statutory auditors are elected by the General Meeting.

What is the key financial information regarding the issuer?

The Group's consolidated audited financial statements for the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019 have been enclosed to the Prospectus. Also, the Group's unreviewed consolidated interim financial statements for the 6-month period which ended on 30 June 2022 and the Group's reviewed consolidated interim financial statements for the 6-month period which ended on 30 June 2021 have been enclosed to the Prospectus. The audited financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted

by the European Union. The below tables present the consolidated financial information in accordance with Schedule I of Commission Delegated Regulation 2019/979/EU. The information is based on or derived from the Financial Statements and should be read together with the Financial Statements, including the explanations provided in the notes to the Financial Statements.

Selected consolidated statement of profit and loss and other income information, EUR'000

	Year ended 31 December (audited)			Six-month period ended 30 June 2021 (reviewed)	Six-month period ended 30 June 2022 (unreviewed)
	2019	2020	2021	2021	2022
Total revenue	22,177	23,664	25,488	11,936	16,095
Gross profit	13,825	14,301	15,756	7,322	9,956
EBIT margin, %	32.1	35.9	35.4	34.5	32.4
Profit before corporate income tax	4,263	4,854	5,203	2,253	3,561
Corporate income tax	(350)	(755)	(979)	(623)	(930)
Interim dividends	-	-	-	-	-
Net profit for the reporting year	3,913	4,100	4,224	1,630	2,631
Net profit margin, %	17.6	17.3	16.6	13.7	16.3
Net profit attributable to owners of the parent company	3,913	4,100	4,224	1,630	2,631
Earnings per share, EUR¹	2.609¹	1.025	0.103	0.041	0.058
Adjusted earnings per share, EUR²	0.098	0.102	0.103	0.041	0.058

Selected consolidated statement of financial position information, EUR'000

	Year ended 31 December (audited)			Six-month period ended 30 June 2021 (reviewed)	Six-month period ended 30 June 2022 (unreviewed)
	2019	2020	2021	2021	2022
Total non-current assets	12,740	22,419	32,743	24,677	39,486
Total current assets	25,530	23,742	19,321	15,009	23,419
Total assets	38,270	46,161	52,065	39,686	62,905
Total equity	8,367	9,454	17,377	8,109	16,025
Total long-term creditors	13,173	17,991	21,564	15,341	28,977
Total short-term creditors	16,730	18,717	13,123	16,236	17,904
Total liabilities and equity	38,270	46,161	52,065	39,686	62,906

Selected consolidated statement of cash flow information, EUR'000

	Year ended 31 December (audited)	Six-month period ended 30 June 2021 (reviewed)	Six-month period ended 30 June 2022 (unreviewed)
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¹ Earning per shares as reported at the end of each respective period. Earnings per share for 2019 are not included in the Audited Financial Statements. They have been calculated and included in this table for comparison purposes.

² For comparability purposes, the number of shares outstanding have been adjusted for current amount of shares outstanding.

	2019	2020	2021	2021	2022
Net cash flow from (to) operating activities	(6,199)	2,441	(3,307)	3,755	(8,020)
Net cash flow from (to) investing activities	(778)	262	(74)	362	(341)
Net cash flow from (to) financing activities	4,623	753	1,249	(8,115)	8,216
Net cash flow of the reporting year	(2,354)	3,456	2,132	(3,998)	(145)

What are the key risks that are specific to the issuer?

Risk related to competition in the business areas of consumer loans and pawn loans. In the future, the Group may face increased competition as new national and international companies enter the market, and competitors expand their services and/or reduce their operating costs. If the Group's competitors are better able to exploit the existing advantages, the Group may not be able to attract or retain customers, which could have a material adverse effect on the Group's performance, financial indicators and prospects. Moreover, if the Group is unable to offer the service of a similar or higher standard compared to its competitors, the Group may lose customers and, potentially, market share to its competitors. There may be a risk that the Company will attract additional scrutiny on the part of supervisory authorities as its market share in the pawn loan business will be considered significant. Consequently, additional conduct and compliance requirements stemming from the Latvian Competition Law could apply.

Risk related to personnel and workforce. Any loss of qualified personnel, high employee turnover, or persistent difficulties in filling job vacancies with suitable applicants could have a material adverse effect on the ability of the Group to compete effectively in its industry and considerable expertise could be lost by the Group or access thereto gained by its competitors. Any material disagreements between the Group and its employees could disrupt the Group's operations, lead to a loss in revenue and customers and increase operating costs. The Group may be vulnerable to risks arising from the failure of employees to adhere to the approved procedures. Certain risks such as fraud and embezzlement cannot be eliminated entirely given the cash-handling aspect inherent in the Group's activities.

Cybersecurity and IT-related risks. The dependence on IT infrastructure carries risks inherent to all IT systems, such as software or hardware failures or malfunctions, physical damage occurring to vital IT infrastructure, computer virus infections, data security breaches, malicious hacking or other cybersecurity attacks, as well as other cybersecurity threats. The Group may potentially become subject to cyber-attacks as an ever-increasing number of hackers and those demanding ransoms target the financial sector, including non-bank lenders, to exploit their internal systems and processes for personal gain. Any type of service disruption may harm the Group's software and platforms and may result in a loss of data and require the Group to incur significant expenditure for repair. It is at risk of the vendor's unresponsiveness in the event of breakdowns in the Group's systems, which could cause delays in recovering service.

Risks related to statutory licensing requirements. The Group's licences have an indefinite duration, but are subject to revocation or suspension by the Consumer Rights Protection Centre (the "CRPC"). The CRPC must intervene if the Company and/or the Group violate their obligations under the applicable law. The CRPC can suspend the licence for up to six months if the Company and/or the Group does not comply with regulatory enactments and fails to cooperate to solve the identified discrepancies. In the case of material violations, the CRPC can, as an ultimate measure, revoke the Company's and/or the Group's licence. The Group's operations are contingent upon the operating licences granted by the CRPC. If the licences are revoked or suspended, the Group will have to cease its consumer credit operations which, in turn, will have a material adverse effect on the Group's business, financial condition and results of operations.

Risk related to borrower credit risk. Any failure by a borrower to meet its obligations in accordance with the agreed contractual terms may have an adverse impact on the Group's earnings and the value of

assets on its balance sheet. The Group may fail to adequately identify the relevant factors or accurately estimate the impact and/or magnitude of identified factors with respect to a borrower's credit quality, which could adversely affect its business, financial condition, results of operations and prospects. A deterioration in borrower credit quality and the consequent increase in impairments would have an adverse impact on the business, financial condition, results of operations and prospects of the Group.

Information on the securities

What are the main features of the securities?

Type, class and ISIN

All the Shares (also the Offer Shares) of the Company are dematerialised bearer shares with a nominal value of EUR 0.10 each. The Shares are registered with Nasdaq CSD under the ISIN LV0000101806 and are kept in book-entry form. No share certificates have been or will be issued.

Currency, denomination, par value, number of Shares issued and duration

As of the date of the Prospectus, the share capital of the Company is EUR 4,531,959.40 divided into 45,319,594 dematerialised bearer shares. The nominal (face) par value of each outstanding Share is EUR 0.10. All of the Shares have been issued and fully paid up. The Shares are denominated in euro and governed by the law of Latvia and the currency of the Offer will be the Euro. All existing Shares grant equal rights (including one share, one vote) to the shareholders.

Rights attached to the Shares

All shareholders of the Company shall be subject to equitable treatment. Each Share of the Company confers upon its holder the same rights to a share of the Company's assets and profits. In the event of liquidation of the Company, shareholders are entitled to a share of the surplus of assets in the proportion to the number of Shares held (liquidation quota).

The following rights attach to each Share: (1) right of share disposal; (2) right to dividends; (3) right to vote; (4) right to participate in General Meeting; (5) right to liquidation quota; (6) pre-emption rights; (7) right to information.

Rank of the Shares in the issuer's capital structure in the event of insolvency

The Shares do not carry any special rights to participate in distribution (including in the case of liquidation) other than those that exist under the Latvian Insolvency Law, which provides that the Company's funds remaining after settling the costs of insolvency proceedings of the Company and settling the claims of creditors are divided among the shareholders of the Company in proportion to the size of their shareholding.

Restrictions on free transferability of the Shares

No specific restrictions apply to transferability of the Shares, neither under the statutory provisions of Latvian law nor under the Articles of Association.

Dividend Policy

The initial edition of the Dividend Policy of the Company was adopted on 4 April 2020. The Dividend Policy comprises a general information section, the principles of dividend distribution, the key considerations relevant to calculating and determining the amount of dividends, the dates and procedures for the payment of dividends and disclosures to be made in connection with the distribution and payment of dividends.

In accordance with the Latvian Commercial Law, Articles of Association and Dividend Policy, the Company may pay two types of dividends:

- **Extraordinary dividends** which are: (1) **determined** after adoption of the quarterly financial report in accordance with the proposal from the Management Board which is reviewed by the Supervisory Board in the amount of **up to 50% of the consolidated profit in the previous financial quarter**; and (2) **distributed** once per quarter after the General Meeting in which the financial report for the previous quarter is adopted and a decision on the distribution of dividends is duly passed.
- **Annual dividends** which are: (1) **determined** after adoption of the annual report; and (2) **distributed** once per year in accordance with the payment schedule after the General Meeting in which the annual report is adopted and the decision on the distribution of dividends is duly passed.

Since its public listing the Company has gained regular and predictable yield-based returns while maintaining the financial stability of the Company and focusing on long-term development goals. The Company distributed EUR 3,723 million in dividends in 2021 which amounts to EUR 0.08 per share.

Where the Shares are traded?

The Shares are traded on the Baltic Main List of Nasdaq Riga. The Shares are not traded in any other stock exchange. The trading with the Shares on the Baltic Main list of Nasdaq Riga commenced on 20 October 2021.

What are the key risks that are specific to the securities?

Share price and share liquidity risk. The Nasdaq Riga stock market is considerably less liquid and more volatile compared to other established securities markets with a longer history. The fairly small market capitalisation and low liquidity of the Nasdaq Riga stock market may adversely affect shareholders' ability to sell the Shares in substantive amounts. Investors may not be in a position to sell their Shares quickly at or above the Offer Price.

Cancellation of Offering. Best efforts will be made by the Offeror to ensure that the Offering is successful; however, there can be no assurances by the Offeror that the Offering will be successful and that the investors will receive the Offer Shares that they apply for purchase. The Offeror is entitled to cancel the Offering.

Risk of share value dilution. The Company may subsequently seek to raise capital through offerings of debt securities (potentially including convertible debt securities) or additional shares. The issuance of additional shares or securities containing a right to convert to common shares, such as convertible bonds or convertible notes, may potentially reduce the Company's share price through dilution should the existing Shareholders not participate in such issues to retain the existing level of participation in the Company.

Risks related to the ability to pay dividends. The Company is under no regulatory obligation to pay annual or quarterly dividends and no representation can be made with respect to future dividends. The ability of the Company to pay dividends depends upon, among other factors, the results of the Company's operations, financing and investment requirements, as well as the availability of distributable profit and decisions by the General Meeting.

Lack of adequate analyst coverage. There is no guarantee of continued (or any) analyst research coverage for the Company. Over time, the amount of third-party research available in respect of the Company may increase or decrease with little or no correlation with the actual results of its operations, as the Company has no influence over the analysts who prepare such research. Negative or insufficient third-party coverage would be likely to have an adverse effect on the market price and the trading volume of Shares.

Tax regime risks. Changes in the tax regime applicable to transactions with the Shares or to the associated dividends may result in an increased tax of the Shareholders and may therefore have an adverse effect on the rate of return from investment into the Shares.

Information on the offer of securities to the public

Under which conditions and timetable can I invest in this security?

In the course of the Offering, up to 1,750,000 Offer Shares are being offered. The Offer Shares are existing fully paid-up Shares of the Company. The current share capital of the Company is not being increased or reduced within or as a result of the Offering. The expected amount of gross proceeds of the Offering is up to EUR 2,520,000. Expenses directly related to the Offering are estimated to be approximately EUR 31,682. Therefore, the net proceeds of the Offering are expected to be up to EUR 2,488,318. The Company will not receive any proceeds from the Offering. The Offeror is covering all costs and expenses related to the Offering.

The Offering is offered (i) publicly to retail investors in Latvia, Estonia, and Lithuania (the "**Retail Offering**") and (ii) non-publicly to qualified investors within the meaning of Article 2(e) of the Prospectus Regulation in Latvia and in certain selected member states of the European Economic Area, as well as to other selected investors in reliance on certain exemptions available under the law of respective member states (the "**Institutional Offering**").

The indicative timetable of the Offering is the following:

Start of the Offer Period

| 26 September 2022 at 10:00

End of the Offer Period	5 October 2022 at 15:30
Announcement of results of the Offering and Allocation	On or about 10 October 2022
Settlement of the Offering	On or about 12 October 2022

The Offeror together with the Global Lead Manager have decided that the Offer Shares will be allocated on *pro-rata* basis, according to the purchase requests received during the offer period, on or about 07 October 2022.

As of the date of this Prospectus, the number of the Shares of the Company is 45,319,594. The number of the Offer Shares is 1,750,000. The results of the Offering will not have any effect on the number of the Shares of the Company.

Who is the selling shareholder?

The following legal entity is the Offeror (selling shareholder), offering certain amount of Shares held to the public:

SIA EC finance is a limited liability company (*sabiedrība ar ierobežotu atbildību*), incorporated in Latvia, registered in the Register of Enterprises of Latvia with registration number 40103950614, having its registered address at Skanstes iela 50A, Rīga, LV-1013. The Company's e-mail is Agris.Evertovskis@gmail.com, telephone number is +371 28300664. Its legal entity identifier (LEI) is 984500DD97SA6CC9G232.

The Offeror is publicly offering the following amount of shares:

Name of selling shareholder	Percentage of total share capital held	Number of Shares held	Number of Shares offered to the public
SIA EC finance	18.81%	8,525,870	1,750,000

Why is this Prospectus being produced?

The Prospectus is being produced: 1) to enable fulfilment of the free-float requirements of Nasdaq Riga for the Company; 2) to increase the amount of Shares in free-float and thus increase the Share liquidity; 3) for Offeror to diversify its assets and investments.

The Company will not receive any proceeds from the Offering. The Offer is not subject to an underwriting agreement on a firm commitment basis. There are no material conflicts of interest pertaining to the Offer.

1.2. Summary in Estonian (Kokkuvõte)

1.1.1. Sissejuhatus ja hoiatused

Väärtpaberi nimetus ja rahvusvaheline väärtpaberite identifitseerimisnumber (ISIN)

Aktsiaseltsi aktsia (DelfinGroup), rahvusvaheline väärtpaberite identifitseerimisnumber (ISIN): LV0000101806.

Emitendi nimi ja kontaktandmed, sh tema juriidilise isiku tunnus (LEI)

AS "DelfinGroup" on Läti Vabariigis asutatud aktsiaselts (*Aktsiaselts*), mis on registreeritud Läti äriregistris numbriga 40103252854, mille registreeritud aadress on Skanstes iela 50A, Rii, LV-1013. Aktsiaseltsi e-posti aadress on info@delfingroup.lv; ipo@delfingroup.lv, telefoninumber: +371 26189988. Aktsiaseltsi juriidilise isiku tunnus (LEI) on 2138002PKHUJIMVMB13.

Pakkuja nimi ja kontaktandmed, sh tema juriidilise isiku tunnus (LEI)

SIA EC finance on Läti osaühing (*sabiedrība ar ierobežotu atbildību*), asutatud Lätis, registreeritud Läti Äriregistris registrinumbriga 40103950614 ja registriaadressiga Skanstes iela 50A, Rīga, LV-1013. Ettevõtte e-mail on Agris.Evertovskis@gmail.com ja telefoninumber on +371 28300664. Ettevõtte rahvusvaheline juriidilise isiku identifikaator (legal entity identifier või LEI) on 984500DD97SA6CC9G232.

Prospekti kinnitava asutuse nimi ja kontaktandmed

Käesoleva Prospekti on kinnitanud Läti finants- ja kapitaliturukomisjon, aadress Kungu iela 1, Rii, LV-1050, e-post: fktk@fktk.lv, telefoninumber: +371 67774800, kooskõlas Euroopa Liidu määrusega (EL) 2017/1129.

Prospekti kinnitamise kuupäev

Käesolev prospekt kinnitati 20 septembril 2022.

Hoiatused

Käesolev Kokkuvõte on koostatud vastavalt Määruse (EL) 2017/1129 artiklile 7 ning seda tuleb käsitleda Prospekti sissejuhatusena. Väärtpaberitesse investeerimise üle otsustamisel peaks investor tutvuma terve Prospektiga. Investor võib kaotada kogu investeeritud kapitali või osa sellest. Kui kohtule esitatakse Prospektis sisalduva teabega seotud nõue, võib hagejast investorile liikmesriigi õiguse alusel tuleneda kohustus kanda enne kohtumenetluse algatamist Prospekti tõlkimise kulud. Tsiivilvastutust kohaldatakse ainult nende isikute suhtes (puudutab ainult neid isikuid), kes on esitanud Kokkuvõtte, sealhulgas selle tõlke, kuid üksnes juhul, kui Kokkuvõte on eksitav, ebatäpne või Prospekti muude osadega vastuolus või kui see ei anna koos Prospekti ülejäänud osadega lugedes põhiteavet, mis aitaks investoritel otsustada kõnealustesse väärtpaberitesse investeerimise üle.

1.1.2. Põhiteave Aktsiaseltsi kohta

Kes on väärtpaberite emitent?

Asukohariik, õiguslik vorm, LEI, asutamise jurisdiktsioon ja riik, milles ta tegutseb

Aktsiaselts on asutatud Lätis, selle registreeritud aadress on Skanstes iela 50A, Rii, LV-1013, ja selle LEI number on 2138002PKHUJIMVMB13. Aktsiaselts on asutatud aktsiaseltsina (*akciju sabiedrība*) ja registreeritud Läti äriregistris registrinumbriga 40103252854.

Põhitegevusalad

Kontsern tegutseb kolme põhilise kaubamärgi all: Banknote, VIZIA ja *Rīgas pilsētas lombards* (Rii Linna Pandimaja) ning tegevus toimub kahes valdkonnas – tarbimislaenud ja kasutatud kaupade jaemüük.

Kontsern pakub kolme järgmist liiki teenuseid: (1) tarbimislaenuteenused, sh tarbimislaenud, laenud müügikohas ja rahastamine krediidiliiniga, (2) pandiga tagatud laenud ja (3) kasutatud kaupade jaemüük. Kontserni struktuur on jaotatud kolmeks teenusepõhiseks tegevussegmendiks järgmiselt:

1. **Tarbimislaenude segment:** tarbimislaenude andmine klientidele, võlgade sissenõudmisega seotud tegevus ja laenudest tulenevate võlgnevuste müük välistele inkassofirmadele.
2. **Pandiga tagatud laenude segment:** pandiga tagatud laenude andmine ja panditud esemete müük.

3. **Muude tegevuste segment:** laenude andmine kinnisvaraarenduseks (käesoleva Prospekti kuupäeva seisuga ei osutata teenust aktiivselt), üldiste haldusteenuste osutamine Kontserni äriühingutele (väga väikese ulatusega tegevus, ebaoluline).

Tugevused

Turuliidri positsioon. Kogu oma ajaloo vältel on Aktsiaselts näidanud ühtlast kasvutendentsi oma põhitegevusalade kogu spektri ulatuses. Seda tõestab Aktsiaseltsi edukas tegevus, millest annab tunnistust ulatuslik filiaalide võrgustik koos veebikaubanduse komponendiga, suur arv töötajaid, märkimisväärne kliendibaas, mitmekülgne tootevalik ning ühtlaselt muljetavaldav ja kasvav kasumlikkus kogu viimase 12 aasta jooksul kestnud tegevuse vältel.

Keskendumine jätkusuutlikkusele. Juhatus usub, et jätkusuutlik majandustegevus aitab tagada Aktsiaseltsi pikaajalise ning pakkuda aktsionäridele maksimaalset pikaajalist tootlust. Aktsiaselts on kehtestanud kindlad ühingujuhtimise põhimõtted ja protseduurid, mis on kooskõlas parimate rahvusvaheliste tavade ja mille eesmärgiks on tagada majandustegevus parimal võimalikul viisil. Alates 2021. aastast on Aktsiaselts hakanud avaldama keskkonna-, sotsiaal- ja juhtimisalaseid (Environmental, Social and Governance, "ESG") aruandeid.

Digitaalselt arenenud. Aktsiaselts on uhke kõrgtehnoloogiliste lahenduste üle, mida ta rakendab nii kõigi oma toodete lõikes kui ka klientidele teenuste osutamiseks. Kontsern pakub veebipõhist ligipääsu peaaegu kõigile oma toodetele ja teenustele ning jätkab digitaalsete toodete ja teenuste lisamist olemasolevale valikule, seades lõppeesmärgiks kliendikogemuse täiustamise.

Strateegia

Aktsiaseltsi strateegia fookuses on: (1) Kontserni väärtuse kasvatamine; (2) pikaajalise kasumlikkuse tagamine; (3) laitmatu maine säilitamine; (4) kõigi ühiskonnakihtide finantsalase kaasamise toetamine.

Suuraktsionärid

Käesoleva Prospekti kuupäeva seisuga omavad üle 5% Aktsiaseltsi Aktsiatest järgmised aktsionärid, keda Aktsiaselts käsitleb suuraktsionäridena:

Aktsionäri nimi	Protsent aktsiakapitalist	Omanduses olevate aktsiate arv	Aktsionäri tegelik(ud) kasusaaja(d)
SIA "AE Consulting"	8.90%	4,032,414	Agris Evertovskis
SIA EC finance	18.81%	8,525,870	Agris Evertovskis
SIA L24 Finance	57.53%	26,074,130	Aigars Kesenfelds Linda Kesenfelde

SIA "AE Consulting" ja SIA "EC finance" omavad kokku 27.71% Aktsiaseltsi aktsiatest (ja hääleõigusest). SIA L24 Finance omab 57.53% Aktsiaseltsi aktsiatest (ja hääleõigusest). SIA "AE Consulting", SIA "EC finance" ja SIA "L24 Finance" omavad kokku 85.24% Aktsiaseltsi aktsiatest (ja hääleõigusest). Kõik eelpoolmainitud osalused (ja nendega seotud hääleõigused) on soetatud enne Aktsiaseltsi aktsiate noteerimist reguleeritud turul.

Pakkuja ja teiste Aktsiaseltsi aktsionäride vahel ei ole kehtivat aktsionäride lepingut.

Juhatuse peamised liikmed

Aktsiaseltsi juhatuse peamised liikmed käesoleva Prospekti kuupäeva seisuga on loetletud allpool.

Nimi	Ametikoht	Ametisse määramise kuupäev	Volituste lõppemise tähtpäev
Didzis Ādmīdiņš	Tegevjuht, juhatuse esimees	19. jaanuar 2021	18. jaanuar 2026
Sanita Zitmane	Operatsioonide juht, juhatuse liige	1. märts 2022	28. veebruar 2027
Agris Evertovskis	Nõukogu esimees	30. märts 2021	29. märts 2026
Gatis Kokins	Nõukogu esimehe asetäitja	30. märts 2021	29. märts 2026

Edgars Vojskis	Nõukogu liige	30. märts 2021	29. märts 2026
Mārtiņš Bičevskis	Nõukogu liige	30. märts 2021	29. märts 2026
Jānis Pizičs	Nõukogu liige	30. märts 2021	29. märts 2026
Aldis Umblejs	Finantsjuht, juhatuse liige	15. detsember 2021	14. detsember 2026

Vannutatud audiitorite andmed

SIA "BDO ASSURANCE", registrinumbr: 42403042353, registreeritud aadress at Kaļķu iela 15 - 3B, Rīa, LV-1050, on Kontserni vannutatud audiitorid. Vannutatud audiitorid valib üldkoosolek.

Milline on emitenti puudutav põhiline finantsteave?

Prospektile on lisatud Kontserni konsolideeritud auditeeritud finantsaruanded 31. detsembril 2021.a, 31. detsembril 2020.a ja 31. detsembril 2019.a lõppenud majandusaastate kohta. Prospektile on lisatud ka audiitorite poolt ülevaatomata Kontserni konsolideeritud vahefinantsaruanded 30. juunil 2022.a lõppenud 6-kuulise perioodi kohta ja ülevaatomata kujul ka Kontserni konsolideeritud vahefinantsaruanded 30.juunil 2021. a lõppenud 6-kuulise perioodi kohta. Auditeeritud finantsaruanded on koostatud kooskõlas rahvusvaheliste finantsaruandlusstandarditega (IFRS), mis on Euroopa Liidus vastu võetud. Järgnevates tabelites on esitatud konsolideeritud finantsandmed vastavalt Komisjoni delegeeritud määruse (EL) 2019/979 I lisale. Informatsioon põhineb finantsaruannetel või tuleneb neist ning seda tuleb lugeda koos finantsaruannetega, sh finantsaruannete lisades toodud selgitustega.

Valitud konsolideeritud kasumiaruanded ja muu info tulude kohta, EUR'000

	31. detsembril lõppenud aasta (auditeeritud)			30. juunil lõppenud kuuekuuline periood (ülevaatomata)	30. juunil lõppenud kuuekuuline periood (ülevaatomata)
	2019	2020	2021	2021	2022
Kogutulu	22,177	23,664	25,488	11,936	16,095
Brutokasum	13,825	14,301	15,756	7,322	9,956
Kasumi brutomarginaalist, %	32.1	35.9	35.4	34.5	32.4
Kasum enne tulumaksu	4,263	4,854	5,203	2,253	3,561
tulumaks	(350)	(755)	(979)	(623)	(930)
Vahedividendid	-	-	-	-	-
Aruandeaasta puhaskasum	3,913	4,100	4,224	1,630	2,631
Puhaskasumi marginal, %	17.6	17.3	16.6	13.7	16.3
Emaettevõtja omanikele omistatav puhaskasum	3,913	4,100	4,224	1,630	2,631
Kasum aktsia kohta, EUR^[1]	2.609¹	1.025	0.103	0.041	0.058
Korrigeeritud kasum aktsia kohta, EUR^[2]	0.098	0.102	0.103	0.041	0.058

^[1] Kasum aktsia kohta raporteeritud iga vastava perioodi lõpus. 2019. aasta kasum aktsia kohta ei sisaldu Auditeeritud Finantsaruannetes. See on välja arvatud ning lisatud käesolevasse tabelisse võrreldavuse eesmärgil.

^[2] Võrreldavuse eesmärgil on väljalastud aktsiate arvu korrigeeritud uute emissioonidega.

Valitud konsolideeritud finantsseisundi aruande info, EUR'000

	31. detsembril lõppenud aasta (auditeeritud)			30. juunil lõppenud kuuekuuline periood (ülevaadamata)	30. juunil lõppenud kuuekuuline periood (ülevaadamata)
	2019	2020	2021	2021	2022
Põhivarad kokku	12,740	22,419	32,743	24,677	39,486
Käibevarad kokku	25,530	23,742	19,321	15,009	23,419

Varad kokku	38,270	46,161	52,065	39,686	62,905
Omakapital kokku	8,367	9,454	17,377	8,109	16,025
Pikaajalised võlad kokku	13,173	17,991	21,564	15,341	28,977
Lühiajalised võlad kokku	16,730	18,717	13,123	16,236	17,904
Kokku kohustused ja omakapital	38,270	46,161	52,065	39,686	62,906

Valitud konsolideeritud rahavoogude aruande info, EUR'000

	31. detsembril lõppenud aasta (auditeeritud)			30. juunil lõppenud kuuekuuline periood (ülevaadatud)	30. juunil lõppenud kuuekuuline periood (ülevaatamata)
	2019	2020	2021	2021	2022
Netorahavood põhitegevusest	(6,199)	2,441	(3,307)	3,755	(8,020)
Netorahavood investeerimistegevusest	(778)	262	(74)	362	(341)
Netorahavood finantseerimistegevusest	4,623	753	1,249	(8,115)	8,216
Aruandeaasta netorahavood	(2,354)	3,456	2,132	(3,998)	(145)

Millised on emitendiga seotud põhiriskid?

Konkurentsiga seotud risk tarbimislauade ja pandilaenuade äriavaldkonnades. Tulevikus võib Kontsern seista silmitsi kasvava konkurentsiga, kui turule sisenevad uued kodumaised ja rahvusvahelised firmad ning kui konkurendid laiendavad oma teenuseid ja/või vähendavad tegevuskulusid. Kui Kontserni konkurendid suudavad oma olemasolevaid eeliseid paremini ära kasutada, ei pruugi Kontsernil olla võimalik kliente kaasata või säilitada, mis võib Kontserni tulemuslikkusele, finantsnäitajatele ja väljavaadetele olulist negatiivset mõju avaldada. Pealegi, kui Kontsern ei suuda pakkuda võrdluses konkurentidega sarnast või kõrgemat teenuste taset, võib Kontsern kaotada konkurentidele nii kliente kui potentsiaalselt ka turuosa. Samuti võib tekkida risk, et Aktsiaselts tõmbab endale järelevalveasutuste täiendava tähelepanu, kuna tema turuosa pandilaenuade valdkonnas loetakse oluliseks. Selle tulemusel võidakse talle kohaldada Läti konkurentsioigusest tulenevaid täiendavaid käitumis- ja vastavusnõudeid.

Personaliga ja tööjõuga seotud risk. Kvalifitseeritud personali kaotus, suur tööjõu voolavus või püsivad raskused vabade töökohtade täitmisel sobivate kandidaatidega võivad avaldada olulist negatiivset mõju Kontserni võimele oma valdkonnas tõhusalt konkureerida ning Kontsern võib kaotada olulise osa oma kompetentsist või sellele võivad ligipääsu saada tema konkurendid. Mis tahes olulised erimeelsused Kontserni ja selle töötajate vahel võivad häirida Kontserni tegevust, põhjustada tulude ja klientide kaotust ning suurendada tegevuskulusid. Kontserni võivad ohustada riskid, mis tulenevad töötajate suutmatusest pidada kinni kinnitatud protseduuridest. Teatud riske, nt pettus ja omastamine, pole võimalik täielikult kõrvaldada, arvestades Kontserni tegevusele omast sularaha käitlemise aspekti.

Küberturbe ja IT-ga seotud riskid. Sõltuvus IT-taristust hõlmab riske, mis on omased kõikidele IT-süsteemidele, näiteks tarkvara- või riistvara rikked või talitlushäired, elutähtsa IT-taristu füüsilised kahjustused, nakatumine arvutiviirustega, andmete turvalisusega seotud rikkumised, pahatahtlik häkkimine või muud küberrünnakud, samuti muud küberturbega seotud ohud. Kontsern võib potentsiaalselt sattuda küberrünnaku ohvriks, kuna üha rohkem häkkereid ja lunaraha nõudjaid on võtnud sihikule finantssektori, sealhulgas pangavälised laenuandjad, et isikliku kasu huvides nende sisemisi süsteeme ja protsesse ära kasutada. Igasugused katkestused teenuste osutamisel võivad kahjustada Kontserni tarkvara ja platvormi, põhjustada andmete kadu ning vajada Kontsernil märkimisväärsete kulutuste tegemist probleemide kõrvaldamiseks. Ohuks on ka müüja ükskõiksus, kui Kontserni süsteemides peaks tekkima rike, mis võib põhjustada viivitusi teenuse taastamisel.

Seadusest tulenevate tegevusloa nõuetega seotud riskid. Kontserni litsentsid on tähtsatud, kuid tarbijaõiguste kaitse keskus (*Consumer Rights Protection Centre, "CRPC"*) võib need tühistada või peatada. CRPC on kohustatud sekkuma, kui Aktsiaselts ja/või Kontsern rikuvad oma kohalduvast õigusest tulenevaid kohustusi. CRPC võib tegevusloa peatada kuni kuueks kuuks, kui Aktsiaselts ja/või

Kontsern ei järgi normatiivakte ega tee koostööd tuvastatud lahknevuste lahendamiseks. Oluliste rikkumiste korral võib CRPC viimase meetmena Aktsiaseltsi ja/või Kontserni tegevusloa tühistada. Kontserni tegevus on sõltuv CRPC poolt antud tegevuslubadest. Kui tegevusload tühistatakse või nende kehtivus peatatakse, peab Kontsern lõpetama tarbijakrediidiga seotud tegevuse, mis omakorda avaldab olulist negatiivset mõju Kontserni majandustegevusele, finantsseisundile ja tegevuse tulemuslikkusele.

Laenuvõtja krediidiriskiga seotud risk. Kui laenuvõtja ei täida oma kohustusi lepinguga kokkulepitud tingimuste kohaselt, võib see mõjutada negatiivselt Kontserni kasumit ja bilansis kajastatud varade väärtust. Kontsern ei pruugi olla suuteline laenuvõtja krediitkvaliteediga seotud asjakohaseid tegureid piisavalt tuvastama ega tuvastatud tegurite mõju ja/või ulatust täpselt määrama, mis võib kahjustada Kontserni majandustegevust, finantsseisundit, tegevuse tulemusi ja väljavaateid. Laenuvõtja krediitkvaliteedi halvenemine ja sellest tulenev kasvav varade väärtuse langus võivad avaldada negatiivset mõju Kontserni majandustegevusele, finantsseisundile, tegevuse tulemustele ja väljavaadetele.

1.2.1. Teave väärtpaperite kohta

Mis on väärtpaperite põhiomadused?

Liik, klass ja ISIN

Kõik Aktsiaseltsi Aktsiad (sh ka Pakutavad Aktsiad) on dematerialiseeritud esitajaaktsiad nimiväärtusega 0.10 EUR iga aktsia kohta. Aktsiad on registreeritud Nasdaq CSD-s ISIN-koodiga ISIN LV0000101806 ning neid hoitakse registrikande vormis. Aktsiaselts ei ole andnud ega kavatseda anda välja aktsiatähti.

Aktsiate valuuta, nimiväärtus, pariteet, emiteeritud Aktsiate arv ja tähtaeg

Prospekti kuupäeva seisuga on Aktsiaseltsi aktsiakapitali suurus EUR 4,531,959.40, mis on jagatud 45,319,594 dematerialiseeritud esitajaaktsiaks. Iga emiteeritud Aktsia väikseim nimiväärtus on EUR 0.10. Kõik Aktsiad on emiteeritud ja nende eest on täielikult tasutud. Aktsiate vääringuks on eurod ning nad alluvad Läti õigusele ning Pakkumise valuutaks on euro. Kõik olemasolevad Aktsiad annavad aktsionäridele võrdsed õigused (sh üks aktsia, üks hääle).

Aktsiatega kaasnevad õigused

Kõiki Aktsiaseltsi aktsionäre koheldakse võrdselt. Kõik Aktsiaseltsi Aktsiad annavad nende omanikele ühesugused õigused osale Aktsiaseltsi varadest ja kasumist. Aktsiaseltsi likvideerimise korral on aktsionäridel õigus saada osa varade ülejäägist proportsionaalselt neile kuuluvate Aktsiate arvuga (likvideerimiskvoot).

Iga Aktsiaga kaasnevad järgmised õigused: (1) aktsiate võõrandamise õigus; (2) õigus dividendidele; (3) hääleõigus; (4) õigus osaleda aktsionäride üldkoosolekul; (5) õigus likvideerimiskvootidele; (6) ostueesõigus; (7) õigus teabele.

Aktsiate järk emitendi kapitalstruktuuris maksejõuetuse korral

Aktsiatega ei kaasne eriõigusi varade jaotamises osalemisel (sh likvideerimise korral), välja arvatud õigused, mis tulenevad Läti pankrotiseadusest, mis näeb ette, et Aktsiaseltsi rahalised vahendid, mis on jäänud järele pärast Aktsiaseltsi maksejõuetusmenetluse kulude tasumist ja võlausaldajate nõuete rahuldamist, jaotatakse Aktsiaseltsi aktsionäride vahel proportsionaalselt nende osaluse suurusega.

Aktsiate vaba ülekantavuse piirangud

Aktsiate vaba ülekantavus ei ole piiratud ei Läti õigusaktides sisalduvate normidega ega Aktsiaseltsi põhikirjaga.

Dividendipoliitika

Aktsiaseltsi dividendipoliitika esimene redaktsioon kinnitati 4. aprillil 2020. Dividendipoliitika sisaldab üldise iseloomuga teavet käsitlevat osa, dividendide jaotamise põhimõtteid, peamisi kaalutlusi, mis on olulised dividendide suuruse arvutamisel ja määramisel, dividendide maksmise kuupäevi ja korda ning andmeid, mis kuuluvad avalikustamisele seoses dividendide jaotamise ja väljamaksmisega.

Vastavalt Läti äriseadusele, põhikirjale ja dividendipoliitikale võib Aktsiaselts maksta kahte liiki dividende:

- **Erakorralised dividendid**, mis: (1) kuulutatakse välja pärast kvartaalsete finantsaruannete vastuvõtmist vastavalt juhatuse otsusele, mille vaatab läbi nõukogu, mille suurus on **kuni 50% eelmise finantskvartali konsolideeritud kasumist**; ja (2) jaotatakse kord kvartalis pärast

aktsionäride üldkoosolekut, mis võtab vastu eelmise kvartali finantsaruande ja teeb nõuetekohase otsuse dividendide jaotamiseks.

- **Aastadividendid**, mis: (1) **kuulutatakse välja** pärast majandusaasta aruande vastuvõtmist; ja (2) **jaotatakse** kord aastas vastavalt maksegraafikule pärast aktsionäride üldkoosolekut, mis võtab vastu majandusaasta aruande ja teeb nõuetekohase otsuse dividendide jaotamiseks.

Alates Aktsiaseltsi aktsiate noteerimisest on Aktsiaselts pakkunud regulaarseid ja prognoositavaid dividendipõhiseid tootlusi samal ajal säilitades Aktsiaseltsi finantsstabiilsuse ja keskendudes pikaajalistele arengueesmärkidele. Aktsiaselts jaotas 2021. aastal dividende 3.723 miljoni euro ulatuses, mis teeb 0.08 eurot iga aktsia kohta.

Kus Aktsiatega kaubeldakse?

Aktsiad on kaubeldavad Nasdaq Riia Balti Põhinimekirjas. Aktsiatega ei kaubelda ühelgi teisel börsil. Aktsiatega kauplemine algas Nasdaq Riia Balti Põhinimekirjas 20. oktoober 2021.

Millised on väärtpaberitele omased põhiriskid?

Aktsiahinna ja aktsia likviidsuse risk. Nasdaq Riia börs on oluliselt vähemlikviidne ja volatiilsem kui teised väljakujunenud ja pikema ajalooga väärtpaberiturud. Nasdaq Riia börsi üsna väike turukapitalisatsioon ja madal likviidsus võivad avaldada negatiivset mõju aktsionäride võimalustele Aktsiaid olulistest kogustes müüa. Aktsiaseltsi Aktsiatega ei ole varem avalikult kaubeldud ja Aktsiate aktiivse ja likviidse turu väljakujunemiseks puuduvad garantiid. Aktiivse kauplemise arendamise või säilitamise ebaõnnestumine võib mõjutada Aktsiate likviidsust ja Aktsiaselts ei saa garanteerida, et tema Aktsiate turuhind ei lange alla Pakkumishinna. Järelikult ei pruugi olla investoritel võimalik müüa Aktsiaid kiiresti või Pakkumishinnast kõrgema hinnaga.

Pakkumise tühistamine ja alamärkimine. Aktsiaselts teeb kõik endast oleneva Pakkumise edukuse tagamiseks; ent Aktsiaselts ei saa siiski anda kinnitusi selle kohta, et Pakkumine õnnestub ja investorid saavad nende poolt märgitud Pakutavad Aktsiad. Aktsiaseltsil on õigus Pakkumine tühistada.

Aktsia väärtuse lahjendamise risk. Aktsiaselts võib edaspidi soovida kaasata kapitali võlakirjade (potentsiaalselt ka konverteeritavate võlakirjade) või täiendavate aktsiate pakkumise kaudu. Täiendavate aktsiate või selliste väärtpaberite, millega kaasneb lihtaktsiateks konverteerimise õigus, nt vahetusvõlakirjad või konverteeritavad võlakirjad, emiteerimine võib vähendada Aktsiaseltsi aktsia hinda osaluse lahjendamise teel, kui olemasolevad aktsionärid oma osaluse taseme säilitamiseks sellistes emissioonides ei osale.

Dividendide maksmise võimekusega seotud riskid. Aktsiaseltsil ei ole mingeid regulatiivseid kohustusi maksta aasta- või kvartaalseid dividende ning tulevaste dividendide osas ei saa esitada ühtegi kinnitust. Aktsiaseltsi võime maksta dividende sõltub muu hulgas Aktsiaseltsi tegevuse tulemustest, rahastamis- ja investeerimisvajadustest, aga ka jaotatava kasumi olemasolust ja aktsionäride üldkoosoleku otsustest.

Piisava analüütikute kajastuse puudumine. Puuduvad garantiid Aktsiaseltsi puudutavate analüüside jätkumise (või teostamise) kohta. Aja jooksul võib Aktsiaseltsi kohta kolmandate isikute poolt teostatud kättesaadavate analüüsides maht kasvada või väheneda, olles vaid vähesel määral või üldse mitte korrelatsioonis Aktsiaseltsi tegevuse tegelike tulemustega, sest Aktsiaseltsil puudub igasugune mõju nende analüütikute üle, kes selliseid analüüse koostavad. Kolmandate isikute poolne negatiivne või ebapiisav kajastus avaldab tõenäoliselt Aktsiate turuhinnale ja kauplemismahtudele negatiivset mõju.

Maksustamisrežiimiga seotud riskid. Muudatused maksustamisrežiimis, mida kohaldatakse Aktsiatega tehtavate tehingute või nendega seotud dividendide suhtes, võivad suurendada aktsionäride maksukoormust ja seega avaldada negatiivset mõju Aktsiatesse investeerimise tulumääradele.

1.2.2. Informatsioon väärtpaberite avaliku pakkumise ja reguleeritud turul kauplemisele lubamise kohta

Millistel tingimustel ja millise ajakava alusel saan ma sellesse väärtpaberisse investeerida?

Pakkumise raames pakutakse kokku kuni 1,750,000 Pakutavat Aktsiat. Pakutavad Aktsiad on olemasolevad Aktsiaseltsi Aktsiad. Käesoleva Pakkumise tulemusel ei suurene ega vähene Aktsiaseltsi aktsiakapital. Pakkumise eeldatav brutotulu on kuni EUR 2,520,000. Pakkumisega otseselt seotud kulutuste hinnanguline suurus on EUR 31,682. Seega on Pakkumise eeldatav netotulu kuni EUR 2,488,318. Aktsiaselts ei saa mingit osa Pakkumise tuludest kogu Pakkumise tulu läheb Pakkujale. Pakkuja katab ise kõik Pakkumisega seotud kulud.

Pakkumine on suunatud (i) avalikult Läti, Eesti ja Leedu jaeinvestoritele (“**Jaepakkumine**”) ning (ii) mitteavalikult kutselistele investoritele Prospektimääruse artikli 2 punkti e) tähenduses Lätis ja Euroopa Majanduspiirkonna mõnes valitud liikmesriigis, aga ka teistele valitud investoritele, tuginedes vastavate liikmesriikide õigusest tulenevatele teatud eranditele (“**Institutsionaalne Pakkumine**”).

Pakkumise indikatiivne ajakava on järgmine:

Pakkumisperioodi algus	26. september 2022
Pakkumisperioodi lõpp	5. oktoober 2022
Pakkumise tulemuse ja jaotamise väljakuulutamise	10. oktoobril 2022 või selle paiku
Pakkumisega seotud arveldused	12. oktoobril 2022 või selle paiku

Aktsiaselts on otsustanud koos Globaalse Peakorraldajaga Pakutavate Aktsiate pro-rata jaotamise vastavalt esitatud ostukorraldustele pärast Pakkumisperioodi lõppemist 07. oktoobril 2021 või selle paiku.

Käesoleva Prospekti kuupäeva seisuga on Aktsiaseltsil 45,319,594 Aktsiat. Pakutavate Aktsiate arv on kuni 1,750,000. Pakkumise tulemus ei muuda Aktsiaseltsi aktsiate arvu.

Kes on müüv aktsionär?

Järgenev juriidiline isik on Pakkuja (müüv aktsionär), kes pakub avalikult kindla koguse talle kuuluvaid Aktsiaid:

SIA EC finance on Läti osaühing (*sabiedrība ar ierobežotu atbildību*), asutatud Lätis, registreeritud Läti Äriregistris registrinumbriga 40103950614 ja registriaadressiga Skanstes iela 50A, Rīga, LV-1013. Ettevõtte e-mail on Agris.Evertovskis@gmail.com ja telefoninumber on +371 28300664. Ettevõtte rahvusvaheline juriidilise isiku identifikaator (legal entity identifier või LEI) on 984500DD97SA6CC9G232.

Pakkuja pakub avalikult järgneva koguse Aktsiaid:

Müüva aktsionäri nimi	Omatav protsent kogu aktsiakapitalist	Kokku omatav Aktsiate arv	Avalikult pakutav Aktsiate arv
SIA EC finance	18.81%	8,525,870	1,750,000

Miks see Prospekt koostatakse?

Prospekt on koostatud selleks, et: 1) võimaldada Aktsiaseltsil täita Nasdaq Riia börsi nõudeid vabalt kaubeldavate aktsiate osakaalu osas; 2) läbi vabalt kaubeldavate Aktsiate osa suurendamise kasvatada Aktsia likviidsust; 3) võimaldada Pakkujal diversifitseerida oma varasi ja investeeringuid.

Aktsiaselts ei saa mingit osa Pakkumise tuludest. Pakkumise suhtes ei ole sõlmitud märkimislepingut siduva kohustuse alusel. Pakkumise puhul ei esine olulisi huvide konflikte.

1.3. Summary in Latvian (*Kopsavilkums*)

Ievads un brīdinājumi

Vērtspapīru nosaukums un starptautiskais vērtspapīru identifikācijas numurs (ISIN)

Sabiedrības (DelfinGroup) akcija, starptautiskais vērtspapīru identifikācijas numurs (ISIN): LV0000101806.

Emitenta identitāte un kontaktinformācija, tai skaitā juridiskās personas identifikators (LEI)

AS "DelfinGroup" ir akciju sabiedrība, kas dibināta Latvijā, reģistrēta Latvijas Uzņēmumu reģistrā ar reģistrācijas numuru 40103252854 un juridisko adresi Skanstes ielā 50A, Rīgā, LV-1013. Sabiedrības e-pasts ir ir@delfingroup.lv, telefona numurs ir +371 26189988. Tās juridiskās personas identifikators (LEI) ir 2138002PKHUJIMVMB13.

Piedāvātāja identitāte un kontaktinformācija, tai skaitā juridiskās personas identifikators (LEI)

SIA EC finance ir sabiedrība ar ierobežotu atbildību, kas dibināta Latvijā, reģistrēta Latvijas Uzņēmumu reģistrā ar reģistrācijas numuru 40103950614 un juridisko adresi Skanstes iela 50A, Rīga, LV-1013. Sabiedrības e-pasts ir Agris.Evertovskis@gmail.com, telefona numurs ir +371 28300664. Tās juridiskās personas identifikators (LEI) ir 984500DD97SA6CC9G232.

Kompetentās iestādes, kas apstiprina prospektu, identitāte un kontaktinformācija

Prospektu kā kompetentā iestāde ir apstiprinājusi Latvijas Finanšu un kapitāla tirgus komisija, adrese: Kungu iela 1, Rīga, LV-1050, e-pasts: fktk@fktk.lv, tālruņa numurs: +371 67774800, saskaņā ar Regulu (EU) 2017/1129.

Prospekta apstiprināšanas datums

Šis Prospekts ir apstiprināts 2022. gada 20. septembrī.

Brīdinājumi

Šis Kopsavilkums ir sagatavots saskaņā ar Regulas (EU) 2017/1129 7. pantu, un tas būtu jālasa kā Prospekta ievads. Jebkurš lēmums ieguldīt vērtspapīros būtu jābalsta uz ieguldītāja vērtējumu par visu prospektu kopumā. Ieguldītājs var zaudēt visu ieguldīto kapitālu vai daļu no tā. Ja tiesā tiek celta prasība par Prospektā ietverto informāciju, ieguldītājam (prasītājam), atbilstoši valsts tiesībām, pirms tiesvedības sākšanas var būt jāsedz Prospekta tulkošanas izmaksas. Civiltiesiskā atbildība gulstas (attiecas) tikai uz tām personām, kas iesniegušas Kopsavilkumu, tai skaitā veikušas jebkādu tā tulkošanu, bet tikai tad, ja Kopsavilkums ir maldinošs, neprecīzs vai pretrunīgs, lasot to kopā ar pārējām Prospekta daļām, vai ja tas, lasīts kopā ar pārējām Prospekta daļām, nesniedz pamatinformāciju, kas palīdzētu ieguldītājiem izprast to, vai ieguldīt vērtspapīros.

Pamatinformācija par Sabiedrību

Kas ir vērtspapīru emitents?

Reģistrācijas vieta, tiesiskā forma, LEI, reģistrācijas jurisdikcija un darbības valsts

Sabiedrība ir dibināta Latvijā, tās juridiskā adrese ir Skanstes iela 50A, Rīga, LV-1013, un tās LEI numurs ir 2138002PKHUJIMVMB13. Sabiedrība ir dibināta un reģistrēta kā akciju sabiedrība Latvijas Komercreģistrā ar reģistrācijas numuru 40103252854.

Galvenās darbības jomas

Grupa savu darbību veic, izmantojot trīs galvenos zīmolvārdus: "Banknote", "VIZIA" un "Rīgas pilsētas lombards", un tā darbojas divās nozarēs: patērētāju aizdevumu pakalpojumu sniegšanā un lietotu preču mazumtirdzniecībā.

Grupa piedāvā trīs pakalpojumu veidus: (1) patērētāju aizdevumi, kurus veido patēriņa aizdevumi, pirkumu aizdevumi un kredītlīniju finansēšana, (2) aizdevumi pret ķīlu un (3) lietotu preču mazumtirdzniecības darbība. Grupa ir strukturēta trīs darbības segmentos, pamatojoties uz sniegtajiem pakalpojumiem:

- (1) **Patēriņa aizdevumu segments:** patēriņa aizdevumu piešķiršana klientiem, parādu piedziņas darbība un prasījumu, kas izriet no aizdevumiem, pārdošana neatkarīgiem parādu piedziņas uzņēmumiem.

- (2) **Aizdevumu pret ķīlu segments:** aizdevumu izsniegšana pret ķīlu un lombarda preču pārdošana.
- (3) **Pārējo operāciju segments:** aizdevumu piešķiršana nekustamo īpašumu attīstībai (Prospekta izstrādes periodā šis Sabiedrības piedāvātais pakalpojums netiek sniegts), vispārīgie administratīvie pakalpojumi Grupas uzņēmumiem (niecīgas un nebūtiskas darbības).

Lielākie akcionāri

Prospekta datumā šādiem akcionāriem pieder vairāk nekā 5% no visām Sabiedrības Akcijām, un Sabiedrība tos uzskata par saviem galvenajiem akcionāriem:

Akcionāra vārds (nosaukums)	Kopējā akciju kapitāla procenti turējumā	Akciju skaits turējumā	Akcionāra patiesais labuma guvējs (-i)
SIA "AE Consulting"	8.90%	4,032,414	Agris Evertovskis
SIA EC finance	18.81%	8,525,870	Agris Evertovskis
SIA L24 Finance	57.53%	26,074,130	Aigars Kesenfelds Linda Kesenfelde

SIA "AE Consulting" un SIA EC finance kopīgi pieder 27.71% Sabiedrības akciju (un attiecīgo balsstiesību). SIA L24 Finance pieder 57.53% Sabiedrības akciju (un attiecīgo balsstiesību). SIA "AE Consulting", SIA EC finance un SIA L24 Finance kopīgi pieder 85.24% Sabiedrības akciju (un attiecīgo balsstiesību).

Starp Piedāvātāju un nevienu citu Sabiedrības akcionāru nav noslēgts akcionāru līgums.

Galvenie rīkotājdirektori

Turpmāk norādītas ziņas par Sabiedrības galvenajiem rīkotājdirektoriem Prospekta izstrādāšanas brīdī.

Vārds	Amats	Iecelšanas datums	Amata termiņa beigas
Didzis Ādmīdiņš	Generāldirektors, Valdes priekšsēdētājs	2021. gada 19. janvāris	2026. gada 18. janvāris
Aldis Umblejs	Finanšu direktors, Valdes loceklis	2021. gada 15. decembris	2026. gada 14. decembris
Sanita Zitmane	Galvenais izpilddirektors, Valdes loceklis	2022. gada 1. marts	2027. gada 28. februāris
Agris Evertovskis	Padomes priekšsēdētājs	2021. gada 30. marts	2026. gada 29. marts
Gatis Kokins	Padomes priekšsēdētāja vietnieks	2021. gada 30. marts	2026. gada 29. marts
Edgars Vojskis	Padomes loceklis	2021. gada 30. marts	2026. gada 29. marts
Mārtiņš Bičevskis	Padomes loceklis	2021. gada 30. marts	2026. gada 29. marts
Jānis Pizičs	Padomes loceklis	2021. gada 30. marts	2026. gada 29. marts

Zvērināto revidentu identitāte

SIA "BDO ASSURANCE", reģistrācijas numurs: 42403042353, juridiskā adrese: Kaļķu iela 15 - 3B, Rīga, LV-1050, ir Grupas zvērinātie revidenti. Zvērinātos revidentus ievēl Akcionāru sapulce.

Kāda ir emitenta finanšu pamatinformācija?

Prospektam ir pievienoti Grupas revidētie konsolidētie finanšu pārskati par finanšu gadiem, kas noslēdzās 2021. gada 31. decembrī, 2020. gada 31. decembrī un 2019. gada 31. decembrī. Prospektam ir pievienots arī Grupas nepārskatītais konsolidētais starpperioda pārskats par 6 mēnešu periodu, kas beidzās 2022. gada 30. jūnijā un Grupas pārskatītais konsolidētais starpperioda pārskats par 6 mēnešu periodu, kas beidzās 2021. gada 30. jūnijā. Revidētie finanšu pārskati ir sagatavoti saskaņā ar Eiropas Savienības pieņemtajiem Starptautiskajiem finanšu pārskatu standartiem. Turpmākajā tabulā atspoguļota konsolidētā finanšu informācija saskaņā ar Komisijas deleģētās regulas 2019/979/ES pielikumu Nr. 1. Šī informācija ir pamatota ar Finanšu pārskatiem vai atvasināta no tiem un tā jālasa kopsakarā ar Finanšu pārskatiem, tai skaitā, Finanšu pārskatu piezīmēs sniegtajiem paskaidrojumiem.

Atlasīts konsolidēts peļņas un zaudējumu pārskats un cita informācija par ienākumiem, EUR'000

	Par gadu, kas beidzās 31. decembrī (revidēts)			Par sešu mēnešu periodu, kas beidzās 2021. gada 30. jūnijā (pārskatīts)	Par sešu mēnešu periodu, kas beidzās 2022. gada 30. jūnijā (nepārskatīts)
	2019	2020	2021	2021	2022
Kopējie ienākumi	22,177	23,664	25,488	11,936	16,095
Bruto peļņa	13,825	14,301	15,756	7,322	9,956
EBIT norma, %	32.1	35.9	35.4	34.5	32.4
Peļņa pirms uzņēmumu ienākuma nodokļa	4,263	4,854	5,203	2,253	3,561
Uzņēmumu ienākuma nodoklis	(350)	(755)	(979)	(623)	(930)
Starplaika dividendes	-	-	-	-	-
Neto peļņa par pārskata gadu	3,913	4,100	4,224	1,630	2,631
Tīrās peļņas norma, %	17.6	17.3	16.6	13.7	16.3
Uz mātes uzņēmuma īpašniekiem attiecināmā neto peļņa	3,913	4,100	4,224	1,630	2,631
Neto ienākums uz vienu akciju, EUR³	2.609³	1.025	0.103	0.041	0.058
Koriģētais neto ienākums uz neto akciju, EUR⁴	0.098	0.102	0.103	0.041	0.058

Atlasīta informācija par konsolidēto finansiālo stāvokli, EUR'000

	Par gadu, kas beidzās 31. decembrī (revidēts)			Par sešu mēnešu periodu, kas beidzās 2021. gada 30. jūnijā (pārskatīts)	Par sešu mēnešu periodu, kas beidzās 2022. gada 30. jūnijā (nepārskatīts)
	2019	2020	2021	2021	2022
Kopā ilgtermiņa aktīvi	12,740	22,419	32,743	24,677	39,486
Kopā apgrozāmie līdzekļi	25,530	23,742	19,321	15,009	23,419
Kopā aktīvi	38,270	46,161	52,065	39,686	62,905
Kopā pašu kapitāls	8,367	9,454	17,377	8,109	16,025
Kopā ilgtermiņa kreditori	13,173	17,991	21,564	15,341	28,977
Kopā īstermiņa kreditori	16,730	18,717	13,123	16,236	17,904
Kopā pasīvi un pašu kapitāls	38,270	46,161	52,065	39,686	62,906

Atlasīta informācija par naudas plūsmas pārskatu, EUR'000

	Par gadu, kas beidzās 31. decembrī (revidēts)			Par sešu mēnešu periodu, kas beidzās 2021. gada 30. jūnijā (pārskatīts)	Par sešu mēnešu periodu, kas beidzās 2022. gada 30. jūnijā (nepārskatīts)
	2019	2020	2021	2021	2022
Neto naudas plūsma no (uz) pamatdarbības	(6,199)	2,441	(3,307)	3,755	(8,020)
Neto naudas plūsma no (uz) investīciju darbības	(778)	262	(74)	362	(341)

³ Peļņa par akcijām, kas tiek norādīta katra attiecīgā perioda beigās. Peļņa par akciju 2019. gadā nav iekļauta Revidētajos finanšu pārskatos. Tā aprēķināta un iekļauta šajā tabulā salīdzinošos nolūkos.

⁴ Salīdzinošos nolūkos apgrozībā esošo akciju skaits ir pielāgots jaunu akciju emisijām.

Neto naudas plūsma no (uz) finansēšanas darbības	4,623	753	1,249	(8,115)	8,216
Neto naudas plūsma par pārskata gadu	(2,354)	3,456	2,132	(3,998)	(145)

Kas ir emitentam raksturīgie būtiskākie riski?

Ar konkurenci saistīts risks patērētāju kreditēšanas un aizdevumu pret ķīlu darbības jomā. Nākotnē Grupa var saskarties ar lielāku konkurenci, ja tirgū ienāks jauni vietējie un starptautiskie uzņēmumi un konkurenti paplašinās savus pakalpojumus vai samazinās savas darbības izmaksas. Ja Grupas konkurenti spēs efektīvāk izmantot pastāvošās priekšrocības, Grupa var nespēt piesaistīt vai saglabāt klientus, un tas var negatīvi ietekmēt Grupas veiktspēju, finansiālos rādītājus un perspektīvas. Turklāt, ja Grupa nespēs piedāvāt līdzvērtīga vai augstāka standarta pakalpojumu, salīdzinot ar tās konkurentiem, Grupa var zaudēt klientus un, potenciāli, arī tirgus daļu. Pastāv risks, ka Sabiedrība piesaistīs papildu uzmanību no uzraudzības iestāžu puses, ja tās tirgus daļa aizdevumu pret ķīlu izsniegšanas darbībā tiks uzskatīta par nozīmīgu. Rezultātā var tikt piemērotas arī papildu ētikas un atbilstības prasības, kas izriet no Latvijas Konkurences likuma.

Ar personālu un darbaspēku saistīts risks. Jebkāds kvalificēta personāla zaudējums, augsta darbinieku mainība vai pastāvīgas grūtības aizpildīt vakances ar piemērotiem kandidātiem var būtiski negatīvi ietekmēt Grupas spēju efektīvi konkurēt savā nozarē, un Grupa var zaudēt ievērojamu specializēto zināšanu apjomu, vai arī konkurenti var iegūt tām piekļuvi. Jebkādas būtiskas domstarpības starp Grupu un tās darbiniekiem var izjaukt Grupas darbības operācijas un novest pie ienākumu un klientu zaudējuma un darbības izmaksu pieauguma. Grupa var būt pakļauta arī riskiem, kas izriet no tā, ka darbinieki neievēro apstiprinātās procedūras. Atsevišķus riskus, kā krāpniecību un nelikumīgu līdzekļu piesavināšanos, nav iespējams pilnībā novērst, ņemot vērā Grupas darbībai raksturīgo apiešanos ar naudas līdzekļiem.

Kiberdrošība un ar IT saistīti riski. IT infrastruktūra ir saistīta ar visiem IT sistēmām saistītajiem riskiem kā programmatūras vai aparatūras kļūmes vai disfunkcija, būtiskai IT infrastruktūrai nodarīts fizisks kaitējums, datorvīrusu infekcijas, datu drošības pārkāpumi, ļaunprātīga uzlaušana vai citi uzbrukumi vai draudi kiberdrošībai. Potenciāli Grupa var kļūt par kiberuzbrukumu mērķi, jo pieaug uzlaušanu skaits un izpirkuma pieprasītāji mērķē uz finanšu sektoru, tai skaitā uz nebanku aizdevējiem, lai izmantotu to iekšējās sistēmas un procesus personīga labuma gūšanai. Jebkāda veida pakalpojumu pārtraukums var kaitēt Grupas programmatūrai un platformām, var izraisīt datu zaudējumu un tā novēršana var prasīt no Grupas ievērojamus izdevumus. Grupas sistēmu avārijas gadījumā pastāv tirgotāju neatsaucības risks, kas var izraisīt kavējumus pakalpojuma atjaunošanā.

Ar licencēšanas prasībām saistīti riski. Grupas licenču termiņi ir neierobežoti, bet Patērētāju tiesību aizsardzības centrs (PTAC) var tās atcelt vai apturēt. PTAC ir pienākums iejaukties, ja Sabiedrība vai Grupa pārkāpj tās likumos noteiktos pienākumus. PTAC var apturēt licenci uz laiku līdz sešiem mēnešiem, ja Sabiedrība vai Grupa neievēro normatīvos aktus un nesadarbojas konstatēto neatbilstību risināšanā. Būtisku pārkāpumu gadījumā PTAC var kā galējo līdzekli izmantot Sabiedrības vai Grupas licences anulēšanu. Grupas darbības operāciju priekšnoteikums ir spēkā esošas PTAC piešķirtas licences. Ja šīs licences tiek anulētas vai apturētas, Grupai ir jāizbeidz patērētāju kreditēšanas operācijas, savukārt tas būtiski negatīvi ietekmētu Grupas darbību, finansiālo stāvokli un darbības rezultātus.

Ar aizņēmēju kredītrisku saistīts risks. Ja aizņēmējs nepilda savas saistības saskaņā ar līguma noteikumiem, tas var negatīvi ietekmēt Grupas ienākumus un aktīvu vērtību tās bilancē. Grupa var nespēt atbilstoši novērtēt attiecīgos faktorus vai precīzi aplēst identificēto faktoru ietekmi uz aizņēmēju kredītpēju vai to lielumu, un tas var negatīvi ietekmēt Grupas darbību, finansiālo stāvokli, darbības rezultātus un izredzes. Aizņēmēju kredītpējas pavājināšanās un tam sekojoša pieaugoša pasliktināšanās var negatīvi ietekmēt Grupas darbību, finansiālo stāvokli, darbības rezultātus un perspektīvas.

Informācija par vērtspapīriem

Kādas ir vērtspapīru galvenās iezīmes?

Veids, kategorija un ISIN

Visas Sabiedrības akcijas (arī Piedāvājuma akcijas) ir dematerializētas uzrādītāja akcijas ar vienas akcijas nominālvērtību EUR 0.10. Akcijas ir reģistrētas Nasdaq CSD ar ISIN LV0000101806 un tiek uzturētas ieraksta formā. Akciju sertifikāti nav izsniegti un netiks izsniegti.

Emitēto akciju valūta, paritāte, nominālvērtība, skaits un to termiņš

Prospekta dienā Sabiedrības pamatkapitāls 4,531,959.40 EUR apjomā ir sadalīts 45,319,594 dematerializētās uzrādītāja akcijās. Katras apgrozībā esošās akcijas nominālvērtība ir 0.10 EUR. Visas akcijas ir emitētas un pilnībā apmaksātas. Akcijas ir denominētas eiro, tās regulē Latvijas tiesību normas, un Piedāvājuma valūta ir eiro. Visas Akcijas piešķir akciju turētājiem vienlīdzīgas tiesības (tai skaitā viena akcija, viena balss).

No Akcijām izrietošās tiesības

Attieksme pret visiem Sabiedrības akcionāriem ir vienlīdzīga. Katra Sabiedrības Akcija piešķir tās turētājam tādas pašas tiesības uz Sabiedrības aktīvu un peļņas daļu. Sabiedrības likvidācijas gadījumā akcionāri ir tiesīgi uz tādu atlikušo aktīvu daļu, kas ir proporcionāla akcionāru turējumā esošo akciju skaitam (likvidācijas kvotu).

Katrai akcijai ir piekritīgas šādas tiesības: (1) tiesības atsavināt akciju; (2) tiesības uz dividendēm; (3) tiesības balsot; (4) tiesības piedalīties Akcionāru sapulcē; (5) tiesības uz likvidācijas kvotu; (6) pirmpirkuma tiesības; (7) tiesības uz informāciju.

Akciju pakārtotība emitenta kapitāla struktūrā maksātnespējas gadījumā

Uz akcijām neattiecas nekādas speciālas tiesības piedalīties sadalē (tai skaitā likvidācijas gadījumā), neskaitot tās, kas pastāv saskaņā ar Latvijas Maksātnespējas likumu, kas nosaka, ka Sabiedrības līdzekļi, kas paliek pēc juridiskās personas maksātnespējas procesa izmaksu segšanas un kreditoru prasījumu apmierināšanas, tiek sadalīti starp Sabiedrības akcionāriem proporcionāli viņu akciju turējuma apjomam.

Akciju brīvas atsavināšanas ierobežojumi

Akciju atsavināšana nav apgrūtināta ar nekādiem ierobežojumiem ne uz Latvijas likumu, ne uz Statūtu pamata.

Dividenžu politika

2020. gada 4. aprīlī Sabiedrība pieņēma Dividenžu politiku sākotnējā redakcijā. Dividenžu politiku veido vispārīgas informācijas sadaļa, dividenžu izmaksas principi, svarīgākie apsvērumi, kas ir nozīmīgi dividenžu apjoma aprēķināšanai un noteikšanai, dividenžu izmaksāšanas datumi un kārtība, kā arī informācija, kas ir saistīta ar dividenžu sadali un izmaksāšanu.

Saskaņā ar Latvijas Komerclikumu, Statūtiem un Dividenžu politiku, Sabiedrība var izmaksāt divu veidu dividendes:

- **Ārkārtas dividendes**, kas tiek: (1) **noteiktas** pēc ceturkšņa finanšu pārskata pieņemšanas saskaņā ar Valdes ieteikumu, kuru izskata Padome. Dividendēs var tikt izmaksāts līdz **50% no konsolidētās peļņas iepriekšējā finanšu ceturksnī**. (2) Dividendes tiek **izmaksātas** vienu reizi ceturksnī pēc Akcionāru sapulces, kurā tiek apstiprināts finanšu pārskats par iepriekšējo ceturksni un noteiktā kārtībā pieņemts lēmums par dividenžu izmaksāšanu.
- **Ikgadējās dividendes**, kas tiek: (1) **noteiktas** pēc gada pārskata apstiprināšanas; un (2) **izmaksātas** vienu reizi gadā saskaņā ar maksājumu grafiku pēc Akcionāru sapulces, kurā tiek apstiprināts gada pārskats un noteiktā kārtībā pieņemts lēmums par dividenžu izmaksāšanu.

Kopš tās iekļaušanas publiskajā sarakstā Sabiedrība ir guvusi regulārus un prognozējamus uz atdevi balstītus ieņēmumus, vienlaikus saglabājot Sabiedrības finansiālo stabilitāti un orientējoties uz ilgtermiņa attīstības mērķiem. 2021. gadā Sabiedrība dividendēs izmaksāja 3,723 miljonus EUR, kas ir EUR 0.08 uz vienu akciju.

Kur tiek tirgotas Akcijas?

Akcijas tiek tirgotas Nasdaq Riga Baltijas Oficiālajā sarakstā. Akcijas netiek tirgotas nevienā citā biržā. Akciju tirdzniecība Nasdaq Riga Baltijas Oficiālajā sarakstā tika uzsākta 2021. gada 20. oktobrī.

Kas ir vērtspapīriem raksturīgie būtiskākie riski?

Akciju cenas un akciju likviditātes risks. Nasdaq Riga birža, salīdzinot ar citiem stabiliem vērtspapīru tirgiem ar ilgāku vēsturi, ir ievērojami mazāk likvīda un ar augstu cenu svārstības dinamiku. Nasdaq Riga biržas visai mazā tirgus kapitalizācija un zemā likviditāte var negatīvi ietekmēt akcionāru spēju

pārdot Akcijas nozīmīgos apjomos. Ieguldītājiem var nebūt iespējams ātri pārdot Akcijas par Piedāvājuma cenu vai augstāku cenu.

Piedāvājuma atsaukšana. Piedāvātājs pieliks vislielākās pūles, lai nodrošinātu sekmīgu Piedāvājumu, tomēr Piedāvātājs nevar garantēt, ka Piedāvājums būs sekmīgs un ieguldītāji saņems Piedāvājuma akcijas, uz kuru iegādi tie ir pieteikušies. Piedāvātājam ir tiesības atsaukt Piedāvājumu.

Akciju vērtības mazināšanās risks. Sabiedrība vēlāk var censties piesaistīt kapitālu ar parādu vērtspapīru (tai skaitā potenciāli konvertējamu parādu vērtspapīru) vai papildu akciju piedāvājumu palīdzību. Papildu akciju vai vērtspapīru ar tiesībām tos konvertēt par parastām akcijām, piemēram, konvertējamu obligāciju vai konvertējamu parādzīmju emisija potenciāli var samazināt Sabiedrības akciju cenu, mazinot akciju vērtību, ja esošie Akcionāri nepiedalās šādās emisijās, lai noturētu pastāvošo dalības līmeni Sabiedrībā.

Riski saistībā ar spēju maksāt dividendes. Sabiedrībai nav tiesiska pienākuma maksāt gada vai ceturkšņa dividendes un nav iespējams izteikt nekādas garantijas par nākotnes dividendēm. Sabiedrības spēja maksāt dividendes ir atkarīga no vairākiem faktoriem, tai skaitā no Sabiedrības darbības rezultātiem, finansējuma un investīciju prasībām, kā arī sadalāmas peļņas pieejamības un Akcionāru sapulces lēmumiem.

Atbilstoša analītiskā seguma trūkums. Nav garantijas, ka Sabiedrībai būs nepārtraukts analītisko pētījumu segums (vai jebkādu). Laika gaitā par Sabiedrību pieejamās trešo personu veiktās izpētes apjoms var palielināties vai samazināties, kam var būt neliela vai nekāda kopsakarība ar faktiskajiem tās darbības rezultātiem, jo Sabiedrība nevar ietekmēt analītiķus, kas sagatavo šādu izpēti. Negatīviem izpētes rezultātiem vai nepietiekamai trešo personu izpētei būtu sagaidāma negatīva ietekme uz Akciju tirgus cenu un tirdzniecības apjomu.

Nodokļu režīma riski. Izmaiņas darījumos, kuru priekšmets satur darbību ar Akcijām, vai ar Akcijām saistītajām dividendēm piemērojamā nodokļu režīmā var izraisīt palielinātu nodokļu slogu Akcionāriem un tādējādi negatīvi ietekmēt Akcijās veikto ieguldījuma ienesīgumu.

Informācija par vērtspapīru publisko piedāvājumu

Ar kādiem nosacījumiem un kādā termiņā es varu ieguldīt šajā vērtspapīrā?

Piedāvājuma gaitā tiek piedāvātas līdz 1,750,000 Piedāvājuma akcijas. Piedāvājuma akcijas ir pastāvošas, pilnībā apmaksātas Sabiedrības Akcijas. Piedāvājuma rezultātā Sabiedrības pašreizējais pamatkapitāls netiek palielināts vai samazināts. Sagaidāmā bruto ieņēmumu summa no Piedāvājuma ir līdz 2,520,000 EUR. Ar Piedāvājumu tieši saistītās izmaksas ir novērtētas ap 31,682 EUR. Tādējādi neto ieņēmumi no Piedāvājuma ir sagaidāmi līdz 2,488,318 EUR apmērā. Sabiedrība nesaņems nekādus ieņēmumus no Piedāvājuma. Piedāvātājs sedz visas ar Piedāvājumu saistītās izmaksas un izdevumus.

Piedāvājums tiek piedāvāts (i) privātajiem ieguldītājiem Latvijā, Igaunijā un Lietuvā - publiski, ("**Mazumtirdzniecības piedāvājums**") un (ii) kvalificētiem ieguldītājiem Prospektu regulas 2(e) panta izpratnē Latvijā un atsevišķās izvēlētās Eiropas Ekonomiskās Zonas dalībvalstīs, kā arī citiem atsevišķiem ieguldītājiem, vadoties no attiecīgo dalībvalstu likumos noteiktiem izņēmumiem ("**Institucionālais piedāvājums**").

Piedāvājuma orientējošais laika grafiks ir šāds:

Piedāvājuma perioda sākums	2022. gada 26. septembris plkst. 10:00
Piedāvājuma perioda beigas	2022. gada 5. oktobris plkst. 15:30
Piedāvājuma rezultātu paziņošana un Piešķiršana	Aptuveni 2022. gada 10. oktobris
Piedāvājuma izpilde	Aptuveni 2022. gada 12. oktobris

Piedāvātājs kopīgi ar Galveno organizētāju ir nolēmis, ka Piedāvājuma akcijas tiks piešķirtas proporcionāli (*pro-rata*) Piedāvājuma periodā saņemtajiem iegādes pieteikumiem ap 2022. gada 7. oktobri.

Prospekta dienā Sabiedrības Akciju skaits ir 45,319,594. Piedāvājuma akciju skaits ir 1,750,000. Piedāvājuma rezultāti neietekmēs Sabiedrības Akciju skaitu.

Kas ir akcionāri, kas pārdod savas akcijas?

Piedāvātājs (akcionārs, kas pārdod savas akcijas) ir šī juridiskā persona, kas publiski piedāvā noteiktu turēto Akciju skaitu:

SIA EC finance ir sabiedrība ar ierobežotu atbildību, kas dibināta Latvijā, reģistrēta Latvijas Uzņēmumu reģistrā ar reģistrācijas numuru 40103950614 un juridisko adresi Skanstes iela 50A, Rīga, LV-1013. Sabiedrības e-pasts ir Agris.Evertovskis@gmail.com, telefona numurs ir +371 28300664. Tās juridiskās personas identifikators (LEI) ir 984500DD97SA6CC9G232.

Piedāvātājs publiski piedāvā šādu akciju daudzumu:

Akcionāra vārds (nosaukums)	Kopējā akciju kapitāla procenti turējumā	Akciju skaits turējumā	Publiski piedāvāto Akciju skaits
SIA EC finance	18.81%	8,525,870	1,750,000

Kādēļ tiek sagatavots šis Prospekts?

Šis Prospekts tiek sagatavots: 1) lai Sabiedrība varētu izpildīt Nasdaq Riga prasības attiecībā uz brīvā apgrozībā esošām akcijām (*free-float*); 2) lai palielinātu brīvā apgrozībā (*free-float*) esošo Akciju skaitu, tādējādi palielinot Akciju likviditāti; 3) lai Piedāvātājs varētu diversificēt savus aktīvus un ieguldījumus.

Sabiedrība nesaņems nekādus ieņēmumus no Piedāvājuma. Uz Piedāvājumu neattiecas emisijas izplatīšanas līgums ar stingri noteiktām saistībām. Ar Piedāvājumu nav saistīti nekādi būtiski interešu konflikti.

1.4. Summary in Lithuanian (*Santrauka*)

1.1. *Santrauka*

Įvadas ir perspėjimai

Vertybinių popierių pavadinimas ir tarptautinis vertybinių popierių identifikavimo numeris (ISIN)

Įmonės akcijos ("DelfinGroup"), tarptautinis vertybinių popierių identifikavimo numeris (ISIN): LV0000101806.

Emitento tapatybė ir kontaktiniai duomenys, įskaitant jo juridinio asmens identifikatorių (LEI)

AS "DelfinGroup" yra Latvijoje įsteigta akcinė bendrovė (*akciju sabiedrība*), įregistruota Latvijos juridinių asmenų registre, registracijos numeris 40103252854, kurios registruotas adresas yra Skanstes iela 50A, Ryga, LV-1013. Įmonės elektroninis paštas yra ir@delfingroup.lv, telefono numeris: +371 26189988. Juridinio asmens identifikatorius (LEI) yra 2138002PKHUJIMVMYB13.

Siūlymo teikėjų tapatybė ir kontaktiniai duomenys, įskaitant jų juridinio asmens identifikatorių (LEI)

SIA EC finance yra Latvijoje įsteigta uždaroji akcinė bendrovė (*sabiedrība ar ierobežotu atbildību*), įregistruota Latvijos juridinių asmenų registre, registracijos numeris 40103950614, kurios registruotas adresas yra Skanstes iela 50A, Rīga, LV-1013. Bendrovės elektroninis paštas yra Agris.Evertovskis@gmail.com, telefono numeris: +371 28300664. Juridinio asmens identifikatorius (LEI) yra 984500DD97SA6CC9G232.

Prospektą tvirtinanti kompetentinga institucija ir kontaktiniai duomenys

Šį Prospektą patvirtino Latvijos finansų ir kapitalo rinkos komisija, kaip kompetentinga institucija, adresas Kungu iela 1, Ryga, LV-1050, elektroninis paštas fktk@fktk.lv, telefono numeris: +371 67774800, pagal Reglamentą (ES) 2017/1129.

Prospekto patvirtinimo data

Šis Prospektas buvo patvirtintas 2022 m. rugsėjo 20 d.

Perspėjimai

Ši Santrauka buvo parengta pagal Reglamento (ES) 2017/1129 7 straipsnį ir turėtų būti skaitoma kaip Prospekto įvadas. Bet koks sprendimas investuoti į vertybinius popierius turėtų būti grindžiamas investuotojo apsvaistytą Prospekto visuma. Investuotojas gali prarasti visą ar dalį investuoto kapitalo. Jei teismui pareiškiamas reikalavimas dėl informacijos, pateiktos Prospekte, investuotojui kaip ieškovui pagal nacionalinę teisę gali reikėti padengti Prospekto vertimo išlaidas prieš pradėdant teisminį procesą. Civilinė atsakomybė priskiriama (taikoma) tik tiems asmenims, kurie pateikė Santrauką, įskaitant bet kokį jos vertimą, tačiau tik tuo atveju, jei Santrauka yra klaidinanti, netiksli ar nenuosekli skaitant kartu su kitomis Prospekto dalimis arba joje, skaitant kartu su kitomis Prospekto dalimis, nepateikiama pagrindinė informacija, kuria siekiama padėti investuotojams svarstant galimybę investuoti į šiuos vertybinius popierius.

Pagrindinė informacija apie įmonę

Kas yra vertybinių popierių emitentas?

Buveinė, teisinė forma, LEI, įsteigimo ir veiklos šalis

Įmonė yra įsteigta Latvijoje, jos registruotas adresas yra Skanstes iela 50A, Ryga, LV-1013, o jos LEI numeris yra 2138002PKHUJIMVMYB13. Įmonė yra įsteigta ir įregistruota Latvijos komerciniame registre kaip akcinė bendrovė (*akciju sabiedrība*), kurios registracijos numeris 40103252854.

Pagrindinė veikla

Įmonių grupė ("Grupė") vykdo veiklą naudodamasi trimis pagrindiniais prekių ženklais: "Banknote", "VIZIA" ir "Rīgas pilsētas lombards" (Rygos miesto lombardas) ir veikia dvejose pramonės šakose – vartojimo paskolų ir mažmeninės naudotų prekių prekybos.

Grupė siūlo šių trijų rūšių paslaugas: (1) vartotojų kreditavimas, kurį apima vartojimo paskolos, paskolų teikimas pardavimo vietoje ir kredito linijos, (2) lombardo paskolos ir (3) naudotų prekių mažmeninė prekyba. Grupė yra suskirstyta į tris veiklos segmentus, pagrįstus teikiamomis paslaugomis kaip nurodoma žemiau:

- (1) **Vartojimo paskolų segmentas:** vartojimo paskolų valdymas, skolų išieškojimo veikla ir skolų pardavimas skolų išieškojimo bendrovėms.
- (2) **Lombardo paskolų segmentas:** lombardo paskolų išdavimas ir lombardo prekių pardavimas.
- (3) **Kitų operacijų segmentas:** paskolų teikimas nekilnojamojo turto plėtrai (nuo šio Prospekto datos nebėra aktyvi paslauga), bendrosios administravimo paslaugos grupės įmonėms (labai menka veikla, nereikšminga).

Pagrindiniai akcininkai

Šio Prospekto sudarymo dieną žemiau nurodyti akcininkai turi daugiau kaip 5% visų Įmonės akcijų, o Įmonė laiko juos pagrindiniais akcininkais:

Akcininko pavadinimas	Bendro turimo įstatinio kapitalo procentinė dalis	Turimų akcijų skaičius	Akcininko galutinis naudos gavėjas(-ai)
SIA „AE Consulting“	8.90%	4,032,414	Agris Evertovskis
SIA EC finance	18.81%	8,525,870	Agris Evertovskis
SIA L24 Finance	57.53%	26,074,130	Aigaras Kesenfeldsas Linda Kesenfelde

SIA „AE Consulting“ ir SIA „EC finance“ bendrai valdo 27.71% Įmonės akcijų (ir balsavimo teisių). SIA „L24 Finance“ valdo 57,53% Įmonės akcijų (ir balsavimo teisių). SIA „AE Consulting“, SIA „EC finance“ ir SIA „L24 Finance“ bendrai valdo 85.24% Įmonės akcijų (ir balsavimo teisių).

Tarp Siūlymo teikėjo ir jokio kito Bendrovės akcininko nėra sudaryta akcininkų sutartis.

Pagrindiniai vadovaujantys direktoriai

Žemiau pateikiama išsami informacija apie Įmonės pagrindinių direktorių narius šio Prospekto pateikimo metu.

Vardas	Pozicija	Paskyrimo data	Paskyrimo pabaiga
Didzis Ādmīdiņš	Generalinis direktorius (CEO), valdybos pirmininkas	2021 m. sausio 19 d.	2026 m. sausio 18 d.
Aldis Umblejs	Finansų direktorius (CFO), valdybos narys	2021 m. gruodžio 15 d.	2026 m. gruodžio 14 d.
Sanita Zitmane	Generalinis administracijos direktorius (COO), valdybos narys	2022 m. kovo 1 d.	2027 m. vasario 28 d.
Agris Evertovskis	Stebėtojų tarybos pirmininkas	2021 m. kovo 30 d.	2026 m. kovo 29 d.
Gatis Kokins	Stebėtojų tarybos pirmininko pavaduotojas	2021 m. kovo 30 d.	2026 m. kovo 29 d.
Edgars Voļskis	Stebėtojų tarybos narys	2021 m. kovo 30 d.	2026 m. kovo 29 d.
Mārtiņš Bičevskis	Stebėtojų tarybos narys	2021 m. kovo 30 d.	2026 m. kovo 29 d.
Jānis Pizičs	Stebėtojų tarybos narys	2021 m. kovo 30 d.	2026 m. kovo 29 d.

Teisės aktais nustatytą auditą atliekančių auditorių tapatybė

SIA „BDO ASSURANCE“, registracijos numeris: 42403042353, registruota adresas Kaļķu iela 15 - 3B, Ryga, LV -1050, yra teisės aktų tvarka patvirtinti Grupės auditoriai. Auditorius renka visuotinis akcininkų susirinkimas.

Kokia yra pagrindinė finansinė informacija apie emitentą?

Grupės audituotos konsoliduotos finansinės atskaitomybės už finansinius metus, pasibaigusius 2021 m. gruodžio 31 d., 2020 m. gruodžio 31 d. ir 2019 m. gruodžio 31 d., buvo pridėtos prie Prospekto. Be to, prie Prospekto buvo pridėta Grupės neperžiūrėta 6 mėnesių laikotarpio konsoliduota tarpinė finansinė atskaitomybė paruošta 2022 m. birželio 30 dienai, taip pat Grupės peržiūrėta 6 mėnesių laikotarpio konsoliduota tarpinė finansinė atskaitomybė paruošta 2021 m. birželio 30 dienai. Audituotos finansinės atskaitomybės buvo parengtos pagal Tarptautinius finansinės atskaitomybės standartus (TFAS), priimtus Europos Sąjungoje. Žemiau esančiose lentelėse pateikiama konsoliduota finansinė informacija

pagal Komisijos deleguotojo reglamento 2019/979/ES I Priedą. Informacija yra pagrįsta finansinėmis ataskaitomis arba yra iš jos gauta, todėl turi būti skaitoma kartu su finansinėmis ataskaitomis, įskaitant paaiškinimus, pateiktus finansinių ataskaitų aiškinamajame rašte.

Pasirinkta konsoliduota pelno (nuostolio) ataskaita ir kita informacija apie pajamas, tūkst. EUR

	<i>Finansiniai metai pasibaigę gruodžio 31 d. (audituota)</i>			<i>Šešių mėnesių laikotarpis pasibaigęs 2021 m. birželio 30 d. (peržiūrėta)</i>	<i>Šešių mėnesių laikotarpis pasibaigęs 2022 m. birželio 30 d. (neperžiūrėta)</i>
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2021</i>	<i>2022</i>
Bendros pajamos	22,177	23,664	25,488	11,936	16,095
Bendrasis pelnas	13,825	14,301	15,756	7,322	9,956
EBIT marža, %	32.1	35.9	35.4	34.5	32.4
Pelnas prieš pelno mokestį	4,263	4,854	5,203	2,253	3,561
Pelno mokestis	(350)	(755)	(979)	(623)	(930)
Tarpiniai dividendai	-	-	-	-	-
Grynasis ataskaitinių metų pelnas	3,913	4,100	4,224	1,630	2,631
Grynoji pelno norma, %	17.6	17.3	16.6	13.7	16.3
Grynasis pelnas, priskirtinas patronuojančios įmonės savininkams	3,913	4,100	4,224	1,630	2,631
Pelnas už akciją, EUR⁵	2.6091	1.025	0.103	0.041	0.058
Koreguotas pelnas vienai akcijai, EUR⁶	0.098	0.102	0.103	0.041	0.058

Pasirinkta konsoliduotos finansinės būklės ataskaita informacija, tūkst. eurų

	<i>Finansiniai metai pasibaigę gruodžio 31 d. (audituota)</i>			<i>Šešių mėnesių laikotarpis pasibaigęs 2021 m. birželio 30 d. (peržiūrėta)</i>	<i>Šešių mėnesių laikotarpis pasibaigęs 2022 m. birželio 30 d. (neperžiūrėta)</i>
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2021</i>	<i>2022</i>
Iš viso ilgalaikio turto	12,740	22,419	32,743	24,677	39,486
Iš viso trumpalaikio turto	25,530	23,742	19,321	15,009	23,419
Bendras turtas	38,270	46,161	52,065	39,686	62,905
Visas kapitalas	8,367	9,454	17,377	8,109	16,025
Iš viso ilgalaikių kreditorių	13,173	17,991	21,564	15,341	28,977
Iš viso trumpalaikių kreditorių	16,730	18,717	13,123	16,236	17,904
Iš viso išsipareigojimų ir nuosavo kapitalo	38,270	46,161	52,065	39,686	62,906

Pasirinkta konsoliduota pinigų srautų ataskaita informacija, tūkst. eurų

	<i>Finansiniai metai pasibaigę gruodžio 31 d. (audituota)</i>			<i>Šešių mėnesių laikotarpis pasibaigęs 2021 m. birželio 30 d. (peržiūrėta)</i>	<i>Šešių mėnesių laikotarpis pasibaigęs 2022 m. birželio 30 d. (neperžiūrėta)</i>
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2021</i>	<i>2022</i>

⁵ Pelnas už akcijas nurodomas kiekvieno atitinkamo laikotarpio pabaigoje. Pelnas už akciją už 2019 m. yra neįtrauktas į audituotas finansines ataskaitomybes. Tai buvo apskaičiuota ir įtraukta į šią lentelę palyginimo tikslais.

⁶ Palyginimo tikslais, išleistų akcijų skaičius buvo pakoreguotas atsižvelgiant į naujas akcijų emisijas.

Grynieji pinigų sratai iš (i) pagrindinės veiklos	(6,199)	2,441	(3,307)	3,755	(8,020)
Grynieji pinigų sratai iš (i) investicinės veiklos	(778)	262	(74)	362	(341)
Grynieji pinigų sratai iš (i) finansavimo veiklos	4,623	753	1,249	(8,115)	8,216
Ataskaitinių metų grynieji pinigų sratai	(2,354)	3,456	2,132	(3,998)	(145)

Kokios yra pagrindinės rizikos, būdingos emitentui?

Rizika, susijusi su konkurencija vartojimo paskolų ir lombardo paskolų verslo srityse. Ateityje Grupė gali susidurti su didėjančia konkurencija, kai į rinką ateis naujos nacionalinės ir tarptautinės bendrovės, o konkurentai plės savo paslaugas ir (arba) sumažins veiklos sąnaudas. Jei Grupės konkurentai geriau išnaudos esamus privalumus, Grupė gali nesugebėti pritraukti ar išlaikyti klientų, o tai gali turėti neigiamą poveikį Grupės veiklos rezultatams, finansiniams rodikliams ir perspektyvoms. Be to, jei Grupė negalės pasiūlyti panašaus ar aukštesnio lygio paslaugų, palyginti su konkurentais, Grupė gali prarasti klientus ir, galbūt, rinkos dalį. Gali kilti rizika, kad Įmonė pritrauks papildomą priežiūros institucijų dėmesį, nes jos rinkos dalis lombardo paskolų versle bus laikoma reikšminga. Vadinas, pagal Latvijos Konkurencijos įstatymą gali kilti papildomi veiklos ir atitikties reikalavimai.

Rizika, susijusi su personalu ir darbo jėga. Bet koks kvalifikuoto personalo praradimas, didelė darbuotojų kaita ar nuolatiniai sunkumai užpildant laisvas darbo vietas tinkamais kandidatais gali turėti esminį neigiamą poveikį Grupės gebėjimui veiksmingai konkuruoti savo verslo šakoje, o Grupė gali prarasti didelę kompetenciją ar prieigą prie konkurentų. Bet kokie esminiai nesutarimai tarp Grupės ir jos darbuotojų gali sutrikdyti Grupės veiklą, lemti pajamų ir klientų praradimą bei padidinti veiklos sąnaudas. Grupė taip pat gali būti pažeidžiama dėl rizikos, kylančios darbuotojams nesilaikant patvirtintų procedūrų. Tam tikros rizikos, tokios kaip sukčiavimas ir grobstymas negalima visiškai pašalinti, atsižvelgiant į grynųjų pinigų tvarkymo aspektą būdingą Grupės veiklai.

Kibernetinio saugumo ir su IT susijusi rizika. Priklausomybė nuo IT infrastruktūros kelia riziką, būdingą visoms IT sistemoms, pvz. programinės ar aparatinės įrangos gedimus ar sutrikimus, fizinę žalą, padarytą gyvybiškai svarbiai IT infrastruktūrai, kompiuterių virusines infekcijas, duomenų saugumo pažeidimus, kenkėjišką įsilaužimą ar kitas kibernetinio saugumo atakas, taip pat kitas kibernetinio saugumo grėsmes. Grupė potencialiai gali tapti kibernetinių atakų subjektu, nes vis daugiau įsilaužėlių bei išpirkų reikalaujančių asmenų taikosi į finansų sektorių, įskaitant ne banko skolintojus, siekdami išnaudoti savo vidines sistemas ir procesus asmeninei naudai gauti. Bet koks paslaugos sutrikimas gali pakenkti Grupės programinei įrangai ir platformoms, ko pasekoje gali būti prarasti duomenys ir lemti, kad Grupė patirs dideles taisymo išlaidas. Gali kilti rizika, kad paslaugos tiekėjas laiku nereaguos sugedus Grupės sistemoms, ir tai galėtų pavėlinti sistemų atstatymą.

Rizika, susijusi su įstatymų numatytais licencijavimo reikalavimais. Grupės licencijos yra neribotos trukmės, tačiau jas gali anuliuoti arba sustabdyti Vartotojų teisių apsaugos centras (angl. *Consumer Rights Protection Centre*) (toliau – "CRPC"). CRPC turi įsikišti, jei Įmonė ir (arba) Grupė pažeidžia savo pareigas pagal galiojančius įstatymus. CRPC gali sustabdyti licencijos galiojimą iki šešių mėnesių, jei Įmonė ir (arba) Grupė nesilaiko norminių teisės aktų ir nebendradarbiauja, kad pašalintų nustatytus neatitikimus. Esminių pažeidimų atveju CRPC, kaip paskutinę priemonę gali taikyti Įmonės ir (arba) Grupės licencijos panaikinimą. Grupės veikla priklauso nuo CRPC išduotų veiklos licencijų. Jei licencijos bus panaikintos arba sustabdytos, Grupė turės nutraukti vartojimo kredito operacijas, o tai savo ruožtu turės ypač neigiamą poveikį Grupės verslui, finansinei būklei ir veiklos rezultatams.

Rizika, susijusi su skolininko kredito rizika. Bet koks paskolos gavėjo įsipareigojimų pagal sutartines sąlygas nevykdymas gali turėti neigiamos įtakos Grupės pajamoms ir turto vertei balanse. Grupei gali nepavykti tinkamai identifikuoti svarbius veiksnius arba tiksliai įvertinti nustatytų veiksmų poveikį ir / arba poveikio dydį skolininko kreditingumui, o tai gali neigiamai paveikti jos verslą, finansinę būklę, veiklos rezultatus ir perspektyvas. Suprastėjusi paskolos gavėjo kredito kokybė ir dėl to išaugęs jo vertės sumažėjimas turėtų neigiamos įtakos grupės verslui, finansinei būklei, veiklos rezultatams ir perspektyvoms.

Informacija apie vertybinius popierius

Kokios yra pagrindinės vertybinių popierių savybės?

Tipas, klasė ir ISIN

Visos Īmonēs Akcijas (taip pat ir Siūlomas) yra nematerialios pareikštinės akcijos, kurių kiekvienos nominali vertė yra 0.10 euro centų. Akcijos bus įregistruotos "Nasdaq CSD" ISIN numeriu LV0000101806 ir saugomos nematerialia forma. Akcijų sertifikatai nėra ir nebus išleisti.

Valiuta, nominalas, nominali vertė, išleistų akcijų skaičius ir trukmė

Prospekto paskelbimo metu Īmonės įstatinis kapitalas yra 4,531,959.40 eurų, padalytas į 45,319,594 nematerialių pareikštinių akcijų. Kiekvienos neapmokėtos Akcijos nominali vertė yra 0,10 eurų. Visos Akcijos yra išleistos ir pilnai apmokėtos. Akcijos yra išreikštos eurais ir joms taikomi Latvijos Respublikos įstatymai, o Siūlymo valiuta bus euras. Visos esamos akcijos suteikia akcininkams lygias teises (įskaitant vieną akciją, vieną balsą).

Su Akcijomis susijusios teisės

Visi Īmonės akcininkai turi būti traktuojami vienodai. Kiekviena Īmonės akcija suteikia jos turėtojui vienodas teises į Īmonės turto ir pelno dalį. Likvidavus Īmonę, akcininkai turi teisę į likusio turto dalį proporcingai turimų Akcijų skaičiui (likvidavimo kvota).

Kiekvienai Akcijai suteikiamos šios teisės: (1) akcijų perleidimo teisė; 2) teisė į dividendus; 3) teisė balsuoti; (4) teisė dalyvauti visuotiniame susirinkime; 5) teisė į likvidavimo kvotą; 6) pirmenybės teisės; 7) teisė į informaciją.

Akcijų reitingas emitento kapitalo struktūroje nemokumo atveju

Akcijos nesuteikia jokių specialių teisių dalyvauti kapitalo skirstyme (taip pat ir likvidavimo atveju), išskyrus tas, kurios numatytos Latvijos Respublikos Nemokumo įstatyme, kuris numato, kad Īmonės lėšos, likusios po to, kai buvo apmokėtos Īmonės nemokumo procedūros išlaidos ir patenkinti kreditoriniai reikalavimai, yra paskirstomi Īmonės akcininkams proporcingai jų akcijų paketo dydžiui.

Akcijų nemokamo perleidimo apribojimai

Akcijų perleidimui netaikomi jokie specialūs apribojimai nei pagal Latvijos Respublikos įstatymus, nei pagal įstatus.

Dividendų politika

Pirmą kartą Īmonės dividendų politika buvo priimta 2020 m. balandžio 4 d. Dividendų politiką sudaro bendrosios informacijos skyrius, dividendų paskirstymo principai, pagrindiniai dalykai, susiję su dividendų skaičiavimu ir nustatymu, terminai ir tvarka dividendų išmokėjimui ir informacijos, susijusios su dividendų paskirstymu ir išmokėjimu, atskleidimu.

Pagal Latvijos Respublikos Komercinį įstatymą, įstatus ir dividendų politiką, Īmonė gali mokėti dviejų rūšių dividendus:

- **Specialūs dividendai**, kurie: 1) **nustatomi** patvirtintus ketvirtinę finansinę ataskaitą pagal Valdybos pasiūlymą, kuris yra peržiūrimas Stebėtojų tarybos, ir kurių dydis yra **iki 50% praėjusio finansinio ketvirčio konsoliduoto pelno**; ir 2) **paskirstomi** kartą per ketvirtį po visuotinio akcininkų susirinkimo, kuriame buvo patvirtinta praėjusio ketvirčio finansinė ataskaita ir tinkamai priimtas sprendimas dėl dividendų paskirstymo.
- **Kasmetiniai dividendai**, kurie: 1) **nustatomi** patvirtintus metines finansines ataskaitas; ir 2) **paskirstomi** kartą per metus pagal mokėjimo grafiką po visuotinio susirinkimo, kuriame buvo patvirtintos metinės finansinės ataskaitos ir tinkamai priimtas sprendimas dėl dividendų paskirstymo.

Nuo Īmonės įtraukimo į viešąjį prekybos sąrašą, Īmonė įgijo reguliarios ir numatomos pajamingumo gražos, išlaikydama Īmonės finansinį stabilumą ir sutelkdama dėmesį į ilgalaikius plėtros tikslus. 2021 metais Īmonė išmokėjo 3,723 mln. eurų dividendų, o tai sudaro 0,08 euro už akciją.

Kur bus prekiaujama Akcijomis?

Akcijomis prekiaujama pagrindiniame "Nasdaq Riga" Baltijos Oficialiajame prekybos sąraše. Akcijomis nėra prekiaujama jokioje kitoje biržoje. Prekyba Akcijomis, įtrauktomis į "Nasdaq Riga" Baltijos Oficialųjį prekybos sąrašą, prasidėjo 2021 m. spalio 20 d.

Kokios yra pagrindinės rizikos, būdingos vertybiniams popieriams?

Akcijų kaina ir akcijų likvidumo rizika. "Nasdaq Riga" akcijų birža yra žymiai mažiau likvidi ir labiau nepastovi, palyginti su kitomis vertybinių popierių biržomis, turinčiomis ilgesnę istoriją. Gana maža rinkos kapitalizacija ir mažas "Nasdaq Riga" akcijų rinkos likvidumas gali neigiamai paveikti akcininkų galimybes parduoti Akcijas reikšmingomis sumomis. Investuotojai gali neturėti galimybės greitai parduoti savo akcijas už Pasiūlymo kainą arba už aukštesnę.

Pasiūlymo atšaukimas. Siūlymo teikėjas dės visas pastangas, kad Siūlymas būtų sėkmingas; tačiau Siūlymo teikėjas negali garantuoti, kad Siūlymas bus sėkmingas ir kad investuotojai gaus Siūlomas Akcijas, dėl kurių įsigyjimo kreipiamasi. Siūlymo teikėjas turi teisę atšaukti Pasiūlymą.

Akcijos vertės sumažėjimo rizika. Įmonė gali ateityje siekti padidinti kapitalą siūlydama paskolos vertybinius popierius (potencialiai įskaitant ir konvertuojamus skolos vertybinius popierius) arba papildomas akcijas. Papildomų akcijų ar vertybinių popierių, galinčių būti konvertuotais į paprastąsias akcijas, išleidimas, pvz., konvertuojamos obligacijos ar konvertuojami vekseliai, gali sumažinti Įmonės akcijų kainą dėl susilpnėjimo, jei esami akcininkai nedalyvaus tokioje emisijoje, kad išlaikytų esamą dalyvavimo Įmonės veikloje lygį.

Rizika, susijusi su galimybe mokėti dividendus. Įmonė neturi teisinio įsipareigojimo mokėti metinius ar ketvirtinius dividendus ir negali būti įpareigota dėl būsimų dividendų mokėjimo. Įmonės gebėjimas mokėti dividendus, be kitų veiksnių, priklauso nuo Įmonės veiklos rezultatų, finansavimo ir investicijų reikalavimų, taip pat nuo paskirstytojo pelno ir visuotinio akcininkų susirinkimo sprendimų.

Tinkamo analitiko aprėpties trūkumas. Įmonė negarantuoja tolesnės (ar bet kokios) analitikų tyrimų aprėpties. Laikui bėgant, trečiųjų šalių tyrimų, susijusių su Įmone, kiekis gali padidėti arba sumažėti, su maža arba be jokios koreliacijos jos faktiniams veiklos rezultatams, nes Įmonė neturi įtakos analitikams, kurie rengia tokius tyrimus. Neigiama arba nepakankama trečiųjų šalių aprėptis greičiausiai turėtų neigiamą poveikį Akcijų rinkos kainai ir prekybos apimčiai.

Mokestinio režimo rizika. Pakeitus mokestinį režimą, taikomą sandoriams su Akcijomis ar su jais susijusiems dividendams, gali padidėti Akcininkų mokestinė našta, todėl gali būti daromas neigiamas poveikis investicijų į Akcijas naudai.

Informacija apie vertybinių popierių siūlymą visuomenei

Kokiomis sąlygomis ir tvarkaraščiu galiu investuoti į šį vertybinį popierių?

Siūlymo metu yra siūloma iki 1,750,000 Siūlomų Akcijų. Siūlomos Akcijos yra pilnai apmokėtos Įmonės akcijos. Dabartinis Įmonės įstatinis kapitalas Siūlymo metu ar dėl jo nėra didinamas ar mažinamas. Numatoma bendra Siūlymo pajamų suma yra iki 2,520,000 eurų. Sąnaudų, tiesiogiai susijusių su Siūlymu, yra apytiksliai 31,682 eurų. Tikimasi, kad grynosios siūlymo pajamos bus iki 2,488,318 eurų. Įmonė negaus jokių pajamų iš Siūlymo. Siūlymo teikėjas padengia visas išlaidas, susijusias su Siūlymu.

Siūlymas teikiamas (i) viešai mažmeniniams investuotojams Latvijoje, Estijoje ir Lietuvoje ("**Mažmeninis Siūlymas**") ir (ii) neviešai kvalifikuotiems investuotojams, kaip apibrėžta Prospekto reglamento 2 straipsnio e punkte Latvijoje ir tam tikrose pasirinktose Europos Ekonominės Erdvės valstybėse narėse, taip pat kitiems pasirinktiems investuotojams, remiantis tam tikromis išimtimis, kuriomis galima naudotis pagal atitinkamų valstybių narių įstatymus ("**Institucinis siūlymas**").

Orientacinis Pasiūlymo grafikas yra:

Pasiūlymo laikotarpio pradžia	2022 m. rugsėjo 26 d., 10 val.
Pasiūlymo laikotarpio pabaiga	2022 m. spalio 5 d., 15:30 val.
Pasiūlymo ir Paskirstymo rezultatų paskelbimas	Apie 2022 m. spalio 10 d.
Pasiūlymo apmokėjimas	Apie 2022 m. spalio 12 d.

Siūlymo teikėjas kartu su Tarptautiniu vadovu nusprendė, kad Siūlomos akcijos bus paskirstytos proporcingai, atsižvelgiant į pirkimo prašymus, gautus per pasiūlymo laikotarpį, maždaug 2022 m. spalio 7 d.

Šio Prospekto dienai Įmonės akcijų skaičius yra 45,319,594. Siūlomų akcijų skaičius yra 1,750,000. Siūlymo rezultatai neturės įtakos Bendrovės akcijų skaičiui.

Kas yra parduodantis akcininkas?

Siūlymo teikėjas (parduodantis akcininkas), viešai siūlantis tam tikrą kiekį turimų akcijų, yra:

SIA EC finance yra Latvijoje įsteigta uždaroji akcinė bendrovė (*sabiedrība ar ierobežotu atbildību*), įregistruota Latvijos juridinių asmenų registre, registracijos numeris 40103950614, kurios registruotas adresas yra Skanstes iela 50A, Rīga, LV-1013. Bendrovės elektroninis paštas yra Agris.Evertovskis@gmail.com, telefono numeris: +371 28300664. Juridinio asmens identifikatorius (LEI) yra 984500DD97SA6CC9G232.

Siūlymo teikėjas viešai siūlo tokį akcijų kiekį:

Parduodančio akcininko pavadinimas	Bendro turimo įstatinio kapitalo procentinė dalis	Turimų akcijų skaičius	Viešai siūlomų akcijų skaičius
SIA EC finance	18.81%	8,525,870	1,750,000

Kodėl šis Prospektas rengiamas?

Prospektas rengiamas: 1) tam, kad Įmonė įvykdytų laisvos cirkuliacijos reikalavimus, taikomus Nasdaq Riga; 2) padidinti laisvai cirkuliuojančių Akcijų skaičių ir taip padidinti Akcijos likvidumą; 3) Siūlymo teikėjui diversifikuoti savo turtą ir investicijas.

Įmonė negaus jokių pajamų iš Siūlymo. Siūlymui netaikoma draudimo sutartis tvirto įsipareigojimo pagrindu. Esminių interesų konfliktų, susijusių su Pasiūlymu, nėra.

2. RISK FACTORS

Disclaimer: The Offeror has obtained the Company's and Group's Risk factors and hence drawn up this Section from publicly available information published by the Company. When Offeror refers to the Company, the reference is not made directly, but rather to information the Company has made publicly available to the Offeror and other shareholders of the Company.

Risk factors, understood as sources of uncertainty, are inherent in any business activity. Therefore, the Company is open to various risks which may, independently or collectively, have an adverse effect on the business of the Company or the Group and the value of the investment to the investors, or affect the realisation potential of the Shares. As a result, investors could lose a part or all of the value of their investments.

In addition to the risks listed in this Section "Risk factors", the Company and the Group could be exposed to risks, of which the Company is not currently aware or which the Company considers immaterial at the moment, but which could affect the Company, the Group or the price of the Shares. Accordingly, each prospective investor should thoroughly consider all the information in this Prospectus, including the risk factors described below.

The risks and uncertainties described in this Section are not the only risks currently faced by the Company and the Group. Additional risks and uncertainties not known to the Offeror or that the Offeror currently believes to be immaterial may also have an adverse effect on the business, results of operations, financial condition and Shares of the Company. The risk factors are presented in a limited number of categories, where each risk factor is placed in the most appropriate category based on the nature of the risk it represents. Within each category, the risk factors deemed most material for the Company are set out first, taking into account their potential negative effect for the Company, the Group and the probability of their occurrence. This does not imply that the remaining risk factors are ranked on the basis of their materiality or comprehensibility, nor based on the probability of their occurrence. To exemplify the significance of the risk factors, quantitative information characteristic of the risk has been provided for risks where relevant and possible (e.g., such information has been provided in the Audited Financial Statements of the Group or within the text of Prospectus). To the extent that no quantitative assessment can be made, the risk factors have been qualified according to the likelihood of their occurrence or the scale of potential adverse effect on the business of the Company or the Group and described as "low", "medium" or "high" where possible and relevant. The category and materiality of each risk shall be estimated as the view and opinion of the Offeror. Risk categories have been provided for ease of reference and cannot be understood separately from the description of each risk.

The Group may face a number of the risk factors described below simultaneously and some risks described below may be interdependent. While the risk factors below have been divided into categories, some risk factors could belong to more than one category and prospective investors should carefully consider all of the risk factors set out in this Section.

2.1. Risk factors relating to macroeconomic conditions

Risk of economic slowdown

The Group's performance and the growth of its business are correlated with the performance of the Latvian economy. The Latvian economy could be adversely affected by various factors, such as political changes, changes in interest rates, commodity and energy prices, social disturbances and other acts of violence, natural calamities, pandemics, and other factors. Regulatory changes introduced by the government or local governments could also adversely affect businesses and economic conditions in Latvia.

The Group conducts its business operations across all Latvian regions, thereby reducing the risk exposure to a local economic downturn or adverse effects of regulatory changes introduced by local governments. The Group currently has no intentions to expand its business operations to other countries, although it does not exclude the possibility of such expansion in the future. The Offeror understands that extending its business operations outside Latvia would spread the risk of economic downturn across several markets that are less economically interdependent than Latvian regions. However, depending on the country of operation, additional risks (executional, operational, regulatory and currency exchange) may be incurred by the Group. Insofar as the Group has no short-term plans to expand its operations outside Latvia, the aforementioned risks are not assessed further in this Prospectus.

Any substantial slowdown in the Latvian economy could adversely affect the ability of customers to afford the Group's services, which, in turn, would adversely affect the business, results of operation and financial condition of the Group.

Moreover, considering the growing inter-connectedness between the Latvian economy and the global economy, the Latvian economy is increasingly influenced by macro-economic developments and volatility in the capital markets of other countries. Global economic slowdowns and major disruptions in the leading economies in the past have contributed to deteriorations in the Latvian financial and economic performance.

The Group's performance may also be affected by financial difficulties encountered by certain Latvian financial institutions and investment platforms, as the commercial soundness of institutions within the Latvian financial system are interlinked through credit, trading, clearing, funding and other relationships. This risk, which is commonly referred to as "systemic risk", exposes the Group to a variety of risks faced by entities operating in the Latvian financial system, including the risk of bank runs, which applies irrespective of the existence of a national deposit insurance programme.

In the Offeror's assessment, the risk of economic slowdown for the Company and the Group is low.

2.2. Risk factors relating to the industry and market in which the Group operates

Risk related to competition in the business areas of consumer loans and pawn loans

Competition risk in the consumer lending segment

The Group competes with 26 licensed consumer lending companies⁷ in Latvia, which, *inter alia*, provide consumer loan services. Therefore, the consumer lending market where the Group operates, is highly competitive. The market share of the Group in Latvia, considering the total size of its consumer loan portfolio in 2021, was 12% (10% in the year 2020 and 7% in the year 2019).⁸ Interest rates charged by consumer loan providers vary significantly. The maximum permitted rates are set by the Latvian legislator (please see Section 7.5 "Regulatory environment" of this Prospectus). Because of this, the Company's strategy is to increase market share primarily through the breadth of its service offering, speed, quality and reliability in the provision of the scale of services, effective brand advertising, established reputation and continuous investment in new technology.

While the Offeror believes that the Management Board of the Company has accumulated extensive experience in managing the Group operations, which is crucial in the changing economic conditions, no assurance can be made that the Company and the Group will be able to continue to sustain its competitive edge as successfully as in the years up to the date of this Prospectus.

In many instances, consumers have the possibility of choosing between the Group and competing lenders. To attract customers, the Group is dependent on its ability to offer loan solutions that resonate with consumers, as well as on its brand being perceived as trusted and likeable. In the opposite case, the increased competition would lead to the loss of customers and market share, thereby adversely affecting the net revenue, profitability and growth prospects of the Group.

In the future, the Group may face increased competition as new national and international companies enter the market, and competitors expand their services and/or reduce their operating costs. Recently, new competitors or alliances among the competitors have emerged, and new competitors may emerge in the future. If the Group's competitors are better able to exploit the existing advantages, the Group may not be able to attract or retain customers, which could have a material adverse effect on the Group's performance, financial indicators and prospects. Moreover, if the Group is unable to offer service of a similar or higher standard compared to its competitors, the Group may lose customers and, potentially, market share to its competitors.

Competition risk in the pawn loan segment

The Company currently competes with 5 companies licensed to provide pawn loans to consumers⁹. In 2021, the market share of the Company in Latvia amounted to 46% (compared to 36% in the year

⁷ Overview of Consumer (non-bank) Credit Market Activities in 2021 by the Consumer Rights Protection Centre. Available at: <https://www.ptac.gov.lv/lv/media/3071/download>.

⁸ Based on the information provided in the Overview on Consumer (non-bank) Credit Market Activities in 2021 by the Consumer Rights Protection Centre. Available at: <https://www.ptac.gov.lv/lv/media/2226/download>.

⁹ Overview of Consumer (non-bank) Credit Market Activities in 2021 by the Consumer Rights Protection Centre. Available at: <https://www.ptac.gov.lv/lv/media/3071/download>.

2020 and 34% in the year 2019).¹⁰ Moreover, considering the fact that the Company plans to continue expanding its operations in the area of pawn loans, there may be a risk that the Company will attract additional scrutiny on the part of supervisory authorities as its market share in the pawn loan business will be considered significant. Consequently, additional compliance requirements stemming from the Latvian Competition Law could apply.

The Offeror's assessment for the risk profile related to competition in the business areas of consumer loans and pawn loans is high.

Risk related to unsuccessful development of products and services

The defining trends of consumer lending industry are rapid technological advancement, the emergence of new solutions and changing customer preferences. The Group's strategy is to remain at the forefront of the development of the industry. The process of developing new products and services and enhancing existing products and services is complex, costly and involves significant execution risks. Any failure by the Group to accurately anticipate the changing customer needs and emerging technological trends could significantly harm the Group's competitive positioning and results of operations. In order to remain competitive, the Group must anticipate and respond to these changes. In recent years, the Group has been increasingly leveraging new technologies to expand its product and service offering.

The Group may need to invest significant financial resources in order to license or acquire technology from third parties. The Group may be unable to acquire or commercialise technological advances and introduce new products in a manner and to an extent sufficient for the Group to remain competitive within the industry. The Group may, among other things, lack capacity to invest the necessary level of human and financial resources required to develop these services, make wrong judgements that affect the Group's planning in this area or experience difficulties in implementing product or service rollouts. In addition, the Group may not be able to meet its product and service development and delivery schedules as a consequence of unforeseen circumstances arising during the design, development or implementation phases of the technological processes. Delays in development may also lead to additional expenses on research and development.

Any failure to remain innovative or to introduce new or upgraded technologies that are responsive to regulatory requirements or to other changes within the financial services industry may have a material adverse effect on the Group's competitiveness and could cause the Group to lose market share, which could have a material adverse effect on the Group's performance, profitability and prospects.

In addition, whilst the Offeror believes that the Group is at the forefront of innovation with its existing and planned product and service offerings, in the future the Group's competitors may be able to innovate or adjust to new regulations faster than the Group is able to. New technologies may increase competitive pressure by enabling the Group's competitors to offer more cost-efficient services. Such developments could make the Group's value proposition less compelling to existing and potential customers, which could have a material adverse effect on the Group's performance, profitability and prospects.

In the Offeror's assessment, the level of risk of the Group's competitors being able to innovate or adjust to new technological requirements faster than the Group is medium.

2.3. Risk factors related to the Group's business

Risk related to personnel and workforce

The competence and commitment of the Group's employees are important factors for the successful development and management of opportunities and risks of the Group. Therefore, the success of the Group's business is largely dependent on its ability to attract, train, motivate and retain qualified employees. A lack of qualified and motivated personnel could impair the Group's development and growth, increase its costs and harm reputation. Any loss of qualified personnel, high employee turnover, or persistent difficulties in filling job vacancies with suitable applicants could have a material adverse effect on the ability of the Group to compete effectively in its industry and considerable expertise could be lost by the Group or access thereto gained by its competitors. In addition, to attract or retain qualified personnel, the Group offers competitive compensation packages and other benefits which could lead to higher personnel costs. Any failure to attract, train, motivate or retain skilled personnel

¹⁰ Based on the information provided in the Overview of Consumer (non-bank) Credit Market Activities in 2021 by the Consumer Rights Protection Centre. Available at: <https://www.ptac.gov.lv/lv/media/3071/download>.

at reasonable costs could result in a material adverse effect on the business, financial condition and results of operations of the Group.

Having reached the total amount of EUR 5,949,262 in the year 2021 (57.6% of the total selling and administrative expenses (compared to 61.1% in the year 2020), personnel expenses represent a significant share of the total cost base of the Group. Any material disagreements between the Group and its employees could disrupt the Group's operations, lead to a loss in revenue and customers and increase operating costs. If the Group's operation is affected over a longer period of time by labour disputes, this could have a material adverse effect on the business, financial condition and results of operations of the Group.

Although the Group has initiated a comprehensive rehaul of internal controls, policies and procedures, it may be vulnerable to risks arising from the failure of employees to adhere to the approved procedures. This may adversely affect the Group's operations. Certain risks such as fraud and embezzlement cannot be eliminated entirely given the cash-handling aspect inherent in the Group's activities.

The Offeror's assessment for the risk profile relating to personnel and workforce is high.

Lending concentration risk

The Group is subject to high sectoral and geographical concentration, since its operations are carried out entirely in Latvia. In the event of disruptions in the Latvian credit market or a deterioration in economic conditions in Latvia (or other macro-economic conditions, including higher interest rates), the high sectoral and geographic concentration could cause the Group to experience a deterioration in its earnings and/or reduced business activity.

In the Offeror's assessment, the level of risk of lending concentration is medium.

Reputational risk

Reputational risk is the risk that an event or circumstance could adversely impact the Group's reputation among customers, shareholders, employees, authorities and other parties, resulting in reduced revenue and profits. This is primarily related to customer expectations regarding the delivery of the Group's services and the ability to meet regulatory and consumer protection obligations applicable to such services. The adverse effects on the Group's reputation may originate internally or from partners, suppliers, merchants and even competitors. Reputational risk can be damaging to the Group's operations, considering the Group's brand is well-established, and if such risk materialises it can materially adversely affect the Group's business, financial condition and results of operations.

In the Offeror's assessment, the level of risk of occurrence of events adversely affecting the Group's reputation is low.

Risk posed by providing consumer loan services

From the total amount of MEUR 49,672 issued loans by the Group in 2021, MEUR 37,010 comprised loans not secured by any collateral or security of any kind (*unsecured loans*). In comparison, in 2020 of MEUR 48,125 loans issued by the Group, MEUR 29,895 were unsecured loans.

The Group uses debt service to income ratio to evaluate borrower's ability to repay a loan and an application scoring engine to assess credit risks. The Group uses reports from the State Revenue Service, credit bureaus and other credit history databases to determine borrowers' income, current liabilities, current and past debts, and other financial information. The Group realizes that the accuracy of creditworthiness assessment may be affected by the quality of reports relied on in making the assessment. For example, in some cases the information contained in the reports may be incomplete due to records not being updated in a timely manner. Therefore, the efficiency of creditworthiness analyses carried out by the Group with respect to the potential and existing customers may be limited (please see Section 8.6 "Risk management" of this Prospectus). As a result, some of the Group's customers in the consumer loans segment present a higher degree of credit loss risk compared to that of the borrowers in the Company's pawn loan segment, which is backed with collateral (*pawn loans*).

In 2021, the revenue generated by consumer loans constituted 65% of the Group's total revenue. The non-performing loan ratio at the end of 2021 was 1,88%.

Due to the underlying profile of the consumer loan segment, the Group may experience increased levels of non-performing assets, reserve provisions and write-offs, which would materially and adversely impact the business and results of operations of the Group.

In the Offeror's assessment, the degree of risk related to the provision of consumer lending services is medium.

Risk related to Force majeure

Force majeure risk is related to events/situations out of the Group's reasonable control and therefore affects the business and operations of the Group in a manner which is unpredictable.

During recent years and up until today several factors affect the world at large, of which some are and have been more relevant to Europe and Latvia specifically. These factors are potential risk drivers in the economies affected by them.

Risk related to Covid-19 pandemic

Considering the fact that large numbers of residents in Latvia are either vaccinated or have recovered from Covid-19, the vast majority of Covid-19 restrictions are currently cancelled. Therefore, it is not expected that the restrictions will become stricter in the nearest future and continue to affect the Group's business directly.

Nevertheless, it may not be excluded that the new restrictions will be imposed again in future with the currently unpredictable development and spread of the virus; hence Covid-19 remains as a potential risk factor that may affect the operations the Group.

Risk related to Geo-political tension

Increased geopolitical tension was noticeable in the Baltics towards the end of 2021 as Russia and Belarus conducted one of the largest military exercises since the 1980s and targeted the EU's neighbouring countries that criticized the 2020 presidential election in Belarus. Furthermore, geopolitical tensions between Russia and Belarus on the one side and Europe and the United States on the other side escalated during the first months of 2022. On 24 February 2022 Russia invaded Ukraine which additionally can be perceived to be an attack against Europe and its democratic values and violation of international law.

It is not possible to currently assess whether the business and operations of the Group has been affected negatively in any significant way due to the war in Ukraine.

In the Offeror's assessment, the degree of risk relating to Force majeure due to uncertainties and limited ability to mitigate the force majeure risk is medium.

Risks posed by providing pawn loan services

Risk of inaccurate appraisal of pledged assets

The accurate appraisal of pledged assets is a significant factor in the successful operation of the Company's business and such appraisal requires a skilled and reliable workforce. Despite the on-going training of employees engaged by the Company, inaccurate appraisal of pledged assets by the Company's workforce may result in one or more assets being overvalued and serving as collateral for loans that are higher in value than the asset's actual value, which could adversely affect the financial returns of the Company in the case of default by the borrower.

Moreover, the Company is subject to the risk of its asset appraisers and customers engaging in fraudulent dealings regarding their estimation of the value of pledged assets. Any such inaccuracies or fraudulent dealings in relation to the appraisal of assets may adversely affect the reputation, business and financial condition of the Company.

Risk related to origin of the goods

The Company may inadvertently accept goods with illicit origin. However, the Company has put in place several guidelines which the Company updates on a regular basis to minimise this risk. The Company's employees undergo detailed training in verifying the true ownership of goods offered as collateral for pawn-based loans. This includes checking the identity of the individual(s) and tracing title to the goods. Regardless of such procedures, an event where the legal origin of the good has been determined

incorrectly cannot be totally excluded.¹¹ Failure to identify the true owner of goods could adversely affect the reputation, business and financial condition of the Company due to subsequent actions by authorities and/or the media.

The Offeror's assessment for the risk profile relating to the provision of pawn loan services is low.

Risk related to branch operations

Risk of fraud, theft, burglary and misappropriation

The Company's business involves cash and jewellery transactions that expose the Company to the risk of fraud by employees, customers or third parties, theft, burglary or unauthorised transactions by the Company's employees. Storage of cash, pre-owned goods and jewellery entails the risk of theft and the resulting deterioration in the reputation and business of the Company.

Pledged pre-owned goods and jewellery are usually stored on the Company's premises. Insurance and the appropriate storage of collateral goods are required by regulations Regarding Consumer Credit adopted by the Cabinet of Ministers. The Company complies with the requirements provided in this regulation and has adopted an internal instruction on the issuance of pawn loans and assessment of value of pawned goods. Moreover, the Company has imposed different layers of security in the branches to ensure that the risk of fraud, burglary and misappropriation is minimised.

The Company is insured against the risk of burglary arising from its business, however, there have been instances when theft and burglary have taken place in the Company's branches. In 2021, the total value of stolen goods was EUR 6,329.53, from which EUR 2,464 were later recovered. Nine criminal proceedings were initiated in 2021 to protect the Company's rights in relation to these cases (please see Section 8.6 "Risk management" of this Prospectus).

In addition, the actual recovery of the insured amount from the insurer requires the undertaking of certain procedures, and any delay in recovery or non-compliance with the conditions of the insurer could adversely affect the reputation and performance of the Company. If a theft or burglary takes place in one of the Company's pawnshops, then the damage may be so extensive that the Company is required to close the relevant branch for some time, thus disturbing the continuity of business operations and incurring losses.

Risk related to lease agreements

The Company operates most of its branches on leased premises. The Company leases 6,571 square metres of branch premises in Latvia – 3,480 square meters in Riga and 3090 square meters across the regions. As of the date of this Prospectus the Company has entered into around 88 lease agreements with various third parties, which may be renewed from time to time. Any delay or failure to renew the lease agreements on terms and conditions favourable to the Company may force the Company to move some of its branches to new premises. The Company may incur expenses in relation to such relocation, which may affect the results of operations of the Company. All lease agreements are not due to expire at the same time.

The risk not only involves the possibility of non-renewal of the lease agreements, but also the unfavourable rent fluctuations and the need for the refurbishment of premises. As of the date of this Prospectus, the Company has leased its branch premises on fair market terms.

The Offeror's assessment for the risk profile relating to branch operations is low.

Risks related to the Group's technical operations

The Group has invested significant resources in the amount of EUR 183 thousand in 2021 into information systems, software, computers, electronics devices, other equipment and maintenance. Constant connectivity of the branches of the Company across Latvia with the head office is the key to the proper functioning of the Group's business. At the same time, malfunction of security systems, computer system disruptions, communication systems failure and data interception during transmission through the external communication channels and networks may have a negative effect on the Group's operations. Please also refer to Section 8.8 "Investments" for more details.

In the Offeror's assessment, the degree of risk relating to the occurrence of disruptions to the Group's technical operations is low.

¹¹ Available at: <https://jauns.lv/raksts/zinas/30555-eksperiments-ar-zaqtu-telefonu-uz-lombardu>.

2.4. Risk factors relating to IT and intellectual property

Cybersecurity and IT-related risks

The business operation of the Company and the Group is driven, to a significant extent, by IT platforms and software solutions. The dependence on IT infrastructure carries risks inherent to all IT systems, such as software or hardware failures or malfunctions, physical damage occurring to vital IT infrastructure, computer virus infections, data security breaches, malicious hacking or other cybersecurity attacks, as well as other cybersecurity threats. The Group may potentially become subject to cyber-attacks as an ever-increasing number of hackers and those demanding ransoms target the financial sector, including non-bank lenders, to exploit their internal systems and processes for personal gain. There is a high probability of attempts to hack the Group's systems. Any type of service disruption may harm the Group's software and platforms and may result in a loss of data and require the Group to incur significant expenditure for repair.

Although the Group has implemented cybersecurity measures designed to mitigate these risks, such measures may not be successful in detecting or preventing all attempts to compromise its systems, including denial-of-service attacks, viruses, malicious software, phishing attacks, social engineering, security breaches or other attacks, and similar disruptions that may jeopardize the security of information stored in, and transmitted by, the Group's IT systems. However, up until the date of this Prospectus the Group has not experienced any material cybersecurity threats or attacks on its systems and, to a certain extent, mitigates such risks by using security systems and protective measures of high quality.

Whilst the Group has business continuity procedures in place, there can be no assurance that these will be sufficient in preventing all disruptions to the availability of the Group's IT platforms or other services. The Group carries out part of disaster recovery itself, while relying on services provided by third parties to cover other aspects. To the extent that the Group outsources its business continuity or disaster recovery operations, it is at risk of the vendor's unresponsiveness in the event of breakdowns in the Group's systems, which could cause delays in recovering service.

In the Offeror's assessment, the degree of risk related to the occurrence of cybersecurity breaches or breakdown of IT systems of the Company is high.

Risks related to third-party cloud systems

The Group stores some of the data on cloud platforms operated by third-party service providers, and relies on third-party technical solution providers in connection with the implementation of its software solutions and platforms. Although the IT system of the Group, along with the cloud-based elements of its IT infrastructure, have been developed to support business scalability, no assurance can be made that the existing IT system will be able to support a significant expansion in business, in particular, as the customer base of the Group continues to grow. Moreover, no assurance can be made that the data stored by the Group on third-party cloud platforms, or cloud platforms used that support software solutions and the operating platform of the Group, will be subject to secure processing, and that an adequate level of maintenance and transmission procedures will be applied. Any disruption in these processes as well as any cybersecurity breach could adversely affect the Group's operations and financial position. If a cybersecurity breach occurs in the cloud systems, the Group could potentially lose all its data and software stored on the cloud, including sensitive information about the Group, its services, and customers. Any breach of security in the cloud system could lead, inter alia, to significant claims from customers and negatively affect the Group's reputation as a trusted service provider with secure and reliable software solutions and platforms.

In the Offeror's assessment, the degree of risk relating to failure on the part of third-party cloud systems is medium.

Risks related to third-party service providers

The Company has entered into agreements and arrangements with independent third-party contractors aimed at the provision of services to the Company that include telecommunications, IT infrastructure, and software services. The Company cannot guarantee that no disruptions will occur in the provision of such services or that third-party providers will adhere to their contractual obligations. In the event of any dispute, no assurance can be made by the Company that the terms of such agreements or arrangements will not be breached, and this may result in litigation or other costs. However, the Company has mitigated risks by enhancing its internal IT department, which is capable of carrying out the majority of the IT-related tasks internally.

In the Offeror's assessment, the degree of risk related to disruption in operations of the Company that is attributable to third-party service providers is low.

Risks related to the Group's trademarks and other proprietary rights

The Company maintains a portfolio of protected trademarks that the Company considers to be of significant importance to its business. If the actions taken by the Company to establish and protect its trademarks and other proprietary rights are not adequate to prevent the limitation of its services by others or to prevent others from seeking to block the offering of the Group's services by invoking a violation of their trademarks and proprietary rights, the Company may find it necessary to initiate or enter into litigation in the future to enforce the Company's trademark rights or to defend itself against the claimed infringement of the rights of others. The Company cannot ensure that third parties will not infringe on or misappropriate the use of any of the Company's intellectual property rights. In addition, the Company may fail to discover an infringement of its intellectual property, and/or the specific steps taken by the Company may not be sufficient to protect its intellectual property or prevent others from seeking to invalidate its intellectual property (please see Section 8.6 "Risk management" of this Prospectus).

The Offeror's assessment for the risk profile related to the Group's trademarks and other proprietary rights is low.

Brand-related risks

The Company's business depends, to a significant extent, on a strong brand name. Customer complaints or negative publicity concerning the service level, working conditions of employees, preservation of customer data and security practices, or customer support, including on internet-based platforms such as blogs, online ratings, review services and social media websites, could have a material adverse effect on the business, financial condition and results of operations of the Company.

In order to promote brand awareness and make sure that the Company's brand is associated with quality, the Company participates in the development of sustainable and community-friendly practices, cooperates with partner organisations, supports live seminars and publications in regional and national media aimed at raising financial literacy. The Company donates to public benefit organisations and public benefit projects.

The Offeror's assessment for the risk profile related to the Group's brands is low.

Risks related to infringing third-party intellectual property rights

The Group maintains business relationships with a number of technical solution providers for the development of its software solutions and platforms and from time to time might be reliant on technology, know-how, patents and other intellectual property rights that are held by third parties or restricted by third parties holding such intellectual property rights. Consequently, the Group's services could infringe third-party intellectual property rights. However, such risk is minimal as prior to the usage of third-party intellectual property, the Group always seeks to obtain a licence from such parties.

In order to provide Group-wide services, the Group's IT specialists develop software solutions and platforms which are subject to intellectual property protection. For these reasons, it is a priority for the Group to implement strategies for the protection of intellectual property rights in order to avoid infringements by third parties.

In the Offeror's assessment, the degree of risk related to the occurrence of infringements of third-party intellectual property rights is low.

2.5. Risk factors relating to laws, regulations and compliance

Risks related to statutory licencing requirements

The Group is subject to licensing requirements, strict regulation and close supervision by the Latvian Consumer Rights Protection Centre (the "CRPC"). As part of the existing licensing framework, the Company and the Group is required to comply with certain statutory and regulatory requirements. The Group's licences have an indefinite duration, but are subject to revocation or suspension by the CRPC. The CRPC must intervene if the Company and/or the Group violate their obligations under the applicable laws. The CRPC can suspend the licence for up to 6 months if the Company and/or the Group does not comply with regulatory enactments and fails to cooperate to solve the identified discrepancies. In the case of material violations, the CRPC can, as an ultimate measure, revoke the Company's and/or the Group's licence. In such case, the Company and/or the Group would not be allowed to issue any more

loans for a period of 3 years, however, following the expiration of 3 years, the Company and/or the Group would be able to re-apply for the licence. Nevertheless, even if the licence were revoked, the Company and/or the Group would be able to continue servicing the existing loans, but it would not be allowed to change the terms of existing agreements to be more unfavourable from the perspective of the consumers.

Taking the nature, gravity, duration and potential effects of the violation into consideration, the CRPC can, instead of revoking the Company's and/or the Group's licence, suspend the Company's and/or the Group's licence for a period of up to 6 months. A suspension may be combined with the imposition of monetary fines. The CRPC can impose monetary fines without suspending the licence. In 2021 the Group did not pay any fines to the CRPC, however in 2020, fines paid by the Group to the CRPC amounted to EUR 25,066 and EUR 4,405 in 2019. The imposition by the CRPC of material fines, penalties or warnings upon the Company and/or the Group would cause significant and potentially irreparable harm to the Group's reputation and, as a result, the Group's business, financial position and results of operations could suffer. The Group's operations are contingent upon the operating licences granted by the CRPC. If the licences are revoked or suspended, the Group will have to cease its consumer credit operations which, in turn, will produce a material adverse effect on the Group's business, financial condition and results of operations.

In the Offeror's assessment, the degree of risk related to the Group's failure to comply with the statutory licencing requirements is high.

Risks of regulatory requirements and regulatory changes

The Group's operations are subject to national and EU legislation and regulations, as well as codes of conduct of CRPC, general recommendations, policies and guidelines.

The Company and the Group are also subject to EU regulations that are directly applicable and EU directives that are transposed into national law through legislation of the Member States, including Latvia. Failure to comply with applicable regulations and laws can expose the Group to the risk of monetary fines and other penalties, which may have a material adverse effect on the Company's reputation, business, financial condition and results of operations. Ultimately, the Group's licences can be revoked and the Group can be required to discontinue its business operations. Numerous initiatives for regulatory changes have been taken in the past and the impact of such initiatives is, to some extent, difficult to predict with certainty.

The respective interpretations currently affecting the Group can change and the Group may be unable to predict what regulatory changes can be imposed in the future as a result of regulatory initiatives of the EU or at a national level, or a change in interpretation guidelines adopted by the CRPC. Such changes can have a material adverse effect on the Company's services, activities and profitability, giving rise to the increased costs of compliance. The Company incurs significant costs and expenditures toward ensuring compliance with the increasingly complex regulatory framework under which it operates.

The laws and regulations governing the consumer lending services industry in Latvia have become increasingly complex and cover a broad range of matters such as the permitted level of interest rates, liquidity requirements, money laundering and privacy. Moreover, these laws and regulations can be amended, supplemented or changed at any time such that the Group may be required to restructure its activities and incur additional expenses to comply with such laws and regulations, which could materially and adversely affect the business and financial performance of the Group.

The failure by the Group to effectively manage these legal and regulatory risks can have a material adverse effect on the Group's business, financial condition and the results of its operations. Please find more information relevant to regulatory requirements in the Section 7.5 and 7.9 "Regulatory environment" of this Prospectus.

In the Offeror's assessment, the degree of risk related to the Group's failure to properly comply with the entire set of regulatory requirements and regulatory changes is medium.

Risks related to supervision, guidelines and interpretations of law and regulations issued by the Consumer Rights Protection Centre

Operations of the Company and the Group are subject to the codes of conduct adopted by the CRPC, general recommendations, policies and guidelines and interpretations of law and Cabinet of Ministers regulations. The Group is subject to supervision by the CRPC with regard to, among other things, rules

on internal governance and control, compliance with legal enactments, including compliance with non-binding interpretation guidelines issued by the CRPC. In addition, as for any provider of consumer loans, the offerings of the Group's services are subject to targeted reviews by the CRPC.

The Group has established a satisfactory working relationship with the CRPC and communicates with the CRPC on a regular basis. Regardless, whenever the interpretation of a law or regulations by the Group differs from the interpretation by the CRPC, the Group may become subject to the imposition of penalties and its business could be adversely affected.

The Group cannot guarantee that the interpretation or changes to the interpretation of any existing or future laws will not adversely affect the Group and its financial performance.

In the Offeror's assessment, the degree of risk related to the misinterpretation by the Group of any law or regulation issued by the Consumer Rights Protection Centre is medium.

Risks related to EU General Data Protection Regulation

Both the Company and the Group rely on new and advanced methods of analysing personal data to provide a range of benefits to customers. The aspiration for innovation is continuously weighed against the need to ensure that the data processing practices of the Group are compliant with applicable data protection legislation (including the General Data Protection Regulation 2016/679/EU (the "GDPR")) and are aligned to the affected individuals' expectations in relation to the Group.

As a significant participant in the Latvian consumer lending market, the Group's data processing practices are likely to attract attention on the part of supervisory authorities. Also, data breaches can occur due to non-technological issues, including breaches by persons with whom the Group has commercial relationships, resulting in the unauthorised release of personal or confidential information. Non-compliance with the applicable data protection legislation exposes the Group to the risk of substantial fines and other courses of action which would have a material adverse effect on the Group's ability to conduct its business, such as a temporary or permanent ban on data processing. Any administrative and monetary sanctions (including administrative fines of up to EUR 20 million or 4% of the Company's or the Group's total annual turnover) or reputational damage due to the incorrect implementation or breach of the GDPR would adversely impact the business, financial condition and the results of operation of the Company. Actual, as well as perceived non-compliance, is also capable of having a substantial adverse effect on the amount of trust consumers and the general public extend to the Group. To mitigate the risks connected to the GDPR, the Group has set up an internal data protection system (please see Section 8.6 "Risk management").

In the Offeror's assessment, the degree of risk related to the Group's failure to fully comply with the requirements of the EU General Data Protection Regulation is low.

Risks related to compliance with AML/CFT/CPF and sanctions regulations

Since the Group carries out its business operations in Latvia, the Group is subject to the requirements of the Latvian Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing and the Latvian Law on International Sanctions and National Sanctions and is required to comply with the international law and legal acts of Latvia which regulate the prevention of legalization of proceeds derived from criminal activity and financing of terrorism.

The Group takes all the measures necessary to reduce the probability of conducting business with customers involved in or allegedly involved in money laundering and terrorism and proliferation financing by adhering to all the legal requirements and implementing the "Know Your Customer" principles in its business operations. The internal control system of the Group is based on the "Know Your Customer" principles. Policies and procedures are in place covering AML and Sanctions as well as control measures are developed and implemented on the basis of international legal acts and legal acts of Latvia that regulate AML and Sanctions. The international standards and the best practice guidelines as well as Policy and Guidelines of the Finance Latvia Association in the area of AML and Sanctions are also followed. The Group has a scoring system that assigns an AML risk score to every client of the Group.

The Group ensures compliance with Sanctions list requirements defined by EU regulations, OFAC and UN Regulations. The Group has a centralised AML and Sanctions compliance function with respect to AML and Sanctions compliance through an automated system.

Cash transactions entail a high risk of money laundering. The Group allows the execution of cash transactions amounting to no more than EUR 6,900 over the course of a month. Several measures

mitigating the risk of money laundering are in place: 1) consumer loans exceeding EUR 1,000 and pawn loans exceeding EUR 3,000 can only be disbursed by means of bank transfer to the bank account of the borrower, cash transactions are evaluated as a part of transaction monitoring; 2) whenever the value of a cash transaction exceeds EUR 3,000, the Group employees are required to advise the customer to execute the transaction by means of bank transfer; 3) whenever the value of the cash transaction exceeds EUR 5,000, Group employees are required to obtain approval of the AML department and fill in the relevant AML form; 4) Group employees are required to check and verify the origin of the funds before executing each consumer loan transaction, while in the cases of pawn loans the origin of the funds and the collateral is verified, if deemed necessary based on the client's risk level and the value of the collateral.

The Group is also exposed to the risk of international sanctions. Although the Group conducts regular assessments of its customers, it does not implement automatic client due diligence procedures designed to check sanction compliance by all of its customers on a daily basis, which may cause a situation where a sanctioned entity or person is on-boarded as a customer of the Group. Hence, a risk exists that the measures adopted by the Group may be insufficient to prevent the occurrence of money laundering or terrorism and proliferation financing, as a result of which the Group may incur a loss, be subjected to legal sanctions or its reputation may be damaged. This may have an adverse effect on the financial position and reputation of the Group.

In the Offeror's assessment, the degree of risk related to the Group's failure to comply with the applicable AML/CFT/CPF and Sanctions regulations is low.

Information disclosure risk

Company's shares are listed on Baltic Main List of Nasdaq Riga and a part of the Company's debt securities (bonds) are listed on the Nasdaq First North Bond List (please see Section 8.14 "Material Agreements" of this Prospectus). Nasdaq Riga and Nasdaq First North as well as Market Abuse Regulation which applies to companies which shares are listed and trading on regulated market applies a range of information disclosure requirements that the Company must comply with on an ongoing basis. These requirements stipulate when the information should be publicly disclosed and how. In circumstances where the Company fails to comply with information disclosure requirements stipulated in statutory acts and Nasdaq's Guidelines, the Latvian Financial and Capital Market Commission or Nasdaq Riga may impose penalties for a violation of the applicable disclosure requirements. In exceptional instances, the Company may be required to de-list its securities. This exposes the Company to reputational risks, and the resulting costs may negatively impact the Company's financial standing.

In the Offeror's assessment, the degree of risk pertinent to a failure to adequately disclose the required information is low.

2.6. Risk factors relating to financial matters

Risk related to borrower credit risk

The Group is exposed to the potential risk that a borrower will fail to meet its financial obligations in accordance with the agreed contractual terms as the obligations fall due. This risk mainly arises from defaulting loans and is one of the most significant risks faced by the Group as its loan portfolio keeps growing. Any failure by a borrower to meet its obligations in accordance with the agreed contractual terms may have an adverse impact on the Group's earnings and the value of assets on its balance sheet.

The Group has set detailed prudential guidelines and policies regarding the issuance of consumer loans and pawn loans. Despite the detailed guidelines and policies, the Group may still fail to adequately identify the relevant factors or accurately estimate the impact and/or magnitude of identified factors with respect to a borrower's credit quality, which could adversely affect its business, financial condition, results of operations and prospects.

Further, there is a risk that, despite the Group's belief that it conducts an accurate assessment of borrower credit quality, borrowers might be unable to meet their commitments as they fall due as a result of specific circumstances, macroeconomic disruptions or other external factors. In addition, the Group is exposed to risks associated with deterioration in the credit quality of its customers which can be driven by, for example, socio-economic or customer-specific factors linked to economic performance.

A deterioration in borrower credit quality and the consequent increase in impairments would have an adverse impact on the business, financial condition, results of operations and prospects of the Group.

As of 31 December 2021, the total net loan portfolio including accrued interest of the Group amounted to EUR 42,961,475. The Group reported EUR 2,236,898 of credit losses for the year 2021. The degree to which credit risk may affect the Company can potentially increase. The increase in credit risk profile of the loan portfolio, in turn, may adversely affect the credit quality of the Company's assets.

In the Offeror's assessment, the degree of risk related to the proper assessment of borrower credit risk is high.

Funding and liquidity risk

The Company is exposed to funding risk, meaning the risk of the Company not being able to fund an increase in its loan portfolio or not being able to meet its obligations when they fall due, without incurring increased costs. The risk arises when there is a negative difference in the duration of liabilities and assets, or if there is insufficient funding to finance the expansion of the Company's business.

Moreover, companies belonging to the Group have entered into several financing agreements and issued bonds (see Section 8.14 "Material Agreements" of this Prospectus) and have substantial indebtedness under the respective agreements and terms of notes of issued bonds. As of the date of this Prospectus, the Group complies with all the conditions of these financing agreements and terms of notes and there has been no material breach of these conditions in the past. Nevertheless, these agreements and terms of notes include certain restrictive covenants and early repayment clauses. Furthermore, as the Group is dependent on external creditors for receiving financing for its operations and future investments, there is a risk that the Group may be unable to raise additional funds if and when necessary.

Funding risks can be exacerbated by company-specific factors, such as over-reliance on a particular source of funding or changes in the Company's creditworthiness, or by market-wide phenomena, such as market dislocation. In addition, the Company is exposed to market risks related to the fluctuations of interest rates between loans granted and funding received, as well as the demand for the Company's services.

The Company's ability to access funding sources on satisfactory economic terms is subject to a variety of factors, including a number of factors over which the Company has no control. Any inability on the part of the Company to secure requisite financing or continue with existing financing arrangements could have an adverse effect on the business, results of operations and financial condition of the Company.

In the Offeror's assessment, the degree of risk related to funding and liquidity is medium.

Risks related to the debt collection process

The Group is exposed to risks related to the debt collection process in situations where it is not possible to collect a non-performing loan. The risk arises from the Group's lending activities and the inability to recover the amount issued together with fees and interest.

An issued loan becomes a non-performing loan when the Company judges it improbable to receive scheduled payments from the customer (based on objective evidence, it may be presumed that the customer will be unable to settle all of the financial obligations and the situation cannot be resolved in a manner that is satisfactory for both the Company and the customer). In such situations, the Group can choose to pursue the collection of the non-performing debt by (1) collecting the debt internally; (2) granting the debt for external collection; or (3) selling the debt to specialised third party debt purchasing companies.

The Group cannot guarantee that the debt collection process will be successful and the extent to which it will be possible to recover the debt. Moreover, the Group is exposed to debt sales (loan assignment) risk when the demand for non-performing debt portfolios decreases and/or non-performing debt prices fall. Consequently, the overall profitability of the Group may deteriorate in the short term until the Group boosts its internal debt collection capabilities.

Nevertheless, the Group is constantly prepared to make a loss on its issued debt by estimating the expected future loss on the loan and booking a corresponding provision.

In the Offeror's assessment, the degree of risk related to the debt collection process is low.

Risks associated with related party transactions

The Company has entered into transactions with related parties. Transactions such as these typically carry a risk of adverse tax consequences. Any future transactions by the Company with related parties can involve conflicts of interest. Moreover, transactions with related parties can be subject to the imposition of additional taxes and other adverse effects may apply (please see Section 8.15 "Related party transactions" of this Prospectus).

In the Offeror's assessment, the degree of risk associated with related party transactions is low.

2.7. Risks relating to the Shares and the Offering

Share price and share liquidity risk

The Nasdaq Riga stock market is considerably less liquid and considerably more volatile compared to other established securities markets with a longer history. The fairly small market capitalisation and low liquidity of the Nasdaq Riga stock market may adversely affect shareholders' ability to sell the Shares in substantive amounts. It may also result in increased volatility of the price of the Shares, while an individual transaction may result in a significant movement of the price of the Shares. Low general levels of transactional activity may cause material differences in the total consideration of overall sale and purchase transactions in the Shares. The decision to de-list by one or more companies admitted to trading on Nasdaq Riga or the Admission to trading of one or more new companies could have a significant impact on the market capitalisation and liquidity of Nasdaq Riga as a whole.

The Offeror's assessment for the risk profile relating to the share price and share liquidity is medium.

Cancellation of Offering

Best efforts will be made by the Offeror to ensure that the Offering is successful; however, there can be no assurances by the Offeror that the Offering will be successful and that the investors will receive the Offer Shares they apply for to purchase. The Offeror is entitled to cancel the Offering (please see Section 4.13 "Postponement or cancellation of Offering" of this Prospectus).

Risk of share value dilution

The Company may subsequently seek to raise capital through offerings of debt securities (potentially including convertible debt securities) or additional shares. The issuance of additional shares or securities containing a right to convert to common shares, such as convertible bonds or convertible notes, may potentially reduce the Company's share price through dilution should existing shareholders not participate in such issues to retain existing level of participation in the Company.

Furthermore, the dilution of an individual shareholder's participation in the Company may occur if that shareholder cannot or decides not to subscribe for any subsequently newly-issued shares or convertible securities pro rata to their existing shareholding. As a result, the proportion of the shareholding of any individual shareholder in the Company may decrease in the future.

Risks related to the ability to pay dividends

In the past, the Company has regularly paid dividends to its shareholders. The Company is under no regulatory obligation to pay annual or quarterly dividends and no representation can be made with respect to future dividends. The ability of the Company to pay dividends depends upon, among other factors, the results of the Company's operations, financing and investment requirements, as well as the availability of distributable profit.

Therefore, the Management Board's recommendations for the distribution of profit will be based on financial performance, working capital requirements, possible restrictive covenants of financing or other agreements, reinvestment needs and strategic considerations which may not necessarily coincide with the short-term interests of all shareholders.

The payment of dividends and the amount of dividends will, however, be subject to the ultimate discretion of the majority of the Company's shareholders. With respect to dividends, the shareholders are not bound by the recommendations of the Management Board.

According to the Offeror's assessment the category of this risk is low.

Lack of adequate analyst coverage

There is no guarantee of continued (or any) analyst research coverage for the Company. Over time, the amount of third-party research available in respect of the Company may increase or decrease with little or no correlation with the actual results of its operations, as the Company has no influence on the analysts who prepare such research. Negative or insufficient third-party coverage would be likely to have an adverse effect on the market price and the trading volume of Shares.

The Offeror's assessment for the risk profile regarding the lack of adequate analyst coverage is low.

Tax regime risks

Changes in the tax regime applicable to transactions with the Shares or to the associated dividends may result in an increased tax of the Shareholders and may therefore have an adverse effect on the rate of return from investment into the Shares.

The Offeror's assessment for the risk profile relating to the tax regime is low.

3. INTRODUCTORY INFORMATION

3.1. Applicable Law

This Prospectus has been drawn up in accordance with Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the Prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**") and Regulation (EU) 2019/980 of 14 March 2019 supplementing the Prospectus Regulation as regards the format, content, scrutiny and approval of the Prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 (the "**Delegated Regulation**"), in particular with Schedule 1 and 11 thereof. Latvian law shall apply to this Prospectus and any disputes arising from this Prospectus shall be settled in Latvian courts, except for when, according to the applicable law, the jurisdiction cannot be agreed on.

Please review the following important introductory information before reading this Prospectus.

3.2. Responsible Persons and Limitation of Liability

The Offeror has drawn up the Prospectus primarily using publicly available information regarding the Company and information published online by the Company and the Group on its websites and Nasdaq's information portal or which has been otherwise disseminated by the Company to the Company's shareholders, including the Offeror. The Management Board of the Company in accordance with regulatory requirements is responsible for the correctness and accuracy of the aforementioned information which is also included in the Prospectus. Therefore, the Offeror takes responsibility for accurate presentation of information in this Prospectus, which is made publicly available by the Company, however the Offeror assumes no responsibility regarding the contents of such information.

Certain information contained in this Prospectus have been obtained from third parties, including from the Company's Management Board. Such information is accurately reproduced and, as far as the Offeror is aware and is able to ascertain from the information published and provided by the third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, where the information is obtained from the Company's Management Board or other sources it is identified.

Without prejudice to the above, the persons responsible for the information provided in this Prospectus are not liable solely on the basis of the Summary of this Prospectus, unless the information given in the Summary is misleading or inaccurate together with this Prospectus or does not provide the material information needed for a decision on the investment in Offer Shares together with other parts of the Prospectus.

In the context of the above mentioned the Offeror is responsible for the Prospectus and to the best its knowledge the information contained in the Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

signed with a safe electronic signature

SIA EC finance
Member of the Management Board
Agris Evertovskis

3.3. Presentation of Information

Approximation of numbers

Numerical and quantitative values in this Prospectus (e.g., monetary values, percentage values, etc.) are presented with such precision that the Offeror deems necessary in order to provide adequate and sufficient information on the relevant matter while avoiding an excessive level of detail. 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. Exact numbers can be examined and derived from the Financial Statements to the extent that the relevant information is reflected therein.

Currencies

In this Prospectus, financial information is presented in euro (EUR), the official currency of the EU Member States participating in the Economic and Monetary Union, including Latvia.

Date of financial information

The financial information presented in this Prospectus has been derived or taken from the audited consolidated financial statements of the Group pertaining to the three financial years which ended on 31 December 2021, 31 December 2020, 31 December 2019 (the "**Audited Financial Statements**") prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial information in this Prospectus for the 6-month period which ended on 30 June 2022 has been derived or taken from the unreviewed consolidated interim financial statements for the 6-month period which ended on 30 June 2022 (the "**Interim Financial Report**") prepared in accordance with the International Accounting Standards (IAS) 34 (Interim Financial Report together with Audited Financial Statements also referred to as the "**Financial Statements**"). The Financial Statements have been reviewed and prepared by "BDO ASSURANCE" SIA and have been enclosed to this Prospectus as Schedule 1 and Schedule 2.

Financial information in this Prospectus for the 6-month period ended 30 June 2021 has been prepared in accordance with IAS 34 which has been reviewed by external auditors as enclosed to this Prospectus as Schedule 3.

Unless expressly stated otherwise, this Prospectus provides information as of the date of registration of the Prospectus. If information has been provided as of any other date than the date of this Prospectus, it will be indicated with a reference to the specific date.

Market information

Certain information regarding the markets in which the Group operates is based on the best assessment made by the Offeror. Reliable information pertaining to the markets in which the Group operates is not always available or conclusive. While all reasonable measures have been taken to provide the best possible assessment of information about the relevant area of activity, such information may not be relied upon as final and conclusive. Prospective investors are encouraged to conduct their own analysis of the relevant areas of activity or employ a professional consultant.

Updates

The Offeror will only update the information contained in this Prospectus to such extent, with the regularity, and by such means as required by the applicable law or considered necessary and appropriate by the Offeror. The Offeror is under no obligation to modify or update the forward-looking statements included in this Prospectus (please see the Section 3.5 "Forward-Looking Statements" below).

Definitions of terms

In this Prospectus, terms with capitalised first letters have the meaning given to them in Section 16 "Glossary", unless the context evidently requires the contrary, whereas the singular shall include plural and vice versa. Other terms may be defined elsewhere in the Prospectus.

References to the Groups's Websites

This Prospectus contains references to the Group's websites (<https://www.delfingroup.lv/>; <https://vizia.lv/>; <https://banknote.lv/>). The Offeror does not incorporate the information available on the websites in the Prospectus, i.e., the information on the website is not part of this Prospectus and has not been verified or confirmed by the Latvian Financial and Capital Market Commission. This does not apply to the hyperlinks indicating information incorporated by way of reference.

3.4. Accounting Principles

The Audited Financial Statements have been prepared in accordance with the International Financial Reporting Standards (the "**IFRS**") as adopted by the European Union. The Interim Financial Report has been prepared in accordance with the International Accounting Standards (the "**IAS**").

3.5. Forward-Looking Statements

This Prospectus includes statements that are, or may be deemed to be “forward-looking statements”. These forward-looking statements are based on opinions and best judgments by the Offeror relative to the information currently available to the Offeror. All forward-looking statements in this Prospectus are subject to risks, uncertainties, and assumptions regarding the future operations of the Company, the local and international macroeconomic environment and other factors.

These forward-looking statements can be identified in the Prospectus by the use of words including, but not limited to, “strategy”, “anticipate”, “expect”, “anticipate”, “believe”, “estimate”, “will”, “continue”, “project”, “intend”, “targets”, “goals”, “plans”, “should”, “would” and other words and expressions of similar meaning, or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements can also be identified in the way they do not directly relate to historical and current facts. They appear in a number of places throughout this Prospectus and include, but are not limited to, statements regarding the Group’s, the Company’s or the Offeror’s intentions, beliefs or current expectations concerning, among other things, the Group’s results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which the Group operates.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the financial position and results of operations of the Group, and the development of the markets and the industries in which members of the Group operate, may differ materially from those described in, or suggested by, the forward-looking statements contained in this Prospectus. In addition, even if the Group’s results of operations and financial position, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements (please see Section 2 “Risk Factors” of this Prospectus).

The Offeror is under no obligation to, and expressly disclaims any obligation to, update or alter the forward-looking statements in this Prospectus based on changes, new information, subsequent events or for any other reason.

The validity and accuracy of forward-looking statements is influenced by the general operating environment and the fact that the Group is affected by changes in domestic and foreign laws and regulations (including those of the European Union), taxes, developments in competition, economic, strategic, political, and social conditions, as well as other factors. The actual Group’s results may differ from the Company’s expectations due to changes caused by various risks and uncertainties, which could adversely impact the Group’s operations, business, or financial results. As a result of these risks, uncertainties and assumptions, a prospective investor should not place undue reliance on these forward-looking statements.

3.6. Use of this Prospectus

This Prospectus may be used for the purposes of an offer to the public of securities.

3.7. Approval of this Prospectus

This Prospectus has been approved by the decision of the Latvian Financial and Capital Market Commission as competent authority under Prospectus Regulation, dated 20 September 2022. The Latvian Financial and Capital Market Commission merely confirms that this Prospectus is in accordance with the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. This approval should not be considered as an endorsement of the Company or the Offeror or the quality of the Offer Shares. Prospective investors should assess the suitability of investing in the Offer Shares by themselves.

3.8. References incorporated into this Prospectus

The following information has been incorporated into this Prospectus by references from the following statutory Financial Statements of the Group:

- 1) the Group's audited consolidated annual report for the financial year ended 31 December 2021 (Please see Section 17 "Schedule 1" of this Prospectus);
- 2) the Group's audited consolidated annual report for the financial year ended on 31 December 2020 (Please see Section 17 "Schedule 1" of this Prospectus);
- 3) the Group's audited consolidated annual report for the financial year ended on 31 December 2019 (Please see Section 17 "Schedule 1" of this Prospectus);
- 4) the Group's unreviewed consolidated interim financial statements for the 6-month period which ended on 30 June 2022 (Please see Section 0 "Schedule 2" of this Prospectus);
- 5) the Group's reviewed consolidated interim financial statements for the 6-month period which ended on 30 June 2021 (Please see Section 19 "Schedule 3" of this Prospectus);
- 6) the Company's Articles of Association.

The Financial Statements have been audited or reviewed by an independent auditor "BDO ASSURANCE" SIA (please see Section 11.9 "The external auditor" of this Prospectus). The Financial Statements incorporate by reference the information requested under sections 18.1.1, 18.1.3, 18.1.6, 18.2.1 and 18.3.1 of Schedule 1 to the Delegated Regulation.

It is possible to get acquainted and download the aforementioned documents from the website of the Company at <https://www.delfingroup.lv/reports> and <https://www.delfingroup.lv/governance>. Any interested party may also request the delivery of electronic copies of the aforementioned documents from the Offeror.

3.9. Documents on Display

This Prospectus will be available in electronic form on the website of the Latvian Financial and Capital Market Commission (www.fktk.lv) and Nasdaq Riga website (www.nasdaqbaltic.com).

Any interested party may download the Prospectus from the Latvian Financial and Capital Market Commission's and Nasdaq Riga website free of charge or request the delivery of electronic copy of the Prospectus from the Offeror.

4. TERMS AND CONDITIONS OF THE OFFERING

4.1. The Offering

In the course of the Offering, 1,750,000 Shares (the “**Offer Shares**”) are being offered by the Offeror.

The Offer Shares are offered (i) publicly to retail investors in Latvia, Estonia, and Lithuania (the “**Retail Offering**”) and (ii) non-publicly to qualified investors within the meaning of Article 2(e) of the Prospectus Regulation in Latvia and in certain selected member states of the European Economic Area and to other selected investors in reliance on certain exemptions available under the laws of respective member states (the “**Institutional Offering**”).

The Retail Offering will take place in Latvia, Estonia and Lithuania after the Latvian Financial and Capital Market Commission has approved this Prospectus and notified the Estonian Financial Supervision and Resolution Authority and the Bank of Lithuania of the approval of this Prospectus in accordance with the Prospectus Regulation and the Prospectus together with its Summary translated into Estonian and Lithuanian has been published in Estonia and Lithuania.

All the Shares and the Offer Shares are dematerialised bearer shares with the nominal value of EUR 0.10 each. The Shares are registered with Nasdaq CSD under the ISIN LV0000101806 and are kept in book-entry form. No share certificates have or may be issued. The Offer Shares are denominated in euro and governed by the laws of Latvia. The Offer Shares are freely transferrable. All the Shares since 20 October 2021 are listed and admitted to trading on the Baltic Main List of Nasdaq Riga.

All the Shares, including the Offer Shares, are of one class, rank *pari passu* with each other and carry equal voting rights. The Offer Shares will give rights to dividends declared by the Company (if any). For further description of the rights attached to the Shares, including the Offer Shares (please see Section 10.4 “Shareholder rights” of this Prospectus).

The Offer Shares between the Retail Offering and the Institutional Offering will be divided pro rata according to principles set forth in Section 4.7 “Allocation of Offer Shares” of this Prospectus. The total amount of Offer Shares may decrease in case any part of the Offering is cancelled (please see Section 4.13 “Postponement or Cancellation of Offering” of this Prospectus).

Table 4.1.1

The indicative timetable of the Offering

Start of the Offer Period	26 September 2022
End of the Offer Period	5 October 2022
Announcement of results of the Offering and Allocation	On or about 10 October 2022
Settlement of the Offering	On or about 12 October 2022

4.2. Offer Period

The Offer Period is a period during which persons who have a right to participate in the Retail Offering and the Institutional Offering may submit Purchase Undertakings for the Shares. The Offer Period commences on 26 September 2022 at 10:00 local time in Latvia and terminates on 5 October 2022 at 15:30 local time in Latvia, Estonia and Lithuania unless it is shortened or extended (described in more detail in the Section 4.11 “Change to the Offer Price and Offer Period” of this Prospectus).

4.3. Retail Offering

Rights to participate in the Retail Offering

The Retail Offering is directed to all retail investors in Latvia, Estonia and Lithuania. For the purposes of the Retail Offering, a natural person is considered to be “in Latvia”, if such person has a securities account with a financial institution which is a member of Nasdaq Riga. A legal person is considered to be “in Latvia”, if such person has a securities account with a financial institution which is a member of Nasdaq Riga, or such person’s registration number is a registration number of the Commercial Register.

For the purposes of the Retail Offering, a natural person is considered to be "in Estonia", if such person has a securities account with a financial institution which is a member of Nasdaq Riga. A legal person is considered to be "in Estonia", if such person has a securities account with a financial institution which is a member of Nasdaq Riga, or such person's registration number registered is a registration number of the Estonian Commercial Register.

For the purposes of the Retail Offering, a natural person is considered to be "in Lithuania", if such person has a securities account with a financial institution which is a member of Nasdaq Riga. A legal person is considered to be "in Lithuania", if such person has a securities account with a financial institution which is a member of Nasdaq Riga, or such person's registration number is a registration number of the Lithuanian commercial register.

Purchase Undertakings in Retail Offering

Purchase Undertakings may only be submitted during the Offer Period. An investor participating in the Offering may apply for the Offer Shares for the Offer Price only. The minimum purchase amount is one share. All investors participating in the Offering may submit Purchase Undertakings in euros only. An investor shall bear all costs and fees charged in connection with the submission, cancellation or amendment of a Purchase Undertaking pursuant to the price list of the respective financial institution who is a member of the Nasdaq Riga accepting the Purchase Undertaking.

In order to acquire the Offer Shares an investor must have a securities account with a financial institution who is a member of Nasdaq Riga. The Purchase Undertakings submitted within the Retail Offering are registered through the auction system of Nasdaq Riga.

Investors may open a securities account through financial institution which is a member of Nasdaq Riga. The list of financial institutions that are members of Nasdaq Riga is available on the webpage of Nasdaq Riga at <https://nasdaqbaltic.com/statistics/en/members> (in order to review the list of members of the Nasdaq Riga, the selection "Riga" should be made).

Submission of Purchase Undertakings within Retail Offering

An investor wishing to acquire the Offer Shares must contact the financial institution, which is a member of the Nasdaq Riga and manages such investor's securities account and submit a Purchase Undertaking for the purchase of Offer Shares in a form accepted by the financial institution and in conformity with the terms and conditions of the Prospectus. The investor may use any method that such investor's account operator offers to submit the Purchase Undertaking (e.g., physically at the client service venue of the account operator, via internet bank or by other means).

An investor may submit a Purchase Undertaking through a nominee account only if such investor authorises in writing the holder of the nominee account to disclose in writing the investor's identity to Nasdaq Riga. Purchase Undertakings submitted through nominee accounts shall be taken into account in allocation only if the owner of the nominee account has disclosed in writing to Nasdaq Riga the investor's identity, place of residence or seat, personal identification number or registry code, the number of securities subscribed for and the total amount of the transaction. Among others, the person's permanent address, personal identification number or the registered address of a legal person must be disclosed. An investor may submit a Purchase Undertaking either personally or through a representative whom the investor has authorised to submit the Purchase Undertaking.

A Purchase Undertaking is deemed submitted from the moment Nasdaq Riga receives a duly completed transaction instruction from the financial institution managing investor's securities account. An investor must ensure that all information contained in the Purchase Undertaking is correct, complete and legible. The Offeror reserves the right to reject any Purchase Undertakings which are incomplete, incorrect or illegible, or which have not been completed and submitted during the Offer Period in accordance with all the terms and conditions of the Prospectus.

By submitting a Purchase Undertaking each investor:

- (1) confirms that they have read this Prospectus and its Summary, including (but not limited to) risk factors set out in this Prospectus and a description of rights and obligations resulting from the ownership of the Shares;
- (2) accepts the terms and conditions of the Offering set out in this Section and elsewhere in this Prospectus and agrees with the Offeror that such terms will be applicable to the investor's acquisition of any Offer Shares;

- (3) acknowledges that the Offering does not constitute a binding sales offer of the Offer Shares, and that the submission of a Purchase Undertaking does not constitute the acceptance of a binding sales offer, and therefore does not in itself entitle the investor to acquire the Offer Shares, nor does it result in an agreement for the sale of the Offer Shares between the Offeror or the Global Lead Manager and the investor;
- (4) accepts that the number of the Offer Shares indicated in the Purchase Undertaking will be regarded as the maximum number of Offer Shares which the investor wishes to acquire (the "**Maximum Amount**") and that the investor may receive less (but not more) Offer Shares than the Maximum Amount (described in more detail in the Section 4.7 "Allocation of Offer Shares");
- (5) undertakes to acquire and pay for any number of Offer Shares allocated to them in accordance with these terms and conditions up to the Maximum Amount;
- (6) authorises the financial institution and instructs them to forward the registered Purchase Undertaking to Nasdaq Riga;
- (7) consents to the processing of investor's personal data to the extent such data processing is required for the purposes of the Offering in accordance with this Prospectus;
- (8) authorises the financial institution, or Nasdaq Riga, as the case may be, to amend the information contained in the Purchase Undertaking, including to (a) specify the value date of the transaction and (b) specify the number of Offer Shares to be purchased by the investor and the total amount of the transaction, which results by multiplying the Offer Price by the number of Offer Shares allocated to the respective investor.

Investors have the right to amend or cancel their Purchase Undertakings at any time until the end of the Offer Period. To do so, the investor must contact the financial institution which is a member of Nasdaq Riga through whom the Purchase Undertaking in question has been made and carry out the procedure required by the financial institution for amending or cancelling the Purchase Undertaking (such procedures may differ between different financial institutions).

4.4. Institutional Offering

Rights to participate in the Institutional Offering

The Institutional Offering is directed at qualified investors within the meaning of Article 2(e) of the Prospectus Regulation in Latvia and certain selected member states of the European Economic Area, and to other investors in reliance on certain exemptions available in the laws of respective member states. The Institutional Offering is carried out non-publicly. The Institutional Offering is not subject to a minimum application for purchase consideration.

Submitting Purchase Undertakings in the Institutional Offering

In order to apply for the Offer Shares in the Institutional Offering, an application must be submitted during the Offer Period informing the Global Lead Manager or the financial institution, who is a member of Nasdaq Riga of the number of Offer Shares the investor wishes to purchase (the "**Purchase Undertaking**"). Investors have to submit the Purchase Undertaking with a value date that enables settlement "delivery versus payment" on 12 October 2022.

The Global Lead Manager accepts the Purchase Undertakings of institutional investors, with whom a mutual brokerage agreement is in place. Institutional investors, who do not have a brokerage agreement with the Global Lead Manager, should contact a financial institution, who is a member of the Nasdaq Riga, who manages the securities account of the respective investor, and submit a Purchase Undertaking in a format accepted by the respective financial institution for applying for the Offer Shares. An investor may use any method suggested by the financial institution for submitting the Purchase Undertaking (e.g., physically at the location of the broker or the bank's customer service, via Internet Bank or in any other way).

The investor may amend the Purchase Undertaking or cancel it at any time before the end of the Offer Period. For this, the investor should contact the financial institution through which the respective Purchase Undertaking was submitted, and carry out the actions required by the financial institution for changing or annulling the Purchase Undertaking. Upon ending of the application period, all Purchase Undertakings which have not been cancelled become binding on the investor.

An investor may submit the Purchase Undertaking through a nominee account only in case the investor authorises the holder of the nominee account to disclose the identity of the investor to Nasdaq Riga in writing. Purchase Undertakings submitted via nominee accounts shall be taken into account upon

allocation only if the holder of the nominee account has disclosed the investor's identity, seat and registry code, the number of securities applied for purchase and the total amount of the transaction to or Nasdaq Riga in writing. Among others, the registered address of a legal person must be disclosed.

4.5. Offer Price

In accordance with the information obtained from Nasdaq Riga the volume weighted average Share price from 12 July 2022 until 12 September 2022 (3 months) has been EUR 1.485. To incentivize investors to purchase Offer Shares, the Offeror is providing 3% discount from the average Share price.

Therefore, the Offer Price is **EUR 1.44** per one Offer Share. The Offer Price will be the same in the Retail Offering and in the Institutional Offering.

4.6. Payment

By submitting a Purchase Undertaking, each investor authorises the financial institution managing the investor's current account connected to their securities account to immediately block the whole transaction amount on the investor's current account until the settlement is completed or funds are released in accordance with the terms and conditions of this Prospectus. The transaction amount to be blocked will be equal to the Offer Price multiplied by the Maximum Amount. An investor may only submit a Purchase Undertaking when there are sufficient funds on the current account. The Offer Shares allocated to the investor shall be paid for pursuant to that which is described in the Section 4.9 "Settlement and Trading".

Depending on the terms and conditions of the financial institution which is a member of Nasdaq Riga, the financial institution which operates the current account connected to the investor's securities account, may immediately block the whole transaction amount on the investor's current account until the settlement is completed or funds released in accordance with the terms and conditions described in this Prospectus. The Offer Shares allocated to the investor shall be paid for pursuant to as described in Section 4.9 "Settlement and Trading".

4.7. Allocation of the Offer Shares

The Offeror together with the Global Lead Manager have decided that the Offer Shares will be allocated on proportional basis (*pro-rata*) for both Retail Offering and Institutional Offering on or about 10 October 2022.

The Offeror has been made aware that another shareholder of the Company is planning to publicly offer its shares of the Company on the same terms as the Offeror. If the other shareholder (a) offers its shares on the same terms as the Offeror and (b) the sale proceeds are divided on *pro-rata* basis against total amount of Shares offered by each shareholder (by considering the total amount of Offer Shares purchased from the selling shareholders), then the Offeror agrees that all Offer Shares are offered jointly, i.e. through one auction, at the discretion of Global Lead Manager.

The Offeror is not aware whether any major Shareholders or any members of management, supervisory or administrative bodies intend to apply for the Offering or whether any person intends to apply for more than 5% of the Offering.

If there is no sufficient interest to purchase the Offer Shares, the Offeror may reduce the number of the Offer Shares accordingly, or cancel the Offering as described in the Section 4.13 "Postponement or Cancellation of the Offering".

The funds blocked on the current account of the investor who participated in the Retail Offering will be released in the amount corresponding to the Offer Price multiplied by the number of Shares not allocated to such investor as described under the Section 4.12 "Return of Funds".

The Offeror and Global Lead Manager expects to announce the results of the allocation process on the website of Nasdaq Riga <https://nasdaqbaltic.com/statistics/en/news> on or about 10 October 2022.

4.8. Settlement Through the Global Lead Manager

In order to simplify and expedite the settlement of the Offering, the Offeror will transfer Offer Shares to the Global Lead Manager's account so as to allocate these existing Shares to investors in accordance with the allocation rules described above.

4.9. Settlement and Trading

Settlement of the Offering will be carried out by Nasdaq CSD. The Offer Shares allocated to investors will be transferred to their securities accounts from the securities account of the Global Lead Manager on or about 12 October 2022 through the "delivery versus payment" method simultaneously with the transfer of payment for such Offer Shares, in accordance with the rules of Nasdaq CSD. The title to the Offer Shares will pass to the relevant investors when the Offer Shares are transferred to their securities accounts.

If an investor has submitted several Purchase Undertakings through several securities accounts, the Offer Shares allocated to such investor will be transferred to all such securities accounts proportionally to the number of shares indicated in the Purchase Undertakings submitted for each account, rounded up or down as necessary, in order to ensure that a whole number of Offer Shares is transferred to each securities account. If the transfer cannot be completed due to the lack of sufficient funds on the investor's current account, the Purchase Undertaking of the respective investor will be rejected and the investor will lose all rights to the Offer Shares allocated to such investor.

4.10. Agreements Related to the Offering

The Offeror has appointed AS LHV Pank as the Global Lead Manager and Bookrunner and intends to conclude a Placement and Services Agreement in connection with the Offering on or about 23 September 2022, which includes, among others, the obligation of the Global Lead Manager to sell the Offer Shares "on a best effort basis", arrange the settlement of the Offering. The total commissions to be paid to the Global Lead Manager will be approximately up to EUR 25,200 in the event that investors apply to purchase all of the Offer Shares.

4.11. Change to the Offer Price and Offer Period

In accordance with the Prospectus Regulation, the Offeror may be required to draw up a supplement to the Prospectus if the Offer Price of the Offering is changed or the Offer Period is shortened or prolonged. The obligation to register a supplement to the Prospectus may apply if the Offer Period is prolonged. The supplement to this Prospectus will be published after the registration thereof in the same way as this Prospectus and its Summaries.

Furthermore, in accordance with the Prospectus Regulation, every significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of the securities and which arises or is noted between the time this Prospectus is approved and the time the Offer Shares are listed on Nasdaq Riga, shall be mentioned in a supplement to the Prospectus. All other changes will be disclosed on the website of Nasdaq Riga <https://nasdaqbaltic.com/statistics/en/news> and on the Company's website www.delfingroup.lv/invest.

In the case that the Offeror is required to publish a supplement to the Prospectus, an investor, who has submitted a Purchase Undertaking in the Offering before the publication of the supplement to the Prospectus, has a right to withdraw within 2 working days (or within another time period as specified in the supplement to this Prospectus) after publication of the supplement to the Prospectus in accordance with the procedure described under the Section 4.3 "Retail Offering" and Section 4.4 "Institutional Offering".

4.12. Release of Funds

If the Offering or a part thereof is cancelled in accordance with the terms and conditions described in this Prospectus, if the investor's Purchase Undertaking is rejected or if the allocation deviates from the amount of Offer Shares applied for, the funds blocked on the investor's current account, or a part thereof (the amount in excess of payment for the allocated Offer Shares), is expected to be released by the respective account operator within two working days. Regardless of the reason for which funds are released, the Offeror shall not be liable for the release of the respective funds and for the payment of interest on the released funds for the time they were blocked.

4.13. Postponement or Cancellation of the Offering

The Offeror has reserved the right to postpone or cancel the Offering in full or in part at any time until the end of the Offer Period. The reason for postponement or cancellation of the Offering could be, among others, the following circumstances:

- Unexpected and significant change in the economic or political situation in Latvia or the world, which may affect the financial markets, the economic situation or the prospects and operations of the Group;
- Significant change or development, which affects the general situation, management, financial position, capital or results of operations of the Group;
- Insufficient demand for the Offer Shares.

Any cancellation of the Offering will be announced on the website of Nasdaq Riga <https://nasdaqbaltic.com/statistics/en/news>. All rights and obligations of the parties in relation to the cancelled part of the Offering will be considered terminated as of the moment when such announcement is made public.

4.14. Taxation

The following sections outlines a number of key principles of the Latvian, Estonian and Lithuanian tax regime that may be relevant to the acquisition, holding and transfer of the Shares, as well as a general overview of taxation principles applicable to the Company as a Latvian tax resident. The Section does not constitute a comprehensive or exhaustive explanation of all possible aspects of taxation that may be of relevance to the Shareholders and is not intended to constitute tax or legal advice to potential investors. Persons interested in the acquisition of the Offer Shares should seek the individual professional tax advice of qualified tax advisors in order to establish the particular tax implications of acquiring, holding or transferring the Shares as well as the required procedures related to the payment of withholding tax, if applicable.

The following summary of certain Latvian, Estonian and Lithuanian tax consequences of ownership of the Shares is based upon laws, regulations, rulings and Double taxation treaties in effect at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences for holders of the Shares.

Risks associated with taxation and changes in tax legislation

Future increase of applicable tax rates or imposing of additional taxes by Latvian government or relevant EU authorities may reduce the profitability of the Company's business. The interpretation of tax laws and regulations may change, causing the introduction of changes unfavourable to the Company. Such changes may have a material adverse effect on business, financial condition, prospects, results of operations or cash flows of the Company.

Future increase of applicable tax rates or imposing of additional taxes by the Latvian, Estonian or Lithuanian government may affect the taxation of dividends or capital gains of the shareholders.

4.15. Latvia

Taxation of the Company

This Section contains a general overview of taxation principles applicable to the Company as a Latvian tax resident.

The Company is subject to, or liable to, a number of tax obligations, including with respect to corporate income tax, value added tax, personal income tax (to the extent personal income tax is withheld at source as payroll tax or withholding tax, which may apply to other sources of income of private individuals), social security contributions, real estate tax and company car tax along with other taxes. The tax policy of the government may change in a manner creating material adverse effects on business, prospects, financial condition, results of operations or cash flows of the Group.

Corporate income tax

The system of taxation of corporate income currently in force in Latvia differs from the traditional model of corporate income taxation in that it shifts the point of corporate taxation from the moment of accrual to the moment of distribution. Therefore, corporate income tax is only applicable to the distributed profits (actual or deemed), but retained and reinvested profits are not taxable with corporate income tax.

Corporate income tax rate is 20% and is applicable to the taxable base that is divided by a coefficient of 0.8.

Distribution of profits includes calculated dividends, disbursements equivalent to dividends and conditional dividends calculated upon the completion of liquidation or reduction of the share capital. Deemed distribution of profits includes non-business expenses, bad debts, increased interest payment adjustments, certain loans to related parties, transfer pricing adjustments, certain transfer of assets upon reorganisation, certain transfer of assets to a permanent establishment abroad, liquidation quota.

The corporate income tax charged on the above profit distributions is only payable at the level of the Company with the Company being responsible for calculating, declaring and paying the respective corporate income tax. Corporate income tax imposed on distributed profit is not a withholding tax, therefore recipient of distributed profits might be subject to tax in its country of residence.

Dividends and capital gains received by the Company

Dividends received by the Company from its Latvian shareholdings and capital gains of the Company are not subject to corporate income tax upon receipt, nor are dividends subject to withholding tax upon distribution to the Company, if received by the Company from its Latvian subsidiaries or affiliated companies. Only the further distribution of profits by the Company is subject to corporate income tax, with certain exemptions applicable, as described below.

Further distribution of profits of the Company are not applicable with corporate income tax in the respective amount of: a) received dividends by the Company from its subsidiaries that are corporate income tax payers; b) profits from the sale of shares of a subsidiary, that are held for at least 36 months.

When received dividends or profits from the sale of shares that were held for at least 36 months exceed the distributed dividends by the Company within the respective taxation period, the exceeding amount is attributable to the profit distributions of the Company within the next taxation periods in chronological order.

Taxation of the Shareholders

For the purpose of this Section a "resident individual" means a private individual who is deemed a Latvian resident for personal income tax purposes under Latvian laws and any applicable Double taxation treaty as outlined below.

Under Latvian laws, a resident individual is a private individual that has a declared place of residence in Latvia; or has been present in Latvia for 183 days or longer during any twelve-month period; or is a Latvian citizen employed by the government of Latvia abroad.

If a private individual qualifies as a tax resident under Latvian laws and domestic law of another country, tax residency of the respective person is determined by applying the following criteria of the Double taxation treaty entered into between Latvia and the respective country: the individual shall be deemed to be a resident of the country in which he/she has a permanent home available; if the individual maintains permanent homes in both countries, he/she shall only be deemed to be a resident of the country with which his/her personal and economic relations are closer (centre of vital interests); if the country in which the individual has his/her centre of vital interests cannot be determined, or if the individual has no permanent home available to him/her in either country, he/she shall only be deemed to be a resident of the country in which he/she has a habitual abode; if the individual has a habitual abode in both countries or in neither of them, he/she shall only be deemed to be a resident of the country of which he/she is a national; if the individual is a national of both countries or neither of them, the competent authorities of both countries shall settle the question by mutual agreement.

"Resident entity" means a legal person that is deemed a Latvian resident for tax purposes under Latvian laws and any applicable Double taxation treaty, if any.

Under Latvian laws, a resident entity is a Latvian resident primarily if it is established and registered in Latvia or if it should have been established and registered according to the Latvian laws. Whenever any activity of a non-resident entity is performed in Latvia, it should be evaluated whether such activity creates a permanent establishment under Latvian laws and the applicable Double taxation treaty, if any. Permanent establishment is treated as a regular tax payer in Latvia.

"Non-resident individual" and "non-resident entity" in this Section means all private individuals and legal persons that do not qualify as a resident individual or resident entity under Latvian laws.

Taxation of dividend income

Dividends distributed by the Company to resident and non-resident individuals or entities are not subject to deduction at source or withholding tax, except dividends paid to a non-residents, residing, located, established, registered in a low-tax or no-tax countries or territories, when 20% withholding tax is applicable. Low-tax or no-tax countries or territories are specified in accordance with Regulation of the Cabinet of Ministers No. 819 of 17 December 2020.

For resident individuals no additional personal income tax is applicable if corporate income tax is applied upon profit distribution by the respective company.

Each non-resident individual, however, should determine if any tax obligations with regard to taxation and reporting are applicable under the domestic law of his/her country of residence. Considering that the tax amount paid at the company level is a corporate income tax and not a personal income tax, a non-resident individual may not be able to credit any tax payments of the Company to the tax liabilities of the non-resident in its country of residence. Each non-resident individual should seek professional advice with respect to any tax obligations under the domestic law of his/her country of residence.

Whenever private individuals use an investment account for their investments that qualifies as such under the Latvian Law on Personal Income Tax and is opened by an investment services provider, personal income tax of 20% is applied to the difference between the amount that is paid into the investment account and the amount that is paid out from the investment account, minus the dividend income and interest income that is already taxed upon payment and therefore is not subject to additional PIT and minus the income from Latvian or other EU or European Economic Area state and local government securities. Thus, PIT is only applied upon making payments out from the investment account and not upon each case when income is received in the investment account from any investments made.

For resident entities no corporate income tax is applicable to the received dividends.

Non-resident entities should determine if any tax obligations with regard to taxation and reporting are applicable under the domestic law of the country of residence. The possibility to credit corporate income tax paid by the Company in Latvia upon profit distribution must be evaluated in each individual case in line with the domestic law of the country of residence and applicable Double taxation treaty, if any.

Taxation of capital gains

Personal income tax at a 20% rate is applicable to the capital gains (determined as the difference between the sale price and acquisition value of an asset) obtained by the resident individual from the sale of the Shares. Depending on the amount of capital gains, personal income tax should be paid and reported either on monthly/quarterly or annual basis. Losses from the sale of assets within a taxation year may be covered with income from the sale of other assets of the same type within the same taxation year.

Capital gains from the sale of publicly traded shares (i.e., the Shares) owned by a non-resident individual are not subject to personal income tax in Latvia. A non-resident individual might have an obligation to pay income tax from the sale of publicly traded shares in his/her country of residence.

Other capital gains of a non-resident overall are subject to personal income tax of 20% in Latvia, unless specific provisions of a Double taxation treaty, if any, provide that the income tax shall not be paid in Latvia, but in the country of residence of a non-resident individual. Whenever income is paid by a Latvian commercial company, cooperative company, non-resident's permanent establishment, institution, organisation, association, foundation or resident private individual that is registered as performer of commercial activity, personal income tax of 3% of the total value of the transaction shall be withheld at source. Nevertheless, a non-resident private individual that is a resident of another EU Member State or of a State that has signed a Double taxation treaty with Latvia shall have the right to account for the sale transaction and make personal income tax payment in the amount of 20% on the gains from the sale, submitting relevant supporting documents for the purchase value of the assets. In such case personal income tax of 3% of the total value of the transaction that was withheld at source may be recovered.

Each non-resident individual, however, should always seek professional advice and determine if any tax obligations with regard to taxation and reporting are applicable under the domestic law of his/her country of residence.

Capital gains from the sale of Shares owned by a resident entity are exempt from corporate income tax irrespective of the percentage of shareholding and holding period. Holding period of the Shares might affect the taxation of further profit distribution by the resident entity to its shareholders.

Capital gains from the sale of Shares owned by a non-resident entity are not subject to corporate income tax or any withholding tax in Latvia, except for when the non-resident entity is registered, located or established in a low-tax or no-tax jurisdiction and payment of the income is made by a Latvian resident, obliged to withhold tax of 20% at source.

Each non-resident entity should determine if any tax obligations with regard to taxation and reporting are applicable under the domestic law of its country of residence.

Other Taxes

No transfer tax, value added tax, stamp duty or similar taxes are assessed on the purchase, sale or other transfer of the Shares. No net wealth tax is applied in Latvia.

4.16. Estonia

The Company is not considered to be a resident of Estonia for tax purposes, therefore this Section outlines the key principles of Estonian income tax issues that may be relevant to the acquisition, holding and transfer of the Shares for shareholders that are tax residents of Estonia.

Taxation of the Shareholders

For the purpose of this Section a "resident individual" means a private individual who is deemed an Estonian resident for income tax purposes under Estonian laws and any applicable Double taxation treaty as outlined below.

Under Estonian laws, a resident individual is a private individual whose place of residence is Estonia or who stays in Estonia for at least 183 days over the course of a period of twelve consecutive calendar months. Estonian diplomats who are in foreign services are also deemed to be Estonian residents for tax purposes.

If a private individual qualifies as a tax resident under Estonian law and the domestic law of another country, tax residency of the respective person is determined applying the Double taxation treaty entered into between Estonia and the respective country, if any.

For the purpose of this Section "resident entity" means a legal person that is deemed an Estonian resident for tax purposes under Estonian laws and any applicable Double taxation treaty.

Under Estonian laws a resident entity is primarily a tax resident in Estonia if it is established pursuant to Estonian laws. European public limited companies (SE) and European associations (SCE) whose seat is registered in Estonia are also tax residents in Estonia.

"Non-resident individual" and "non-resident entity" in this Section means all private individuals and legal persons that do not qualify as a resident individual or resident company under Estonian laws.

Taxation of dividend income

Dividends distributed by the Company to Estonian resident individuals or entities are not subject to withholding tax in Latvia, however the Company pays corporate income tax upon profit distribution to its shareholders.

Estonian resident individuals do not pay personal income tax for received dividends from a foreign legal entity, provided that either the underlying profits out of which dividends are paid have been subject to foreign corporate income tax or if income tax was withheld from the respective dividends. When tax has not been paid or withheld at the legal entity level or corresponding documents are not provided, Estonian resident individuals shall pay personal income tax of 20% for dividend income received from a foreign legal entity.

Estonian resident entities do not pay corporate income tax upon the receipt of dividends.

Corporate income tax is only levied upon further profit distribution by the Estonian resident entity to its shareholders and a 20% tax rate is applicable to the taxable base that is divided by a coefficient of 0.8. Distribution of profits includes dividends, share buy-backs, capital reductions, liquidation proceeds, certain issued loans to a shareholder or a partner, or deemed profit distributions (such as transfer

pricing adjustments, business non-related expenses and payments). Corporate income tax at the rate of 14% (dividing taxable base by a coefficient of 0.86) is applicable to Estonian resident entities making regular profit distributions, namely, dividends paid in the amount that is below or equal to the extent of taxed dividends paid during the three preceding years. In addition, a withholding tax of 7% will apply in such case. Certain corporate income tax exemptions might be applicable for the further distribution of profits to the shareholders of the Estonian resident entity.

Taxation of capital gains

Estonian resident individuals pay personal income tax of 20% on capital gains from the sale or exchange of shares. Capital losses can be offset against capital gains.

A tax-exempt investment account scheme is applicable for Estonian resident individuals, under which individuals can defer the moment of taxation of investment income and capital gains derived from qualified securities. Under certain conditions, individuals can reinvest respective gains or income without paying any income tax.

Estonian resident entities do not pay corporate income tax upon the receipt of capital gains.

General corporate income tax principles apply to the income of Estonian resident entities from the sale of a shareholding and are outlined above in the dividend taxation section.

Other Taxes

No transfer tax, value added tax, stamp duty or similar taxes are assessed on the purchase, sale or other transfer of the Shares. No net wealth tax is applied in Estonia.

4.17. Lithuania

The Company is not considered to be a resident of Lithuania for tax purposes, therefore this Section outlines the key principles of Lithuanian income tax issues that may be relevant to the acquisition, holding and transfer of the Shares for shareholders that are tax residents of Lithuania.

Taxation of the Shareholders

For the purpose of this Section a "resident individual" means a private individual who is deemed a Lithuanian resident for income tax purposes under Lithuanian laws and any applicable Double taxation treaty as outlined below.

Under Lithuanian laws, a resident individual is a private individual: a) whose permanent place of residence during the tax period is in Lithuania, b) whose personal, social, or economic interests during the tax period may be considered to be in Lithuania rather than in a foreign country, c) who stays in Lithuania, continuously or intermittently, for 183 or more days during the tax period, d) who stays in Lithuania, continuously or intermittently, for 280 or more days during a number of successive tax periods and who, during one of such periods, stayed in Lithuania, continuously or intermittently, for 90 or more days, e) who is a Lithuanian citizen residing outside Lithuania and receives remuneration for work and has the costs of living in another country covered from the state or municipal budgets of Lithuania.

For the purpose of this Section "resident entity" means a legal person that is deemed a Lithuanian resident for tax purposes under Lithuanian laws and any applicable Double taxation treaty.

Under Lithuanian laws, a resident entity is primarily a tax resident in Lithuania if it is incorporated in Lithuania or its activities create a permanent establishment in Lithuania for tax purposes.

"Non-resident individual" and "non-resident entity" in this Section means all private individuals and legal persons that do not qualify as a resident individual or resident company under Lithuanian laws.

Taxation of dividend income

Dividends distributed by the Company to Lithuanian resident individuals or entities are not subject to withholding tax in Latvia. The Company pays corporate income tax upon profit distribution to its shareholders and it is not a withholding tax.

Lithuanian resident individuals pay income tax of 15% from received dividends.

Lithuanian resident entities pay corporate income tax on profits, including passive income, such as dividends. Taxable income is calculated by reducing the general income of a certain tax period with

deductible expenses and non-taxable income. General corporate income tax rate is 15%. A reduced rate of 5% applies to corporate profits of small companies that conform to certain criteria. Newly established small companies may be subject to corporate income tax of 0% for the first year of activity, provided that certain conditions are met.

Dividends received for shares, share capital or other rights held by the Lithuanian resident entity or assigned to it by a foreign taxable entity registered or otherwise organised within the European Economic Area and the profits of which are subject to corporate income tax or similar tax are tax exempt in Lithuania.

Taxation of capital gains

Lithuanian resident individuals pay personal income tax of 15% or 20% (15% on the income annually not exceeding 120 average salaries, 20% on any amounts exceeding the respective amount). The following capital gains are tax exempt: a) capital gains from the disposal of property not exceeding EUR 2,500 in a taxation period; b) capital gains from the disposal of financial instruments not exceeding EUR 500 per taxation period with certain exceptions applicable.

Lithuanian resident entities pay corporate income tax on profits, including capital gains. General corporate income tax principles apply to the income of Lithuanian resident entities from the sale of shareholding and are outlined above in the dividend taxation section.

Capital gains that are derived from the transfer of shares in a company incorporated in the European Economic Area or in a country with which Lithuania has a valid Double taxation treaty and that pays corporate income tax or similar tax in its country of residence are tax exempt in Lithuania if the following conditions are met: Lithuanian resident entity holds more than 10% of voting shares for a) a continuous period of at least two years or b) upon reorganisation, a continuous period of at least three years.

Other Taxes

No transfer tax, value added tax, stamp duty or similar taxes are assessed on the purchase, sale or other transfer of the Shares. No net wealth tax is applied in Lithuania.

5. REASONS FOR OFFERING AND USE OF PROCEEDS

5.1. Reasons for the Offering

The Offeror provides the following reasons for Offering:

- 1) to enable fulfilment of the free-float requirements of Nasdaq Riga for the Company as publicly listed company;
- 2) to increase the amount of Shares in free-float and thus increase the Share liquidity;
- 3) for Offeror to diversify its assets and investments.

The Company will not receive any proceeds from the Offering.

The Offeror is covering all costs and expenses related to the Offering.

The Offer is not subject to an underwriting agreement on a firm commitment basis. There are no material conflicts of interest pertaining to the Offer.

5.2. Use of Proceeds

The Company will not receive any proceeds from the Offering.

Expenses directly related to the Offering are estimated to be approximately EUR 31,682, including commissions to be paid to the Global Lead Manager.

The statements and plans described in this Section should be regarded as forward-looking statements that are based on opinions and best judgment of the Offeror. The anticipated use of proceeds of the Offering is subject to risks, uncertainties, and assumptions.

6. RIGHT TO DIVIDENDS AND DIVIDEND POLICY

6.1. Types, determination and distribution of dividends

Each shareholder of the Company has the right to a share in the profit of the Company. The Company in accordance with Latvian Commercial Law, Articles of Association and Dividend Policy has **two types of dividends**:

- **Extraordinary dividends** which are: (1) **determined** after adoption of quarterly financial report in accordance with the proposal from the Management Board which is reviewed by the Supervisory Board in the amount up to **50% of the consolidated profit in the previous financial quarter**; and (2) **distributed** once per quarter after the General Meeting in which the financial report for previous quarter is adopted and decision on dividends distribution duly passed.
- **Annual dividends** which are: (1) **determined** after adoption of the annual report; and (2) **distributed** once per year in accordance with the payment schedule after the General Meeting in which the annual report is adopted and decision on dividends distribution duly passed.

In line with the past practice, the dividend distribution ratio is expected to grow in accordance with the profitable growth of the Company under normal conditions.

So for the Company has fulfilled shareholders' interests by generating regular and predictable yield-based returns while maintaining the financial stability of the Company and focusing on long-term development goals.

6.2. Dividend Policy

The initial edition of the Dividend Policy of the Company was adopted on 4 September 2020, and the amended edition on 10 December 2021. The Dividend Policy is available on the website of the Company.¹²

The Company has adopted a Dividend Policy comprised of a general information section, the principles of dividend distribution, the key considerations relevant to calculating and determining the amount of dividends, the dates and procedures for payment of dividends and disclosures to be made in connection with the distribution and payment of dividends.

The governing body of the Company deciding on profit distribution and dividend payment, including the date of dividend payment, is the General Meeting. However, the Management Board prepares proposal for dividend allocation and distribution, which then is reviewed by Supervisory Board and adopted at the General Meeting. The General Meeting is not legally bound by the recommendations of the Management Board and / or the Supervisory Board and may opt to pass a decision deviating from such recommendations.

The profit proposal prepared by Management Board for determination of both Extraordinary dividends and Annual dividends are based and include considerations of the following information in accordance with the Dividend Policy: (1) the Articles of Association of the Company and Latvian laws and regulations; (2) Company's long-term development goals; (3) financial situation of the Company; (4) Legal obligations and duties of the Company (if any), e.g., contractual obligations stipulated by the Company's financing terms and conditions; (5) optimal shareholder equity ratio which is attained if the rate of the Company's consolidated equity to the total consolidated assets of the Company is equal to or exceeds 20% (twenty percent).

The circumstances under which shareholders may not expect dividend to be declared by the Company include, but are not limited to, the following:

- to preserve funds that are required for the growth of the Company;
- due to operation of any law in force;
- due to losses (if any) incurred by the Company in any particular year;
- due to any restrictions or covenants contained in any agreement as may be entered with lenders of the Company;

¹² The current version of the Dividend Policy of the Group: <https://www.delfingroup.lv/storage/files/delfingroup-dividend-policy-eng-12p110-2-2.pdf>.

- due to any other appropriate circumstances.

The external and internal factors which may affect recommendation by the Management Board on the distribution of Company's profits include, but are not limited to, the following:

- state of the economy: the Management Board would endeavour to retain larger part of profits to absorb future shocks in case of uncertain or recessionary economic conditions and in situations where the policy decisions of the Government or governmental authorities have a bearing upon or affect the business of the Company;
- regulatory concerns: the Management Board will keep in mind the restrictions imposed by applicable laws and regulations with regard to declaration and distribution of dividends;
- taxation policy: the tax policy of Latvia also influences the dividend policy of the Company and the applicable rate of tax directly influences the amount of profits available for distribution to shareholders;
- capital markets: in the event of unfavourable market conditions, the Management Board may recommend resorting to a conservative dividend distribution in order to conserve cash outflows and reduce the cost of capital through alternative sources;
- magnitude and stability of earnings: the extent of stability and magnitude of the Company's earnings, as well as the availability of any accumulated earnings, will directly affect the recommendation by the Management Board to distribute dividends;
- liquidity position: if the Company does not have sufficient cash resources to make dividend payment, the Management Board may recommend reducing the amount of dividend distribution.

The Management Board may propose setting aside out of the profits of the Company such sums which may need to be applied for any reasonable purpose, including provisions intended for meeting contingencies or to be invested in such activities of the Company as the Management Board may, from time to time, consider fit. The Management Board may also propose carrying forward any profits which it may think prudent not to distribute with a view to operating needs of the Company.

The portion of profits not distributed among shareholders but retained and used in business of the Company constitutes retained earnings. Whenever retaining a part of the profits, the Company seeks to strike the right balance between the quantum of dividends paid and the amount of profits retained in the business. Retained earnings may be utilised for the internal purposes of financing projects of the Company, maintaining an adequate liquidity ratio and funding of fixed and working capital.

6.3. Entitlement to dividend

Unless otherwise provided by law, dividends which have not been drawn within 10 years shall revert to the ownership of the Company. Dividends may not be declared or paid if the annual report of the Company (or, with respect to Interim Dividends, based on the interim financial statements) shows that the amount of equity of the Company is less than its share capital.

In general, the Company cannot demand return of dividends previously paid to shareholders. However, the Company may claim back dividends previously paid to shareholders in the instances where the distribution of dividends was unlawful, provided that the shareholder receiving the dividends knew or should have known that the distribution of dividends was unlawful at the time of the distribution.

The list of Shareholders who are entitled to participate in the distribution of profit and receive dividends shall be determined on the basis of the list of Shareholders as maintained by the Nasdaq CSD SE, which is fixed on the date determined by the General Meeting, whereas in respect of companies listed on the Nasdaq Riga, such date may not occur earlier than on the tenth trading day after the General Meeting where the nature or extent of the rights arising from the securities were determined (rights conferred on holders of securities or their scope). While distributing profit and making dividend payments to the shareholders, a public limited company is under the obligation to treat all shareholders equally.

There are no dividend restrictions for non-Latvian resident shareholders to claim dividends.

6.4. Amount of the dividend per share

The historical breakdown of dividends distributed to shareholders of the Company in the financial years 2019 through to 2021 is presented in the table below*:

Table 6.4.1.

The historical breakdown of dividends distributed to shareholders of the Company

	2019	2020	2021
The total amount of dividends distributed, EUR	1,500,000	3,000,000	3,723,138
Dividends per share distributed, EUR (rounded)	1.00	0.08	0.09
Dividends per share distributed on comparable basis (as if the amount of share capital on year-to-year basis was 45,319,594 shares), EUR (rounded)	0.03	0.07	0.08

**Where the number of shares of the Company has changed the information is adjusted to make it comparable*

7. PRINCIPAL MARKETS

The information contained herein relates to the consumer lending segment and the business segment of pre-owned goods retail, and is provided for informational purposes only. The information summarised in this section has been obtained through various public and private sources. The Offeror has, to the best of its abilities, sought to ascertain and accurately reproduce the information contained herein, omitting no facts which could render the reproduced information inaccurate or misleading. However, the Offeror accepts no further responsibility in respect to the information contained in this Section.

Prospective Investors should read this Section 7 "Principal markets" in conjunction with the more detailed information contained in this Prospectus including Section 2 "Risk Factors", Section 13 "Historical Financial Information", Section 14 "Operating and Financial Review".

7.1. Introduction

The Group operates in the consumer lending segment in Latvia, which forms part of the Latvian financial services industry. In addition, the Company operates in the business segment of pre-owned goods retail, where goods are offered to consumers in Latvia.

This Section provides an overview of both the consumer lending segment and the business segment of pre-owned goods retail. Further, it addresses the relevant key developments and trends, competitive landscape, and regulatory environment in the respective industries.

7.2. Overview of the consumer lending segment

The consumer lending segment is part of the financial services industry, also known as retail financial services, which focuses on the private sector of the economy – the consumer. The borrower receiving the loan (a consumer), and the purpose of the issued loan (personal use) are the main features setting the consumer lending segment apart from other lending segments.¹³

Consumer loans in Latvia mainly originate from banks and specialised consumer lenders. Demand in this segment is driven by consumer income and demographics. The profitability of individual companies to a large extent depends on efficient customer acquisition, customer service, customer retention, credit risk management and debt collection practices. Relatively large companies enjoy economies of scale in securing access to capital. Small companies can compete effectively by targeting niche customer segments.

Two types of consumer loans exist: secured and unsecured. The loan is secured when the borrower provides security or collateral as a guarantee for loan repayment. The lender can sell or force the sale of the collateral if the borrower fails to repay. An unsecured loan, on the other hand, is made solely on the borrower's contractual promise to repay.

The Group has the status of a specialised consumer lender. In Latvia, specialised consumer lenders are primarily financial institutions that do not have a banking licence and provide loans to consumers. They can engage in various lending services and credit card operations to provide consumers with more flexible loan terms.

Function of consumer lending

Consumer lending is one of the mechanisms through which consumers participate in economic activity. Access to loans enables consumers to meet their basic needs, for example, buying or renovating a house, or buying household and electronic appliances.

A well-functioning consumer loan market is in the interests of consumers, financial institutions, and the economy at large. A consumer's access to loans on flexible and tailored terms allows the economy to function more efficiently and stimulates economic growth by allocating and channelling capital to those in need of financial resources.

A loan is a crucial enabler of consumption for consumers that might otherwise be unable to finance a certain product or service. Wages do not always correspond to customers' ability to spend, especially when it comes to premium products and emergency needs. Consumer loans support purchases without

¹³ As defined in the Implementing technical standards on supervisory reporting, Schedule V, Part 2. 88 (a), credit for consumption includes loans granted mainly for the personal consumption of goods and services (European Central Bank (ECB) Balance Sheet Item (BSI) Regulation). The ECB BSI Regulation, Part 3.

the need to call on savings and allow consumers to structure the loan repayments into manageable repayment schedules.

Consumer lending services

There are various types of consumer lending services ranging from simple loan transactions to more complex loans, including mortgage, auto, student loans, credit cards, pawn loans, and point of sale ("POS") loans.

The Group currently provides the following types of secured and unsecured consumer lending services:

- **consumer loans:** a loan product that allows consumers to receive a principal amount upfront and then repay it with interest charges in instalments over the mutually agreed loan term.
- **point of sale loans:** this is an alternative form of lending where the loan provider makes an upfront purchase payment on behalf of a consumer, who then repays the price of the purchase and pays the associated credit charges in instalments according to a mutually agreed repayment schedule.
- **credit line:** this type of loan allows the borrower to borrow money repeatedly up to a set limit, and repay the loan over time.
- **pawn loans:** collateral-based loans where the loan is secured by an underlying asset provided by the borrower and the lender typically takes possession of the underlying asset. The loan is provided by a pawnbroker that issues the loan following an assessment of the value of the underlying asset.

7.3. Key developments and trends in the provision of consumer lending services

Evolution of the segment

Banks hold the majority share of the consumer lending segment in Latvia, in terms of net loan portfolio, the share of the specialised consumer lenders market has remained stable from June 2019 until December 2021 being around 37% - 38% of total consumer loan portfolio (please see Table 7.3.1.).

Table 7.3.1.

Market share of specialised consumer lenders by consumer loan portfolio¹⁴

Period	Banks, MEUR	Specialised consumer lenders, MEUR	Total, MEUR	Market share of specialised consumer lenders
Jun-19	481	291	772	38%
Dec-19	493	307	800	38%
Jun-20	459	283	742	38%
Dec-20	503	297	800	37%
Jun-21	497	303	800	38%
Dec-21	588	345	933	37%

Historically, the market share of banks was sustained by their long-standing customer relationships, branch networks, economies of scale and large deposit bases which have allowed banks to offer consumer loans at lower costs. However, the trend is shifting in consumer lending from banks to specialised consumer lenders due to the following reasons:

- access to online financial services, with technology-driven specialised consumer lenders seeking to improve the digital customer experience, including partial automation of loan underwriting and decision making;

¹⁴ Sources: <https://www.ptac.gov.lv/lv/media/3071/download> and <https://www.fktk.lv/statistika/kreditiestades/ceturksna-parskati/>.

- greater access to consumer credit data which provide specialised consumer lenders with enhanced information to assess a potential customer's credit capacity, thereby allowing them to improve the quality of their loan portfolios;
- increased regulation of banks, which has made bank consumer loan offerings less attractive to potential borrowers than was previously the case relative to specialised consumer lender.

Table 7.3.2.

Total loan portfolio of Latvian specialised consumer lenders¹⁵

Period	Loan portfolio, MEUR	Percentage change compared to previous half-year
Jun-18	655	7.1
Dec-18	711	8.5
Jun-19	732	2.9
Dec-19	764	4.4
Jun-20	733	(4.1)
Dec-20	754	2.8
Jun-21	768	1.9
Dec-21	831	8.2

Table 7.3.2. provides a general overview of the specialised consumer lending segment performance, and thus also includes, for example, mortgage and leasing loan portfolios.

Despite the decline in the number of consumer loans issued in the period from 2017 to 2020 (please see Table 7.3.4), specialised consumer lenders have increased their total loan portfolio by 26.9% from the first half of 2018 to the second half of 2021 (please see Table 7.3.2.).

Focusing specifically on the services provided by the Group (consumer loans), there is a similar trend of stable and strong yearly growth within the specialised consumer lending market segment.

Table 7.3.3.

Consumer loan portfolio of Latvian specialised consumer lenders¹⁶

Period	Consumer loan portfolio, MEUR	Percentage change from previous half-year	Percentage change from the base period
Jun 2018 (base period)	255	4.9	-
Dec 2018	285	11.8	11.8
Jun 2019	291	2.1	14.1
Dec 2019	307	5.5	20.4
Jun 2020	283	(7.8)	11.0
Dec 2020	297	4.9	16.5
Jun 2021	303	2.0	18.8
Dec 2021	345	13.9	35.3

¹⁵ Source: <https://www.ptac.gov.lv/lv/media/3071/download>.

¹⁶ Source: <https://www.ptac.gov.lv/lv/media/3071/download>.

As per the data available, the consumer loan portfolio has increased by 35.3% from the first half of 2018 to the second half of 2021 (please see Table 7.3.3.). Moreover, it has almost than tripled since second half of 2013, when the consumer loan portfolio was valued at just MEUR 133.43¹⁷.

At 2021, the consumer credit sector continued to grow and the total value of consumer loan portfolio was the largest in the last seven years.

Table 7.3.4.

Total number and value of consumer loans newly issued by Latvian specialised consumer lenders and the average loan size¹⁸

Year	Number of new loans	Total value, MEUR	Year-on-year change in total value	Average loan size, EUR
2015	1,178,371	291.69	23.93%	247.54
2016	1,190,297	336.03	15.20%	282.31
2017	1,088,750	361.53	7.59%	332.06
2018	1,068,051	392.28	8.51%	367.29
2019	826,489	369.27	(5.87)%	446.79
2020	608,865	308.25	(16.52)%	506.27
2021	549,077	350.41	13.68%	638.05

Table 7.3.4. provides insight into a consistent trend of consumer lenders increasingly focusing on longer term instalment loans with relatively larger average loan amounts than previously. This is a result of numerous factors, inter alia, inflation and the rise in consumer incomes. Moreover, larger competition among the specialised consumer lenders and lower costs of providing loans are forcing down interest rates, thereby indirectly pushing up average loan amounts. The average loan sizes and tenures are increasing, the loan portfolio is growing (please see Table 7.3.2.) despite the decrease in the total value of new loans issued over the last 3 years (please see Table 7.3.4.).

In 2020, the volume of new consumer loans decreased by approximately 16.50% from pre-COVID-19 levels as Latvian consumers were concerned about their income and employment stability and as in-person consumer lending in branch offices was subject to severe restrictions. However, in 2021 the volume of new consumer loans almost returned to pre-COVID-19 levels and in comparison with 2020 experienced increase of 13.68%.

Table 7.3.5.

Quality of the loan portfolios of Latvian specialised consumer lenders¹⁹

Year	Percentage of in-person consumer loans without delays	Percentage of distance consumer loans without delays
2013	79.99%	63.83%
2014	82.95%	67.76%
2015	85.21%	72.32%
2016	82.30%	71.55%
2017	84.97%	77.58%
2018	86.50%	78.96%
2019	87.93%	77.63%
2020	88.86%	81.57%

¹⁷ Source: <https://www.ptac.gov.lv/lv/media/3071/download>

¹⁸ Source: <https://www.ptac.gov.lv/lv/media/3071/download>.

¹⁹ Source: <https://www.ptac.gov.lv/lv/media/3071/download>.

2021

90.98%

85.02%

The data provided in Table 7.3.5. show that the quality attached to consumer loans issued by specialised consumer lenders has been increasing. The proportion of loans that were repaid on schedule has been growing over recent years, with 90.98% of in-person consumer loans and 85.02% of distance consumer loans repaid without delay in 2021, compared to only 79.99% and 63.83% respectively in 2013. This positive change may be the mark of a changing approach to lending on behalf of both the loan providers and the borrowers.

The overall tendencies reflected in Table 7.3.2.– Table 7.3.5. can be explained with the following:

- the introduction of more rigid regulations and a cap on interest rates restricted the appetite of specialised consumer lenders for high-risk loans;
- the greater access to more reliable and qualitative consumer income and credit history data. In recent years, the lending companies have gained easy access to advanced databases (e.g., *Credit Information Bureau (KIB)*; *CREFO*);
- along with the market development, more and more relevant historical data is being accumulated, allowing one to make more accurate estimates about future behaviour;
- advances in the field of IT within the industry have also enabled *FinTech* loan providers to analyse the available data with more efficiency and depth by employing tools such as, for example, scoring or the analysis of account statements (please see "The emergence of FinTech consumer lenders"). These developments provide specialised consumer lenders with enhanced methods to assess a potential customer's credit capacity, thereby allowing them to improve the quality of their loan portfolios;
- as already explained above, the implications caused by the COVID-19 pandemic have left an impact on data of the consumer loan portfolios of Latvian specialised consumer lenders (Table 7.3.2. and Table 7.3.3.) and the total number and value of consumer loans newly issued by Latvian specialised consumer lenders, as well as the average loan size (Table 7.3.4.).

Developments of applicable regulations

1) Amendments to Latvian Consumer Rights Protection Law

The consumer lending segment comprises a range of activities that attract considerable attention on the part of legislators and supervisory authorities at both the EU and Latvian levels.

The provision of consumer lending services is a regulated business activity in Latvia and it is subject to high standards of monitoring and compliance. A number of stringent measures have been introduced into Latvian law in 2019 to enforce a higher standard of compliance for consumer lending.

Specifically, as of 1 July 2019, numerous amendments have been introduced into the Latvian Consumer Rights Protection Law setting forth the requirements described below:

- assessment of consumer's ability to repay the loan: the law sets certain minimum requirements for creditors in making ability-to-repay determinations, including the obligation to request, acquire and evaluate information regarding a consumer's income and expenses for the fulfilment of the obligation in adequate amount;
- interest rate restriction: the total cost of capital to the consumer has been expressed as per diem percentage (0.07%) of the issued loan amount;
- advertising restrictions: the law has introduced a general ban on the advertising of consumer loans. The ban is subject to several exceptions, including an exception for trademark advertising.

Following the introduction of these legislative amendments, at the end of 2019, the Consumer Rights Protection Centre received notifications from six licensed specialised consumer lenders regarding their intention to leave the market. As a result, the amendments to Latvian Consumer Rights Protection Law have affected the Latvian consumer lending segment, particularly in the field of specialised consumer lending.

2) Introduction of the Possibility to Write-Down Indebtedness of Natural Persons

On 15 June 2021, the Latvian Parliament adopted the Law on the Release of Private Indebtedness for Natural Persons, which became applicable on 1 January 2022 and enables the write-down of debts incurred by certain categories of disadvantaged and economically vulnerable consumers.

The law aims to enable individuals belonging to the disadvantaged and low-income household categories, whose income is insufficient to discharge all liabilities due to their social and economic status, to write-down indebtedness arising from existing consumer loan agreements within the meaning of the Consumer Protection Law.

The law is designed for those in financial distress who wish to but are unable to cover their debts arising from their consumer lending undertakings. The new framework covers indebtedness of a total size exceeding one national minimum monthly salary but not exceeding EUR 5,000. In order to benefit from the law, the natural person must have the status of a person in need or low income for a period of at least three months prior to the application. The law does not apply to debtors who have secured creditors (creditors whose claims against the debtor have been secured by commercial pledge, a mortgage registered in the Land Registry), as well as to natural persons who have property outside Latvia. Similarly, the release of a natural person from debt will not apply to those who have social security obligations to employees. The law includes a provision that each natural person is entitled to use the mechanism only once.

The new law provides, further, that the person must be active throughout the process. More specifically, (i) the person will have to make an application for release and submit it to a sworn notary; (ii) refrain from actions aggravating the situation of the person; (iii) during the examination of the application, classes of financial literacy will be provided by the State Employment Agency.

The emergence of FinTech consumer lenders

The growth dynamics of the consumer lending segment have been influenced by the enabled supply of a variety of consumer lending services.

The set of factors that continue to shape the segment includes improved methodology for the measurement and control of credit risk, technological innovation and a broader range of products. All of these factors are embraced by the Financial Technology (the “**FinTech**”) consumer lenders bolstering continued growth of the market. FinTech lenders are a subset of specialised consumer lenders that seek to leverage data and technology to provide better products through digitally-driven processes.

FinTech consumer lenders, such as the Company, have stepped in by efficiently processing big data (large volumes of information), enabling credit risk assessment with a higher level of accuracy. Often FinTech orientated lenders use alternative credit scoring solutions to determine the creditworthiness of the applicants, such as tracking of digital footprint, e.g., rent and utility payments. Big data analysis allows one to identify new development opportunities and operate more efficiently, increasing profitability as a result.

Historically, the majority of consumer loan providers offered a single interest rate for a loan product, regardless of the credit score of a loan applicant. More recently, with greater data availability and the technology scope for data analysis, it has become more common for loan providers to offer different interest rates depending, inter alia, on the creditworthiness of a borrower and recent cooperation with the lender. These pricing solutions can assist FinTech loan providers in attracting customers with relatively stronger credit characteristics, as these customers may be offered better prices than by providers who offer one price for all customers.

The Company believes that due to these factors, there is a substantial opportunity for technology-led specialised lenders to continue to attract market share from banks.

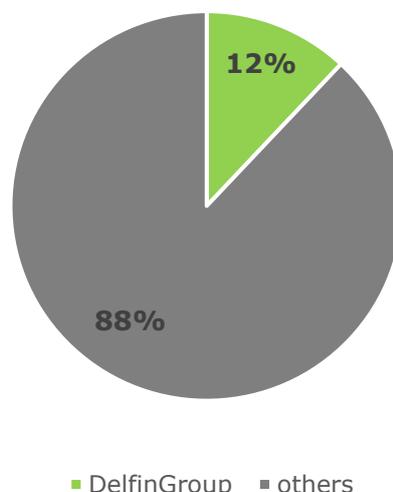
7.4. Competitive landscape of consumer lending services

In recent years, the Company has been increasing its share of the Latvian specialised consumer loan market by leveraging its broad network of branches, digital presence and innovative loan products.

Figure 7.4.1.

Portfolio market share 2021, Consumer loans²⁰

Portfolio market share 2021, Consumer loans



Main competitors: consumer loans

The main competitors of the Company among the specialised consumer lenders with respect to consumer loan issuance are *InCredit Group* (<https://www.incredit.lv/>), *IPF Digital Latvia* (<https://www.credit24.lv/>), *Aizdevums.lv* (<https://www.aizdevums.lv/>), *ExtraCredit* (<https://www.bino.lv/>), *4Finance* (<https://www.vivus.lv/>; <https://www.ondo.lv/>; <https://www.smscredit.lv/>) and *Inbank Latvia* (<https://inbank.lv/>).

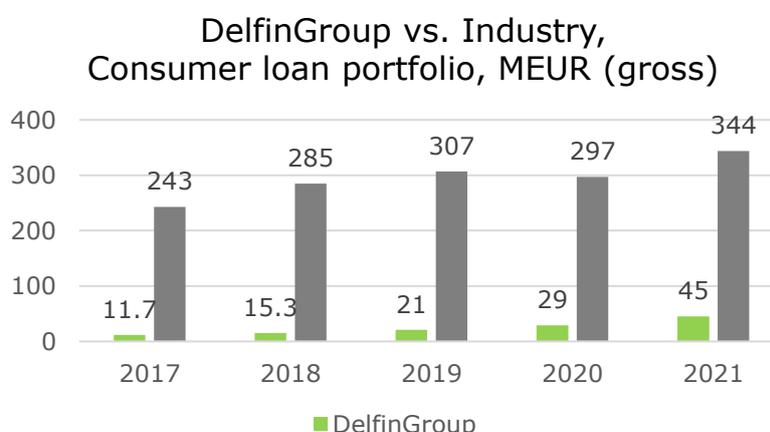
Table 7.4.2.

The Company's main competitors in consumer loan realm

	Offline	Pay day loans	POS loans	Mobile app
DelfinGroup	Yes	No	Yes	Yes
Aizdevums.lv	Yes	No	Yes	No
4Finance	No	No	No	Yes
IPF digital	No	No	No	No

Figure 7.4.3.

DelfinGroup vs. Industry, Consumer loan portfolio, MEUR²¹



²⁰ Source: https://nasdaqbaltic.com/market/upload/reports/dqr/2021_esg_en.pdf.

²¹ Source: https://nasdaqbaltic.com/market/upload/reports/dqr/2021_esg_en.pdf.

The Company has been steadily growing its share of the Latvian consumer loan market and adding to its portfolio of consumer loans.

The main competitors: pawn loans

The main competitors of the Company among the specialised consumer lenders operating in the pawn loan segment are *Vita Credit* (<https://www.vitalombards.lv/>), *E-lats* (<https://www.e-lats.lv/>), *Finance 360 association* (<http://finance360.eu/>) and *Fresh Cash* (<http://www.fclombards.lv/>).

Figure 7.4.4.

Market share 2021, Pawn loans²²
 Market share 2021, Pawn loans

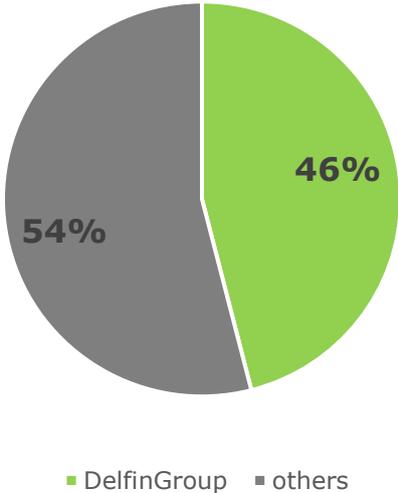
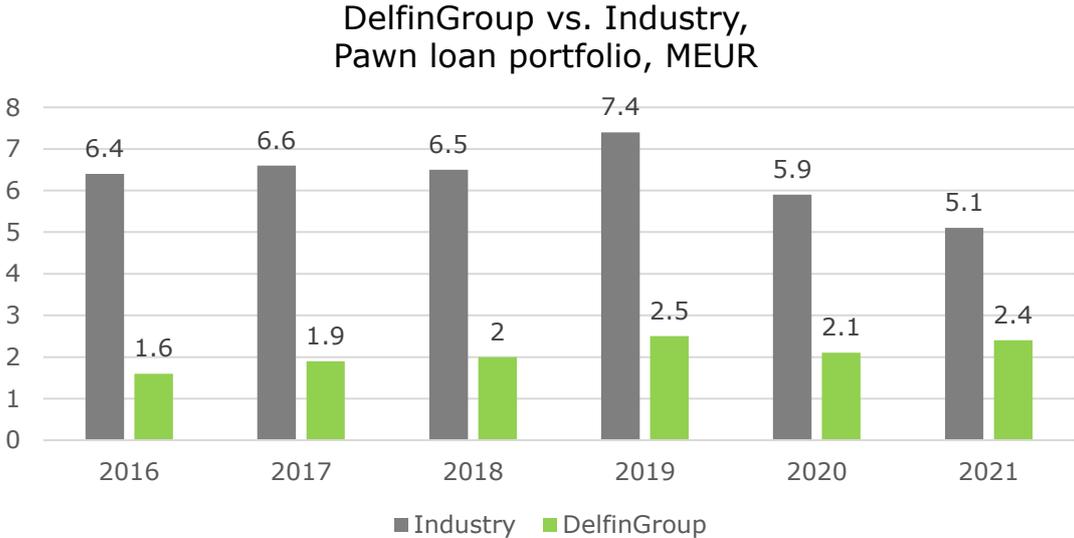


Figure 7.4.5.

DelfinGroup vs. Industry, Pawn loan portfolio, MEUR²³



²² Source: https://nasdaqbaltic.com/market/upload/reports/dqr/2021_esg_en.pdf.

²³ Source: https://nasdaqbaltic.com/market/upload/reports/dqr/2021_esg_en.pdf.

The pawn loan portfolio of the Company is growing steadily over the last 6 years. This has allowed the Company to remain well positioned in this market segment.

Table 7.4.6.

Pawn loan network in Latvia				
	Wide branch network in regions	Pledge gold	Pledge electronic devices	Developed consumer loan
DelfinGroup	Yes	Yes	Yes	Yes
Vita Credit	No	Yes	Yes	No
E-lats association	Limited	Yes	Yes	Limited
Fresh Cash	No	Yes	Limited	Yes

The Company continues to operate the largest network of pawn shops in Latvia. A part of its strategy is to continue adding pawnshops to the existing network (see Section 8.10 "Strategy and objectives" of this Prospectus).

7.5. Regulatory environment of consumer lending services

Licensing framework for the provision of consumer loan services

In order for companies to provide consumer lending services and to be regarded as specialised consumer lenders, a special permit (licence) needs to be obtained. The supervisory authority for specialised consumer lenders in Latvia is the Consumer Rights Protection Centre.

Principal laws and regulations relevant to the consumer lending segment and the Group are:

- 1) Commercial Law of the Republic of Latvia;
- 2) Consumer Rights Protection Law;
- 3) Personal Data Processing Law and Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation);
- 4) Financial Instrument Market Law;
- 5) Unfair Commercial Practices Prohibition Law;
- 6) Law on Out-Of-Court Consumer Dispute Resolution Bodies;
- 7) Law on Safety of Goods and Services;
- 8) Law on Information Society Services;
- 9) Law on Release of Private Indebtedness for Natural Persons;
- 10) Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation).

The principal regulations relevant to the provision of pawn loan services and consumer loan services are:

- 1) Cabinet Regulation No. 245 of 29 March 2011 "Regulations Regarding Special Permit (Licence) for Consumer Credit Services";
- 2) Cabinet Regulation No. 691 of 25 October 2016 "Regulations on Consumer Credit";
- 3) Cabinet Regulation No. 648 of 21 October 2014 "Regulations Regarding Distance Contract for the Provision of Financial Services";
- 4) Law on Extrajudicial Recovery of Debt;
- 5) Cabinet Regulation No. 61 of 29 January 2013 "Regulations Regarding the Permissible Amount of Expenses for Recovery of Debt and Non-Reimbursable Expenses";

- 6) Cabinet Regulation No. 64 of 29 January 2013 "Procedures for the Licensing of Providers of Debt Recovery Services".

The principal laws and regulations relevant to AML/CFT compliance and compliance with international sanctions are:

- 1) Law on International Sanctions and National Sanctions of the Republic of Latvia;
- 2) Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing;
- 3) Cabinet Regulation No. 705 of 13 November 2018 "Regulations Regarding Requirements on the Prevention of Money Laundering and Terrorism Financing for the Providers of Consumer Crediting and Debt Recovery Services";
- 4) Cabinet Regulation No. 550 of 17 August 2021 "Regulations on the Procedure and Content of Submission of Suspicious Transactions and Threshold Declaration".

Licensing requirements

The licensing authority with respect to specialised consumer lenders in Latvia is the Consumer Rights Protection Centre. The existing licensing framework has introduced a high standard of compliance with the applicable requirements for those seeking to enter the specialised consumer lending business in Latvia.

The state duty payable for granting a non-bank consumer lending licence is EUR 250,000. The state duty payable for the annual renewal of the licence is EUR 55,000. The licences are currently held by two Group companies, the Company and ViziaFinance.

7.6. Overview of the retail business segment of pre-owned goods

The segment of pre-owned goods retail is considered to be a part of the general retail trade market, which mainly operates on the basis of re-selling new and/or pre-owned goods to the general public. Typically, the retail business segment of pre-owned goods is separated from the retail segment of new goods because the products are pre-owned or used at least once.

The market participants in the pre-owned goods segment offer consumers a broad selection of goods belonging to different categories, ranging from pre-owned electronic appliances to clothing and jewellery.

Through its network of branches and online store, the Company offers customers a broad range of goods. The main focus of the offering is electronics and home appliances, jewellery, tools, garden and forest machinery, as well as sports and leisure equipment.

7.7. Key developments and trends in the business segment of pre-owned goods retail

Evolution of the segment

The table below provides data relevant to the business segment of pre-owned goods retail in stores.

Table 7.7.1.

The total revenue of the business segment of pre-owned goods in stores at current prices²⁴

Year	Total revenue, thousands of EUR	Year on year change
2017	39,401	4.7%
2018	38,890	(1.3)%
2019	42,435	9.1%
2020	33,687	(20.6)%
2021	25,195	(25.2)%

²⁴ Source: Official statistics of Latvia:

https://data.stat.gov.lv/pxweb/en/OSP_PUB/START_TIR_TI_TIT/TIT030m/table/tableViewLayout1/

The revenue of pre-owned goods in stores experienced a decline in the year 2020 and 2021 compared to the year 2019. The decline is attributable to the adverse effects of the COVID-19 pandemic. However, the overall trend in recent years is such that the demand for pre-owned goods is growing due to a shift in the preferences of customers. Digitalisation and the introduction of new trading formats enhances the tendency towards re-sale and leads to the progressive development of the second-hand goods market.

Moreover, one of the most important factors that has contributed to the development of the business segment of pre-owned goods retail is the growing concern for the environment.

The principles of circular economy encourage consumers to put a used or unwanted product back into economic circulation – either by recycling it, leasing it out, or reselling it - in order to lengthen the life-cycle of the product and in most cases receive monetary benefit for it. The idea of circular economy has been developing for years, but its widespread support has accelerated recently with the increased focus on sustainability by consumers.

7.8. Competitive landscape of pre-owned goods retail

The rise of retail sales over the internet (e-commerce), the platform economy and technological advances have reshaped the boundaries and forms of commerce. The nature and types of exchanges and offerings are also being reconfigured within the segment of pre-owned goods retail, thereby providing for a variety of possible business models.

The combination of operating model and the range of goods offered has enabled the Company to attain a market position where it only has a limited number of competitors.

7.9. Regulatory environment of pre-owned goods retail

New consumer policy - General Product Safety Regulation

The new General Product Safety Regulation will substitute the General Product Safety Directive and address risks related to online shopping and new technology products, including cyber-security risks, by introducing product safety rules for online marketplaces. The Regulation is designed to ensure that all marketplaces are fulfilling their obligations to consumers and all products reaching EU consumers are safe, whether coming from within the EU or from third countries.

The principal laws and regulations relevant to the business segment of pre-owned goods retail are:

- 1) Commercial Law of the Republic of Latvia;
- 2) Consumer Rights Protection Law;
- 3) Personal Data Processing Law and Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation);
- 4) Unfair Commercial Practices Prohibition Law;
- 5) Law on Out-Of-Court Consumer Dispute Resolution Bodies;
- 6) Law on Safety of Goods and Services;
- 7) Law on Information Society Services.

The principal laws and regulations relevant to AML/CFT compliance and compliance with international sanctions are:

- 1) Law on International Sanctions and National Sanctions of the Republic of Latvia;
- 2) Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing;
- 3) Cabinet Regulation No. 705 of 13 November 2018 "Regulations Regarding Requirements on the Prevention of Money Laundering and Terrorism Financing for the Providers of Consumer Crediting and Debt Recovery Services";
- 4) Cabinet Regulation No. 550 of 17 August 2021 "Regulations on the Procedure and Content of Submission of Suspicious Transactions and Threshold Declaration".

8. COMPANY OVERVIEW

8.1. About the Company

The Company is one of the leading specialised consumer lenders in Latvia. The Company provides unsecured loans and loans against a pledge to retail customers in need of quick and convenient access to additional funding. The Company offers a variety of consumer lending solutions tailored to individual consumer needs.

In addition to consumer lending, the Company operates a network of pawnshops across Latvia and an online platform in the business of pre-owned goods retail.

The services offered by the Company complement each other; they contribute to the circular economy by encouraging the reuse of goods, and provide an opportunity for the goods to re-enter the economy through its pawnshops that offer a broad selection of pre-owned goods to walk-in customers.

The culture embraced by the Company is a reflection of its core values. The core values drive behaviour at all levels of the Company's organisation.

Core values of the Company:

- **Mastery:** The Company is professional and adheres to a higher standard.
- **Simplicity:** The Company's services are simple and easy to understand.
- **Respect:** The Company treats everyone with respect, is honest and open.
- **Accessibility:** The Company is accessible everywhere and to everyone.
- **Client focus:** The Company listens to its customers carefully and offers tailored solutions.
- **Ambition:** The Company is driven to grow constantly and to achieve and maintain its position as the leading consumer lender in Latvia in the long term.
- **Progress:** The Company routinely seeks and finds ways to improve its performance.

Mission of the Company: To create and provide innovative and custom finance solutions for our clients.

Vision of the Company: Building a sustainable society by empowering people and promoting financial inclusion.

8.2. Historical timeline and milestone events

Table 8.2.1.

Historical timeline and milestone events

2009	First pawnshop opened under the brand name Lombards24.lv; the pawnshop is still operational.
2010	50th pawnshop opened. On average, every pawnshop managed to reach break-even on an EBITDA basis by the sixth month of operation. The 50 pawnshops were spread across 15 cities and towns in Latvia.
2011	Consumer lending services introduced across the pawnshop network.
2012	First 100,000 customers registered.
2014	Issued bonds listed on the Nasdaq Riga stock exchange.
2015	"Lombards24.lv" rebranded as "Banknote" – a customer-friendly brand emphasising the Company's aspiration to expand the offering of personalised finance solutions.
2016	Joined the global lending market place platform Mintos.

2017	<p>ISO certified. The Group became certified by Bureau Veritas ISO certification under ISO 9001:2015 and ISO 50001:2015, attesting to the quality of internal processes and controls.</p> <p>Online lending launched by “Banknote”, thereby enabling customers to use the Company’s services through its website.</p>
2018	<p>New brand “VIZIA” launched. A modern financial services provider specialising in the provision of online consumer loans.</p>
2019	<p>Corporate name “ExpressCredit” changed to “DelfinGroup” to introduce a brand-new vision, mission and several new values.</p>
2020	<p>“Banknote pirkumiem” launched. A new point of sale (POS loans) financing product developed to penetrate the Latvian leasing and purchase financing markets. By simplifying the shopping process, the product enables streamlining of the customer experience.</p>
2021	<p>First ESG report published. To showcase how the Company’s business strategies and operations advance Environmental, Social and Governance objectives and contribute to long-term value creation.</p> <p>New bond issue via private placement in the amount of EUR 5 million with the lowest coupon rate in the Company's history of 9.75%.</p> <p>Reorganisation into a Joint Stock Company. The Company changed its corporate structure to a Joint Stock Company. The reorganisation is aimed at further increasing the Company's transparency and ability to attract outside financing.</p> <p>Initial Public Offering. The initial public offering (IPO) of The Company successfully closed on 14 October 2021. 5,927 investors participated in the IPO and the Company raised 8,09 million euros. On 19 October 2021 Nasdaq Riga decided to list the Company’s shares on the Baltic Main List as of 20 October 2021.</p>

8.3. Organisational structure

The charts below present the organisational structure and the subsidiary of the Company, along with the overall organisational structure of the Group, as of the date of this Prospectus.

The Company, together with ViziaFinance, forms the Group. ViziaFinance is a wholly-owned subsidiary of the Company.

Figure 8.3.1.



Registration data of the Company and ViziaFinance are provided below.

Table 8.3.1.

The Company

Company name	AS “DelfinGroup”
Legal form	Joint stock company (AS)

Country of registration	Latvia
Registration authority	Commercial Register of Latvia
Registration number	40103252854
Registration date	12 October 2009
Registered address	50A Skanstes Street, Riga, LV-1013, Latvia
Share capital	EUR 4,531,959.4
Shares	45,319,594 shares with a nominal value of EUR 0.1 each
Shareholders	Please see Section 10.2 "Shareholders" of this Prospectus

Table 8.3.2.

ViziaFinance

Company name	SIA ViziaFinance
Legal form	Limited liability company (SIA)
Country of registration	Latvia
Registration authority	Commercial Register of Latvia
Registration number	40003040217
Registration date	6 December 1991
Registered address	50A Skanstes Street, Riga, LV-1013, Latvia
Share capital	EUR 569,148
Shares	569,148 shares with a nominal value of EUR 1 each
Sole shareholder	"DelfinGroup" AS – 569,148 shares (100% of share capital)

8.4. Services

The Group operates under three main brand names: Banknote, VIZIA and *Rīgas pilsētas lombards* (Riga City Pawnshop) and is active in two principal markets – consumer lending and retail business of pre-owned goods.

The Group offers the following three types of services: (1) consumer lending comprising consumer loans, point of sale loans and credit line financing, (2) pawn loans and (3) retail business of pre-owned goods. The Group is organised into three operating segments based on services as follows:

Consumer loan segment: handling consumer loans to customers, debt collection activities and loan debt sales to external debt collection companies.

Pawn loan segment: handling pawn loan issuance and the sale of pawn shop items.

Other operations segment: providing loans for real estate development (as of the date of this Prospectus not an active service), general administrative services to the companies of the Group (very minor activity, immaterial).

Figure 8.4.1.

The Group's offered services

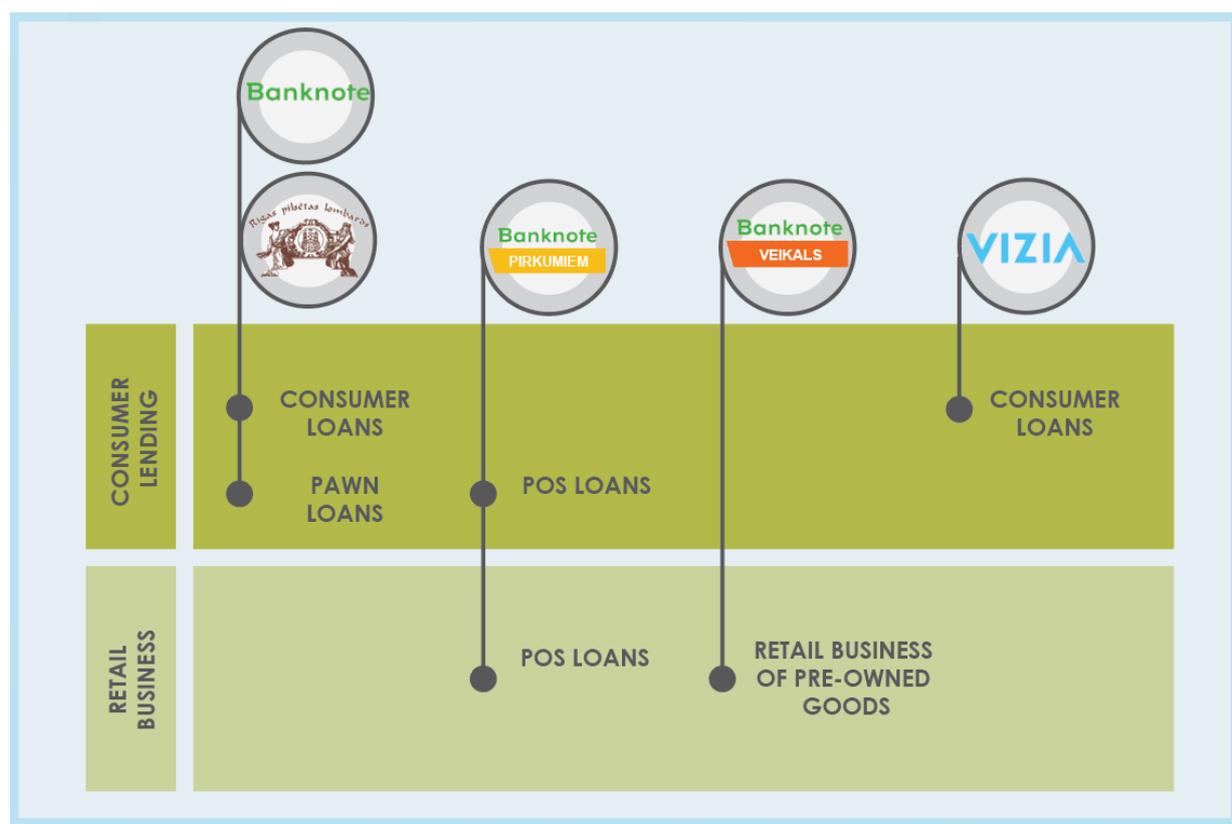


Table 8.4.1.

Key financial data divided into operating segments (MEUR)

	2019	2020	2021
Revenue			
Total	21.79	23.66	25.49
Pawn loans	10.08	10.84	9.80
Consumer loans	10.81	12.38	15.62
Other activities	0.90	0.44	0.07
EBITDA			
Total	8.17	9.43	10.20
Pawn loans	2.87	2.87	1.93
Consumer loans	4.94	5.82	8.11
Other activities	0.36	0.77	0.15
Assets			
Total	38.27	45.96	52.06
Pawn loans	7.02	8.08	8.51
Consumer loans	21.99	32.23	43.56
Other activities	8.87	5.18	-

Consumer lending services**Consumer loans**

Consumer loans are provided by both Banknote and VIZIA. *Rīgas pilsētas lombards* (Riga City Pawnshop) also provides consumer loans as part of its broader service offering.

Both the Company and VIZIA seek to offer borrowers better value and a better borrowing experience compared to its competitors. By leveraging the proprietary, end-to-end online technology platform of the Group, both companies aim to provide simple, fast, and competitively priced loans to Latvian consumers. The loan application and settlement processes of the Company are digital-first, which helps its customers to enjoy a simpler and more rapid application and approval experience.

The value proposition underlying loan products offered by the Group is that the borrowing process by consumers should be simple, swift, and fair and provide the best possible outcome for the borrower.

Table 8.4.2.

The Group's provided consumer lending services

	Banknote	VIZIA	Banknote	VIZIA
	Consumer loans		POS loans: Banknote pirkumiem ("Banknote for purchases")	Credit line
Loan amount	EUR 50 – 10,000	EUR 100 – 10,000	EUR 50 – 1,400	EUR 100 – 5,000
Loan maturity	Up to 120 months		Up to 36 months	Up to 60 months
Interest rates per month	Up to 3.70%		Up to 2.95%	Up to 3.70%
Security	Unsecured		Unsecured	Unsecured

Banknote

Banknote offers consumers fast, convenient, and secure means to borrow money. The Company lends money to all customers aged 18 or older and no distinction is made. To facilitate financial inclusion, Banknote also focuses on a particular category of borrowers – seniors, or elderly individuals. Banknote is one of the few services in the Latvian market specifically targeting seniors. The Company believes that seniors are underserved in the Latvian loan market, and access by seniors to consumer loans is limited.

In 2016, the Company launched a consumer loan sub-service "Aizdevums Senioriem" (or "Loan for Seniors") to meet the economic needs of the elderly population of Latvia. The value proposition of this sub-service is in the reduced fees and interest rates.

"Banknote Pirkumiem" (or "Banknote for purchases") is a new point of sale lending service, offered under the brand name **Banknote**.

Banknote

PIRKUMIEM

This service was launched in the fourth quarter of 2020. Customers using "Banknote Pirkumiem" (or "Banknote for purchases") can purchase a product they choose at a physical pawnshop or online store and pay for the product they purchased in instalments over time. The customer can then choose to pay off the purchase with interest in instalments.



VIZIA is an innovative financial services provider focused on swift and easy consumer loan solutions. This new brand is growing rapidly.

In addition to consumer loans, VIZIA has launched a new consumer lending service under its brand – credit line. The service was launched in the third quarter of 2021 and is the newest service offered by the Group. Credit line provides customers with an opportunity to borrow money up to a certain limit and repay the loan over time.

Pawn loan services

Banknote



The Company offers pawn loans, which are a form of secured loan. Under a pawn loan, the borrower pledges an item of goods with the Company that serves as security, or collateral, for repayment of the loan. The item of goods is transferred into the possession of the Company and remains there for the duration of the term of the loan, unless repayment occurs before the expiration of the term of the loan. The extent of the customer’s liability is limited by the value of the pledged property, while the amount of the loan depends on the value of the collateral and customer’s credit rating as assessed by the Company.

Pawn loans are provided to consumers under the brand names **Banknote** and **Rīgas pilsētas lombards** (Riga City Pawnshop).

Table 8.4.3.

The Group’s provided consumer lending services

	Banknote
	Pawn loans
Loan amount	Depends on pledge, up to 95% from pledge value
Loan maturity	Up to 24 months
Interest rates per month	2-28%
Security	Secured

Retail business of pre-owned goods

Banknote

VEIKALS

The business of pre-owned goods retail is operated under the brand names Banknote and *Rīgas pilsētas lombards* (Riga City Pawnshop).

The Company has adopted the "Lietots. Pārbaudīts" ("Used. Verified.") circular economy initiative through its retail business of pre-owned goods. By providing this service, the Company encourages customers to save resources and acquire pre-owned goods.

8.5. Customer experience

As of the date of this Prospectus, the Group operates in Latvia. The Group strives to deliver its services in a manner offering superior customer experience, tailored to customer needs and expectations.

Customer base

Services of the Group are available to the entire adult population of Latvia. The Group primarily serves customers through the network of branches. Branches of the Group are available in nearly every Latvian town with a population exceeding 7,500 residents. Most of the services of the Group are available on online platforms.

Table 8.5.1.

The Group’s customer base (age), percentage²⁵

Age	2018	2019	2020	2021
<30	9%	8%	10%	16%
30-59	59%	58%	57%	55%

²⁵ Source: https://nasdaqbaltic.com/market/upload/reports/dgr/2021_esg_en.pdf.

>59

32%

34%

10%

16%

Relationships with customers

Customer relationships and the quality of customer experience are essential to Group operation.

- **Customer communication.** The Group cares about customers and takes its reputation seriously. It ensures that the terms of service offered by Group companies to their customers are clear, unambiguous, and carry no hidden costs to customers. The Group conducts its business in an open and transparent manner. It is a priority of the Group that the most suitable solution among the array of available solutions is being offered to customers. The Group uses the following channels to maintain communication with its customers: phone calls and messages, e-mail communication, updates, Banknote app and messages via WhatsApp, in-person interaction.
- **Provision of loans.** The Group offers customers both cash loans (only in branch) and loans via bank transfer (both in branch and online). If the loan amount exceeds EUR 1,000, only bank transfer is possible (both in branch and online). Considering the range of loan solutions offered by the Group, its service offering is convenient, fast, and transparent. Moreover, it takes account of the individual needs of each customer.
- **Recognition by customers.** The Group has approximately 400,000 active and passive customers. Customer feedback and recommendations are taken seriously; they form an integral part of the business development strategy as they help tailor the services offered and continuously refine the service offering.

Distribution of the Group's services

The Company offers services to consumers through several channels. Each customer can choose the channel that suits him or her most.

Services provided by Banknote are available online (via Banknote website, the app, WhatsApp, e-mail, and phone) and offline (at branch offices). Services provided by VIZIA are available online (via VIZIA website, WhatsApp, e-mail, phone).

The distribution channels are outlined below.

Table 8.5.1.

The Group's distribution channels

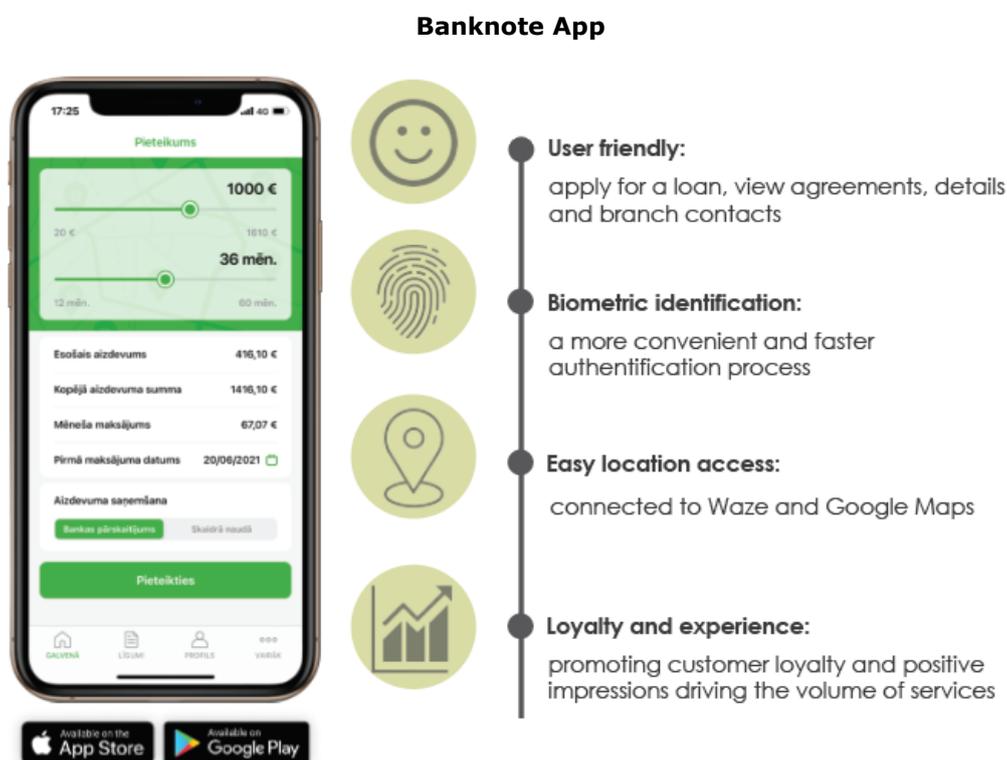
	CONSUMER LENDING SERVICES			PAWN LOANS	RETAIL BUSINESS OF PRE-OWNED GOODS
	CONSUMER LOANS	CREDIT LINE	POS LOANS		
 BRANCH	Banknote	—	Banknote PIRKUMIEM	 Banknote	Banknote VEIKALS
 WEBSITE	Banknote VIZIA	VIZIA	—	Banknote	Banknote VEIKALS
 APP	Banknote	—	—	—	—
 E-MAIL	—	—	Banknote PIRKUMIEM	—	—
 WPP	—	—	Banknote PIRKUMIEM	—	—

Online

Banknote App

Banknote App is available via Apple App Store and Google Play. At present, the full functionality of the app is available to existing customers of Banknote. The app is used to make loan applications, view current agreements and schedules of payments, as well as to communicate with and receive relevant information from the branch offices.

Figure 8.5.2.

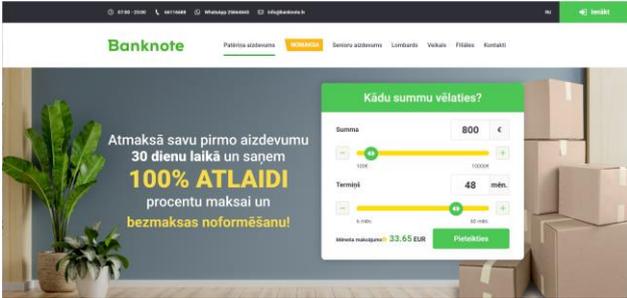
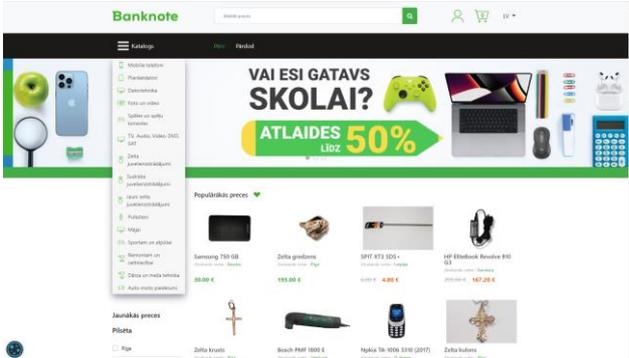
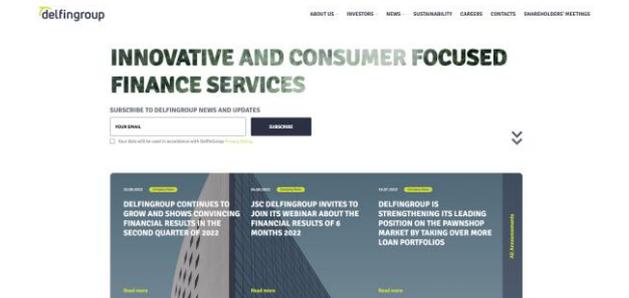


Banknote and VIZIA Website

Both Banknote and VIZIA have a strong online presence via their respective websites <https://www.banknote.lv/> and <https://www.vizia.lv/>. In the case of VIZIA, customers benefit from the possibility of loan disbursement and loan repayment online. In the case of the online platform operated by Banknote, customers benefit from the possibility of online loan disbursement and loan repayment, filing of online applications for the provision of pawn loans and filing of online applications for the provision of point of sale loans ("Banknote pirkumiem" (or "Banknote for purchases"). If customers wish to purchase pre-owned goods or jewellery, they can do also through the online store operated by Banknote that can be accessed at this link: <https://veikals.banknote.lv/>.

Table 8.5.2.

The Group's offered service websites

Domain	Purpose of the website	Snapshot
<p>https://www.banknote.lv/</p>	<p>Online platform enabling consumer loans.</p>	
<p>https://veikals.banknote.lv/</p>	<p>Internet store for pre-owned goods.</p>	
<p>https://www.vizia.lv/</p>	<p>Online platform enabling consumer loans.</p>	
<p>https://delfingroup.lv/</p>	<p>Corporate website of the Group.</p>	

In addition, the Company operates a corporate website <https://delfingroup.lv/> that provides access to all corporate information on the Company.

WhatsApp, e-mail and phone

Banknote offers point of sale loan service "Banknote pirkumiem" (or "Banknote for purchases") to customers through a number of channels, including WhatsApp and e-mail. It also provides an opportunity to enter into agreements over the phone. Furthermore, other services provided by the Group are offered through these channels.

Offline – branches

Banknote is the largest network of pawnshops in Latvia. It plans to continue adding to and expanding the existing network.

As of the date of the Prospectus, the Group operates and generates revenue in Latvia by serving its customers via 92 branches. 41 of the branches are located in Riga, and 51 of the branches are located in other cities and towns across Latvia. The map below showcases Banknote's network with the top 5 branches in Riga and regions.

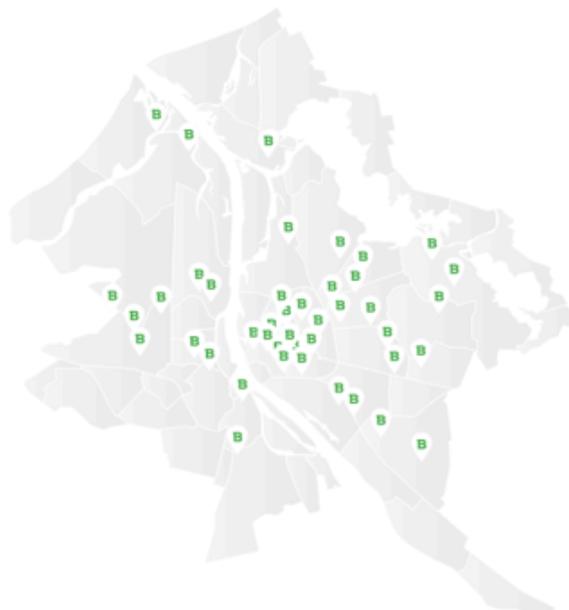
Figure 8.5.3.

Banknote pawnshop branch network in Latvia



Figure 8.5.4.

Banknote pawnshop branch network in Riga

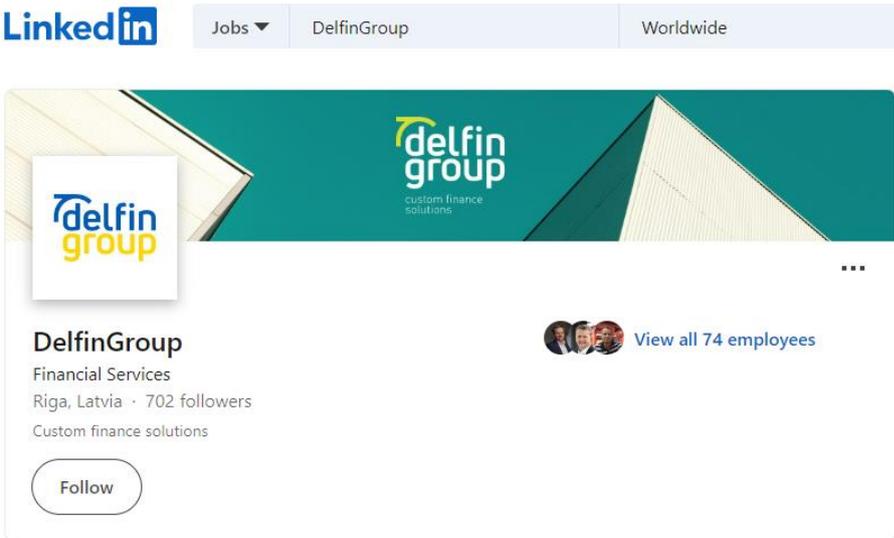
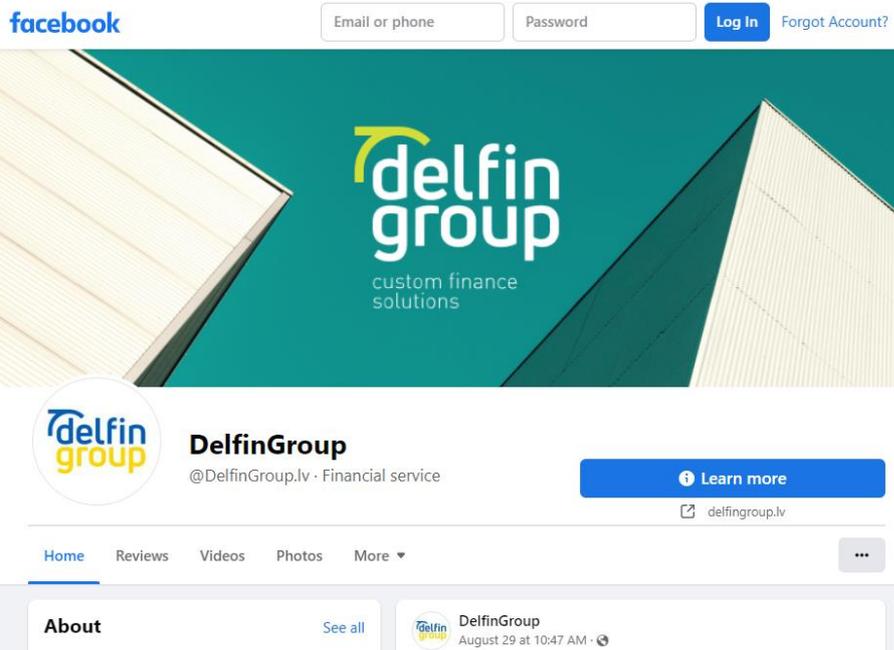


Distribution of information

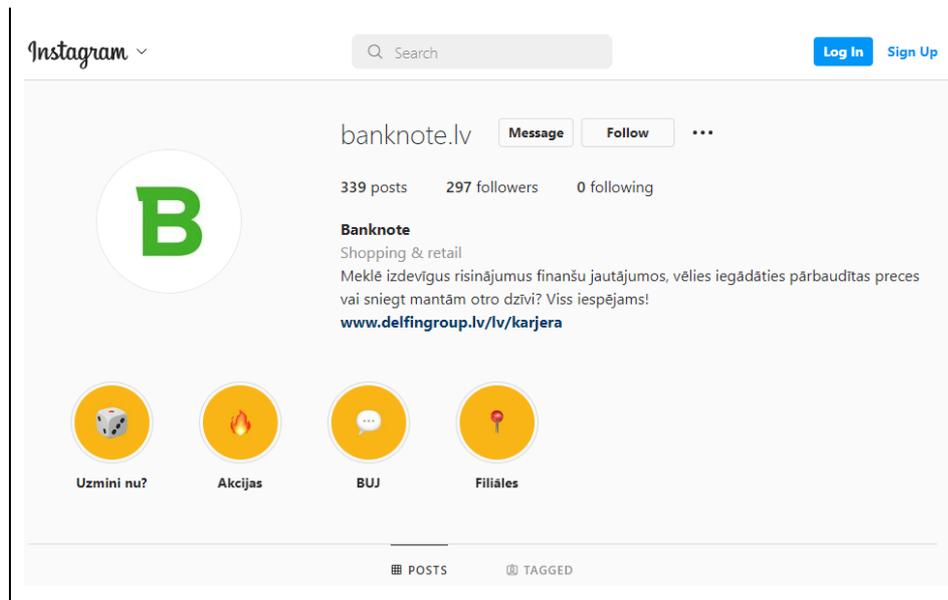
In the business segments in which the Group operates, customers usually commence the search for the available services online. Therefore, the Group continuously makes strategic investments in its online presence to engage potential customers at the earliest possible stage of the customer search journey. Through its core brands, the Group has established a presence on multiple social media platforms, including LinkedIn, Facebook, Instagram.

Table 8.5.4.

The Groups social media presence

Social media	Social media marketing snapshot
LinkedIn	
Facebook	

Instagram



Customer engagement

(1) Customer loans – application, disbursement, and repayment

Consumer loans and credit line

Loan application process:

After the loan application process has been initiated, it can be divided into two stages.

(1) *Identification and verification*

Identification and verification processes differ for new customers and returning customers.

New customers are subject to the initial identification and verification procedure, which is completed by either undergoing the registration process via the online platform of Banknote or VIZIA, or at the branch.

Returning customers are subject to re-identification and verification by means of presenting ID at the branch office. The users of the online platform must only complete the identification procedure once during the registration process. Any subsequent use of the Company's services via online platform requires authentication by entering personal identification code and password.

The process of bank account's identification process is described below in sub-section "Loan approval and disbursement process".

(2) *Application*

Once the identification and verification processes have been completed, both new customers and returning customers can make an application for the loan of the customer's choice.

Figure 8.5.5.

Consumer loan application process



Loan approval and disbursement process:

After the loan application has been submitted by either a new customer or returning customer, a decision is made as to whether to approve the application. If the application is approved, disbursement of the loan is performed.

(1) *Loan approval process*

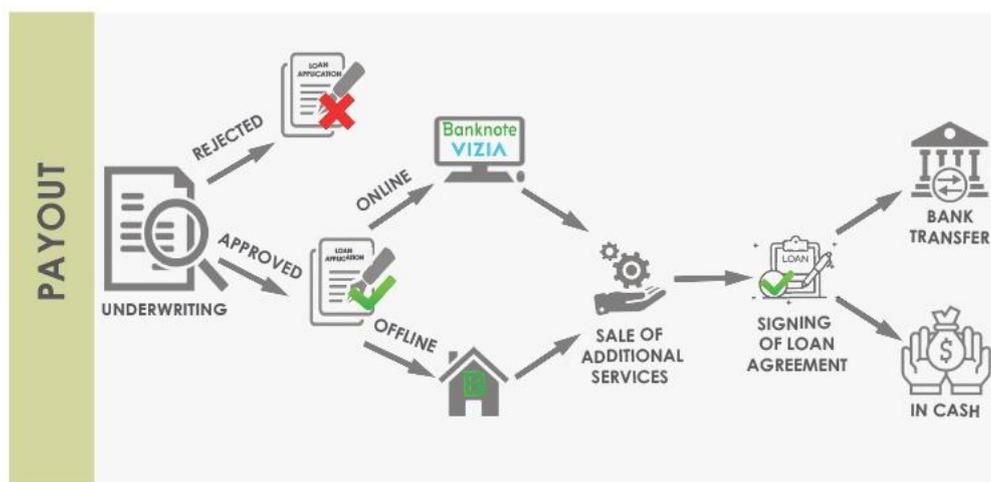
Following the submission of an application, the Group commences the underwriting process which includes a creditworthiness assessment, sanctions and AML compliance checks and other evaluation steps. If the application is rejected, no loan can be disbursed.

(2) *Loan disbursement process*

If the loan application is approved, a loan agreement is signed and executed between the customer and the Group (in the branch office) or online. Hence, the loan is paid out via bank transfer or in cash. The bank transfer is made only to the verified bank account, namely, (i) a bank account that the customer used for identification process, (ii) a bank account that the customer indicated after identification at the branch. If a customer intends to change a bank account to which the loan shall be paid out, the re-identification process must be carried out, namely, (i) by identification process in branch office, (ii) by online identification process transferring EUR 0.01 from the bank account to which the customer intends to receive a loan.

Figure 8.5.6.

Consumer loan payout process



Loan repayment process:

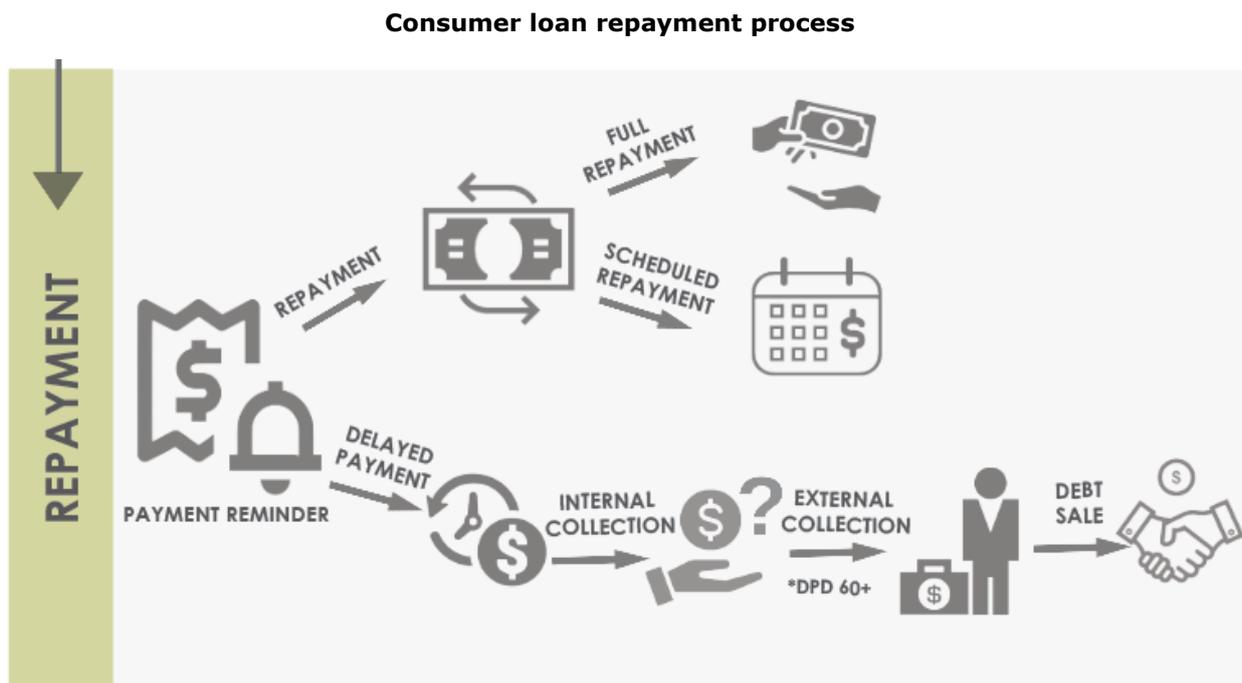
(1) *Ordinary course of loan repayment*

In most cases, loans are repaid in accordance with the repayment schedule in a timely manner. Therefore, the Company does not need to allocate additional resources to recover the debt amount.

(2) *Delayed loan repayment*

If a delay occurs in the repayment of the loan, a recovery process is initiated against the borrower. If the internal debt collection process is unsuccessful, and if the repayment is delayed for more than 60 days, then the loan is handed over for external collection. If this part of the recovery process is unsuccessful, then the loan is sold in a competitive debt sale process.

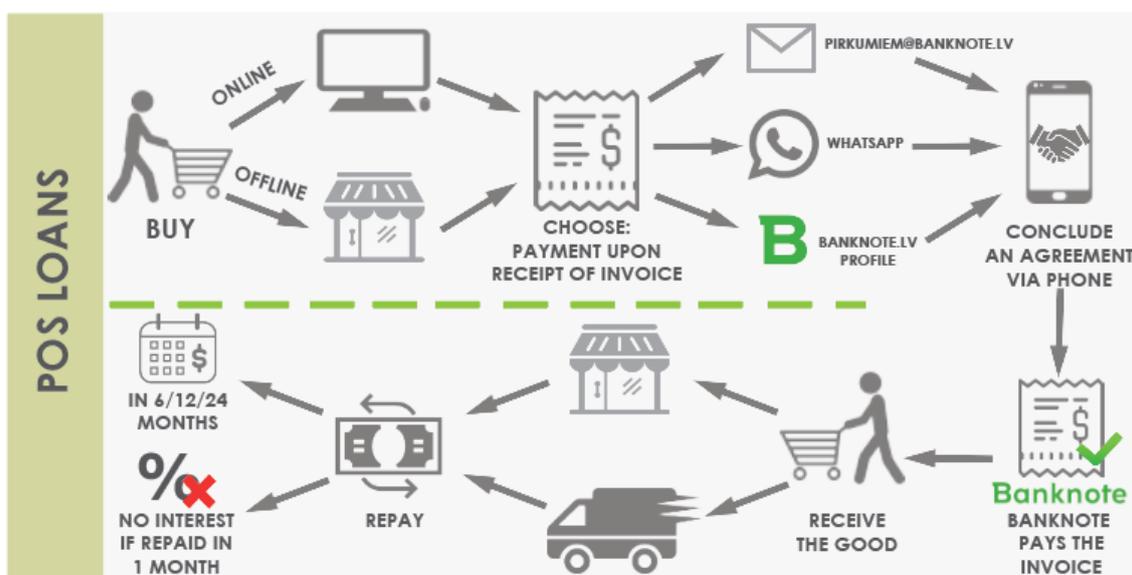
Figure 8.5.7.



Point of sale ("Banknote pirkumiem" (or "Banknote for purchases"))

As mentioned previously, the application process for the point of sale lending service is different from the application process for consumer loans and credit lines. The loan application process begins when the customer (either a new customer or a returning customer) has chosen the good for which he or she needs the instalment financing service.

Consumer loan repayment process



(2) Pawn loans

Loan application process:

The application process for pawn loans is different from the application process for consumer loans as collateral needs to be provided for an appraisal.

(1) Identification and verification

Similarly, to consumer loans, the Company complies with identification and verification procedures as the first step in the loan application process (see more "Consumer loans and credit line: The loan application process" above).

(2) Application and provision of collateral

In the loan application phase, the borrower must provide collateral, as security against which the loan will be issued. The collateral is evaluated by a skilled appraiser, and the loan amount is determined as a set percentage of the value of the collateral.

Loan approval and disbursement process:

After the loan application has been submitted and the collateral has been provided for the appraisal, a decision is made on the approval of loan issuance. If the application is approved, disbursement of the loan is performed.

(1) Loan approval and appraisal of the collateral process

The first step in the process is the appraisal or evaluation of the items used as security for the loan. Each of the Company's branches has designated personnel for carrying out appraisals who operate under a clear policy regarding their function and responsibilities. The appraisal is performed by a trained employee who has experience in appraising a broad array of goods. Several steps are involved in the appraisal process, including a test of the authenticity of the specific good in accordance with standard guidelines that are applied across all of the Company's branches.

(2) Loan disbursement process

If the loan application is approved, a loan agreement is signed and executed between the customer and the Company. The loan is paid out via bank transfer or in cash.

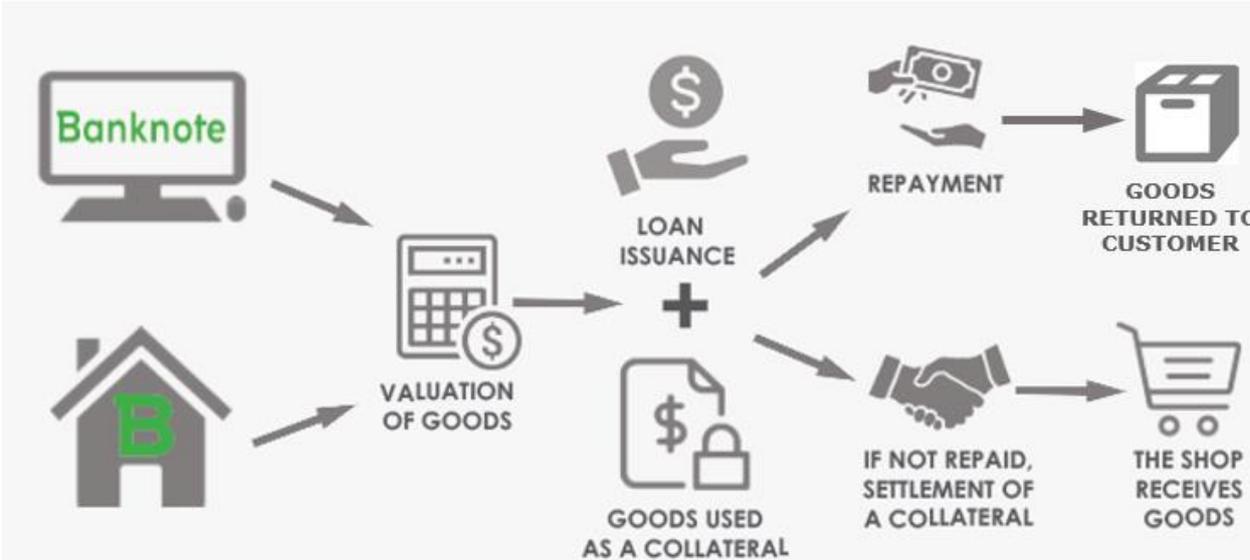
Once loan disbursement has occurred, the collateral is transferred into the possession of the lender.

Loan repayment and release of collateral process:

The Company monitors outstanding loans and the recovery of interest on an ongoing basis. Once a loan is fully repaid, the pledged good is returned to the customer. When a customer does not repay a loan on or before its maturity, the Company initiates the recovery process and assumes ownership of the pledged good to satisfy the amount owed to the Company, including both the principal and accrued interest. Before commencing the recovery process, the Company informs the customer through legal notices. The recovery process involves the sale of the pledged goods at one of the Company’s branches or online store. If the goods are in bad condition, they are sent to the Company’s workshop for repair and refurbishment. After the goods have been repaired and refurbished, they are put up for sale at one of the Company’s branches and online store.

Figure 8.5.9.

Pawn loan life-cycle



(3) Operation of retail business of pre-owned goods

Goods can end up at a Banknote store in one of the following three ways:

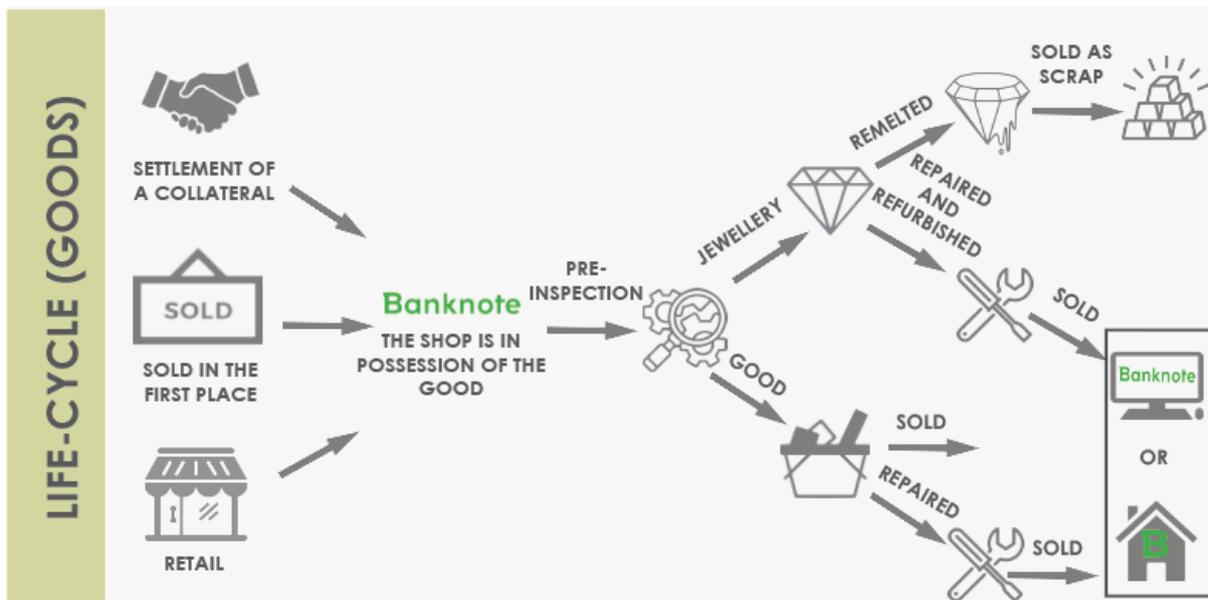
- placement of pre-owned good used towards collateral for sale, following failure by the borrower to repay a pawn loan;
- a natural person sells a pre-owned good to the Company via a branch office or online; or
- the Company purchases a pre-owned good from another retailer.

A preliminary examination is carried out with respect to all goods that are put up for sale at branch offices of the Company. The nature and scope of examination differs depending on whether the goods are jewellery or contain precious metals:

- jewellery: if jewellery is in fair condition, it is refurbished and put up for sale immediately; if jewellery is defective and capable of repair, it is repaired and then put up for sale; if jewellery is defective and not capable of repair, it is sold as scrap metal;
- other goods: if the goods are in fair condition, they are put up for sale immediately; otherwise, they are repaired and refurbished in the workshop and put up for sale after having been restored to optimum condition.

Figure 8.5.10.

Life cycle of goods



8.6. Risk management

The Company is susceptible to different kinds of business risks. Therefore, it maintains effective systems of risk management and controls that scale with the complexity and growth of the Company. The Company’s business model relies on the successful operation, oversight, and accountability of its risk management framework.

Risk Management Architecture

In order to address the risks that are inherent to the Company’s business, the Company has developed a risk management architecture that is overseen, inter alia, by the Audit and Risk Committee and the internal auditor of the Company (see Section 11.4 “The Audit and Risk Committee” of this Prospectus).

Figure 8.6.1.



Regulatory. Regulatory compliance is at the core of risk management processes of the Company. The Company devotes significant effort and resources to ensuring compliance with the entire set of regulatory requirements applicable to its business (please see Sections 7.5 and 7.9 “Regulatory environment” of this Prospectus).

Compliance with AML/CFT/CPF and sanctions regulations. A violation, or even suspected violation, of the applicable anti-money laundering, terrorism, and proliferation financing prevention regulations, as well as international and national sanctions regulations, may result in serious legal consequences for the Group and cause significant harm to its reputation. Compliance by the Group with the applicable requirements of AML/CFT/CPF laws and regulations is currently supervised by the Consumer Rights Protection Centre.

The Group recognises the importance to its business of compliance with AML/CFT/CPF requirements and has implemented a set of appropriate internal compliance policies and procedures. It also proactively monitors the national and international sanctions frameworks. As part of its internal compliance procedures, the Group conducts regular checks of its customers in accordance with the applicable requirements of AML/CFT/CPF laws and regulations. It also undertakes customer due diligence. The Company conducts regular AML/CFT/CPF training for all employees of branch offices of the Group.

Compliance with market abuse regulations. The Company has implemented rules on inside information disclosure in accordance with the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC. The Company’s internal rules regarding the unlawful disclosure of information are set with the purpose to protect investors by increasing transparency and quelling financial market abuse

Corporate governance. In developing its corporate governance policies and procedures the Company has embraced the best industry practices. The principles of corporate governance of the Company are set out in the Articles of Association, the Corporate Governance Policy and other policies and internal rules of procedure of the Company. Good corporate governance is the cornerstone of the Company’s strategy. It encompasses the processes, practices and policies relied on by the Company when managing its operations (please see Section 9 “General information and Articles of Association” and Section 11 “Management and Supervisory Bodies”).

Information technology. The Information Technology (“IT”) infrastructure of the Group provides a robust support system, including appraisal, internal audit, inventory control capabilities and a security system. The IT infrastructure has been developed predominantly in-house and is in the process of continuous improvement. It links the network of branches across Latvia with the Company’s head office. The benefits of IT infrastructure implemented by the Group include the minimisation of errors, significantly faster transmission of data and risk monitoring. The Group is also benefitting from the availability of real-time information. The Group has developed a disaster recovery IT system that replicates data on a real-time basis. IT technology helps the Group reduce the time it takes to complete customer transactions and maintain customer interactions.

Management of internal IT systems. The Company emphasises the importance of human capital in managing the internal IT systems because it considers human capital to be the key driver of innovation. The Company is focused on attracting skilled personnel to develop, implement, maintain, and upgrade the IT systems of the Group, improve the comprehensive knowledge base and customer profiles and support systems which, in turn, assist the Company in the expansion of its business.

The Company has recruited highly-skilled IT professionals who have significant experience in managing IT systems and plans to maintain focus on hiring additional IT personnel. The Company also plans to continue adapting its IT management procedures to take account of industry trends that the Company has identified.

The Company utilises a broad portfolio of software applications both for internal purposes and to enable better and more efficient customer service. It relies on industry standard-setting DevOps methodology to ensure the quality of software solutions by enabling active interaction between product development and IT personnel. The DevOps methodology facilitates the more efficient development, testing, and deployment of software updates.

Intellectual property. The brand awareness is the key to continued expansion of business of the Group. The Group uses several brands to commercialise different products and services. It devotes significant effort and resources to the protection of its trademarks. It holds several EU-registered trademarks.

The brand name "DelfinGroup" is owned by the Company and has been registered as a trademark with the European Union Intellectual Property Office, United Kingdom Intellectual Property Office, and Latvian Patent Office. Since the Group targets the Latvian market, several figurative and verbal trademarks have been registered locally in Latvia, including the key brand names "DelfinGroup", "VIZIA", "banknote.lv" and "Rīgas pilsētas lombards".

As of the date of the Prospectus, the Group does not own any other registered intellectual property rights (other than usage rights in software that have been licensed to the Group by third-party owners).

Data protection. The Group's business is associated with the necessity to process vast amounts of personal data and confidential information. Personal data is supplied to the Group by its customers or is collected during the provision of services to customers. The data are subject to protection under the General Data Protection Regulation, as well as applicable Latvian laws. To ensure compliance with the applicable legislation, the Group has developed and implemented an internal data protection system, which ascertains that all customer information is collected, stored, used, and processed in accordance with the requirements of the applicable data protection laws.

Employees. The Company's continued progress is due to its highly skilled and dedicated labour. The Company has developed a strategy on the retention of its current employees and performs the recruitment of prospective candidates. In order to reduce employee turnover and attract new talent, the Company aims to provide a workplace that has the principles of open and honest culture as its foundation, offering the prospects of career advancement and regular training opportunities available to each employee. The main training programmes that are offered to the Company's employees are personality development, professional master classes, briefings (training set by state organisations or required as part of the process of the implementation of new products or processes) and team building.

Premises. As of the date of this Prospectus, the Company has entered into lease agreements with respect to its branch premises and the main office of the Group, workshop and storage facilities. The Company owns four properties where its branches are located, however it does not utilise the entire premises, rather it leases a part of the premises to third parties. The premises are maintained in a manner compliant with the applicable health and safety standards.

Insurance. The Company has obtained adequate insurance policies covering the risks specific to its business. The existing insurance policies of the Group cover the risk of burglary arising from its branch operations, however the insurance policies are subject to liability caps, or maximum insurance limits. According to the scope of insurance coverage, all goods and jewellery related to the Company's pawn loan services and the business of pre-owned goods retail are insured. Thus, the Company fulfils the requirements on the mandatory insurance of goods used as collateral underlying pawn loans required by the Regulations Regarding Consumer Credit adopted by the Cabinet of Ministers.

Security and storage. The pledged pre-owned goods and jewellery are customarily stored on the Company's premises. Regulations Regarding Consumer Credit adopted by the Cabinet of Ministers require that adequate storage facilities be available to store goods used as collateral. The Company ensures compliance with the applicable requirements and has adopted a set of internal instructions on the provision of pawn loans and the procedures for the assessment of value of underlying goods. Moreover, the Company has introduced different levels of security throughout its branches to ensure that the risk of fraud, burglary and misappropriation is minimised for all goods.

Financial risk management. The Company monitors and manages the exposure of its business to financial and liquidity risks to ensure that its day-to-day liabilities and business obligations are met and the long-term financial strategy is adequately implemented (please see Section 14 "Operating and Financial Review" of this Prospectus).

Credit risk management. Credit risk is the possibility of loss due to the failure of any customer to abide by the terms and conditions of any loan agreement with the Company. The Group's credit risk management involves the maintenance and development of an effective risk control system to ensure the Group's successful operations. The framework of risk management is composed of regulatory requirements provided in laws, regulations and guidelines adopted by the Latvian Consumer Rights

Protection Centre. The Group has further developed additional internal procedures and a system to assess the credit risk using advanced data analysis.

Credit risk framework. Policies and procedures, technology controls, and scorecards with risk-based lending limits are part of the Group's credit risk framework. It improves proficiency in approving and managing the provided consumer lending services for customers.

The framework of the Group's credit risk management includes the following:

- **Credit risk** – development and monitoring of loan issuance as well as conformity with regulatory changes are entrusted to the Group's underwriting and compliance structures, which are also responsible for payment solutions and collection strategies.
- **Debt service to income ratio (the "DSTI") assessment** – the Company applies the Debt service to income ratio (the "DSTI") assessment approach. The DSTI method encompasses guidance for the Group to determine the permissible amount of maximum loan repayment per month.
- **The Group's credit scoring** – in addition to the applied DSTI method, the Group carries out a scoring procedure to conclude even more precise data analysis, thus, ensuring thorough risk management. The credit scoring encompasses risk assessment, transactional data analysis, payment processing, and collection management.
- **Oversight** – various systems, processes and committees established to analyse loan performance and trends, customer satisfaction, service levels and consistency in loan management.
- **Credit policy and responsible lending procedures** - a unified framework for credit risk management and responsible lending duties.

Credit risk assessment procedure

The risk assessment procedure is divided into several stages, each of which is analysed in conjunction with a scoring method. This approach allows one to efficiently allocate resources, as the loan application can be rejected at any stage of the process. The following steps are taken in the credit risk assessment process:

- identification of a customer (if the customer cannot be identified, the loan application is rejected);
- AML process;
- analysis of the internal databases (Banknote and VIZIA), including a record of delayed payments, refusal list, contact information, etc.;
- analysis of the external databases, including monitoring loan history, capacity, solvency, current liabilities and debts, etc. The Group executes the aforementioned actions and receives information from databases of the State Revenue Service and Credit Information Bureau, which allows the Group to review the customer's income, bank account statements, etc.

Creditworthiness assessment

The Group's applied DSTI and scoring methods assess the loan worthiness of applicants by using many data points from internal and external sources.

- 1) DSTI, as mentioned above, allows one to determine the maximum permissible loan repayment per month. In accordance with the customer's income, it determines how much money the customer is able to allocate for the loan repayment instalment every month. It ensures the issuance of such loans for consumers, which do not create repayment difficulties or excessive debt.
- 2) Furthermore, the Group uses its own credit scoring system. The Group's credit scoring system is used to determine what percentage of the customer's income may be allocated to loan instalment payments.
- 3) In addition, the Group verifies the existing obligations and income of the customer with the Credit Information Bureau, State Revenue Service and several other databases.

The Group calculates the maximum monthly instalment payment according to DSTI methodology and the scoring system, and subtracts the other monthly instalment payment that the customer already has thereby determining the remaining monthly instalment payment capacity for each customer.

Following the DSTI method and using the scoring system, the Group approves the loan if the following requirements are met:

- 1) the loan does not exceed the maximum allowed level of loan payments per month, taking the existing obligations and newly issued loan into consideration;
- 2) after regular loan repayment, the consumer has sufficient financial resources to cover expenses regarding everyday needs;
- 3) based on a thorough assessment of the customer’s credit history, it passes all loan underwriting criteria necessary to approve the loan;
- 4) possible risks regarding the repayment of the loan, for instance, loss of a job (source of income) have been assessed and the probability of such risks occurring is established;
- 5) the information provided by the consumer does not raise any doubts as to being accurate and genuine.

Loan provision

The provision of loans is exercised when repayment is delayed. If after certain number of days a customer has not started a process of repayment, the Group reserves a sum that is predictably determined as irrecoverable. If the repayment is delayed for an additional period, respectively the accumulation volume increases. This action is taken as a protection mechanism for the Group to anticipate unexpected losses and costs.

Debt collection process

The Group has created an efficient debt collection process entailing all necessary features for the successful operation. Before the debt collection process begins, the Group also applies its scoring method (please see Section 8.7 “Big data” of this Prospectus) to analyse the possibilities and most suitable scenarios to return unpaid loans. The Group distinguishes two possibilities of assignment procedures. If the Group believes that the debt cannot be recovered within certain number of days of the delay, the debt is assigned. This activity is conducted once a month and is considered to be a regular assignment process. If the repayment is overdue certain number of days of the start of the delay period or cannot be assigned under certain number of days, it is given for external debt collection and if unsuccessful then assigned once in a quarter in the “one-off” assignment.

Loan write-off process

Furthermore, the Group writes off the loan in these situations: (1) a person has been deceased; (2) a person is declared insolvent and has not paid for a year; (3) if a person has lost a capacity to act.

Non-Performing Loans

One of the key performance indicators used by the Group to assess the quality of its consumer loans portfolio and the effectiveness of its credit risk management is the non-performing loan ratio (the “**NPL Ratio**”).

Table 8.6.2.

Consumer loan NPL%²⁶			
2018	2019	2020	2021
5.8%	4.7%	4.8%	1.9%

The NPL Ratio for the previous four years of operation suggests that the credit risk management strategy of the Company is being implemented properly as the NPL ratio has remained relatively stable with a downward sloping trend from 2018 to 2020 and has experienced decrease by almost 4% from 2020 to 2021.

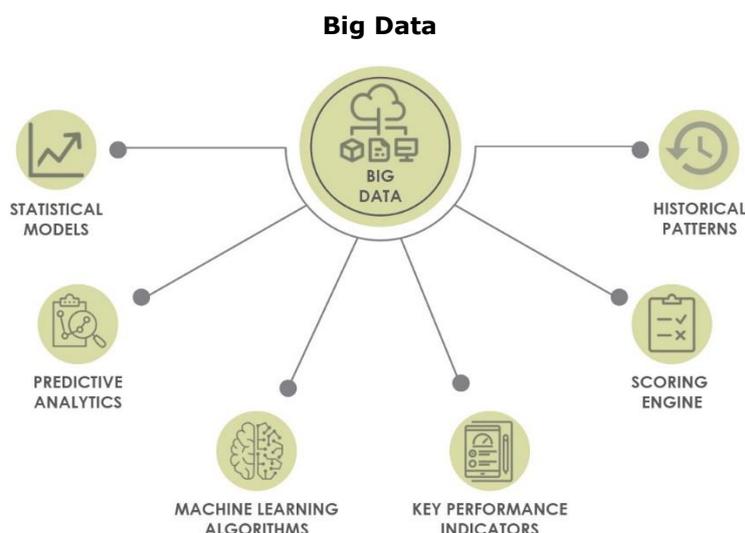
8.7. Big data

Big data is increasingly becoming one of the most valuable and sought-after assets within the lending industry as it enables the tracking of customer behaviours, preferences, interests and trends. The Company has accumulated data spanning over 13 years of operating history, including data covering hundreds of thousands of customers and millions of customer transactions and interactions. The use of

²⁶ Source: https://nasdaqbaltic.com/market/upload/reports/dgr/2021_q4_en_eur_con_ias_inv.pdf

data increases the efficiency of overall business operations of the Company, optimises profitability and enhances the quality of customer service.

Figure 8.7.1.



Statistical models

Statistical models are embedded into more than 100,000 data points, including data points storing data provided by customers when submitting loan applications, internal credit history and customer behaviours. Other data points store a variety of data collected from external sources such as credit rating and credit history agencies, debt collection companies, the data base of the State Internal Revenue Service of Latvia and other publicly available databases.

Predictive analytics

The Company uses analytics to model future outcomes by imputing data accumulated during the previous years of operation. The models of predictive analysis are developed in-house by dedicated IT and risk management personnel of the Company. These models help optimise business processes and deliver predictable outcomes.

Machine learning algorithms

Machine learning algorithms are developed in-house using the most widely used programming languages. Data analysts of the Company deploy a broad range of statistical and business intelligence software. Business intelligence systems utilise data aggregated from cloud-based data pools. Extraction, transition, and other tools are combined with other well-known software to enable the aggregation, visualisation, and presentation of data via freely accessible online reports.

Debt collection processes are semi-automated and rely, to a significant extent, on machine learning and analytics-enabled recovery and collection models assessing the likelihood of non-repayment and failure to collect and subsequently modifying collection communication. Collection cases are assigned to dedicated collection professionals based on the available historical data and evidence.

Key Performance Indicators

Dashboards integrating carefully selected Key Performance Indicators (KPI) are used for monitoring and evaluating the performance of main business functions and departments. Access to real-time based and visually immersive insights enable the Management to adopt swift and confident data-based decisions.

Scoring engine

The application scoring engine has been developed using a combined stack of supervised classification algorithms such as logistic regression. Scoring results not only provide a binary answer as to whether a particular loan application should be approved, but also assess the maximum credit risk exposure and the maximum amount of the loan that can be granted to a particular applicant.

Historical patterns

Marketing and sales communications are based on detected patterns, tracing how various customer profiles react to different communication channels and messages. Communication strategies are constantly adjusted using the latest available data aggregated during marketing and sales campaigns.

8.8. Investments

The Group's operations require regular investments in the Group's assets to improve the services offered to customers, develop new products and services for customers. Furthermore, investments are also required to establish and maintain compliance with the regulatory requirements. The Group continuously seeks possibilities to increase the business volume through organic growth but it does not preclude the Group from making material investments in the future.

During the period covered by the historical financial information, the Group has made the following material investment beyond the scope of everyday economic activities:

Acquisition of loan portfolios of six pawnshop branches of the Finance 360

In July 2022 the Group announced that it continues to strengthen its leading positions in the Latvian pawnshop market and has completed the takeover of the loan portfolios of six pawnshop branches of the SIA "Finance 360". Among them were the loan portfolios of four branches of *Loko Finances* in *Rīga*, *Jūsu Lombards* in *Liepāja*, and *Ātrais kredīts* in *Rēzekne*.

The loan portfolios of all six pawnshops will be taken over by the branches of the Banknote pawnshop network. The acquisition of assets does not represent any takeover of claims, risks or liabilities of SIA "Finance 360". All of the assets that acquired by the Company from Finance 360 pawnshop partnership are located in Latvia.

Acquisition of Moda Kapitāls

In February 2022 the Company completed acquisition of the AS Moda Kapitāls pawn shop business, which was started in August 2021. The acquisition was part of the Group's growth strategy, which is focused on expanding its pawn shop network, strengthening regional presence and increasing the customer base. The agreement involved the acquisition of pawn loan portfolio currently owned by Moda Kapitāls and the goods of the pawn shop store. The acquisition of assets does not represent any takeover of claims, risks or liabilities of Moda Kapitāls as a legal entity. The price of the transaction was EUR 823 thousand. The transaction was entirely financed by the Group's internal financial resources. All of the assets that acquired by the Company from Moda Kapitāls are located in Latvia.

8.9. Strengths

Market leadership

Throughout its history the Company has demonstrated consistent growth across the entire spectrum of core business operations. This is evidenced by its successful operation marked by a sizeable branch network together with online business component, significant number of employees, substantial customer base, diversity of product range, diverse financing structure, as well as consistently impressive and increasing profitability for the past 13 years of operation.

The attainment of these performance results was possible because of the management team, which has accumulated significant expertise in the field of consumer lending and retail business. The Company's focus is on responsible lending. It has acquired the reputation of a trustworthy and highly professional business that possesses the ability to respond rapidly and effectively to the challenges of both regulatory changes and unprecedented adverse events such as the COVID-19 pandemic.

Focus on sustainability

The Company believes that operating the business in a sustainable manner will help ensure the longevity of the Company and maximise long-term returns for the shareholders. The Company has implemented robust corporate governance practices aligned to the best international practices, with the ultimate goal of operating the business in the best possible way.

Not only has the Company implemented robust corporate governance practices, it also promotes sustainable decision-making and management. In its retail business segment, it adheres to the principles of circular economy. Commencing in 2021, it has begun publishing the Environmental, Social and Governance (the "ESG") report.

Digitally advanced

The Company takes pride in the advanced technology that it has implemented both throughout the range of its products and the provision of services to customers. The Group offers access to nearly all its products and services online and continues adding to the existing array of digital products and services with the ultimate goal of enhancing customer experience. Meanwhile, a robust brick-and-mortar offering of products and services is still there to maximise the benefits of inclusion of customers with no access, or limited access, to the personal finance products and services that are only accessible online.

8.10. Strategy and objectives

The Company is committed to raising the value of its business to ensure sustainable growth. In addition to the continued efforts aimed at increasing the value of the Company and ensuring both short-term and long-term profitability, the Company remains dedicated to the provision of financial services in the most customer-centric manner possible to a wide range of social groups. Financial inclusion is a cornerstone underpinning the strategy of the Company. Business activities of the Company are carried out in a manner that makes both financial and social sense to all of its stakeholders: clients, employees, shareholders, investors, business associates, as well as the society at large.

Pillars of strategy of the Company

- *Increasing value of the Group.* The Company is committed to raising the value of the Group. Therefore, it is executing competitive and highly effective business practices based on data-driven decision-making and enhanced digital solutions.
- *Ensuring long-term profitability.* The Company believes that to succeed in the longer term it needs to constantly improve its internal practices by enhancing its corporate governance and risk management standards. These objectives also need to be successfully aligned with achieving strong short-term performance.
- *Maintaining flawless reputation.* The Company is mindful of the reputation and the public image projected by the Company. It considers these factors as one of the Company's main competitive advantages. It highly values the trust earned among both its customers and investors and is dedicated to maintaining and strengthening it in the future.
- *Supporting financial inclusion of all strata of society (including rural residents, elderly people, those who are underserved, and borrowers who have near prime or sub-prime credit scores).* The Company is confident that the financial inclusion of all members of society is a necessary pre-requisite for the achievement of a sustainable society and financial wellbeing for all. It will, therefore, continue to maintain focus on the development of lending services to meet the needs of a variety of people belonging to different social groups.

Strategic focus

The strategic focus of the Group is on growth opportunities that arise in the Latvian lending market and, in particular, in the area of e-commerce:

- Maintaining a significant position in the Latvian specialised lending market and benefitting from the macro recovery after the COVID 19 pandemic era and expanding the business.
- Continuing to capitalise on opportunities in the online market, focusing on the development of the online platform of the Company to drive innovation and growth in pre-owned goods retail, improving the customer experience of integrated pawnshop and online sales solutions.
- Optimising its offering and selection of pre-owned goods, focusing on product range and quality to satisfy increasingly sophisticated customer expectations.
- Maintaining focus on cost controls and improving operational efficiencies.
- Increasing brand awareness by continuing to invest in brand recognition and targeting customers effectively.

Financial targets

On 13 September 2022 the Company renewed the previously set financial guidance for 2022 and 2024 and set new short-term goals for 2023²⁷. The Company renewed the financial guidance because it achieved faster development than initially planned and set forth in financial guidance published on 13 August 2021²⁸. Based on the current business results and development trends, the Company has determined more ambitious achievable goals - they forecast achieving previously defined goals for 2024 already in 2023.

The Company has already fulfilled its net loan portfolio target for 2022 in the first half of this year; as a result, the loan portfolio forecast for 2024 is increased from MEUR 70 to MEUR 95. Furthermore, the Company will continue to develop loan products and their availability in digital channels, allowing the Company to set more ambitious targets for growing the loan portfolio. Based on the growth of the loan portfolio, the EBITDA forecast has also been increased, which is already estimated at MEUR 12.7 in 2022 instead of the previously forecasted MEUR 12.

Due to geopolitical and other external conditions, the situation in the capital markets has changed significantly - accordingly, Company's financing costs have also increased as lenders are demanding higher yields, and the Company is growing its loan portfolio more rapidly. Therefore, the forecast of profit before taxes for 2022 is reduced; however, it is planned that in 2024 it will reach MEUR 16 instead of the planned MEUR 12.9. Furthermore, after evaluating the Company's stable growth in all main business segments, it is predicted that profit before taxes will grow faster than initially planned in the coming years.

In the long-term perspective, the Company will continue to ensure the equity ratio is not lower than 27%, while in 2022, it will not be lower than 25%. This can be justified by the distribution of annual dividends done in 2022, which were significantly higher than planned when setting the initial financial targets. As before, the Company will continue making regular dividend payments to shareholders of at least 50% of the net profit.

In response to the unusual situation in the capital markets, due to which it is difficult to predict the average interest cost rate of financial liabilities accurately the Company when setting financial targets, will primarily focus on the achievement of overall financial results, such as EBITDA and profit before taxes. In addition, after the initial public offering, from October 2021 to February 2022, the Company significantly reduced the cost of financing. The Company plans to continue to do this in the future, but it is currently impossible to provide an accurate forecast for fulfilling this target.

Table 8.10.1.

Planned financial targets for 2022, 2023, and 2024 for the Company as of 13 September 2022

Indicator*	Previously published targets are indicated in brackets			
	2021 audited results	2022 target	2023 target	2024 target
Net loan portfolio	MEUR 43.0	MEUR 62 (51)	MEUR 78	MEUR 95 (70)
Cost-to-income ratio	58%	<52%	<45%	<45%
Return on Equity (ROE)	46.7%	>30%	>30%	>30%
Equity ratio	33.4%	>25% (>27%)	>27%	>27%
EBITDA**	MEUR 10.2	MEUR 12.7 (12)	MEUR 19	MEUR 24.5 (17.6)
Profit before tax	MEUR 5.2	MEUR 7.5 (8.7)	MEUR 12	MEUR 16 (12.9)
Dividend pay out ratio	50%	>50%	>50%	>50%

*APM (alternative performance measure), where calculations are based on Consolidated results: Cost-to-income ratio = ((Sales expenses) + (Administrative expenses) + (Other expenses (excluding Loss

²⁷ Source: <https://view.news.eu.nasdaq.com/view?id=b3029933c3f51ced9846c5afcebef1fce&lang=en>

²⁸ Source: <https://view.news.eu.nasdaq.com/view?id=bcc217f0e3b3c4b3a345285df020029cc&lang=en>

from cession of non-performing loans))) / ((Net sales) – (Cost of sales) + (Interest income and similar income) + (Other operating income) – (Interest expenses and similar expenses)), Equity ratio = (Equity)/(Total assets), EBITDA, Earnings before interest, taxes, depreciation and amortisation = (Profit before tax) + (Interest expenses and similar expenses) + (Rights of used assets depreciation) + (Depreciation of fixed assets) + (Amortisation), Dividend pay out ratio = (Dividends paid during the period)/(Net Profit for the period).

**EBITDA source: Indicator for the year 2021 according to the Management report of the audited AS DelfinGroup Consolidated Annual accounts for the year ended 31 December 2021.

The table above on long-term financial targets of the Company (to be attained by the end of 2024) has been compiled and prepared on a basis which is both comparable with the historical financial information and consistent with the Company's accounting policies.

The Company's strategy in terms of financial governance

- Increasing return on investment.
- Diversification of the sources of funding to support growth of the Company's loan portfolio.
- Regular (quarterly) dividend payments to the shareholders.

Strategy with respect to consumer loan and pawn loan services

- *Increasing market share in terms of the volume of loan issuance and net loan portfolio.* The long-term objective is to become a leading consumer and pawn loan provider in Latvia. The Company has set the goal to achieve the economies of scale by efficiently selling existing and new financial services to a larger customer base. As a result, material improvement of the key performance indicators of the Group can be achieved. By achieving this goal, the Company will increase the long-term shareholder value.
- *Ensuring high profitability of the loan portfolio.* The Group is directing its resources to further develop its data driven decision-making capabilities, issue loans in a trustworthy and secured manner and enhance the overall profitability of the net loan portfolio. Furthermore, the Group plans to persistently work on improving the knowledge and expertise of its employees in order to provide an excellent service to its customers and make sound business decisions.
- *Developing the Group's services and expanding its branch network and online presence.* The Company will continue to focus on developing the business of consumer lending and pawn loans, thus ensuring the longevity of these market segments while also increasing its market share. The Company's goal is to provide services of exceptional quality, all while employing modern business practices, where the decision-making is predominantly data-based. Moreover, the Company is developing new lending products if the available data suggest profitability of such products.

Company's strategy for the retail business of pre-owned goods and jewellery

- *Pawnshops as a part of circular economy.* The Company provides a second life for goods via its network of pawnshops. One of its goals is to raise awareness of the role played by pawnshops in the circular economy. The Company aims to shift consumer preferences towards pawnshops and gain wider recognition of the Company's pawnshops by the general public.
- *Establishing a leadership position in the flow of pre-owned goods and jewellery in the economy.* The Company plans to continue raising recognition of its brand "Banknote" as a leader in the field of retail business of pre-owned goods, thereby increasing the volume of pre-owned goods circulating in the economy.
- *Developing the use of online distribution channels in the retail business.* The Company will continue to promote access by consumers to its retail business of pre-owned goods and jewellery via online distribution channels.

8.11. Community investment

Environmental responsibility and sustainable practices

The Group focuses on implementing sustainable management processes and practices and is conscious of its economic, social and environmental impact on the society and communities in which it operates.

In 2017, the Group became ISO 50001:2015 certified as being compliant with the requirements for an organisation to establish, implement, maintain, and improve energy management systems (EnMS), after having implemented the following standards:

- 1) developing a policy for more efficient use of energy;
- 2) setting targets and objectives to meet the policy;
- 3) analysing data for surpassing comprehension and decision-making regarding energy use;
- 4) measuring the results;
- 5) reviewing the effectiveness and efficiency of the policy;
- 6) improving energy management.

In 2021 the Company improved Scope 1 and Scope 2 emission calculations. For Scope 1, the Company calculated all of the Company's purchased diesel and petrol for Company controlled vehicles and wood chip briquettes (data have change compared with the previous year) for heating some of the Company's facilities. The Company's Scope 2 includes emissions from electricity and district heating. In 2021, the Company has taken the next step and started researching and collecting data to calculate its Scope 3 level. According to the Corporate Value Chain (Scope3) Standard and based on GHG protocol.

Company's 2018-2020 Scope 3 includes emissions from purchased goods (its production and using emissions) and services, but 2021 Scope 3 includes emissions from purchased goods (its production and using emissions), business travel, employee commuting and downstream leased assets. So, all three Scopes together make up the Company's CO2 footprint.

Table 8.11.1.

DelfinGroup's impact of CO2 from operation, metric tons²⁹

		2018	2019	2020	2021
Carbon footprint	Scope 1, t CO2	78	95	90	65
	Scope 2, t CO2	114	109	103	129
	Scope 3, t CO2	18,025	18,760	19,575	19,755

The Group is also taking steps to re-evaluate and optimise its supply chains. More specifically, the Group has established a set of criteria that shall be assessed as satisfactory by all business partners in order to be selected for the supply of goods and service to Group companies, including with respect to quality, costs and alignment with the contemporary standards of eco-friendliness and sustainable society. In selecting suppliers, the Group favours environmentally conscious and socially responsible suppliers. This helps reduce Scope 3 emissions which include:

- 1) CO2 emissions arising from upstream activities (e.g., selection of supplier);
- 2) CO2 emissions arising from downstream activities (e.g., green consumption);
- 3) CO2 emissions pertinent to operations (e.g., business travel by plane).

Sustainability through circular economy

The Group supports the shift from linear (open-loop) economic systems (production-product-waste) to a closed-loop circular economy, or "beyond the zero-waste system", where waste becomes the input material for some other process. In recent years, the amount of goods sold through pawnshops has been growing by around 5% on a year-to-year basis.

Table 8.11.2.

Goods sold on secondary market, pieces and saved emissions, t CO2³⁰

		2018	2019	2020	2021
Carbon handprint	Sold goods on the secondary market, pieces	145,027	151,365	157,234	161,931

²⁹ Source: https://nasdaqbaltic.com/market/upload/reports/dqr/2021_esg_en.pdf.

³⁰ Source: https://nasdaqbaltic.com/market/upload/reports/dqr/2021_esg_en.pdf.

Saved emissions, t CO2	9,870	10,281	10,771	10,793
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According to iPhone 11 Environmental Report of Apple, Inc., the manufacturing process of one smartphone is estimated to create around 57 kg of CO2 equivalent emissions, which is considered to represent one of the lowest emission footprints in the electronics industry. Each year, DelfinGroup returns around 155,000 items of goods back into the retail market of pre-owned goods, which is associated with savings of around 10,500 metric tonnes of CO2 annually, that would inevitably be emitted into the atmosphere if the manufacture of an equivalent number of new goods were necessary.

In Latvia, CO2 emissions per capita amount to 4.38 tonnes annually, meaning that the average Latvian citizen is responsible for 4.38 tonnes of CO2 emissions annually. Through its operations, DelfinGroup eliminates emissions made by 2,955 people every year.

In the spirit of growing awareness and adherence to the principles of circular economy, the Group continues to develop and implement environmentally friendly and responsible solutions for the disposal of goods, for instance, by way of offering to repair the goods or recycle them.

Social responsibility and community inclusion

The Group provides services and financial solutions covering all social strata of society without distinction. In addition, the Group seeks to engage underserved and disadvantaged members of society, including rural residents, elderly people, and borrowers who have near prime or sub-prime credit scores, into financial and economic processes. Because of its commitment to environmental and societal values, in doing business, the Group stays attuned to the following priority areas of investment in community:

- 1) **Education:** acquiring skills to reduce the risk of social exclusion and contributing to financial literacy and employment opportunities;
- 2) **Healthcare:** raising public awareness of shortages and other pending issues in healthcare;
- 3) **Environment:** mitigating the negative effects of climate change and promoting biodiversity.

Table 8.11.3.

Awards	
<u>Award</u>	<u>Description</u>
<p>First Latvian Corporate Governance Award 2021</p> 	<p>On 10 September 2021 Latvian Corporate Governance Awards were presented for the first time. The Company was presented the Award in nomination "The most successful selection of the Supervisory Board" for ensuring open, transparent and international supervisory Board selection process. More than half of Company's Supervisory Board members are independent.</p> <p>The award evaluation committee is composed of representatives from Ministry of Justice, Financial and Capital Market Commission, Nasdaq Riga, Baltic Institute of Corporate Governance and good corporate governance experts from private sector.</p>

<p>Gold Level status, State Revenue Service In-Depth Cooperation Programme, 2021</p>  <p>ZELTS Padziļinātās sadarbības programma</p>	<p>The In-depth Cooperation Programme is designed as an instrument for cooperation between taxpayers and public authorities.</p> <p>The Company has participated in Programme since 2019. The Gold Level status attests to the status of the Company as a taxpayer with excellent reputation distinguished for tax compliance discipline. The Company is one of the few specialised consumer lenders among other 70 Latvian companies having the same status. The award is a hallmark of adherence to outstanding corporate governance standards.</p>
<p>Silver category, Sustainability index, 2021</p> 	<p>This award attests to the fact that responsibility of the Company in social and environmental areas are compliant with the highest international standards. This achievement is the direct result of adherence by the Company to the goals and highest standards of sustainable development and corporate governance.</p>
<p>TOP 50 of the "Top Employer" rank, 2021</p> 	<p>The Company was ranked 29th among the 50 top employer brands in Latvia, a +7 improvement compared to the 2019 ranking. Moreover, the Company is the only specialised consumer lender on the TOP 50 list. The highly favourable score among the Company's employees is a direct result of efforts by the Company to create a rewarding and inclusive working environment for all in a manner aligned to most advanced HR practices.</p>
<p>Four honorary Laureate titles in the store category, "Latvia's Best Trader 2021" competition</p> 	<p>For the second time, the Group participated in the client service quality assessment competition and acquired four honorary titles of a Laureate for the following branches: Rīga, Ieriķu iela 3 (TC Domina); Preiļi, Daugavpils iela 2; Liepāja, M. Ķempes Iela 8; Valmiera, Cēsu iela 11. The positive evaluation proves the high quality of customer service, effectiveness of environmental management, vast range of products available and information accessibility.</p>
<p>"BANKNOTE" – the best customer service provider for financial services 2017</p> 	<p>As part of the annual "Customer Service Month" campaign, Company's brand "Banknote" was rewarded for excellence in the provision of financial services. The "Customer Service Month" campaign in Latvia is designed to raise awareness among companies and customers about the importance of good customer service.</p>

Table 8.11.4.

Partnerships

Partnership	Description
<p>The Society Integration Foundation</p>	<p>Since 2022 the Company is recognized as Family-Friendly Workplace. The goal of the "Family-friendly workplace" initiative is to promote the development of a work environment culture in Latvia that is empathetic, humane and understanding, while offering tools for both the assessment of the existing work environment and financial assistance in the implementation of various support measures for employees.</p>

 <p>ĢIMENEI DRAUDZĪGA DARBAVIETA</p>	
<p>Latvian Association of Senior Communities</p> 	<p>By joining the Association of Senior Communities in Latvia in 2021, the Company has committed itself to support the activities designed to benefit the elderly part of the population of Latvia. The partnership seeks to build a more inclusive society for all, specifically, by way of helping the elderly part of the population to familiarise themselves with modern technology, a skill that is crucial for modern society. As part of the partnership programme, courses in digital literacy and financial literacy is being held across a number of Latvian cities.</p>
<p>Latvian Children's Hospital Fund</p>  <p>BĒRNU SLIMNĪCĀS FONDS</p>	<p>The partnership is entirely charitable. Through its participation in the partnership, the Company hopes to be able to contribute to the wellbeing of children and their families by making donations to the fund with the goal of improving the education of medical staff.</p>
<p>Riga Coding School</p>  <p>RIGACODINGSCHOOL</p>	<p>By partnering up with Riga Coding School, the Company has given students of the school an opportunity to undergo internship programmes with the Company and, ultimately, work for the Company. The partnership is part of the Company's policy aimed at ensuring the pipeline of prospective employment candidates capable of implementing advanced technological solutions in the field of both processes and services provided by the Company.</p>

Table 8.11.5.

Memberships

<u>Membership</u>	<u>Description</u>
<p>Latvian Chamber of Commerce and Industry (LCCI)</p> 	<p>LCCI is the largest association of business entrepreneurs in Latvia, uniting 2,753 members. The Company is an active participant in working groups of the LCCI Trade Competence Council. Moreover, it takes an active part in the development of projects of the Financial Sector Development Committee.</p>
<p>Alternative Financial Services Association of Latvia (AFSAL)</p> 	<p>AFSAL unites FinTech companies including other specialised consumer lenders active in the Latvian financial services market.</p>

Stand with Ukraine

The war that began in February 2022 has affected the lives of the Ukrainian people and left the country in a critical state. The Company has made two donations of EUR 100 000 each to support Ukrainians. Out of EUR 200 000:

- 1) The Company donated EUR 160 000 to the "Entrepreneurs for the Peace" movement, uniting Latvian companies to support Ukraine's fight for peace and freedom.
- 2) EUR 30 000 is meant for the "For People of Ukraine" initiative, facilitated by Ziedot.lv.
- 3) The Company donated EUR 10 000 to the "Help them rise!" movement. It is a Children's Hospital Foundation support program for Ukrainian refugee families and their children.

8.12. Employees

As of the date of the Prospectus, the Group has more than 300 employees.

The historical employee headcount numbers of the Group as of the end of the past three years of operation are presented in the table below.

Table 8.12.1.

The Group's employee headcount

	2019	2020	2021
Average number of employees employed by the Group	276	279	283

At the end of 2021, the place of permanent employment of the majority of employees of the Company (~199) was within the metropolitan area of Riga, Latvia. About 95 employees performed their permanent work duties in other cities or areas across Latvia.

No employee of the Group is a member of any trade union. No subsidiary of the Group, including the Company, is a party to any collective bargaining agreement.

The Company believes that the in-depth industry knowledge and loyalty of its employees provide the Company with a distinct competitive advantage. In the view of the Offeror, the management of the Company has experience in identifying market trends and suitable locations for opening branches to suit target customers. The management also has attained experience and necessary skills in digital realm, successfully managing services offered online. The management is committed to promoting a result-driven culture that rewards employees based on merit. The Company's workforce also includes appraisers who are skilled at appraising the value and authenticity of a broad variety of goods that are pledged by customers to obtain pawn loans from the Company and the Company conducts periodic training programmes to augment their knowledge and efficiency in performing these tasks. To develop further in online presence, the Company invests resources in IT field professionals.

Further, the Offeror believes that the Company has been successful in attracting, fostering, and retaining talent. The recruitment and business strategy has been aligned throughout the years, and having a strong pool of talent gives the Company a competitive edge.

8.13. Dependency on agreements, patents, licences etc.

The Company and its subsidiary ViziaFinance both are holding special permit (licence) authorising companies to provide consumer lending services in Latvia. The Company and ViziaFinance are dependent on its special permit (licence) to provide their main services with respect to the consumer

lending segment. Consequently, both special permits (licences) are considered as critical for the Group's business.

As stated in Section 8.6 "Risk management" the brand name "DelfinGroup" is owned by the Company and has been registered as a trademark with the European Union Intellectual Property Office, United Kingdom Intellectual Property Office, and Latvian Patent Office. Since the Group targets the Latvian market, several figurative and verbal trademarks have been registered locally in Latvia, including the key brand names "DelfinGroup", "VIZIA", "banknote.lv" and "Rīgas pilsētas lombards". The Company believes that brand awareness is the key to continued expansion of business of the Group. Therefore, the portfolio of trademarks that the Company maintains is considered as business-critical.

Companies belonging to the Group have entered into several financing agreements and issued bonds (please see Section 8.14 "Material agreements" of this Prospectus) and have substantial indebtedness under the respective agreements and terms of notes of issued bonds. The financing agreements are considered to be a substantial part of the Group's funding structure (please see Section 14.5 "Liquidity and capital resources"), thus they are considered as business-critical.

The Company has entered into agreements and arrangements with independent third-party contractors aimed at the provision of services to the Company that include telecommunications, IT infrastructure, and software services, however none of the agreements are considered to be as business-critical.

8.14. Material agreements

All commercial agreements entered into by the Company are within the scope of its stated business objectives.

In the opinion of the Offeror, the below specified agreements are material and require an elevated level of analysis, prior scrutiny and specific corporate governance approvals in view of the volumes, complexity and importance for the Company.

Several of the agreements are subject to confidentiality undertakings. Because of this, the information below may not confer the sufficient level of detail and is limited, primarily due to the considerations of confidentiality. However, in the opinion of the Offeror, the information provided below is sufficient to enable an understanding of the nature and substantive provisions of the relevant agreements.

Financing Agreements

The Company and ViziaFinance have entered into a Cooperation Agreement with Mintos Finance. The parties have agreed to mutually cooperate by offering users of the investment platform under the domain name www.mintos.com, operated by Mintos Marketplace, an opportunity to invest in the monetary claims of Mintos Finance against the Company.

Further to the above-mentioned Cooperation Agreement, which was signed on 18 October 2016, the Company and ViziaFinance entered into Cooperation Agreements on Issuance of Loans (as amended from time to time) with Mintos Finance and additionally on 6 May 2022 Cooperation agreement with Mintos Marketplace and Mintos Finance No.20 was signed on issuance of Notes. The parties have agreed on the possibility of disbursement of loans for the benefit of the Company, subject to a EUR 27,500,000 (twenty seven million five hundred thousand euros) limit for all abovementioned agreements. As of 30 June 2022, the weighted average annual interest rate of the issued loans is 10.9%. The term of maturity of each loan is agreed separately for each loan and is aligned to the term of the corresponding loan provided by the Company to its customers.

Financial instruments - corporate bonds

As of the date of the Prospectus, the Company has three bond issues outstanding:

- 1) Unsecured bond issue ISIN LV0000850048 in the amount of EUR 5,000,000, registered with Nasdaq CSD and issued by means of a private placement on 30 June 2021 and subject to the following terms: (i) number of bonds issued is 5,000; (ii) bond face (nominal) value is EUR 1,000 each; (iii) coupon rate is 9.75%; (iv) monthly coupon payments to occur on the 25th day of each month; (v) maturity is reached on 25 August 2023, when the bond principal (EUR 1,000 for each bond) is to be repaid. The bonds are unsecured.
- 2) Unsecured bond issue ISIN LV0000802536 in the amount of EUR 10,000,000, registered with Nasdaq CSD and issued by means of a private placement on 26 November 2021 and subject to the following terms: (i) number of bonds issued is 10,000; (ii) bond face

(nominal) value is EUR 1,000 each; (iii) coupon rate is 8.00%; (iv) monthly coupon payments to occur on the 25th day of each month; (v) maturity is reached on 25 November 2023, when the bond principal (EUR 1,000 for each bond) is to be repaid. Commencing as of 21 June 2022, the bonds are traded on the Nasdaq First North. The bonds are unsecured.

3) Unsecured bond issue ISIN LV0000850055 in the amount of EUR 10,000,000, registered with Nasdaq CSD and issued by means of a private placement on 7 July 2022 and subject to the following terms: (i) number of bonds issued is 10,000; (ii) bond face (nominal) value is EUR 1,000 each; (iii) coupon rate is 3M EURIBOR + 8.75%; (iv) monthly coupon payments to occur on the 25th day of each month; (v) maturity is reached on 25 September 2024, when the bond principal (EUR 1,000 for each bond) is to be repaid. The bonds are unsecured.

Security

The Company has created and registered four groups of commercial pledges over its assets and claims, subject to the maximum claim amount of MEUR 33 as collateral registered to collateral agent Eversheds Sutherland Bitāns (in favour of Mintos Finance) and to Mintos Finance No.20 and Mintos Marketplace. As of 30 June 2022, the amount of secured liabilities of the Company is EUR 25,827,261 with respect to the claims of Mintos Finance, Mintos Finance No.20 and Mintos Marketplace.

8.15. Related party transactions

The Company and ViziaFinance are parties to related-party transactions. Transactions with related parties are generally believed to pose the risk of a conflict of interest and expose shareholders to potential abuse. However, all the related-party transactions involving the Group companies are carried out on market terms and are beneficial to shareholders of the relevant companies. The terms and conditions of the related-party transactions involving the Group companies are not different from the terms and conditions of similar transactions that are entered into by Group companies with third parties in the ordinary course of business and are at arm's length. Detailed information on the related-party transactions involving the Group companies is provided in Note 25 of the Group's audited consolidated annual report for the financial year ended on 31 December 2019, Note 30 of the Group's audited consolidated annual report for the financial year ended 31 December 2020 and Note 30 of the Group's audited consolidated annual report for the financial year ended on 31 December 2021.

8.16. Legal proceedings

Related to the business of lending to multiple borrowers, the Company regularly brings lawsuits before Latvian courts for the collection of unpaid debts. Whenever such lawsuits arise, the Company typically acts as a plaintiff or joint plaintiff.

As at the date of the Prospectus, the Offeror is not aware of any pending judicial or other legal proceedings that are likely to have a material effect on the financial condition or profitability of the Group. The Group companies, as plaintiffs, are parties to several legal proceedings that are pending before Latvian courts. The majority of these legal proceedings concern debt recovery claims.

The following legal proceedings that are significant and are materially different from the regular court proceedings should be noted:

On 28 January 2021, the Department of Administrative Cases of the Senate of the Republic of Latvia (the Senate) issued judgment SKA-68/2021 in the administrative case, following filing by AS "DelfinGroup" (formerly SIA "ExpressCredit") of an application for the partial cancellation of certain decisions adopted by the Consumer Rights Protection Centre of Latvia in the years 2016 and 2017. The legal issues examined in the judgment included the lawfulness of fees charged by the Company for the extension of the term of consumer loans and the assignment of claims arising from consumer loan agreements on the investment platform www.mintos.com and other similar platforms. The case focused on the interpretation of legal issues, and not failure by the Company to satisfy the requirements of the Consumer Rights Protection Centre. Since the Company has already ensured compliance with the year 2016 and year 2017 decisions by the Consumer Rights Protection Centre prior to the commencement of the legal proceedings, no additional action by the Company is required. No violations of consumer rights occurred during the intermittent period, while the essence of the case turned on the hypothetical questions as to whether harm to consumers might arise from the assignment of creditor claims to other creditors and whether the total cost to consumers includes the cost of extending the loan.

Moreover, the Company has already paid the EUR 6,000 fine charged under the decision of the Consumer Rights Protection Centre. It is, therefore, safe to say that that the judgment does not affect the financial condition or prospects of the Company or the Group.

9. GENERAL INFORMATION AND ARTICLES OF ASSOCIATION

9.1. General information on the Company

The business name of the Company is AS "DelfinGroup". The Company was registered in the Commercial Register on 12 October 2009 under the registration number 40103252854 and its LEI number is 2138002PKHUJIMVMB13. The Company is organised and existing under Latvian law. The Company was initially set up as a limited liability company (the former business names of the Company were SIA "Lombards24.lv" and SIA "ExpressCredit"). On 19 January 2021, the Company was re-organised into a joint stock company. After the re-organisation, the Company maintains the same registration number.

The Company has been established for an indefinite term. The Company is the parent entity of the Group. The registered areas of business activity of the Company are "Other credit granting" (64.92, NACE Rev.2), "Retail sale via mail order houses or via Internet" (47.91, NACE Rev. 2), "Retail sale of second-hand goods in stores" (47.79, NACE Rev. 2), "Retail sale of watches and jewellery in specialised stores" (47.77, NACE Rev. 2).

Contact details of the Company are:

address: Skanstes iela 50A, Riga, LV-1013;

e-mail: ir@delfingroup.lv;

telephone number: +371 26189988;

corporate website: www.delfingroup.lv.

9.2. The Articles of Association

Corporate governance of the Company is carried out in accordance with the statutory provisions of Latvian law including, primarily, the Latvian Commercial Law and the Latvian Financial Instrument Market Law, the Company's Articles of Association and the internal policies, rules and procedures of the Company. As the Company's Shares are trading on the Baltic Main List of the Nasdaq Riga, the Company also complies with the Rules and Procedures of Nasdaq Riga.

The current version of the Articles of Association was adopted by the resolution of the General Meeting dated 15 October 2021. The consolidated version of the text of the Articles of Association currently in force can be found on the Company's corporate website www.delfingroup.lv/governance.

Summary of the Articles of Association

The following is a summary and explanation of the main provisions of the Articles of Association:

1. The authorised share capital of the Company is EUR 4,531,959.4 (four million five hundred and thirty-one thousand nine hundred fifty-nine euros and forty cents).
2. The Company has only one type of shares - dematerialised bearer shares with a nominal value of EUR 0.10. The share capital of the Company is comprised of 45,319,594 (forty million) shares. No other categories of shares have been issued by the Company or are outstanding as of the date of the Prospectus. Each share entitles the holder to receive dividends, to receive liquidation quota in the event of liquidation of the Company and to vote at General Meetings of the Company.
3. The Company may issue preference shares. The rights attaching to preference shares are determined in accordance with the Articles of Association at the time of issue of the preference shares.
4. Each Shareholder has the right to participate in and vote at General Meetings by electronic means. The authority to establish requirements for the identification of Shareholders and the procedure for the exercise of voting rights is vested in the Management Board.
5. The General Meeting is quorate and has the authority to adopt resolutions if shareholders jointly representing more than half of the share capital of the Company with voting rights are present at the meeting.
6. The General Meetings may also be convened at locations that are outside the administrative territory of the Company's registered address.
7. The Supervisory Board of the Company consists of five Supervisory Board members. The Supervisory Board members are elected for a term in office not to exceed five years.

8. Decisions of the Supervisory Board are adopted by a simple majority of the votes cast. In the case of a split vote, the Chairman of the Supervisory Board has a casting vote.
9. The Articles of Association do not specify the number of members of the Management Board and this is consistent with Latvian law. According to Latvian Commercial Law, the Management Board of a company shall comprise at least three members if the company's shares are listed on a stock exchange.
10. The Company shall be represented by two members of the Management Board acting jointly.
11. The Management Board adopts decisions by a simple majority of the votes cast. In the case of a split vote, the Chairman of the Management Board has a casting vote.
12. Extraordinary dividends can be determined and calculated from the profit of the Company earned during the time period after the end of the previous financial year.
13. The Articles of Association contain no provisions that might have the effect of delaying, deferring or preventing a change in control of the Company.
14. The Articles of Association contain no provisions governing changes in the amount of share capital of the Company that are more stringent compared to the statutory provisions of Latvian law.

The Articles of Association contain no provisions enabling, authorizing or permitting withdrawal, redemption or conversion of the existing shares of the Company.

10. SHARE CAPITAL, SHARES, OWNERSHIP STRUCTURE, SELLING SHAREHOLDER

10.1. Share capital and shares

All of the Company's Shares have been issued in accordance with Latvian law and, in particular, the Latvian Commercial Law. The nature and scope of rights attaching to the Company's shares, including the rights stated in the Articles of Association, can only be amended according to the procedure set forth in the Latvian Commercial Law.

The Company is a joint stock company (*akciju sabiedrība*). The current registered share capital of the Company is EUR 4,531,959.40 divided into 45,319,594 dematerialised bearer shares (the "**Share/Shares**"). The Shares are registered with the Nasdaq CSD under the ISIN code LV0000101806 and are kept in book-entry form. No share certificates have or may be issued. All existing Shares are of the same category. The nominal (face) value of each outstanding Share is EUR 0.10. All of the Shares have been issued and fully paid up. The Shares have not been subject to any public takeover bid during the current or last financial year.

Table 10.1.1.

The Company's Shares			
Type of Share	Number of Shares	Nominal value, EUR	Total nominal value, EUR
Dematerialised bearer shares	45,319,594	0.10	4,531,959.40

The following changes affecting the Share capital structure of the Company have occurred over the period covered by the historical financial information:

Table 10.1.2.

The Company's Share capital changes				
Date of registration	Share capital before	Change	Share capital after	Number of Shares
04.08.2020	EUR 1,500,000 (divided into 1,500,000 Shares with a nominal value of EUR 1.00 each)	The Share capital was increased by EUR 2,500,000 resulting in allotment of additional Shares	EUR 4,000,000 (divided into 4,000,000 Shares with a nominal value of EUR 1.00 each)	4,000,000
19.01.2021	EUR 4,000,000 (divided into 4,000,000 Shares with a nominal value of EUR 1.00 each)	The Share capital was divided into 40,000,000 Shares with a nominal value EUR 0.10 each (the Company was re-organized into a joint stock company)	EUR 4,000,000 (divided into 40,000,000 Shares with a nominal value of EUR 0.10 each)	40,000,000
18.10.2021 (subscription) 21.10.2021 (paid-up)	EUR 4,000,000 (divided into 40,000,000 Shares with a nominal value of EUR 0.10 each)	The Share capital was increased by EUR 531,959.40 as a result of the IPO	EUR 4,531,959.40 (divided into 45,319,594 Shares with a nominal value of EUR 0.10 each)	45,319,594

10.2. Conditional equity capital

Changes were registered in the share capital of the Company on 20 September 2021 to implement the personnel share options programme (please also see Section 12.2 "Personnel Share Options").

The share capital was conditionally increased by EUR 45,000 of conditional equity capital, divided into 450,000 shares with the nominal value of EUR 0.10.

As of the date of this Prospectus, none of the options have been converted into Shares.

10.3. Shareholders

As of the date of this Prospectus, the following companies and individuals are major shareholders of record in the Company:

Table 10.3.1.

The Company's major shareholders			
Name of shareholder	Percentage of the total share capital held	Number of Shares held	The ultimate beneficial owner(s) of the shareholder
SIA "AE Consulting"	8.90%	4,032,414	Agris Evertovskis
SIA EC finance	18.81%	8,525,870	Agris Evertovskis
SIA L24 Finance	57.53%	26,074,130	Aigars Kesenfelds Linda Kesenfelde

The Company's major shareholders do not have different voting rights.

There is no shareholders agreement entered into between the Offeror and any other shareholder of the Company.

Mr Agris Evertovskis

Mr Agris Evertovskis, the Chairman of the Supervisory Board, indirectly owns 27.71% of the Shares, thus being an ultimate beneficial owner of the Company. According to the Latvian Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing (*Noziedzīgi iegūtu līdzekļu legalizācijas un terorisma un proliferācijas finansēšanas novēršanas likums*), the ultimate beneficial owner is a natural person (private individual) who directly or indirectly owns more than 25% of the capital shares of the legal entity, or directly or indirectly controls it. Since Mr Agris Evertovskis indirectly owns more than 25% of the Company's Shares and exercises control over the Company, he is an ultimate beneficial owner of the Company.

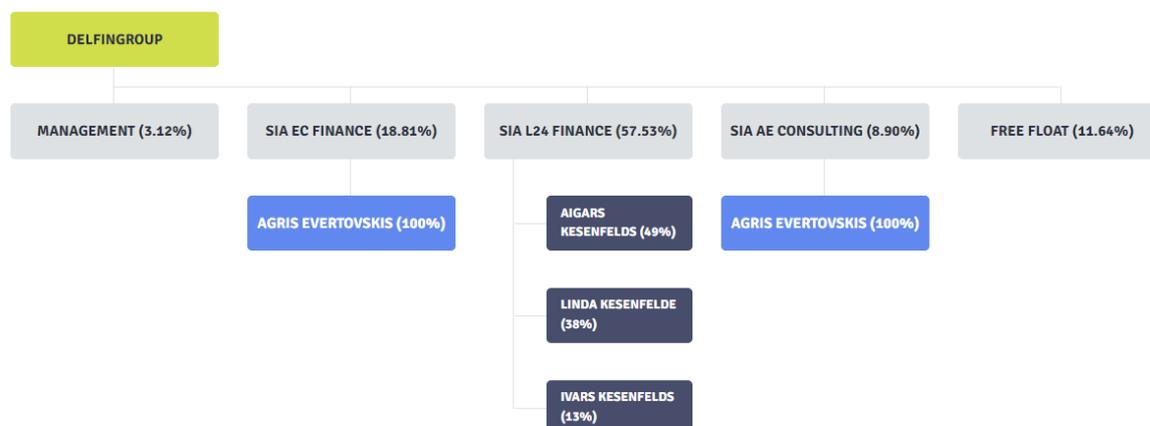
Kesenfelds' Family Holding

57.53% of the Company's shares are owned by SIA L24 Finance. Shareholders of SIA L24 Finance are Mr Aigars Kesenfelds (49%), his spouse Mrs Linda Kesenfelde (38%) and his father Mr Ivars Kesenfelds (13%). Please refer to shareholding structure of the Company in the table below. Since Mr Aigars Kesenfelds indirectly owns more than 25% of the Company's Shares he is registered as an ultimate beneficial owner of the Company.

If as a result of the Offering the shareholding of SIA L24 Finance in the Company will reduce below 50% threshold, such reduction in shareholding will be notifiable in accordance with Article 61(1) of the Latvian Financial Instrument Market Law. Similarly, SIA L24 Finance shall notify any increase or decrease of the shareholding in accordance with the thresholds mentioned in Article 61(1) of Latvian Financial Instrument Market Law.

Figure 10.3.1.

Shareholding structure of the Company as of the date of the Prospectus



As of the date of this Prospectus, the Offeror is not aware of any facts or arrangements that might give rise to a change in control over the Company. The Offeror is not aware that any of the shareholders are acting in concert.

10.4. Selling Shareholder

The following Shareholder is offering to sell its Shares:

SIA EC finance is a limited liability company (*sabiedrība ar ierobežotu atbildību*), incorporated in Latvia, registered in the Register of Enterprises of Latvia with registration number 40103950614, having its registered address at Skanstes iela 50A, Rīga, LV-1013. The Company's e-mail is Agris.Evertovskis@gmail.com, telephone number is +371 28300664. Its legal entity identifier (LEI) is 984500DD97SA6CC9G232.

The following table sets forth the number of shares being offered by the Offeror (selling shareholder) and the size of the shareholding before and immediately after the Offering:

Shareholder	Pre-Offering		Offering		Post-Offering	
	Amount of shares	%	Amount of shares	%	Amount of shares	%
SIA EC finance	8,525,870	18.81	1,750,000	3.86	6,775,870	14.95

Ultimate beneficial owner of SIA EC finance is Mr Agris Evertovskis which from 12.10.2009. until 18.01.2019. was the Chairman of the Management Board of the Company and from 19.01.2021. until the date of this Prospectus is the Chairman of the Supervisory Council of the Company.

10.5. Shareholder Rights

This Section aims to provide a general overview over the scope of rights conferred upon shareholders of the Company in accordance with the applicable rules of Latvian law and the Articles of Association. This general overview is not intended to be exhaustive, nor does it purport to cover all legal issues that may arise in connection with ownership of the Shares.

Under the applicable laws, all shareholders of the Company shall be subject to equitable treatment. Each Share of the Company confers upon its holder the same rights to a share of the Company's assets and profits. In the event of liquidation of the Company, shareholders are entitled to a share of the surplus of assets in the proportion to the number of Shares held. No restrictions apply with respect to transferability of the Shares. The following rights attach to each Share:

Right of Share Disposal. Each shareholder of the Company has the right to dispose of the Share(s) owned. The disposal includes sale (transfer of ownership) and other forms of disposal. No restrictions apply to transferability of the Shares, neither under the statutory provisions of Latvian law nor under the Articles of Association.

Right to Vote. Shareholders have the right to participate and vote at General Meetings. A shareholder is eligible to participate and vote at a General Meeting if it is a shareholder of record (i.e., recorded as a shareholder in the shareholders' register of the Company) at least 5 working days prior to the date of the General Meeting. Each fully paid-up Share, confers upon each shareholder at least one vote at the General Meeting.

A shareholder does not have the right to vote at the General Meeting if, and with respect to the following matters only:

- 1) he or she is a member of the Supervisory Board or a member of the Management Board, a liquidator, an auditor, an internal auditor of the Company, or the General Meeting will be deciding a matter related to the revocation of authority, a motion of no confidence, or the commencement of legal action against the shareholder;
- 2) the General Meeting will be deciding a matter concerning enforcement of the Company's rights against the shareholder;
- 3) the General Meeting will be deciding a matter concerning release of the shareholder from obligations or liability towards the Company;
- 4) the General Meeting will be deciding a matter concerning entry by the Company into a transaction or arrangement with a person related to the shareholder; or
- 5) other limitations of shareholders voting rights can apply if specifically provided for in accordance with the Latvian Commercial Law.

Right to Participate in General Meeting. The Annual General Meeting must be held once a year pursuant to the procedure and at a time set forth by law and the Articles of Association. The Annual General Meeting adopts resolutions on the approval of annual report of the Company, reports by the Management Board and Supervisory Board and the application of profit reported in the previous financial year, as well as on other matters included in the agenda of the Annual General Meeting. Shareholders may participate in the Annual General Meetings and exercise their voting rights in person or by a proxy.

Convening of General Meeting. General Meetings, both Annual and Extraordinary, are convened by the Management Board. Apart from the Management Board, the right to request convening of Extraordinary General Meeting is also vested in the Shareholders representing at least one-twentieth (5%) of the Company's share capital. In specific instances, where the Management Board fails to convene a General Meeting, it may be convened by the Supervisory Board or by the Latvian Enterprise Register at the request of Company's auditor or Shareholders representing at least one-twentieth (5%) of the Company's share capital.

Right to Include Particular Matters into Agenda of General Meeting. Shareholders representing at least one-twentieth (5%) of the Company's share capital may request the Management Board to include particular matters into the agenda of the next General Meeting, provided that such request is made no later than within 7 days from the date of receipt by the Shareholders of notice convening the General Meeting.

Right to Information. The Management Board has an obligation, upon receipt of a written request by any Shareholder submitted to the Management Board at least 14 days prior to the date of the General Meeting, to provide the requesting shareholder with information regarding all matters included into agenda of the General Meeting. The Management Board is entitled to refuse provision of the requested information if the provision of such information would be detrimental to important economic interests of the Company, would result in disclosure of a trade secret or if disclosure is prohibited by law.

Revocation of Resolutions Adopted by General Meeting. A resolution of the General Meeting which is unlawful and is in breach of the Articles of Association, is detrimental to the interests of the Company, or is aimed at aggrieving a Shareholder, may be appealed against by way of legal action seeking revocation of the resolution. The legal action seeking revocation of resolutions adopted by the General Meeting shall be brought against the Company.

Shareholders who have been holding Shares in the Company for at least 3 months prior to the date of the General Meeting are entitled to appeal against resolutions adopted by the relevant General Meeting. Furthermore, the right of legal action seeking revocation of resolutions adopted by the General Meeting, or legal action aimed at invalidating resolutions adopted by the General Meeting, is vested in the following shareholders: (i) shareholders who voted against the resolution and, upon passing of the resolution, requested that his or her objection be included in the minutes of the General Meeting; (ii) shareholders who were refused participation in the General Meeting for no lawful reason; and (iii) shareholders who were not present at the General Meeting – only if the General Meeting was improperly convened or if the resolution was adopted on a matter not included in the agenda of the General Meeting.

Right to Liquidation Quota. Upon liquidation of the Company, each Shareholder is entitled to receive a liquidation quota in the proportion to its existing shareholding, in the instances and in accordance with the procedures established by the provisions of statutory law.

Quorum. According to Latvian law and the Articles of Association, the General Meeting is quorate (i.e., a sufficient number of shareholders is present to adopt resolutions) if Shareholders representing more than 50% of the total number of votes are present at the meeting.

Pre-Emption Rights. In the event of increase in the amount of share capital of the Company, each Shareholder has a right of pre-emption to purchase the newly issued shares in the proportion to the total nominal value of the Shares already owned. If the Shareholder fails to exercise the right of pre-emption within the specified period of time, the newly issued shares must be offered for subscription to those Shareholders who have exercised their pre-emption rights according to the procedure specified in the terms of share capital increase.

The rights of pre-emption may be cancelled by resolution of the General Meeting, provided that no less than three quarters of the Shareholders with voting rights present at the General Meeting vote in favour of the cancellation and provided, further, that no greater majority vote is required for adopting the resolution in accordance with the Articles of Association.

Redemption Provisions. Because the Shares are fully paid up, no redemption provisions are intended or apply.

Conversion of Shares. Latvian law stipulates no specific statutory procedure for the conversion of shares from one category to another (nor is conversion prohibited). In order to enable conversion of the Shares, the Articles of Association shall be amended and corresponding adjustments shall be made to shareholders' register of the Company. Currently the Articles of Association do not provide for conversion of the Shares.

Shareholder Rights in Case of Mandatory Bid, Sell-Out and Squeeze-Out. Latvian law requires a mandatory bid for all Shares to be made by one or more persons acting in concert who seek to do any of the following:

- acquire the voting rights attaching to the Shares, directly or indirectly, in such amount that the voting power exercised by such person(s) would correspond to or exceed 30% of the total number of voting shares of the Company; or
- vote at a General Meeting to exclude the Shares from a stock exchange.

The person(s) responsible for making the mandatory bid makes the bid in accordance with the procedure specified in the statutory law, once the making of the bid is permitted by the Latvian Financial and Capital Market Commission.

Mandatory bid for the repurchase of Shares shall not be expressed by qualifying person or persons if the shareholding stake which reaches or exceeds 30% of the total number of voting shares of the Company is acquired prior to listing of the Company shares on a regulated market and the shareholding stakes acquired prior to listing of the Company shares are disclosed in the Prospectus.

In the event any legal entity owns, directly or indirectly, Shares in the Company representing 90% or more of the Company's share capital, any remaining minority Shareholder has a right to require that the respective legal entity purchases all of the Shares belonging to the minority Shareholders, whereas the legal entity has the obligation to purchase such Shares. The purchase price of the Shares belonging to the minority Shareholders is then determined by the majority Shareholder in accordance with the provisions of statutory law, or by court in case of a dispute.

A squeeze-out offer can be made by a single Shareholder acquiring 95% or more of the total number of Shares. The acquiring Shareholder can offer that all of the other Shareholders sell to him or her all of the remaining Shares owned by them on the terms and conditions to be approved by Latvian Financial and Capital Market Commission. The offer to sell, if made, shall be considered the final offer.

If a Shareholder entitled to accept the final offer to sell fails to accept the offer within the specified term, the Shares shall be deemed to have been blocked on the day following expiration of the final offer to sell, while all rights conferred upon the holder of such Shares shall be deemed to have been forgone.

A settlement with respect to shares acquired pursuant to a final Share purchase offer shall take place in accordance with the rules governing the final share purchase Prospectus. The final share purchase Prospectus shall be compliant with the provisions of the statutory law. The final share purchase offer can only be made following review of the offer Prospectus by the Latvian Financial and Capital Market Commission and grant of permission to proceed with the offer.

The Latvian Financial and Capital Market Commission monitors and ensures compliance of the final share purchase, and settlement of the purchase, in accordance with the provisions of the Latvian Financial and Capital Market Commission.

The provisions relevant to mandatory bids, sell out and squeeze-out offers are established, primarily, under the Latvian Financial Instruments Market Law and Group of Companies Law.

11. MANAGEMENT AND SUPERVISORY BODIES

11.1. Governance Structure

The governance structure of the Company is designed to ensure optimal management and control of the business of the Company as a whole in a manner aligned to the business objectives of the Company and the Group.

The Management Board carries out general management of the Company, except for the issues attributed to the competence of the General Meeting.

The function of the Supervisory Board is in supervising the Management Board and representing the interests of Shareholders in-between of General Meetings.

The General Meeting is the supreme management and decision-making body of the Company. Additional information on the competence of the General Meeting is provided in Section 10.4 "Shareholder Rights".

In addition, the Supervisory Board has formed the Remuneration and Nomination Committee and the Business Development Committee, both of which are functioning at the Supervisory Board level, while the General Meeting has formed the Audit and Risk Committee.

The seat of the Management Board and the Supervisory Board is the registered address of the Company at Skanstes iela 50A, Riga, LV-1013, Latvia.

11.2. Management Board

The role and responsibilities of the Management Board. The Management Board is responsible for the day-to-day management of the Company's operations and decision-making (with the exception of decisions falling within the exclusive competence of the General Meeting and decisions requiring approval by the Supervisory Board).

The Management Board also participates in the development and execution of the Company's strategy and material policies. The primary objectives of the Management Board include managing the Company's assets to maximise their value and returns, improving the efficiency of internal control and risk management systems, and ensuring the protection of shareholder rights and interests. The Management Board represents the Company in relation to third parties and the public at large.

The Management Board reports to the Supervisory Board and must abide by its valid instructions. The Management Board requires approval by the Supervisory Board in order to adopt decisions on matters of major importance for the Company. In addition to issues set forth by law, approval by the Supervisory Board is required with respect to decisions on any of the following matters:

- 1) commencement of new types of activity and termination of current activities;
- 2) determinations concerning the general principles of operation;
- 3) acquisitions, increases or decreases of shareholdings in other companies;
- 4) acquisitions or disposals of other undertakings;
- 5) acquisitions, alienations of the real property or creation of encumbrances over real property with rights *in rem*;
- 6) issuance of procuration;
- 7) consents to entry into, amendment or renewal of related party transactions;
- 8) grants by the Company of sureties or guarantees related to the performance of obligations of third parties, as well as amendments to or termination of such sureties or guarantees;
- 9) off-balance sheet commitments by the Company;
- 10) receipt of financing if the single case causes the Company liabilities of more than EUR 100,000 to the extent that the issue is not within the competence of the shareholders' meeting;
- 11) entry into one or more transactions with the same person, or if the purpose of the transaction falls outside the scope of the ordinary business of the Company, provided that the total value of the transaction(s) during one financial year exceeds EUR 100,000;

- 12) debt incurrence if the debt, in any single instance, causes the Company to be liable in excess of EUR 100,000, to the extent that the issue is not within the competence of the shareholders' meeting;
- 13) grant of loans for any purpose that is not related to the ordinary business activities of the Company;
- 14) transfer or modification of intellectual property, grant of exclusive licenses or other similar rights for the benefit of third parties, with the exception of affiliates of the Company, or other significant transactions involving the intellectual property of the Company;
- 15) commencement, termination or settlement of any legal proceedings, arbitration or mediation proceedings, with the exception of recovery of debt incurred in the ordinary course of business, or any motion for the grant of injunctive relief (including temporary restraining order or protective order) that may be necessary for the protection of legitimate interests of the Company in the circumstances where approval by the Supervisory Board is impossible or impracticable;
- 16) filing of an application for a voluntary insolvency of the Company or filing of a motion for the commencement of legal protection proceedings with respect to the Company; or
- 17) in respect of any of the above matters, in as far as the matter concerns a subsidiary of the Company.

Appointment of members of the Management Board. In selecting and appointing the members of the Management Board, the Supervisory Board with help of the Remuneration and Nomination Committee seek to ensure adherence to the principle of diversity, including with respect to work experience, nationality, age and gender of the candidates. To this end, a set of specific selection criteria, including with respect to the skills and competence of each candidate, have been established by the Supervisory Board.

Organisation and functioning of the Management Board. According to the Articles of Association, the Company shall be represented by two Management Board members acting jointly. The Articles of Association establish no minimum requisite number of members of the Management Board.

As of the date of this Prospectus, the Management Board consists of three members appointed by the Supervisory Board for the term in office of five years.

The Supervisory Board appoints one member of the Management Board to act as the Chairman of the Management Board. The Chairman of the Management Board shall make sure, among other duties, that the members of the Management Board receive sufficient information and materials enabling the proper execution of their duties.

Decisions of the Management Board are adopted by a simple majority of the votes cast. In the event of a split vote, the Chairman of the Management Board has a casting vote.

The details on the members of the Management Board of the Company, as of the date of this Prospectus, are provided below.

Table 11.2.1.

Members of the Management Board of the Company

Name	Role	Appointment Date	Expiration of the Term in Office
Didzis Ādmīdiņš	CEO, Chairman of the Management Board	19 January 2021	18 January 2026
Aldis Umblejs	CFO, Member of the Management Board	15 December 2021	14 December 2026
Sanita Zitmane	COO, Member of the Management Board	1 March 2022	28 February 2027

Didzis Ādmīdiņš



Mr Didzis Ādmīdiņš has been the CEO of the Company since 2018 and a member of the Management Board since 2014. Mr Didzis Ādmīdiņš owns 1.32% of the Shares of the Company.

Mr Didzis Ādmīdiņš graduated from Riga Technical University and holds a Master's degree in Economics and Business Administration. Previously Mr Didzis Ādmīdiņš served as COO of several real estate companies (2008 – 2010), and as a Retail Credit Specialist at Swedbank (2007 – 2008).

In the past, Mr Didzis Ādmīdiņš was a member of the management board of AS "Naudasklubs.lv" (2015-2017) and SIA "EC finance" (2015-2020), as well as the chairman of the supervisory board of AS "EA investments" (2015-2020). In addition to his current role with the Company, Mr Didzis Ādmīdiņš is a procurist with sabiedrība ar ierobežotu atbildību "Ādmīdiņš".

As of the date of this Prospectus, the referred positions and activities of Mr Didzis Ādmīdiņš outside the Company are not significant with respect to the Company.

Aldis Umblejs



Mr Aldis Umblejs joined the Company in 2021, first taking the position of CFO and later being appointed as a Member of the Management Board. Mr Aldis Umblejs directly owns 0.01% of Shares of the Company.

Mr Aldis Umblejs holds a Bachelor of Science in Business Administration from BA School of Business and Finance, as well as the qualification of a Chartered Certified Accountant (FCCA) and Chartered Financial Analyst (CFA).

Previously Mr Aldis Umblejs served as the CFO of SIA DCE Solutions (2017 – 2020) and SIA Scandagra Latvia (2014 – 2016), a manager at Ernst & Young (2016-2017), internal audit manager at Modern Times Group (MTG) AB (2012-2014) and group internal auditor at Nordea Bank Finland Plc Latvia branch (2011-2012).

In addition to his current role with the Company, Mr Aldis Umblejs is a member of the management board at AS Fintera (since 2019) and AS "SPV Properties" (since 2019).

As of the date of this Prospectus, the referred positions and activities of Mr Aldis Umblejs outside the Company are not significant with respect to the Company.

Sanita Zitmane



Ms Sanita Zitmane has been the COO of the Company and a member of the Management Board since 2022. Ms Sanita Zitmane owns no Shares in the Company.

Ms Sanita Zitmane holds a Bachelor's degree from the University of Latvia and has more than 10 years of experience in financial technology (fintech), insurance, and banking sectors.

Before joining the Company, Ms Sanita Zitmane managed loan operations at TWINO Group in Latvia as the Country Manager for Latvia, developing consumer lending products and loans for small and medium-sized enterprises (2018 – 2020).

Prior to that, Ms Sanita Zitmane worked at Citadele banka as a Product Manager of Consumer Lending (2016 – 2018) and Head Manager of Projects with Partners in the Department of Consumer Lending (2015 – 2016), and in the field of insurance at Colemont FKB Latvia and UniCredit Insurance Broker.

Ms Sanita Zitmane does not hold any positions in legal entities other than the Company and ViziaFinance.

11.3. Supervisory Board

The role and responsibilities of the Supervisory Board. The Supervisory Board oversees performance by the Management Board of its managerial duties, taking into account the interests of the Shareholders, in accordance with the provisions of statutory law and the Articles of Association.

Rules of Procedure of the Supervisory Board. On 22 February 2021, the Supervisory Board adopted the Rules of Procedure of the Supervisory Board. The Rules of Procedure determine the work organization

of the Supervisory Board, the manner of convening meetings of the Supervisory Board, the information flow, procedural aspects and the manner of decision-making at the meetings of the Supervisory Board.

The organisation and functioning of the Supervisory Board. According to the Articles of Association, the Supervisory Board shall consist of five members who are appointed for the term in office of five years. The Supervisory Board adopts resolutions by a simple majority of the votes cast and, in the event of a split vote, the Chairman of the Supervisory Board has a casting vote. Currently the Supervisory Board consists of one member that has been nominated by SIA "AE Consulting" and SIA EC finance jointly (while a Shareholders Agreement was in place) and four members that have been selected and nominated through an open selection process organised by the Company.

Tasks of the Supervisory Board. In addition to the provisions of the law and Articles of Association, the Supervisory Board has the following tasks: approve the strategy and monitor its implementation; approve the annual financial plan (which also includes the budget) and monitor its implementation; elect and recall members of the management board; approve the Rules of procedure of the Management Board; determine the remuneration of the members of the Management Board; set annual financial and non-financial targets for the Management Board and monitor their achievement; monitor the operation of internal control and risk management systems, as well as internal audit, review their adequacy and effectiveness; set general operating principles, including the approval of key policies; approve the strategic and annual risk-based internal audit plan; consider all issues that are within the competence of the General Meeting and prepare an appropriate opinion on them; approve the conclusion of an agreement with third parties in accordance with the transaction amount specified in the Articles of Association; conclude any partnership, joint venture, association or similar association or agreement on behalf of the Company; consider issues related to the acquisition of participation in other companies, its increase or decrease, issuance of a power of attorney, awarding of loans that are not related to the normal business activities of the Company; represent the Company before Shareholders and other key audiences by reporting on the Company's activities; perform annual self-evaluation of the work of the Supervisory Board; perform other tasks in accordance with the provisions of the Articles of Association.

The details on the members of the Supervisory Board of the Company, as of the date of this Prospectus, are provided below.

Table 11.3.1.

Members of the Supervisory Board of the Company

Name	Role	Appointment Date	Expiration of the Term in Office	Fulfils independence criteria*
Agris Evertovskis	Chairman of the Supervisory Board	13 April 2021	29 March 2026	
Gatis Kokins	Deputy Chairman of the Supervisory Board	13 April 2021	29 March 2026	Yes
Edgars Vojskis	Member of the Supervisory Board	13 April 2021	29 March 2026	Yes
Mārtiņš Bičevskis	Member of the Supervisory Board	13 April 2021	29 March 2026	Yes
Jānis Pizičs	Member of the Supervisory Board	13 April 2021	29 March 2026	

*The independence criteria are defined in Latvian Corporate Governance Code (Latvijas Korporatīvās pārvaldības kodekss), please see: <https://www.tm.gov.lv/lv/media/7299/download>

Agris Evertovskis



Mr Agris Evertovskis is a founder of the Company, and has served as the Chairman of the Supervisory Board since 2021. Mr Agris Evertovskis is a member of the Supervisory Board's Remuneration and Nomination Committee and Business Development Committee. Mr Agris Evertovskis indirectly owns 27.71% of the Shares of the Company.

Mr Agris Evertovskis graduated from the Stockholm School of Economics in Riga and holds Bachelor's degree in Economics and Business.

Prior to serving as the Chairman of the Supervisory Board, Mr Agris Evertovskis was the Chairman of the Management Board of the Company (2009 – 2021). In the past, Mr Agris Evertovskis led several commercial real estate development projects and companies and served as chairman of the supervisory board of AS "Naudasklubs.lv" (2015 – 2017), a member of the management board of SIA "OBDO Gin" (2011 – 2019), SIA "DCE solutions" (during 2017), AS "Smart Finance Holding" (2017-2020), SIA "KALPAKS" (2016-2020), SIA "L24 Finance" (2015-2021) and AS "EA investments" (period of service 2015-2021). Mr Agris Evertovskis has also served as the chairman of the management board of SIA "EL Capital" (during 2016) and SIA "EC finance" (2015 – 2020).

In addition to his role with the Company, Mr Agris Evertovskis is currently a member of the management boards of SIA "EL Capital", SIA "EC finance", SIA "Five nines company" and SIA "AE Consulting". As of the date of this Prospectus, the referred positions and activities of Mr Agris Evertovskis outside the Company are not significant with respect to the Company, except for the positions as a member of the management board of SIA "EC finance" and SIA "AE Consulting" both of which companies are the direct shareholders of the Company.

Gatis Kokins



Mr Gatis Kokins has been the Deputy Chairman of the Supervisory Board of the Company since 2021. Mr Gatis Kokins was appointed to serve as an independent member of the Supervisory Board. He is a member of the Supervisory Board's Audit and Risk Committee, the Remuneration and Nomination Committee, as well as a member of the Business Development Committee. Mr Gatis Kokins owns no Shares in the Company.

Mr Gatis Kokins graduated from the University of Latvia and holds Master of Science degree in Physics. He received an MBA from the Stockholm School of Economics in Riga and participated in number of executive education programs, including INSEAD and Harvard Business School.

Mr Gatis Kokins has acquired extensive management experience, having served as the chairman of the supervisory board of SIA "Tet" (2009-2021) and Citadele Bank Lithuania (2004-2009), as well as a member of the management board of Swedbank Latvia (1993-1997), SIA "OC VISION" (from 2015) and SIA "D8 Corporation" (2002-2009). As of the date of this Prospectus, Mr Gatis Kokins does not hold any positions or perform any duties outside the Company that are significant with respect to the Company.

Dr. Edgars Vojskis



Mr Edgars Vojskis is a member of the Supervisory Board since 2021, having been appointed as independent member. Mr Edgars Vojskis is Head of the Audit and Risk Committee. Mr Edgars Vojskis owns no Shares in the Company.

Mr Edgars Vojskis graduated from the University of Latvia with BSc and MBA degrees. He also obtained PhD in Social Sciences (Economics) from the University of Latvia. He is well-versed in Latvian, English, Russian, Slovene, Spanish, German, Bosnian and Serbo-Croatian languages.

Mr Edgars Vojskis served as CFO and member of the management board of Baltic International Bank SE (2020 – 2022). Prior to serving as a member of the Supervisory Board of the Company, Mr Edgars Vojskis had also acquired extensive experience as auditor and accountant. He served as partner with KPMG CIS in Belarus (2017-2019), director of KPMG Baltics and Belarus (2006-2017), risk services

manager with Deloitte and Touche Adriatics in Slovenia, Croatia and Bosnia (2003-2006), senior auditor with Deloitte and Touche Latvia in Riga (1999-2002).

Mr Edgars Vojskis is also a member of the management board of SIA "EGGA" and a member of the management board of the association "Latvijas Ekonomistu asociācija". As of the date of this Prospectus, the referred positions and activities of Mr Edgars Vojskis outside of the Company are not significant with respect to the Company.'

Mārtiņš Bičevskis



Mr Mārtiņš Bičevskis is a member of the Supervisory Board of the Company since 2021. He was appointed as an independent member of the Supervisory Board. Mr Mārtiņš Bičevskis is the Head of the Remuneration and Nomination Committee. Mr Mārtiņš Bičevskis owns no Shares in the Company.

Mr Mārtiņš Bičevskis graduated from the University of Latvia with Law degree. Martins has held high level positions in various ministries of the Republic of Latvia. In turn, he is a start-up Ecosystem Enthusiast & an activator for the Latvian sports ecosystem.

Prior to serving as a member of the Supervisory Board, Mr Mārtiņš Bičevskis served as a member of the executive body of "Latvijas Sporta federāciju padome" (2017-2021), a member of the supervisory board of Akciju sabiedrība "Latvenergo" (2016-2019), Chairman of the supervisory board of Valsts akciju sabiedrība "Valsts nekustamie īpašumi" (2016-2019) and a member of the executive body of "Latvijas Komerčbanku nozares asociācija" (2011-2016). In addition to these roles, Mr Mārtiņš Bičevskis served as the State Secretary at the Ministry of Finance (2008-2011) and as the State Secretary at the Ministry of Justice (2004-2008).

Currently, Mr Mārtiņš Bičevskis serves as a limited partner with the Commercialization Reactor Fund, an angel investor and a mentor at "Cocoon", Deputy Chairperson of the supervisory board of Akciju sabiedrība "LatRailNet", Member of Executive Committee of the Latvian Olympic Committee and as a member of the executive bodies of the following associations: "Latvijas Komandu sporta spēļu asociācija" and "Latvijas Privātā un Riska kapitāla asociācija". As of the date of this Prospectus, the referred positions and activities of Mr Mārtiņš Bičevskis outside the Company are not significant with respect to the Company.

Jānis Pizičs



Mr Jānis Pizičs has been a member of the Supervisory Board since 2021. Mr Jānis Pizičs is Head of the Business Development Committee and a member of the Audit and Risk Committee. Mr Jānis Pizičs owns 0.0147% of the Shares of the Company.

Mr Jānis Pizičs holds a BSc in Economics and Business from the Stockholm School of Economics in Riga and an MBA from Riga Business School.

Prior to serving as a member of the Supervisory Board, Mr Jānis Pizičs served as a member of the management board of SIA LeadGen Brokerage (2017-2019), deputy chairman of the supervisory board of AS "Puzzle Ventures" (during 2020), AS "EAG finance" (2018-2021) and AS "FINKO group" (2019-2021), as well as chairman of the supervisory board of AS "TIG invest" (2018-2021). In addition to these roles, Mr Jānis Pizičs served as CEO of AS "FINKO group", Finance improvement lead / cluster finance partner HIV in the Nordic cluster for SIA "GlaxoSmithKline Latvia", budgeting and reporting manager with SPI Group SARL Group, business controller of SIA "LATVIJAS ENERGOCELTNIEKS" and tax consultant at Ernst & Young Baltic.

Currently, Mr Jānis Pizičs serves as a member of the management boards of AS "Monio Group", AS "DBF Finance", Sabiedrība ar ierobežotu atbildību "BWCA", AS "SPV Properties", SIA "Mindi Insurance", SIA "Mindi Latvia" and SIA "CleverMetrics".

As of the date of this Prospectus, the referred positions and activities of Mr Jānis Pizičs outside the Company are not significant with respect to the Company.

11.4. The Audit and Risk Committee

The role of the Committee. The Audit and Risk Committee is an advisory body formed by and acting under the supervision of the Shareholders in accordance with and within the meaning of the Financial Instrument Market Law. The purpose of the Committee is to ensure the protection of the interests of Shareholders with regard to the preparation of the Company's annual reports, audit of the Company and the effectiveness of the internal control, risk management and internal audit system. No separate risk committee has been formed at the level of the Supervisory Board. Instead, the Audit Committee performs the function of a risk committee, taking into account the nature, scope and the level of complexity of the Company's business.

The policy of the Audit and Risk Committee is available on the Company's website.

The Audit and Risk Committee consists of three members of the Supervisory Board (two of which fulfil independence criteria) – Mr Edgars Vojskis, being the Head of the Audit and Risk Committee, Mr Gatis Kokins and Mr Jānis Pizičs.

The Company has established the role of independent and impartial internal auditor. Currently, Mr Roberts Korde serves as the internal auditor of the Company. According to the Internal Audit Policy of the Company, duties of the internal auditor include:

- carrying out internal audit;
- evaluation of business governance processes;
- conducting performance assessments;
- assessment of the risk management, internal controls and whistleblowing systems of the Company;
- monitoring compliance;
- provision of advice to the Supervisory Board, the Management Board and employees of the Company.

11.5. The Remuneration and Nomination Committee

The role of the Committee. The Company has formed a Remuneration and Nomination Committee. The Committee is an advisory body responsible for the development, analysis and control with respect to, *inter alia*, the remuneration principles, remuneration, succession planning, compensation and development plans and other terms of employment applicable to the senior executives of the Company and Supervisory Board members.

The Remuneration and Nomination Committee consists of three members of the Supervisory Board – Mr Mārtiņš Bičevskis, being the Head of the Remuneration and Nomination Committee, Mr Agris Evertovskis and Mr Gatis Kokins.

The duties of the Remuneration and Nomination Committee include advice to the Supervisory Board with respect to the appointment of CEO, members of the Management Board, the internal auditor of the Company, and the determination of their respective remunerations. The Committee facilitates assessments by the Supervisory Board of the annual performance of the members of the Management Board. The Committee also prepares proposals for the General Meeting as to the composition of the Supervisory Board and the remuneration of members of the Supervisory Board. The Committee evaluates and makes proposals to the Supervisory Board with respect to the candidates for the Management Board members and the internal auditor; prepares salary, compensation and development plans; and provides the Supervisory Board with recommendations concerning management and employee rewards, compensation plans and succession plans. Additionally, the Remuneration and Nomination Committee develops and proposes remuneration policies and remuneration reports for the governance bodies of the Company.

The following criteria are taken into consideration in selection process of Supervisory Board and Management Board members. Independent candidates for the Supervisory Board members shall be selected in an open process on the basis of criteria of professionalism and competence. In the selection of candidates for independent members of the Supervisory Board, the Company engages a professional selection consultant, determining the scope and tasks of its involvement. The members of the Supervisory Board shall be elected by the General Meeting for a term of five years. The Supervisory Board as a whole has the skills, experience and knowledge to be able to perform its duties to the full

extent. In the selection process of the members of the Management Board and Supervisory Board, the Supervisory Board and the Shareholders try to ensure the observance of the principles of diversity, including work experience, nationality, gender and different ages. Candidates for the members of the Management Board are selected by the Supervisory Board and the Remuneration and Nomination Committee on the basis of professionalism and competence criteria. The members of the Management Board are elected by the Supervisory Board for a term of five years. Each member of the Management Board and the Supervisory Board starts his/her duties with introductory training, where the activities and processes of the Company are comprehensively introduced.

11.6. The Business Development Committee

The role of the Committee. The Business Development Committee discharges certain responsibilities of the Supervisory Board relating to strategic business and growth opportunities. It reviews proposals from the Management Board on strategic business and growth opportunities and makes recommendations to the Supervisory Board with respect to those proposals that the Business Development Committee approves. Other duties of the Business Development Committee include:

- approval of budgets and business forecasts;
- approval of product development proposals;
- oversight of new product developments;
- evaluation of product scaling proposals;
- oversight of business processes' efficiency improvements;
- advice to the Supervisory Board on matters specific to processes and products of the Company.

The Business Development Committee consists of three members of the Supervisory Board – Mr Jānis Pizičs, being the Head of the Business Development Committee, Mr Gatis Kokins and Mr Agris Evertovskis.

11.7. Conflicts of interest and other declarations

To the knowledge of the Offeror as of the date of this Prospectus, there exist no actual or potential conflicts of interest between the duties of any member of the Company's Management Board or Supervisory Board, or any of the Company's subsidiaries, and their private or commercial interests.

To the knowledge of the Offeror, no member of the Company's Management Board or Supervisory Board has ever been prosecuted in criminal proceedings or convicted of malicious or fraudulent acts.

As part of reorganization and optimisation of the administrative structure of the Group, in 2021 several companies belonging to the Group, more specifically, SIA "Refin", SIA "ExpressInkasso" and SIA "Banknote commercial properties" were voluntarily liquidated. Former members of the management of SIA "Refin", SIA "ExpressInkasso" and SIA "Banknote commercial properties" include the Chairman of the Supervisory Board of the Company Mr Agris Evertovskis and member of the Management Board of the Company Mr Didzis Ādmīdiņš.

In the past, Mr Agris Evertovskis served as chairman of the supervisory board and Mr Didzis Ādmīdiņš served as a member of the management board of AS "Naudasklubs.lv". The voluntary liquidation of AS "Naudasklubs.lv" was completed in June 2017. Mr Didzis Ādmīdiņš was the liquidator of the company. AS "Naudasklubs.lv" was active in the business of retail sale of new goods through specialised stores and retail sale of second-hand goods through stores. To the knowledge of the Offeror, no member of the Company's Management Board or Supervisory Board has been serving in any managerial or fiduciary capacity with any company or organization, with the exception of the roles disclosed in Section 11.2 "Management Board" and Section 11.3 "Supervisory Board", which have, at any time, been the subject to any bankruptcy or involuntary liquidation proceedings at the time of the initiation of such bankruptcy or involuntary liquidation proceedings.

To the knowledge of the Offeror, no court or other competent authority has prohibited any person specified in this Section and Section 8.6 "Risk Management" of this Prospectus to serve as a member of any governance body of any company or organization, or has imposed any prohibition on participation in the management of any business or company, nor has any criminally punishable offence been incriminated against any such individual.

11.8. Good corporate governance, sustainability and compliance practices

Corporate Governance Policy. On 2 February 2021, the Management Board of the Company approved the Corporate Governance Policy of the Company. The policy has been prepared taking into account the requirements established for companies within the framework of Latvian regulatory enactments, the recommendations of the Organization for Economic Co-Operation and Development (OECD) for corporate governance (2015) and recommendations for the good corporate governance of companies in Latvia known as the "Corporate Governance Code" (2020).

Purpose. The purpose of the Company's corporate governance policy to set out the principles of Company's corporate governance and ensure that DelfinGroup is run in a transparent and ethical manner, ensuring good business practices.

The principles. The core principles of the Company's Corporate Governance Policy and its operational practices include:

- ensuring good quality services and a sustainable financial condition;
- clear division of roles, powers and responsibilities among key corporate governance institutions of the Company and within the entire organisation;
- transparent appointment processes of professional Supervisory Board members, including independent members;
- definite operational rules for Company's corporate governance institutions and clear decision making procedures;
- clear objectives of financial and non-financial performance of the Company;
- clear and motivational remuneration system, medium- and long-term incentive plans;
- duty of diligent management;
- implementation of ethical and responsible business practices;
- prevention of risk of conflict of interest and corruption;
- proper disclosures, accessibility and transparency of information;
- effective internal controls, risk management processes and audits.

Strategic development planning.

The Company's sustainable development is based on strategic planning system which includes:

- strategy (2 years);
- long-term financial plan and targets (5 years);
- short-term financial plan and targets (1 year).

The Management Board draws up an annual action plan to implement the strategy and reach financial goals and renders status report to the Supervisory Board at least once every six months or at request. Every six months, the Management Board and the Supervisory Board review the strategy and financial plans, evaluate the results and, if necessary, perform adjustments which are approved by the Supervisory Board.

ESG. The Company conducts its business responsibly towards the environment, shareholders, employees and other stakeholders. DelfinGroup cooperates with stakeholders and provides information in sustainability reports accordingly. In 2021, the Company published its first Environmental, Social and Governance (ESG) report in respect of 2020, which was followed by a report in respect of 2021. The ESG reports demonstrate commitment of the Company to improve the environment and well-being of its employees.

The Company performs ESG-related risk evaluation and implements appropriate risk exclusion or reduction strategies.

The Company is firmly committed to maintaining good corporate governance and responsible business practices while respecting the environmental, social, human and cultural aspects pertinent to its business.

The Company's vision is to build a sustainable society by empowering people and promoting financial inclusion.

The Company's corporate culture is based on its values, ethics, vision, behaviours and work environment. The Company trusts that good corporate culture contributes to high workplace morale as well as engaged, productive staff which leads to exceptional business results.

Compliance policies. The Company' Supervisory Board approves at least the following compliance and good practices policies:

- Business partner assessment policy;
- Code of ethics;
- Internal audit policy;
- Policy of internal control and compliance;
- Policy for prevention of market abuse;
- Policy for confidentiality, circulation and disclosure of information;
- Data protection policy;
- Risk management policy (including anti-money laundering compliance, sanctions risk);
- Whistle-blowing policy;
- Equality, diversity and inclusion policy.

The Management Board ensures the implementation (including communication, training) and enforcement of the policies thereof. The Management Board shall submit proposals to the Supervisory Board for policy updates as needed or in accordance with the renewal schedule of each policy, but not less than once in 3 years.

11.9. The external auditor

The audit firm "BDO ASSURANCE" SIA, registration number: 42403042353, legal address: Kalķu Street 15 - 3B, Riga, LV-1050 is the Group auditor for the accounting period covered by the historical financial information contained in this Prospectus. "BDO ASSURANCE" SIA is a certified auditor (licence No. 182) and a member of the Latvian Association of Certified Auditors.

12. REMUNERATION AND BENEFITS

12.1. Remuneration policy

The Company has adopted a Remuneration Policy which elaborates a number of principles critical to the determination of remuneration of employees, and members of the Management Board and Supervisory Board. These principles are as follows:

- the remuneration shall be commensurate with the performance and personal contribution of the employee, member of the Management Board or Supervisory Board;
- the remuneration shall be in alignment with the terms of employment, the scope of responsibilities of each employee or member of the Management Board or Supervisory Board and the actual performance of the Company;
- the remuneration of members of the Management Board and Supervisory Board shall be proportionate to the remuneration of employees of the Company;
- the level of remuneration shall be competitive with the overall labour market;
- the remuneration structure shall be balanced and not encourage excessive risk-taking;
- the remuneration shall not be contrary to the long-term value and objectives of the Company and its shareholders;
- in order to avoid conflicts of interest, the Company shall ascertain that its employees, members of the Management Board and Supervisory Board are not involved in the process of determination of their own compensation.

The amount of remuneration paid. In the year 2021, the Company has paid to the members of the Management Board an aggregate annual remuneration of EUR 431,448 gross, which corresponds to EUR 339,549 gross paid in the year 2020. The remuneration was a combination of salary (EUR 349,096), and employee social insurance contributions (EUR 82,352). According to the Remuneration Policy, the Chairman of the Management Board is entitled to a Company car (that is not of a luxury class) and fuel allowance. Members of the Management Board can request to be provided with a mobile phone of choice, and their telephone bills are paid by the Company.

In the year 2021, the Company has paid to the members of the Supervisory Council an aggregate annual remuneration of EUR 136,698 gross. The remuneration was a combination of salary (EUR 110,606), and employee social insurance contributions (EUR 26,092). In the year 2020, no member of the Supervisory Board has received remuneration in consideration of their service on the Supervisory Board.

In the interests of preserving the privacy of its employees, the Company has chosen not to publicly disclose any information on the remuneration packages and the amounts of remuneration paid to individual employees.

All members of the Management Board are performing their duties on the basis of employment agreements. In the event of termination of employment, each member of the Management Board is entitled to receive a severance payment in the amount and in accordance with the applicable provisions of Latvian labour law. No additional compensation, redundancy or severance benefits are set forth in the employment agreements of the members of the Management Board in excess of the statutory severance stipulated under the statutory provisions of Latvian labour law.

The Company has entered into authorisation agreements with each member of the Supervisory Board. No member of the Supervisory Board is entitled to receive any compensation or severance benefits whatsoever in the event of termination of their service on the Supervisory Board, with the exception of Mr Gatis Kokins. In the event of removal of Mr Gatis Kokins from the role of Supervisory Board member in connection with a change in control of the Company or other than for economic, organizational, technological or similar reasons, the Company has undertaken to pay Mr Gatis Kokins a severance in the amount of 6 monthly salaries. As of the date of this Prospectus, no additional amounts are set aside or accrued by the Company or its subsidiaries to enable the payment of pension, retirement, or similar benefits for the benefit of members of the Supervisory Board or Management Board of the Company or any Group company.

The details on the amount of remuneration of the members of the Supervisory Board, as of the date of this Prospectus, are provided below.

Table 12.1.1.

The amount of remuneration of the members of the Supervisory Board of the Company

Effective date: 31 March 2021

Gross amount per month for:	Remuneration, EUR
Member of the Supervisory Board	1,400
Chairman of the Supervisory Board	2,100
Deputy Chairperson of the Supervisory Board	300
Head of a committee	300
Member of a committee	150
Head of a working group	300
Member of a working group	150

12.2. Personnel share options

On 9 September 2021, the General Meeting resolved to approve a share options programme for the Company's employees, Management Board and Supervisory Board. The purpose of issuing the Company's personnel options is to reward the employees, members of Management Board and Supervisory Board for their successful performance, significant investment and loyalty to the Company, as well as to motivate them to take part in the long-term development of the Company.

For the purpose of the personnel share options programme, the share capital of the Company was conditionally increased by EUR 45,000 (450,000 shares). Options may be granted by the Company in its sole discretion in accordance with the terms and conditions of the Company's personnel share options programme, and will entitle the recipient to acquire Shares in the Company for the nominal value of the Share (EUR 0.10), provided that the option is held for a period of not less than one year.

The personnel share options programme has not yet been implemented.

13. HISTORICAL FINANCIAL INFORMATION

The financial information contained in this Section is extracted from the audited consolidated financial statements of the Group pertaining to the three financial years ending on 31 December 2021, 31 December 2020 and 31 December 2019 (the “**Audited Financial Statements**”) prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial information in this Prospectus for the 6-month period ended 30 June 2022 has been derived or taken from the unreviewed consolidated interim financial statements of the Group for the 6-month period ended 30 June 2022 (the “**Interim Financial Report**”) prepared in accordance with the International Accounting Standards (IAS) 34 (the Interim Financial Report together with the Audited Financial Statements also referred to as the “**Financial Statements**”). The financial information for the six-month period ended 30 June 2021 has been prepared in accordance with IAS 34 and has been reviewed by external auditors.

New standards, interpretations and amendments adopted by the Group

The Group applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (IBOR reform Phase 2).

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the financial statements of the Company and consolidated financial statements of the Group. The Company and the Group intends to use the practical expedients in future periods if they become applicable.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group did not apply the practical expedient and continues to apply IFRS 16 guidance on lease modification accounting for rent concessions.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts, effective for reporting periods beginning on or after 1 January 2023, with comparative figures required.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current, effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.
- Reference to the Conceptual Framework – Amendments to IFRS 3, effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16, effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively.
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37, effective for annual reporting periods beginning on or after 1 January 2022.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter, effective for annual reporting periods beginning on or after 1 January 2022.
- IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities, effective for annual reporting periods beginning on or after 1 January 2022.
- Definition of Accounting Estimates - Amendments to IAS 8, effective for annual reporting periods beginning on or after 1 January 2023.
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2, applicable for annual periods beginning on or after 1 January 2023.

The Group is currently assessing the amendments to determine the impact they will have on the Group’s financial statements.

The Financial Statements have been audited and reviewed by “BDO ASSURANCE” SIA and have been enclosed to this Prospectus as Schedule 1 and Schedule 2.

Table 13.1.

Profit and loss statements of the Group (EUR’000)

	Year ended 31 December (audited)			Six-month period ended 30 June (reviewed)	Six-month period ended 30 June (unreviewed)
	2019	2020	2021	2021	2022
Net sales	5,403	6,164	5,667	2,691	3,395
Cost of sales	(3,604)	(4,224)	(3,668)	(1,763)	(2,154)
Interest income and similar income ⁽¹⁾	16,774	17,500	19,821	9,245	12,700
Interest expenses and similar expenses ⁽¹⁾	(2,853)	(3,633)	(3,827)	(1,863)	(1,647)
Credit loss expenses ⁽¹⁾	(1,896)	(1,505)	(2,237)	(988)	(2,338)
Gross profit⁽¹⁾	13,825	14,301	15,756	7,322	9,956
Selling expenses ⁽¹⁾	(5,426)	(5,446)	(6,125)	(2,768)	(3,443)
Administrative expenses ⁽¹⁾	(3,488)	(3,261)	(4,213)	(1,995)	(2,626)
Other operating income	95	72	85	27	47
Other operating expenses ⁽¹⁾	(743)	(812)	(301)	(334)	(373)
Profit before corporate income tax⁽¹⁾	4,263	4,854	5,203	2,253	3,561
Income tax expenses	(350)	(755)	(979)	(623)	(930)
Net profit for the reporting period⁽¹⁾	3,913	4,100	4,224	1,630	2,631
Earnings per share, EUR³¹⁽¹⁾	2.609	1.025	0.103	0.041	0.058

³¹ Earning per shares as reported at the end of each respective period. Earnings per share for 2019 are not included in the Audited Financial Statements. They have been calculated and included in this table for comparison purposes.

Adjusted earnings per share, EUR³²	0.098	0.102	0.103	0.041	0.058
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Notes

(1) Impact of restatement in comparative figures:

- (a) In the Financial Statements for the year ended 31 December 2020 and for the six-month period ended 30 June 2021, the Group have changed the presentation of Credit loss expenses. In 2019 and for the 6 months period ended 30 June 2020, Credit loss expenses were presented within Selling expenses. In 2020 and for the 6 months ended 30 June 2021, for the better presentation of financial information, the Group reclassified Credit loss expenses from Selling expenses to the separate item in the Statement of profit or loss.
- (b) In 2020 and for the 6 months ended 30 June, the Group have changed the presentation of losses on non-performing loan assignments. In 2019 and for the 6 months ended 30 June 2020, they were presented within Interest expenses and similar expenses. Moreover, the effect from the reversal of the allowance on expected credit losses (ECL) for assigned loans was presented under Selling expenses. In 2020 and for the 6 months ended 30 June 2021, for the better presentation of financial information, the Group and the Company reclassified Losses on assignments to Other operating expenses, including the effect from the reversal of the ECL allowance.
- (c) In 2019 and for the 6 months ended 30 June 2020, part of the credit loss expenses were presented within Interest income. In 2020 and for the 6 months ended 30 June 2021, to comply with the presentation requirements of IFRS 9, the Group reclassified the abovementioned amount from Interest income and similar income to Credit loss expenses.
- (d) In the Financial Statements for the year ended 31 December 2021, the Group has adopted changes in the accounting policy in respect of recognition of internally generated intangible assets. The change relates to development of software, mainly consisting of internally capitalised salary expenses. All costs incurred in 2020 which were recognized as part of the cost of an intangible asset qualified the capitalization criteria as at the date when such costs were incurred. However, initially they were expensed in accordance with accounting policy applicable at that time. Following the change in accounting policy expenses, including past expenses, meeting the capitalization criteria as at the date of its occurrence were capitalized. Management considers that the change in accounting policies more accurately reflects the Company's process in regards to internally developing IT resources as well as better aligns costs with income. Group has made an assessment on the change in accounting policy impact on the beginning of the earliest period presented, i.e. 1 January 2020. Management assessed capitalization criteria as per IAS 38 as of 1 January 2020 and concluded that no relevant costs qualified with requirements of IAS 38 as at that date.
- (e) In the Financial Statements for the year ended 31 December 2021 and for the six-month period ended 30 June 2022, The Group has identified a classification error on bond issuance commissions in 2020 and for the 6 months period ended 30 June 2021. The error relates to incorrect classification of bond issuance commissions as bank commissions under Administrative costs. The error resulted in overstatement of amount of bank commission expenses and understatement of interest expenses;
- (f) In the Financial Statements for the year ended 31 December 2021 and for the six-month period ended 30 June 2022, The Group has also identified a classification error on accrued interest expenses in 2020 and for the 6 months period ended 30 June 2021. The error relates to incorrect classification of accrued interest expenses for other borrowings under Credit loss expense and resulted in overstated amount of credit loss expenses and understatement of interest expenses. To comply with presentation requirements of IFRS 9, the Group reclassified mentioned amount from Credit loss expense to Interest expenses and similar expenses.

³² For comparability purposes, the number of shares outstanding have been adjusted for new share issues.

Table 13.2.

The effect of changes on the Statement of profit or loss of the Group for 2019 (EUR'000)

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Net sales		5,403	-	5,403
Cost of sales		(3,604)	-	(3,604)
Interest income and similar income	(c)	16,382	392	16,774
Interest expenses and similar expenses	(b)	(4,352)	1,499	(2,853)
Credit loss expenses	(a), (b), (c)	-	(1,896)	(1,896)
Gross profit		13,830	(5)	13,825
Selling expenses	(a)	(5,974)	548	(5,426)
Administrative expenses		(3,488)	-	(3,488)
Other operating income		95	-	95
Other operating expenses	(b)	(200)	(544)	(743)
Profit before corporate income tax		4,263	-	4,263
Income tax expenses		(350)	-	(350)
Net profit for the reporting period		3,913	-	3,913
Earnings per share		2.609	-	2.609

Table 13.3.

The effect of changes on the Statement of profit or loss of the Group for 2020 (EUR'000)

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Net sales		6,164	-	6,164
Cost of sales		(4,224)	-	(4,224)
Interest income and similar income		17,500	-	17,500
Interest expenses and similar expenses	(e), (f)	(3,490)	(142)	(3,633)
Credit loss expenses	(f)	(1,592)	86	(1,505)
Gross profit		14,357	(56)	14,301
Selling expenses	(d)	(5,426)	(20)	(5,446)
Administrative expenses	(d), (e)	(3,540)	279	(3,261)
Other operating income		72	-	72
Other operating expenses		(812)	-	(812)
Profit before corporate income tax		4,652	202	4,854
Income tax expenses		(755)	-	(755)
Net profit for the reporting period		3,897	202	4,100
Earnings per share		0.097	0.005	0.102

Table 13.4.

The effect of changes on the interim condensed consolidated statement of profit or loss of the Group for 6 months ended 30 June 2021 (EUR'000)

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Net sales		2,691	-	2,691
Cost of sales		(1,763)	-	(1,763)
Interest income and similar income		9,245	-	9,245
Interest expenses and similar expenses	(e), (f)	(1,861)	(2)	(1,863)
Credit loss expenses	(f)	(950)	(37)	(988)
Gross profit		7,362	(40)	7,322
Selling expenses		(2,768)	-	(2,768)
Administrative expenses	(e)	(2,034)	40	(1,995)
Other operating income		27	-	27
Other operating expenses		(334)	-	(334)
Profit before corporate income tax		2,253	-	2,253
Income tax expenses		(623)	-	(623)
Net profit for the reporting period		1,630	-	1,630
Earnings per share		0.041	-	0.041

Table 13.5.

Balance sheet statements of the Group (EUR'000)

Item	Year ended 31 December (audited)			Six-month period ended 30 June (reviewed)	Six-month period ended 30 June (un-reviewed)
	2019	2020	2021	2021	2022
ASSETS					
Non-current assets					
Intangible assets					
Concessions, patents, licences, trademarks and similar rights	184	124	64	94	47
Internally developed software ⁽¹⁾	-	202	377	-	469
Goodwill	128	128	128	128	128
Other intangible assets	36	54	51	58	104
Advances on intangible assets	7	-	19	-	39
Total intangible assets	354	508	638	279	786
Property, plant and equipment					
Right-of-use assets ⁽¹⁾	2,049	3,194	2,973	3,145	2,773
Land, buildings, structures and perennials	-	85	170	82	186
Investments in property, plant and equipment	55	197	187	195	186
Other fixtures and fittings, tools and equipment ⁽¹⁾	283	248	207	258	192

Total property, plant and equipment	2,386	3,725	3,536	3,680	3,338
Non-current financial assets					
Loans to related companies	118	-	-	-	-
Loans and receivables	8,860	17,712	28,569	20,718	35,363
Loans to shareholders and management	1,022	474	-	-	-
Total long-term investments	10,000	18,186	28,569	20,718	35,363
Total non-current assets	12,740	22,419	32,743	24,677	39,486
Current assets					
Inventories					
Finished goods and goods for sale	1,155	1,534	1,949	1,533	2,329
Total inventories	1,155	1,534	1,949	1,533	2,329
Receivables					
Loans and receivables	22,687	16,962	14,392	12,548	18,412
Receivables from members and board	165	-	-	-	-
Loans to related companies	3	-	-	-	-
Other debtors	276	375	352	162	112
Deferred expenses	109	280	167	172	252
Total receivables	23,239	17,616	14,912	12,882	18,776
Cash and bank	1,136	4,592	2,460	594	2,314
Total current assets	25,530	23,742	19,321	15,009	23,419
TOTAL ASSETS	38,270	46,161	52,065	39,686	62,905
EQUITY AND LIABILITIES					
Equity:					
Share capital	1,500	4,000	4,532	4,000	4,532
Share premium	-	-	6,891	-	6,891
Retained earnings ⁽¹⁾	6,867	5,454	5,954	4,109	4,602
Total equity	8,367	9,454	17,377	8,109	16,025
Creditors					
Long-term creditors					
Bonds issued	6,060	8,442	10,825	8,475	14,633
Other borrowings ⁽¹⁾	5,576	6,817	8,086	4,103	11,880
Lease liabilities ⁽¹⁾	1,537	2,732	2,652	2,762	2,463
Total long-term creditors	13,173	17,991	21,564	15,341	28,977
Short-term creditors					
Bonds issued	1,765	5,023	13	4,892	17
Other borrowings ⁽¹⁾	13,037	10,870	10,487	8,890	13,947
Lease liabilities ⁽¹⁾	591	704	653	690	633
Trade payables	501	703	806	629	849
Taxes and social insurance	244	816	398	539	463
Unpaid dividends	-	-	-	-	1,251
Accrued liabilities	592	602	766	597	745
Total short-term creditors	16,730	18,717	13,123	16,236	17,904
Total creditors	29,903	36,708	34,687	31,577	46,881
TOTAL EQUITY AND LIABILITIES	38,270	46,161	52,065	39,686	62,906

Notes

(1) Impact of restatement in comparative figures

- (a) As the Group has adopted IFRS 16 with the initial application date of 1 January 2019, the Group has changed the presentation of right-of-use assets and other liabilities for right-of-use assets and does not separate operating and finance lease as lessee. Assets bought under finance lease arrangement presented within Other fixtures and fittings, tools and equipment in 2019 Audited Financial Statement have been reclassified to Right-of-use assets in 2020 Audited Financial Statement. Liabilities arising from these arrangements presented within Long-term and Short-term Other borrowings in 2019 Audited Financial Statement have been reclassified to Lease liabilities in 2020 Audited Financial Statement.
- (b) In the Financial Statements for the year ended 31 December 2021, the Group has adopted changes in the accounting policy in respect of recognition of internally generated intangible assets. The change relates to development of software, mainly consisting of internally capitalised salary expenses. All costs incurred in 2020 which were recognized as part of the cost of an intangible asset qualified the capitalization criteria as at the date when such costs were incurred. However, initially they were expensed in accordance with accounting policy applicable at that time. Following the change in accounting policy expenses, including past expenses, meeting the capitalization criteria as at the date of its occurrence were capitalized. Management considers that the change in accounting policies more accurately reflects the Company's process in regard to internally developing IT resources as well as better aligns costs with income. Group has made an assessment on the change in accounting policy impact on the beginning of the earliest period presented, i.e. 1 January 2020. Management assessed capitalization criteria as per IAS 38 as of 1 January 2020 and concluded that no relevant costs qualified with requirements of IAS 38 as at that date.

Table 13.6.

The effect of changes on the Balance sheet statements of the Group for the year ended 31 December 2019 (EUR'000)*

<i>Item</i>	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
ASSETS				
Non-current assets				
Intangible assets		354	-	354
Property, plant and equipment				
Right-of-use assets	(a)	1,980	69	2,049
Investments in property, plant and equipment		55	-	55
Other fixtures and fittings, tools and equipment	(a)	352	(69)	283
Total property, plant and equipment		2,386	-	2,386
Long-term investments		10,000	-	10,000
Total non-current assets		12,740	-	12,740
Current assets				
Inventories		1,155	-	1,155
Receivables		23,239	-	23,239
Cash and bank		1,136	-	1,136
Total current assets		25,530	-	25,530
TOTAL ASSETS		38,270	-	38,270
EQUITY AND LIABILITIES				
Total equity		8,367	-	8,367
Creditors				
Long-term creditors				

Bonds issued		6,060	-	6,060
Other borrowings	(a)	5,638	(62)	5,576
Lease liabilities	(a)	1,475	62	1,537
Total long-term creditors		13,173	-	13,173
Short-term creditors				
Bonds issued		1,765	-	1,765
Other borrowings	(a)	13,078	(41)	13,037
Lease liabilities	(a)	550	41	591
Trade payables		501	-	501
Taxes and social insurance		244	-	244
Accrued liabilities		592	-	592
Total short-term creditors		16,730	-	16,730
Total creditors		29,903	-	29,903
TOTAL EQUITY AND LIABILITIES		38,270	-	38,270

*Source: some data included in this table are more detailed management data of the Company based on Financial Statements

Table 13.7.

The effect of changes on the Balance sheet statements of the Group for the year ended 31 December 2020 (EUR'000)*

<i>Item</i>	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
ASSETS				
Non-current assets				
Intangible assets				
Concessions, patents, licences, trademarks and similar rights		124	-	124
Internally developed software	(b)	-	202	202
Goodwill		128	-	128
Other intangible assets		54	-	54
Total intangible assets		306	202	508
Property, plant and equipment		3,725	-	3,725
Long-term investments		18,186	-	18,186
Total non-current assets		22,217	202	22,419
Current assets				
Inventories		1,534	-	1,534
Receivables		17,616	-	17,616
Cash and bank		4,592	-	4,592
Total current assets		23,742	-	23,742
TOTAL ASSETS		45,959	202	46,161
EQUITY AND LIABILITIES				
Equity:				
Share capital		4,000	-	4,000
Retained earnings	(b)	5,251	202	5,454
Total equity		9,251	202	9,454

Creditors				
Long-term creditors		17,991	-	17,991
Short-term creditors		18,717	-	18,717
Total creditors		36,708	-	36,708
TOTAL EQUITY AND LIABILITIES		45,959	202	46,161

*Source: some data included in this table are more detailed management data of the Company based on Financial Statements

Table 13.8.

Statements of changes in equity of the Group (EUR'000)

	Share capital	Share premium	Retained earnings	Total
As at 31 December 2018	1,500	-	4,454	5,954
Dividends paid	-	-	(1,500)	(1,500)
Profit for the reporting year	-	-	3,913	3,913
As at 31 December 2019	1,500	-	6,867	8,367
Dividends paid	-	-	(3,000)	(3,000)
Share capital transfer	2,500	-	(2,500)	-
Retained earnings subsidiary inclusion	-	-	(14)	(14)
Profit for the reporting year	-	-	3,897	3,897
As at 31 December 2020	4,000	-	5,454	9,251
Dividends paid	-	-	(3,723)	(3,723)
Share capital increase resulted from IPO	532	7,554	-	8,086
IPO transaction costs	-	(663)	-	(663)
Profit for the reporting year	-	-	4,224	4,224
As at 31 December 2020	4,532	6,891	5,954	17,377
Dividends paid	-	-	(3,954)	(3,984)
Profit for the reporting year	-	-	2,631	2,631
As at 30 June 2021	4,532	6,891	4,602	16,025

Table 13.9.

Cash flow statements of the Group (EUR'000)

	Year ended 31 December (audited)			Six-month period ended 30 June (reviewed)	Six-month period ended 30 June (unreviewed)
	2019*	2020	2021	2021	2022
<u>Cash flows from/(to) operating activities</u>					
Profit before corporate income tax	4,263	4,854	5,203	2,253	3,561
<u>Adjustments for:</u>					

fixed assets and intangible assets depreciation ⁽¹⁾	212	302	362	131	209
right-of-use assets depreciation ⁽¹⁾	773	763	776	393	373
credit loss expenses	-	1,505	2,237	988	2,338
accruals and provisions	1,678	-	-	-	-
assignment results ⁽¹⁾	544	620	160	270	133
interest income ⁽¹⁾	(16,382)	(17,500)	(19,821)	(9,245)	(12,700)
interest and similar expenses ⁽¹⁾	2,853	3,633	3,827	1,863	1,647
value adjustments of non-current and current financial assets ⁽¹⁾	5	-	-	-	-
other adjustments ⁽¹⁾	-	(14)	-	-	-
Profit or loss before adjustments of working capital and short-term liabilities⁽¹⁾	(6,054)	(5,835)	(7,255)	(3,347)	(4,438)
<u>Adjustments for:</u>					
change in loans and receivables and other debtors ⁽¹⁾	(12,201)	(4,432)	(10,236)	828	(12,860)
change in inventories	(307)	(379)	(415)	1	(379)
change in trade and other payables ⁽¹⁾	(1,212)	746	(64)	(4)	216
Gross cash flow from/(to) operating activities⁽¹⁾	(19,774)	(9,900)	(17,971)	(2,521)	(17,460)
Interest received ⁽¹⁾	16,421	16,951	19,691	9,167	12,547
Interest paid ⁽¹⁾	(2,766)	(4,261)	(4,271)	(2,137)	(2,127)
Corporate income tax payments	(79)	(350)	(755)	(755)	(979)
Net cash flow from/(to) operating activities	(6,199)	2,441	(3,307)	3,755	(8,020)
Cash flow from/(to) investing activities					
Acquisition of fixed assets, intangibles	(810)	(571)	(549)	(112)	(341)
Proceeds from sales of fixed assets and intangibles	64	-	-	-	-
Net loans issued/repaid (other than core business of the Company)	(31)	-	-	-	-
Loans issued (other than core business of the Company)	-	(439)	(93)	-	-
Loans repaid (other than core business of the Company)	-	1,272	567	474	-
Net cash flow from/(to) investing activities	(778)	262	(74)	362	(341)
Cash flow from/(to) financing activities					
Share capital increase resulted from IPO (incl. share premium)	-	-	8,086	-	-

IPO transaction costs	-	-	(663)	-	-
Loans received ⁽¹⁾	12,587	10,416	20,634	5,653	13,605
Loans repaid ⁽¹⁾	(7,235)	(11,547)	(19,849)	(10,460)	(5,957)
Bonds issued ⁽¹⁾	1,693	8,606	11,111	19	3,764
Redemption of bonds	(1,750)	(2,975)	(13,481)	(130)	-
Repayment of lease liabilities ⁽¹⁾	828	(747)	(866)	(417)	(463)
Dividends paid	(1,500)	(3,000)	(3,723)	(2,780)	(2,733)
Net cash flow from/(to) financing activities	4,623	753	1,249	(8,115)	8,216
Net cash flow of the reporting period	(2,354)	3,456	(2,132)	(3,998)	(145)
Cash and cash equivalents at the beginning of the period	3,489	1,136	4,592	4,592	2,460
Cash and cash equivalents at the end of the period	1,136	4,592	2,460	594	2,314

**Some data included in Cash flow statement for 2019 is based on 2019 Audited Financial Statements and some have been corrected comparative figures in 2020 Audited Financial Statements (see Notes and table 13.10. below)*

Notes

(1) Impact of restatement in comparative figures

- (a) As the Group has adopted IFRS 16 with the initial application date of 1 January 2019, the Group has changed the presentation of right-of-use assets and other liabilities for right-of-use assets and does not separate operating and finance lease as lessee. Assets depreciation bought under finance lease arrangement presented within fixed assets and intangible assets depreciation in 2019 Audited Financial Statement have been reclassified to right-of-use assets depreciation in 2020 Audited Financial Statements. Payments presented within Finance lease payments in 2019 Audited Financial Statement and have been reclassified to Loans repaid in 2020 Audited Financial Statement. Also acquisition of right-of-use assets have presented in 2019 Audited Financial Statements in 2020 Audited Financial Statements have been removed from Cash flow from operating activities as it is not cash movement and part of operating activities.
- (b) In 2020 Audited Financial Statements the Group have changed the presentation of losses on non-performing loan assignments including the effect from the reversal of the ECL allowance. Therefore, for 2019, assignment result presented in 2019 Audited Financial Statements have been corrected in 2020 Audited Financial Statements.
- (c) In 2020 Audited Financial Statements the Group has changed the presentation of Loans received and Bonds issued. For the better presentation of information, the Group divided Loans received and Bonds issued into two separated positions. The change in presentation affected the positions for the year ended 31 December 2019 in 2020 Audited Financial Statements.
- (d) In the Financial Statements for the year ended 31 December 2021, the Group has adopted changes in the accounting policy in respect of recognition of internally generated intangible assets. The change relates to development of software, mainly consisting of internally capitalised salary expenses. All costs incurred in 2020 which were recognized as part of the cost of an intangible asset qualified the capitalization criteria as at the date when such costs were incurred. However, initially they were expensed in accordance with accounting policy applicable at that time. Following the change in accounting policy expenses, including past expenses, meeting the capitalization criteria as at the date of its occurrence were capitalized. Management considers that the change in accounting policies more accurately reflects the Company's process in regard to internally developing IT resources as well as better aligns costs with income. Group has made an assessment on the change in accounting policy impact on the beginning of the earliest period presented, i.e. 1 January 2020. Management assessed capitalization criteria as per IAS 38 as of 1 January 2020 and concluded that no relevant costs qualified with requirements of IAS 38 as at that date.

- (e) In 2021 Audited Financial Statements and in Financial Statements for the six-month period ended 30 June 2022 the Group has corrected the error of the presentation of credit loss expenses under adjustments in accruals and provisions and change in loans and receivables and other debtors. As credit loss expense is not cash movement, for 2020 in 2021 Audited Financial Statement and for six-month period ended 30 June 2021 in Financial Statements for the six-month period ended 30 June 2022 the Group presented in credit loss expenses separately under operating cash flow adjustments.
- (f) In 2021 Audited Financial Statements and in Financial Statements for the six-month period ended 30 June 2022 the Group has corrected the error of interest income and interest and similar expense presented as the difference between cash and accrual amounts. Therefore, for 2020 in 2021 Audited Financial Statement and for six-month period ended 30 June 2021 in Financial Statements for the six-month period ended 30 June 2022 the Group presented interest income and interest and similar expense in adjustments and interest income and interest and similar expense received in Cash flow from operating activities.
- (g) In 2021 Audited Financial Statements and in Financial Statements for the six-month period ended 30 June 2022 the Group has corrected the error of the presentation of Repayment of lease liabilities. Therefore, for 2020 in 2021 Audited Financial Statement and for six-month period ended 30 June 2021 in Financial Statements for the six-month period ended 30 June 2022 correction is made and repayment of lease liabilities presented as cash outflow.
- (h) In 2021 Audited Financial Statements and in Financial Statements for the six-month period ended 30 June 2022 the Group has changed presentation of cash flow from investing activities. For the better presentation, the Group divided net loans issued and repaid into two separated positions. The change in presentation affected the positions for the year ended 31 December 2020 in 2021 Audited Financial Statements and the six-month period ended 2021 in Financial Statements for the six-month period ended 2022.
- (i) In 2021 Audited Financial Statements the Group has corrected the error of the presentation of non-cash disposal of fixed assets and intangibles under Cash flow from investing activities as proceeds of fixed assets and intangible and value adjustments of non-current and current financial assets for 2020 in 2021 Audited Financial Statement.

Table 13.10.

The effect of changes on the Cash flow statement of the Group for the year ended 31 December 2019 (EUR'000)*

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
<u>Cash flows from/(to) operating activities</u>				
Profit before corporate income tax		4,263	-	4,263
<u>Adjustments for:</u>				
fixed assets and intangible assets depreciation	(a)	244	(32)	212
right-of-use assets depreciation	(a)	742	32	773
accruals and provisions		1,678	-	1,678
assignment results	(b)	1,499	(955)	544
interest income**		(16,382)	-	(16,382)
interest and similar expenses**		2,853	-	2,853
value adjustments of non-current and current financial assets	(a)	(35)	40	5
other adjustments	(a)	16	(16)	-
Profit or loss before adjustments of working capital and short-term liabilities		(5,122)	(932)	(6,054)
<u>Adjustments for:</u>				

change in loans consumer loans issued (core business) and other debtors**	(a),(b)	(13,095)	894	(12,201)
change in inventories		(307)	-	(307)
change in trade and other payables	(a)	1,107	(2,319)	(1,212)
Acquisition of right-of-use assets	(a)	(2,738)	2,738	-
Gross cash flow from/(to) operating activities		(20,155)	380	(19,774)
Interest received**		16,421	-	16,421
Interest paid**		(2,766)	-	(2,766)
Corporate income tax payments		(79)	-	(79)
Net cash flow from/(to) operating activities		(6,580)	380	(6,199)
Cash flow from/(to) investing activities				
Acquisition of fixed assets, intangibles	(a)	(430)	(380)	(810)
Proceeds from sales of fixed assets and intangibles		64	-	64
Net loans issued/repaid (other than core business of the Company)		(31)	-	(31)
Total Net cash flow from/(to) investing activities		(398)	(380)	(778)
Cash flow from/(to) financing activities				
Loans received and bonds issued (net)	(c)	14,280	(14,280)	-
Loans received	(c)	-	12,587	12,587
Loans repaid	(a)	(7,131)	(104)	(7,235)
Bons issued	(c)	-	1,693	1,693
Redemption of bonds		(1,750)	-	(1,750)
Finance lease payments	(a)	(104)	104	-
Repayment of lease liabilities		828	-	828
Dividends paid		(1,500)	-	(1,500)
Total Net cash flow from/(to) financing activities		4,623	-	4,623
Net cash flow of the reporting period		(2,354)	-	(2,354)
Cash and cash equivalents at the beginning of the period		3,489	-	3,489
Cash and cash equivalents at the end of the period		1,136	-	1,136

*Source: some data included in this table are more detailed management data of the Company based on Financial Statements.

** For the better presentation of information interest income, interest and similar expenses, interest received and interest paid is based on presentation in 2019 Audited Financial Statements not as presented in 2020 Audited Financial Statements, this change affects adjustment for loans and receivables and other debtors.

Table 13.11.

**The effect of changes on the Cash flow statement of the Group for the year ended 31
December 2020 (EUR'000)***

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Cash flows from/(to) operating activities				
Profit before corporate income tax		4,652	202	4,854
<u>Adjustments for:</u>				
fixed assets and intangible assets depreciation	(d)	282	20	302
right-of-use assets depreciation		763	-	763
credit loss expenses	(e)	-	1,505	1,505
accruals and provisions	(e)	182	(182)	-
assignment results		620	-	620
accrued interest income	(f)	(549)	549	-
accrued interest expenses	(f)	(628)	628	-
interest income	(f)	-	(17,500)	(17,500)
interest and similar expenses	(f)	-	3,633	3,633
value adjustments of non-current and current financial assets	(i)	(78)	78	-
other adjustments		(14)	-	(14)
Profit or loss before adjustments of working capital and short-term liabilities		5,231	(11,066)	(5,835)
<u>Adjustments for:</u>				
change in loans and receivables and other debtors	(e),(i)	(2,859)	(1,573)	(4,432)
change in inventories		(379)	-	(379)
change in trade and other payables	(d), (g)	264	482	746
Gross cash flow from/(to) operating activities		2,258	(12,158)	(9,900)
Interest received	(f)	-	16,951	16,951
Interest paid	(f)	-	(4,261)	(4,261)
Corporate income tax payments		(350)	-	(350)
Net cash flow from/(to) operating activities		1,908	533	2,441
Cash flow from/(to) investing activities				
Acquisition of fixed assets, intangibles	(d)	(1,542)	971	(571)
Proceeds from sales of fixed assets and intangibles	(i)	11	(11)	-
Net loans issued/repaid (other than core business of the Company)	(h)	833	(833)	-
Loans issued (other than core business of the Company)	(h)	-	(439)	(439)
Loans repaid (other than core business of the Company)	(h)	-	1,272	1,272

Net cash flow from/(to) investing activities		(698)	960	262
Cash flow from/(to) financing activities				
Loans received		10,416	-	10,416
Loans repaid		(11,547)	-	(11,547)
Bonds issued		8,606	-	8,606
Redemption of bonds		(2,975)	-	(2,975)
Repayment of lease liabilities	(g)	747	(1,493)	(747)
Dividends paid		(3,000)	-	(3,000)
Net cash flow from/(to) financing activities		2,246	(1,493)	753
Net cash flow of the reporting period		3,456	-	3,456
Cash and cash equivalents at the beginning of the period		1,136	-	1,136
Cash and cash equivalents at the end of the period		4,592	-	4,592

*Source: some data included in this table are more detailed management data of the Company based on Financial Statements

Table 13.12.

The effect of changes on the Cash flow statement of the Group for 6 months ended 30 June 2021 is provided below (EUR'000)*

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
<u>Cash flows from/(to) operating activities</u>				
Profit before corporate income tax		2,253	-	2,253
Adjustments for:				
fixed assets and intangible assets depreciation		131	-	131
right-of-use assets depreciation		393	-	393
credit loss expenses	(e)	-	988	988
accruals and provisions	(e)	950	(950)	-
assignment results		270	-	270
accrued interest income	(f)	(85)	85	-
accrued interest expenses	(f)	(273)	273	-
interest income	(f)	-	(9,245)	(9,245)
interest and similar expenses	(f)	-	1,863	1,863
other adjustments	(f)	7	(7)	-
Profit or loss before adjustments of working capital and short-term liabilities		3,647	(6,994)	(3,347)
Adjustments for:				
change in loans and receivables and other debtors	(e)	866	(38)	828
change in inventories		1	-	1
change in trade and other payables	(g)	(421)	417	(4)

Gross cash flow from/(to) operating activities		4,092	(6,613)	(2,521)
Interest received	(f)	-	9,167	9,167
Interest paid	(f)	-	(2,137)	(2,137)
Corporate income tax payments		(755)	-	(755)
Net cash flow from/(to) operating activities		3,338	417	3,755
Cash flow from/(to) investing activities				
Acquisition of fixed assets, intangibles		(112)	-	(112)
Net loans issued/repaid (other than core business of the Company)	(h)	-	474	474
Loans issued (other than core business of the Company)	(h)	(99)	99	-
Loans repaid (other than core business of the Company)	(h)	573	(573)	-
Net cash flow from/(to) investing activities		362	-	362
Cash flow from/(to) financing activities				
Loans received	(g)	5,656	(3)	5,653
Loans repaid	(g)	(10,463)	3	(10,460)
Bonds issued		19	-	19
Redemption of bonds		(130)	-	(130)
Repayment of lease liabilities	(g)	-	(417)	(417)
Dividends paid		(2,780)	-	(2,780)
Net cash flow from/(to) financing activities		(7,698)	(417)	(8,115)
Net cash flow of the reporting period		(3,998)	-	(3,998)
Cash and cash equivalents at the beginning of the period		4,592	-	4,592
Cash and cash equivalents at the end of the period		594	-	594

**Source: some data included in this table are more detailed management data of the Company based on Financial Statements*

Alternative Performance Measures

This Prospectus contains certain financial and operating performance measures that are not defined or recognised under the IFRS and which are considered to be "alternative performance measures" as defined in the "ESMA Guidelines on Alternative Performance Measures" issued by the European Securities and Markets Authority on 5 October 2015 (the "APMs" or "Alternative Performance Measures"). This Prospectus presents the following Alternative Performance Measures: total revenue, EBITDA, EBITDA margin, EBIT, EBIT margin, net profit margin, ROE, equity ratio and current ratio, gross profit from net sales, gross margin from net sales, total costs of services provided, gross profit from financial services, gross margin from financial services, adjusted gross profit, adjusted gross profit margin, all of which are defined below:

Total revenue = net sales + interest income and similar income. Refer to Table 14.3.1 to see total revenue calculation.

EBITDA (earnings before interest, taxes, depreciation and amortisation) = profit before tax + interest expenses and similar expenses + right-of-use assets depreciation + depreciation of fixed assets + amortisation

EBITDA margin = EBITDA / total revenue, where total revenue = net sales + interest income and similar income.

EBIT (earnings before interest and taxes) = profit before tax + interest expenses and similar expenses.

EBIT margin = EBIT / total revenue, where total revenue = net sales + interest income and similar income.

Net profit margin = net profit / total revenue, where total revenue = net sales + interest income and similar income.

Return on equity (ROE) = net profit / equity (average). As per six-month results the ROE provided is annualised = net profit for the period/months in the period*12 / equity (average).

Equity ratio = equity / total assets.

Current ratio = current assets / current liabilities.

Gross profit from net sales = Total net sales – Total cost of sales,

Gross margin from net sales = Gross profit from net sales / Net sales,

Total costs of services provided = Total interest expenses and similar expenses + Credit loss expenses + Other operating expenses,

Gross profit from financial services = Total interest income and similar income – total costs of services provided,

Gross margin from financial services = Gross profit from financial services / Total interest income and similar income,

Adjusted gross profit = Gross profit – Other operating expenses.

Adjusted gross profit margin = Adjusted gross profit / (Net sales + Total interest income and similar income).

Table 13.13.

Key ratios and indicators (EUR'000):

Item	Year ended 31 December			Six-month period ended 30 June	
	2019	2020	2021	2021 (reviewed)	2022(unreviewed)
Total revenue*, EUR'000	22,177	23,664	25,489	11,936	16,095
EBITDA*, EUR'000 ⁽¹⁾	8,187	9,553	10,169	4,640	5,791
EBITDA margin*, % ⁽¹⁾	36.9	40.4	39.9	38.9	36.0
EBIT*, EUR'000 ⁽¹⁾	7,116	8,488	9,030	4,117	5,209
EBIT margin*, % ⁽¹⁾	32.1	35.9	35.4	34.5	32.4
Profit before corporate income tax, EUR'000 ⁽¹⁾	4,263	4,854	5,203	2,253	3,561
Net profit, EUR'000 ⁽¹⁾	3,913	4,100	4,224	1,630	2,631
Net profit margin*, % ⁽¹⁾	17.6	17.3	16.6	13.7	16.3
Return on equity (ROE)*, annualised, % ⁽¹⁾	54.6	46.0	31.5	37.10	31.5
Dividend paid out, EUR'000	1,500	3,000	3,723	2,780	2,733
Equity ratio*, %	21.9	20.5	33.5	20.4	25.5
Current ratio*, x	1.5	1.3	1.5	0.9	1.3

*for APM calculations please see Section "[Alternative Performance Measures](#)".

Notes

(1) Impact of restatement in comparative figures:

(a) Refer to Tables 13.2, 13.3 and 13.4 to see the impact of restatement in comparative figures of Profit or loss statement of the Group for 2019, 2020 and the six-month period ended 30 June 2021.

Refer to Tables 13.6 and 13.7 to see the impact of reclassification on impact of restatement in comparative figures of Balance sheet statements of the Group for 2019 and 2020.

The Company has included the APMs in this Prospectus because they represent key measures used by the Management Board towards the evaluation of operating performance of the Group. Moreover, the Management Board believes that the presentation of the APMs may be helpful to Prospective Investors because these measures and related ratios are customarily monitored and relied on by investors, securities analysts and other interested parties as supplemental indicators used to gauge performance and liquidity to evaluate the efficiency of a company's operations and future prospects. The Management Board also believes that the presentation of the APMs facilitates operating performance comparisons on a period-to-period basis to exclude the impact of items, which the Management Board does not consider to be indicative of the Group's core financial and operating performance.

The APMs are not sourced directly from the Financial Statements but are derived from the financial information contained therein. These measures have not been audited or reviewed by an independent auditor. The APMs are not defined in the IFRS, nor should they be treated as metrics of financial performance, operating cash flows, or deemed an alternative to profit. They should only be read in addition to, and not as a substitute for or to supersede the financial information prepared in accordance with the IFRS. The APMs should not be given more prominence than measures sourced directly from the Financial Statements. The Alternative Performance Measures should be read in conjunction with the Financial Statements. There are no generally accepted principles governing the calculation of the APMs and the criteria upon which the APMs are based can vary from company to company, limiting the usefulness of such measures as comparative measures. Even though the APMs are used by the Management Board to assess the Group's financial results and these types of measures are commonly used by investors, they have important limitations as analytical tools and, by themselves, do not provide a sufficient basis for comparing the Company's performance with that of other companies and should not be considered in isolation or as a substitute to the revenue, profit before tax or cash flows from operations calculated in accordance with the IFRS to analyse the financial condition or operating results of the Group.

EBITDA (earnings before interest, taxes, depreciation and amortisation) = profit before tax + interest expenses and similar expenses + right-of-use assets depreciation + depreciation of fixed assets + amortisation.

Table 13.14.

EBIT and EBITDA calculation (EUR'000)

Item	Year ended 31 December			Six-month period ended 30 June	
	2019	2020	2021	2021	2022
Profit before corporate income tax ⁽¹⁾	4,263	4,854	5,203	2,253	3,561
Interest expenses and similar expenses ⁽¹⁾	2,853	3,633	3,827	1,863	1,647
EBIT*	7,116	8,488	9,030	4,117	5,209
Right-of-use assets depreciation ⁽¹⁾	773	763	776	393	373
Depreciation and amortisation of fixed and intangible assets ⁽¹⁾	298	302	362	131	209
EBITDA*	8,187	9,553	10,169	4,640	5,791

*for APM calculations please see Section "[Alternative Performance Measures](#)".

Notes

⁽¹⁾ Impact of restatement in comparative figures:

- (a) Refer to Tables 13.2, 13.3 and 13.4 to see the impact of restatement in comparative figures of Profit or loss statement of the Group for 2019, 2020 and the six-month period ended 30 June 2021.
- (b) Refer to Tables 13.6 and 13.7 to see the impact of restatement in comparative figures of Balance sheet statements of the Group for 2019 and 2020.

14. OPERATING AND FINANCIAL REVIEW

The following discussion of the Group's financial position and operational results should be read in conjunction with the Group's historical financial information as at and for the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019, and for the six-month periods ended 30 June 2021 and 30 June 2022 and the accompanying notes included in the Financial Statements, and with the information relating to the Group's business included elsewhere in this Prospectus.

The discussion includes forward-looking statements that reflect the current view of the Offeror and involves risks and uncertainties. The Group's actual results could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this Prospectus, in particular, in the Section 2 "Risk Factors" and Section 3.5 "Forward-Looking Statements". Prospective investors should read the entire Prospectus and not merely rely on the information contained in this Section "Operating and Financial Review".

14.1. Overview

The Group is a specialised consumer loan provider in Latvia, operating in the segments of consumer lending and pre-owned goods retail. In the year ended 31 December 2021, the total revenue of the Group was EUR 25,489 thousand, representing a 7.7% year-on-year increase compared to EUR 23,664 thousand in the year ended 31 December 2020. The revenue in the year ended 31 December 2019 was EUR 22,177 thousand. In the six-month period ended 30 June 2022, the total revenue of the Group was EUR 16,095 thousand as compared to EUR 11,936 thousand in the six-month period ended 30 June 2021, representing a 34.8% year-on-year increase.

The Group's profit before corporate income tax in the year ended 31 December 2021 was EUR 5,203 thousand, compared to EUR 4,854 thousand in the year ended 31 December 2020, an increase of 7.2%. In the year ended 31 December 2020, profit before tax increased by 13.9% from EUR 4,263 thousand in the year ended 31 December 2019. In the six-month period ended 30 June 2022, the Group's profit before corporate income tax was EUR 3,561 thousand as compared to EUR 2,253 thousand in the six-month period ended 30 June 2021, representing a 58.1% year-on-year increase.

Table 14.1.1.

Financial data from the consolidated income statements of the Group (EUR'000)

	Year ended 31 December (audited)			Six-month period ended 30 June (reviewed)	Six-month period ended 30 June (unreviewed)
	2019	2020	2021	2021	2022
Total revenue*	22,177	23,664	25,489	11,936	16,095
Cost of sales	(3,604)	(4,224)	(3,668)	(1,763)	(2,154)
Credit loss expenses ⁽¹⁾	(2,639)	(2,317)	(2,538)	(1,322)	(2,711)
Interest expenses and similar expenses ⁽¹⁾	(2,853)	(3,633)	(3,827)	(1,863)	(1,647)
Adjusted gross profit ^{(1)*}	13,082	13,490	15,456	6,988	9,583
Selling expenses ⁽¹⁾	(5,426)	(5,446)	(6,125)	(2,768)	(3,443)
Administrative expenses ⁽¹⁾	(3,488)	(3,261)	(4,213)	(1,995)	(2,626)
Other operating income	95	72	85	27	47
Profit before corporate income tax ⁽¹⁾	4,263	4,854	5,203	2,253	3,561
Income tax	(350)	(755)	(979)	(623)	(930)

expenses					
Net profit ⁽¹⁾	3,913	4,100	4,224	1,630	2,631
EBITDA* ⁽¹⁾	8,187	9,553	10,169	4,640	5,791

**for APM calculations please see Section "Alternative Performance Measures".*

The Group's net profit was fluctuating according to the proposed and paid out dividends. The net profit for the year ended 31 December 2021 was EUR 4,224 thousand, compared to EUR 4,100 thousand, representing a 3.0% increase compared to the year ended 31 December 2020. In 2020, the Group's net profit increased by 4.8% from EUR 3.913 thousand in the year ended 31 December 2019. For the six-month period ended 30 June 2022, the Group's net profit was EUR 2,631 thousand as compared to EUR 1,630 thousand in the six-month period ended 30 June 2021, an increase of 61.4%.

Notes

(1) Impact of restatement in comparative figures:

- (a) Refer to Tables 13.2, 13.3 and 13.4 to see the impact of restatement in comparative figures of Profit or loss statement of the Group for 2019, 2020 and the six-month period ended 30 June 2021. For comparison purposes, Other operating expenses are presented under Credit loss expenses, as a major part of Other operating expenses are from losses from loan assignment.

14.2. Key factors affecting results of operations and financial performance of the Group

Macroeconomic factors

The operations of the Group are materially affected by the macroeconomic conditions in Latvia, including, but not limited to, economic output, fiscal policy, consumer spending, inflation, unemployment rate, income levels and the overall economic certainty. In 2021, Latvian GDP grew by 4.7% year-on-year³³, representing the largest growth in nine years. The 4.8% year-on-year increase in private consumption due to the easing of COVID-19 restrictions, an increase in the average wage and government support measures.³⁴ Although the private consumption compared to 2019 is still low³⁵ Group has managed to reach record-high numbers of new loan issuance and turnover in 2022. The government's support measures to mitigate the negative effects of Covid-19, which have been largely financed at the expense of increasing the general government deficit, have maintained positive growth in government consumption³⁶. The Group expects loan origination volumes to grow; however, given the economic uncertainties created by inflation, war in the Ukraine and the COVID-19 pandemic estimates are inevitably bound to deviate significantly from the actual performance. The potential effects of changes in the macroeconomic situation are further discussed in Section 2.1 "Risks", "Risk factors relating to macroeconomic conditions".

Competition

The state of competition has a major impact on the Group's business. The consumer lending market, in which the Group operates, is competitive. The Group competes with 26 other licensed consumer lending companies in Latvia with diverse business models and service offerings. In 2021, the market share of the Group in terms of the consumer loan portfolio was 12% (compared to 10% in the year 2020 and 7% in the year 2019)³⁷. Since Latvian law imposes a limit on the interest rates on consumer loans (please see Section 7.3 "Key developments and trends in the provision of consumer lending services" of this Prospectus), the most optimal strategy geared towards the maintenance of growth and profitability is by reducing operating costs and improving the quality of service, customer loyalty and retention. Executing less efficient strategies or having less efficient customer engagement than competitors may result in a decrease in revenue (including due to lower levels of loan originations), and an increase in expenditure (including due to increased marketing expenditure), which may have a material adverse effect on the operating and financial performance of the Group. The potential

³³ Source: Ministry of Economics <https://www.em.gov.lv/en/media/14276/download>

³⁴ Source: Ministry of Economics <https://www.em.gov.lv/en/media/14276/download>

³⁵ Source: Ministry of Economics <https://www.em.gov.lv/en/media/14276/download>

³⁶ Source: Ministry of Economics <https://www.em.gov.lv/en/media/14276/download>

³⁷ Based on the information provided in the Overview on Consumer (non-bank) Credit Market Activities in 2021 by the Consumer Rights Protection Centre. Available at: <https://www.ptac.gov.lv/lv/media/3071/download>.

consequences of changes in the competitive environment are further discussed under Section 2.2 "Risks", "Risk factors relating to the industry and market in which the Group operates".

Regulatory environment

The operations of the Group are subject to national and EU laws and regulations, as well as codes of conduct adopted by the CRPC, general recommendations, policies and guidelines. Changes in laws and regulations may have a significant impact on operations of the Group. The Group is subject to licensing requirements. In addition, the fiscal policies in Latvia and, in particular, in the field of corporate income tax, may affect profitability. The potential consequences of changes in the regulatory environment are further discussed under Section 2.5 "Risks", "Risk factors relating to laws, regulations and compliance".

Quality of loan portfolio and impairment

The volume of non-performing loans and the extent of impairment depend on the expected debt recovery rate. In the case of a significant deterioration in economic conditions, the recovery rate may fall below projections, thereby negatively affecting the financial performance of the Company and profitability. The potential effects of changes in the quality of loan portfolio and the amount of credit losses are further discussed under Section 2 "Risks", "Risk factors related to the Group's business".

14.3. Results of operations of the Group

Revenue

The Group has successfully grown across the entire spectrum of its core business operations since the commencement of its business in 2009. The total revenue of the Group has increased from EUR 2,017 thousand in 2010 to EUR 25,489 thousand in 2021, growing at a 27.9% CAGR (Compound Annual Growth Rate).

Table 14.3.1.

Revenue break-down of the Group (EUR'000)

	Year ended 31 December (audited)			Six-month period ended 30 June (reviewed)	Six-month period ended 30 June (unreviewed)
	2019	2020	2021	2021	2022
<i>Net sales</i>					
Income from sales of goods	3,187	3,687	4,211	1,976	2,615
Income from sales of precious materials	1,459	1,715	841	426	461
Other income, loan and mortgage realisation and storage commission	758	763	615	290	319
Total net sales	5,403	6,164	5,667	2,691	3,395
<i>Interest income and similar income</i>					
Interest income according to effective interest rate method ⁽¹⁾	12,096	12,825	15,693	7,295	10,294
Interest income on pledge realisation	4,678	4,670	4,124	1,946	2,406
Interest income on loans to vehicle pledges	-	4	5	4	-
Total interest income and similar income⁽¹⁾	16,774	17,500	19,821	9,245	12,700
Total Revenue*	22,177	23,664	25,489	11,936	16,095

*for APM calculations please see Section "[Alternative Performance Measures](#)".

Notes

(1) Impact of restatement in comparative figures:

(a) Refer to Tables 13.2, 13.3 and 13.4 to see the impact of restatement in comparative figures of Profit or loss statement of the Group for 2019, 2020 and the six-month period ended 30 June 2021.

In 2021, the Group posted the highest top-line revenue of EUR 25,489 thousand in the history of the Group, an increase of EUR 1,825 thousand, representing a 7.7% increase over 2020 revenue. Interest income and similar income reached EUR 19,821 thousand, an increase of EUR 2,321 thousand, representing a 13.3% increase over 2020 interest income and similar income.

In 2020, revenue of the Group had reached EUR 23,664 thousand, despite the adverse effects of the COVID-19 pandemic on its operations, an increase of EUR 1,487 thousand, representing a 6.7% increase over 2019 revenue. Interest income and similar income reached EUR 17,500 thousand, an increase of EUR 726 thousand, representing a 4.3% increase over 2019 revenue. The slowdown in the growth of interest income in 2020 is, for the most part, attributable to the government-imposed restrictions and economic uncertainty surrounding the COVID-19 pandemic, which lead to a drop in the volume of loan originations.

In 2020, the Group implemented several measures aimed at preserving revenue and profitability amid the pandemic. These measures included the launch of a new consumer loan product, "Banknote Pirkumiem" (or "Banknote for purchases"). The product was aimed at facilitating access to loans for those categories of customers who prefer to shop online with the ultimate goal of making financing of goods purchases, both online and at points of sale, more convenient (please see Section 8.4 "Services" of this Prospectus for further details). Moreover, in 2019, the Company made significant investments in the development of the online store, which has become an important sales channel for pre-owned goods.

For the six-month period ended 30 June 2022, The Group's revenue was EUR 16,095 thousand, representing a 34.8% year-on-year increase. During the same period, the total interest and similar income reached EUR 12,700 thousand, representing a 37.8% year-on-year increase, while net sales were EUR 3,395 thousand, representing a 26.2% year-on-year increase. These changes are due to the increase in the consumer loans portfolio and the positive effects of lifting of COVID-19 restrictions on sales and pawnbroking lending.

Cost of sales and services

Table 14.3.2

Cost of sales and services provided and gross profits of the Group (EUR'000)

	Year ended 31 December (audited)			Six-month period ended 30 June (reviewed)	Six-month period ended 30 June (unreviewed)
	2019	2020	2021	2021	2022
<i>Cost of sales*</i>					
Cost of sales of goods	2,193	2,544	2,830	1,337	1,728
Cost of sales of precious metals	1,410	1,680	838	426	426
Total cost of sales	3,604	4,224	3,668	1,763	2,154
Gross profit from net sales**	1,799	1,940	1,999	928	1,241
Gross margin from net sales, %**	33.3	31.5	35.3	34.5	36.6
<i>Cost of services provided</i>					
Interest expenses on other borrowings	1,639	1,858	1,417	807	886
Bonds' coupon expenses	1,075	1,584	2,204	951	670
Interest expenses on lease liabilities for leased premises	133	187	204	104	90
Interest expenses on lease liabilities for leased vehicles	5	4	2	1	1
Net loss on foreign exchange	0.2	0.2	.2	0.2	1

Total interest expenses and similar expenses⁽¹⁾	2,853	3,633	3,827	1,863	1,647
Credit loss expenses (incl. Other operating expenses)⁽¹⁾	2,639	2,317	2,538	1,322	2,711
Total cost of services provided^{(1)**}	5,492	5,950	6,365	3,185	4,358
Gross profit from financial services^{(1)**}	11,282	11,550	13,456	6,060	8,342
Gross margin from financial services, %^{(1)**}	67.3	66.0	67.9	65.5	65.7
Total cost of sales and services provided⁽¹⁾	9,096	10,174	10,033	4,948	6,512
Adjusted gross profit^{(1)**}	13,082	13,490	15,456	6,988	9,583
Adjusted gross margin, %^{(1)**}	59.0	57.0	60.6	58.5	59.5

**Source: some data included under cost of sales are more detailed management data of the Company based on Financial Statements*

***for APM calculations please see Section "[Alternative Performance Measures](#)".*

Note

Impact of reclassification:

⁽¹⁾ Impact of restatement in comparative figures:

Refer to Tables 13.2, 13.3 and 13.4 to see the impact of restatement in comparative figures of Profit or loss statement of the Group for 2019, 2020 and the six-month period ended 30 June 2021. For comparison purposes, Other operating expenses are presented under Credit loss expenses, as a major part of Other operating expenses are from losses from loan assignment.

In 2020, the Group's cost of sales and services was EUR 10,174 thousand, representing a 11.9% increase compared to the EUR 9,096 thousand cost of sales and services figure in 2019. The largest items in the cost of sales and services provided in 2020 were the cost of sales of goods, interest expenses on other borrowings and credit loss expenses, contributing 25.0%, 18.3% and 22.8% of the total cost of sales respectively.

The Group's cost of sales and services provided was EUR 10,033 thousand in 2021, a decrease of 1.4% from 2020. The three largest items in 2021 were the cost of sale of goods, bonds' coupon expenses and credit loss expenses, comprising 28.2%, 22.0% and 25.3% of the total cost of sale and services respectively.

For the six-month period ended 30 June 2022, The Group's total cost of sales and services provided was EUR 6,512 thousand, an increase of 31.6% year-on-year, while the total cost of services provided over the period increased by 36.8% year-on-year.

The Group's gross margin from activities related to the retail of pre-owned goods was 35.3% in 2021 (as compared to 31.5% in 2020 and 33.3% in 2019), while the gross margin from loan-related activities was 67.9% in 2021 (as compared to 66.0% in 2020 and 67.3% in 2019). Total gross profit increased by EUR 408 thousand in 2020 and by EUR 1,966 thousand in 2021, reaching EUR 15,456 thousand. Total gross margin was 60.6% in 2021 (as compared to 57.0% in 2020 and 59.0% in 2019).

The Group's gross margin from activities related to the retail of pre-owned goods was 36.6% in the six-month period ended 30 June 2020 (as compared to 34.5% for the same period in 2021), while the gross margin from loan-related activities was 65.7% in the six-month period ended 30 June 2022 (as compared to 65.5% for the same period in 2021). Total gross profit increased by EUR 2,595 thousand or by 37.1% in the six-month period ended 30 June 2022 compared to the same period in 2021. Total gross margin for the period was 59.5% in 2022 (as compared to 58.5% for the same period in 2021).

Selling expenses of the Group (EUR'000)

	Year ended 31 December (audited)			Six-month period ended 30 June (reviewed)	Six-month period ended 30 June (unreviewed)*
	2019	2020	2021	2021	2022
Salary expenses	2,408	2,352	2,516	1,184	1,385
Depreciation of right-of-use assets (premises rented) ⁽²⁾	698	641	643	325	313
Social insurance	577	564	591	278	325
Advertising	475	548	739	321	369
Depreciation of fixed assets	212	302	362	131	209
Non-deductible VAT	292	238	335	150	207
Utilities expenses	180	191	222	118	131
Maintenance expenses	198	273	279	130	168
Transportation expenses	88	74	93	41	54
Depreciation of right-of-use assets (motor vehicles) ⁽²⁾	36	38	29	16	11
Provisions for unused annual leave and bonuses	1	(9)	27	24	44
Other expenses	261	232	288	51	226
Total selling expenses⁽¹⁾	5,426	5,446	6,125	2,768	3,443

*Source: some data included in these columns are unreviewed management data of the Company. Partition of some of the selling costs for year ended 31 December 2019, 31 December 2020 and periods ended 30 June 2021 is not presented in such layout in the Audited and Interim Financial Statements and is based on management data.

Notes

(1) Impact of restatement in comparative figures:

Refer to Tables 13.2, 13.3 and 13.4 to see the impact of restatement in comparative figures of Profit or loss statement of the Group for 2019, 2020 and the six-month period ended 30 June 2021.

(2) As the Group has adopted IFRS 16 on 1 January 2019, it has changed the presentation of right-of-use assets and other liabilities for rights to use assets. Therefore, the positions are as shown as follows in the consolidated statement of comprehensive income for the years ended 31 December 2019, 2020 and 2021:

Table 14.3.4.

Leases in the statement of comprehensive income (selling expenses), EUR'000⁵⁴

	Year ended 31 December (audited)		
	2019	2020	2021
Depreciation of right-of-use assets - premises	(698)	(641)	(643)
Depreciation of right-of-use assets - motor vehicles	(36)	(38)	(29)

In 2020, the Group's selling expenses decreased by 2.3% compared to 2019, while in 2021, selling expenses increased by 7.0% compared to 2020 reaching EUR 6,125 thousand. The largest item in selling expenses is salary expenses together with social insurance payments, amounting to 50.7% of total selling expenses in 2021 (53.5% in 2020 and 55.0% in 2019). Other large expense items are the

depreciation of right-of-use assets (premises) amounting to 10.5% of total selling expenses in 2021 (11.8% in 2020 and 12.9% in 2019) and advertising amounting to 12.1% of total selling expenses in 2021 (10.1% in 2020 and 8.8% in 2019).

For the six-month period ended 30 June 2022, the Group's selling expenses increased by EUR 675 thousand or 24.4% year-on-year. The largest increase for the comparable period is attributable to salary and social insurance increase by EUR 201 thousand or 17.0% year-on-year, an increase in other expenses by EUR 175 thousand or 343.1%, depreciation expenses by EUR 78 thousand or 59.5%, advertising expenses by EUR 48 thousand or 15.0% year-on-year, and an increase in non-deductible VAT expenses by EUR 57 thousand or 38.0% year-on-year. The increase is justified by the overall expansion of the Group's operations.

Table 14.3.5.

Administrative expenses of the Group (EUR'000)*

	Year ended 31 December (audited)			Six-month period ended 30 June (reviewed)	Six-month period ended 30 June (unreviewed)
	2019	2020	2021	2021	2022
Salary expenses ⁽¹⁾	2,075	1,888	2,312	1,161	1,558
Social insurance ⁽¹⁾	499	447	531	273	367
Bank commission	453	441	463	189	301
Depreciation of right-of-use assets (premises) ⁽²⁾	34	75	94	47	47
Legal advice	69	76	115	53	70
Communication expenses	127	107	339	51	83
Audit expenses	30	38	57	16	7
State fees and duties, licence expenses	64	52	149	58	68
Depreciation of right-of-use assets (motor vehicles) ⁽²⁾	5	8	10	5	2
Provisions for unused annual leave and bonuses	17	1	28	34	43
Other administrative expenses	115	127	117	109	80
Total administrative expenses	3,488	3,261	4,213	1,995	2,626

*Source: some data included in these columns are unreviewed management data of the Company. Partition of some of the administrative for year ended 31 December 2019, 31 December 2020 and periods ended 30 June 2021 is not presented in such layout in the Audited and Interim Financial Statements and is based on management data.

Notes

Impact of restatement in comparative figures:

⁽¹⁾ Refer to Tables 13.2, 13.3 and 13.4 to see the impact of restatement in comparative figures of Profit or loss statement of the Group for 2019, 2020 and the six-month period ended 30 June 2021.

⁽²⁾ As the Group has adopted IFRS 16 on 1 January 2019, it has changed the presentation of right-of-use assets and other liabilities for rights to use assets. Therefore, the positions are as shown as follows in the consolidated statement of comprehensive income for the years ended 31 December 2019, 2020 and 2021:

Table 14.3.6.

**Leases in the statement of comprehensive income (administrative expenses),
EUR'000⁵⁶**

	Year ended 31 December (audited)		
	2019	2020	2021
Depreciation of right-of-use assets - premises	(34)	(75)	(94)
Depreciation of right-of-use assets - motor vehicles	(5)	(8)	(10)

14.4. The Group's Financial position

Table 14.4.1.

Financial position of the Group, EUR'000

	Year ended 31 December (audited)			Six-month period ended 30 June (reviewed)	Six-month period ended 30 June (unreviewed)
	2019	2020	2021	2021	2022
Total non-current assets ⁽¹⁾	12,740	22,419	32,743	24,677	39,486
Total current assets	25,530	23,742	19,321	15,009	23,419
Total assets ⁽¹⁾	38,270	46,161	52,065	39,686	62,906
Total equity ⁽¹⁾	8,367	9,454	17,377	8,109	16,025
Total long-term creditors	13,173	17,991	21,564	15,341	28,977
Total short-term creditors	16,730	18,717	13,123	16,236	17,904
Total liabilities and equity ⁽¹⁾	38,270	46,161	52,065	39,686	62,906

Notes

⁽¹⁾ Impact of restatement in comparative figures:

Refer to Tables 13.7 to see the impact of adoption of changes in accounting policy in comparative figures of Balance sheet statements of the Group for 2020.

Total equity

As of the date of this Prospectus, the Company's share capital is EUR 4,531,959, which consists of 45,319,594 Shares, each with a nominal value of EUR 0.10. All shares are fully paid.

On 14 October 2021, the Company successfully closed the IPO and shares of Company has become traded in Nasdaq Riga Baltic Main list from 20 October 2021. During IPO, the Company issued 5,319,594 new shares with a nominal value of EUR 0.10 each, share price at the end of subscription period was EUR 1.52, total proceeds from shares issued was EUR 8,085,782, par value of new shares was EUR 531,959 and costs related to IPO was EUR 662,865 thus Share premium is EUR 6,890,958.

Total liabilities

Total liabilities increased approximately by 22.8% from EUR 29,903 thousand in 2019 to EUR 36,708 thousand in 2020. This increase is mainly attributable to both short-term and long-term bonds issued,

which together comprised an increase of 72.1% from EUR 7,825 thousand in 2019 to EUR 13,464 thousand in 2020.

Total liabilities decreased approximately by 5.5% from EUR 36,708 thousand in 2020 to EUR 34,687 thousand in 2021. This decrease is mainly attributable to short-term bonds issued, which comprised a decrease from EUR 5,023 thousand in 2020 to EUR 13 thousand in 2021 due to bond repayment.

As at the period ended 30 June 2022, total liabilities increased by EUR 12,194 thousand or 20.8% compared to the financial position as of 31 December 2021. The increase is attributable to long-term bonds issued and long-term borrowings from Mintos finance, which together comprises an increase of 40.2% from EUR 18,911 thousand to EUR 26,513 thousand at the period ended 30 June 2022.

Total assets

Total assets increased by approximately 20.6% from EUR 38,270 thousand in 2019 to EUR 46,161 thousand in 2020. This increase was driven by a 76.0% increase in non-current assets from EUR 12,740 thousand to EUR 22,419 thousand in 2020, which, in turn, resulted from a 99.9% increase in non-current loans and receivables from EUR 8,860 thousand in 2019 to EUR 17,712 thousand in 2020.

Total current assets decreased by 7.0% from EUR 25,530 thousand in 2019 to EUR 23,742 thousand in 2020, driven by the decrease of 25.2% from EUR 22,687 thousand in 2019 to EUR 16,962 thousand in current loans and receivables in 2020.

Total assets increased approximately by 12.8% from EUR 46,161 thousand in 2020 to EUR 52,065 thousand in 2021. This increase was driven by a 46.1% increase in non-current assets from EUR 22,419 thousand in 2020 to EUR 32,743 thousand in 2021, which in turn resulted in a 61.3% increase in non-current loans and receivables from EUR 17,712 thousand in 2020 to EUR 28,569 thousand in 2021.

Total current assets decreased by 18.6% from EUR 23,742 thousand in 2020 to EUR 19,321 thousand in 2021, driven by the decrease of 15.2% from EUR 16,962 thousand in 2020 to EUR 14,392 thousand in current loans and receivables in 2021.

As of 30 June 2022, total assets increased by EUR 10,841 thousand or 20.8% compared to total assets as at 31 December 2021. The increase was driven by a 20.6% increase in non-current assets from EUR 32,743 thousand as at 31 December 2021 to EUR 39,486 thousand as at 30 June 2022, which in turn resulted in a 23.8% increase in non-current loans and receivables from EUR 28,569 thousand as at 31 December 2021 to EUR 35,363 thousand as at 30 June 2022.

Table 14.4.2.

Net loan portfolio and total assets of the Group, (EUR'000)

	<i>Year ended 31 December (audited)</i>			<i>Six-month ended 30 June (reviewed)</i>	<i>Six-month ended 30 June (unreviewed)</i>
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2021</i>	<i>2022</i>
Net loan portfolio	31,547	34,674	42,962	33,265	53,775
Total Assets ⁽¹⁾	38,270	46,161	52,065	39,686	62,906

Notes

⁽¹⁾ Impact of restatement in comparative figures:

Refer to Tables 13.7 to see the impact of adoption of changes in accounting policy in comparative figures of Balance sheet statements of the Group for 2020.

During the six-month period ended 30 June 2022, The Group's net loan portfolio increased by EUR 20,509 thousand or 61.7% year-on-year and constituted 85.5% of total assets as at 30 June 2022 (compared to 83.8% as at 30 June 2021).

Table 14.4.3.

Loans and receivables of the Group by loan type, (EUR'000)

	Year ended 31 December (audited)			Six-month ended 30 June (reviewed)	Six-month ended 30 June (unreviewed)
	2019	2020	2021	2021	2022
<i>Debtors for loans issued against pledge</i>					
Long-term debtors for loans issued against pledge	82	85	95	80	143
Short-term debtors for loans issued against pledge	3,284	2,945	3,113	2,677	4,184
Interest accrued for loans issued against pledge	165	139	165	130	183
Debtors for loans issued against pledge, total	3,531	3,170	3,372	2,887	4,510
<i>Debtors for loans issued without pledge</i>					
Long-term debtors for loans issued without pledge	8,778	17,626	28,474	20,638	35,219
Short-term debtors for loans issued without pledge	21,144	16,026	13,078	12,225	16,056
Interest accrued for loans issued without pledge	1,325	1,470	1,196	1,185	1,330
Debtors for loans issued without pledge, total	31,247	35,122	42,748	34,048	52,605
Loans and receivables before allowance, total	34,778	38,292	46,121	36,935	57,115
ECL allowance on loans to customers	(3,231)	(3,618)	(3,159)	(3,670)	(3,341)
Loans and receivables	31,547	34,674	42,962	33,265	53,775

*Source: some data included in this table are more detailed management data of the Company based on Financial Statements

As can be seen in the table 14.4.3. above, the net pawn loan portfolio ("Debtors for loans issued against pledge") decreased by EUR 361 thousand in 2020 compared to 2019, while there was an increase by EUR 202 thousand in 2021 compared to 2020. The net consumer loan portfolio (Debtors for loans issued without pledge less ECL allowance on loans to customers) increased by 12.5% in 2020 to 2019, while the increase in 2021 was 25.7% year-on-year.

As at 30 June 2022, the net pawn loan portfolio has increased by 56.2% in comparison to the portfolio as at 30 June 2021, which was led by lifting of COVID-19 restrictions in Latvia and pawn loan issuance has surpassed pre-COVID-19 levels. In the six-month period ended 30 June 2022, the net consumer loan portfolio grew by 62.2% year-on-year, which illustrates satisfactory growth amid the COVID-19 pandemic effects.

14.5. Liquidity and Capital Resources

Capital resources

The Group's liquidity requirements are primarily driven by the Group's need for working capital. The Group's capital requirements may fluctuate during the year and would increase, for instance, when a particular bond issue of the Group would be refinanced. The Group has a positive working capital, which is supported by the prudent management of current assets and current liabilities as well as the Group's profitable operations. The short term-liquidity requirements are managed by the flexibility provided by the Cooperation Agreements on Issuance of Loans established with Mintos Finance. The agreement allows for an increase of financing by supplying loans issued by the Group to Mintos Finance, which are subsequently financed by the investors accessed over the investment platform marketplace (please see Section 8.14 "Material Agreements" of this Prospectus).

The Group holds its cash in EUR. The Group does not engage in any hedging activities.

As at 30 June 2022, the Group's borrowings (comprising short-term and long-term Mintos borrowings, bonds issues and lease liabilities) aggregated EUR 43,573 thousand. The Group believes that its borrowing capacity under Cooperation Agreements on Issuance of Loans with Mintos Finance (please see Section 8.14 "Material Agreements" of this Prospectus) and its operating cash flow will be sufficient to meet its liquidity requirements for the foreseeable future. The Group's liquidity requirements for the twelve-month period following the date of this Prospectus primarily relate to the need to fund the growth of the net loan portfolio, operating expenses, and to service debt obligations, including making the interest and principal payments for bonds outstanding and servicing the outstanding loans from Mintos Finance (both principal and interest). As at 30 June 2022, the Group had a debt/equity ratio of 2.5. Total long-term debt of the Group was EUR 28,977 thousand and the total short-term borrowings of the Group was EUR 14,597 thousand. The Group has a solid balance sheet and a comfortable liquidity profile to sustain the current level of external debt financing.

In 2021, the Group has reported net interest income (total interest income less interest expenses) of EUR 15,994 thousand.

The Group's actual financing requirements depend on a number of factors, many of which are beyond its control. The ability of the Group to generate cash from operations depends on its future operating performance, general economic and financial conditions, competition and changes in laws and regulations (please see Section 2 "Risk Factors" of this Prospectus). The Management Board, in cooperation and consultation with the Supervisory Board, identifies, evaluates, and manages the Group's financial risks by defining and implementing the appropriate policies regarding liquidity and credit risks.

Cash flows

Table 14.5.1.

Summary of the Group's consolidated cash flow statements (EUR'000)

	Year ended 31 December (audited)			Six-month ended 30 June (reviewed)	Six-month ended 30 June (unreviewed)
	2019	2020	2021	2021	2022
Cash and cash equivalents at the beginning of the period	3,489	1,136	4,592	4,592	2,460
Net cash flows from/(to) operating activities	(6,199)	2,441	(3,307)	3,755	(8,020)
Net cash flows from/(to) investment activities	(778)	262	(74)	362	(341)
Net cash flows from/(to) financing activities	4,623	753	1,249	(8,115)	8,216
Net (decrease) increase in cash	(2,354)	3,456	(2,132)	(3,998)	(145)
Cash and cash equivalents at the end of the period	1,136	4,592	2,460	594	2,314

Cash flow from operating activities

For the six-month period of 2022, the cash flow to operating expenses was EUR 8,020 thousand and it was generated by operating profits and the increase in the loan portfolio by EUR 20,509 thousand year-on-year relating to the increase in issuance.

The net cash used in operating activities for the year ended 31 December 2021 amounted to EUR 3,307 thousand, an increase by EUR 5,748 thousand year-on-year. The increase in the net cash used in operating activities in 2021 was primarily driven by a more even increase in the loan portfolio (loans and receivables and other debtors): the net outflow for loans and receivables and other debtors in 2021

was EUR 10,236 thousand as compared to a net outflow of EUR 4,432 thousand in year 2020 and EUR 12,201 thousand in year 2019.

The operating cash flow turns negative in periods when there is a high increase in loan issuance and subsequent increase in the loan portfolio. During those periods the operating cash flows are financed by financing activities, in particular increasing financing from Mintos Finance or by the issue of additional bonds.

Cash flow from investment activities

Positive net cash flow from investing activities in the six-month period of year 2021 was EUR 362 thousand as there was positive cash flow from repaid loans to shareholders (EUR 474 thousand), offsetting investments in fixed assets and intangibles of EUR 112 thousand and other minor outflows.

The net cash flow from investing activities includes outflow in the amount of EUR 341 thousand in relation to the acquisition of fixed assets of intangibles for the six-month period of year 2021 EUR 549 thousand the year ended 31 December 2021 and EUR 571 thousand for the year ended 31 December 2020. In 2021, besides the acquisition of fixed assets, there was a positive cash flow from repaid loans to shareholders (EUR 474 thousand). Investments in fixed assets are primarily comprised of improvements of branch network, IT and office equipment.

Cash flow from financing activities

For the six-month period of 2022, total cash inflow from financing activities comprises EUR 8,216 thousand, representing inflow of EUR 13,605 thousand as loans received and outflow of EUR 5,957 thousand as loans repaid to Mintos Finance, inflow of EUR 3,764 thousand Bonds issued and outflow of EUR 2,733 thousand paid out as dividends.

The net cash flow from financing activities increased from EUR 753 thousand for the year ended 31 December 2020 to EUR 1,249 thousand for the year ended 31 December 2021. In 2021, the total cash flow from financing activities is primarily comprised of:

- 1) Share capital increase resulted from IPO minus IPO transaction costs in the amount of EUR 7,423 thousand.
- 2) Cash outflow from the issuance and repayment of bonds in the amount of EUR 2,370 thousand.
- 3) Outflow of cash for dividends in the amount of EUR 3,723 thousand.

The net cash flow from financing activities decreased from EUR 4,623 thousand for the year ended 31 December 2019, to EUR 753 thousand for the year ended 31 December 2020. In 2020, the total cash flow from financing activities is primarily comprised of:

Net cash inflow from the issuance and repayment of bonds in the amount of EUR 5,631 thousand.

Outflow of cash for dividends in the amount of EUR 3,000 thousand.

Cash and cash equivalents at the end of the period

The net cash and cash equivalents at the end of the six-month period ended 30 June 2022 was EUR 2,314 thousand.

The net cash and cash equivalents at the end of the period decreased by 46.4% from EUR 4,592 thousand for the year ended 31 December 2020, to EUR 2,460 thousand for the year ended 31 December 2021. The reasons for the decrease were explained above (see "Cash flow from operating activities").

The net cash and cash equivalents at the end of the period increased by 304.2% from EUR 1,136 thousand for the year ended 31 December 2019, to EUR 4,592 thousand for the year ended 31 December 2020. The reasons for the increase were explained above (see "Cash flow from financing activities"). The cash position for the year ended 31 December 2020 was increased to ensure operational stability in connection with the 2nd wave of the COVID-19 pandemic. The reasons for the decrease are explained above. No material subsequent events capable of changing the considerations described in this Section have occurred.

14.6. Capital structure and borrowing requirements

Capital structure

The Group has a diversified and sustainable capital structure.

Table 14.6.1.

	Year ended 31 December (audited)			Six-month ended 30 June (reviewed)	Six-month ended 30 June (unreviewed)
	2019	2020	2021	2021	2022
Bonds issued, (EUR'000)	7,825	13,464	10,838	13,367	14,650
Other borrowings, (EUR'000) ⁽¹⁾	18,614	17,687	18,573	12,993	25,827
Lease liabilities, (EUR'000) ⁽¹⁾	2,127	3,436	3,305	3,453	3,096
Trade payables and accrued liabilities, (EUR'000)	1,093	1,305	1,572	1,226	1,594
Taxes and social insurance, (EUR'000)	244	816	398	539	463
Unpaid dividends, (EUR'000)	-	-	-	-	1,251
Gross debt, (EUR'000)	29,903	36,708	34,686	31,577	46,881
Cash and bank, (EUR'000)	(1,136)	(4,592)	(2,460)	(594)	(2,314)
Net debt, (EUR'000)	28,767	32,116	32,226	30,983	44,567
Equity, (EUR'000)	8,367	9,454	17,377	8,109	16,025
Liabilities / equity ratio (x)	3.57	3.88	2.00	3.89	2.93
Net liabilities / equity ratio (x)	3.44	3.40	1.85	3.82	2.78

Notes

⁽¹⁾ Impact of restatement in comparative figures:

Refer to Tables 13.6 to see the impact of restatement in comparative figures of Balance sheet statements of the Group for 2019.

Borrowings

Table 14.6.2.

	Year ended 31 December			Six-month period ended 30 June (reviewed)	Six-month ended 30 June (unreviewed)
	2019	2020	2021	2021	2022
Mintos Finance ⁽¹⁾	18,045	17,287	18,574	12,993	25,827
Lease liabilities ⁽²⁾	2,127	3,436	3,305	3,453	3,096
Private loans ⁽¹⁾	569	400	-	-	-
Bonds	7,850	13,481	11,111	13,370	15,000

Accrued interest and bonds commission	(25)	(17)	(273)	(3)	(350)
Total borrowings	28,047	34,587	32,717	28,785	43,573

Notes

(1) In Financial Statements, Mintos Finance loans and private loans are presented together under Other borrowings.

(2) Impact of restatement in comparative figures:

Refer to Tables 13.6 to see the impact of restatement in comparative figures of Balance sheet statements of the Group for 2019.

Total borrowings per Table 14.13 "Borrowing structure of the Group" as at 30 June 2022 were EUR 43,573 thousand, representing 97.8% of the total amount of the Group's gross debt. Most of the borrowings are comprised of Mintos Finance financing constituting EUR 25,827 thousand and bond financing of EUR 15,000 thousand.

Total short-term borrowings as at 30 June 2022 were EUR 14,597 thousand, representing 31.1% of the total amount of the Group's gross debt. Most of the short-term borrowings are comprised of EUR 13,947 thousand of Mintos Finance financing.

Total long-term debt as at 30 June 2022 was EUR 28,977 thousand, representing 61.8% of the total amount of the Group's gross debt. Most of the long-term borrowings are comprised of bonds issued constituting EUR 14,633 thousand and Mintos Finance financing of EUR 11,880 thousand.

Bonds issued

As at 30 June 2022, the Company has one outstanding bond issue that is listed on Nasdaq Baltic First North and one outstanding privately issued unlisted bond issue. The total nominal value of the bonds outstanding is EUR 15,000 thousand (please see Section 8.14 "Material agreements" of this Prospectus).

The key financial covenants of the Terms of the Notes Issue ISIN LV000085048 and ISIN LV0000802536 are provided in the Management Report of the Audited Financial Statements for the audited financial statement of 2021.

The key financial covenants of the Terms of the Notes Issue ISIN LV0000802536 are published at <https://www.delfingroup.lv/storage/files/as-delfingroup-issue-terms-isin-lv0000802536.pdf> Section 4.4 "Financial covenants".

As of the date of this Prospectus, the Group has been in compliance with all covenants under the above mentioned Terms of the Notes Issue.

Borrowings from Mintos Finance and other borrowings

The Company and ViziaFinance have entered into a Cooperation Agreement with Mintos Finance. The parties have agreed to mutually cooperate by offering users of the investment platform under the domain name www.mintos.com, operated by Mintos Marketplace, an opportunity to invest in the monetary claims of Mintos Finance against the Company.

Further to the above-mentioned Cooperation Agreement, which was signed on 18 October 2016, the Company and ViziaFinance entered into Cooperation Agreements on Issuance of Loans (as amended from time to time) with Mintos Finance and additionally on 6 May 2022 Cooperation agreement with Mintos Marketplace and Mintos Finance No.20 was signed on issuance of Notes. The parties have agreed on the possibility of disbursement of loans for the benefit of the Company, subject to a EUR 27,500,000 (twenty seven million five hundred thousand euros) limit for all abovementioned agreements and according to the agreements with Mintos group entities the loans matures according to the particular loan agreement terms concluded by the Group with its customers (please see Section 8.14 "Material agreements" of this Prospectus).

As of the date of this Prospectus, the Company and ViziaFinance have been in compliance with all covenants under the above mentioned agreements.

All covenants under the mentioned Terms of the Notes Issue for the issued bonds and under the Cooperation Agreement with Mintos Finance are considered by the Company to be in line with common market practice, and the Company is not aware of any terms that deviate from market practice.

Provided security

The Company has created and registered four groups of commercial pledges over its assets and claims, subject to the maximum claim amount of MEUR 33 as collateral registered to collateral agent Eversheds Sutherland Bitāns (in favour of Mintos Finance) and to Mintos Finance No.20 and Mintos Marketplace. As of 30 June 2022, the amount of secured liabilities of the Company is EUR 25,827 thousand with respect to the claims of Mintos Finance, Mintos Finance No.20 and Mintos Marketplace.

14.7. Long-term objectives

The Group's long-term objectives are to continue expanding its market share and to increase its profitability. The Company has established a target to achieve consolidated profit before tax of EUR 12.9 million by 2024. In order to achieve this, the primary strategy is to accelerate the growth of its net loan portfolio, with a target set at EUR 70 million by 2024, as compared to EUR 43 million in 2021. In order to finance the growth of its net loan portfolio at lower interest rates, the Group needs to have a higher equity ratio. By issuing new equity as a result of the Offering, the Company will achieve this objective. Please read more on the Group's financial objectives in Section 8.10 "Strategy and objectives" of this Prospectus.

14.8. Recent trends, development and material changes

Recent trends and developments

In July 2022, the Company issued unsecured bond ISIN LV0000850055 with the nominal amount of EUR 10,000 thousand and coupon rate of 3M EURIBOR + 8.75% indicating a positive trend in the reduction in the total costs of financing. The bond issued was offered via private placement.

Material Changes

There were no material changes in the Group's financial position and operations, including production, sales, inventory, costs and selling prices in the period after the audited financial statements as at 31 December 2021 and up to the date of this Prospectus.

Furthermore, there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the least the current financial year.

15. CAPITALISATION AND INDEBTEDNESS

15.1. Working Capital Statement

Considering the Group's existing assets, financial positions, plans and positive income from everyday business activities, it is the opinion of the Company that the Group's working capital is sufficient to cover all liabilities for the upcoming 12 months after the date of this Prospectus and that there is no need to involve additional external funds to cover the working capital needs.

The Group's historical working capital together with relevant ratios is presented in the Table 15.1 below.

Table 15.1

	Working capital			
	31 December 2019	31 December 2020	31 December 2021	30 June 2022
Total current assets, EUR'000	25,530	23,742	19,321	23,419
Total current liabilities, EUR'000	16,730	18,717	13,123	17,904
Working Capital, EUR'000	8,800	5,025	6,198	5,515
Liquidity ratio (x)	1.5	1.3	1.47	1.31
Quick ratio (x)	1.5	1.2	1.32	1.18

On 7 July 2022, the Group started a closed bonds offering via private placement for EUR 10,000 thousand with maturity on 25 September 2024. New bonds are issued periodically taking into account the need for financing.

15.2. Capitalisation and Indebtedness

The Tables 15.2 and 15.3 below present the Group's capitalisation and indebtedness as at 30 June 2022, which is based on the Interim Financial Report enclosed to this Prospectus.

Table 15.2

	As at 30 June 2022
Guaranteed	-
Secured	13,947
Unguaranteed/unsecured	650
Total current debt	14,597
Guaranteed	-
Secured	11,880
Unguaranteed/unsecured	17,096
Total non-current debt	28,977
Share capital	4,532
Share premium	6,891
Legal reserve (s)	-
Other reserves (Retained earnings)	4,602
Total shareholder equity	16,025
Total capitalisation (total current debt + total non-current debt + total shareholder equity)	59,599

*Source: some data included in this column are unaudited management data of the Company.

For secured current and non-current debt, the following types of assets are used as collateral:

(i) a commercial pledge over all assets of the Group as an aggregation of property at the moment of pledging as well as its future components;

(ii) a commercial pledge over all receivables of the Group as an aggregation of property at the moment of pledging as well as its future components.

Table 15.3

Indebtedness of the Group (EUR'000)

		<i>As at 30 June 2022 (unreviewed)</i>
A	Cash	2,314
B	Cash equivalents	-
C	Other current financial assets**	18,847
D	Liquidity (A + B + C)	21,161
E	Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	17
F	Current portion of non-current financial debt	14,580
G	Current financial indebtedness (E + F)	14,597
H	Net current financial indebtedness (G - D)	(6,564)
I	Non-current financial debt (excluding current portion and debt instruments)	14,343
J	Debt instruments	14,633
K	Non-current trade and other payables	-
L	Non-current financial indebtedness (I + J + K)	28,977
M	Total financial indebtedness (H + L)	22,416

**Source: some data included in this table are more detailed management data of the Company based on Financial Statements*

***Other current financial assets include loans and receivables in the amount of EUR 18,412 thousand and gold in the amount of EUR 435 thousand*

Current portion of non-current financial debt includes lease liabilities in the amount of EUR 633 thousand and Non-current financial debt (excluding current portion and debt instruments) includes lease liabilities in the amount of EUR 2,463 thousand.

As at 30 June 2022 and as at the date of the Prospectus, the Group did not have any contingent or indirect indebtedness.

There have been no material changes to the amounts in the table above since 30 June 2022 and up until the date of this Prospectus.

16. GLOSSARY

The following definitions will apply throughout this Prospectus unless the context requires otherwise. They are not intended as technical definitions and are provided purely for assistance in understating certain terms used in this Prospectus.

AML	Anti-money laundering.
Articles of Association	Articles of Association of the Company effective as of the date of this Prospectus.
Audited Financial Statements	Audited financial statements as of and for the three years ended on 31 December 2021, 31 December 2020 and 31 December 2019 of the Group.
Bank of Lithuania	The Bank of Lithuania (in Lithuanian: <i>Lietuvos bankas</i>) with its registered office in Vilnius, Lithuania. The Lithuanian financial supervision authority.
CEO	Chief executive officer.
CFO	Chief financial officer.
CFT	Combating the financing of terrorism.
Commercial Register	The Register of Enterprises of the Republic of Latvia.
Company or DelfinGroup	AS "DelfinGroup", joint-stock company registered in the Latvian Commercial Register with registration No 40103252854, having its registered address at Skanstes iela 50A, Rīga, LV-1013, Latvia.
Consumer Rights Protection Centre or CRPC	The Consumer Rights Protection Centre of Republic of Latvia (<i>Patērētāju tiesību aizsardzības centrs</i>). The Consumer Rights Protection Centre is a state administration institution under the supervision of the Ministry of Economics, which implements the protection of consumer rights and interests.
COO	Chief operating officer.
COVID-19	The respiratory disease caused by the SARS-CoV-2 virus.
CPF	Counter Proliferation Financing.
Delegated Regulation	Regulation (EU) 2019/980 of 14 March 2019 supplementing Prospectus Regulation as regards the format, content, scrutiny and approval of the Prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004.
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, and amortization.
ERS	The Estonian Register of Securities, operated by Nasdaq CSD SE Estonian Branch, address Maakri 19/1, 10145 Tallinn, Estonia.
Estonia	The Republic of Estonia.
Estonian Financial Supervision Authority	The Estonian Financial Supervision Authority, a financial supervision institution with autonomous competence and a separate budget which conducts supervision over credit institutions, insurance companies, insurance intermediaries, investment firms, management companies, investment and pension funds as well as the payment service providers, e-money institutions and the securities markets that have been authorised by the Financial Supervision Authority in the name of the state and which is independent in its activities and decisions.
EU	The European Union.

EUR	Euro, the official currency of eurozone countries, including Latvia, Estonia, and Lithuania.
Eurozone	The economic and monetary union of the European Union member states, which have adopted euro as their single official currency.
Financial Statements	Audited Financial Statements and Interim Financial Report.
General Meeting	Meeting of the Company's shareholders, the highest governing body of the Company.
Global Lead Manager	AS LHV Pank, an Estonian public limited company, registered in the Estonian Commercial Register with registration No. 10539549, having its registered address at Tartu mnt 2, 10145, Tallinn, Estonia.
Global Lead Manager	AS LHV Pank, an Estonian public limited company, registered in the Estonian Commercial Register with registration No. 10539549, having its registered address at Tartu mnt 2, 10145, Tallinn, Estonia.
Group	The Company and its Subsidiary.
IAS	International Accounting Standards.
IFRS	International Financial Reporting Standards.
Institutional Offering	The non-public offering of the Offer Shares in Latvia and in selected member states of the European Economic Area to qualified investors within the meaning of Article 2(e) of the Prospectus Regulation and other types of investors in reliance on certain exemptions available under the laws of each jurisdiction where the Offering is being made.
Interim Financial Report	The reviewed consolidated interim financial statements for the 6-month period which ended on 30 June 2021, included in this Prospectus as Schedule 2.
ISIN	International Securities Identification Number.
Latvia	The Republic of Latvia.
Latvian Financial and Capital Market Commission	The Financial and Capital Market Commission (<i>Finanšu un kapitāla tirgus komisija</i>). An autonomous public institution of the Republic of Latvia, which carries out the supervision of Latvian banks, credit unions, insurance companies and insurance brokerage companies, participants of financial instruments market, as well as private pension funds, payment institutions and electronic money institutions.
Listing	Listing of Shares on the Baltic Main List of Nasdaq Riga.
Lithuania	The Republic of Lithuania.
Management Board	The Management Board of the Company.
Member States	The Member States of the European Union.
MIFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.
Mintos Finance	SIA Mintos Finance, limited liability company registered in the Latvian Commercial Register with registration No. 40203022549, having its registered address at Skanstes iela 50, Riga LV-1013, Latvia, or any other Mintos group entity, or similar peer-to-peer or marketplace lending platform, as the case may be.
Mintos Marketplace	AS Mintos Marketplace, joint-stock company registered in the Latvian Commercial Register with registration No 40103903643, having its registered address at Skanstes iela 50, Rīga, LV-1013, Latvia. AS Mintos Marketplace is an investment firm licenced and supervised by the Financial and Capital Market Commission. AS

	Mintos Marketplace operates as a global marketplace for investing in loans, is a go-to investment platform where retail investors can invest in a diversified way in income-producing assets to build wealth in the long term.
Moda Kapitāls	Akciju sabiedrība "Moda Kapitāls", joint-stock company registered in the Latvian Commercial Register with registration No. 40003345861, having its registered address at Ganību dambis 40A - 34, Rīga, LV-1005, Latvia.
Nasdaq CSD	Nasdaq CSD SE (<i>Societas Europaea</i>), the regional Baltic central securities depository (CSD), registration No. 40003242879, registered address Valņu iela 1, Rīga LV-1050, Latvia.
Nasdaq First North	The Nasdaq Riga First North multilateral trading facility operated by Nasdaq Riga, AS.
Nasdaq Riga	Nasdaq Riga AS, registration No. 40003167049, registered address at Valņu iela 1, Rīga, LV-1050.
OFAC	The Office of Foreign Assets Control of the United States Department of the Treasury.
Offer Period	Period during which prospective investors may apply to purchase the Offer Shares commencing on 26 September 2022 at 9:00 Latvian time and is expected to end on 5 October at 15:30 Latvian time.
Offer Price	The price at which each Offer Share is to be issued or sold under the Offering.
Offer Shares	Up to 1,750,000 Shares which are being offered to investors in the course of the Offering.
Offering	The Retail Offering and the Institutional Offering jointly.
Offeror or Selling Shareholder	SIA EC finance is a limited liability company (<i>sabiedrība ar ierobežotu atbildību</i>), incorporated in Latvia, registered in the Register of Enterprises of Latvia with registration number 40103950614, having its registered address at Skanstes iela 50A, Rīga, LV-1013. The Company's e-mail is Agris.Evertovskis@gmail.com, telephone number is +371 28300664. Its legal entity identifier (LEI) is 984500DD97SA6CC9G232.
Prospectus	This document.
Retail Offering	The public offering of the Offer Shares to retail investors in Latvia, Estonia and Lithuania.
Shareholder	Natural or legal person(s) holding the Share(s) of the Company at any relevant point in time.
Shares	The bearer shares of the Company with the nominal value of EUR 0.10, that are registered in the Nasdaq CSD under the ISIN code LV0000101806.
Subsidiary or ViziaFinance	SIA ViziaFinance, limited liability company registered in the Latvian Commercial Register with registration No. 40003040217, having its registered address at Skanstes iela 50A, Rīga, LV-1013.
Summary	The summary of this Prospectus.
Supervisory Board	The Supervisory Board of the Company.
UN	The United Nations.

OFFEROR AND SELLING SHAREHOLDER

SIA EC finance

(registration No. 40103950614, registered address Skanstes iela 50A, Rīga, LV-1013)

COMPANY

AS "DelfinGroup"

(registration No. 40103252854, registered address Skanstes iela 50A, Rīga, LV-1013, Latvia)

GLOBAL LEAD MANAGER

AS LHV Pank

(registration No. 10539549, registered address Tartu mnt 2, Tallinn, 10145, Estonia)



LEGAL COUNSEL TO THE OFFEROR

ZAB Eversheds Sutherland Bitāns SIA

(registration No. 40203329751, registered address Lāčplēša iela 20A - 9, Rīga, LV-1011, Latvia)

EVERSHEDS
SUTHERLAND
BITĀNS

17. SCHEDULE 1

**THE GROUP'S AUDITED CONSOLIDATED ANNUAL REPORTS FOR THE FINANCIAL YEARS
ENDED ON 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019,
RESPECTIVELY**



custom finance
solutions

AS “DelfinGroup”

Annual accounts
for the year ended
31 December 2021
and
Consolidated
Annual accounts
for the year ended
31 December 2021

prepared in accordance
with International Financial
Reporting Standards as
adopted by EU

Translation from Latvian

Table of Contents

Information on the Company and subsidiaries	3 – 5
Statement of management's responsibility	6
Management report	7 - 9
Statement of Profit or loss	10
Balance sheet	11 – 12
Statement of changes in equity	13
Cash flow statement	14
Notes	15 – 45
Independent Auditors' report	46 – 51

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 (57.53%), 12 Juras Street, Liepaja, Latvia SIA AE Consulting (8.83%), 50A Skanstes Street, Riga, Latvia SIA EC finance (18.81%), 50A Skanstes Street, Riga, Latvia Other (14.83%)
Ultimate parent company	SIA L24 Finance Reg. No. 40103718685 12 Juras 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 Zitmane – Member of the Board (from 01.03.2022) Agris Evertovskis – Chairman of the Board (from 12.10.2009 till 19.01.2021) Didzis Ādmīdiņš – Member of the Board (from 11.07.2014 till 19.01.2021) Kristaps Bergmanis – Member of the Board (from 11.07.2014 till 15.12.2021) Ivars Lamberts – Member of the Board (from 11.01.2018 till 28.02.2022)

**Names and positions of Supervisory Board
members**

Agris Evertovskis – Chairperson of the Supervisory Board (from
19.01.2021 till 12.04.2021, 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)

Anete Ozoliņa – Deputy Chairman of the Supervisory Board
(from 19.01.2021 till 13.04.2021)

Uldis Judinskis – Member of the Supervisory Board (from
19.01.2021 till 13.04.2021)

Uldis Judinskis – Chairperson of the Supervisory Board (from
16.05.2019 till 19.01.2021)

Ramona Miglāne – Deputy Chairman of the Supervisory Board
(from 16.05.2019 till 19.01.2021)

Anete Ozoliņa – Member of the Supervisory Board (from
16.05.2019 till 19.01.2021)

Financial year

1 January 2021 - 31 December 2021

Name and address of the auditor

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

Responsible Certified Auditor:
Irita Cimdare
Certificate No. 103

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 financial statements of the Company and for the preparation of the consolidated financial statements of the Company and its subsidiaries (hereinafter – the Group).

The financial statements set out on pages 10 to 45 are prepared in accordance with the source documents and present the financial position of the Company and the Group as of 31 December 2021 and 31 December 2020 and the results of their operations, changes in shareholders' equity and cash flows for the years then ended. The management report set out on pages 7 to 9 presents fairly the financial results of the reporting period and future prospects of the Company and the Group.

The financial statements 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 Ādmidiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

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

Management report

According to the audited results of the year 2021 Latvian financial services company AS *DelfinGroup* has increased its revenue to EUR 25.5 million or by 7.7.% a year on year basis and 9.2% on a quarterly basis. In the 4th quarter of 2021 EBITDA increased by 33.3% compared to 3rd quarter of 2021 and for 12 months EBITDA increased by 7.4% and reached EUR 10.2 million. During the 4th quarter of 2021 profit before taxes increased by 41.7% compared to 3rd quarter of 2021 and was EUR 1.7 million and by 7.2% year on year and reached EUR 5.2 million. During the 4th quarter of 2021 the net profit has increased by 60% compared to 3rd quarter. The 4th quarter financial results mark the best results for a give quarter in the history of the Group. The increased revenue and profitability were mainly facilitated by stable growth of online consumer lending and retail of pre-owned goods.

During 2021 AS *DelfinGroup* issued EUR 52.5 million in new loans securing loan issuance growth of 9% year on year. Growth in loan issuance was mainly supported by the significant consumer lending increase which grew by 24% year on year and reached EUR 37 million. The positive trend of consumer loan issuance also reflected in AS *DelfinGroup* net loan portfolio which at the end of 2021 reached a record level – EUR 43 million, a 23.9% increase compared to previous year. Although, due to the restrictions placed on offline services in 2021 pawn loan issuance decreased by 15% year on year, nevertheless, in the 4th quarter of 2021 pawn loan segment has improved by having only a slight 5% decrease in the issuance compared to the same period in 2020.

In the 4th quarter of 2021 AS *DelfinGroup* successfully closed initial public offering (IPO) on *Nasdaq Riga* stock exchange in which a total of 5,927 investors participated. As a result AS *DelfinGroup* raised in total EUR 8.09 million of gross proceeds. The split of the new shareholders is as follows: 4.5 thousand investors from Estonia, 1.2 thousand from Latvia, 0.2 thousand from Lithuania and 44 investors from other countries. On 20 October 2021 AS *DelfinGroup* shares were listed for trading on the *Baltic Main List*. Funds attracted from the IPO substantially improved capital structure of the company as a result equity ratio reaching of 33.4% at the end of 2021.

With the help of funds raised from the IPO, during the 4th quarter 2021 AS *DelfinGroup* repaid and refinanced bonds in total amount of EUR 13.5 million. From those bonds EUR 5 million with 14% coupon rate were repaid according to schedule on 25.10.2021. With the aim to decrease financing costs EUR 5 million bonds with a 14% coupon rate and EUR 3.5 million bonds with 12% coupon rate were redeemed prematurely in November and December of 2021. All the transactions were made according to the IPO prospectus with the goal to decrease the cost of interest-bearing liabilities. As a result, during the 4th quarter the average cost of interest-bearing liabilities decreased from 10.7% to 7.5%. In addition, to support the growing loan portfolio during November 2021 AS *DelfinGroup* registered a new issue of unsecured bonds in the amount of EUR 10 million with an annual coupon rate of 8%. This is the lowest coupon rate in the history of AS *DelfinGroup* and marks a new milestone for the Group. At the end of the reporting period subscription of the bonds was still ongoing.

During 3rd quarter 2021 AS *DelfinGroup* signed a contract with AS *Moda Kapitāls* (the owner of the fourth largest pawn shop network in Latvia) to purchase AS *Moda Kapitāls* pawn shop assets. At that time AS *Moda Kapitāls* owned 25 pawn shop branches throughout Latvia. Among other things, the contract involved the purchase of AS *Moda Kapitāls* pawn loan portfolio. The transaction was finalized beginning of February 2022.

On December 15 December the composition of the Management Board was changed: Chief Financial Officer Aldis Umblejs was appointed as a Member of the Management Board. He replaced Kristaps Bergmanis who had decided to resign from his positions as Member of the Management Board and undertake other activities outside the Group. On 1 March 2022 Sanita Zitmane was appointed as a Member of the Management Board and Ivars Lamberts resigned from his positions as Member of the Management Board.

On 14 October SIA *ExpressInkasso* and on 1 December SIA *REFIN* were liquidated and excluded from the Register of Enterprises. The activities of these companies will be carried out by the parent company AS *DelfinGroup*.

Management report (CONTINUED)

On 10th December 2021 AS *DelfinGroup* held its first shareholders' meeting as a public stock company. At the meeting AS *DelfinGroup* shareholders approved to pay out an extraordinary dividend in the amount of EUR 512 thousand, namely EUR 0.0113 per share, from the profit of the third quarter of 2021 of AS *DelfinGroup*. Dividends were paid according to AS *DelfinGroup* dividend policy which anticipate quarterly dividend payments up to 50% from previous quarters' net profit. In addition, shareholders approved the issue of new bonds up to EUR 10 million to fund further business development of the company.

For the twelve months of 2021, in accordance with the adopted dividend policy, the company paid dividends in the amount of EUR 3.7 million.

By implementing the business strategy and all planned activities, the following financial results of the Group were achieved in 2021 as compares to 2020:

Position	EUR, million	Change, %
Net loan portfolio	43.0	+23.9
Assets	52.1	+12.8
Revenue	25.5	+7.7
EBITDA	10.2	+7.4
Profit before taxes	5.2	+7.2
Net profit	4.2	+3.0

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

Position	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4
Total income, EUR million	6.7	6.0	5.9	6.5	7.1
EBITDA, EUR million	2.5	2.5	2.1	2.4	3.2
EBITDA margin, %	37%	42%	35%	37%	45%
EBIT, EUR million	2.2	2.3	1.8	2.1	2.8
EBIT margin, %	33%	38%	31%	33%	39%
Profit before taxes, EUR million	1.2	1.1	1.1	1.2	1.7
Net profit, EUR million	0.9	0.8	0.8	1.0	1.6
Net profit margin, %	13%	13%	14%	16%	23%
ROE (annualised), %	42%	36%	38%	46%	47%
Current ratio	1.3	1.0	0.9	1.4	1.5

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.

EBITDA calculation, EUR million:

	2021	2020
Item		
Profit before tax	5.2	4.9
Interest expenses and similar expenses	3.9	3.5
Depreciation of fixed assets and amortisation	1.1	1.1
EBITDA, EUR million	10.2	9.5

Management report (CONTINUED)

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

Covenant	Value as of 31.12.2021	Compliance
to maintain a Capitalization Ratio at least 25%	40%	yes
to maintain consolidated ICR of at least 1.25 times, calculated on the trailing 12 month basis	2.4	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.	2.4	yes

Branches

During the period from 1 January 2021 to 31 December 2021, the Group continued to work on branch network efficiency. As at 31 December 2021, the Group had 93 branches in 38 cities in Latvia (31.12.2020 - 89 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 bonds and loans, 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 Belaruss 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 annual dividends in amount of EUR 2.5 million.

The Corporate Governance Report for 2021 has also been submitted to *AS Nasdaq Riga* together with this separate and consolidated Annual Financial Report for year ended 31 December 2021 by *AS DelfinGroup*.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

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Statement of profit or loss for the year ended 31 December 2021

		Company 2021	Group 2021	Company 2020 (restated, Note 1)	Group 2020 (restated, Note 1)
	Notes	EUR	EUR	EUR	EUR
Net sales	(2)	5 667 337	5 667 337	6 164 231	6 164 231
Cost of sales	(3)	(3 668 010)	(3 668 010)	(4 224 332)	(4 224 332)
Interest income and similar income	(4)	16 527 133	19 821 198	15 459 316	17 499 755
Interest expenses and similar expenses	(5)	(3 497 133)	(3 827 313)	(3 407 017)	(3 633 152)
Credit loss expenses		(1 261 141)	(2 236 898)	(890 243)	(1 505 116)
Gross profit		13 768 186	15 756 314	13 101 955	14 301 386
Selling expenses	(6)	(5 820 639)	(6 124 650)	(5 221 723)	(5 446 243)
Administrative expenses	(7)	(4 026 730)	(4 212 808)	(3 108 291)	(3 261 026)
Other operating income		237 719	85 033	71 384	72 395
Other operating expenses		(292 275)	(300 865)	(627 549)	(812 259)
Income from participating interests		262 919	-	-	-
Profit before corporate income tax		4 129 180	5 203 024	4 215 776	4 854 253
Income tax expenses	(8)	(873 080)	(979 191)	(753 716)	(754 536)
Net profit		3 256 100	4 223 833	3 462 060	4 099 717
Earnings per share	(9)	0.079	0.103	0.087*	0.102*

* Earnings per shares for 12 months ended 31 December 2020 have been adjusted retrospectively to account for the share split performed in 2021.

Notes on pages from 15 to 45 are an integral part of these financial statements.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

Inta Pudāne
Chief accountant

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

Balance sheet as at 31 December 2021

		Company 31.12.2021	Group 31.12.2021	Company 31.12.2020 (restated, Note 1)	Group 31.12.2020 (restated, Note 1)
Assets					
Non-current assets:					
Intangible assets:					
Patents, licences, trademarks and similar rights		64 037	64 037	124 256	124 256
Internally developed software		376 816	376 816	202 248	202 248
Other intangible assets		42 056	50 669	41 927	54 076
Goodwill		-	127 616	-	127 616
Advances on intangible assets		18 834	18 834	-	-
Total intangible assets:	(10)	501 743	637 972	368 431	508 196
Property, plant and equipment:					
Land, buildings, structures and perennials		169 906	169 906	-	85 385
Investments in property, plant and equipment		186 681	186 681	196 607	196 607
Right-of-use assets		2 972 570	2 972 570	3 194 412	3 194 412
Other fixtures and fittings, tools and equipment		206 604	206 604	248 214	248 214
Total property, plant and equipment	(11;12)	3 535 761	3 535 761	3 639 233	3 724 618
Non-current financial assets:					
Investments in related companies	(13)	880 000	-	1 685 672	-
Loans to related companies	(25)	1 768 200	-	1 155 565	-
Loans and receivables	(16)	21 164 732	28 569 431	13 987 061	17 711 758
Loans to shareholders and management	(14)	-	-	474 484	474 484
Total non-current financial assets:		23 812 932	28 569 431	17 302 782	18 186 242
Total non-current assets:		27 850 436	32 743 164	21 310 446	22 419 056
Current assets:					
Inventories:					
Finished goods and goods for sale		1 949 490	1 949 490	1 534 007	1 534 007
Total inventories:	(15)	1 949 490	1 949 490	1 534 007	1 534 007
Receivables:					
Loans and receivables	(16)	12 238 336	14 392 319	12 588 435	16 962 096
Loans to related companies	(25)	38 075	-	2 876 548	-
Other debtors		289 554	352 269	135 227	374 756
Deferred expenses		110 109	167 436	224 366	279 523
Total receivables:		12 676 074	14 912 024	15 824 576	17 616 375
Cash and cash equivalents	(17)	2 225 535	2 459 862	3 768 356	4 591 954
Total current assets:		16 851 099	19 321 376	21 126 939	23 742 336
Total assets		44 701 535	52 064 540	42 437 385	46 161 392

Notes on pages from 15 to 45 are an integral part of these financial statements.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zītmāne
Board Member

Inta Pudāne
Chief accountant

Balance sheet as at 31 December 2021

		Company 31.12.2021	Group 31.12.2021	Company 31.12.2020 (restated, Note 1)	Group 31.12.2020 (restated, Note 1)
Liabilities and equity					
Equity:	Notes	EUR	EUR	EUR	EUR
Share capital	(18)	4 531 959	4 531 959	4 000 000	4 000 000
Share premium		6 890 958	6 890 958	-	-
Retained earnings:					
- brought forward		514 359	1 730 571	775 437	1 353 992
- for the reporting period		3 256 100	4 223 833	3 462 060	4 099 717
Total equity:		15 193 376	17 377 321	8 237 497	9 453 709
Liabilities:					
Long-term liabilities:					
Bonds issued	(19)	10 825 162	10 825 162	8 441 717	8 441 717
Other borrowings	(20)	5 125 100	8 086 468	5 646 755	6 816 925
Lease liabilities for right-of-use assets	(12)	2 652 498	2 652 498	2 732 136	2 732 136
Total long-term liabilities:		18 602 760	21 564 128	16 820 608	17 990 778
Short-term liabilities:					
Bonds issued	(19)	13 003	13 003	5 022 652	5 022 652
Other borrowings	(20)	8 345 402	10 487 168	9 339 999	10 869 932
Lease liabilities for right-of-use assets	(12)	652 699	652 699	703 715	703 715
Trade payables		752 114	805 784	676 305	702 933
Accounts payable to affiliated companies		-	-	243 815	-
Taxes and social insurance	(21)	391 791	398 268	810 031	815 952
Accrued liabilities		750 390	766 169	582 763	601 721
Total short-term liabilities:		10 905 399	13 123 091	17 379 280	18 716 905
Total liabilities		29 508 159	34 687 219	34 199 888	36 707 683
Total liabilities and equity		44 701 535	52 064 540	42 437 385	46 161 392

Notes on pages from 15 to 45 are an integral part of these financial statements.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zītmāne
Board Member

Inta Pudāne
Chief accountant

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

Statement of changes in equity of the Company's for the year ended 31 December 2021

	Notes	Share capital EUR	Share premium EUR	Retained earnings (restated, Note 1) EUR	Total EUR
As at 31 December 2019		1 500 000	-	6 275 437	7 775 437
Dividends paid		-	-	(3 000 000)	(3 000 000)
Share capital transfer		2 500 000	-	(2 500 000)	-
Profit for the reporting period (restated, note 1)		-	-	3 462 060	3 462 060
As at 31 December 2020		4 000 000	-	4 237 497	8 237 497
Dividends paid		-	-	(3 723 138)	(3 723 138)
Share capital increase resulted from IPO	(18)	531 959	7 553 823	-	8 085 782
IPO transaction costs	(18)	-	(662 865)	-	(662 865)
Profit for the reporting period		-	-	3 256 100	3 256 100
As at 31 December 2021		4 531 959	6 890 958	3 770 459	15 193 376

Statement of changes in equity of the Group for the year ended 31 December 2021

	Notes	Share capital EUR	Share premium EUR	Retained earnings (restated, Note 1) EUR	Total EUR
As at 31 December 2019		1 500 000	-	6 867 492	8 367 492
Dividends paid		-	-	(3 000 000)	(3 000 000)
Share capital transfer		2 500 000	-	(2 500 000)	-
Retained earnings subsidiary inclusion		-	-	(13 500)	(13 500)
Profit for the reporting period (restated, note 1)		-	-	4 099 717	4 099 717
As at 31 December 2020		4 000 000	-	5 453 709	9 453 709
Dividends paid		-	-	(3 723 138)	(3 723 138)
Share capital increase resulted from IPO	(18)	531 959	7 553 823	-	8 085 782
IPO transaction costs	(18)	-	(662 865)	-	(662 865)
Profit for the reporting period		-	-	4 223 833	4 223 833
As at 31 December 2021		4 531 959	6 890 958	5 954 404	17 377 321

Notes on pages from 15 to 45 are an integral part of these financial statements.

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Sanita Zitmane
Board Member

Inta Pudāne
Chief accountant

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Cash flows statement for the year ended 31 December 2021

	Company 2021 EUR	Group 2021 EUR	Company 2020 (restated, Note 1) EUR	Group 2020 (restated, Note 1) EUR
Cash flow from operating activities				
Profit before corporate income tax	4 129 180	5 203 024	4 215 776	4 854 253
<u>Adjustments for non-cash items:</u>				
a) depreciation of fixed assets and amortisation of intangible assets (10;11)	355 539	362 325	281 390	302 364
b) depreciation of right-of-use assets (11)	775 932	775 932	762 806	762 806
c) credit loss expenses	1 261 141	2 236 898	890 243	1 505 116
d) cessation results	128 077	160 423	438 240	620 101
e) interest income and similar income (4)	(16 527 133)	(19 821 198)	(15 459 316)	(17 499 755)
f) interest expenses and similar expenses (5)	3 497 133	3 827 313	3 407 017	3 633 152
g) liquidation of subsidiaries (13)	(30 012)	-	-	-
h) other adjustments	-	-	(2 844)	(13 500)
Profit before adjustments of working capital and short-term liabilities	(6 410 143)	(7 255 283)	(5 466 688)	(5 835 463)
<u>Change in operating assets/liabilities:</u>				
a) (Increase) on loans and receivables and other debtors	(8 044 211)	(10 236 384)	(4 793 323)	(4 431 656)
b) (Increase) on inventories	(415 483)	(415 483)	(378 655)	(378 655)
c) (Decrease)/increase on trade payable and accrued liabilities	(86 391)	(64 256)	148 584	746 238
Gross cash flow from operating activities	(14 956 228)	(17 971 406)	(10 490 082)	(9 899 536)
Interest received	16 466 080	19 690 880	15 097 001	16 951 069
Interest paid	(3 908 926)	(4 271 452)	(3 852 786)	(4 260 782)
Corporate income tax payments	(753 716)	(754 536)	(349 957)	(349 957)
Net cash flow from operating activities	(3 152 790)	(3 306 514)	404 176	2 440 794
Cash flow from investing activities				
Acquisition of fixed assets, intangibles	(630 741)	(548 605)	(564 152)	(571 018)
Loans issued (other than core business of the Company) (14)	(92 850)	(92 850)	(438 669)	(438 669)
Loans repaid (other than core business of the Company)	2 793 172	567 334	2 962 961	1 271 868
Liquidation quota of subsidiaries (25)	938 691	-	-	-
Net cash flow from investing activities	3 008 272	(74 121)	1 960 140	262 181
Cash flow from financing activities				
Share capital increase resulted from IPO (incl. share premium) (18)	8 085 782	8 085 782	-	-
IPO transaction costs (18)	(662 865)	(662 865)	-	-
Loans received	13 643 489	20 633 934	7 349 981	10 415 870
Loans repaid	(15 505 807)	(19 849 406)	(8 642 673)	(11 546 966)
Bonds issued	11 111 000	11 111 000	8 606 000	8 606 000
Redemption of bonds	(13 481 000)	(13 481 000)	(2 975 000)	(2 975 000)
Repayment of lease liabilities	(865 764)	(865 764)	(746 569)	(746 569)
Dividends paid	(3 723 138)	(3 723 138)	(3 000 000)	(3 000 000)
Net cash flow from financing activities	(1 398 303)	1 248 543	591 739	753 335
Net cash flow of the reporting period	(1 542 821)	(2 132 092)	2 956 055	3 456 310
Cash and cash equivalents at the beginning of the reporting period	3 768 356	4 591 954	812 301	1 135 644
Cash and cash equivalents at the end of the reporting period	2 225 535	2 459 862	3 768 356	4 591 954

Notes on pages from 15 to 45 are an integral part of these financial statements.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

Inta Pudāne
Chief accountant

Notes

(1) 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.

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.

These annual financial statements are prepared and disclosed on a consolidated basis and on a standalone basis. The following subsidiaries are included in the consolidation: SIA *ViziaFinance* (100%) for the period ended 31 December 2021.

The former subsidiary SIA *Banknote commercial properties* (100%) has been liquidated on 21 June 2021. The assets of the SIA *Banknote commercial properties* were transferred to AS *DelfinGroup* as liquidation quota. The former subsidiary SIA *ExpressInkasso* (100%) has been liquidated on 09 September 2021 (excluded from the Enterprise register on 14 October 2021). The assets of the SIA *ExpressInkasso* were transferred to AS *DelfinGroup* as liquidation quota. The former subsidiary SIA *REFIN* (100%) has been liquidated on 01 December 2021. The assets of the SIA *REFIN* were transferred to AS *DelfinGroup* as liquidation quota. For amount and types of assets acquired from each liquidated subsidiary see note 13.

Following the rapid spread of COVID-19 pandemic in 2020, which continued in 2021, many governments, including the Latvian Republic, have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain areas. These measures have affected the global supply chain, demand for goods and services, as well as scale of business activity. It is expected that pandemic itself as well as the related public health and social measures may influence the business of the entities in a wide range of industries.

Support measures were introduced by the Government of Latvian Republic to counter the economic downturn caused by the COVID-19 pandemic. These measures include, among others, subsidized lending to affected industries and individuals, payment holidays and easing of certain regulatory restrictions to help the financial sector maintain its capabilities to provide resources and to help customers avoid liquidity shortages as a result of the COVID-19 containment measures.

Starting 11 October 2021, the government of Latvia declared a new state of emergency due to the pandemic. During the state of emergency the Group took all mandatory and recommended security measures in relation to pandemic and all services provided by the Group were available to customers in full scope.

Despite 2021 being the second year of COVID-19 pandemic, it brought a faster than expected economic recovery in Latvia. This was reflected also in the results of the Group. The loan issuance for the Group has increased by 9% reaching EUR 52.5 million, turnover by 8% and portfolio by 24% compared to 2020, the Management of the Group assesses that COVID-19 pandemic did not impacted significantly business operations of the Group in 2021. The Group was able to achieve its financial targets.

The Group will continue to assess the effect of the pandemic and changing economic conditions on its activities, financial position and financial results.

New standards, interpretations and amendments adopted by the Group

The Group applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (IBOR reform Phase 2).

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company and consolidated financial statements of the Group. The Company and the Group intends to use the practical expedients in future periods if they become applicable.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

Notes (continued)

(1) Accounting policies (continued)

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group did not apply the practical expedient and continues to apply IFRS 16 guidance on lease modification accounting for rent concessions.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts, effective for reporting periods beginning on or after 1 January 2023, with comparative figures required.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current, effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.
- Reference to the Conceptual Framework – Amendments to IFRS 3, effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16, effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively.
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37, effective for annual reporting periods beginning on or after 1 January 2022.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter, effective for annual reporting periods beginning on or after 1 January 2022.
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities, effective for annual reporting periods beginning on or after 1 January 2022.
- Definition of Accounting Estimates - Amendments to IAS 8, effective for annual reporting periods beginning on or after 1 January 2023.
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2, applicable for annual periods beginning on or after 1 January 2023.

The Group is currently assessing the amendments to determine the impact they will have on the Group's financial statements.

Voluntary changes in significant accounting policies and correction of errors

- (a) In these financial statements, the Group and the Company has adopted changes in the accounting policy in respect of recognition of internally generated intangible assets. The change relates to development of software, mainly consisting of internally capitalised salary expenses. For details see Note 10.
All costs incurred in 2020 which were recognized as part of the cost of an intangible asset qualified the capitalization criteria as at the date when such costs were incurred. However, initially they were expensed in accordance with accounting policy applicable at that time. Following the change in accounting policy expenses, including past expenses, meeting the capitalization criteria as at the date of its occurrence were capitalized. Management considers that the change in accounting policies more accurately reflects the Company's process in regards to internally developing IT resources as well as better aligns costs with income.
Group has made an assessment on the change in accounting policy impact on the beginning of the earliest period presented, i.e. 1 January 2020. Management assessed capitalization criteria as per IAS 38 as of 1 January 2020 and concluded that no relevant costs qualified with requirements of IAS 38 as at that date.
- (b) The Management has identified a classification error on bond issuance commissions while preparing 2021 Group's and Company's financial statements. The error relates to incorrect classification of bond issuance commissions as bank commissions under Administrative costs. The error resulted in overstatement of amount of bank commission expenses and understatement of interest expenses;
- (c) The Management has also identified a classification error on accrued interest expenses. The error relates to incorrect classification of accrued interest expenses for other borrowings under Credit loss expense and resulted in overstated amount of credit loss expenses and understatement of interest expenses. To comply with presentation requirements of IFRS 9, the Group reclassified mentioned amount from Credit loss expense to Interest expenses and similar expenses.

Notes (continued)

(1) Accounting policies (continued)

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

Balance sheet

	Reference	As at 31 December 2020 before restatement	Restatement	As at 31 December 2020 after restatement
Assets				
Non-current assets	(a)	21 108 199	202 247	21 310 446
Current assets		21 126 939	-	21 126 939
Total assets		42 235 138	202 247	42 437 385
Liabilities and equity				
Total equity	(a)	8 035 250	202 247	8 237 497
Long-term liabilities		16 820 608	-	16 820 608
Short-term liabilities		17 379 280	-	17 379 280
Total liabilities and equity		42 235 138	202 247	42 437 385

Statement of profit or loss

	Reference	2020 before restatement	Restatement	2020 after restatement
Net sales		6 164 231	-	6 164 231
Cost of sales		(4 224 332)	-	(4 224 332)
Interest income and similar income		15 459 316	-	15 459 316
Interest expenses and similar expenses	(b), (c)	(3 278 011)	(129 006)	(3 407 017)
Credit loss expense	(c)	(963 163)	72 920	(890 243)
Gross profit		13 158 041	(56 086)	13 101 955
Selling expenses	(a)	(5 201 324)	(20 399)	(5 221 723)
Administrative expenses	(a), (b)	(3 387 023)	278 732	(3 108 291)
Other operating income		71 384	-	71 384
Other operating expenses		(627 549)	-	(627 549)
Profit before income tax		4 013 529	202 247	4 215 776
Income tax expenses		(753 716)	-	(753 716)
Net profit		3 259 813	202 247	3 462 060
Earnings per share*		0.081	0.006	0.087

* Earnings per shares for 12 months ended 31 December 2020 have been adjusted retrospectively to account for the share split performed in 2021.

Notes (continued)

(1) Accounting policies (continued)

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

Balance sheet

	Reference	As at 31 December 2020 before restatement	Restatement	As at 31 December 2020 after restatement
Assets				
Non-current assets	(a)	22 216 809	202 247	22 419 056
Current assets		23 742 336	-	23 742 336
Total assets		45 959 145	202 247	46 161 392
Liabilities and equity				
Total equity	(a)	9 251 462	202 247	9 453 709
Long-term liabilities		17 990 778	-	17 990 778
Short-term liabilities		18 716 905	-	18 716 905
Total liabilities and equity		45 959 145	202 247	46 161 392

Statement of profit or loss

	Reference	2020 before restatement	Restatement	2020 after restatement
Net sales		6 164 231	-	6 164 231
Cost of sales		(4 224 332)	-	(4 224 332)
Interest income and similar income		17 499 755	-	17 499 755
Interest expenses and similar expenses	(b), (c)	(3 490 389)	(142 763)	(3 633 152)
Credit loss expense	(c)	(1 591 793)	86 677	(1 505 116)
Gross profit		14 357 472	(56 086)	14 301 386
Selling expenses	(a)	(5 425 844)	(20 399)	(5 446 243)
Administrative expenses	(a), (b)	(3 539 758)	278 732	(3 261 026)
Other operating income		72 395	-	72 395
Other operating expenses		(812 259)	-	(812 259)
Profit before income tax		4 652 006	202 247	4 854 253
Income tax expenses		(754 536)	-	(754 536)
Net profit		3 897 470	202 247	4 099 717
Earnings per share*		0.097	0.005	0.102

* Earnings per shares for 12 months ended 31 December 2020 have been adjusted retrospectively to account for the share split performed in 2021.

(b) Consolidation principles

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Notes (continued)

(1) Accounting policies (continued)

(c) Recognition of revenue and expenses

- Net sales

Net revenue represents the total value of inventory sold during the year net of value added tax. Revenue from sale of inventory is recognized when control of the inventory is transferred to the customer at an amount that reflects the consideration to which Group expects to be entitled in exchange for those inventories. The Group has generally concluded that it is the principal in its revenue arrangements.

Revenue is measured at the fair value of the consideration received, excluding sales taxes.

- Interest income and similar income

The Group calculates interest revenue on debt financial assets measured at amortized cost by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

When a financial asset becomes credit-impaired, the Group calculates interest revenue by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest revenue on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest revenue by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

- Other income

Other income is recognised based on accruals 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“.

(d) Foreign currency

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:

	31.12.2021	31.12.2020
	1 EUR	1 EUR
USD	1.13	1.23

(e) 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. See also note 28.

(f) 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.

Notes (continued)

(1) Accounting policies (continued)

(g) Intangible assets (including Company's goodwill)

All intangible assets are initially measured at cost. Intangible assets are recorded at historic cost net of amortization and permanent diminution in value. The Group has a detailed intangible assets capitalisation policy covering accounting for development projects. The Group incurs costs for development of software and similar items, which may be capitalized. Capitalized expenditure can be either purchased or internally developed. Only those assets are capitalised that are separately identifiable, they are controlled by the Group, for which probable future economic benefits associated with the item will flow to the Group, and cost exceeds the minimum threshold (150 EUR) set by the Group shall be recognized. No intangible asset costs arising from the research phase of a project are capitalized. Expenditure on research is expensed when incurred.

Amortisation commences once the item is in the location and conditions necessary for it to be capable of operating in the manner intended by management and has been accepted by the business owner. 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
Patents, trademarks and similar rights	3 – 5
Other intangible assets (including software)	3 – 5

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.

The residual values, remaining useful lives and methods of depreciation are reviewed and, if required, adjusted annually.

(h) Fixed assets

All fixed assets are initially measured at cost. Fixed assets are recorded at historic cost net of depreciation and permanent diminution in value. Depreciation 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
Land, buildings, structures and perennials	20
Other fixed assets	3 – 5
Leasehold improvements	1 – 19
Right-of-use premises	1 – 19
Right-of-use vehicles	3 – 4

The residual values, remaining useful lives and methods of depreciation are reviewed and, if required, adjusted annually. Fixed asset 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.

(i) Investments in the subsidiaries and associated companies in the separate financial statements

In the financial statements the investments in subsidiary companies (SIA *ViziaFinance* as at 31 December 2021) are carried at cost less impairment. Cost represents consideration paid for acquisition of subsidiaries as well as additional contributions to share capital of subsidiaries. Impairment is defined as the difference between the cost and recoverable amount. Recoverable amount is the higher of the respective asset's fair value less the costs to sell and the value in use.

(i) 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) Inventories

Inventories are stated at the lower of cost or net realisable value. Inventories are measured using the FIFO method. The Group 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. Inventories are measured at the lower of cost or net realisable value.

Notes (continued)

(1) Accounting policies (continued)

(I) 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. All loans and receivables are recognised when cash is advanced to borrowers and derecognised on repayments. Loans are initially measured at their fair value. The Group subsequently measures consumer loans at amortised cost if both of the following conditions are met:

- ▶ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The Group is using a model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The expected credit loss is calculated as a function of PD, the exposure at default EAD and the loss given default LGD.

- For the PD calculation is determined the number of historically issued loans actually reaches the number of past due more than 90 days or have been ceded.
- LGD calculation is based on actually recovered funds for loans over 90 days. Recovered funds are discounted using the monthly effective interest rate.
- Expected credit losses are additionally adjusted for ceded loans. The management assesses the portfolio of overdue loans on a monthly basis and loans that are subject to a significant risk that they will not be repaid or will be assigned.

The IFRS 9 impairment model uses a three-stage approach depending on whether the claim is performing or not and if the claim is performing, whether a significant increase in credit risk has occurred.

1. Stage 1 – 12-month ECL applies to all existing claims, which have no signs of material increase in risk. The ECL will be computed using 12-month PD that represents the probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a PD is used that corresponds to remaining maturity.
2. Stage 2 – applies to claims, which have sign (s) of a material increase in risk and increase in default (delay days > 30 days but less than 90 days). The standard requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.
3. Stage 3 – Financial assets are recognized in Stage 3 when there is objective evidence that the loan is impaired (delay days > 90 days). Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

A settlement delay of 30 or more days are assessed based on their actual occurrence. The rest of the signs of increased risk and their impact have to be analysed case by case and the change in a customer's risk level has to be made based on management's judgement. This assessment is symmetrical in nature, allowing the credit risk of financial assets to move back to Stage 1 if the increase in credit risk has decreased since origination and is no longer deemed to be significant.

Default or the possibility of it occurring in the future and write-off of liabilities can be divided into the following events:

- Improbability of receiving payments. Based on objective evidence, it may be presumed that the client will be unable to settle all of the financial obligations and the situation cannot be solved satisfactorily.
- Payment delay. The contract is deemed to be non-performing if the client is no longer able or willing to fulfil payment obligations, e.g. upon any of the following events: (a) payments are past due for more than 90 days; (b) the client does not respond to the payment reminders and the desire to contact; (c) the client is bankrupt or deceased; (d) identity theft has been identified, i.e. misuses of the credit receiver's identity.

Notes (continued)

(1) Accounting policies (continued)

The Group continuously monitors all assets subject to ECLs in order to identify if there has been significant increase in credit risk. If there is increase, relevant adjustments to ECL are made.

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 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.

(m) Leases

i. Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment testing.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in in-substance fixed lease payments or a change in the assessment of the option to purchase the underlying asset.

The Group does not apply IASB practical expedient on COVID-19-Related Rent Concessions and adjusts both right-of-use assets and lease liabilities when modifications of lease contracts occur.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered of low value (i.e., below EUR 4.5 thousand). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

ii. Operating – Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as lease income. Contingent rents are recognized as income in the period in which they are earned.

(n) 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 is subject to a 20% gross tax or 20/80 of the net cost. Corporate income tax on dividend payments is recognized in the income statement. According to law effective 25% tax is applied to non-business related expenses.

(o) 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.

Notes (continued)

(1) Accounting policies (continued)

(p) Borrowings

Initially borrowings are recognised at fair value amounting to 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.

(q) 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.

(r) 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.

(s) Financial risk management

(s1) Financial risk factors

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

- (r1.1) foreign currency risk;
- (r1.2) credit risk;
- (r1.3) operational risk;
- (r1.4) market risk;
- (r1.5) liquidity risk;
- (r1.6) cash flow and interest rate risk.

The Group'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 Chief Financial Officer (CFO) is responsible for risk management. CFO identifies, assesses and seeks to find solutions to avoid financial risks acting in close cooperation with other structural units of the Group.

(s1.1) Foreign exchange risk

The Group operates mainly in the local market and its exposure to foreign exchange risk is not relevant.

(s1.2) Credit risk

The Group 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 Group'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.

(s1.3) 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 Group 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.

(s1.4) Market risk

The Group 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 Group's services fluctuations. The Group attempts to limit market risks, adequately planning the expected cash flows, diversifying the product range and fixing funding resource interest rates. As at 31 December 2021 all interest rates are fixed except for lease contracts amounting to 292 thousand EUR with contracts concluded in EUR currency with variable part denominated as 6 month EURIBOR rate. The interest rate market risk is considered to be low.

(s1.5) Liquidity risk

The Group complies with the prudence principle in the management of its liquidity risk and maintains sufficient funds. The management of the Group has an oversight responsibility of the liquidity reserves and make current forecasts based on anticipated cash flows. The management of the Group performs liquidity analysis on a regular basis and ensures adequate gap between short-term liabilities and assets. Most of the Group's liabilities are long-term liabilities. Based on performed procedures the management is of the opinion that the Group will be able to secure sufficient liquidity by its operating activities. For analysis of financial liabilities by remaining contractual maturities please see note 29.

(s1.6) Cash flow interest rate risk

As the Group has borrowings and finance lease obligations, the Group's cash flows related to financing costs to some extent depend on the changes in market rates of interest. The Group'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.

Notes (continued)

(1) Accounting policies (continued)

(s2) Management of the capital structure

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

	Company	Group	Company	Group
	31.12.2021	31.12.2021	31.12.2020	31.12.2020
	EUR	EUR	(restated, Note 1)	(restated, Note 1)
			EUR	EUR
Bonds issued	10 838 165	10 838 165	13 464 369	13 464 369
Other borrowings	13 470 502	18 573 636	14 986 754	17 686 857
Lease liabilities	3 305 197	3 305 197	3 435 851	3 435 851
Accounts payable to affiliated companies	-	-	243 815	-
Trade payables and accrued liabilities	1 502 504	1 571 953	1 259 068	1 304 654
Taxes and social insurance	391 791	398 268	810 031	815 952
Gross debts	29 508 159	34 687 219	34 199 888	36 707 683
Cash and cash equivalents	(2 225 535)	(2 459 862)	(3 768 356)	(4 591 954)
Net debts	27 282 624	32 227 357	30 431 532	32 115 729
Equity	15 193 376	17 377 321	8 237 497	9 453 709
Debt / equity ratio	1.94	2.00	4.15	3.88
Net debt / equity ratio	1.80	1.85	3.69	3.40

(t) Significant assumptions and estimates

The preparation of the financial statements requires management to make professional judgments, assumptions and estimates which affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

Assumptions and estimates based on those assumptions are analyzed regularly to identify if changes are required. The changes in accounting estimates are recognized in the reporting period when the estimates were changed and in all periods that follow.

Useful life of fixed assets

The Group assesses the remaining useful lives of items of fixed assets at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimates. These estimates may have a material impact on the carrying amount of fixed assets and depreciation recognized in the statement of profit or loss.

Impairment of fixed assets

The Group reviews the value of its fixed assets and intangible assets whenever any events or circumstances support that the carrying value may not be recoverable. The Group's impairment test for property and equipment is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the forecast for the next years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested.

Net realisable value of inventories

The cost of the Group's inventory may have to be reduced to its net realisable value if the inventory has become damaged, is wholly or partly obsolete, or if its selling price has declined. The costs of inventory may not be recovered from sale because of increases in the costs to complete, or the estimated selling costs. Writing inventory down to net realisable value is carried out on an item-by-item basis. The Group's estimates of net realisable value are based on the most reliable evidence available and take into account fluctuations of price or cost after the end of the period if this is evidence of conditions existing at the end of the period.

Leases – estimating the incremental borrowing rate

In case the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Notes (continued)

(1) Accounting policies (continued)

Impairment losses on loans to customers

The measurement of impairment losses on loans to customers requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- ▶ The Group's criteria for assessing if there has been a significant increase in credit risk and allocation of loans to Stage 1 or 2;
- ▶ identification of unlikelihood to pay criteria and assignment of loans to Stage 3;
- ▶ development of ECL models, including the various formulae and the choice of inputs;
- ▶ the modelling and calculation of key parameters of the ECL models, including probability of default (PD), loss given default (LGD), and exposure at default (EAD).

The ECL model inputs and parameters were reviewed and where necessary updated. For more detailed qualitative and quantitative information on the impairment of financial assets, refer to Note 1 Accounting Policies section I Trade and other receivables and Note 16 Loans and receivables.

(u) Related parties

Related parties include the shareholders, members of the Board and Supervisory Board of the Group, Supervisory Board 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".

(v) Subsequent events

Post-period-end events that provide additional information about the Group'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.

(w) Contingencies

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

(x) 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.

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker – the Group's Board, which allocates resources to and assesses the performance of the operating segments of the Group. For management purposes, the Group is organised into three operating segments based on products and services. The Group's segments are Pawnloan segment, Consumer loans segment and Other operating segment. Under Other operating segment there are accounted general Group administrative operations, services provided to related entities and real estates project development financing activities.

Notes (continued)

(2) Net sales

Net revenue by type of revenue

	Company 2021 EUR	Group 2021 EUR	Company 2020 EUR	Group 2020 EUR
Income from sales of goods	4 210 715	4 210 715	3 686 567	3 686 567
Income from sales of precious metals	841 360	841 360	1 714 530	1 714 530
Other income, loan and mortgage realisation and storage commission	615 262	615 262	763 134	763 134
	5 667 337	5 667 337	6 164 231	6 164 231

All net sales are generated in Latvia.

(3) Cost of sales

	Company 2021 EUR	Group 2021 EUR	Company 2020 EUR	Group 2020 EUR
Cost of sales of goods	2 830 483	2 830 483	2 544 053	2 544 053
Cost of sales of precious metals	837 527	837 527	1 680 279	1 680 279
	3 668 010	3 668 010	4 224 332	4 224 332

(4) Interest income and similar income

	Company 2021 EUR	Group 2021 EUR	Company 2020 EUR	Group 2020 EUR
Interest revenue calculated using effective interest rate:				
Interest income on unsecured loans	12 398 767	15 692 832	10 785 043	12 825 482
Interest income on secured loans	4 123 605	4 123 605	4 669 988	4 669 988
Other interest income	4 761	4 761	4 285	4 285
	16 527 133	19 821 198	15 459 316	17 499 755

(5) Interest expenses and similar expenses

	Company 2021 EUR	Group 2021 EUR	Company 2020 (restated, Note 1) EUR	Group 2020 (restated, Note 1) EUR
Bonds' coupon expense	2 203 614	2 203 614	1 584 149	1 584 149
Interest expense on other borrowings	1 086 344	1 416 524	1 632 089	1 858 224
Interest expense on lease liabilities for leased premises	204 489	204 489	186 800	186 800
Interest expense lease liabilities for leased vehicles	2 473	2 473	3 787	3 787
Net loss on foreign exchange	213	213	192	192
	3 497 133	3 827 313	3 407 017	3 633 152

Notes (continued)

(6) Selling expenses

	Company 2021	Group 2021	Company 2020 (restated, Note 1)	Group 2020 (restated, Note 1)
	EUR	EUR	EUR	EUR
Salary expenses	2 515 879	2 515 879	2 352 184	2 352 184
Depreciation of right-of-use assets - premises	643 179	643 179	640 604	640 604
Social insurance	590 774	590 774	563 848	563 848
Advertising	505 805	739 462	407 820	548 490
Depreciation of fixed assets	355 539	362 325	281 389	302 363
Maintenance expenses	274 436	278 573	272 925	272 925
Non-deductible VAT	273 629	334 859	194 729	238 414
Utilities expenses	218 252	222 161	191 457	191 457
Transportation expenses	93 050	93 050	73 764	73 764
Depreciation of right-of-use assets - motor vehicles	29 312	29 312	38 394	38 394
Provisions for unused annual leave	26 627	26 627	(8 551)	(8 551)
Other expenses	294 157	288 449	213 160	232 351
	5 820 639	6 124 650	5 221 723	5 446 243

(7) Administrative expenses

	Company 2021	Group 2021	Company 2020 (restated, Note 1)	Group 2020 (restated, Note 1)
	EUR	EUR	EUR	EUR
Salary expenses	2 309 296	2 311 503	1 864 983	1 887 638
Social insurance	531 860	531 106	442 516	447 465
Bank commission	372 742	463 168	386 123	440 993
Communication expenses	301 781	338 716	86 912	106 961
Legal advice	113 716	114 556	72 951	75 826
Depreciation of right-of-use assets - premises	93 914	93 914	75 412	75 412
State fees and duties, licence expenses	92 310	148 616	38 166	52 013
Audit expenses*	50 250	57 250	20 700	37 903
Provisions for unused annual leave	28 717	27 517	1 284	1 321
Depreciation of right-of-use assets - motor vehicles	9 527	9 527	8 396	8 396
Other administrative expenses	122 617	116 935	110 848	127 098
	4 026 730	4 212 808	3 108 291	3 261 026

* During the reporting year auditors have performed a review engagement and issued review report on the Group's condensed interim consolidated financial statements for the six-month period ended June 30, 2021 for EUR 14 000. These expenses are directly attributable to IPO process and deducted from equity (Note 18). The Group has not received any other services from the auditors except for statutory audit of annual report.

(8) Corporate income tax for the reporting year

	Company 2021	Group 2021	Company 2020	Group 2020
	EUR	EUR	EUR	EUR
Corporate income tax charge for the current year	873 080	979 191	753 716	754 536
	873 080	979 191	753 716	754 536

This tax mainly relates to the dividends paid out of the previous and current year's profits.

Notes (continued)

(9) 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 table below presents the income and share data used in the computations of basic earnings per share for the Company and the Group:

	Company 2021	Group 2021	Company 2020 (restated, Note 1)	Group 2020 (restated, Note 1)
	EUR	EUR	EUR	EUR
Net profit attributed to shareholders	3 256 100	4 223 833	3 462 060	4 099 717
Weighted average number of shares	41 034 770	41 034 770	40 000 000	40 000 000
Earnings per share	0.079	0.103	0.087	0.102

Earnings per shares for 12 months ended 31 December 2020 have been adjusted retrospectively to account for the share split performed in 2021. There is no dilution effect on weighted average number of shares for 2021 and 2020.

(10) Intangible assets

Company

	Patents, trademarks and similar rights	Internally developed software (restated)	Other intangible assets	Advances on intangible assets	Total
	EUR	EUR	EUR	EUR	EUR
Cost					
31.12.2019	354 773	-	31 848	6 748	393 369
Additions	1 387	222 647	41 047	-	265 081
Transfers	-	-	6 748	(6 748)	-
Disposals	(35)	-	(19 082)	-	(19 117)
31.12.2020	356 125	222 647	60 561	-	639 333
Additions	-	251 795	17 920	18 834	288 549
Disposals	(14 676)	-	-	-	(14 676)
31.12.2021	341 449	474 442	78 481	18 834	913 206
Amortisation					
31.12.2019	170 572	-	15 843	-	186 415
Charge for 2020	61 331	20 399	11 218	-	92 948
Disposals	(34)	-	(8 427)	-	(8 461)
31.12.2020	231 869	20 399	18 634	-	270 902
Charge for 2021	60 221	77 227	17 791	-	155 239
Disposals	(14 678)	-	-	-	(14 678)
31.12.2021	277 412	97 626	36 425	-	411 463
Net book value 31.12.2021	64 037	376 816	42 056	18 834	501 743
Net book value 31.12.2020	124 256	202 248	41 927	-	368 431

Notes (continued)

(10) Intangible assets (continued)

Group	Patents, trademarks and similar rights	Internally developed software (restated)	Other intangible assets	Advances on intangible assets	Goodwill	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Cost						
31.12.2019	354 773	-	60 822	6 748	127 616	549 959
Additions	1 387	222 647	47 912	-	-	271 946
Transfers	-	-	6 748	(6 748)	-	-
Disposals	(35)	-	(35 164)	-	-	(35 199)
31.12.2020	356 125	222 647	80 318	-	127 616	786 706
Additions	-	251 795	19 083	18 834	-	289 712
Disposals	(14 676)	-	-	-	-	(14 676)
31.12.2021	341 449	474 442	99 401	18 834	127 616	1 061 742
Amortisation						
31.12.2019	170 572	-	25 089	-	-	195 661
Charge for 2020	61 331	20 399	25 662	-	-	107 392
Disposals	(34)	-	(24 509)	-	-	(24 543)
31.12.2020	231 869	20 399	26 242	-	-	278 510
Charge for 2021	60 219	77 227	22 490	-	-	159 936
Disposals	(14 676)	-	-	-	-	(14 676)
31.12.2021	277 412	97 626	48 732	-	-	423 770
Net book value 31.12.2021	64 037	376 816	50 669	18 834	127 616	637 972
Net book value 31.12.2020	124 256	202 248	54 076	-	127 616	508 196

Part of the IT employees are involved in building technical solutions for the operation of DelfinGroup. These systems are constantly built to meet both external and internal needs, and these are constantly being developed. As the systems are fully developed internally by IT department, related payroll and tax payments are capitalized for those IT employees who were involved in the development of the systems. The list of capitalized salaries is reviewed every month and capitalized amount is determined based on the works performed. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and impairment.

During 2021 capitalised salary and related taxes for such systems amounted to EUR 251 795 (2020 - EUR 222 647). The systems are constantly being developed and support the issuance of loans, growth of the portfolio and sale of goods and as such ensure that the future economic benefits will flow to the company over a long period, thus justifying capitalization.

Notes (continued)

(11) Fixed assets

Company	Land, buildings, structures and perennials EUR	Other fixed assets and inventory EUR	Leasehold improve- ments EUR	Right-of-use premises EUR	Right-of-use vehicles EUR	Right-of-use assets, total EUR	Total EUR
Cost							
31.12.2019	-	934 448	422 008	2 675 766	287 369	2 963 135	4 319 591
Additions	-	109 625	189 448	1 171 129	22 614	1 193 743	1 492 816
Remeasurement	-	-	-	716 006	-	716 006	716 006
Disposals	-	(51 549)	-	(2 864)	(17 832)	(20 696)	(72 245)
31.12.2020	-	992 524	611 456	4 560 037	292 151	4 852 188	6 456 168
Additions	113 019	123 781	22 091	345 846	-	345 846	604 737
Acquired with in liquidation of subsidiary	83 299	-	-	-	-	-	83 299
Remeasurement	-	-	-	288 271	-	288 271	288 271
Disposals	(23 194)	(70 316)	-	(131 348)	-	(131 348)	(224 858)
31.12.2021	173 124	1 045 989	633 547	5 062 806	292 151	5 354 957	7 207 617
Depreciation							
31.12.2019	-	651 770	367 493	722 707	191 447	914 154	1 933 417
Charge for 2020	-	141 086	47 356	716 017	46 789	762 806	951 248
Disposals	-	(48 546)	-	(1 718)	(17 466)	(19 184)	(67 730)
31.12.2020	-	744 310	414 849	1 437 006	220 770	1 657 776	2 816 935
Charge for 2021	4 213	164 070	32 017	737 093	38 839	775 932	976 232
Disposals	(995)	(68 995)	-	(51 321)	-	(51 321)	(121 311)
31.12.2021	3 218	839 385	446 866	2 122 778	259 609	2 382 387	3 671 856
Net book value 31.12.2021	169 906	206 604	186 681	2 940 028	32 542	2 972 570	3 535 761
Net book value 31.12.2020	-	248 214	196 607	3 123 031	71 381	3 194 412	3 639 233

Notes (continued)

(11) Fixed assets (continued)

Group	Land, buildings, structures and perennials EUR	Other fixed assets and inventory EUR	Leasehold improvements EUR	Right-of-use premises EUR	Right-of-use vehicles EUR	Right-of-use assets, total EUR	Total EUR
Cost							
31.12.2019	-	934 448	422 008	2 675 766	287 369	2 963 135	4 319 591
Additions	-	109 625	189 448	1 171 129	22 614	1 193 743	1 492 816
Remeasurement	-	-	-	716 006	-	716 006	716 006
Disposals	-	(51 549)	-	(2 864)	(17 832)	(20 696)	(72 245)
Acquired in business combination	130 069	-	-	-	-	-	130 069
31.12.2020	130 069	992 524	611 456	4 560 037	292 151	4 852 188	6 586 237
Additions	113 019	123 781	22 091	345 846	-	345 846	604 737
Remeasurement	-	-	-	288 271	-	288 271	288 271
Disposals	(69 964)	(70 316)	-	(131 348)	-	(131 348)	(271 628)
31.12.2021	173 124	1 045 989	633 547	5 062 806	292 151	5 354 957	7 207 617
Depreciation							
31.12.2019	-	651 770	367 493	722 707	191 447	914 154	1 933 417
Charge for 2020	6 530	141 086	47 356	716 017	46 789	762 806	957 778
Disposals	-	(48 546)	-	(1 718)	(17 466)	(19 184)	(67 730)
Acquired in business combination	38 154	-	-	-	-	-	38 154
31.12.2020	44 684	744 310	414 849	1 437 006	220 770	1 657 776	2 861 619
Charge for 2021	6 300	164 070	32 017	737 093	38 839	775 932	978 319
Disposals	(47 766)	(68 995)	-	(51 321)	-	(51 321)	(168 082)
31.12.2021	3 218	839 385	446 866	2 122 778	259 609	2 382 387	3 671 856
Net book value 31.12.2021	169 906	206 604	186 681	2 940 028	32 542	2 972 570	3 535 761
Net book value 31.12.2020	85 385	248 214	196 607	3 123 031	71 381	3 194 412	3 724 618

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

Right-of-use assets and other liabilities for rights to use assets are shown as follows in the consolidated and standalone balance sheet and statement of profit or loss:

	31.12.2021 EUR	31.12.2020 EUR
Non-current assets		
Right-of-use assets - premises	2 940 028	3 123 031
Right-of-use assets - motor vehicles	32 542	71 381
Assets, total	2 972 570	3 194 412
Non-current liabilities		
Lease liabilities	2 652 498	2 732 136
Current liabilities		
Lease liabilities	652 699	703 715
Lease liabilities, total	3 305 197	3 435 851

Notes (continued)

(12) Right-of-use assets and lease liabilities (continued)

Leases in the statement of profit or loss

	2021 EUR	2020 EUR
<i>Interest expenses and similar expenses</i>		
Interest expense on lease liabilities for leased premises	(204 489)	(186 800)
Interest expense on lease liabilities for leased vehicles	(2 473)	(3 787)
<i>Selling expense</i>		
Depreciation of right-of-use assets - premises	(643 179)	(640 604)
Depreciation of right-of-use assets - motor vehicles	(29 312)	(38 394)
<i>Administrative expenses</i>		
Depreciation of right-of-use assets - premises	(93 914)	(75 412)
Depreciation of right-of-use assets - motor vehicles	(9 527)	(8 396)
Leases in the statement of profit or loss, total	(982 894)	(953 393)

Leases liabilities

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
Long term lease liabilities - premises	2 627 961	2 627 961	2 670 754	2 670 754
Long term lease liabilities - vehicles	24 537	24 537	61 382	61 382
Total long-term lease liabilities	2 652 498	2 652 498	2 732 136	2 732 136
Short term lease liabilities - premises	633 826	633 826	669 951	669 951
Short term lease liabilities - vehicles	18 873	18 873	33 764	33 764
Total short-term lease liabilities	652 699	652 699	703 715	703 715
Lease liabilities, total	3 305 197	3 305 197	3 435 851	3 435 851

Lease agreements for premises are signed for a period of one year to fifteen years and six months. Car rental agreements are signed for a period of three years to three years and three months.

The weighted-average incremental borrowing rate for premises leased in 2021 comprised 4.07% (2020: 5.25%), the weighted-average incremental borrowing rate for motor vehicles was 3.20% (2020: 3.20%).

(13) Company's investments in subsidiaries

Company is the sole shareholder of the subsidiary SIA ViziaFinance (100%) as of 31 December 2021.

The former subsidiary SIA Banknote commercial properties (100%) has been liquidated on 21 June 2021. The assets of the SIA Banknote commercial properties were transferred to AS DelfinGroup as liquidation quota and consisted of real estate (EUR 83 299 (note 11)) and cash (EUR 1 511). The former subsidiary SIA ExpressInkasso (100%) has been liquidated on 09 September 2021 (excluded from the Enterprise register on 14 October 2021). The assets of the SIA ExpressInkasso were transferred to AS DelfinGroup as liquidation quota (cash EUR 149 308). The former subsidiary SIA REFIN (100%) has been liquidated on 01 December 2021. The assets of the SIA REFIN were transferred to AS DelfinGroup as liquidation quota (cash EUR 787 873).

a) participating interest in subsidiaries

Name	Investments in share capital of subsidiaries		Participating interest in share capital of subsidiaries	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	EUR	EUR	%	%
SIA ExpressInkasso	-	2 828	-	100
SIA ViziaFinance	880 000	880 000	100	100
SIA REFIN	-	800 000	-	100
SIA Banknote commercial properties (from 30.09.2020)	-	2 844	-	100
	880 000	1 685 672		

Notes (continued)

(13) Company's investments in subsidiaries (continued)

b) information on subsidiaries

Name	Address	Total equity	
		31.12.2021 EUR	31.12.2020 EUR
SIA ViziaFinance	Skanstes street 50A, LV-1013 Riga, Latvia	2 936 331	1 488 808

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 Expressinkasso	Skanstes street 50A, LV-1013 Riga, Latvia	-	380 318
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The company was engaged in debt collection activities and was licensed by the Consumer Rights Protection Center in the field of out-of-court debt recovery.

SIA REFIN	Skanstes street 50A, LV-1013 Riga, Latvija	-	809 336
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Basic operation of SIA *REFIN* was providing consumer lending services, issuing loans for unsecured real estate loans.

SIA Banknote commercial properties (from 30.09.2020)	Skanstes street 50A, LV-1013 Riga, Latvia	-	(4 193)
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Basic operation of SIA *Banknote commercial properties* was renting and operating of own or leased real estate.

(14) Loans to shareholders and management

	Loans to members EUR
31.12.2019	1 022 423
Loans issued	438 669
Loans repaid	(1 036 932)
Interest accrued	56 450
Interest repaid	(6 126)
31.12.2020	474 484
Loans issued	92 850
Loans repaid	(375 453)
Interest accrued	6 865
Interest repaid	(198 746)
31.12.2021	-
Net book value as at 31.12.2021	-
Net book value as at 31.12.2020	474 484

Interest on borrowing is in the range of 3.01% - 4% per annum. The loan maturity - 31 December 2025 (including the loan principal amount and accrued interest). Loans are denominated in euros. Loans were early repaid.

	Currency	Year of issue	Interest rate	Maturity	31.12.2021	31.12.2020
SIA AE Consulting	EUR	2019	4%	2023	-	381 796
SIA L24 Finance	EUR	2016	3.01%	2025	-	83 688
AS EA investments	EUR	2020	4%	2025	-	9 000
Loans to shareholders and management					-	474 484

(15) Goods for sale of the Company and the Group

	31.12.2021 EUR	31.12.2020 EUR
Goods for sale and pledges taken over	1 589 285	1 271 073
Inventory made of gold	360 205	262 934
	1 949 490	1 534 007

In 2021, write-off to net realizable value of inventories amounted to EUR 78 514 (in 2020: EUR 100 299).

Notes (continued)

(16) Loans and receivables

a) Loans and receivables by loan type

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
Debtors for loans issued against pledge				
Long-term debtors for loans issued against pledge	95 058	95 058	85 492	85 492
Short-term debtors for loans issued against pledge	3 112 513	3 112 513	2 945 052	2 945 052
Interest accrued for loans issued against pledge	164 698	164 698	139 425	139 425
Debtors for loans issued against pledge, total	3 372 269	3 372 269	3 169 969	3 169 969
Debtors for loans issued without pledge				
Long-term debtors for loans issued without pledge	21 069 674	28 474 373	13 901 569	17 626 266
Short-term debtors for loans issued without pledge	10 328 142	13 078 077	11 042 149	16 025 664
Interest accrued for loans issued without pledge	869 874	1 195 863	834 094	1 470 419
Debtors for loans issued without pledge, total	32 267 690	42 748 313	25 777 812	35 122 349
Loans and receivables before allowance, total	35 639 959	46 120 582	28 947 781	38 292 318
ECL allowance on loans to customers	(2 236 891)	(3 158 832)	(2 372 285)	(3 618 464)
Loans and receivables	33 403 068	42 961 750	26 575 496	34 673 854

All loans are issued in euros. Weighted average term of consumer loans is 2.5 years and pawn loans is one month.

The Group signed a contract with a third party for the receivable amounts regular cession to assign debtors for loans issued which are outstanding for more than 90 days. Losses from these transactions were recognised in the current period.

The claims in the amount of EUR 3 372 269 (31.12.2020: EUR 3 169 969) are secured by the value of the collateral. Claims against debtors for loans issued against pledge are secured by pledges, whose fair value is higher than the carrying value, therefore provisions for secured overdue loans are not made.

b) Allowance for impairment of loans to customers at amortised cost

An analysis of changes in the gross carrying value for loans issued and corresponding ECL in relation to corporate lending during the year ended 31 December 2021 is as follows:

Company	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2020	21 945 171	849 442	1 548 170	-	24 342 783
New assets originated or purchased	43 054 244	-	-	-	43 054 244
Assets settled or partly settled	(35 417 038)	(845 338)	(264 513)	-	(36 526 889)
Assets written off or sold	(464 244)	(914 057)	(695 592)	-	(2 073 893)
Effect of interest accruals	109 144	26 680	15 712	-	151 536
Transfers to Stage 1	374 778	(44 493)	(330 285)	-	-
Transfers to Stage 2	(1 788 300)	1 794 679	(6 379)	-	-
Transfers to Stage 3	(1 454 078)	(80 939)	1 535 017	-	-
At 31 December 2020	26 359 677	785 974	1 802 130	-	28 947 781
New assets originated or purchased	41 559 415	-	-	154 587	41 714 002
Assets settled or partly settled	(28 883 596)	(228 577)	(4 018 001)	(130 109)	(33 260 283)
Assets written off or sold	(150 360)	(598 044)	(1 132 881)	-	(1 881 285)
Effect of interest accruals	9 568	52 962	57 214	-	119 744
Transfers to Stage 1	278 779	(151 654)	(127 125)	-	-
Transfers to Stage 2	(1 303 649)	1 316 412	(12 763)	-	-
Transfers to Stage 3	(4 710 414)	(56 437)	4 766 851	-	-
At 31 December 2021	33 159 420	1 120 636	1 335 425	24 478	35 639 959

Notes (continued)

(16) Loans and receivables (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

Company	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2020	954 408	148 141	861 251	-	1 963 800
New assets originated or purchased	1 897 260	-	-	-	1 897 260
Assets settled or partly settled	(1 258 885)	(222 605)	(204 029)	-	(1 685 519)
Assets written off or sold	(26 190)	(226 305)	(476 718)	-	(729 213)
Effect of interest accruals	1 821	6 066	15 770	-	23 657
Transfers to Stage 1	11 392	(5 818)	(5 574)	-	-
Transfers to Stage 2	(139 553)	142 905	(3 352)	-	-
Transfers to Stage 3	(383 553)	(67 043)	450 596	-	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	29 849	481 949	390 502	-	902 300
At 31 December 2020	1 086 549	257 290	1 028 446	-	2 372 285
New assets originated or purchased	1 370 880	-	-	-	1 370 880
Assets settled or partly settled	(1 167 038)	(17 367)	(2 447 823)	-	(3 632 228)
Assets written off or sold	(6 870)	(143 603)	(689 297)	-	(839 770)
Effect of interest accruals	3 436	32 482	57 273	-	93 191
Transfers to Stage 1	113 764	(36 415)	(77 349)	-	-
Transfers to Stage 2	(68 248)	76 014	(7 766)	-	-
Transfers to Stage 3	(247 001)	(13 552)	260 553	-	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	118 298	242 539	2 511 696	-	2 872 533
At 31 December 2021	1 203 770	397 388	635 733	-	2 236 891
Group	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2020	31 957 718	1 043 994	1 736 689	39 342	34 777 743
New assets originated or purchased	48 124 875	-	-	-	48 124 875
Assets settled or partly settled	(40 787 468)	(984 314)	(406 044)	(3 147)	(42 180 973)
Assets written off or sold	(573 630)	(1 248 691)	(836 840)	-	(2 659 161)
Effect of interest accruals	152 657	32 908	44 269	-	229 834
Transfers to Stage 1	435 581	(86 907)	(348 674)	-	-
Transfers to Stage 2	(2 357 958)	2 401 869	(43 911)	-	-
Transfers to Stage 3	(1 977 924)	(102 599)	2 080 523	-	-
At 31 December 2020	34 973 851	1 056 260	2 226 012	36 195	38 292 318
New assets originated or purchased	52 383 004	-	-	154 587	52 537 591
Assets settled or partly settled	(36 926 551)	(890 252)	(4 210 178)	(130 109)	(42 157 090)
Assets written off	(162 803)	(1 127 626)	(1 432 283)	(36 195)	(2 758 907)
Effect of interest accruals	80 394	86 429	39 847	-	206 670
Transfers to Stage 1	371 814	(197 814)	(174 000)	-	-
Transfers to Stage 2	(2 724 457)	2 817 216	(92 759)	-	-
Transfers to Stage 3	(5 097 434)	(70 504)	5 167 938	-	-
At 31 December 2021	42 897 818	1 673 709	1 524 577	24 478	46 120 582

Notes (continued)

(16) Loans and receivables (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

Group	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2020	2 047 613	198 351	984 907	-	3 230 871
New assets originated or purchased	2 544 523	-	-	-	2 544 523
Assets settled or partly settled	(1 827 451)	(258 471)	(294 993)	-	(2 380 915)
Assets written off or sold	(34 401)	(312 667)	(567 499)	-	(914 567)
Effect of interest accruals	4 957	8 939	44 327	-	58 223
Transfers to Stage 1	15 889	(8 955)	(6 934)	-	-
Transfers to Stage 2	(218 098)	222 480	(4 382)	-	-
Transfers to Stage 3	(570 449)	(102 989)	673 438	-	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	(68 058)	622 471	525 916	-	1 080 329
At 31 December 2020	1 894 525	369 159	1 354 780	-	3 618 464
New assets originated or purchased	2 081 031	-	-	-	2 081 031
Assets settled or partly settled	(1 429 535)	(274 762)	(2 560 567)	-	(4 264 864)
Assets written off	(8 942)	(182 955)	(745 698)	-	(937 595)
Effect of interest accruals	8 387	49 325	39 905	-	97 617
Transfers to Stage 1	160 432	(55 583)	(104 849)	-	-
Transfers to Stage 2	(161 470)	216 167	(54 697)	-	-
Transfers to Stage 3	(272 394)	(19 394)	291 788	-	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	(508 508)	523 109	2 549 578	-	2 564 179
At 31 December 2021	1 763 526	625 066	770 240	-	3 158 832

As of 31 December 2021, the amount of loans issued against pledge in Stage 3 in Company's and Group's balance sheet is EUR 270 728 (as of 31 December 2020 EUR 439 721). Current fair value of pledge of these loans is EUR 475 101 (as of 31 December 2020 EUR 581 836).

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

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
Receivables not yet due	31 082 010	39 713 633	24 358 172	32 473 188
Outstanding 1-30 days	2 232 000	3 338 771	2 009 196	2 508 354
Outstanding 31-90 days	1 120 636	1 673 709	785 974	1 056 261
Outstanding 91-180 days	284 309	315 061	722 713	989 467
Outstanding for 181-360 days	321 372	361 973	359 486	428 390
Outstanding for more than 360 days	599 632	717 435	712 240	836 658
Total claims against debtors for loans issued	35 639 959	46 120 582	28 947 781	38 292 318

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

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
For trade debtors not yet due	860 822	1 271 700	996 987	1 769 822
Outstanding 1-30 days	288 709	437 588	86 384	123 306
Outstanding 31-90 days	397 388	625 066	257 290	369 159
Outstanding 91-180 days	130 840	150 816	366 682	554 341
Outstanding for 181-360 days	165 855	193 681	174 278	244 996
Outstanding for more than 360 days	393 277	479 981	490 664	556 840
Total provisions for bad and doubtful trade debtors	2 236 891	3 158 832	2 372 285	3 618 464

Notes (continued)

(16) Loans and receivables (continued)

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

In August 2021 The Group signed a contract with AS Moda Kapitāls to purchase pawn shop business. The transaction involved acquisition of AS Moda Kapitāls pawn loan portfolio. During 2021 inventories in amount EUR 387 943 and pawn loan portfolio in amount EUR 314 983 were acquired. As of 31 December 2021 outstanding amount of inventories is EUR 126 208 and pawn loan portfolio is EUR 178 644. The Group accounted pawn loan portfolio at fair value upon acquisition.

At the inception of the transaction management has analyzed the requirements of IFRS 3 and concluded that the transaction does not meet the requirements of a business combination and is considered as an asset acquisition.

(17) Cash and bank

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
Cash at banks	1 943 230	2 177 557	3 410 752	4 234 350
Cash in hand	282 305	282 305	357 604	357 604
	2 225 535	2 459 862	3 768 356	4 591 954

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

(18) Share capital

On 14 October 2021, AS DelfinGroup successfully closed the initial public offering (IPO) and shares of Company has become traded in Nasdaq Riga Baltic Main list from 20 October 2021. During IPO, the Company issued 5 319 594 new shares with par value of EUR 0.10 each.

As at 31 December 2021, the Parent Company's share capital is EUR 4 531 959,40, which consists of 45 319 594 ordinary shares, each of them with a nominal value of EUR 0.10. All shares are fully paid.

Number of shares issued in IPO	5 319 594
Share price at the end of subscription period, EUR	1.52
Proceeds from shares issued, EUR	8 085 782
Par value of new shares, EUR	(531 959)
Costs related to IPO, EUR	(662 865)
Share premium, EUR	6 890 958

(19) Bonds issued

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
Total long-term part of bonds issued	10 825 162	10 825 162	8 441 717	8 441 717
Bonds issued	-	-	4 998 768	4 998 768
Interest accrued	13 003	13 003	23 884	23 884
Total short-term part of bonds issued	13 003	13 003	5 022 652	5 022 652
Bonds issued, total	10 825 162	10 825 162	13 440 485	13 440 485
Interest accrued, total	13 003	13 003	23 884	23 884
Bonds issued net	10 838 165	10 838 165	13 464 369	13 464 369

As of 31 December 2021, the Parent 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.

On 26 November 2021, the Parent company of the Group has started a closed bond offering (ISIN LV0000802536) in the amount of EUR 10 000 000. The offering has been registered with the Latvia Central Depository on the following terms: number of bonds issued - 10 000, nominal value - EUR 1 000 per each bond, coupon rate - 8.00%, coupon is paid once a month on the 25th date. New bonds are issued periodically taking into account the need for financing. As of 31 December 2021 bonds in total of EUR 6 111 000 have been issued. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 November 2023. The bonds are not secured.

Notes (continued)

(20) Other borrowings

	Company 31.12.2021 EUR	Group 31.12.2021	Company 31.12.2020	Group 31.12.2020 EUR
Other long-term loans	5 125 100	8 086 468	5 646 755	6 816 925
Total other long-term loans	5 125 100	8 086 468	5 646 755	6 816 925
Other short-term loans	8 345 402	10 487 168	9 339 999	10 869 932
Total other short-term loans	8 345 402	10 487 168	9 339 999	10 869 932
Total other loans	13 470 502	18 573 636	14 986 754	17 686 857

The remaining amount on other borrowings is represented by loans received from a crowdfunding platform SIA *Mintos Finance*, a company registered in the European Union. The weighted average annual interest rate as of 31 December 2021 is 8.3%. According to the loan agreement with SIA *Mintos Finance* the loans matures according to the particular loan agreement terms concluded by the Group with its customers. The Group retains credit risk as well as other risks and rewards on the loans to customers financed by SIA *Mintos Finance*.

The Group has registered a commercial pledge by pledging its property and receivables, with a maximum claim amount of EUR 25 million as collateral in favour of SIA *Mintos Finance*.

(21) Taxes and social insurance payments

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
Value Added Tax	32 913	39 390	55 426	60 045
Income tax	131 868	131 868	249 901	250 721
Business risk charge	110	110	99	111
Social insurance	154 732	154 732	325 344	328 663
Payroll tax	92 937	92 937	174 948	176 207
Vehicles tax	4 460	4 460	4 226	4 226
Natural resource tax	50	50	87	87
Overpayment	(25 279)	(25 279)	-	(4 108)
Total taxes and social insurance payments	391 791	398 268	810 031	815 952

(22) Average number of employees

	2021	2020
Average number of employees during the reporting year of the Company	296	274
Average number of employees during the reporting year of the Group	301	279

Notes (continued)

(23) Management remuneration

	31.12.2021 EUR	31.12.2020 EUR
Supervisory Board members' remuneration:		
- salary expenses	110 606	-
- social insurance	26 092	-
	<u>136 698</u>	<u>-</u>
Board members' remuneration:		
- salary expenses	349 096	273 631
- social insurance	82 352	65 918
	<u>431 448</u>	<u>339 549</u>

(24) Changes in liabilities arising from financing activities

Company changes in liabilities arising from financing activities

The Company	Bonds issued EUR	Other borrowings EUR	Lease liabilities EUR	Dividends' payables EUR	Share capital and Share premium EUR	Total liabilities from financing activities EUR
Carrying amount at 31 December 2019	7 824 620	16 230 321	2 127 293	-	1 500 000	27 682 234
Proceeds	8 606 000	7 349 981	-	3 000 000	2 500 000	21 455 981
Redemption and settlement	(2 949 620)	(8 666 468)	(746 569)	(3 000 000)	-	(15 362 657)
New lease contracts	-	-	1 150 880	-	-	1 150 880
Modification of lease contracts	-	-	716 005	-	-	716 005
Interest expense on lease liabilities	-	-	188 243	-	-	188 243
Disposals	-	-	(1)	-	-	(1)
Bonds commission accrued	(40 515)	-	-	-	-	(40 515)
Interest accrued	23 884	72 920	-	-	-	96 804
Carrying amount at 31 December 2020	13 464 369	14 986 754	3 435 851	-	4 000 000	35 886 974
Proceeds	11 111 000	13 643 488	-	3 723 138	8 085 782	36 563 408
Redemption and settlement	(13 464 369)	(15 201 285)	(865 764)	(3 723 138)	-	(33 254 556)
New lease contracts	-	-	241 317	-	-	241 317
Modification of lease contracts	-	-	288 271	-	-	288 271
Interest expense on lease liabilities	-	-	205 522	-	-	205 522
IPO transaction costs	-	-	-	-	(662 865)	(662 865)
Bonds commission accrued	(285 838)	-	-	-	-	(285 838)
Interest accrued	13 003	41 545	-	-	-	54 548
Carrying amount at 31 December 2021	10 838 165	13 470 502	3 305 197	-	11 422 917	39 036 781

Notes (continued)

(24) Changes in liabilities arising from financing activities (continued)

Group's changes in liabilities arising from financing activities

The Group	Bonds issued EUR	Other borrowings EUR	Lease liabilities EUR	Dividends' payables EUR	Share capital and Share premium EUR	Total liabilities from financing activities EUR
Carrying amount at 31 December 2019	7 824 620	18 613 563	2 127 293	-	1 500 000	30 065 476
Proceeds	8 606 000	10 415 870	-	3 000 000	2 500 000	24 521 870
Redemption and settlement	(2 949 620)	(11 429 253)	(746 569)	(3 000 000)	-	(18 125 442)
New lease contracts	-	-	1 150 880	-	-	1 150 880
Modification of lease contracts	-	-	716 005	-	-	716 005
Interest expense on lease liabilities	-	-	188 243	-	-	188 243
Disposals	-	-	(1)	-	-	(1)
Bonds commission accrued	(40 515)	-	-	-	-	(40 515)
Interest accrued	23 884	86 677	-	-	-	110 561
Carrying amount at 31 December 2020	13 464 369	17 686 857	3 435 851	-	4 000 000	38 587 077
Proceeds	11 111 000	20 633 933	-	3 723 138	8 085 782	43 553 853
Redemption and settlement	(13 464 369)	(19 806 276)	(865 764)	(3 723 138)	-	(37 859 547)
New lease contracts	-	-	241 317	-	-	241 317
Modification of lease contracts	-	-	288 271	-	-	288 271
Interest expense on lease liabilities	-	-	205 522	-	-	205 522
IPO transaction costs	-	-	-	-	(662 865)	(662 865)
Bonds commission accrued	(285 838)	-	-	-	-	(285 838)
Interest accrued	13 003	59 122	-	-	-	72 125
Carrying amount at 31 December 2021	10 838 165	18 573 636	3 305 197	-	11 422 917	44 139 915

(25) 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. All transactions with related parties are carried out in accordance with general market conditions.

	Transactions in 2021 EUR	Transactions in 2020 EUR
Parent company transactions with:		
Shareholding companies		
Interest received		
SIA AE Consulting	9 090	26 804
SIA L24 Finance	775	1 575
SIA EC finance	-	11
Services received		
SIA AE Consulting	-	(1 698)
Services delivered		
SIA AE Consulting	75	2 965
SIA L24 Finance	-	360
SIA EC finance	-	300
Goods sold		
SIA AE Consulting	59	1 090
Board members	1 702	992
Investment in shares		
SIA L24 Finance	-	(1 921)

Notes (continued)

(25) Related party transactions (continued)

	Transactions in 2021 EUR	Transactions in 2020 EUR
Parent company's transactions with:		
Subsidiaries		
Interest paid		
SIA ExpressInkasso	(1 392)	(2 944)
SIA REFIN	(6 041)	-
Interest received		
SIA ViziaFinance	51 511	19 866
SIA Banknote commercial properties	739	1 619
SIA ExpressInkasso	66	15
SIA REFIN	210 787	-
Services delivered		
SIA ViziaFinance	13 326	16 588
SIA ExpressInkasso	4 514	10 106
SIA REFIN	438	400
SIA Banknote commercial properties	501	330
Services received		
SIA ExpressInkasso	(30 589)	-
SIA Banknote commercial properties	(5 577)	(5 294)
Acquired of fixed assets with in liquidation		
SIA Banknote commercial properties	83 299	-
Liquidation quota		
SIA ExpressInkasso	149 308	-
SIA REFIN	787 873	-
SIA Banknote commercial properties	1 510	-
Companies and individuals under common control or significant influence		
Interest paid		
Board members	-	(1 598)
Services delivered		
AS EA investments	153	300
Other related companies		
Interest received		
SIA Banknote commercial properties	-	1 661
Ltd EuroLombard	-	1 570
Services received		
SIA Banknote commercial properties	-	(15 569)
Services delivered		
SIA Banknote commercial properties	-	938
SIA EL Capital	6 527	447
Ltd EuroLombard	1 545	6 139
SIA OBDO Gin	-	8 418
SIA KALPAKS	-	321
Goods received		
SIA OBDO Gin	-	(43)
Fixed assets sold		
SIA OBDO Gin	-	160
Group's transactions with:		
Shareholding companies		
Interest received		
SIA AE Consulting	9 090	26 804
SIA L24 Finance	775	1 575
SIA EC finance	-	11
Services received		
SIA AE Consulting	-	(1 698)
Services delivered		
SIA AE Consulting	75	2 965
SIA L24 Finance	-	360
SIA EC finance	-	300
Goods sold		
SIA AE Consulting	59	1 090
Board members	1 702	992
Investment in shares		
SIA L24 Finance	-	(1 921)

Notes (continued)

(25) Related party transactions (continued)

	Transactions in 2021 EUR	Transactions in 2020 EUR
Companies under common control or significant influence		
Interest paid		
Board members	-	(1 598)
Services delivered		
AS EA investments	153	300
Other related companies		
Interest received		
SIA Banknote commercial properties Ltd EuroLombard	-	1 661 1 570
Services received		
SIA Banknote commercial properties	-	(15 569)
Services delivered		
SIA Banknote commercial properties	-	938
SIA EL Capital	6 527	447
Ltd EuroLombard	1 545	6 139
SIA OBDO Gin	-	8 418
SIA KALPAKS	-	321
Goods received		
SIA OBDO Gin	-	(43)
Fixed assets sold		
SIA OBDO Gin	-	160

Loans granted to shareholders and management

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
SIA AE Consulting	-	-	381 796	381 796
SIA L24 Finance	-	-	83 688	83 688
AS EA investments	-	-	9 000	9 000
	-	-	474 484	474 484

Loans granted to subsidiaries

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
SIA ViziaFinance	1 768 200	-	1 056 000	-
SIA Banknote commercial properties	-	-	99 565	-
Long-term loans to related companies, total	1 768 200	-	1 155 565	-
SIA REFIN	-	-	2 874 763	-
SIA Banknote commercial properties	-	-	1 619	-
SIA ViziaFinance	38 075	-	164	-
Other subsidiaries	-	-	2	-
Short-term loans to related companies, total	38 075	-	2 876 548	-
Loans to related companies, total	1 806 275	-	4 032 113	-

The interest rate on loans to related companies 4 %. All loans and other claims denominated in euro. The Company has no debt overdue.

Notes (continued)

(26) Segment information

For management purposes, the Group is organised into three 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.
Consumer loan segment	Handling consumer loans to customers, debt collection activities and loan cessions to external debt collection companies.
Other operations segment	Providing loans for real estate development, general administrative services to the companies of the Group, transactions with related parties. Loans for real estate development are no longer issued and are fully recovered.

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 differently from profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments. 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:

EUR	Pawn loans		Consumer loans		Other activities		Total	
	2021	2020 (restated, Note 1)	2021	2020 (restated, Note 1)	2021	2020 (restated, Note 1)	2021	2020 (restated, Note 1)
Assets	8 509 255	8 401 792	43 555 285	32 544 339	-	5 215 261	52 064 540	46 161 392
Liabilities of the segment	7 088 327	7 984 453	27 598 892	24 584 009	-	4 139 221	34 687 219	36 707 683
Income	9 795 703	10 838 504	15 623 398	12 383 072	69 434	442 410	25 488 535	23 663 986
Net performance of the segment	1 181 508	2 140 288	7 698 915	5 668 620	149 914	678 497	9 030 337	8 487 405
Financial (expenses)	(618 101)	(624 736)	(3 196 526)	(2 593 520)	(12 686)	(414 896)	(3 827 313)	(3 633 152)
Profit/(loss) before taxes	563 408	1 515 552	4 502 389	3 075 099	137 227	263 602	5 203 024	4 854 253
Corporate income tax	(106 031)	(235 575)	(847 334)	(477 988)	(25 826)	(40 973)	(979 191)	(754 536)
<i>Other information</i>								
Fixed assets and intangible assets (NBV)	2 816 042	2 888 720	1 357 691	983 211	-	360 883	4 173 733	4 232 814
Depreciation and amortisation during the reporting period	(767 989)	(726 934)	(370 268)	(247 421)	-	(90 814)	(1 138 257)	(1 065 169)
Loans issued	15 528 104	18 230 191	37 009 487	29 894 481	-	26 000	52 537 591	48 150 672
Loans received	15 875 167	18 008 376	19 812 199	20 819 042	4 806 601	2 850 292	40 493 967	41 677 710

(27) Guarantees issued, pledges

The Group has registered a commercial pledge by pledging its property and receivables, with the maximum claim amount of EUR 25 million as collateral registered to collateral agent SIA ZAB Eversheds Sutherland Bitāns in favor of SIA *Mintos Finance*. As of 31 December 2021, the amount of secured liabilities constitutes EUR 18 573 636 for AS *Mintos Finance*. As of 31 December 2020, the maximum claim amount was EUR 40.5 million as collateral registered to collateral agent SIA ZAB Eversheds Sutherland Bitāns on the pari passu principle among bondholders of notes issues ISIN LV0000802213 (EUR 5 000 000) and ISIN LV0000802379 (EUR 5 000 000), and EUR 17 268 857 in favor of SIA *Mintos Finance*.

Notes (continued)

(28) Fair value of financial assets and financial liabilities

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ▶ Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- ▶ Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Also set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the Consolidated balance sheet. The table does not include the fair values of non-financial assets and non-financial liabilities.

At 31 December 2021	Fair value hierarchy			Total fair value	Carrying value
	Level 1	Level 2	Level 3		
Assets for which fair values are disclosed					
Cash and cash equivalents	2 459 862	-	-	2 459 862	2 459 862
Loans and receivables	-	-	43 445 437	43 445 437	42 961 750
Other financial assets	-	-	519 705	519 705	519 705
Liabilities for which fair values are disclosed					
Bonds issued	-	-	11 254 482	11 254 482	10 838 165
Other borrowings	-	-	18 496 882	18 496 822	18 573 636
Lease liabilities	-	-	3 487 574	3 487 574	3 305 197
Trade payables	-	-	805 784	805 784	805 784

At 31 December 2020	Fair value hierarchy			Total fair value	Carrying value
	Level 1	Level 2	Level 3		
Assets for which fair values are disclosed					
Cash and cash equivalents	4 591 954	-	-	4 591 954	4 591 954
Loans and receivables	-	-	32 281 609	32 281 609	34 673 854
Other financial assets	-	-	654 279	654 279	654 279
Liabilities for which fair values are disclosed					
Bonds issued	-	10 082 397	3 380 607	13 463 004	13 464 369
Other borrowings	-	-	18 414 469	18 414 469	17 686 857
Lease liabilities	-	-	3 504 097	3 504 097	3 435 851
Trade payables	-	-	702 933	702 933	702 933

(29) Analysis of financial liabilities by remaining contractual maturities

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay.

As at 31 December 2021	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities					
Bonds issued	162 730	813 650	12 114 674	-	13 091 054
Other borrowings	2 606 848	6 212 304	11 522 590	90 425	20 432 167
Lease liabilities	161 824	733 915	2 001 015	1 151 747	4 048 501
Trade payables	805 784	-	-	-	805 784
Total undiscounted financial liabilities	3 737 186	7 759 869	25 638 279	1 242 172	38 377 506

Notes (continued)

(30) Subsequent events

Beginning of February 2022 the Group finalized taking over the pawn shop assets of AS Moda Kapitāls. The transaction was started in August 2021 and involved acquisition of AS Moda Kapitāls pawn loan portfolio.

On 15 February 2022, the Latvian Government decided on a gradual and responsible easing of the epidemiological safety regulations effective in the country. First easements came into effect on 16 February, for instance, shops are allowed to work without limitations on opening hours. On 1 March 2022, state of emergency expired and a number of measures was eased further. During the state of emergency all services provided by the Group were available to customers in full scope. The Group continues to assess the impact of easing of restrictions on the Group's business operations.

On 24 February 2022, Russian Federation has started a war at Ukraine. Countries round the world support Ukraine by announcing financial and economic sanctions against Russian Federation and its ally Republic of Belarus. The management of the Group has evaluated current situation and has concluded that the aforementioned sanctions have no direct impact on the Group's operations since all sales for the Group are generated in Latvia and the Group has no direct exposure to Russian, Belarusian and Ukrainian market. In addition, the management performed an overview and analysis of its counterparties and confirms that the Group does not have any relations with the sanctioned companies and sanctioned private individuals. There is still uncertainty related to final outcome of the situation, but the management regularly follows on the further developments, analyses a possible impact on the Group's business and is properly prepared to assess and implement any changes into business operations, risk management practices, policies and accounting estimates.

Changes in the composition of the Management board have been registered with the Enterprise Register on 1 March 2022. Sanita Zitmane was appointed as a member of the Management board AS DelfinGroup, replacing Ivars Lamberts who left the position of member of the Management board.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

Inta Pudāne
Chief accountant

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



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Independent Auditor's Report To the shareholders of AS "DelfinGroup"

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the separate financial statements of AS "DelfinGroup" ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 10 to 45 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate and consolidated statement of financial position as at 31 December 2021;
- 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 2021, 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 ("Law on Audit Services") 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 Group in accordance with the International Ethics Standards Board for Accountants' 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 separate and consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the reporting period. These matters were addressed in the context of our audit of the 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 loans granted to retail customers

Key audit matter	<p>Loans to customers comprise EUR 46 121 thousand at gross carrying value and EUR 42 962 thousand of net carrying value as at 31 December 2021 what represents 82.5% of total assets in the Consolidated financial statements and EUR 35 640 thousand at gross carrying value and EUR 33 403 thousand of net carrying value as at 31 December 2021 what represents 74.7% of total assets in the Separate financial statements.</p> <p>Loan portfolio mainly consist of both unsecured loans and pawn loans granted to private individuals. The management applies significant judgements in defining allowance for expected credit losses on the loans.</p>
Our audit response	<p>We tested internal controls applied within processes related to the loan approval and issuance as well as controls over delayed payments and debt collection.</p> <p>We tested methodology, management assumptions and inputs used in assessment of expected credit losses with a particular focus on the audit of probability of default and loss given default ratios. We tested completeness and accuracy of data used for the calculation of loan loss allowance. We also audited the management's assessment of COVID-19 impact on the quality of loan portfolio and other related considerations.</p> <p>We audited completeness and accuracy of disclosures related to loans, ECL allowance and credit loss expense.</p>

Estimates used in defining right-of-use assets and lease liabilities (IFRS 16)

Key audit matter	<p>The Group has a large number of lease contracts for the premises used in the core business. The Group recognizes right-of-use assets and lease liabilities for contracts which meet recognition criteria as set out in IFRS 16.</p> <p>Right-of-use assets and lease liabilities currently amount to EUR 2 973 thousand and EUR 3 305 thousand, respectively, in both, the Consolidated and Separate financial statements.</p> <p>The management applies significant professional judgement to define incremental borrowing rates used for discounting cash flows under lease contracts.</p>
Our audit response	<p>We audited completeness of lease contracts recognized under IFRS 16, methodology, inputs, and management assumptions used in calculation of carrying amount of right-of-use assets and lease liabilities, with focus on incremental borrowing rates used to discount cash flows under the leases.</p> <p>We tested accuracy and completeness of the data used in the calculations: lease term, lease payments, commencement dates; and accuracy of the calculations.</p> <p>We tested completeness and accuracy of disclosures related to right-of-use assets and lease liabilities.</p>

Reporting on Other Information

The Company'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 9 of the accompanying Annual Report,
- the Statement of Corporate Governance for the year 2021, set out in separate statement provided by AS "DelfinGroup" management and available on AS "DelfinGroup" website <https://www.delfingroup.lv/reports>

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.

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 Group 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

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 of the Republic of Latvia.

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 of the Republic of Latvia.

In accordance with the Law on Audit Services, we are also obliged to report whether the corporate governance statement provides information in accordance with Section 56², paragraph three of the Financial Instrument Market Law.

In our opinion, the corporate governance statement provides information in accordance with section 56², paragraph three of the Financial Instrument Market Law.

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

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

Auditor's Responsibility 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the separate and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 reporting 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.

Report on other legal and regulatory requirements

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged by the Management Board of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of AS "DelfinGroup" for the year ended 31 December 2021 (the "Presentation of the Consolidated Financial Statements").

Description of a subject matter and applicable criteria

The Presentation of the Consolidated Financial Statements has been prepared by the Management Board of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding paragraph determine the basis for preparation of the Presentation of the Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.



Responsibility of the Management Board and the Supervisory Board

The Management Board of the Company is responsible for the Presentation of the Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated Financial Statements which is free from material noncompliance with the requirements of the ESEF Regulation.

Members of the Supervisory Board are responsible for overseeing the financial reporting process.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised) - 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (ISAE 3000 (Revised)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000 (Revised) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality control requirements

We apply the provisions of the International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the ESEF Regulation. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.



Appointment and period of our audit engagement

We were appointed by the Shareholders meeting on 09 August 2021 to audit the separate and consolidated financial statements of AS "DelfinGroup" for the year ended 31 December 2021. This is our fourth year of appointment.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Group;
- 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 EU Regulation (EU) No 537/2014. We also remained independent of the Company and the Group in conducting the audit.

For the period to which our statutory audit relates, we have not provided any other services to the Company and the Group in addition to the audit, which have not been disclosed in the separate and consolidated financial statements of the Company and the Group.

Irita Cimdare is the responsible sworn auditor and audit engagement partner and Andrei Surmach is the assigned second audit engagement partner on the audit resulting in this independent auditor's report.

SIA "BDO ASSURANCE"
License No 182

Andrei Surmach
Partner

Irita Cimdare
Member of the Board
Sworn auditor
Certificate No 103

Riga, Latvia
29 March 2022

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



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AS “DelfinGroup”

Annual accounts
for the year ended
31 December 2020
and
Consolidated
Annual accounts
for the year ended
31 December 2020

prepared in accordance with
the International Financial
Reporting Standards as
adopted by EU

Table of Contents

Information on the Company and subsidiaries	3 – 5
Statement of management's responsibility	6
Management report	7 – 9
Corporate governance statement	10
Profit or loss account	11
Balance sheet	12 – 13
Statement of changes in equity	14
Cash flow statement	15
Notes	16 – 45
Independent Auditors' report	46 – 48

Information on the Company and Subsidiaries

Name of the Company	DelfinGroup (till 04.02.2020. ExpressCredit)
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 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	L24 Finance, SIA (till 30.12.2020. Lombards24.lv, SIA) (65.18%), 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	(21.32%), 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	Didzis Ādmīdiņš – Chairman of the Board (from 19.01.2021.) Kristaps Bergmanis – Member of the Board Ivars Lamberts – Member of the Board Agris Evertovskis – Chairman of the Board (from 12.10.2009. till 19.01.2021.) Didzis Ādmīdiņš – Member of the Board (from 11.07.2014. till 19.01.2021.)
Names and positions of Council members	Agris Evertovskis – Chairperson of the Council (from 19.01.2021.) Gatis Kokins – Deputy Chairman of the Council (from 13.04.2021.) Mārtiņš Bičevskis – Member of the Council (from 13.04.2021.) Jānis Pizičs – Member of the Council (from 13.04.2021.) Edgars Vojskis – Member of the Council (from 13.04.2021.) Anete Ozoliņa – Deputy Chairman of the Council (from 19.01.2021. till 13.04.2021.) Uldis Judinskis – Member of the Council (from 19.01.2021. till 13.04.2021.) Uldis Judinskis – Chairperson of the Council (from 16.05.2019. till 19.01.2021.) Ramona Miglāne – Deputy Chairman of the Council (from 16.05.2019. till 19.01.2021.) Anete Ozoliņa – Member of the Council (from 16.05.2019. till 19.01.2021.)
Responsible person for accounting	Inta Pudāne - Chief accountant
Financial year	1 January 2020 - 31 December 2020
Name and address of the auditor	SIA BDO ASSURANCE Certified Auditors' Company license No. 182 Kaļķu street 15-3B, Rīga, LV-1050 Latvia
Responsible Certified Auditor:	Irita Cimdare Certificate No. 103

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 (till 30.09.2020. SIA Banknote) (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 operating of own or leased real estate

Statement of management's responsibility

The management of AS „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 2020 and its profit and cash flows for 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.



Didzis Ādmīdīns
Chairman of the Board



Kristaps Bergmanis
Board Member



Ivars Lamberts
Board Member

Riga, 23rd April 2021

Management report

The consolidated revenue of AS DelfinGroup for 2020 amounted to EUR 23.7 million, the loan portfolio grew to EUR 35 million, and EBITDA increased to EUR 9.27 million. The group's revenue in 2020 increased by 9% and loan portfolio grew by 10%. The consolidated EBITDA increased by 13% comparing to previous year.

In 2020, significant measures were taken to strengthen the company's corporate identity and corporate governance. Accordingly, at the beginning of the year, the corporate brand of the company was changed to DelfinGroup, which was followed by an increase in the share capital to EUR 4 million in the middle of the year. In August, the shareholders of the group decided to change the legal form of the company to a joint stock company, which was successfully concluded on 19 January 2021. These measures were taken with the aim to develop further the corporate governance of the group, focusing on the sustainability aspects of the company.

Despite the COVID-19 situation, in 2020 the group managed to achieve stable growth rates. Although we were forced to work in high uncertainty conditions, thanks to the professionalism of our team, we succeeded in organizing cash flow and managing credit risks, while maintaining profitability. We have gained valuable experience of remote work and new working skills in emergency conditions, which will enable us to increase the efficiency of our team also in the future. Our staff has successfully adapted to these new conditions, focusing on providing high quality of client service, reacting quickly, and improving the offer of products in line with the new situation.

On November 6, 2020 Latvia reintroduced the state of emergency and set several new restrictions. Given the new situation, we have reassessed the credit risks of consumer loans, and improved the operation of our e-shop in the pawnshop segment. In the 4th quarter of 2020, the turnover of the e-shop has grown by 231% on the quarter before and by 438% on the same period of the previous year. The investments made in the development of the e-shop in 2019 have fully paid off, making it an important channel of selling pawnshop goods, the importance of which will increase in the future.

In the second half of 2020, adapting to the emergency situation, the group implemented several measures aimed at developing sustainable business. Thus, in the 4th quarter of 2020, a new consumer loan product, Banknote pirkumiem (Banknote for purchases), was launched. This product aims to facilitate access to loans for those who are working and making purchases remotely in order to make the financing of goods purchase both online and at points of trade more convenient. Meanwhile, in the segment of pawnshop services the network of branches was expanded by opening four new pawnshops in Riga. These branches have been opened in line with DelfinGroup's strategy of building a financially inclusive society and raising public awareness of circular economy. To cover more insights of the Company's environment, social and corporate governance, the ESG 2020 report has been produced.

On August 11, 2020, the initiated project in the autumn 2019 of the EUR 5 million bond (ISIN LV0000802379) issue was successfully completed, followed by inclusion of the bonds in the Nasdaq Riga First North Bond list. From the beginning of bond trading in 2020 until the end of the reporting period, the bond trading turnover was significant and reached EUR 934 thousand (18.6% of the total issue amount), the bond price reaching even 105% of the nominal value.

In 2020, DelfinGroup fully repaid EUR 3.5 million bond issue (ISIN LV0000801322). According to the situation, the Group created cash reserves, which were financed by balancing the financing of debt securities and financing from the operation of the p2p lending platform Mintos. By the end of 2020, the amount of cash and bank position reached EUR 4.6 million.

In 2020, in accordance with the adopted dividend policy, the company paid dividends in the amount of EUR 3 million.

Management report (CONTINUED)

By implementing business strategy and all planned activities the following financial results of the Group were achieved in 2020 as compared to 2019:

Position	EUR, million	Change, %
Net loan portfolio	34.67	+9.9
Assets	45.95	+20.0
Profit before taxes	4.65	+9.1
Net profit	3.89	-0.4

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

Position	2016	2017	2018	2019	2020
Total income, EUR million	15.42	18.03	18.85	22.18	23.66
EBITDA, EUR million	2.76	5.69	7.47	8.17	9.27
EBITDA margin, %	18%	32%	38%	37%	39%
EBIT, EUR million	2.60	5.48	6.92	7.12	8.14
EBIT margin, %	17%	30%	37%	32%	34%
Net profit, EUR million	0.96	2.95	4.55	3.91	3.89
Net profit margin, %	6%	16%	24%	18%	16%
ROA, %	7%	16%	19%	12%	9%
ROE, %	38%	91%	94%	55%	44%
Current ratio	1.96	1.92	1.59	1.53	1.31

EBITDA calculation, EUR million:

Item	Company 2020	Group 2020	Company 2019	Group 2019
Profit before tax	4.01	4.65	3.85	4.26
Interest expenses and similar expenses	3.29	3.49	2.69	2.85
Rights of uses assets depreciation	0.76	0.76	0.77	0.77
Depreciation of fixed assets	0.26	0.28	0.21	0.21
Amortization	0.07	0.09	0.08	0.08
EBITDA, EUR million	8.39	9.27	7.60	8.17

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

Covenant	Value as of 31.12.2020.	Compliance
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%	3.03	yes
to maintain Net Debt/Net Equity indicator not exceeding 4 to 1	3.03	yes
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	1.31	yes
total consolidated loan amount to shareholders, management and other Related Persons shall not exceed EUR 1,400,000	474 484 EUR	yes

Management report [CONTINUED]

Branches

During the period from 1 January 2020 to 31 December 2020, the company continued to work on the branch network efficiency. As at 31 December 2020 the Group had 89 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

As at signing these financial statements there is uncertainty in the country in relation to COVID-19. Even though the length and negative economic impact of the COVID – 19 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 is ensured.

After the year end the Company changed legal form from limited liability company to joint stock company. The sharecapital denomination was introduced. After changed paid sharecapital consists of 40 million shares at a value on 0,10 EUR each. On 19th February 2021, the decision to reorganize Company's subsidiaries SIA Banknote Commercial properties, SIA Refin and SIA ExpressInkasso was made to streamline the core business of the Company. The assets of the reorganized entities will be incorporated in AS DelfinGroup business activities.

On 23rd March 2021 the Company announced its intention to go public with intention to list shares on Main Market of Nasdaq Riga Stock Exchange during 2021.

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 2020.

Distribution of the profit proposed by the Company

Company's board recommends the profit of 2020 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.



Didzis Ādmīdīns
Chairman of the Board



Kristaps Bergmanis
Board Member



Ivars Lamberts
Board Member

Rīga, 23rd April 2021

Corporate governance statement

Due to the fact that AS DelfinGroup, Reg. Nr. 40103252854 (hereinafter - Company) bonds were listed on the Nasdaq Riga Stock Exchange, the Management of the Company chose to prepare Corporate Governance Statement in 2020 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 2020 is available on the website of AS Nasdaq Riga www.nasdaqbaltic.com and on the Company's website www.delfingroup.lv.



Didzis Ādmīdiņš
Chairman of the Board



Kristaps Bergmanis
Board Member



Ivars Lamberts
Board Member

Riga, 23rd April 2021

Statement of profit or loss for the year ended 31 December 2020

	Notes	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Net sales	(1)	6 164 231	6 164 231	5 403 464	5 403 464
Cost of sales	(2)	(4 224 332)	(4 224 332)	(3 603 607)	(3 603 607)
Interest income and similar income	(3)	15 459 316	17 499 755	15 289 006	16 774 412
Interest expenses and similar expenses	(4)	(3 278 011)	(3 490 389)	(2 687 671)	(2 852 983)
Credit loss expense		(963 163)	(1 591 793)	(1 502 467)	(1 896 009)
Gross profit		13 158 041	14 357 472	12 898 725	13 825 277
Selling expenses	(5)	(5 201 324)	(5 425 844)	(5 218 354)	(5 425 937)
Administrative expenses	(6)	(3 387 023)	(3 539 758)	(3 335 473)	(3 487 530)
Other operating income		71 384	72 395	113 712	94 932
Other operating expenses	(7)	(627 549)	(812 259)	(607 600)	(743 449)
Profit before corporate income tax		4 013 529	4 652 006	3 851 010	4 263 293
Income tax expense	(8)	(753 716)	(754 536)	(349 957)	(349 957)
Net profit		3 259 813	3 897 470	3 501 053	3 913 336
Earnings per share		0.81	0.97	0.88	0.98

Notes on pages from 16 to 45 are integral part of these financial statements.


Didzis Admiņš
Chairman of the Board


Kristaps Bergmanis
Board Member


Ivars Lamberts
Board Member

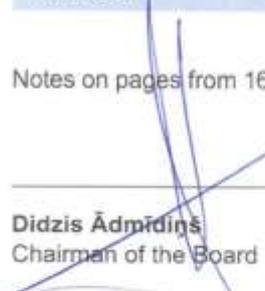

Ināra Pudāne
Chief accountant

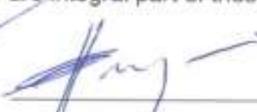
Riga, 23rd April 2021

Balance sheet as at 31 December 2020

Assets	Notes	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
Non-current assets:					
Intangible assets:					
Concessions, patents, licenses, trademarks and similar rights		124 256	124 256	184 201	184 201
Other intangible assets		41 928	54 077	16 005	35 733
Goodwill		-	127 616	-	127 616
Advances on intangible assets		-	-	6 748	6 748
Total intangible assets:	(9)	166 184	305 949	206 954	354 298
Property, plant and equipment:					
Land, buildings, structures and perennials		-	85 385	-	-
Investments in property, plant and equipment		196 607	196 607	54 515	54 515
Right-of-use assets		3 194 412	3 194 412	2 048 981	2 048 981
Other fixtures and fittings, tools and equipment		248 214	248 214	282 678	282 678
Total property, plant and equipment	(10;11)	3 639 233	3 724 618	2 386 174	2 386 174
Non-current financial assets:					
Investments in related companies	(12)	1 685 672	-	1 682 828	-
Loans to related companies	(16)	1 155 565	-	117 620	117 620
Loans and receivables	(15)	13 987 061	17 711 758	6 215 523	8 859 789
Loans to shareholders and management	(13)	474 484	474 484	1 022 423	1 022 423
Total long-term investments:		17 302 782	18 186 242	9 038 394	9 999 832
Total non-current assets:		21 108 199	22 216 809	11 631 522	12 740 304
Current assets:					
Inventories:					
Finished goods and goods for sale	(14)	1 534 007	1 534 007	1 155 352	1 155 352
Total inventories:		1 534 007	1 534 007	1 155 352	1 155 352
Receivables:					
Loans and receivables	(15)	12 588 435	16 962 096	16 163 461	22 687 085
Receivables from members and board	(13)	-	-	165 112	165 112
Loans to related companies	(16)	2 876 548	-	5 725 734	2 528
Other debtors	(17)	135 227	374 756	183 065	275 751
Deferred expenses	(18)	224 366	279 523	93 988	108 539
Total receivables:		15 824 576	17 616 375	22 331 360	23 239 015
Cash and bank	(19)	3 768 356	4 591 954	812 301	1 135 644
Total current assets:		21 126 939	23 742 336	24 299 013	25 530 011
Total assets		42 235 138	45 959 145	35 930 535	38 270 315

Notes on pages from 16 to 45 are integral part of these financial statements.


Didzis Ādmiņš
Chairman of the Board


Kristaps Bergmanis
Board Member


Ivars Lamberts
Board Member


Inga Pudāne
Chief accountant

Rīga, 23rd April 2021

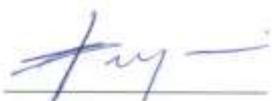
Liabilities and equity

Equity:	Notes	31.12.2020. EUR	31.12.2020. EUR	31.12.2019. EUR	31.12.2019. EUR
Share capital	(20)	4 000 000	4 000 000	1 500 000	1 500 000
Retained earnings		775 437	1 353 992	2 774 384	2 954 156
Profit for the reporting year		3 259 813	3 897 470	3 501 053	3 913 336
Total equity:		8 035 250	9 251 462	7 775 437	8 367 492
Creditors:					
Long-term creditors:					
Bonds issued	(21)	8 441 717	8 441 717	6 059 853	6 059 853
Other borrowings	(22)	5 646 755	6 816 925	4 749 199	5 676 378
Lease liabilities	(11;23)	2 732 136	2 732 136	1 536 762	1 536 762
Total long-term creditors:		16 820 608	17 990 778	12 345 814	13 172 993
Short-term creditors:					
Bonds issued	(21)	5 022 652	5 022 652	1 764 767	1 764 767
Other borrowings	(22)	9 339 999	10 869 932	11 481 122	13 037 185
Lease liabilities	(11;23)	703 715	703 715	590 531	590 531
Trade payables	(25)	676 305	702 933	480 690	501 355
Accounts payable to affiliated companies	(24)	243 815	-	234 266	179
Taxes and social insurance	(26)	810 031	815 952	233 164	243 989
Accrued liabilities	(25)	582 763	601 721	1 024 744	591 824
Total short-term creditors:		17 379 280	18 716 905	15 809 284	16 729 830
Total creditors		34 199 888	36 707 683	28 155 098	29 902 823
Total liabilities and equity		42 235 138	45 959 145	35 930 535	38 270 315

Notes on pages from 16 to 45 are integral part of these financial statements.


Didzis Admiņinš
Chairman of the Board

Rīga, 23rd April 2021


Kristaps Bergmanis
Board Member


Ivars Lamberts
Board Member


Ināra Pudāne
Chief accountant

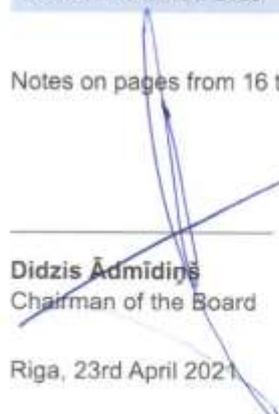
Statement of changes in equity of the Company's for the year ended 31 December 2020

	Share capital EUR	Retained earnings EUR	Profit for the reporting year EUR	Total EUR
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
Dividends paid	-	(3 000 000)	-	(3 000 000)
Share capital transfer	2 500 000	(2 500 000)	-	-
Profit transfer	-	3 501 053	(3 501 053)	-
Profit for the reporting year	-	-	3 259 813	3 259 813
As at 31 December 2020	4 000 000	775 437	3 259 813	8 035 250

Statement of changes in equity of the Group for the year ended 31 December 2020

	Share capital EUR	Retained earnings EUR	Profit for the reporting year EUR	Total EUR
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
Dividends paid	-	(3 000 000)	-	(3 000 000)
Share capital transfer	2 500 000	(2 500 000)	-	-
Retained earnings subsidiary inclusion	-	-	(13 500)	(13 500)
Profit transfer	-	3 913 336	(3 913 336)	-
Profit for the reporting year	-	-	3 897 470	3 897 470
As at 31 December 2020	4 000 000	1 367 492	3 883 970	9 251 462

Notes on pages from 16 to 45 are integral part of these financial statements.


Didzis Admiņš
Chairman of the Board


Kristaps Bergmanis
Board Member


Ivars Lamberts
Board Member


Ināra Pudāne
Chief accountant

Rīga, 23rd April 2021

Cash flow statement for the year ended 31 December 2020

	Notes	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Cash flow from operating activities					
Profit before corporate income tax		4 013 529	4 652 006	3 851 010	4 263 293
Adjustments for:					
a) fixed assets and intangible assets depreciation	(9;10)	260 990	281 964	207 451	212 340
b) right-of-use assets depreciation	(10)	762 806	762 806	773 479	773 479
c) accruals and provisions (except for bad debts)		273 091	182 365	977 659	1 677 719
d) cessation results	(7)	438 241	620 101	410 312	543 671
e) accrued interest income		(362 315)	(548 686)	55 510	38 843
f) accrued interest expense		(445 770)	(627 630)	(397 747)	(531 106)
g) value adjustments of non-current and current financial assets		13 658	(78 256)	5 496	5 496
h) other adjustments		(2 844)	(13 500)	-	-
Profit before adjustments of working capital and short-term liabilities		4 951 386	5 231 170	5 883 170	6 983 735
Adjustments for:					
a) loans and receivables and other debtors (increase)		(3 927 426)	(2 858 972)	(4 496 795)	(11 584 992)
b) inventories (increase)		(378 655)	(378 655)	(307 241)	(307 241)
c) trade payable and accrued liabilities (decrease) / increase		(187 460)	264 478	(771 449)	(1 211 513)
Gross cash flow from operating activities		457 845	2 258 021	307 685	(6 120 011)
Corporate income tax payments		(349 957)	(349 957)	(78 868)	(78 879)
Net cash flow from operating activities		107 888	1 908 064	228 817	(6 198 890)
Cash flow from investing activities					
Acquisition of affiliated, associated or other companies shares or parts		-	-	(500 000)	-
Acquisition of fixed assets, intangibles	(9;10)	(1 535 249)	(1 542 115)	(806 307)	(810 497)
Proceeds from sales of fixed assets and intangibles		10 689	10 689	63 774	63 774
Loans issued/repaid (other than core business of the Company) (net)		2 524 292	833 199	(5 438 371)	(31 074)
Net cash flow from investing activities		999 732	(696 227)	(6 680 904)	(777 797)
Cash flow from financing activities					
Loans received		7 349 981	10 415 870	9 769 075	12 586 871
Loans repaid		(8 879 115)	(11 546 966)	(5 144 743)	(7 235 205)
Bonds issued		8 606 000	8 606 000	1 693 000	1 693 000
Redemption of bonds		(2 975 000)	(2 975 000)	(1 750 000)	(1 750 000)
Repayment of lease liabilities		746 569	746 569	828 489	828 489
Dividends paid		(3 000 000)	(3 000 000)	(1 500 000)	(1 500 000)
Net cash flow from financing activities	(29)	1 848 435	2 246 473	3 895 821	4 623 155
Net cash flow of the reporting year		2 956 055	3 456 310	(2 556 266)	(2 353 532)
Cash and cash equivalents at the beginning of the reporting year		812 301	1 135 644	3 368 567	3 489 176
Cash and cash equivalents at the end of the reporting year		3 768 356	4 591 954	812 301	1 135 644

Notes on pages from 16 to 45 are integral part of these financial statements.

Didzis Ādmidiņš
Chairman of the Board

Kristaps Bergmanis
Board Member

Ivars Lamberts
Board Member

Inta Pudāne
Chief accountant

Riga, 23rd April 2021

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 financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

Changes in significant accounting policies, reclassifications and correction of errors

The Group has adopted Standards that are required to be adopted in annual periods beginning on 1 January 2020:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Definition of a Business (Amendments to IFRS 3);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7);
- COVID-19-Related Rent Concessions (Amendment to IFRS 16).

These Standards do not have a material effect on the Group's financial statements.

Reclassifications and correction of errors

- (a) In these financial statements, the Group and the Company have changed the presentation of Credit loss expenses. In 2019, credit losses expenses were presented within Selling expenses. In 2020, for better presentation of financial information, the Group and the Company reclassified Credit loss expenses from selling expenses to the separate item in Statement of profit or loss.
- (b) In 2020, the Group and the Company have changed the presentation of Losses on cessions. In 2019, it was presented within Interest expenses and similar expenses. Moreover, the effect from reversal of allowance on expected credit losses (ECL) for cessioned loans was presented under Selling expenses. In 2020, for better presentation of financial information, the Group and the Company reclassified Losses on cessions to Other operating expenses, including the effect from reversal of ECL allowance.
- (c) In addition, in 2019 the Group and the Company incorrectly presented part of credit losses expenses within Interest income. In 2020, to comply with presentation requirements of IFRS 9, the Group reclassified the abovementioned amount from Interest income and similar income to Credit losses expenses.

The effect of changes on the Statement of profit or loss of the Group for 2019 is provided below.

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Interest income and similar income	(c)	16 382 466	391 946	16 774 412
Interest expenses and similar expenses	(b)	(4 352 226)	1 499 243	(2 852 983)
Credit loss expenses	(a), (b), (c)	-	(1 896 009)	(1 896 009)
Selling expenses	(a)	(5 974 428)	548 491	(5 425 937)
Other operating expenses	(b)	(199 778)	(543 671)	(743 449)
Total in Statement of profit or loss		5 856 034	-	5 856 034

The effect of changes on the Statement of profit or loss of the Company for 2019 is provided below.

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Interest income and similar income	(c)	14 968 334	320 672	15 289 006
Interest expenses and similar expenses	(b)	(3 856 979)	1 169 308	(2 687 671)
Credit loss expenses	(a), (b), (c)	-	(1 502 467)	(1 502 467)
Selling expenses	(a)	(5 641 153)	422 799	(5 218 354)
Other operating expenses	(b)	(197 288)	(410 312)	(607 600)
Total in Statement of profit or loss		5 272 914	-	5 272 914

Notes (continued)

Accounting policies (continued)

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

These standards are listed below and are not expected to have a significant impact on the Group's financial statements. The Company intends to implement them on their effective date.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective from 1 January 2021;
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37), effective from 1 January 2022;
- Annual Improvements to IFRS Standards 2018–2020, effective from 1 January 2022;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective from 1 January 2022;
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective from 1 January 2022;
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1), effective from 1 January 2023;
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts, effective from 1 January 2023;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28), effective from 1 January 2023.

(b) Consolidation principles

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(c) Recognition of revenue and expenses

- Net sales

Net revenue represents the total value of inventory sold during the year net of value added tax. Revenue from sale of inventory is recognized when control of the inventory is transferred to the customer at an amount that reflects the consideration to which Group expects to be entitled in exchange for those inventories. The Group has generally concluded that it is the principal in its revenue arrangements.

Revenue is measured at the fair value of the consideration received, excluding sales taxes.

- Interest income and similar income

The Group calculates interest revenue on debt financial assets measured at amortized cost by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

When a financial asset becomes credit-impaired, the Group calculates interest revenue by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest revenue on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest revenue by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

- Other income

Other income is recognised based on accruals 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”.

Notes (continued)

Accounting policies (continued)

(d) Foreign currency translation

(d1) 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.

(d2) 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:

	31.12.2020. 1 EUR	31.12.2019. 1 EUR
USD	1.23	1.12
RUB	91.47	69.96

(e) 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. See also note 33.

(f) 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.

(g) 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
Concessions, patents, trademarks and similar rights	3 – 5
Other intangible assets	3 – 5
Land, buildings, structures and perennials	20
Other fixed assets	3 – 5
Leasehold improvements	1 – 19
Right-of-use premises	1 – 19
Right-of-use vehicles	3 - 4

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.

(h) Investments in the subsidiaries and associated companies

In the financial statements the investments in associated companies are carried at cost less impairment. Cost represents consideration paid for acquisition of subsidiaries as well as additional contributions to share capital of subsidiaries. Impairment is defined as the difference between the cost and recoverable amount. Recoverable amount is the higher of the respective asset's fair value less the costs to sell and the value in use.

Notes (continued)

Accounting policies (continued)

(i) **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).

(j) **Inventories**

Inventories are stated at the lower of cost or net realisable value. 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. Inventories are measured at the lower of cost or net realisable value.

(k) **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. All loans and receivables are recognised when cash is advanced to borrowers and derecognised on repayments. Loans are initially measured at their fair value. The Group subsequently measures consumer loans at amortised cost if both of the following conditions are met:

- ▶ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The Company is using a model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

The expected credit loss is calculated as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD).

- For the PD calculation is determined the number of historically issued loans actually reaches the number of past due more than 90 days or have been ceded.
- LGD calculation is based on actually recovered funds for loans over 90 days. Recovered funds are discounted using the monthly effective interest rate.
- Expected credit losses are additionally adjusted for ceded loans. The management assesses the portfolio of overdue loans on a monthly basis and loans that are subject to a significant risk that they will not be repaid or will be assigned.

The IFRS 9 impairment model uses a three-stage approach depending on whether the claim is performing or not and if the claim is performing, whether a significant increase in credit risk has occurred.

1. Stage 1 – 12-month ECL applies to all existing claims, which have no signs of material increase in risk. The ECL will be computed using 12-month PD that represents the probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 month, a PD is used that corresponds to remaining maturity.
2. Stage 2 – applies to claims, which have sign (s) of a material increase in risk and increase in default (delay days > 30 days but less than 90 days). The standard requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.
3. Stage 3 – Financial assets are recognized in Stage 3 when there is objective evidence that the loan is impaired (delay days > 90 days). Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

A settlement delay of 30 or more days are assessed based on their actual occurrence. The rest of the signs of increased risk and their impact have to be analysed case by case and the change in a customer's risk level has to be made based on management's judgement. This assessment is symmetrical in nature, allowing the credit risk of financial assets to move back to Stage 1 if the increase in credit risk has decreased since origination and is no longer deemed to be significant.

Default or the possibility of it occurring in the future and write-off of liabilities can be divided into the following events:

- Improbability of receiving payments. Based on objective evidence, it may be presumed that the client will be unable to settle all of the financial obligations and the situation cannot be solved satisfactorily.
- Payment delay. The contract is deemed to be non-performing if the client is no longer able or willing to fulfil payment obligations, e.g. upon any of the following events: (a) payments are past due for more than 90 days; (b) the client does not respond to the payment reminders and the desire to contact; (c) the client is bankrupt or deceased; (d) identity theft has been identified, i.e. misuses of the credit receiver's identity.

Notes (continued)

Accounting policies (continued)

The Group continuously monitors all assets subject to ECLs in order to identify if there has been significant increase in credit risk. If there is increase, relevant adjustments to ECL are made.

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 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.

(l) Leases

i. Group as lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment testing.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in in-substance fixed lease payments or a change in the assessment of the option to purchase the underlying asset.

The Group does not apply IASB practical expedient on COVID-19-Related Rent Concessions and adjusts both right-of-use assets and lease liabilities when modifications of lease contracts occur.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered of low value (i.e., below EUR 4.5 thousand). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

ii. Operating – Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as lease income. Contingent rents are recognized as income in the period in which they are earned.

(m) 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 is subject to a 20% gross tax or 20/80 of the net cost. Corporate income tax on dividend payments is recognized in the income statement. According to law effective 25% tax is applied to non-business related expenses.

Notes (continued)

Accounting policies (continued)

(n) 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.

(o) Borrowings

Initially borrowings are recognised at fair value amounting to 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.

(p) 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.

(q) 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.

(r) Financial risk management

(r1) Financial risk factors

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

- (r1.1) foreign currency risk;
- (r1.2) credit risk;
- (r1.3) operational risk;
- (r1.4) market risk;
- (r1.5) liquidity risk;
- (r1.6) 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.

(r1.1) Foreign exchange risk

The Company operates mainly in the local market and its exposure to foreign exchange risk is not relevant.

(r1.2) 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.

(r1.3) 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.

(r1.4) 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. As at 31 December 2020 all interest rates are fixed except for lease contracts amounting to 292 thousand EUR with contracts concluded in EUR currency with variable part denominate as 6 month EURIBOR rate. The interest rate market risk is considered to be low.

(r1.5) 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. For analysis of financial liabilities by remaining contractual maturities please see note 34.

Notes (continued)

Accounting policies (continued)

(r1.6) 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.

(r2) 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:

	Company	Group	Company	Group
	31.12.2020.	31.12.2020.	31.12.2019.	31.12.2019.
	EUR	EUR	EUR	EUR
Bonds issued	13 464 369	13 464 369	7 824 620	7 824 620
Other borrowings	14 986 754	17 686 857	16 230 321	18 613 563
Lease liabilities	3 435 851	3 435 851	2 127 293	2 127 293
Accounts payable to affiliated companies	243 815	-	234 266	179
Trade payables and accrued liabilities	1 259 068	1 304 654	1 505 434	1 093 179
Taxes and social insurance	810 031	815 952	233 164	243 989
Gross debts	34 199 888	36 707 683	28 155 098	29 902 823
Cash and bank	(3 768 356)	(4 591 954)	(812 301)	(1 135 644)
Net debts	30 431 532	32 115 729	27 342 797	28 767 179
Equity	8 035 250	9 251 462	7 775 437	8 367 492
Liabilities / equity ratio	4.26	3.97	3.62	3.57
Net liabilities / equity ratio	3.79	3.47	3.52	3.44

(s) Significant assumptions and estimates

The preparation of the financial statements requires management to make professional judgments, assumptions and estimates which affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

Assumptions and estimates based on those assumptions are analyzed regularly to identify if changes are required. The changes in accounting estimates are recognized in the reporting period when the estimates were changed and in all periods that follow.

Useful life of fixed assets

The Company assesses the remaining useful lives of items of fixed assets at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimates. These estimates may have a material impact on the carrying amount of fixed assets and depreciation recognized in the statement of profit or loss.

Impairment of fixed assets

The Company reviews the value of its fixed assets and intangible assets whenever any events or circumstances support that the carrying value may not be recoverable. The Company's impairment test for property and equipment is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the forecast for the next years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested.

Net realisable value of inventories

The cost of the Company's inventory may have to be reduced to its net realisable value if the inventory has become damaged, is wholly or partly obsolete, or if its selling price has declined. The costs of inventory may not be recovered from sale because of increases in the costs to complete, or the estimated selling costs. Writing inventory down to net realisable value is carried out on an item-by-item basis. The Company's estimates of net realisable value are based on the most reliable evidence available and take into account fluctuations of price or cost after the end of the period if this is evidence of conditions existing at the end of the period.

Notes (continued)

Accounting policies (continued)

Leases – estimating the incremental borrowing rate

In case the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Impairment losses on loans to customers

The measurement of impairment losses on loans to customers requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. Deterioration in credit quality of loan portfolios as a result of the COVID-19 pandemic may have a significant impact on the Group's ECL measurement. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- ▶ The Group's criteria for assessing if there has been a significant increase in credit risk;
- ▶ Development of ECL models, including the various formulae and the choice of inputs.

(t) 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".

(u) 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.

(v) Contingencies

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

(w) 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.

(x) 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. For management purposes, the Company is organised into three operating segments based on products and services. The Company's segments are Pawnloan segment, Consumer loans segment and Other operating segment. Under Other operating segment there are accounted general Group administrative operations, services provided to related entities and real estates project development financing activities.

Notes (continued)

(1) Net sales

Net revenue by type of revenue

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Income from sales of goods	3 686 567	3 686 567	3 186 585	3 186 585
Income from sales of precious metals	1 714 530	1 714 530	1 459 345	1 459 345
Other income, loan and mortgage realization and storage commissions	763 134	763 134	757 534	757 534
	6 164 231	6 164 231	5 403 464	5 403 464

Net revenue by geographical markets and type of operation

	2020 EUR	2020 EUR	2019 EUR	2019 EUR
Sales of product in Latvia	3 686 567	3 686 567	3 186 585	3 186 585
Sales of precious metals in Latvia	1 714 530	1 714 530	1 459 345	1 459 345
Sales of services in Latvia	763 134	763 134	757 534	757 534
	6 164 231	6 164 231	5 403 464	5 403 464

(2) Cost of sales

	2020 EUR	2020 EUR	2019 EUR	2019 EUR
Cost of sales of goods	2 544 053	2 544 053	2 193 388	2 193 388
Cost of sales of precious metals	1 680 279	1 680 279	1 410 219	1 410 219
	4 224 332	4 224 332	3 603 607	3 603 607

(3) Interest income and similar income

	2020 EUR	2020 EUR	2019 EUR	2019 EUR
Interest revenue calculated using effective interest rate:				
Interest income according effective interest rate method	10 785 043	12 825 482	10 610 775	12 096 181
Interest income on pledges realization	4 669 988	4 669 988	4 678 129	4 678 129
Interest income on loans to the vehicle pledges	4 285	4 285	-	-
Interest income on mortgage loans	-	-	102	102
	15 459 316	17 499 755	15 289 006	16 774 412

(4) Interest expenses and similar expenses

	2020 EUR	2020 EUR	2019 EUR	2019 EUR
Interest expense on other borrowings	1 559 169	1 771 547	1 473 703	1 639 014
Bonds' coupon expense	1 528 063	1 528 063	1 075 282	1 075 282
Interest expense for right to use premises	186 800	186 800	133 137	133 137
Interest expense on lease	2 344	2 344	3 968	3 968
Interest expense for right to use vehicles	1 443	1 443	1 347	1 347
Net loss on foreign exchange	192	192	234	235
	3 278 011	3 490 389	2 687 671	2 852 983

Notes (continued)

(5) Selling expenses

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Salary expenses	2 352 184	2 352 184	2 408 184	2 408 184
Depreciation of right-of-use assets - premises	640 604	640 604	698 054	698 054
Social insurance	563 848	563 848	577 146	577 146
Advertising	407 820	548 490	330 882	474 651
Depreciation of fixed assets	260 990	281 964	207 451	212 340
Non-deductible VAT	194 729	238 414	247 733	292 043
Utilities expense	191 457	191 457	180 102	180 102
Maintenance expenses	131 321	131 571	82 856	83 433
Impairment on illiquid stocks	100 299	100 299	82 453	82 453
Transportation expenses	73 764	73 764	87 789	87 789
Software maintenance expenses	39 767	43 018	34 578	38 013
Depreciation of right-of-use assets - motor vehicles	38 394	38 394	36 312	36 312
Communication expenses	36 502	36 560	35 940	36 006
Debt collection expenses	35 430	46 020	47 334	58 501
Goods and fixed assets write-off	29 516	29 776	34 289	34 289
Security expenses	25 212	25 212	25 477	25 477
Renovation expenses	21 484	21 484	20 444	20 444
Labor protection expenditure	21 099	21 099	17 554	17 554
Insurance expenses	18 640	18 744	15 337	15 337
Expenditure on recruitment and training of workers	14 051	14 051	17 401	17 926
Other expenses	9 286	13 964	22 951	21 796
Business trip expenses	3 478	3 478	6 836	6 836
Provisions for unused annual leave and bonuses	(8 551)	(8 551)	1 251	1 251
	5 201 324	5 425 844	5 218 354	5 425 937

(6) Administrative expenses

	2020 EUR	2020 EUR	2019 EUR	2019 EUR
Salary expenses	2 044 406	2 067 061	2 053 114	2 074 648
Social insurance	485 739	490 688	494 134	499 321
Bank commission	442 209	497 079	409 236	452 556
Information database subscriptions, maintenance	78 901	106 961	90 581	127 043
Depreciation of right-of-use assets - premises	75 412	75 412	34 109	34 109
Legal advice	72 951	75 826	60 097	69 294
Office utilities expense	34 925	34 925	28 179	28 179
Office expenses	30 318	37 734	30 616	30 616
Other administrative expenses	28 253	28 253	23 359	28 932
Communication expenses	25 759	26 186	26 854	27 294
Membership fees in professional organizations	21 399	21 399	28 146	31 546
Audit expenses*	20 700	37 903	18 700	29 603
State fees and duties, licence expense	16 371	30 614	17 189	32 845
Depreciation of right-of-use assets - motor vehicles	8 396	8 396	5 004	5 004
Provisions for unused annual leave and bonuses	1 284	1 321	16 155	16 540
	3 387 023	3 539 758	3 335 473	3 487 530

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

Notes (continued)

(7) Other operating expenses

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Losses from cession	438 241	620 101	410 312	543 671
Donations	104 724	104 724	66 000	66 000
Other expenses	34 208	34 208	37 742	37 742
Fines	24 711	25 066	4 405	4 405
Loss on settlement of liabilities	21 186	23 681	18 625	21 115
Staff sustainability costs	4 479	4 479	70 516	70 516
	627 549	812 259	607 600	743 449

(8) Corporate income tax for the reporting year

	2020 EUR	2020 EUR	2019 EUR	2019 EUR
Corporate income tax charge for the current year	753 716	754 536	349 957	349 957
	753 716	754 536	349 957	349 957

This tax mainly concerned dividends paid out of the previous year's profits.

(9) Intangible of the 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
Additions	1 387	41 046	-	42 433
Transfers	-	6 748	(6 748)	-
Disposals	(35)	(19 082)	-	(19 117)
31.12.2020.	356 125	60 560	-	416 685
Amortisation				
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
Charge for 2020	61 331	11 217	-	72 548
Disposals	(35)	(8 427)	-	(8 462)
31.12.2020.	231 868	18 633	-	250 501
Net book value 31.12.2020.	124 257	41 927	-	166 184
Net book value 31.12.2019.	184 201	16 005	6 748	206 954

Notes (continued)

Intangible of the Company (continued)

Intangible of the Group

	Concessions, patents, trademarks and similar rights	Other intangible assets	Advances	Company's Goodwill	Total
	EUR	EUR	EUR	EUR	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
Additions	1 387	47 912	-	-	49 299
Transfers	-	6 748	(6 748)	-	-
Disposals	(35)	(35 164)	-	-	(35 199)
31.12.2020.	356 125	80 318	-	127 616	564 059
Amortisation					
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
Charge for 2020	61 331	25 661	-	-	86 992
Disposals	(35)	(24 508)	-	-	(24 543)
31.12.2020.	231 868	26 242	-	-	258 110
Net book value 31.12.2020.	124 257	54 076	-	127 616	305 949
Net book value 31.12.2019.	184 201	35 733	6 748	127 616	354 298

(10) Fixed assets of the Company

	Other fixed assets and inventory	Advances	Leasehold improve- ments	Right-of-use premises	Right-of-use vehicles	Right-of-use assets, total	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost							
31.12.2018.	759 792	-	369 066	-	296 482	296 482	1 425 340
IFRS 16 adoption impact	-	-	-	1 991 044	19 600	2 010 644	2 010 644
Additions	254 213	4 770	52 942	362 795	72 440	435 235	747 160
Remeasurement	-	-	-	346 910	-	346 910	346 910
Disposals	(84 327)	-	-	(24 983)	(101 153)	(126 136)	(210 463)
Transfers	4 770	(4 770)	-	-	-	-	-
31.12.2019.	934 448	-	422 008	2 675 766	287 369	2 963 135	4 319 591
Additions	109 625	-	189 448	1 171 129	22 614	1 193 743	1 492 816
Remeasurement	-	-	-	716 006	-	716 006	716 006
Disposals	(51 549)	-	-	(2 864)	(17 832)	(20 696)	(72 245)
31.12.2020.	992 524	-	611 456	4 560 037	292 151	4 852 188	6 456 168
Depreciation							
31.12.2018.	637 549	-	334 541	-	225 154	225 154	1 197 244
Charge for 2019	95 505	-	32 952	732 163	41 316	773 479	901 936
Disposals	(81 284)	-	-	(9 456)	(75 023)	(84 479)	(165 763)
31.12.2019.	651 770	-	367 493	722 707	191 447	914 154	1 933 417
Charge for 2020	141 086	-	47 356	716 017	46 789	762 806	951 248
Disposals	(48 546)	-	-	(1 718)	(17 466)	(19 184)	(67 730)
31.12.2020.	744 310	-	414 849	1 437 006	220 770	1 657 776	2 816 935
Net book value 31.12.2020.	248 214	-	196 607	3 123 031	71 381	3 194 412	3 639 233
Net book value 31.12.2019.	282 678	-	54 515	1 953 059	95 922	2 048 981	2 386 174

Notes (continued)

Fixed assets of the Company (continued)

Fixed assets of the Group

	Land, buildings, structures and perennials	Other fixed assets and inventory	Advances	Leasehold improvements	Right-of-use premises	Right-of-use vehicles	Right-of-use assets, total	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost								
31.12.2018.	-	759 792	-	369 066	-	296 482	296 482	1 425 340
IFRS 16 adoption impact	-	-	-	-	1 991 044	19 600	2 010 644	2 010 644
Additions	-	254 213	4 770	52 942	362 795	72 440	435 235	747 160
Lease modification	-	-	-	-	346 910	-	346 910	346 910
Disposals	-	(84 327)	-	-	(24 983)	(101 153)	(126 136)	(210 463)
Transfers	-	4 770	(4 770)	-	-	-	-	-
31.12.2019.	-	934 448	-	422 008	2 675 766	287 369	2 963 135	4 319 591
Additions	-	109 625	-	189 448	1 171 129	22 614	1 193 743	1 492 816
Lease modification	-	-	-	-	716 006	-	716 006	716 006
Disposals	-	(51 549)	-	-	(2 864)	(17 832)	(20 696)	(72 245)
Acquired in business combination	130 069	-	-	-	-	-	-	130 069
31.12.2020.	130 069	992 524	-	611 456	4 560 037	292 151	4 852 188	6 586 237
Depreciation								
31.12.2018.	-	637 549	-	334 541	-	225 154	225 154	1 197 244
Charge for 2019	-	95 505	-	32 952	732 163	41 316	773 479	901 936
Disposals	-	(81 284)	-	-	(9 456)	(75 023)	(84 479)	(165 763)
31.12.2019.	-	651 770	-	367 493	722 707	191 447	914 154	1 933 417
Charge for 2020	6 530	141 086	-	47 356	716 017	46 789	762 806	957 778
Disposals	-	(48 546)	-	-	(1 718)	(17 466)	(19 184)	(67 730)
Acquired in business combination	38 154	-	-	-	-	-	-	38 154
31.12.2020.	44 684	744 310	-	414 849	1 437 006	220 770	1 657 776	2 861 619
Net book value								
31.12.2020.	85 385	248 214	-	196 607	3 123 031	71 381	3 194 412	3 724 618
Net book value								
31.12.2019.	-	282 678	-	54 515	1 953 059	95 922	2 048 981	2 386 174

(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:

	31.12.2020. EUR	31.12.2019. EUR
Non-current assets		
Right-of-use assets - premises	3 123 031	1 953 059
Right-of-use assets - motor vehicles	71 381	95 922
Assets, total	3 194 412	2 048 981
Non-current liabilities		
Lease liabilities	2 732 136	1 536 762
Current liabilities		
Lease liabilities	703 715	590 531
Lease liabilities, total	3 435 851	2 127 293

Notes (continued)

Rights of use assets and lease liabilities (continued)

Leases in the statement of comprehensive income

	2020 EUR	2019 EUR
<i>Interest expenses and similar expenses</i>		
Interest expense for right-of-use premises	(186 800)	(133 137)
Interest expense for right-of-use vehicles	(1 443)	(1 347)
<i>Selling expense</i>		
Depreciation of right-of-use assets - premises	(640 604)	(698 054)
Depreciation of right-of-use assets - motor vehicles	(38 394)	(36 312)
<i>Administrative expenses</i>		
Depreciation of right-of-use assets - premises	(75 412)	(34 109)
Depreciation of right-of-use assets - motor vehicles	(8 396)	(5 004)
Leases in the statement of comprehensive income, total	(951 049)	(907 963)

The weighted-average incremental borrowing rate for premises lease in 2020 was 5.25% (2019 was 6.33%), weighted-average incremental borrowing rate for motor vehicles was 3.20% (2019 was 3.70%) per year.

(12) Company's investments in subsidiaries

Company is the sole shareholder of the subsidiary SIA ExpressInkasso (100%), of the subsidiary SIA ViziaFinance (100%), of the subsidiary SIA REFIN (100%) and implemented acquisition of 100% shares of the subsidiary SIA Banknote commercial properties in 2020.

a) participating interest in subsidiaries

Name	Investments in share capital of subsidiaries		Participating interest in share capital of subsidiaries	
	31.12.2020. EUR	31.12.2019. EUR	31.12.2020. %	31.12.2019. %
SIA ExpressInkasso	2 828	2 828	100	100
SIA ViziaFinance	880 000	880 000	100	100
SIA REFIN	800 000	800 000	100	100
SIA Banknote commercial properties (from 30.09.2020.)	2 844	-	100	-
	1 685 672	1 682 828		

b) information on subsidiaries

Name	Address	Total equity		Profit/ (loss) for the period	
		31.12.2020. EUR	31.12.2019. EUR	2020 EUR	2019 EUR
SIA ExpressInkasso	Skanstes street 50A, LV-1013 Riga, Latvia	380 318	366 841	13 477	120 886
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	1 488 808	921 436	567 372	227 895
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	Skanstes street 50A, LV-1013 Riga, Latvia	809 336	408 991	400 345	(386 497)
Basic operation of SIA REFIN is providing consumer lending services, issuing loans for unsecured real estate loans.					
SIA Banknote commercial properties (from 30.09.2020.)	Skanstes street 50A, LV-1013 Riga, Latvia	(4 193)	(10 656)	6 463	5 745
Basic operation of SIA Banknote commercial properties are renting and operating of own or leased real estate.					

Notes (continued)

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

	Loans to members EUR
Cost	
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
Loans issued	438 669
Loans repaid	(1 036 932)
Interest of loans	56 450
Interest repaid	(6 126)
31.12.2020.	474 484
Net book value as at 31.12.2020.	474 484
Net book value as at 31.12.2019.	1 022 423

Interest on borrowing is in range of 3.01% - 4% per annum. The loan maturity - 31 December 2025 (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.

	Currency	Year of issue	Interest rate	Maturity	31.12.2020.	31.12.2019.
AE Consulting SIA	EUR	2019	4%	2023	381 796	1 022 423
L24 Finance SIA	EUR	2016	3.01%	2025	83 688	-
EA investments AS	EUR	2020	4%	2025	9 000	-
Loans to members, total					474 484	1 022 423

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

	31.12.2020. EUR	31.12.2019. EUR
Goods for sale and pledges taken over	1 271 073	963 226
Inventory made of gold	262 934	192 126
	1 534 007	1 155 352

In 2020, write-off to net realizable value of inventories amounted to EUR 100 299 (in 2019: EUR 82 453).

a) *Age analysis of stock*

	31.12.2020. EUR	31.12.2019. EUR
Outstanding for 0-180 days	1 134 122	822 135
Outstanding for 181-360 days	386 903	292 570
Outstanding for more than 360 days	12 982	40 647
Total stock	1 534 007	1 155 352

Notes (continued)

(15) Loans and receivables

a) Loans and receivables by loan type

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
Debtors for loans issued against pledge				
Long-term debtors for loans issued against pledge	85 492	85 492	82 067	82 067
Short-term debtors for loans issued against pledge	2 945 052	2 945 052	3 284 156	3 284 156
Interest accrued for loans issued against pledge	139 425	139 425	164 532	164 532
Debtors for loans issued against pledge, total	3 169 969	3 169 969	3 530 755	3 530 755
Debtors for loans issued without pledge				
Long-term debtors for loans issued without pledge	13 901 569	17 626 266	6 133 456	8 777 722
Short-term debtors for loans issued without pledge	11 042 149	16 025 664	13 911 229	21 143 897
Interest accrued for loans issued without pledge	834 094	1 470 419	767 343	1 325 371
Debtors for loans issued without pledge, total	25 777 812	35 122 349	20 812 028	31 246 989
Loans and receivables before allowance, total	28 947 781	38 292 318	24 342 783	34 777 743
ECL allowance on loans to customers	(2 372 285)	(3 618 464)	(1 963 800)	(3 230 871)
Loans and receivables	26 575 496	34 673 854	22 378 984	31 546 874

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. Losses from these transactions were recognised in the current year.

The claims in amount of EUR 2 112 499 (31.12.2019: EUR 2 492 473) 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 3 527 873, which is 1.67 times higher than the carrying value, therefore provisions for overdue loans are not made.

'Debtors for loans issued without pledge' includes the Company's subsidiary SIA REFIN which has unsecured loans granted to legal entities registered in Latvia, whose economic activity includes the development and sale of real estate. The carrying amount of the loans at the reporting date is EUR 3 623 thousand. The Group received repayments on these loans after the year end and decreased its exposure to EUR 983 thousand.

b) Allowance for impairment of loans to customers at amortised cost

An analysis of changes in the gross carrying value for loans issued and corresponding ECL in relation to corporate lending during the year ended 31 December 2020 is as follows:

Company	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2020	21 945 171	849 442	1 548 170	24 342 783
New assets originated or purchased	43 054 244	-	-	43 054 244
Assets settled or partly settled	(36 177 500)	(96 394)	(80 373)	(36 354 267)
Assets written off or sold	-	(1 394 027)	(767 701)	(2 161 728)
Effect of interest accruals	109 144	(26 682)	(15 712)	66 750
Transfers to Stage 1	374 778	(44 493)	(330 285)	-
Transfers to Stage 2	(1 572 688)	1 579 067	(6 379)	-
Transfers to Stage 3	(1 373 471)	(80 939)	1 454 410	-
At 31 December 2020	26 359 678	785 974	1 802 130	28 947 781

Notes (continued)

Loans and receivables (continued)

Company	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2020	954 407	148 141	861 251	1 963 800
New assets originated or purchased	1 897 260	-	-	1 897 260
Assets settled or partly settled	(1 301 785)	(29 231)	(77 831)	(1 408 847)
Assets written off or sold	-	(345 138)	(526 137)	(871 275)
Effect of interest accruals	1 819	(6 066)	(15 770)	(20 017)
Transfers to Stage 1	11 392	(5 818)	(5 574)	-
Transfers to Stage 2	(139 553)	142 905	(3 352)	-
Transfers to Stage 3	(383 553)	(67 043)	450 596	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	46 561	419 540	345 263	811 364
At 31 December 2020	1 086 548	257 290	1 028 446	2 372 285

Group	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2020	31 957 718	1 043 994	1 736 689	39 342	34 777 743
New assets originated or purchased	48 124 875	-	-	-	48 124 875
Assets settled or partly settled	(41 710 094)	(121 165)	(102 879)	(3 147)	(41 937 285)
Assets written off	-	(1 781 024)	(1 037 037)	-	(2 818 061)
Effect of interest accruals	152 658	(20 456)	12 845	-	145 047
Transfers to Stage 1	435 581	(86 907)	(348 674)	-	-
Transfers to Stage 2	(2 114 632)	2 124 417	(9 785)	-	-
Transfers to Stage 3	(1 872 254)	(102 599)	1 974 853	-	-
At 31 December 2020	34 973 852	1 056 260	2 226 012	36 195	38 292 319

Group	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2020	2 047 613	198 351	984 907	-	3 230 871
New assets originated or purchased	2 544 523	-	-	-	2 544 523
Assets settled or partly settled	(1 882 525)	(35 623)	(78 442)	-	(1 996 590)
Assets written off	-	(445 013)	(699 243)	-	(1 144 256)
Effect of interest accruals	4 957	(3 193)	12 787	-	14 551
Transfers to Stage 1	15 890	(8 955)	(6 934)	-	-
Transfers to Stage 2	(218 098)	222 480	(4 382)	-	-
Transfers to Stage 3	(570 449)	(102 989)	673 438	-	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	(47 386)	544 101	472 649	-	969 365
At 31 December 2020	1 894 525	369 159	1 354 780	-	3 618 464

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

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
Receivables not yet due	24 358 172	32 473 188	20 264 843	29 924 557
Outstanding 1-30 days	2 009 196	2 508 354	1 688 018	2 040 851
Outstanding 31-90 days	785 974	1 056 261	849 442	1 043 994
Outstanding 91-180 days	722 713	989 467	464 520	537 798
Outstanding for 181-360 days	359 486	428 390	391 775	440 078
Outstanding for more than 360 days	712 240	836 658	684 185	790 465
Total claims against debtors for loans issued	28 947 781	38 292 318	24 342 783	34 777 743

Notes (continued)

Loans and receivables (continued)

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

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
For trade debtors not yet due	996 987	1 769 822	871 100	1 937 818
Outstanding 1-30 days	86 384	123 306	83 307	109 795
Outstanding 31-90 days	257 290	369 159	148 141	198 351
Outstanding 91-180 days	366 682	554 341	221 458	272 169
Outstanding for 181-360 days	174 278	244 996	207 411	242 117
Outstanding for more than 360 days	490 664	556 840	432 383	470 621
Total provisions for bad and doubtful trade debtors	2 372 285	3 618 464	1 963 800	3 230 871

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

(16) Receivables from affiliated companies and management

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
Long-term loans to affiliated companies				
Loan granted to SIA ViziaFinance	1 056 000	-	-	-
Loan granted to SIA Banknote commercial properties	99 565	-	117 620	117 620
Long-term loans to affiliated companies, total	1 155 565	-	117 620	117 620
Short-term receivables from affiliated companies				
Loan granted to SIA REFIN	2 785 508	-	5 723 024	-
Loan granted to SIA Banknote commercial properties	1 619	-	2 263	2 263
Loan granted to SIA ViziaFinance	164	-	-	-
Other loan	2	-	447	265
ECL allowance for loans	89 255	-	-	-
Short-term receivables from affiliated companies, total	2 876 548	-	5 725 734	2 528
Loans and receivables from affiliated companies, total	4 032 113	-	5 843 354	120 148

The interest rate on loans to related parties 3.01 – 4 %. All loans and other claims denominated in euro.
The Company has no debt overdue.

(17) Other debtors

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
Guarantee deposit	74 767	74 909	70 768	70 910
Settlements with buyers and customers	40 014	275 293	65 570	137 501
Other debtors	25 803	25 803	54 792	54 792
Advance payments	19 922	19 922	14 501	14 501
Tax overpayment	-	4 108	1 652	8 454
Loans to employees and other third parties	1 510	1 510	1 510	1 510
Settlement of staff claims	1 476	1 476	1 202	1 306
ECL allowance	(28 265)	(28 265)	(26 930)	(13 223)
	135 227	374 756	183 065	275 751

a) Provisions for bad and doubtful other debtors

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Provisions for bad and doubtful other debtors at the beginning of the year	26 930	13 223	29 086	29 086
Written-off	-	-	(2 156)	(15 863)
Additional provisions	1 335	15 042	-	-
Provisions for bad and doubtful other debtors at the end of the year	28 265	28 265	26 930	13 223

Notes (continued)

Other debtors (continued)

b) Age analysis of other debtors:

	Company 31.12.2020.	Group 31.12.2020.	Company 31.12.2019.	Group 31.12.2019.
	EUR	EUR	EUR	EUR
Repayable upon request	69 090	73 340	96 652	103 493
Receivables not yet due	61 412	296 691	49 233	121 371
Outstanding for 1-30 days	-	-	4 874	4 874
Outstanding for 31-90 days	-	-	6 247	6 247
Outstanding for 91-180 days	-	-	2 662	2 662
Outstanding for 181-360 days	4 725	4 725	13 744	13 744
Outstanding for more than 360 days	28 265	28 265	36 583	36 583
Provisions	(28 265)	(28 265)	(26 930)	(13 223)
Total other debtors	135 227	374 756	183 065	275 751

(18) Deferred expenses

	Company 31.12.2020.	Group 31.12.2020.	Company 31.12.2019.	Group 31.12.2019.
	EUR	EUR	EUR	EUR
Insurance	32 709	32 750	18 956	18 956
License for lending services and debt recovery services	56 663	111 669	15 351	29 576
Prepayment for rent and other costs	134 994	135 104	59 681	60 007
Total deferred expenses	224 366	279 523	93 988	108 539

(19) Cash and bank

	31.12.2020.	31.12.2020.	31.12.2019.	31.12.2019.
	EUR	EUR	EUR	EUR
Cash at bank	3 410 752	4 234 350	564 984	888 327
Cash in hand	357 604	357 604	247 317	247 317
	3 768 356	4 591 954	812 301	1 135 644

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

(20) Share capital

As at 31 December 2020, the Parent Company's share capital is EUR 4 000 000 which consists of 4 000 000 ordinary shares, each of them with a nominal value of EUR 1. All shares are fully paid.

(21) Bonds issued

	Company 31.12.2020.	Group 31.12.2020.	Company 31.12.2019.	Group 31.12.2019.
	EUR	EUR	EUR	EUR
Bonds issued	8 481 000	8 481 000	6 100 000	6 100 000
Bonds commission	(39 283)	(39 283)	(40 147)	(40 147)
Total long-term part of bonds issued	8 441 717	8 441 717	6 059 853	6 059 853
Bonds issued	5 000 000	5 000 000	1 750 000	1 750 000
Bonds commission	(1 232)	(1 232)	(15)	(15)
Interest accrued	23 884	23 884	14 782	14 782
Total short-term part of bonds issued	5 022 652	5 022 652	1 764 767	1 764 767
Bonds issued, total	13 481 000	13 481 000	7 850 000	7 850 000
Interest accrued, total	23 884	23 884	14 782	14 782
Bonds commission, total	(40 515)	(40 515)	(40 162)	(40 162)
Bonds issued net	13 464 369	13 464 369	7 824 620	7 824 620

As of 31 December 2020 the Parent company of the Group has outstanding bonds (ISIN LV0000802213) in the amount of EUR 5 000 000, registered in the Latvia Central Depository on the following terms – number of securities issued: 5 000, nominal value 1 000 euro per each, 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 bonds issue in full amount was traded on NASDAQ Baltic First North Alternative market as of 19.03.2018. The bond is secured by a commercial pledge on the property and claims of the Company and all its subsidiaries.

Notes (continued)

Bonds issued (continued)

As of 31 December 2020 the Parent company of the Group has outstanding bonds (ISIN LV0000802379) in the amount of EUR 5 000 000, registered in the Latvia Central Depository on the following terms – amount of emissions recorded 5 000, amount of emissions recorded with nominal value 1 000 euro per each bond, 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 bonds issue was traded on NASDAQ Baltic First North Alternative market as of 11.08.2020. The bonds are secured by a commercial pledge on the property and claims of the Company and all its subsidiaries.

As of 31 December 2020 the Parent company of the Group has outstanding bonds (ISIN LV0000802429) in the amount of EUR 3 500 000, registered with the Latvia Central Depository and issued in closed offer on 30 September 2020 on the following terms – amount of emissions 3 500, amount of emissions recorded with nominal value 1 000 euro per each bond, coupon rate - 12%, 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 bonds are not secured.

As of 31 December 2020 AS DelfinGroup owns it's own bonds (ISIN LV0000802429) in the amount of EUR 19 000. The bonds asset is deducted in the financial statements from bonds liabilities.

The Company has registered a commercial pledge by pledging its property and receivables, with maximum claim amount of EUR 40.5 million as a collateral on pari passu principle among bondholders of notes issues ISIN LV0000802213, and ISIN LV0000802379, as well as for SIA Mintos Finance. As of 31 December 2020 amount of secured liabilities constitutes EUR 5 000 000 for bonds ISIN LV0000802213, EUR 5 000 000 EUR for bonds ISIN LV0000802379 and EUR 17 286 857 for AS Mintos Finance.

(22) Other borrowings

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
Other long-term loans	5 646 755	6 816 925	4 749 199	5 576 378
Total other long-term loans	5 646 755	6 816 925	4 749 199	5 576 378
Other short-term loans	9 339 999	10 869 932	11 481 122	13 037 185
Total other short-term loans	9 339 999	10 869 932	11 481 122	13 037 185
Total other loans	14 986 754	17 686 857	16 230 321	18 613 563

The Company has received loan from legal entity SIA "MS Investīciju fonds" (non-related party) in amount of EUR 400 thousand. The interest is charged 14% (annually) and the repayment term is 30.04.2022. The loan was received without security granted.

The remaining amount on other borrowings is represented by loans received from a crowdfunding platform SIA Mintos Finance, the company registered in European Union. The weighted average annual interest rate as of 31 December 2020 is 13,88%. According to the loan agreement with SIA Mintos finance the loan matures accordingly to the particular loan agreement terms concluded by the Company with its customers.

(23) Lease liabilities

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
Long term lease liabilities - premises	2 670 754	2 670 754	1 460 753	1 460 753
	61			
Long term lease liabilities - vehicles	382	61 382	76 009	76 009
Total long-term lease liabilities	2 732 136	2 732 136	1 536 762	1 536 762
	669	669	540	540
Short term lease liabilities - premises	951	951	601	601
	33			
Short term lease liabilities - vehicles	764	33 764	49 930	49 930
Total short-term lease liabilities	703 715	703 715	590 531	590 531
Lease liabilities, total	3 435 851	3 435 851	2 127 293	2 127 293

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.

Notes (continued)

(24) Accounts payable to affiliated companies

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
Debt for received payments of the assigned rights of claim to SIA ExpressInaksso	243 619	-	234 070	-
Accrued liabilities for facilities management and utilities to SIA Banknote commercial properties	196	-	179	179
Debt for the services provided by the SIA VizijaFinance	-	-	17	-
Total liabilities to related parties	243 815	-	234 266	179

(25) Trade creditors and accrued liabilities

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
Debts to suppliers	226 631	253 259	198 397	219 062
Salaries	254 000	254 685	238 214	239 824
Vacation liabilities	271 487	272 846	278 778	281 035
Amounts due to loan recipients	348 595	348 595	282 293	282 293
Other liabilities	158 355	175 269	507 752	70 965
	1 259 068	1 304 654	1 505 434	1 093 179

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:

	31.12.2020. EUR	31.12.2020. EUR	31.12.2019. EUR	31.12.2019. EUR
Receivables not yet due	1 236 549	1 282 135	1 466 598	1 053 391
Outstanding for 1-30 days	21 166	21 166	37 513	37 513
Outstanding more than 30 days	1 353	1 353	1 323	2 275
Total trade creditors and accrued liabilities	1 259 068	1 304 654	1 505 434	1 093 179

(26) Taxes and social insurance payments

Company's taxes and social insurance

	VAT EUR	Corporate income tax EUR	Business risk charge EUR	Social insurance EUR	Payroll tax EUR	Vehicles tax EUR	Natural resource tax EUR	Total EUR
(Overpaid) 31.12.2019.	-	(1 652)	-	-	-	-	-	(1 652)
Liabilities 31.12.2019.	31 627	-	97	133 658	63 598	3 630	554	233 164
Charge for 2020	299 896	753 716	1 184	1 531 511	821 056	14 559	400	3 422 322
Late payment penalty 2020	1 861	1 762	-	11 491	7 145	-	2	22 261
Redirected to other taxes	-	4 988	-	(5 037)	5	-	44	-
Paid in 2020	(277 958)	(508 913)	(1 182)	(1 346 279)	(716 856)	(13 963)	(913)	(2 866 064)
(Overpaid) 31.12.2020.	-	-	-	-	-	-	-	-
Liabilities 31.12.2020.	55 426	249 901	99	325 344	174 948	4 226	87	810 031

Notes (continued)

Taxes and social insurance payments (continued)

Group's taxes and social insurance

	VAT	Corporate income tax	Business risk charge	Social insurance	Payroll tax	Vehicles tax	Natural resource tax	Real estate tax	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
(Overpaid)									
31.12.2019.	-	(1 752)	(10)	(4 577)	(2 336)	-	-	-	(8 675)
Liabilities									
31.12.2019.	41 678	931	99	134 292	63 887	3 630	554		245 071
Charge for 2020	323 121	754 536	1 209	1 538 951	826 048	14 559	404	832	3 459 660
Late payment penalty 2020	1 861	1 762	-	11 492	7 152	-	2	-	22 269
Redirected to other taxes 2020	-	5 088	-	(5 087)	(45)	-	44	-	-
Paid in 2020	(306 615)	(509 844)	(1 211)	(1 352 346)	(720 753)	(13 963)	(917)	(832)	(2 906 481)
(Overpaid)									
31.12.2020.	-	-	(12)	(2 969)	(1 127)	-	-	-	(4 108)
Liabilities									
31.12.2020.	60 045	250 721	99	325 694	175 080	4 226	87	-	815 952

(27) Average number of employees

	2020	2019
Average number of employees during the reporting year of the Parent company	274	271
Average number of employees during the reporting year of the Group	279	276

(28) Management remuneration

	31.12.2020. EUR	31.12.2019. EUR
Board members' remuneration:		
· salary expenses	273 631	273 761
· social insurance	65 918	65 949
	339 549	339 710

Council members do not receive any remuneration for their work as council members.

During the year loans in the amount of EUR 35 000 were issued to the board members. Loans and accrued interest in the amount of EUR 81 451 were repaid during the reporting period. The interest on loans is charged as 2.92% p.a.

As at 31.12.2020, the members of the Management Board have no outstanding loans.

Notes (continued)

(29) Changes in liabilities arising from financing activities

Company changes in liabilities arising from financing activities

The Company	Bonds issued EUR	Other borrowings EUR	Lease liabilities EUR	Dividends' payables EUR	Total liabilities from financing activities EUR
Carrying amount at 31 December 2018	7 914 767	10 919 242	-	-	18 834 009
Proceeds	1 693 000	9 769 075	-	1 500 000	12 962 075
Redemption	(1 750 000)	(5 144 743)	(828 489)	(1 500 000)	(9 223 232)
IFRS 16 adoption	-	-	2 007 825	-	2 007 825
New lease contracts	-	-	481 034	-	481 034
Modification of lease contracts	-	-	346 910	-	346 910
Interest expense on lease liabilities	-	-	134 484	-	134 484
Disposals	-	-	(14 471)	-	(14 471)
Other	(33 147)	921 013	-	-	887 866
Carrying amount at 31 December 2019	7 824 620	16 464 587	2 127 293	-	26 416 500
Proceeds	8 606 000	7 349 981	-	3 000 000	18 955 981
Redemption	(2 975 000)	(8 879 115)	(746 569)	(3 000 000)	(15 600 684)
New lease contracts	-	-	1 150 880	-	1 150 880
Modification of lease contracts	-	-	716 005	-	716 005
Interest expense on lease liabilities	-	-	188 243	-	188 243
Disposals	-	-	(1)	-	(1)
Other	8 749	295 116	-	-	303 865
Carrying amount at 31 December 2020	13 464 369	15 230 569	3 435 851	-	32 130 789

The "Other" line includes the effect of accrued but not yet paid interest on bonds issued, other borrowed funds and subordinated loans.

Group's changes in liabilities arising from financing activities

The Group	Bonds issued EUR	Other borrowings EUR	Lease liabilities EUR	Dividends' payables EUR	Total liabilities from financing activities EUR
Carrying amount at 31 December 2018	7 914 767	11 640 824	-	-	19 555 591
Proceeds	1 693 000	12 586 871	-	1 500 000	15 779 871
Redemption	(1 750 000)	(7 235 205)	(828 489)	(1 500 000)	(11 313 694)
IFRS 16 adoption	-	-	2 007 825	-	2 007 825
New lease contracts	-	-	481 034	-	481 034
Modification of lease contracts	-	-	346 910	-	346 910
Interest expense on lease liabilities	-	-	134 484	-	134 484
Disposals	-	-	(14 471)	-	(14 471)
Other	(33 147)	1 621 252	-	-	1 588 105
Carrying amount at 31 December 2019	7 824 620	18 613 742	2 127 293	-	28 565 655
Proceeds	8 606 000	10 415 870	-	3 000 000	22 021 870
Redemption	(2 975 000)	(11 546 966)	(746 569)	(3 000 000)	(18 268 535)
New lease contracts	-	-	1 150 880	-	1 150 880
Modification of lease contracts	-	-	716 005	-	716 005
Interest expense on lease liabilities	-	-	188 243	-	188 243
Disposals	-	-	(1)	-	(1)
Other	8 749	204 211	-	-	212 960
Carrying amount at 31 December 2020	13 464 369	17 686 857	3 435 851	-	34 587 077

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 2020	Transactions in 2019
Parent company's owners		
Lombards24.lv SIA, reg. No. 40103718685	✓	✓
AE Consulting SIA, reg. No. 40003870736	✓	✓
EC finace SIA, reg. No. 40103950614	✓	✓
Didzis Ādmīdīņš, 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	✓	✓
Banknote commercial properties SIA, reg. No. 40103501494 (from 30.09.2020.)	✓	-
Other related companies		
Banknote commercial properties SIA, reg. No. 40103501494 (till 30.09.2020.)	✓	✓
KALPAKS SIA, reg.No. 40203037474	✓	✓
EL Capital SIA, reg.No. 40203035929	✓	✓
EuroLombard Ltd, reg. No. 382902595000	✓	✓
OBDO Gin SIA, reģ. Nr. 50103451231	✓	✓

All transactions with related parties are carried out in accordance with general market conditions.

	2020 EUR	2019 EUR
Parent company transactions with:		
Owners of the parent company		
Interest paid		
Board members	-	(2 525)
Interest received		
AE Consulting SIA	26 804	29 584
L24 Finance SIA	1 575	1 436
EC finance SIA	11	-
Services received		
AE Consulting SIA	(1 698)	(1 326)
Services delivered		
AE Consulting SIA	1 331	214
L24 Finance SIA	360	120
EC finance SIA	300	60
Goods sold		
AE Consulting SIA	1 090	-
Board members	992	-
Investment in shares		
L24 Finance SIA	(1 921)	-

Notes (continued)

Related party transactions (continued)

	2020 EUR	2019 EUR
Parent company's transactions with:		
Subsidiaries		
Interest paid		
ExpressInkasso SIA	(2 944)	(2 048)
ViziaFinance SIA	-	(3 293)
Interest received		
ViziaFinance SIA	19 866	3 570
Banknote commercial properties SIA	1 619	-
ExpressInkasso SIA	15	-
REFIN SIA	-	12 282
Services delivered		
ViziaFinance SIA	16 588	17 636
ExpressInkasso SIA	10 106	25 214
REFIN SIA	400	160
Banknote commercial properties SIA	330	-
Services received		
ExpressInkasso SIA	-	(94 547)
Banknote commercial properties SIA	(5 294)	-
Investment in shares		
REFIN SIA	-	(500 000)
Companies and individuals under common control or significant influence		
Interest paid		
Board members	(1 598)	-
Interest received		
Board members	-	572
Services delivered		
EA investments AS	300	60
Board members		1 815
Other related companies		
Interest received		
Banknote commercial properties SIA	1 661	3 724
EuroLombard Ltd	1 570	-
KALPAKS SIA		36 804
Services received		
Banknote commercial properties SIA	(15 569)	(20 900)
Services delivered		
Banknote commercial properties SIA	938	1 085
EL Capital, SIA	447	207
EuroLombard Ltd.	6 139	12 138
OBDO Gin, SIA	8 418	60
KALPAKS, SIA	321	524
Goods received		
OBDO Gin, SIA	(43)	-
Fixed assets sold		
OBDO Gin, SIA	160	-
Group's transactions with:		
Owners of the parent company		
Interest paid		
Board members	-	(2 525)
Interest received		
AE Consulting SIA	26 804	29 584
L24 Finance SIA	1 575	1 436
EC finance SIA	11	-
Services received		
AE Consulting SIA	(1 698)	(3 504)
Services delivered		
AE Consulting SIA	2 965	214
L24 Finance SIA	360	120
EC finance SIA	300	60
Goods sold		
AE Consulting SIA	1 090	-
Board members	992	-
Investment in shares		
L24 Finance SIA	(1 921)	-

Notes (continued)

Related party transactions (continued)

Companies and individuals under common control or significant influence

Interest paid		
Board members	(1 598)	-
Interest received		
Board members	-	572
Services delivered		
EA investments AS	300	60
Board members		1 815

Other related companies

Interest received		
Banknote commercial properties SIA	1 661	3 724
EuroLombard Ltd	1 570	-
KALPAKS SIA		36 804
Services received		
Banknote commercial properties SIA	(15 569)	(20 900)
Services delivered		
Banknote commercial properties SIA	938	1 085
EL Capital, SIA	447	207
EuroLombard Ltd.	6 139	12 138
OBDO Gin, SIA	8 418	60
KALPAKS, SIA	321	524
Goods received		
OBDO Gin, SIA	(43)	-
Fixed assets sold		
OBDO Gin, SIA	160	-

Loans debt to shareholders and management

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
AE Consulting SIA	381 796	381 796	1 072 423	1 072 423
L24 Finance SIA	83 688	83 688	70 186	70 186
EA investments AS	9 000	9 000	-	-
Board members	-	-	44 853	44 853
EC finance SIA	-	-	73	73
	474 484	474 484	1 187 535	1 187 535

Debt of Subsidiaries

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
REFIN SIA	2 874 763	-	5 723 024	-
ViziaFinance SIA	1 056 164	-	-	-
Banknote commercial properties SIA	101 184	-	119 883	119 883
Other Subsidiaries	2	-	447	265
	4 032 113	-	5 843 354	120 148

(31) Segment information

For management purposes, the Company is organised into three 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.
Consumer loan segment	Handling consumer loans to customers, debt collection activities and loan cessions to external debt collection companies.
Other operations segment	Providing loans for real estate development, general administrative services to the companies of the Group, transactions with related parties.

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 differently from profit or loss in the standalone and consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments. For the costs, which direct allocation to 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

Notes (continued)

Segment information (continued)

The following tables present income and profit and certain asset and liability information regarding the Company's and Group's operating segments.

EUR	Pawn loans		Consumer loans		Other activities		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Assets	8 089 151	7 379 969	26 632 345	18 570 393	7 321 985	9 731 629	45 959 145	35 930 535
Liabilities of the segment	7 542 728	5 697 339	21 268 008	15 045 917	4 469 032	6 696 886	36 004 750	27 440 142
Income	10 838 504	10 081 593	10 153 633	9 394 316	631 410	895 787	23 663 986	20 371 798
Net performance of the segment	2 215 782	2 088 635	4 214 610	4 082 031	861 148	367 913	8 142 395	6 538 681
Financial (expenses)	(621 904)	(521 782)	(2 209 818)	(1 462 674)	(446 289)	(703 215)	(3 490 389)	(2 687 671)
Profit/(loss) before taxes	1 593 878	1 566 853	2 004 792	2 619 357	414 859	(335 302)	4 652 006	3 851 010
Corporate income tax	(299 320)	(130 985)	(376 488)	(218 972)	(77 908)	-	(754 536)	(349 957)
<i>Other information</i>								
Fixed assets and intangible assets (NBV)	2 689 537	2 262 005	785 821	267 195	330 059	57 180	4 030 567	2 593 128
Depreciation and amortisation during the reporting period	(723 583)	(857 905)	(211 414)	(101 339)	(88 798)	(21 686)	(1 044 769)	(980 930)
Loans issued	18 230 191	11 398 616	24 823 851	15 593 290	26 000	5 244 078	43 080 042	32 235 984
Loans received	18 008 376	10 972 439	17 828 674	12 432 266	2 850 292	1 312 054	38 687 342	24 716 759

Based on the nature of the services the Group's operations can be divided as follows.

EUR	Pawn loans		Consumer loans		Other activities		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Assets	8 081 189	7 015 780	32 229 638	21 985 020	5 184 436	8 872 002	45 959 145	38 270 315
Liabilities of the segment	7 338 606	5 454 586	24 520 090	17 204 131	4 146 054	6 742 571	36 004 750	29 401 289
Income	10 838 504	10 081 593	12 383 072	10 808 448	442 410	895 787	23 663 986	21 785 930
Net performance of the segment	2 119 084	2 007 993	5 356 507	4 766 264	666 804	341 917	8 142 395	7 116 276
Net financial income (expenses)	(588 268)	(482 991)	(2 500 018)	(1 683 200)	(402 103)	(686 792)	(3 490 389)	(2 852 983)
Profit/(loss) before taxes	1 530 816	1 525 003	2 856 490	3 083 063	264 701	(344 875)	4 652 006	4 263 293
Corporate income tax	(248 292)	(115 815)	(463 311)	(234 142)	(42 933)	-	(754 536)	(349 957)
<i>Other information</i>								
Fixed assets and intangible assets (NBV)	2 695 612	2 271 869	791 896	277 059	330 059	57 180	4 030 567	2 740 472
Depreciation and amortisation during the reporting period	(737 719)	(859 385)	(216 721)	(104 804)	(90 329)	(21 630)	(1 044 769)	(985 819)
Loans issued	18 230 191	11 398 616	29 894 481	20 227 500	26 000	5 244 078	48 150 672	36 870 194
Loans received	18 008 376	10 972 439	20 819 042	14 470 519	2 850 292	1 312 054	41 677 710	26 755 012

Notes (continued)

(32) Guarantees issued, pledges

The Company has registered a commercial pledge by pledging its property and receivables, with maximum claim amount of EUR 40.5 million as a collateral on pari passu principle among bondholders of notes issues ISIN LV0000802213, and ISIN LV0000802379, as well as for SIA Mintos Finance. As of 31 December 2020 amount of secured liabilities constitutes EUR 5 000 000 for bonds ISIN LV0000802213, EUR 5 000 000 EUR for bonds ISIN LV0000802379 and EUR 17 286 857 for AS Mintos Finance.

(33) Fair value measurements

a) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ▶ Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- ▶ Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

At 31 December 2020	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Assets for which fair values are disclosed				
Cash and cash equivalents	4 591 954	-	-	4 591 954
Loans and receivables	-	-	34 673 854	34 673 854
Loans to shareholders and management	-	-	474 484	474 484
Other financial assets	-	-	654 279	654 279
Liabilities for which fair values are disclosed				
Bonds issued	-	13 464 369	-	13 464 369
Other borrowings	-	-	17 686 857	17 686 857
Lease liabilities	-	-	3 435 851	3 435 851
Trade payables	-	-	702 933	702 933
Accounts payable to affiliated companies	-	-	815 952	815 952

b) Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the Consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 2020	Fair value 2020	Unrecognised gain/(loss) 2020	Carrying value 2019	Fair value 2019	Unrecognised gain/(loss) 2019
Financial assets						
Cash and cash equivalents	4 591 954	4 591 954	-	1 135 644	1 135 644	-
Loans and receivables	34 673 854	34 261 871	411 983	31 546 874	30 179 814	1 367 060
Loans to shareholders and management	474 484	484 650	(10 166)	1 187 535	1 170 152	17 383
Other financial assets	654 279	654 279	-	384 290	384 290	-
Financial liabilities						
Bonds issued	13 464 369	13 463 004	(1 365)	7 824 620	7 934 893	110 273
Other borrowings	17 686 857	18 414 469	727 612	18 613 563	18 817 060	203 497
Lease liabilities	3 435 851	3 504 097	68 246	2 127 293	2 164 842	37 549
Trade payables	702 933	702 933	-	501 355	501 355	-
Total unrecognised change in fair value			1 106 310			1 725 762

Notes (continued)

(34) Analysis of financial liabilities by remaining contractual maturities

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay.

As at 31 December 2020	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities					
Bonds issued	286 856	6 264 080	9 347 945	-	15 898 881
Other borrowings	3 249 906	7 928 097	10 366 606	-	21 544 609
Lease liabilities	147 711	716 359	2 025 222	1 333 543	4 222 835
Trade payables	702 933	-	-	-	702 933
Total undiscounted financial liabilities	4 387 406	14 908 536	21 739 773	1 333 543	42 369 258

(35) Subsequent events

After the year end the Company changed legal form from limited liability company to joint stock company, there were made changes to share capital denomination – share capital constitutes EUR 4 000 000, with 40 000 000 shares and nominal value of 0,10 EUR per share.

As well, the decision to reorganize SIA Banknote Commercial properties, SIA Refin and SIA ExpressInkasso was made to streamline the core business of the Company. The assets of the reorganized entities will be incorporated in AS DelfinGroup business activities.

On the 23rd March 2021 the Company announced its intention to go public with intention to list shares on Main Market of Nasdaq Riga Stock Exchange during 2021.

During the period from the last day of the reporting period to the date of signing these consolidated financial statements, no events have occurred, which would entail the necessity of making adjustments to these consolidated financial statements or ought to be explained in these consolidated financial statements.

(36) COVID – 19 impact

In March 2020 the Republic of Latvia and many other countries introduced restrictions in relation to coronavirus pandemic. The restrictions have affected the economic activity in the country and in the world.

The Company's management is continuously assessing the situation and currently the Company's operations are regarded as stable with positive outlook. Company's management have assessed going concern assumption and the management works and complies with set strategy of developing further pawn shop and consumer lending services meeting its financial obligations. On 23rd of March, 2021 the Company has announced intention to go public in 2021.

During the restrictions of the state of emergency due to pandemic in the Q2 2020 and Q4 2020 the major impact has been on the volume of issuance of loans with the decrease of about 28% (Q1 vs Q2) for pawn loans and 27% (Q1 vs Q2) for consumer loans. Still, in the period of lifted restrictions the issuance increased respectively by 48% (Q2 vs Q3) and 95.8% (Q2 vs Q3). The total income revenue decreased by 15% (Q1 vs Q2) and increased to 18% (Q2 vs Q3). The Company's consolidated turnover in 2020 increased by 9% and loan portfolio increased by 10% in comparison to year 2019. During the period of strict restrictions, the pawn shop sales even increased. In Q4 of 2020, the turnover of the e-shop has grown by 231% on the quarter before and by 438% on the same period of the previous year.

In March 2020 the Company's management performed necessary measures to address COVID – 19 pandemic risks by arranging remote work for the administration utilising already present technological solutions and incurring small transition to remote work costs. As well, the Company performed actions to accumulate cash reserves for the purpose of risk management during uncertainty times. The measures included renegotiation of rent terms in range up to 50% and up to period of six month, reduction in salaries and agreement on deferral of tax payments. There was performed analysis in relation to further attraction of financing from Mintos platform, where interest rates for the attracted funds increased in Q2. As of July 2020, the cost of funds decreased as different stimulus packages in Latvia and around the world were introduced. Thus, the prospects for attraction of funds from Mintos marketplace has stabilized in 2020 H2. After the pandemic first wave, the Company attracted 4,5 million EUR bond financing - 1 million EUR of secured bonds with annual rate of 14% and 3.5 million EUR of unsecured bonds with annual rate of 12%.

With the pandemic there were introduced more strict loan underwriting policies. Nonetheless, net loan portfolio increased by 10%, while overall non-performing loan ratio slightly increased in 2020 Q1, but returned to the pre-pandemic levels in remaining quarters of 2020. The management has evaluated the quality of loan portfolio and concluded that pandemic did not have significant impact on the loan portfolio of the company. The management will continue prudently monitoring the quality of loan portfolio and effect of the pandemic and related restrictions.

Notes (continued)

COVID – 19 impact (continued)

Except as provided in the previous paragraph, for the purpose of preparing these financial statements the management assessed the overall risk impact of Covid-19 for the Company as moderate and accordingly did not make any further significant changes into any other estimates or credit or market risk management policies as at 31 December 2020.

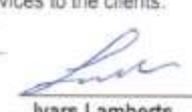
Nevertheless, with consideration of continuance of COVID-19 pandemic the management still regularly follows the further developments and analyzes potential of its impacts in 2021 and is properly prepared to assess and implement any further changes into accounting policies, estimates and risk management policies as well as review the respective risk grading once necessary to ensure the sustainable growth of the Company as well as proper and safe provision of services to the clients.



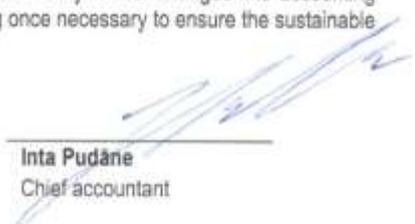
Didzis Admiņš
Chairman of the Board



Kristaps Bergmanis
Board Member



Ivars Lamberts
Board Member



Inta Pudāne
Chief accountant

Rīga, 23rd April 2021

Independent Auditor's Report

To the shareholder of AS "DelfinGroup"

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the separate financial statements of AS "DelfinGroup" ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 11 to 45 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate and consolidated statement of financial position as at 31 December 2020;
- 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 2020, 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 ("Law on Audit Services") 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 Group in accordance with the International Ethics Standards Board for Accountants' 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 separate and consolidated 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.

Reporting on Other Information

The Company'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 9 of the accompanying Annual Report,
- the Statement of Corporate Governance as set out on page 10 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.

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 Group 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

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 of the Republic of Latvia.

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 of the Republic of Latvia.

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

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

Auditor's Responsibility 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.

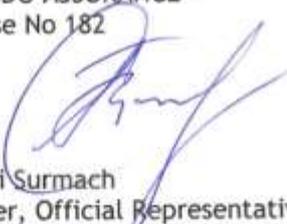


As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the separate and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

SIA "BDO ASSURANCE"
License No 182


Andrei Surmach
Partner, Official Representative


Irita Cimdare
Member of the Board
Sworn auditor
Certificate No 103

Riga, Latvia
23 April 2021

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.Iv, 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 Zilīte, 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
(TRANSLATION FROM LATVIAN)

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
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

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
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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

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

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

Riga, 24th April 2020

Didzis Ādmiņš
Board Member



Kristaps Bergmanis
Board Member



Ivars Lamberts
Board Member

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

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 Ādmīnš
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)**

Profit or loss account for the year ended 31 December 2019

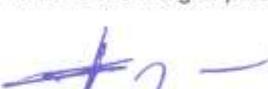
	Notes	Parent company 2019 EUR	Group 2019 EUR	Parent company 2018 EUR	Group 2018 EUR
Net sales	(1)	5 403 464	5 403 464	4 186 422	4 186 422
Cost of sales	(2)	(3 603 607)	(3 603 607)	(2 658 754)	(2 658 754)
Interest income and similar income	(3)	14 968 334	16 382 466	13 793 021	14 663 755
Interest expenses 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.


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Board Member


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Board Member


Ivars Lamberts
Board Member


Ināra Pudāne
Chief accountant

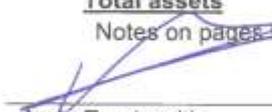
Riga, 24th April 2020

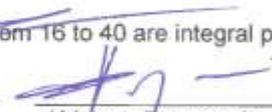
**SIA "DELINGROUP" ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(TRANSLATION FROM LATVIAN)**

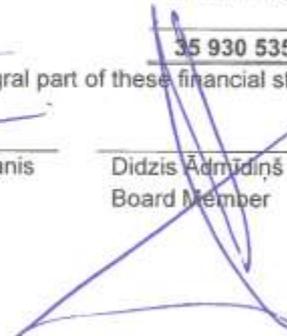
Balance sheet as at 31 December 2019

<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

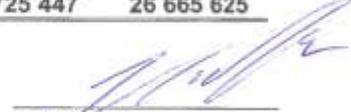
Notes on pages from 16 to 40 are integral part of these financial statements


Agris Evertovskis
Chairman of the Board


Kristaps Bergmanis
Board Member


Didzis 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
		company		company	
<u>Liabilities</u>	Notes	31.12.2019.	31.12.2019.	31.12.2018.	31.12.2018.
		EUR	EUR	EUR	EUR
Shareholders' funds:					
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

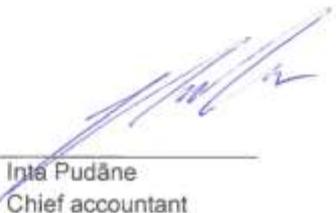
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Board Member


Didzis Ādmiņš
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)**

Statement of changes in equity of the Parent Company's for the year ended 31 December 2019

	Share capital	Retained earnings	Profit for the reporting year	Total
	EUR	EUR	EUR	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

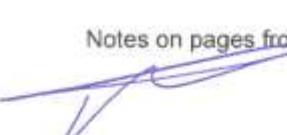
* IFRS 9 transitional provisions adjustment of the carrying amount of financial assets for 01.01.2018. is recognized in retained earnings of previous years.

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

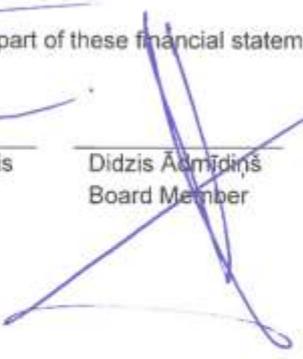
	Share capital	Retained earnings	Profit for the reporting year	Total
	EUR	EUR	EUR	EUR
As at 31 December 2017	1 500 000	232 708	1 956 770	3 689 478
Dividends paid	-	(1 739 714)	(490 000)	(2 229 714)
Prior years' retained earnings of subsidiary sold	-	-	(3 343)	(3 343)
Profit transfer	-	1 953 427	(1 953 427)	-
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 Aumirdiņš
Board Member


Ivars Lamberts
Board Member


Inta 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)**

Cash flow statement for the year ended 31 December 2019

	Parent company 2019 EUR	Group 2019 EUR	Parent company 2018 EUR	Group 2018 EUR
Cash flow from operating activities				
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
Cash flow from investing activities				
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)

Cash flow from financing activities				
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 Admiņiņš
Board Member


Ivars Lamberts
Board Member


Ināra 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	Adjustments 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-expense 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
	<u>5 403 464</u>	<u>5 403 464</u>	<u>4 186 422</u>	<u>4 186 422</u>

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
	<u>5 403 464</u>	<u>5 403 464</u>	<u>4 186 422</u>	<u>4 186 422</u>

(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
	<u>3 603 607</u>	<u>3 603 607</u>	<u>2 658 754</u>	<u>2 658 754</u>

(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
	<u>14 968 334</u>	<u>16 382 466</u>	<u>13 793 021</u>	<u>14 663 755</u>

**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)	-	-
	<u>3 335 473</u>	<u>3 487 530</u>	<u>2 659 968</u>	<u>2 770 859</u>

* 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
	<u>197 288</u>	<u>199 778</u>	<u>151 363</u>	<u>151 419</u>

(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
	<u>349 957</u>	<u>349 957</u>	<u>78 868</u>	<u>78 879</u>

**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							
	Other fixed assets and inventory	Advances	Leasehold improvements	Right-of- use premises	Right-of- use vehicles	Right-of- use assets, total	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							
	Other fixed assets and inventory	Advances	Leasehold improvements	Right-of- use premises	Right-of- use vehicles	Total, 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							

**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. EUR	01.01.2019. 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	<u>1 980 106</u>	<u>2 010 644</u>
 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	<u>2 024 935</u>	<u>2 007 825</u>

	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	<u>(49 007)</u>

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)
	1 155 352	848 111

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	1 432 760	1 220 856

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	277 408	372 745

(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	6 215 523	8 859 789	3 121 260	3 491 915
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	16 163 461	22 687 085	14 886 732	16 658 940
Loans and receivables	22 378 984	31 546 874	18 007 992	20 150 855

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)

**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.

**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
<i>Bonds issued</i>	7 824 620	7 824 620	7 914 767	7 914 767
<i>Other loans</i>	16 332 679	18 715 921	10 747 631	11 640 408
<i>Related parties' loans</i>	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
<i>Loans and receivables</i>	22 378 984	31 596 874	18 007 992	20 150 855
<i>Loans to shareholders and management</i>	1 022 423	1 022 423	1 073 823	1 072 274
<i>Loans to related parties</i>	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

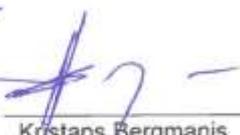
As at 31.12.2017, the Company has issued guarantees for another Company to purchase cars on financial lease terms. The total amount guaranteed as at 31.12.2019 is EUR 37 633. The guarantee is in force until 2021. On December 4, 2019, the Company registered a commercial pledge by pledging all its property 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".

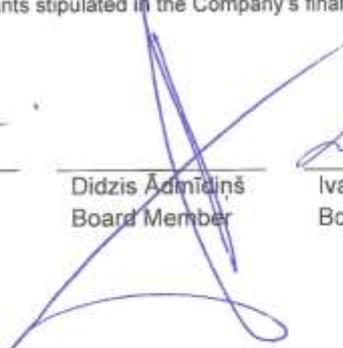
(32) Subsequent events

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


Krists Bergmanis
Board Member


Didzis Admiņš
Board Member


Ivars Lamberts
Board Member


Ināra Pudāne
Chief accountant

Riga, 24th April 2020



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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.
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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.
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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:

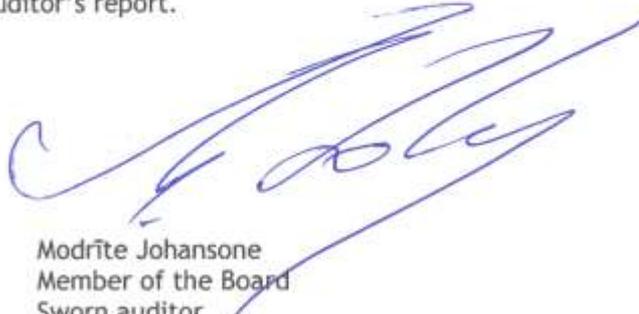
- our audit opinion is consistent with the additional report presented to the Council of the Company and the Group who executes the Audit Committee function;
- as referred to in the paragraph 37.6 of the Law on Audit Services of the Republic of Latvia we have not provided to the Company and the Group 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

18. SCHEDULE 2

THE GROUP'S UNREVIEWED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD WHICH ENDED ON 30 JUNE 2022



custom finance
solutions

JSC “DelfinGroup”

Unaudited interim
condensed
consolidated
financial statements
for the six-month
period ended
30 June 2022

Translation from Latvian

Table of Contents

Information on the Company and subsidiaries	3 – 5
Statement of management's responsibility	6
Management report	7 - 9
Interim condensed consolidated Statement of profit or loss	10
Interim condensed consolidated Balance sheet	11 – 12
Interim condensed consolidated Statement of changes in equity	13
Interim condensed consolidated Statement of cash flows	14
Notes	15 – 23

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	<p>LLC L24 Finance (57.53%), 12 Juras Street, Liepaja, Latvia</p> <p>LLC AE Consulting (8.90%), 50A Skanstes Street, Riga, Latvia</p> <p>LLC EC finance (18.81%), 50A Skanstes Street, Riga, Latvia</p> <p>Other (14.76%)</p>
Ultimate parent company	LLC L24 Finance Reg. No. 40103718685 12 Juras Street, Liepaja, Latvia
Names and positions of Board members	<p>Didzis Ādmīdiņš – Chairman of the Board (from 19.01.2021)</p> <p>Aldis Umblejs – Member of the Board (from 15.12.2021)</p> <p>Sanita Zitmane – Member of the Board (from 01.03.2022)</p> <p>Agris Evertovskis – Chairman of the Board (from 12.10.2009 till 19.01.2021)</p> <p>Didzis Ādmīdiņš – Member of the Board (from 11.07.2014 till 19.01.2021)</p> <p>Kristaps Bergmanis – Member of the Board (from 11.07.2014 till 15.12.2021)</p> <p>Ivars Lamberts – Member of the Board (from 11.01.2018 till 28.02.2022)</p>

**Names and positions of Supervisory Board
members**

Agris Evertovskis – Chairperson of the Supervisory Board (from
19.01.2021 till 12.04.2021, 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)

Anete Ozoliņa – Deputy Chairman of the Supervisory Board
(from 19.01.2021 till 13.04.2021)

Uldis Judinskis – Member of the Supervisory Board (from
19.01.2021 till 13.04.2021)

Uldis Judinskis – Chairperson of the Supervisory Board (from
16.05.2019 till 19.01.2021)

Ramona Miglāne – Deputy Chairman of the Supervisory Board
(from 16.05.2019 till 19.01.2021)

Anete Ozoliņa – Member of the Supervisory Board (from
16.05.2019 till 19.01.2021)

Reporting period

1 January 2022 – 30 June 2022

Information on the Subsidiaries

Subsidiary	LLC 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 JSC *DelfinGroup* (hereinafter – the Company) is responsible for the preparation of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2022 (hereinafter – interim condensed consolidated financial statements) of the Company and its subsidiaries (hereinafter – the Group).

The interim condensed consolidated financial statements set out on pages 10 to 23 are prepared in accordance with the source documents and present the financial position of the Group as of 30 June 2022 and the results of its operations, changes in shareholders' equity and cash flows for the six-month period ended 30 March 2022. The management report set out on pages 7 to 9 presents fairly the financial results of the reporting period and future prospects of the Group.

The interim condensed consolidated financial statements 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 JSC *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 Zitmane
Board Member

Management report

During the first half of 2022, Latvian financial services Group JSC *DelfinGroup* reached a turnover of EUR 16.1 million, which is 35% more compared to the same period in 2021. Also, EBITDA showed stable growth in the 2nd quarter with a 43% increase over last year's corresponding period, reaching EUR 3.2 million. The significant increase in turnover was also reflected in profitability. Profit before taxes during the first six months of 2022 increased by 58% year-on-year and reached EUR 3.6 million, and net profit showed a 47% increase in the 2nd quarter reaching EUR 1.22 million. Growth in business and profitability volumes was facilitated by all the main segments of JSD *DelfinGroup*, such as consumer lending, pawn lending, and retail of pre-owned goods. As a result, the 2nd quarter of 2022 itself has been the most successful in the history of the Group, with record-high revenue and profit before tax.

Also, record-high numbers have been reached in new loan issuance in the 2nd quarter. The Group issued EUR 15.4 million in new consumer loans, an increase of 90% yearly. Also, the lifting of Covid-19 restrictions in Latvia in the 2nd quarter positively impacted the pawn lending segment in which the Group issued EUR 5 million, an increase of 65% compared to last year. As a result, pawn loan issuance has surpassed pre-Covid-19 levels, which is a vital sign for future growth. Consequently, the strong loan issuance resulted in a record-high net loan portfolio amount reaching EUR 53.8 million, which has already exceeded the Group's strategic goal of reaching a net loan portfolio of EUR 51 million at the end of 2022.

In the second quarter of 2022, the Group continued to adhere to the promise of regular dividend distribution. As a result, shareholders of JSC *DelfinGroup* during the 2nd quarter received three dividend payments in total of EUR 2.73 million, namely EUR 0.0603 per share. As per the Group's dividend policy, quarterly dividends are paid up to 50% of the previous quarter's net profit. Since the IPO in October 2021, the Group has paid quarterly dividends from profits for all the periods starting from the 3rd quarter of 2021. It is expected that it will be proposed to the Shareholders' meeting to approve dividend payment from the profits of the 2nd quarter of 2022.

In June 2022, JSC *DelfinGroup* concluded a bond issue of EUR 10 million on the *Nasdaq Riga* alternative market, *Nasdaq First North*, with the historically lowest annual coupon rate of 8% and with a maturity date of November 25, 2023. In addition, the Group has registered a new private placement bond issue for EUR 10 million with an annual coupon rate of 8.75% + 3M EURIBOR rate and a maturity date of September 25, 2024.

In the 2nd quarter, the Group continued to modernize *Banknote* branch network by opening a new branch in Olaine. Modern and convenient branch embodies the plans to develop the Banknote chain this year, to continue with the creation of a new concept, and the modernization of a number of branches.

JSC *DelfinGroup* has published its second sustainable corporate governance or ESG report showing that the Group has prevented the origination of 10 793 tons of additional carbon emissions by rendering circular economy services. As a result, the Group has covered the carbon emissions of 2955 individuals in Latvia. The total carbon gas emissions in Latvia are 3.59 tons per capita. The full ESG report is available at JSC *DelfinGroup* website www.delfingroup.lv.

In April 2022, the Society Integration Foundation commended JSC *DelfinGroup* and announced it as a Family-Friendly Workplace that prioritizes people and their needs. These values represent a long-term focus in all areas of the Group's business: from staff development to business development and social responsibility.

Also, in April 2022, the Group continued to support Ukraine with another EUR 100 thousand donation. *Children's Hospital Foundation* and *Entrepreneurs for Peace* received the donation to continue helping refugee children with healthcare services in Latvia and to send essential goods to people in Ukraine.

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 2022 (profit statement items are compared to the same period of the previous year, balance sheet items are compared to the data as at 31.12.2021):

Position	EUR, million	Change, %
Net loan portfolio	53.8	+25.2
Assets	62.9	+20.8
Revenue	16.1	+34.8
EBITDA	5.8	+24.8
Profit before taxes	3.6	+58.1
Net profit	2.6	+61.4

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

Position	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2
Total income, EUR million	5.9	6.5	7.1	7.5	8.6
EBITDA, EUR million	2.2	2.4	3.1	2.6	3.2
EBITDA margin, %	37%	37%	44%	35%	37%
EBIT, EUR million	2.0	2.1	2.8	2.3	2.9
EBIT margin, %	34%	33%	39%	31%	34%
Profit before taxes, EUR million	1.1	1.2	1.7	1.6	2.0
Net profit, EUR million	0.8	1.0	1.6	1.4	1.2
Net profit margin, %	14%	16%	23%	19%	14%
ROE (annualised), %	38%	46%	47%	32%	29%
Current ratio	0.9	1.4	1.5	1.4	1.3

EBITDA calculation, EUR million:

Item	2022 Q2	2021 Q2
Profit before tax	2.0	1.1
Interest expenses and similar expenses	0.9	0.8
Depreciation of fixed assets and amortisation	0.3	0.3
EBITDA, EUR million	3.2	2.2

Management report (CONTINUED)

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

Covenant	Value as of 30.06.2022	Compliance
to maintain a Capitalization Ratio at least 25%	30%	yes
to maintain consolidated ICR of at least 1.25 times, calculated on the trailing 12 month basis	2.8	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.	2.0	yes

Branches

As at 30 June 2022, the Group had 93 branches in 38 cities in Latvia (31.12.2021 - 93 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 bonds and loans, 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 2022 profit as dividends in accordance with the Company's dividend policy, which sets the target of 50% quarterly dividend payout.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

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

Interim condensed consolidated Statement of profit or loss for the six-month period ended 30 June 2022

	Notes	For 6 months ended 30 June		For 3 months ended 30 June	
		2022	2021	2022	2021
		EUR	EUR	EUR	EUR
Net sales	(2)	3 395 115	2 691 195	1 929 358	1 485 264
Cost of sales		(2 153 596)	(1 762 614)	(1 259 108)	(1 014 595)
Interest income and similar income	(3)	12 700 054	9 245 032	6 690 017	4 433 054
Interest expenses and similar expenses	(4)	(1 647 163)	(1 863 495)	(958 252)	(852 218)
Credit loss expenses		(2 337 911)	(987 816)	(1 254 422)	(255 445)
Gross profit		9 956 499	7 322 302	5 147 593	3 796 060
Selling expenses	(5)	(3 443 038)	(2 768 017)	(1 685 972)	(1 442 331)
Administrative expenses	(6)	(2 625 706)	(1 994 781)	(1 346 302)	(1 050 101)
Other operating income		46 651	27 263	22 376	10 966
Other operating expenses		(372 911)	(333 690)	(177 525)	(189 383)
Profit before corporate income tax		3 561 495	2 253 077	1 960 170	1 125 211
Income tax expenses		(930 074)	(623 009)	(742 418)	(299 353)
Net profit for the reporting period		2 631 421	1 630 068	1 217 752	825 858
Earnings per share	(7)	0.058	0.041	0.027	0.021

Notes on pages from 15 to 23 are an integral part of these interim condensed consolidated financial statements.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

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Interim condensed consolidated Balance sheet as at 30 June 2022

Assets		Group 30 June 2022	Group 31 December 2021
Non-current assets:			
Intangible assets:	Notes	EUR	EUR
Patents, licences, trademarks and similar rights		46 976	64 037
Internally developed software		469 210	376 816
Other intangible assets		103 823	50 669
Goodwill		127 616	127 616
Advances on intangible assets		38 581	18 834
Total intangible assets:		786 206	637 972
Property, plant and equipment:			
Land, buildings, structures and perennials		186 268	189 906
Investments in property, plant and equipment		186 021	186 681
Right-of-use assets		2 772 807	2 972 570
Other fixtures and fittings, tools and equipment		192 436	206 604
Total property, plant and equipment		3 337 532	3 535 761
Non-current financial assets:			
Loans and receivables	(8)	35 362 693	28 569 431
Total non-current financial assets:		35 362 693	28 569 431
Total non-current assets:		39 486 431	32 743 164
Current assets:			
Inventories:			
Finished goods and goods for sale		2 328 788	1 949 490
Total inventories:		2 328 788	1 949 490
Receivables:			
Loans and receivables	(8)	18 411 833	14 392 319
Other debtors		112 494	352 269
Deferred expenses		251 756	167 436
Total receivables:		18 776 083	14 912 024
Cash and cash equivalents		2 314 369	2 459 862
Total current assets:		23 419 240	19 321 376
Total assets		62 905 671	52 064 540

Notes on pages from 15 to 23 are an integral part of these interim condensed consolidated financial statements.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

Interim condensed consolidated Balance sheet as at 30 June 2022

Liabilities and equity		Group	
		30 June 2022	31 December 2021
Equity:	Notes	EUR	EUR
Share capital		4 531 959	4 531 959
Share premium		6 890 958	6 890 958
Retained earnings	(9)	4 602 231	5 954 404
Total equity:		16 025 148	17 377 321
Liabilities:			
Long-term liabilities:			
Bonds issued	(10)	14 633 213	10 825 162
Other borrowings	(11)	11 880 360	8 086 468
Lease liabilities for right-of-use assets		2 463 160	2 652 498
Total long-term liabilities:		28 976 733	21 564 128
Short-term liabilities:			
Bonds issued	(10)	16 603	13 003
Other borrowings	(11)	13 946 901	10 487 168
Lease liabilities for right-of-use assets		633 190	652 699
Trade payables		848 864	805 784
Taxes and social insurance		462 554	398 268
Unpaid dividends	(12)	1 250 821	-
Accrued liabilities		744 857	766 169
Total short-term liabilities:		17 903 790	13 123 091
Total liabilities		46 880 523	34 687 219
Total liabilities and equity		62 905 671	52 064 540

Notes on pages from 15 to 23 are an integral part of these interim condensed consolidated financial statements.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

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Interim condensed consolidated Statement of changes in equity for the six-month period ended 30 June

	Share capital	Share premium	Retained earnings	Total
	EUR	EUR	EUR	EUR
As at 01 January 2021	4 000 000	-	5 453 709	9 453 709
Dividends paid (9)	-	-	(2 780 000)	(2 780 000)
Liquidation of subsidiary	-	-	7 036	7 036
Profit for the reporting period	-	-	1 630 068	1 630 068
As at 30 June 2021	4 000 000	-	4 310 813	8 310 813
As at 01 January 2022	4 531 959	6 890 958	5 954 404	17 377 321
Dividends paid (9, 12)	-	-	(3 983 594)	(3 983 594)
Profit for the reporting period	-	-	2 631 421	2 631 421
As at 30 June 2022	4 531 959	6 890 958	4 602 231	16 025 148

Notes on pages from 15 to 23 are an integral part of these interim condensed consolidated financial statements.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

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Interim condensed consolidated statement of cash flows for the six-month period ended 30 June 2022

Notes	For 6 months ended 30 June 2022 EUR	For 6 months ended 30 June 2021 EUR
Cash flow from operating activities		
Profit before corporate income tax	3 561 495	2 253 077
<u>Adjustments for non-cash items:</u>		
a) depreciation of fixed assets and amortisation of intangible assets	209 115	130 940
b) depreciation of right-of-use assets	373 082	392 908
c) credit loss expenses	2 337 911	987 816
d) cessation results	133 504	270 274
e) interest income and similar income	(3) (12 700 054)	(9 245 032)
f) interest expenses and similar expenses	(4) 1 647 163	1 863 495
Profit before adjustments of working capital and short-term liabilities	(4 437 784)	(3346522)
<u>Change in operating assets/liabilities:</u>		
a) (Increase) on loans and receivables and other debtors	(12 859 820)	828 416
b) (Increase) on inventories	(379 298)	988
c) (Decrease)/increase on trade payable and accrued liabilities	216 464	(4 162)
Gross cash flow from operating activities	(17 460 438)	(2 521280)
Interest received	12 547 170	9 167 044
Interest paid	(2 127 251)	(2 136 528)
Corporate income tax payments	(979 191)	(754 536)
Net cash flow from operating activities	(8 019 710)	3 754 700
Cash flow from investing activities		
Acquisition of fixed assets, intangibles	(341 412)	(112 138)
Loans repaid (other than core business of the Company)	-	474 484
Net cash flow from investing activities	(341 412)	362 346
Cash flow from financing activities		
Loans received	13 605 328	5 653 183
Loans repaid	(5 957 248)	(10 460 357)
Bonds issued	3 763 780	19 000
Redemption of bonds	-	(130 000)
Repayment of lease liabilities	(463 459)	(417 132)
Dividends paid	(2 732 772)	(2 780 000)
Net cash flow from financing activities	8 215 629	(8 115 306)
Net cash flow of the reporting period	(145 493)	(3 998 260)
Cash and cash equivalents at the beginning of the reporting period	2 459 862	4 591 954
Cash and cash equivalents at the end of the reporting period	2 314 369	593 694

Notes on pages from 15 to 23 are an integral part of these interim condensed consolidated financial statements.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

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

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 condensed consolidated financial statements for the six months ended 30 June 2022 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 condensed consolidated financial statements 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 2021.

These interim condensed consolidated financial statements are prepared and disclosed on a consolidated basis. The following subsidiaries are included in the consolidation: LLC *ViziaFinance* (100%) for the period ended 30 June 2022.

Restatement in comparative figures

- (a) The Management has identified a classification error on bond issuance commissions while preparing Group's financial statements. The error relates to incorrect classification of bond issuance commissions as bank commissions under Administrative costs. The error resulted in overstatement of amount of bank commission expenses and understatement of interest expenses;
- (b) The Management has identified a classification error on accrued interest expenses. The error relates to incorrect classification of accrued interest expenses for other borrowings under Credit loss expense and resulted in understated amount of credit loss expenses and overstatement of interest expenses. To comply with presentation requirements of IFRS 9, the Group reclassified mentioned amount from Credit loss expense to Interest expenses and similar expenses;
- (c) After period end the management has identified that additional credit loss expense should be recognised for portfolio of former subsidiary LLC *Expressinkasso*.

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 2021	Restatement	After restatement for 6 months ended 30 June 2021
Net sales		2 691 195	-	2 691 195
Cost of sales		(1 762 614)	-	(1 762 614)
Interest income and similar income		9 245 032	-	9 245 032
Interest expenses and similar expenses	(a), (b)	(1 861 126)	(2 369)	(1 863 495)
Credit loss expense	(b)	(950 497)	(37 319)	(987 816)
Gross profit		7 361 990	(39 688)	7 322 302
Selling expenses		(2 768 017)	-	(2 768 017)
Administrative expenses	(a)	(2 034 469)	39 688	(1 994 781)
Other operating income		27 263	-	27 263
Other operating expenses		(333 690)	-	(333 690)
Profit before income tax		2 253 077	-	2 253 077
Income tax expenses		(623 009)	-	(623 009)
Net profit for the reporting period		1 630 068	-	1 630 068

Notes (continued)

(1) Accounting policies (continued)

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 2021	Restatement	After restatement for 3 months ended 30 June 2021
Net sales		1 485 264	-	1 485 264
Cost of sales		(1 014 595)	-	(1 014 595)
Interest income and similar income		4 433 054	-	4 433 054
Interest expenses and similar expenses	(a), (b)	(842 862)	(9 356)	(852 218)
Credit loss expense	(b), (c)	(208 749)	(46 696)	(255 445)
Gross profit		3 852 112	(56 052)	3 796 060
Selling expenses		(1 442 331)	-	(1 442 331)
Administrative expenses	(a)	(1 069 958)	19 857	(1 050 101)
Other operating income		10 966	-	10 966
Other operating expenses		(189 383)	-	(189 383)
Profit before income tax	(c)	1 161 406	(36 195)	1 125 211
Income tax expenses		(299 353)	-	(299 353)
Net profit for the reporting period	(c)	862 053	(36 195)	825 858

Notes (continued)

(2) Net sales

Net revenue by type of revenue

	For 6 months ended 30 June		For 3 months ended 30 June	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Income from sales of goods	2 615 444	1 975 631	1 447 234	1 079 778
Income from sales of precious metals	460 761	425 542	318 478	275 780
Other income, loan and collateral realisation and storage commission	318 910	290 022	163 646	129 706
	3 395 115	2 691 195	1 929 358	1 485 264

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	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Interest revenue calculated using effective interest rate:				
Interest income on unsecured loans	10 294 086	7 294 901	5 407 875	3 558 315
Interest income on secured loans	2 405 761	1 945 970	1 282 142	872 350
Interest income on loans to vehicle pledges	207	4 161	-	2 389
	12 700 054	9 245 032	6 690 017	4 433 054

(4) Interest expenses and similar expenses

	For 6 months ended 30 June		For 3 months ended 30 June	
	2022	2021	2022	2021 (restated, Note 1)
	EUR	EUR	EUR	EUR
Interest expense on other borrowings	886 354	807 460	547 062	324 741
Bonds' coupon expense	670 000	950 994	366 824	475 977
Interest expense on lease liabilities for leased premises	89 810	103 546	43 930	50 787
Interest expense lease liabilities for leased vehicles	777	589	355	276
Net loss on foreign exchange	222	906	81	437
	1 647 163	1 863 495	958 252	852 218

(5) Selling expenses

	For 6 months ended 30 June		For 3 months ended 30 June	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Salary expenses	1 384 904	1 184 188	704 822	606 922
Advertising	369 019	320 551	162 982	188 189
Social insurance	325 335	277 831	165 507	142 318
Depreciation of right-of-use assets - premises	313 151	325 043	156 159	161 961
Depreciation of fixed assets	209 115	130 940	105 771	75 952
Non-deductible VAT	206 734	149 984	92 665	83 269
Maintenance expenses	168 443	130 171	88 843	66 047
Utilities expenses	131 091	117 591	56 484	46 797
Transportation expenses	54 197	40 740	27 809	21 202
Provisions for unused annual leave	43 990	23 774	15 631	8 366
Depreciation of right-of-use assets - motor vehicles	11 049	16 144	5 472	7 637
Other expenses	226 010	51 060	103 827	33 671
	3 443 038	2 768 017	1 685 972	1 442 331

Notes (continued)

(6) Administrative expenses

	For 6 months ended 30 June		For 3 months ended 30 June	
	2022	2021	2022	2021 (restated, Note 1)
	EUR	EUR	EUR	EUR
Salary expenses	1 557 850	1 160 520	793 429	595 300
Social insurance	366 664	272 854	186 892	139 964
Bank commission	301 140	188 641	167 210	106 897
Communication expenses	83 463	50 895	45 371	35 101
Legal advice	69 728	53 100	47 979	25 678
State fees and duties, licence expenses	67 795	58 158	33 506	28 161
Depreciation of right-of-use assets - premises	46 957	46 957	23 478	23 478
Provisions for unused annual leave	42 806	33 921	2 590	23 856
Audit expenses	7 000	16 250	7 000	16 250
Depreciation of right-of-use assets - motor vehicles	1 925	4 764	377	2 382
Other administrative expenses	80 378	108 721	38 470	53 034
	2 625 706	1 994 781	1 346 302	1 050 101

(7) 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 table below presents the income and share data used in the computations of basic earnings per share for the Group:

	For 6 months ended 30 June		For 3 months ended 30 June	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Net profit attributed to shareholders	2 631 421	1 630 068	1 217 752	825 858
Weighted average number of shares	45 319 594	40 000 000	45 319 594	40 000 000
Earnings per share	0.058	0.041	0.027	0.021

There is no dilution effect on weighted average number of shares for six months period ended 30 June 2022 and 2021.

(8) Loans and receivables

a) Loans and receivables by loan type

	Group	Group
	30 June 2022	31 December 2021
	EUR	EUR
Debtors for loans issued against pledge		
Long-term debtors for loans issued against pledge	143 299	95 058
Short-term debtors for loans issued against pledge	4 183 500	3 112 513
Interest accrued for loans issued against pledge	183 081	164 698
Debtors for loans issued against pledge, total	4 509 880	3 372 269
Debtors for loans issued without pledge		
Long-term debtors for loans issued without pledge	35 219 394	28 474 373
Short-term debtors for loans issued without pledge	16 055 693	13 078 077
Interest accrued for loans issued without pledge	1 330 363	1 195 863
Debtors for loans issued without pledge, total	52 605 450	42 748 313
Loans and receivables before allowance, total	57 115 330	46 120 582
ECL allowance on loans to customers	(3 340 804)	(3 158 832)
Loans and receivables	53 774 526	42 961 750

Notes (continued)

(8) Loans and receivables

Loans and receivables by loan type (continued)

All loans are issued in euros. Weighted average term for consumer loans is 2.6 years and for pawn loans is one month.

The Group has signed a debt sale agreement that provides assigning of loans over 90 days in delay. Losses from these transactions were recognised in the current reporting period.

The claims in the amount of EUR 4 509 880 (31.12.2021: EUR 3 372 269) are secured by the value of the collateral. Claims against debtors for loans issued against pledge are secured by pledges, whose fair value is higher than the carrying value, therefore provisions for secured overdue loans are not made.

b) Allowance for impairment of loans to customers at amortised cost

An analysis of changes in the gross carrying value for loans issued and corresponding ECL during the six month period ended 30 June 2022 is as follows:

Group	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2022	42 897 818	1 673 709	1 524 577	24 478	46 120 582
New assets originated or purchased	37 514 563	-	-	-	37 514 563
Assets settled or partly settled	(21 395 831)	(1 876 491)	(611 308)	(24 478)	(23 908 108)
Assets written off	(14 163)	(1 441 880)	(1 189 369)	-	(2 645 412)
Effect of interest accruals	149 176	8 091	(123 562)	-	33 705
Transfers to Stage 1	150 632	(142 767)	(7 865)	-	-
Transfers to Stage 2	(4 404 771)	4 412 780	(8 009)	-	-
Transfers to Stage 3	(1 953 098)	(131 889)	2 084 987	-	-
At 30 June 2022	52 944 326	2 501 553	1 669 451	-	57 115 330

Group	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2022	1 763 526	625 066	770 240	-	3 158 832
New assets originated or purchased	1 525 796	-	-	-	1 525 796
Assets settled or partly settled	(652 966)	(285 496)	(367 917)	-	(1 306 379)
Assets written off	(864)	(321 540)	(553 694)	-	(876 098)
Effect of interest accruals	1 431	(10 473)	(123 562)	-	(132 604)
Transfers to Stage 1	55 123	(50 392)	(4 731)	-	-
Transfers to Stage 2	(233 333)	238 159	(4 826)	-	-
Transfers to Stage 3	(105 522)	(36 478)	142 000	-	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	(464 479)	531 881	903 855	-	971 257
At 30 June 2022	1 888 712	690 727	761 365	-	3 340 804

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

	Group 30 June 2022 EUR	Group 31 December 2021 EUR
Receivables not yet due	47 498 126	39 713 633
Outstanding 1-30 days	5 446 203	3 338 771
Outstanding 31-90 days	2 501 553	1 673 709
Outstanding 91-180 days	530 667	315 061
Outstanding for 181-360 days	580 301	361 973
Outstanding for more than 360 days	558 480	717 435
Total claims against debtors for loans issued	57 115 330	46 120 582

Notes (continued)

(8) Loans and receivables (continued)

d) Age analysis of ECL allowance on loans to customers:

	Group 30 June 2022 EUR	Group 31 December 2021 EUR
For trade debtors not yet due	1 314 792	1 271 700
Outstanding 1-30 days	519 902	437 588
Outstanding 31-90 days	690 727	625 066
Outstanding 91-180 days	182 402	150 816
Outstanding for 181-360 days	253 134	193 681
Outstanding for more than 360 days	379 847	479 981
Total provisions for bad and doubtful trade debtors	3 340 804	3 158 832

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

(9) Retained earnings

	For 6 months ended 30 June	
	2022 EUR	2021 EUR
Balance as at 1 January	5 954 404	5 453 709
Net profit for the period	2 631 421	1 630 068
Liquidation of subsidiary	-	7 036
Dividends declared and paid:		
Interim dividends of 0.0327 EUR (2021: 0.0320 EUR) per share	(1 481 952)	(1 280 000)
Annual dividend of 0.0276 EUR (2021: 0.0375 EUR) per share	(1 250 821)	(1 500 000)
Declared dividends:		
Annual dividend of 0.0276 EUR per share	(1 250 821)	-
Balance as at 30 June	4 602 231	4 310 813

(10) Bonds issued

	Group 30 June 2022 EUR	Group 31 December 2021 EUR
Total long-term part of bonds issued	14 633 213	10 825 162
Bonds issued	-	-
Interest accrued	16 603	13 003
Total short-term part of bonds issued	16 603	13 003
Bonds issued, total	14 633 213	10 825 162
Interest accrued, total	16 603	13 003
Bonds issued net	14 649 816	10 838 165

As of 30 June 2022, the Parent 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 – amount of emissions 5 000, amount of emissions recorded with nominal value 1 000 euro 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.

On 26 November 2021 the Parent company of the Group has started a closed bond offering (ISIN LV0000802536) in the amount of EUR 10 000 000. The offering has been registered with the Latvia Central Depository on the following terms – amount of emissions 10 000, amount of emissions recorded with 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 bonds are not secured.

Notes (continued)

(11) Other borrowings

	Group 30 June 2022 EUR	Group 31 December 2021 EUR
Other long-term loans	11 880 360	8 086 468
Total other long-term loans	11 880 360	8 086 468
Other short-term loans	13 946 901	10 487 168
Total other short-term loans	13 946 901	10 487 168
Total other loans	25 827 261	18 573 636

Amount of other borrowings is represented by loans received from crowdfunding platform LLC *Mintos Finance*, a company registered in the European Union. The weighted average annual interest rate as of 30 June 2022 is 10.9%. According to the loan agreement with LLC *Mintos finance* the loan matures according to the particular loan agreement terms concluded by the Company with its customers.

To ensure fulfilment of liabilities the Group has registered commercial pledge, see note 16.

(12) Unpaid dividends

On 29 April 2022 shareholders of the Group have approved distribution of the profit for 2021 and previous periods and to pay out dividends in amount of EUR 2 501 641.59 or EUR 0.0552 per share. Dividend pay-out was executed in two payments, namely EUR 1 250 820.80 or EUR 0.0276 per share paid on 17 May 2022 and EUR 1 250 820.79 or EUR 0.0276 per share on 15 July 2022.

(13) Related party transactions

Unaudited interim condensed consolidated financial statements only show those related parties with whom there have been transactions during the reporting period or during the comparative period. All transactions with related parties are carried out in accordance with general market conditions.

	Transactions for 6 months 2022 EUR	Transactions in 2021 EUR
Group's transactions with:		
Owners of the parent company		
Interest received		
AE Consulting LLC	-	9 090
L24 Finance LLC	-	775
Services delivered		
EA investments JSC	-	153
AE Consulting LLC	-	75
Goods sold		
AE Consulting LLC	-	59
Interest paid		
AE Consulting LLC	3 289	-
Key management personnel		
Goods sold		
	-	1 702
Interest paid		
	-	19 830
Other related companies		
Services delivered		
EL Capital, LLC	-	6 527
EuroLombard Ltd.	-	1 545
Services received		
MB Family trust JSC	1 200	-
	Balances	Balances
	30 June 2022	31 December 2021
	EUR	EUR
Group's balances with:		
Owners of the parent company		
Bonds issued		
AE Consulting LLC	200 000	-

Notes (continued)

(14) Shares held by members of Management Board and Supervisory Board

a) Shares held by members of Management Board

	30 June 2022 Shares	31 December 2021 Shares
Didzis Ādmidiņš	600 000	600 000
Aldis Umblejs	3 860	2 814
Sanita Zitmane	-	-
Ivars Lamberts*	n/a	400 000

* Member of the Board till 28.02.2022

b) Shares held by members of Supervisory Board

	30 June 2022 Shares	31 December 2021 Shares
Agris Evertovskis (through ownership of LLC EC finance and LLC AE Consulting)	12 558 284	12 525 870
Jānis Pizičs	6 666	6 666
Gatis Kokins	-	-
Mārtiņš Bičevskis	-	-
Edgars Vojšis	-	-

(15) Segment information

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

Pawn loan segment	Handling pawn loan issuance.
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 loan cessions to external debt collection companies.
Other operations segment	Providing loans for real estate development (only for six months period ending 30 June 2021. These loans are no longer issued and are fully recovered), 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 differently from profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments. 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.

The following table presents income, profit, asset, and liability information regarding the Group's operating segments.

Based on the nature of the services, the Group's operations can be divided as follows (statement of profit or loss provisions are compared for the same period of the previous year, balance sheet positions are compared to the data as at 31.12.2021):

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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Assets	53 394 245	44 047 262	6 253 193	5 102 128	3 257 595	2 890 334	638	24 816	62 905 671	52 064 540
Liabilities of the segment	37 732 066	28 196 358	5 331 908	4 286 975	2 565 182	2 182 444	1 251 367	21 442	46 880 523	34 687 219
Income	10 294 086	7 208 227	2 405 761	1 945 970	3 395 115	2 691 195	207	90 835	16 095 169	11 936 227
Net performance of the segment	4 127 936	3 196 333	710 396	603 834	363 357	242 915	6 969	73 490	5 208 658	4 116 572
Financial (expenses)	(1 401 531)	(1 520 248)	(161 540)	(181 009)	(84 092)	(97 833)	-	(64 405)	(1 647 163)	(1 863 495)
Profit/(loss) before taxes	2 726 405	1 676 085	548 856	422 825	279 265	145 082	6 969	9 085	3 561 495	2 253 077
Corporate income tax	(706 550)	(459 074)	(146 906)	(115 811)	(74 737)	(39 738)	(1 881)	(8 386)	(930 074)	(623 009)

Notes (continued)

(16) 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 33 million as collateral registered to collateral agent LLC *Eversheds Sutherland Bitāns* (in favour of LLC *Mintos Finance*) and to LLC *Mintos Finance No.20* and JSC *Mintos Marketplace*.

As of 30 June 2022, the amount of secured liabilities constitutes EUR 25 827 261 (As of 31 December 2021 EUR 18 573 636).

(17) Subsequent events

On 7 July 2022 the Parent company of the Group has started a closed bond offering (ISIN LV0000850055) in the amount of EUR 10 000 000. The offering has been registered with the Latvia Central Depository on the following terms – amount of emissions 10 000, amount of emissions recorded with 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 bonds are not secured.

On 24 February 2022, Russian Federation has started a war at Ukraine. Countries round the world support Ukraine by announcing financial and economic sanctions against Russian Federation and its ally Republic of Belarus. The management of the Group has evaluated current situation and has concluded that the aforementioned sanctions have no direct impact on the Group's operations since all sales for the Group are generated in Latvia and the Group has no direct exposure to Russian, Belarusian and Ukrainian market. In addition, the management performed an overview and analysis of its counterparties and confirms that the Group does not have any relations with the sanctioned companies and sanctioned private individuals. There is still uncertainty related to final outcome of the situation, but the management regularly follows on the further developments, analyses a possible impact on the Group's business and is properly prepared to assess and implement any changes into business operations, risk management practices, policies and accounting estimates.

Didzis Ādmīdiņš
Chairman of the Board

Aidis Umblejs
Board Member

Sanita Zitmane
Board Member

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19. SCHEDULE 3

THE GROUPS REVIEWED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD WHICH ENDED ON 30 JUNE 2021



custom finance
solutions

AS “DelfinGroup”

Interim condensed
consolidated financial
statements for the six-
month period ended 30
June 2021

Prepared in accordance
with International Accounting Standard 34
“Interim Financial Reporting”
Translation from Latvian

Table of Contents

Information on the Company and subsidiaries	3 – 5
Statement of management's responsibility	6
Management report	7 - 9
Corporate governance statement	10
Interim condensed consolidated Statement of comprehensive income	11
Interim condensed consolidated Balance sheet	12 – 13
Interim condensed consolidated Statement of changes in equity	14
Interim condensed consolidated Statement of cash flows	15
Notes	16 – 29
Independent Auditors' report	30 - 31

Information on the Company and Subsidiaries

AS "DelfinGroup" Interim condensed consolidated financial
statements for the six-month period ended 30 June 2021
(translation from Latvian)

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 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	50A Skanstes Street, Riga, LV-1013 Latvia
Names and addresses of shareholders	L24 Finance, SIA (65.18%), 50A Skanstes Street, Riga, Latvia AE Consulting, SIA (10.00%), 50A Skanstes Street, Riga, Latvia EC finance, SIA (21.32%), 50A Skanstes Street, Riga, Latvia Private individuals (3.5%)
Ultimate parent company	EA investments, AS Reg. No. 40103896106 50A Skanstes Street, Riga, Latvia
Names and positions of Board members	Didzis Ādmīdiņš – Chairman of the Board (from 19.01.2021) Kristaps Bergmanis – Member of the Board Ivars Lamberts – Member of the Board Agris Evertovskis – Chairman of the Board (from 12.10.2009 till 19.01.2021) Didzis Ādmīdiņš – Member of the Board (from 11.07.2014 till 19.01.2021)

Names and positions of Supervisory Board members	<p>Agris Evertovskis – Chairperson of the Council (from 19.01.2021)</p> <p>Gatis Kokins – Deputy Chairman of the Council (from 13.04.2021)</p> <p>Mārtiņš Bičevskis – Member of the Council (from 13.04.2021)</p> <p>Jānis Pizičs – Member of the Council (from 13.04.2021)</p> <p>Edgars Voļskis – Member of the Council (from 13.04.2021)</p> <p>Anete Ozoliņa – Deputy Chairman of the Council (from 19.01.2021 till 13.04.2021)</p> <p>Uldis Judinskis – Member of the Council (from 19.01.2021 till 13.04.2021)</p> <p>Uldis Judinskis – Chairperson of the Council (from 16.05.2019 till 19.01.2021)</p> <p>Ramona Miglāne – Deputy Chairman of the Council (from 16.05.2019 till 19.01.2021)</p> <p>Anete Ozoliņa – Member of the Council (from 16.05.2019 till 19.01.2021)</p>
Responsible person for accounting	Inta Pudāne – Chief accountant
Financial year	1 January 2021 - 30 June 2021
Name and address of the auditor	SIA BDO ASSURANCE Certified Auditors' Company licence No. 182 15-3B Kaļķu Street, Riga, LV-1050 Latvia
Responsible Certified Auditor:	Irita Cimdare Certificate No. 103

Information on the Subsidiaries

AS "DelfinGroup" Interim condensed consolidated financial
statements for the six-month period ended 30 June 2021
(translation from Latvian)

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	50A Skanstes Street, Riga, Latvia
Operations as classified by NACE classification code system of the subsidiary	66.19 Financial support services except insurance and pension accrual
<hr/>	
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
<hr/>	
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	50A Skanstes Street, Riga, Latvia
Operations as classified by NACE classification code system of the subsidiary	64.92 Other financing services
<hr/>	

Statement of management`s responsibility

AS "DelfinGroup" Interim condensed consolidated financial
statements for the six-month period ended 30 June 2021
(translation from Latvian)

The management of AS DelfinGroup group is responsible for the preparation of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2021 (hereinafter – interim condensed consolidated financial statements).

Based on the information available to the Board of the parent company of the Group, the Interim condensed consolidated financial statements are prepared on the basis of the relevant primary documents and statements in accordance with IAS 34 Interim Financial Reporting and present a true and fair view of the Group's assets, liabilities and financial position as at 30 June 2021 and its financial performance and cash flows for the six-month period ended 30 June 2021.

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 interim condensed 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 it 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 fairly presents the Group's business development and operational performance.

Didzis Ādmīdiņš
Chairman of the Board

Kristaps Bergmanis
Board Member

Ivars Lamberts
Board Member

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

Riga, 19th August 2021

Management report

According to the non-audited results, during the first six months of 2021, AS DelfinGroup has increased its revenue to EUR 11.9 million or by 6.4% year-on-year. During the first six months, EBIDTA increased by 8.7% and reached EUR 4.6 million, while profit before taxes on dividends increased by 9% and reached EUR 2.3 million. The increased revenue was mainly facilitated by the growth of activity in online segments of consumer lending, retail of preowned goods and pawn shop loans. Dynamic growth in offline retail was limited by restrictions imposed due to the COVID-19 pandemic.

On 19 January 2021, the Company completed the process of reorganisation by changing its legal status from a limited liability company to a joint-stock company. The share capital of AS DelfinGroup is EUR 4 million and consists of 40 million shares, the value of each share being EUR 0.10. In line with the reorganisation, AS DelfinGroup changed its vision of further development and growth. Now the group is committed to empowering more people via financial inclusion to foster the sustainable development of the community and wider economy and the Company compiled its first environmental, social, and corporate governance (ESG) report for 2020. On 23 March, AS DelfinGroup plans to launch its initial public offering (IPO) of shares on the Nasdaq Riga stock exchange during 2021. The amount and price of shares to be issued will be publicised before the initial public offering is officially announced according to an offering prospectus approved by the regulator. LHV Bank and law firm Eversheds Sutherland Bitāns are acting as AS DelfinGroup planned IPO advisors.

On 30 March 2021, the meeting of the shareholders of AS DelfinGroup has appointed new supervisory board members – financial, corporate governance and fintech experts Gatis Kokins, Edgars Voļskis, Mārtiņš Bičevskis and Jānis Pizičs. Current supervisory board chairman Agris Evertovskis will serve another five-year term. Gatis Kokins, Edgars Voļskis, Mārtiņš Bičevskis are independent supervisory members. On 9 August 2021, the shareholder meeting of AS DelfinGroup endorsed the decision to set up the Risk and Audit Committee. Independent members of the Supervisory Board of AS DelfinGroup: Edgars Voļskis, Gatis Kokins and Jānis Pizičs were elected to serve on the Committee for a period of three years.

During the second quarter, consumer loan issuance increased by 21.3% compared to the first quarter. The growth is even more considerable when comparing this year with 2020: during the first six months of 2021, consumer loan issuance has grown by close to 30.6%. However, due to the restrictions placed on offline servicing, during the first half of this year, pawn loan issuance decreased year-on-year (-18.7%). This did not have a lasting effect on overall growth, as the pawn loan segment is also gradually recovering and demonstrating a growing trend. Comparing pawn loan issuance during the first and second quarter of 2021, there is an increase of 11.9%.

For DelfinGroup, this quarter was marked by resilient growth. There were good results in the consumer loan segment, as well as in the online trade of pre-owned goods. Moreover, during the second quarter we also experienced growth in the pawn loan segment. Generally, we see quite a high level of economic activity in the entire country, which is also reflected by increased interest in financial and pawnshop services offered by DelfinGroup. In many areas outside Riga, we are almost the only provider of accessible financial services. This year, we have also opened four new Banknote branches, increasing our branch network to 93 branches in Latvia. Industry organisations and local governments also appreciate the DelfinGroup services network. Three Banknote branches were awarded with prizes in the competition named "Best Latvian Trader 2020" organised by the Latvian Traders Association and the Latvian Association of Local and Regional Governments.

At the moment, there are drawbacks for offline consumer loan issuance and in store sales of pre-owned goods, as due to the current restrictions, no more than one customer can be present in the premises of most branches. As a result, we continue developing digital platforms and introducing new automated lending solutions that allow AS DelfinGroup to improve customer service and serve our customers in less time. This year, the automation of the customer income review process was completed, and the entire review process is now fully automated. Furthermore, in all digital channels of DelfinGroup, the Company has experienced a rapid increase in customer flows that more than compensates for offline service restrictions.

The good results confirm that the corporate strategy has allowed DelfinGroup to form a more sustainable foundation for future development, ensuring that the company is also able to deliver good results during crises and periods with high uncertainty.

Management report (CONTINUED)

This also supports the results of an annual evaluation performed by the Institute of Corporate Responsibility and Sustainability: even during the first year of participation, DelfinGroup was able to reach the highly rated nomination of silver category.

In the first half-year of 2021, in accordance with the adopted dividend policy, the company paid dividends in the amount of EUR 2.8 million.

By implementing the business strategy and all planned activities, the following financial results of the Group were achieved in the 1st half of 2021 (profit is compared to the same period of the previous year, balance sheet is compared to the data as at 31.12.2020):

Position	EUR, million	Change, %
Net loan portfolio	33.3	-4.1
Assets	39.7	-13.6
Revenue	11.9	+6.4
EBITDA	4.6	+8.7
Profit before taxes	2.3	+9.0
Net profit	1.6	-19.9

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

Position	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2
Total income, EUR million	5.2	5.8	7.0	6.0	5.9
EBITDA, EUR million	2.2	2.7	2.3	2.5	2.1
EBITDA margin, %	42%	46%	33%	42%	35%
EBIT, EUR million	1.9	2.4	2.0	2.3	1.8
EBIT margin, %	36%	37%	29%	34%	34%
Profit before taxes, EUR million	1.0	1.6	1.0	1.1	1.2
Net profit, EUR million	1.0	1.1	0.7	0.8	0.8
Net profit margin, %	19%	19%	11%	13%	14%
ROE (annualised), %	43%	50%	34%	36%	38%
Current ratio	2.0	2.1	1.3	1.0	0.9

EBITDA calculation, EUR million:

Item	2021 Q2	2020 Q2
Profit before tax	1.1	1.0
Interest expenses and similar expenses	0.7	0.9
Depreciation of fixed assets and amortisation	0.3	0.3
EBITDA, EUR million	2.1	2.2

As for compliance with the Issue Terms of notes issue ISIN LV0000802213, ISIN LV0000802379, ISIN LV0000802429, and ISIN LV0000850048 the financial covenant computation is as follows:

Covenant	Value as of 30.06.2021	Compliance
dividend amount including any interim dividends shall not exceed 40% of the last audited net profit. If only the Net Debt/Net Equity indicator does not exceed 3.5 to 1, the dividend amount shall exceed 40%	3.18	yes
to maintain a Net Debt/Net Equity indicator not exceeding 4 to 1	3.18	yes
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	1.34	yes

Management report (CONTINUED)

Covenant	Value as of 30.06.2021	Compliance
total consolidated loan amount to shareholders, management and other Related Persons shall not exceed EUR 1,400,000	0 EUR	yes
to maintain consolidated ICR 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.	3.58	yes

Branches

During the period from 1 January 2021 to 30 June 2021, the company continued to work on branch network efficiency. As at 30 June 2021, the Group had 92 branches in 38 cities in Latvia (31.12.2020 - 89 branches in 38 cities).

Risk management

The Group is not exposed to significant foreign exchange rate risk because the basic transaction currency is the Euro. A significant amount of the funding of the Group consists 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

As at the time of signing these financial statements, there is uncertainty in the country in relation to COVID-19. Even though the length and negative economic impact of the COVID-19 situation cannot be precisely estimated, the Company has made decisions, and will make such in the future, to ensure that the Company's liquidity, cost reduction and portfolio quality is ensured.

In February 2021, AS DelfinGroup decided on the reorganisation and redistribution of functions at three of its subsidiaries – SIA Banknote commercial properties, SIA Refin and SIA ExpressInkasso. The functions of reorganised Companies will be taken over by AS DelfinGroup. As at the time of signing these interim condensed consolidated financial statements, the reorganisation is completed for SIA Banknote commercial properties and reorganisation is in the finalisation process for SIA ExpressInkasso, and SIA Refin.

After the period end, AS DelfinGroup issued bonds worth five million euros with a total yearly interest rate of 9.75% via a private placement. The offering was successfully completed on 9 July 2021, with the demand exceeding supply 1.85 times.

Except for 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 and performance of the Company as at 30 June 2021.

Distribution of the profit proposed by the Company

The Company's board recommends the distribution of Q2 2021 profit as dividends in accordance with the Company's dividend policy, which sets the target of 50% quarterly dividend payout.

Didzis Ādmidiņš
Chairman of the Board

Kristaps Bergmanis
Board Member

Ivars Lamberts
Board Member

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Riga, 19th August 2021

Corporate governance statement

Due to the fact that AS DelfinGroup, Reg. No. 40103252854 (hereinafter - Company) bonds were listed on the Nasdaq Riga Stock Exchange, the Management of the Company chose to prepare Corporate Governance Statement for the six-month period ended 30 June 2021 in line with the third paragraph of Section 56.2 requirements of the third paragraph of the Financial Instruments Market Law.

Information on the key elements of the 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 the Company's sustainable operation in accordance with the existing laws and regulations and the interests of the Company's shareholders and creditors.

The interim condensed consolidated financial statements are prepared in accordance with existing laws and regulations and in accordance with International Financial Reporting Standards on interim financial reporting as adopted by the EU. Statements are prepared by an accountant using licensed accounting software and supervised by the management. In 2014, the 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.

The Company's financial risks are monitored by the 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. The 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 the Company's operating activities - lending, the Company adheres to the following principles: (1) all credit granting decisions are made on the basis of an approach approved by management and based on statistical analysis; (2) 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.

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

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

The Company's Interim Report and Corporate Governance Report for the six-month period ended 2021 is available on the website of AS Nasdaq Riga www.nasdaqbaltic.com and on the Company's website www.delfingroup.lv.

Didzis Ādmīdiņš
Chairman of the Board

Kristaps Bergmanis
Board Member

Ivars Lamberts
Board Member

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Interim condensed consolidated Statement of comprehensive income for the six-month period ended 30 June 2021

	Notes	For 6 months ended 30 June		For 3 months ended 30 June	
		2021 EUR	2020 EUR (unreviewed)	2021 EUR	2020 EUR (unreviewed)
Net sales	(1)	2 691 195	3 109 453	1 485 264	1 399 294
Cost of sales	(2)	(1 762 614)	(2 176 734)	(1 014 595)	(961 295)
Interest income and similar income	(3)	9 245 032	8 106 294	4 433 054	3 795 499
Interest expenses and similar expenses	(4)	(1 861 126)	(1 710 275)	(842 862)	(887 070)
Credit loss expenses		(950 497)	(779 267)	(208 749)	(271 931)
Gross profit		7 361 990	6 549 471	3 852 112	3 074 497
Selling expenses	(5)	(2 768 017)	(2 496 914)	(1 442 331)	(1 154 988)
Administrative expenses	(6)	(2 034 469)	(1 630 821)	(1 069 958)	(776 311)
Other operating income		27 263	28 803	10 966	24 546
Other operating expenses	(7)	(333 690)	(383 937)	(189 383)	(165 681)
Profit before corporate income tax		2 253 077	2 066 602	1 161 406	1 002 063
Income tax expenses	(8)	(623 009)	(32 912)	(299 353)	(6 819)
Net profit		1 630 068	2 033 690	862 053	995 244
Earnings per share		0.041	0.051*	0.022	0.025*

*Earnings per shares for 6 months ended 2020 and for 3 months ended 30 June 2020 have been adjusted retrospectively to account for the share split performed in 2021.

Notes on pages from 16 to 29 are an integral part of these interim condensed consolidated financial statements.

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Riga, 19th August 2021

Interim condensed consolidated Balance sheet as at 30 June 2021

Assets	Notes	Group 30 June 2021	Group 31 December 2020
		EUR	EUR
Non-current assets:			
Intangible assets:			
Concessions, patents, licences, trademarks and similar rights		94 011	124 256
Other intangible assets		57 571	54 077
Goodwill		127 616	127 616
Advances on intangible assets		-	-
Total intangible assets:	(9)	279 198	305 949
Property, plant and equipment:			
Land, buildings, structures and perennials		82 217	85 385
Investments in property, plant and equipment		194 726	196 607
Right-of-use assets		3 144 615	3 194 412
Other fixtures and fittings, tools and equipment		258 443	248 214
Total property, plant and equipment	(10;11)	3 680 001	3 724 618
Non-current financial assets:			
Loans and receivables	(13)	20 717 878	17 711 758
Loans to shareholders and management	(12)	-	474 484
Total long-term investments:		20 717 878	18 186 242
Total non-current assets:		24 677 077	22 216 809
Current assets:			
Inventories:			
Finished goods and goods for sale		1 533 019	1 534 007
Total inventories:		1 533 019	1 534 007
Receivables:			
Loans and receivables	(13)	12 547 582	16 962 096
Other debtors		162 363	374 756
Deferred expenses		171 871	279 523
Total receivables:		12 881 816	17 616 375
Cash and cash equivalents		593 694	4 591 954
Total current assets:		15 008 529	23 742 336
Total assets		39 685 606	45 959 145

Notes on pages from 16 to 29 are an integral part of these interim condensed consolidated financial statements.

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Riga, 19th August 2021

Interim condensed consolidated Balance sheet as at 30 June 2021

Liabilities and equity	Notes	Group 30 June 2021	Group 31 December 2020
Equity:		EUR	EUR
Share capital	(14)	4 000 000	4 000 000
Retained earnings		2 478 498	1 353 992
Profit for the reporting period		1 630 068	3 897 470
Total equity:		8 108 566	9 251 462
Creditors:			
Long-term creditors:			
Bonds issued	(15)	8 475 291	8 441 717
Other borrowings	(16)	4 103 358	6 816 925
Lease liabilities for right-of-use assets	(11)	2 762 390	2 732 136
Total long-term creditors:		15 341 039	17 990 778
Short-term creditors:			
Bonds issued	(15)	4 891 883	5 022 652
Other borrowings	(16)	8 889 524	10 869 932
Lease liabilities for right-of-use assets	(11)	690 499	703 715
Trade payables		628 618	702 933
Taxes and social insurance		538 912	815 952
Accrued liabilities		596 565	601 721
Total short-term creditors:		16 236 001	18 716 905
Total creditors		31 577 040	36 707 683
Total liabilities and equity		39 685 606	45 959 145

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Riga, 19th August 2021

Interim condensed consolidated Statement of changes in equity for the six-month period ended 30 June

	Share capital EUR	Retained earnings EUR	Profit for the reporting period EUR	Total EUR
As at 01 January 2020	1 500 000	2 954 156	3 913 336	8 367 492
Profit transfer	-	3 913 336	(3 913 336)	-
Profit for the reporting period	-	-	2 033 690	2 033 690
As at 30 June 2020 (unreviewed)	4 000 000	6 867 492	2 033 690	10 401 182
As at 01 January 2021	4 000 000	1 367 492	3 883 970	9 251 462
Dividends paid	-	(2 780 000)	-	(2 780 000)
Liquidation of subsidiary	-	13 500	(6 464)	7 036
Profit transfer	-	3 897 470	(3 897 470)	-
Profit for the reporting period	-	-	1 630 068	1 630 068
As at 30 June 2021	4 000 000	2 498 462	1 610 104	8 108 566

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Riga, 19th August 2021

Interim condensed consolidated statement of cash flows for the six-month period ended 30 June 2021

	Notes	For 6 months ended 30 June 2021 EUR	For 6 months ended 30 June 2020 EUR (unreviewed)
Cash flow from operating activities			
Profit before corporate income tax		2 253 077	2 066 602
<u>Adjustments for:</u>			
a) depreciation of fixed assets and amortisation of intangible assets	(9;10)	130 940	124 677
b) depreciation of right-of-use assets	(10)	392 908	363 194
c) accruals and provisions (except for bad debts)		950 497	779 267
d) cessation results	(7)	270 274	284 870
e) accrued interest income		(85 024)	14 851
f) accrued interest expenses		(273 033)	(317 946)
g) other adjustments		7 036	-
Profit before adjustments of working capital and short-term liabilities		3 646 675	3 315 515
<u>Adjustments for:</u>			
a) Decrease / (increase) on loans and receivables and other debtors		865 735	(3 035 596)
b) Decrease / (increase) on inventories		988	(30 527)
c) (Decrease) / increase on trade payable and accrued liabilities		(421 294)	945 889
Gross cash flow from operating activities		4 092 104	1 195 281
Corporate income tax payments		(754 536)	(349 957)
Net cash flow from operating activities		3 337 568	845 324
Cash flow from investing activities			
Acquisition of fixed assets, intangibles	(9;10)	(112 138)	(224 967)
Proceeds from sales of fixed assets and intangibles		-	-
Loans issued (other than core business of the Company)		(98 880)	(84 300)
Loans repaid (other than core business of the Company)		573 364	1 391 983
Net cash flow from investing activities		362 346	1 082 716
Cash flow from financing activities			
Loans received		5 655 976	4 028 591
Loans repaid		(10 463 150)	(7 659 495)
Bonds issued		19 000	3 750 000
Redemption of bonds		(130 000)	(1 225 000)
Dividends paid		(2 780 000)	-
Net cash flow from financing activities		(7 698 174)	(1 105 904)
Net cash flow of the reporting period		(3 998 260)	822 136
Cash and cash equivalents at the beginning of the reporting period		4 591 954	1 135 644
Cash and cash equivalents at the end of the reporting period		593 694	1 957 780

Notes on pages from 16 to 29 are an integral part of these interim condensed consolidated financial statements.

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Riga, 19th August 2021

Notes

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 condensed consolidated financial statements for the six months ended 30 June 2021 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 condensed consolidated financial statements 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 2020.

These interim condensed consolidated financial statements are prepared and disclosed on a consolidated basis. The following subsidiaries are included in the consolidation: SIA Expressinkasso (100%), of the subsidiary SIA ViziaFinance (100%), of the subsidiary SIA REFIN (100%) for the period ended 30 June 2021.

The former subsidiary SIA Banknote commercial properties (100%) has been liquidated on 21 June 2021. The assets of the SIA Banknote commercial properties were transferred to AS DelfinGroup as liquidation quota. The subsidiary SIA REFIN (100%) and SIA Expressinkasso (100%) have been in the process of liquidation since 23 Feb 2021.

Changes in significant accounting policies, reclassification and correction of errors

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

These Standards do not have a material effect on the Group's financial statements.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs, which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Reclassifications and correction of errors

- (a) In these interim condensed consolidated financial statements, the Group have changed the presentation of Credit loss expenses. For the 6 months ended 30 June credit losses expenses were presented within Selling expenses. For the 6 months ended 30 June, for the better presentation of financial information, the Group reclassified Credit loss expenses from selling expenses to the separate item in the Statement of profit or loss.
- (b) For the 6 months ended 30 June, the Group have changed the presentation of Losses on cessions. For the 6 months ended 30 June, it was presented within Interest expenses and similar expenses. Moreover, the effect from the reversal of the allowance on expected credit losses (ECL) for cessioned loans was presented under Selling expenses. For the 6 months ended 30 June, for the better presentation of financial information, the Group reclassified Losses on cessions to Other operating expenses, including the effect from the reversal of the ECL allowance.
- (c) For the 6 months ended 30 June, the part of credit loss expenses was included within Interest income. To comply with the presentation requirements of IFRS 9, the Group reclassified the abovementioned amount from Interest income and similar income to Credit loss expenses.

Notes (continued)

Reclassification and correction of errors_(continued)

The effect of changes on the interim condensed consolidated statement of comprehensive income of the Group for 6 months ended 30 June is provided below.

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Interest income and similar income	(c)	7 817 923	288 371	8 106 294
Interest expenses and similar expenses	(b)	(2 223 514)	513 239	(1 710 275)
Credit loss expenses	(a), (b), (c)	-	(779 267)	(779 267)
Selling expenses	(a)	(2 759 441)	262 527	(2 496 914)
Other operating expenses	(b)	(99 067)	(284 870)	(383 937)
Total in Statement of profit or loss		2 735 901	-	2 735 901

The effect of changes on the interim condensed consolidated statement of comprehensive income of the Group for 3 months ended 30 June is provided below.

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Interest income and similar income	(c)	3 507 128	288 371	3 795 499
Interest expenses and similar expenses	(b)	(1 103 695)	216 625	(887 070)
Credit loss expenses	(a), (b), (c)	-	(271 931)	(271 931)
Selling expenses	(a)	(1 039 126)	(115 862)	(1 154 988)
Other operating expenses	(b)	(48 478)	(117 203)	(165 681)
Total in Statement of profit or loss		1 315 829	-	1 315 829

Notes (continued)

(1) Net sales

Net revenue by type of revenue

	For 6 months ended 30 June		For 3 months ended 30 June	
	2021	2020	2021	2020
	EUR	EUR	EUR	EUR
Income from sales of goods	1 975 631	1 734 886	1 079 778	847 784
Income from sales of precious metals	425 542	996 500	275 780	357 724
Other income, loan and mortgage realisation and storage commission	290 022	378 067	129 706	193 786
	2 691 195	3 109 453	1 485 264	1 399 294

All net sales are generated in Latvia.

(2) Cost of sales

	For 6 months ended 30 June		For 3 months ended 30 June	
	2021	2020	2021	2020
	EUR	EUR	EUR	EUR
Cost of sales of goods	1 337 073	1 210 242	738 817	596 568
Cost of sales of precious metals	425 541	966 492	275 778	364 727
	1 762 614	2 176 734	1 014 595	961 295

(3) Interest income and similar income

	For 6 months ended 30 June		For 3 months ended 30 June	
	2021	2020	2021	2020
	EUR	EUR	EUR	EUR
Interest revenue calculated using effective interest rate:				
Interest income on unsecured loans	7 294 901	5 798 730	3 558 315	2 774 773
Interest income on secured loans	1 945 970	2 306 208	872 350	1 019 774
Interest income on loans to vehicle pledges	4 161	1 356	2 389	952
	9 245 032	8 106 294	4 433 054	3 795 499

(4) Interest expenses and similar expenses

	For 6 months ended 30 June		For 3 months ended 30 June	
	2021	2020	2021	2020
	EUR	EUR	EUR	EUR
Bonds' coupon expenses	911 306	708 409	456 120	367 741
Interest expenses on other borrowings	844 779	922 575	335 242	474 218
Interest expenses on lease liabilities (lease of premises)	103 546	77 187	50 787	44 040
Interest expenses on lease	792	1 323	379	621
Interest expenses on lease liabilities (lease of vehicles)	589	712	276	418
Net loss on foreign exchange	114	69	58	32
	1 861 126	1 710 275	842 862	887 070

Notes (continued)

(5) Selling expenses

	For 6 months ended 30 June		For 3 months ended 30 June	
	2021 EUR	2020 EUR	2021 EUR	2020 EUR
Salary expenses	1 184 188	1 113 948	606 922	519 673
Depreciation of right-of-use assets - premises	325 043	336 765	161 961	167 509
Advertising	320 551	172 411	188 189	69 719
Social insurance	277 831	266 977	142 318	124 539
Non-deductible VAT	149 984	98 715	83 269	37 560
Depreciation of fixed assets	130 940	124 677	75 952	83 623
Maintenance expenses	130 171	134 221	66 047	71 294
Utilities expenses	117 591	150 479	46 797	96 851
Other expenses	51 060	47 518	33 671	(32 755)
Transportation expenses	40 740	42 539	21 202	20 440
Provisions for unused annual leave	23 774	4 540	8 366	(6 152)
Depreciation of right-of-use assets - motor vehicles	16 144	4 124	7 637	2 687
	2 768 017	2 496 914	1 442 331	1 154 988

(6) Administrative expenses

	For 6 months ended 30 June		For 3 months ended 30 June	
	2021 EUR	2020 EUR	2021 EUR	2020 EUR
Salary expenses	1 160 520	992 871	595 300	466 022
Social insurance	272 854	238 846	139 964	112 431
Bank commission	228 329	211 605	126 754	115 948
Other administrative expenses	108 721	108 628	53 034	57 848
State fees and duties, licence expenses	58 158	16 378	28 161	7 112
Legal advice	53 100	24 492	25 678	13 777
Communication expenses	50 895	12 691	35 101	6 085
Depreciation of right-of-use assets - premises	46 957	19 923	23 478	11 518
Provisions for unused annual leave	33 921	3 005	23 856	(15 561)
Audit expenses*	16 250	-	16 250	-
Depreciation of right-of-use assets - motor vehicles	4 764	2 382	2 382	1 131
	2 034 469	1 630 821	1 069 958	776 311

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

(7) Other operating expenses

	For 6 months ended 30 June		For 3 months ended 30 June	
	2021 EUR	2020 EUR	2021 EUR	2020 EUR
Losses from cession	270 274	284 870	136 693	117 559
Fines	15 986	9 657	15 650	7 491
Loss on settlement of liabilities	15 271	23 583	15 245	11 744
Other expenses	15 033	13 849	7 669	6 739
Donations	13 581	50 054	10 581	22 054
Staff sustainability costs	3 545	1 924	3 545	94
	333 690	383 937	189 383	165 681

Notes (continued)

(8) Corporate income tax for the reporting year

	For 6 months ended 30 June		For 3 months ended 30 June	
	2021 EUR	2020 EUR	2021 EUR	2020 EUR
Corporate income tax charge for the current year	623 009	32 912	299 353	6 819
	623 009	32 912	299 353	6 819

This tax is mainly concerned with the dividends paid out of the previous year's profits.

(9) Intangibles of the Group

	Concessions, patents, trademarks and similar rights EUR	Other intangible assets EUR	Advances EUR	Company's Goodwill EUR	Total EUR
Cost					
31.12.2019	354 773	60 822	6 748	127 616	549 959
Additions	1 387	47 912	-	-	49 299
Transfers	-	6 748	(6 748)	-	-
Disposals	(35)	(35 164)	-	-	(35 199)
31.12.2020	356 125	80 318	-	127 616	564 059
Additions	-	15 155	-	-	15 155
Transfers	-	-	-	-	-
Disposals	(1 396)	(1 500)	-	-	(2 896)
30.06.2021	354 729	93 973	-	127 616	576 318
Amortisation					
31.12.2019	170 572	25 089	-	-	195 661
Charge for 2020	61 331	25 661	-	-	86 992
Disposals	(34)	(24 509)	-	-	(24 543)
31.12.2020	231 869	26 241	-	-	258 110
Charge for 6 months 2021	30 246	11 660	-	-	41 906
Disposals	(1 397)	(1 499)	-	-	(2 896)
30.06.2021	260 718	36 402	-	-	297 120
Net book value 30.06.2021	94 011	57 571	-	127 616	279 198
Net book value 31.12.2020	124 256	54 077	-	127 616	305 949

Notes (continued)

(10) Fixed assets of the Group

	Land, buildings, structures and perennials EUR	Other fixed assets and inventory EUR	Leasehold improvements EUR	Right-of-use premises EUR	Right-of-use vehicles EUR	Right-of-use assets, total EUR	Total EUR
Cost							
31.12.2019	-	934 448	422 008	2 675 766	287 369	2 963 135	4 319 591
Additions	-	109 625	189 448	1 171 129	22 614	1 193 743	1 492 816
Remeasurement	-	-	-	716 006	-	716 006	716 006
Disposals	-	(51 549)	-	(2 864)	(17 832)	(20 696)	(72 245)
Acquired in business combination	130 069	-	-	-	-	-	130 069
31.12.2020	130 069	992 524	611 456	4 560 037	292 151	4 852 188	6 586 237
Additions	-	81 811	15 172	206 783	-	206 783	303 766
Remeasurement	-	-	-	203 085	-	203 085	203 085
Disposals	-	(33 983)	-	(108 671)	-	(108 671)	(142 654)
30.06.2021	130 069	1 040 352	626 628	4 861 234	292 151	5 153 385	6 950 434
Depreciation							
31.12.2019	-	651 770	367 493	722 707	191 447	914 154	1 933 417
Charge for 2020	6 530	141 086	47 356	716 017	46 789	762 806	957 778
Disposals	-	(48 546)	-	(1 718)	(17 466)	(19 184)	(67 730)
Acquired in business combination	38 154	-	-	-	-	-	38 154
31.12.2020	44 684	744 310	414 849	1 437 006	220 770	1 657 776	2 861 619
Charge for 6 months 2021	1 082	70 899	17 053	372 000	20 908	392 908	481 942
Disposals	2 086	(33 300)	-	(41 914)	-	(41 914)	(73 128)
30.06.2021	47 852	781 909	431 902	1 767 092	241 678	2 008 770	3 270 433
Net book value 30.06.2021	82 217	258 443	194 726	3 094 142	50 473	3 144 615	3 680 001
Net book value 31.12.2020	85 385	248 214	196 607	3 123 031	71 381	3 194 412	3 639 233

(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 interim condensed consolidated statement 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 interim condensed consolidated statement of financial position and statement of comprehensive income:

	30 June 2021 EUR	31 December 2020 EUR
Non-current assets		
Right-of-use assets - premises	3 094 142	3 123 031
Right-of-use assets - motor vehicles	50 473	71 381
Assets, total	3 144 615	3 194 412
Non-current liabilities		
Lease liabilities	2 762 390	2 732 136
Current liabilities		
Lease liabilities	690 499	703 715
Lease liabilities, total	3 452 889	3 435 851

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.

The weighted-average incremental borrowing rate for premises lease to 30.06.2021 was 4.07% (2020 was 5.25%), the weighted-average incremental borrowing rate for motor vehicles was 3.20% (2020 was 3.20%) per year.

Notes (continued)

(12) Loans to shareholders and management

	Loans to members EUR
31.12.2019	1 022 423
Loans issued	438 669
Loans repaid	(1 036 932)
Interest of loans	56 450
Interest repaid	(6 126)
31.12.2020	474 484
Loans issued	98 880
Loans repaid	(375 453)
Interest of loans	3 969
Interest repaid	(201 880)
30.06.2021	-
Net book value as at 30.06.2021	-
Net book value as at 31.12.2020	474 484

Interest on borrowing is in the range of 3.01% - 4% per annum. The loan maturity - 31 December 2025 (including the loan principal amount and accrued interest). Loans are denominated in euros. Loans were repaid early.

	Currency	Year of issue	Interest rate	Maturity	30 June 2021	31 December 2020
AE Consulting SIA	EUR	2019	4%	2023	-	381 796
L24 Finance SIA	EUR	2016	3.01%	2025	-	83 688
EA investments AS	EUR	2020	4%	2025	-	9 000
Loans to shareholders and management					-	474 484

(13) Loans and receivables

a) Loans and receivables by loan type

	Group 30 June 2021 EUR	Group 31 December 2020 EUR
Debtors for loans issued against pledge		
Long-term debtors for loans issued against pledge	79 613	85 492
Short-term debtors for loans issued against pledge	2 677 101	2 945 052
Interest accrued for loans issued against pledge	130 079	139 425
Debtors for loans issued against pledge, total	2 886 793	3 169 969
Debtors for loans issued without pledge		
Long-term debtors for loans issued without pledge	20 638 265	17 626 266
Short-term debtors for loans issued without pledge	12 224 750	16 025 664
Interest accrued for loans issued without pledge	1 185 189	1 470 419
Debtors for loans issued without pledge, total	34 048 204	35 122 349
Loans and receivables before allowance, total	36 934 997	38 292 318
ECL allowance on loans to customers	(3 669 537)	(3 618 464)
Loans and receivables	33 265 460	34 673 854

Notes (continued)

Loans and receivables (continued)

Loans and receivables by loan type (continued)

All loans are issued in euros. Long-term receivables for the loans issued do not exceed 5 years.

Parent company signed a contract with a third party for the receivable amounts regular cession to assign debtors for loans issued which are outstanding for more than 90 days. Losses from these transactions were recognised in the current period.

The claims in the amount of EUR 2 886 793 (31.12.2020: EUR 3 169 969) are secured by the value of the collateral. Claims against debtors for loans issued against pledge are secured by pledges, whose fair value is higher than the carrying value, therefore provisions for secured overdue loans are not made.

b) Allowance for impairment of loans to customers at amortised cost

An analysis of changes in the gross carrying value for loans issued and corresponding ECL in relation to corporate lending during the first half of the year 2021 is as follows:

Group	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2021	34 973 852	1 056 260	2 226 012	36 195	38 292 319
New assets originated or purchased	21 842 178	-	-	-	21 842 178
Assets settled or partly settled	(21 470 806)	(46 612)	(116 486)	-	(21 633 904)
Assets written off	(75 927)	(487 614)	(1 106 377)	(36 195)	(1 706 113)
Effect of interest accruals	48 756	(3 066)	94 827	-	140 517
Transfers to Stage 1	431 538	(269 655)	(161 883)	-	-
Transfers to Stage 2	(841 916)	847 527	(5 611)	-	-
Transfers to Stage 3	(1 173 580)	(263 565)	1 437 145	-	-
At 30 June 2021	33 734 095	833 275	2 367 627	-	36 934 997

Group	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2021	1 894 525	369 159	1 354 780	-	3 618 464
New assets originated or purchased	811 643	-	-	-	811 643
Assets settled or partly settled	(1 519 267)	(15 438)	(97 397)	-	(1 632 102)
Assets written off	(5 616)	(57 492)	(617 271)	-	(680 379)
Effect of interest accruals	519	5 069	94 885	-	100 473
Transfers to Stage 1	242 031	(72 528)	(169 503)	-	-
Transfers to Stage 2	(53 812)	57 436	(3 624)	-	-
Transfers to Stage 3	(42 306)	(59 631)	101 937	-	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	254 368	272 031	925 039	-	1 451 438
At 30 June 2021	1 582 085	498 606	1 588 846	-	3 669 537

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

	Group 30 June 2021 EUR	Group 31 December 2020 EUR
Receivables not yet due	30 659 431	32 473 188
Outstanding 1-30 days	3 074 664	2 508 354
Outstanding 31-90 days	833 275	1 056 261
Outstanding 91-180 days	654 788	989 467
Outstanding for 181-360 days	1 009 589	428 390
Outstanding for more than 360 days	703 250	836 658
Total claims against debtors for loans issued	36 934 997	38 292 318

Notes (continued)

Loans and receivables (continued)

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

	Group 30 June 2021 EUR	Group 31 December 2020 EUR
For trade debtors not yet due	1 373 673	1 769 822
Outstanding 1-30 days	153 621	123 306
Outstanding 31-90 days	498 606	369 159
Outstanding 91-180 days	383 670	554 341
Outstanding for 181-360 days	777 900	244 996
Outstanding for more than 360 days	482 067	556 840
Total provisions for bad and doubtful trade debtors	3 669 537	3 618 464

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

(14) Share capital

As at 30 June 2021, the Parent Company's share capital is EUR 4 000 000, which consists of 40 000 000 ordinary shares, each of them with a nominal value of EUR 0.10. All shares are fully paid.

(15) Bonds issued

	Group 30 June 2021 EUR	Group 31 December 2020 EUR
Bonds issued	8 500 000	8 481 000
Bonds commission	(24 709)	(39 283)
Total long-term part of bonds issued	8 475 291	8 441 717
Bonds issued	4 870 000	5 000 000
Bonds commission	(2 068)	(1 232)
Interest accrued	23 951	23 884
Total short-term part of bonds issued	4 891 883	5 022 652
Bonds issued, total	13 370 000	13 481 000
Interest accrued, total	23 951	23 884
Bonds commission, total	(26 777)	(40 515)
Bonds issued net	13 367 174	13 464 369

As of 30 June 2021, the Parent company of the Group has outstanding bonds (ISIN LV0000802213) in the amount of EUR 5 000 000, registered in the Latvia Central Depository on the following terms – number of securities issued: 5 000, nominal value 1 000 euros per each security, 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 bonds issue in full amount was traded on NASDAQ Baltic First North Alternative market as of 19.03.2018. The bond is secured by a commercial pledge on the property and claims of the Company and all its subsidiaries.

As of 30 June 2021, the Parent company of the Group has outstanding bonds (ISIN LV0000802379) in the amount of EUR 5 000 000, registered in the Latvia Central Depository on the following terms – amount of emissions recorded 5 000, amount of emissions recorded with nominal value 1 000 euro per each bond, 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 by 25 November 2022. The bonds issue was traded on NASDAQ Baltic First North Alternative market as of 11.08.2020. The bonds are secured by a commercial pledge on the property and claims of the Company and all its subsidiaries.

As of 30 June 2021, the Parent company of the Group has outstanding bonds (ISIN LV0000802429) in the amount of EUR 3 500 000, registered with the Latvia Central Depository and issued in a closed offer on 30 September 2020 on the following terms – amount of emissions 3 500, amount of emissions recorded with nominal value 1 000 euro per each bond, coupon rate - 12%, coupon is paid once a month on the 25th date. The principal amount (EUR 1000 per each bond) is to be repaid by 25 November 2022. The bonds are not secured.

As of 30 June 2021, AS DelfinGroup owns its own bonds (ISIN LV0000802213) in the amount of EUR 130 000. The bonds asset is deducted in the financial statements from bonds liabilities.

The Group has registered a commercial pledge by pledging its property and receivables, with a maximum claim amount of EUR 40.5 million as collateral on the pari passu principle among bondholders of notes issues ISIN LV0000802213, and ISIN LV0000802379, as well as for SIA Mintos Finance. As of 30 June 2021, the amount of secured liabilities constitutes EUR 4 870 000 for bonds ISIN LV0000802213, EUR 5 000 000 for bonds ISIN LV0000802379 and EUR 12 979 044 (31.12.2020: 17 286 857) for AS Mintos Finance.

Notes (continued)

(16) Other borrowings

	Group 30 June 2021 EUR	Group 31 December 2020 EUR
Other long-term loans	4 103 358	6 816 925
Total other long-term loans	4 103 358	6 816 925
Other short-term loans	8 889 524	10 869 932
Total other short-term loans	8 889 524	10 869 932
Total other loans	12 992 882	17 686 857

The remaining amount on other borrowings is represented by loans received from a crowdfunding platform SIA Mintos Finance, a company registered in the European Union. The weighted average annual interest rate as of 30 June 2021 is 10.18%. According to the loan agreement with SIA Mintos finance the loan matures according to the particular loan agreement terms concluded by the Company with its customers.

(17) Management remuneration

	For 6 months ended 30 June		For 3 months ended 30 June	
	2021 EUR	2020 EUR	2021 EUR	2020 EUR
Boards member salary expenses	149 834	129 431	54 700	65 941
Boards member social insurance	35 346	31 180	12 904	15 885
Boards member remuneration	185 180	160 610	67 604	81 826
Supervisory board member salary expenses	33 961	-	33 600	-
Supervisory board member social insurance	8 012	-	7 926	-
Supervisory board member remuneration	41 973	-	41 526	-
Management remuneration, total	227 153	-	109 130	-

As at 30 June 2021, the management of the Group has no outstanding loans.

(18) Related party transactions

The interim condensed consolidated financial statements only show those related parties with whom there have been transactions during the reporting period or during the comparative period.

Related party	Transactions for 6 months 2021	Transactions in 2020
Parent company's owners		
L24 Finance SIA, reg. No. 40103718685	✓	✓
AE Consulting SIA, reg. No. 40003870736	✓	✓
EC finance SIA, reg. No. 40103950614	-	✓
Didzis Ādmidiņš, 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	✓	✓
Banknote commercial properties SIA, reg. No. 40103501494 (from 30.09.2020-21.06.2021)	✓	✓
Other related companies		
Banknote commercial properties SIA, reg. No. 40103501494 (till 30.09.2020)	-	✓
KALPAKS SIA, reg. No. 40203037474	-	✓
EL Capital SIA, reg. No. 40203035929	✓	✓
EuroLombard Ltd, reg. No. 382902595000	✓	✓
OBDO Gin SIA, reg. No. 50103451231	-	✓

All transactions with related parties are carried out in accordance with general market conditions.

Notes (continued)

Related party transactions (continued)

	Transactions for 6 months 2021 EUR	Transactions in 2020 EUR
Group's transactions with:		
Owners of the parent company		
Interest received		
AE Consulting SIA	9 090	26 804
L24 Finance SIA	775	1 575
EC finance SIA	-	11
Services received		
AE Consulting SIA	-	(1 698)
Services delivered		
AE Consulting SIA	75	2 965
L24 Finance SIA	-	360
EC finance SIA	-	300
Goods sold		
AE Consulting SIA	59	1 090
Board members	-	992
Investment in shares		
L24 Finance SIA	-	(1 921)
Companies and individuals under common control or significant influence		
Interest paid		
Board members	-	(1 598)
Services delivered		
EA investments AS	153	300
Other related companies		
Interest received		
Banknote commercial properties SIA	-	1 661
EuroLombard Ltd	-	1 570
Services received		
Banknote commercial properties SIA	-	(15 569)
Services delivered		
Banknote commercial properties SIA	-	938
EL Capital, SIA	1 307	447
EuroLombard Ltd.	1 545	6 139
OBDO Gin, SIA	-	8 418
KALPAKS, SIA	-	321
Goods received		
OBDO Gin, SIA	-	(43)
Fixed assets sold		
OBDO Gin, SIA	-	160

Loan debts to shareholders and management

	Group 30 June 2021 EUR	Group 31 December 2020 EUR
AE Consulting SIA	-	381 796
L24 Finance SIA	-	83 688
EA investments AS	-	9 000
	-	474 484

Notes (continued)

(19) Segment information

For management purposes, the Company is organised into three 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.
Consumer loan segment	Handling consumer loans to customers, debt collection activities and loan cessions to external debt collection companies.
Other operations segment	Providing loans for real estate development, general administrative services to the companies of the Group, transactions with related parties. Loans for real estate development are no longer issued and are fully recovered.

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 differently from profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments. 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.

The following table presents income and profit and certain asset and liability information regarding the Group's operating segments. Based on the nature of the services, the Group's operations can be divided as follows (statement of profit or loss positions and other information is compared for the same period of the previous year, balance sheet positions are compared to the data as at 31.12.2020):

EUR	Pawn loans		Consumer loans		Other activities		Total	
	For 6 months ended 30 June		For 6 months ended 30 June		For 6 months ended 30 June		For 6 months ended 30 June	
	2021	2020	2021	2020	2021	2020	2021	2020
Assets	7 430 229	8 081 189	32 255 377	32 229 638	-	5 184 436	39 685 606	45 959 145
Liabilities of the segment	7 086 729	7 338 606	24 490 311	24 520 090	-	4 146 054	31 577 040	36 004 750
Income	4 641 326	5 417 017	7 225 467	5 578 565	69 434	220 165	11 936 227	11 215 747
Net performance of the segment	605 303	1 135 803	3 244 455	2 586 666	264 444	54 407	4 114 203	3 776 877
Financial (expenses)	(323 777)	(286 088)	(1 524 160)	(1 227 733)	(13 189)	(196 454)	(1 861 126)	(1 710 275)
Profit/(loss) before taxes	281 526	849 715	1 720 295	1 358 933	251 255	(142 047)	2 253 077	2 066 602
Corporate income tax	(77 846)	(13 532)	(475 687)	(21 642)	(69 476)	2 262	(623 009)	(32 912)
<i>Other information</i>								
Fixed assets and intangible assets (NBV)	2 757 574	2 787 597	1 201 625	883 881	-	359 090	3 959 199	4 030 567
Depreciation and amortisation during the reporting period	(364 859)	(352 845)	(158 989)	(111 879)	-	(45 452)	(523 848)	(510 176)
Loans issued	7 126 001	8 766 064	14 716 177	11 264 040	-	26 000	21 842 178	20 056 104
Loans received	7 447 863	9 050 617	9 609 853	9 535 699	4 806 601	275 065	21 894 317	18 861 380

Notes (continued)

(20) Guarantees issued, pledges

The Group has registered a commercial pledge by pledging its property and receivables, with the maximum claim amount of EUR 40.5 million as collateral on the pari passu principle among bondholders of notes issues ISIN LV0000802213, and ISIN LV0000802379, as well as for SIA Mintos Finance. As of 30 June 2021, the amount of secured liabilities constitutes EUR 4 870 000 for bonds ISIN LV0000802213, EUR 5 000 000 for bonds ISIN LV0000802379 and EUR 12 979 044 (31.12.2020: 17 286 857) for AS Mintos Finance.

(21) Fair value measurements

a) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ▶ Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- ▶ Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

At 30 June 2021

	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Assets for which fair values are disclosed				
Cash and cash equivalents	593 694	-	-	593 694
Loans and receivables	-	-	33 265 460	33 265 460
Other financial assets	-	-	330 734	330 734
Liabilities for which fair values are disclosed				
Bonds issued	-	13 367 174	-	13 367 174
Other borrowings	-	-	12 992 882	12 992 882
Lease liabilities	-	-	3 452 889	3 452 889
Trade payables	-	-	628 618	628 618

b) Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the Consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 30.06.2021	Fair value 30.06.2021	Unrecognised gain/(loss) 30.06.2021	Carrying value 2020	Fair value 2020	Unrecognised gain/(loss) 2020
Financial assets						
Cash and cash equivalents	593 694	593 694	-	4 591 954	4 591 954	-
Loans and receivables	33 265 460	33 405 577	140 117	34 673 854	34 261 871	411 983
Loans to shareholders and management	-	-	-	474 484	484 650	(10 166)
Other financial assets	330 734	330 734	-	654 279	654 279	-
Financial liabilities						
Bonds issued	13 367 174	13 299 993	(67 181)	13 464 369	13 463 004	(1 365)
Other borrowings	12 992 882	15 670 859	2 677 977	17 686 857	18 414 469	727 612
Lease liabilities	3 452 889	3 655 109	202 220	3 435 851	3 504 097	68 246
Trade payables	628 618	628 618	-	702 933	702 933	-
Total unrecognised change in fair value			2 953 143			1 196 310

Notes (continued)

(22) Subsequent events

In January 2021, AS DelfinGroup decided on the reorganisation and redistribution of functions at three of its subsidiaries – SIA Banknote commercial properties, SIA Refin and SIA Expressinkasso. The functions of the reorganised Companies will be taken over by AS DelfinGroup. As at the time of signing these interim condensed consolidated financial statements, the reorganisation is completed for SIA Banknote commercial properties, SIA Expressinkasso, and reorganisation is in the finalisation process for SIA Refin.

On 23 March 2021, the Company announced its intention to go public with the intention to list shares on the Main Market of Nasdaq Riga Stock Exchange during 2021. After the period end, the Company is in the preparation process for the planned IPO in the 2nd half-year of 2021.

After the period ended, the Parent company of the Group issued 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 – amount of emissions 5 000, amount of emissions recorded with the nominal value of 1 000 euros per each bond, coupon rate – 9.75%, coupon is paid once a month on the 25th date. The principal amount (EUR 1000 per each bond) is to be repaid by 25 August 2023. The bonds are not secured.

During the period from the last day of the reporting period to the date of signing these interim consolidated financial statements, no events have occurred, which would entail the necessity of making adjustments to these consolidated financial statements or that ought to be explained in these consolidated financial statements.

(23) Impact of COVID-19

In March 2020, the Republic of Latvia and many other countries introduced restrictions in relation to the coronavirus pandemic. The restrictions have affected the economic activity in the country and in the world.

The Company's management is continuously assessing the situation and currently the Company's operations are regarded as stable with a positive outlook. Company's management have assessed the going concern assumption and the management works, and complies with the set strategy of further developing the pawn loan segment, consumer loan segment and the segment of pre-owned goods retail and meeting its financial obligations.

During Q2 2021, consumer loan issuance increased by 21.3% compared to Q1 2021. The growth is even more considerable when comparing this year with 2020: during the first six months of 2021, consumer loan issuance has grown by close to 30.6%. However, due to the restrictions placed on offline servicing, during the first half of this year 2021, pawn loan issuance decreased year-on-year (-18.7%). This did not have a lasting effect on overall growth, as the pawn loan segment is also gradually recovering and demonstrating a growing trend. Comparing pawn loan issuance during Q1 2021 and Q2 2021, there is an increase of 11.9%.

The Company's management have the experience necessary to address the risks of the COVID-19 pandemic by arranging remote work for the administration utilising already present technological solutions and incurring a small transition to remote work costs. The Company also has experience of the actions to be taken to accumulate cash reserves for the purpose of risk management during times of uncertainty. The measures include the renegotiation of rent, reduction in salaries and agreement on the deferral of tax payments. In addition, the Company has experience in relation to fluctuations in the availability of financing sources on the Mintos marketplace and issuing new bonds.

The management continuously evaluates the quality of loan portfolio. The management has concluded that the COVID-19 pandemic did not have a significant impact on the quality of the loan portfolio of the company. The management will continue to prudently monitor the quality of the loan portfolio and effect of the COVID-19 pandemic and related restrictions.

Except for as provided in the previous paragraph, for the purpose of preparing these interim condensed consolidated financial statements the management assessed the overall risk impact of COVID-19 for the Company as moderate and accordingly did not make any further significant changes to any other estimates or credit or market risk management policies as at 30 June 2021.

Nevertheless, with consideration of the continuance of the COVID-19 pandemic, the management still regularly follows the further developments and analyses the potential of its impacts in 2021, and is properly prepared to assess and implement any further changes to accounting policies, estimates and risk management policies, as well as review the respective risk grading when necessary to ensure the sustainable growth of the Company as well as the proper and safe provision of services to clients.

Didzis Ādmīdiņš
Chairman of the Board

Kristaps Bergmanis
Board of Member

Ivars Lamberts
Board Member

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

INDEPENDENT AUDITOR'S REVIEW REPORT

To the shareholders of AS DelfinGroup

Review Report on the Condensed Interim Consolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of AS DelfinGroup (the "Group"), as set out on pages 11 to 29, which comprise the condensed consolidated balance sheet as at June 30, 2021, and condensed consolidated statement of comprehensive income for the six-month and three-month period both ended June 30, 2021, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information ("the interim financial information").

Management's Responsibility for the Interim Financial Statements

Management is responsible for the preparation and fair presentation of these interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying interim financial information. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that this interim financial information does not give a true and fair view of the consolidated financial position of AS DelfinGroup as at June 30, 2021, and of its consolidated financial performance and consolidated cash flows for the six-month period then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Other Matter

The corresponding figures for the six-month period ended June 30, 2020, were not reviewed or audited. On 23th of April, 2021 we issued unmodified audit report on 2020 IFRS consolidated and separate financial statements of AS DelfinGroup.

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the Management Report, as set out on pages 7 to 9, the preparation of which is the responsibility of management, is consistent with the interim financial information. Our work with respect to the Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the interim financial information of the Group. Nothing has



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come to our attention that causes us to believe that there are material inconsistencies between the Management Report and the interim financial information.

SIA BDO ASSURANCE
Licence Nr. 182

Irita Cimdare
Board Member
Sworn auditor
Certificate Nr. 103
Rīga, Latvia
19 August 2021

A handwritten signature in blue ink, consisting of a large, stylized initial 'I' followed by several loops and a long horizontal stroke extending to the right.

THIS DOCUMENT IS ELECTRONICALLY SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP