delfin group | GOING PUBLIC

AS "DelfinGroup"

incorporated and registered in Latvia, with registration number 40103252854

AS "DelfinGroup" is publicly offering up to 7,300,000 shares (plus up to 1,095,000 additional shares pursuant to an over-allotment option if exercised) to be listed and admitted to trading on Baltic Main List of Nasdaq Riga

Price EUR 1.52 per Offer Share

Offer Period 28 September 2021 – 11 October 2021

PROSPECTUS ON PUBLIC OFFERING, LISTING AND ADMISSION OF SHARES TO TRADING

This Public Offering, Listing and Admission to Trading Prospectus (the "**Prospectus**") has been drawn up and published by AS "DelfinGroup" the "**Company**" or "**DelfinGroup**") in connection with (i) newly issued shares; and (ii) listing and Admission to trading on the Baltic Main List of Nasdaq Riga.

The Company is offering up to 7,300,000 new shares, which may be increased by up to 1,095,000 shares to a total of up to 8,395,000 shares under an over-allotment option (the "**Offer Shares**"). 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 registered by the decision of the Latvian Financial Capital Market Commission on 21 September 2021.

The Offer Period of the Offer Shares commences on 28 September 2021 at 10:00 and terminates 11 October 2021 at 15:30 (the "**Offer Period**") in accordance with the terms and conditions set out in this Prospectus. The Offer Price is EUR 1.52 per one Offer Share (the "**Offer Price**"), of which EUR 0.10 is the nominal value of one Offer Share and EUR 1.42 is the issue premium.

In connection with the Offering, the Company and the Shareholders have agreed that AS LHV Pank, as stabilising manager (the "**Stabilising Manager**"), will have the right to acquire Offer Shares on the Nasdaq Riga in an amount equal to 1,095,000 shares (the "**Over-Allotment Shares**") by retaining the proceeds from the sale of the Offer Shares (the "**Stabilisation Proceeds**"), in order to stabilise the stock market price of the Offer Shares at a level higher than that which would otherwise prevail. The acquisition of the Offer Shares through stabilisation transactions will be made subject to applicable law. The stabilising transactions to purchase the Offer Shares may be effected at any time on or before the 30th calendar day after the commencement of trading in the Shares on the Nasdaq Riga (the "**Stabilisation Period**"). The stabilising transactions to purchase the Offer Shares may only be effected at a price not exceeding the Offer Price. The Stabilising Manager will not, however, be required to carry out any stabilisation actions. If any such actions are carried out by the Stabilising Manager, they may be discontinued at any time without prior notice. No assurance can be given that such stabilisation actions, if taken, will bring the expected results. At the end of the Stabilisation Period, the Stabilising Manager will return any remaining Stabilisation Proceeds which were not used for stabilisation activities will be provided to the Company (net of respective costs).

The Company will submit a listing application to Nasdaq Riga for the listing and admission to trading of all the Shares of the Company (the "**Shares**"), including Offer Shares, on the Baltic Main list of Nasdaq Riga. Trading with the Shares on the Baltic Main list of Nasdaq Riga is expected to commence on or about 15 October 2021.

The Company 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 to 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 or commencement of trading with Shares on the Baltic Main List of Nasdaq Riga, whichever occurs later. The Company 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

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SUMMARY IN ENGLISH

1 SUMMARIES

1.1 Summary in English

1.1.1 Introduction and warnings

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

Share of the Company (DelfinGroup), reserved 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 info@delfingroup.lv; ipo@delfingroup.lv, telephone number is +371 26189988. Its legal entity identifier (LEI) is 2138002PKHUJIMVMYB13.

Identity and contact details of the competent authority approving the Prospectus

This Prospectus has been approved by the Latvian 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 21 September 2021.

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.

1.1.2 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).

Strengths

Market leadership. Throughout its history, the Company has demonstrated consistent growth across the entire spectrum of its core business operations. This is evidenced by its successful operation marked by a sizeable branch network together with an online business component, significant number of employees, substantial customer base, diversity of product range, as well as consistently impressive and increasing profitability over the past 12 years of operation.

Focus on sustainability. The Management Board believes that operating the business in a sustainable manner will help in ensuring the longevity of the Company and maximise long-term returns for the shareholders. The Company has implemented robust corporate governance policies and procedures aligned to the best international practices, with the ultimate goal of operating the business in the best possible way. 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 of 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.

Strategy

The Company's strategy is focused on: (1) Increasing the value of the Group; (2) Ensuring long-term profitability; (3) Maintaining flawless reputation; (4) Supporting the financial inclusion of all strata of society.

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"	10.00%	4,000,000	Agris Evertovskis
SIA EC finance	21.31%	8,525,870	Agris Evertovskis
SIA L24 Finance	65.19%	26,074,130	Aigars Kesenfelds Linda Kesenfelde

According to the Shareholders' Agreement entered into on 26 April 2021, as amended, between Mr Agris Evertovskis and the major shareholders of the Company Mr Agris Evertovskis has the power to appoint or remove the majority of members of the Supervisory Board of the Company. Thus, through the ownership of SIA "AE Consulting" and SIA EC finance, Mr Agris Evertovskis is capable of exercising a decisive influence over the Company (to the extent Shareholders' Agreement is in force).

The Shareholders' Agreement will terminate prior to Admission of the Shares to trading on a stock exchange (Baltic Main List of Nasdaq Riga).

SIA "AE Consulting" and SIA EC finance jointly own 31.31% of the Company shares (and voting rights). SIA L24 Finance owns 65.19% of the Company shares (and voting rights). SIA "AE Consulting", SIA EC finance and SIA L24 Finance jointly own 96.50% of the Company shares (and voting rights). All of the mentioned shareholding stakes (and related voting rights) are acquired prior to listing of the Company shares on regulated market.

According to Latvian Financial Instruments Market Law Article 66(5)8) 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. Consequently, the persons named above shall not be required to express mandatory bid for the repurchase of Company shares based on the shareholding stakes (and related voting rights) acquired prior to listing of the Company shares on the Baltic Main List of Nasdaq Riga.

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
Kristaps Bergmanis	Member of the Management Board	19 January 2021	18 January 2026
Ivars Lamberts	COO, Member of the Management Board	19 January 2021	18 January 2026

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
Aldis Umblejs	CFO	3 August 2021	-

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 2020, 31 December 2019 and 31 December 2018 have been enclosed to the Prospectus. Also, the Group's reviewed consolidated interim financial statements for the 6-month period which ended on 30 June 2021 and the Group's unreviewed consolidated interim financial statements for the 6-month period which ended on 30 June 2020 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 (unreviewed)*	*Six-month period ended 30 June (reviewed)*
	2018	*2019*	*2020*	*2020*	*2021*
Total income	**18,850**	**22,177**	**23,664**	**11,215**	**11,936**
Gross profit	**13,399**	**13,825**	**14,357**	**6,549**	**7,362**
Profit before corporate income tax	**4,625**	**4,263**	**4,652**	**2,067**	**2,253**
Corporate income tax	(79)	(350)	(755)	(33)	(623)
Interim dividends	(490)	-	-	-	-
Net profit for the reporting year	**4,056**	**3,913**	**3,897**	**2,034**	**1,630**
Net profit attributable to owners of the parent company	4,546	3,913	3,897	2,034	1,630
Earnings per share, EUR [1]	**3.03**	**2.61**[1]	**0.97**	**0.05**	**0.04**
Adjusted earnings per share, EUR[2]	**0.11**	**0.10**	**0.10**	**0.05**	**0.04**

[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 new share issues.

Selected consolidated statement of financial position information, *EUR'000*

	Year ended 31 December (audited)			*Six-month period ended 30 June (unreviewed)*	*Six-month period ended 30 June (reviewed)*
	2018	*2019*	*2020*	*2020*	*2021*
Total non-current assets	5,167	12,740	22,217	13,188	24,677
Total current assets	21,498	25,530	23,742	28,045	15,009
Total assets	26,666	38,270	45,959	41,233	39,686
Total equity	5,954	8,367	9,251	10,401	8,109
Total long-term creditors	7,189	13,173	17,991	16,569	15,341
Total short-term creditors	13,522	16,730	18,717	14,263	16,236
Total liabilities and equity	26,666	38,270	45,959	41,233	39,686

Selected consolidated statement of cash flow information, *EUR'000*

	Year ended 31 December (audited)			*Six-month period ended 30 June (unreviewed)*	*Six-month period ended 30 June (reviewed)*
	2018	*2019*	*2020*	*2020*	*2021*
Net cash flow from (to) operating activities	601	(6,199)	1,908	845	3,338
Net cash flow from (to) investing activities	(177)	(778)	(698)	1,083	362
Net cash flow from (to) financing activities	846	4,623	2,246	(1,106)	(7,698)
Net cash flow of the reporting year	1,269	(2,354)	3,456	822	(3,998)

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.

<u>Risks related to statutory licensing requirements.</u> 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.

<u>Risk related to borrower credit risk.</u> 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.

1.1.3 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 will be registered with Nasdaq CSD under the reserved ISIN LV0000101806 after the approval of this Prospectus and before the start of the Offer Period and will be 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 4,000,000 divided into 40,000,000 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. After registration of the Company's share capital increase comprising the Offer Shares with the Commercial Register of Latvia, the Offer Shares shall bear the same rights as all of the existing Company's shares.

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.

The Company has fulfilled the shareholders' interests in gaining 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 million in dividends in 2020 which amounts to EUR 0.08 per share.

Where will the Shares be traded?

In the event of a successful Offering the Shares will be traded on the Baltic Main List of Nasdaq Riga. No application has been or will be submitted to trading of the Shares on any other stock exchange. Trading with the Shares on the Baltic Main list of Nasdaq Riga is expected to commence on or about 15 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. Shares of the Company have not previously been publicly traded, and there is no guarantee that an active and liquid market for the Shares will develop. The failure to develop or maintain active trading may affect the liquidity of the Shares and the Company cannot assure that the market price of its Shares will not decline below the Offer Price. Consequently, investors may not be in a position to sell their Shares quickly at or above the Offer Price.

Cancellation of Offering and undersubscription. Best efforts will be made by the Company to ensure that the Offering is successful; however, there can be no assurances by the Company that the Offering will be successful and that the investors will receive the Offer Shares they subscribe for. The Company 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 burden of the Shareholders and may therefore have an adverse effect on the rate of return from investment into the Shares.

1.1.4 Information on the offer of securities to the public and admission to trading on a regulated market

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

In the course of the Offering, up to 7,300,000 Offer Shares (plus up to 1,095,000 additional Offer Shares that may be allocated pursuant to the over-allotment option) are being offered. The expected amount of gross proceeds of the Offering is up to EUR 12,760,400. Expenses directly related to the Offering are estimated to be approximately EUR 660,400. Therefore, the net proceeds of the Offering are expected to be EUR 12,100,000.

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 Company will submit a listing application to Nasdaq Riga for the admission to trading of all the Company's Shares, including the Offer Shares, on the Baltic Main List of Nasdaq Riga. Trading with the Company's Shares is expected to commence on Nasdaq Riga on or about 15 October 2021. The indicative timetable of the Offering is the following:

Start of the Offer Period	28 September 2021
End of the Offer Period	11 October 2021
Announcement of results of the Offering and Allocation	On or about 12 October 2021
Settlement of the Offering	On or about 14 October 2021
First trading day on Nasdaq Riga	On or about 15 October 2021

The Company together with the Global Lead Manager, will decide on the allocation of the Offer Shares after the expiry of the Offering Period, on or about 12 October 2021. The allocation of the Offer Shares between the Institutional Offering and the Retail Offering has not been previously determined. The Company together with the Global Lead Manager will determine the exact allocation at its sole discretion.

As of the date of this Prospectus, the number of the Shares of the Company is 40,000,000. The number of the Offer Shares is up to 8,395,000 (including the over-allotment option). Therefore, the number of the Shares of the Company after the successful registration of the increase of the share capital of the Company will be up to 48,395,000, provided, however, that the number of the Offer Shares is not changed. Therefore, the shareholdings in the Company existing immediately prior to the Offering will be diluted by up to 17.35% as a result of the Offering (with the assumption that existing Shareholders do not subscribe in the course of the Offering for Shares corresponding to their shareholding).

Why is this prospectus being produced?

The net proceeds of the Offering are expected to be up to EUR 12,100,000.

The main reasons for the Offering are to strengthen and optimise the balance sheet of the Company by increasing the total equity base of the Company as well as the equity ratio. In parallel, the offering has the effect of reducing both current and future financing expenses of the Group.

The Management Board plans to reduce the Group's financial liabilities and materially increase the equity ratio by means of repaying the most expensive financial liabilities to the extent the proceeds will allow. Furthermore, the Management Board plans to refinance the Group's remaining interest-bearing liabilities at the initial target rate of 8% within one year following the Offering.

Depending on market situation and circumstances, no later than at the end of 2024 and possibly earlier, the Management Board plans to refinance the remaining Group's interest-bearing liabilities below 8% weighted average interest rate or lower (compared to the cost of interest-bearing liabilities in 2021 of 10.85%).

The ability to finance the Company's operations at lower interest rates will enable a more dynamic growth of the Company and will strengthen its balance sheet. Moreover, it will provide the possibilities to improve the competitive position within the business segments where the Group operates by offering more competitive and lower interest rate products to its customers and accelerate the increase of the loan portfolio of the Group. Overall, obtaining funding at lower cost is expected to give the Group added flexibility to decide on entering new market segments and developing new products and services to its customers.

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 or Admission to trading.

SUMMARY IN ESTONIAN

1.2 Summary in Estonian *(Kokkuvõte)*

1.2.1 Sissejuhatus ja hoiatused

Väärtpaberi nimetus ja rahvusvaheline väärtpaberite identifitseerimisnumber (ISIN)

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

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

AS "DelfinGroup" on Läti Vabariigis asutatud aktsiaselts (*akciju sabiedrība*), mis on registreeritud Läti äriregistris numbriga 40103252854, mille registreeritud aadress on Skanstes iela 50A, Riia, LV-1013. Aktsiaseltsi e-posti aadress on info@delfingroup.lv; ipo@delfingroup.lv, telefoninumber: +371 26189988. Aktsiaseltsi juriidilise isiku tunnus (LEI) on 2138002PKHUJIMVMYB13.

Prospekti kinnitava pädeva asutuse nimi ja kontaktandmed

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

Prospekti kinnitamise kuupäev

Käesolev prospekt kinnitati 21. septembril 2021.

Hoiatused

Käesolev Kokkuvõte on koostatud vastavalt Määruse (EL) 2017/1129 artiklile 7 ning seda tuleb käsitleda Prospekti sissejuhatusena. Väärtpaberitesse investeerimise üle otsustamisel peaks investor uurima Prospekti tervikuna. 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. Tsiviilvastutust 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.

1.2.2 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, Riia, LV-1013, ja selle LEI number on 2138002PKHUJIMVMYB13. 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* (Riia 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 kestlikkusele. Juhatus usub, et kestlik majandustegevus aitab tagada Aktsiaseltsi pikaealisuse ning pakkuda aktsionäridele maksimaalset pikaajalist tootlust. Aktsiaselts on kehtestanud töökindlad ühingujuhtimise põhimõtted ja protseduurid, mis on kooskõlas parimate rahvusvaheliste tavadega ning mille eesmärgiks on tagada majandustegevuse teostamine 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 juurdepääsu peaaegu kõigile oma toodetele ja teenustele ning jätkab digitaalsete toodete ja teenuste lisamist olemasolevale valikule, olles seadnud 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"	10.00%	4,000,000	Agris Evertovskis
SIA EC finance	21.31%	8,525,870	Agris Evertovskis
SIA L24 Finance	65.19%	26,074,130	Aigars Kesenfelds Linda Kesenfelde

Vastavalt 26. aprill 2021 sõlmitud Aktsionäride Lepingu muudatustele Hr. Agris Evertovskise ja suuremate Ettevõtte aktsionäride vahel, on Hr. Agris Evertovskisel volitus määrata ja tagasikutsuda enamust Ettevõtte Nõukogu liikmetest. Seega omades kontrolli SIA "AE Consulting" ja SIA "EC finance" üle, on Hr. Agris Evertovskis võimeline rakendama olulist mõjuvõimu Ettevõtte üle (vastavalt sellele kuni Aktsionäride Leping kehtib).

Aktsionäride Leping lõpetatakse enne Aktsiate kauplemisele võtmist börsil (Nasdaq Riia Balti Põhinimekirjas).

SIA "AE Consulting" ja SIA "EC finance" omavad kokku 31.31% Ettevõtte aktsiatest (ja hääleõigusest). SIA L24 Finance omab 65.19% Ettevõtte aktsiatest (ja hääleõigusest). SIA "AE Consulting", SIA "EC finance" ja SIA "L24 Finance" omavad kokku 96.5% Ettevõtte aktsiatest (ja hääleõigusest). Kõik eelpoolmainitud osalused (ja nendega seotud hääleõigused) on soetatud enne Ettevõtte aktsiate noteerimist reguleeritud turul.

Vastavalt Läti Finantsinstrumentide Turgude Seaduse (Latvian Financial Instruments Market Law) artiklile 66(5)8) ei teki väljaostupakkumise kohustust kvalifitseerunud isikul või isikutel kui nende osalus, mis ulatub või ületab 30% kõigist hääleõiguslikest aktsiatest, on soetatud enne Ettevõtte aktsiate noteerimist reguleeritud turul. Sellest tulenevalt eelpool mainitud isikutel ei teki kohustust viia läbi kohustuslik väljaostupakkumine Ettevõtte aktsiatele tuginedes sellele, et nende osalused (ja seotud hääleõigused) on soetatud enne Ettevõtte aktsiate noteerimist Nasdaq Riia Balti Põhinimekirjas (Baltic Main List of Nasdaq Riga).

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
Kristaps Bergmanis	Juhatuse liige	19. jaanuar 2021	18. jaanuar 2026
Ivars Lamberts	Operatsioonide juht, juhatuse liige	19. jaanuar 2021	18. jaanuar 2026
Agris Evertovskis	Nõukogu esimees	30. märts 2021	29. märts 2026
Gatis Kokins	Nõukogu esimehe asetäitja	30. märts 2021	29. märts 2026
Edgars Voļskis	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	3. august 2021	-

Vannutatud audiitorite andmed

SIA “BDO ASSURANCE”, registrinumber: 42403042353, registreeritud aadress at Kaļķu iela 15 - 3B, Riia, 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 2020.a, 31. detsembril 2019.a ja 31. detsembril 2018.a lõppenud majandusaastate kohta. Prospektile on lisatud ka audiitorite poolt ülevaadatud Kontserni konsolideeritud vahefinantsaruanded 30. juunil 2021.a lõppenud 6-kuulise perioodi kohta ja ülevaatamata kujul ka Kontserni konsolideeritud vahefinantsaruanded 30.juunil 2020. 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 (ülevaatamata)*	*30. juunil lõppenud kuuekuuline periood (ülevaadatud)*
	2018	*2019*	*2020*	*2020*	*2021*
Kogutulu	**18,850**	**22,177**	**23,664**	**11,215**	**11,936**
Brutokasum	**13,399**	**13,825**	**14,357**	**6,549**	**7,362**
Kasum enne ettevõtte tulumaksu	**4,625**	**4,263**	**4,652**	**2,067**	**2,253**
Ettevõtte tulumaks	(79)	(350)	(755)	(33)	(623)
Vahedividendid	(490)	-	-	-	-
Aruandeaasta puhaskasum	**4,056**	**3,913**	**3,897**	**2,034**	**1,630**
Emaettevõtja omanikele omistatav puhaskasum	4,546	3,913	3,897	2,034	1,630
Aktsiakasum, EUR[3]	**3.03**	**2.61[3]**	**0.97**	**0.05**	**0.04**
Korrigeeritud aktsiakasum, EUR[4]	**0.11**	**0.10**	**0.10**	**0.05**	**0.04**

[3] Iga vastava perioodi lõpus arvestatud aktsiakasum. 2019. aasta aktsiakasum ei sisaldu Auditeeritud Finantsaruannetes. Need on välja arvutatud ning lisatud käesolevasse tabelisse võrreldavuse eesmärgil.
[4] 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 (ülevaatamata)*	*30. juunil lõppenud kuuekuuline periood (ülevaadatud)*
	2018	*2019*	*2020*	*2020*	*2021*
Põhivarad kokku	5,167	12,740	22,217	13,188	24,677
Käibevarad kokku	21,498	25,530	23,742	28,045	15,009
Varad kokku	26,666	38,270	45,959	41,233	39,686
Omakapital kokku	5,954	8,367	9,251	10,401	8,109
Pikaajalised võlad kokku	7,189	13,173	17,991	16,569	15,341
Lühiajalised võlad kokku	13,522	16,730	18,717	14,263	16,236
Kokku kohustused ja omakapital	26,666	38,270	45,959	41,233	39,686

Valitud konsolideeritud rahavoogude aruande info, EUR'000

	31. detsembril lõppenud aasta (auditeeritud)			*30. juunil lõppenud kuuekuuline periood (ülevaatamata)*	*30. juunil lõppenud kuuekuuline periood (ülevaadatud)*
	2018	*2019*	*2020*	*2020*	*2021*
Netorahavood põhitegevusest	601	(6,199)	1,908	845	3,338
Netorahavood investeerimistegevusest	(177)	(778)	(698)	1,083	362
Netorahavood finantseerimistegevusest	846	4,623	2,246	(1,106)	(7,698)
Aruandeaasta netorahavood	1,269	(2,354)	3,456	822	(3,998)

Millised on emitendiga seotud põhiriskid?

Konkurentsiga seotud risk tarbimislaenude ja pandilaenude ärivaldkondades. 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 pandilaenude valdkonnas loetakse oluliseks. Selle tulemusel võidakse talle kohaldada Läti konkurentsiõigusest 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 platvorme, põhjustada andmete kadu ning vajada Kontsernilt 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 tähtajatud, kuid tarbijaõiguste kaitse keskus (*Consumer Rights Protection Centre*, "**CRPC**") võib need tühistada või peatada. Tarbijaõiguste kaitse keskus on kohustatud sekkuma, kui Aktsiaselts ja/või Kontsern rikuvad oma kohalduvast õigusest tulenevaid kohustusi. Tarbijaõiguste kaitse keskus võib tegevusloa peatada kuni kuueks kuuks, kui Aktsiaselts ja/või Kontsern ei järgi normatiivakte ega tee koostööd tuvastatud lahknevuste lahendamiseks. Oluliste rikkumiste korral võib tarbijaõiguste kaitse keskus viimase meetmena Aktsiaseltsi ja/või Kontserni tegevusloa tühistada. Kontserni tegevus on sõltuv tarbijaõiguste kaitse keskuse 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 krediidikvaliteediga 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 krediidikvaliteedi halvenemine ja sellest tulenev kasvav varade väärtuse langus võivad avaldada negatiivset mõju Kontserni majandustegevusele, finantsseisundile, tegevuse tulemustele ja väljavaadetele.

1.2.3 Teave väärtpaberite kohta

Mis on väärtpaberite põhiomadused?

Liik, klass ja ISIN

Kõik Aktsiaseltsi Aktsiad (sh ka Pakutavad Aktsiad) on dematerialiseeritud esitajaaktsiad nimiväärtusega 0.10 EUR iga aktsia kohta. Aktsiad registreeritakse Nasdaq CSD-s reserveeritud ISIN-koodiga ISIN LV0000101806 pärast käesoleva Prospekti kinnitamist ja enne Pakkumisperioodi algust, ning neid hoitakse registrikande vormis. Aktsiaselts ei ole andnud ega kavatse anda välja aktsiatähti.

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

Prospekti kuupäeva seisuga on Aktsiaseltsi aktsiakapitali suurus EUR 4,000,000, mis on jagatud 40,000,000 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 hääl). Pärast seda, kui Aktsiaseltsi poolt Pakutavaid Aktsiaid hõlmav aktsiakapitali suurendamine on registreeritud Läti äriregistris, kaasnevad Pakutavate Aktsiatega samasugused õigused nagu Aktsiaseltsi kõigi olemasolevate Aktsiatega.

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 kapitalistruktuuris 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.

Aktsiaselts on täitnud aktsionäride ootuse saada regulaarset ja prognoositavat tootluspõhist tootlust, säilitades samal ajal Aktsiaseltsi finantsstabiilsuse ja keskendudes pikaajalistele arengueesmärkidele. Aktsiaselts jaotas 2020. aastal dividende 3 miljoni euro ulatuses, mis teeb 0.08 eurot iga aktsia kohta.

Kus Aktsiatega kaubeldakse?

Eduka Pakkumise korral hakatakse Aktsiatega kauplema Nasdaq Riia börsi Balti põhinimekirjas. Aktsiatega kauplemiseks mis tahes muul börsil pole esitatud ega esitata ühtegi taotlust. Aktsiatega kauplemine Nasdaq Riia börsi Balti põhinimekirjas algab eeldatavalt 15. oktoobril 2021 või selle paiku.

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 olulistes 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 analüütiliste uuringute jätkumise (või teostamise) kohta. Aja jooksul võib Aktsiaseltsi kohta kolmandate isikute poolt teostatud kättesaadavate uuringute 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 uuringuid 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 tulumäärale.

1.2.4 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 7,300,000 Pakutavat Aktsiat (pluss kuni 1,095,000 täiendavat Pakutavat Aktsiat, mida võib jaotada täiendava jaotamise õiguse alusel). Pakkumise eeldatav brutotulu on kuni EUR 12,760,400. Pakkumisega otseselt seotud kulutuste hinnanguline suurus on EUR 660,400. Seega on Pakkumise eeldatav netotulu EUR 12,100,000.

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**").

Aktsiaselts esitab Nasdaq Riia börsile noteerimistaotluse kõigi Aktsiaseltsi Aktsiate, sealhulgas Pakutavate Aktsiate kauplemiseks lubamiseks Nasdaq Riia börsi Balti Põhinimekirjas. Eeldatavalt algab Aktsiaseltsi Aktsiatega kauplemine Nasdaq Riia börsil 15. oktoobril 2021 või selle paiku. Pakkumise indikatiivne ajakava on järgmine:

Pakkumisperioodi algus	28. september 2021
Pakkumisperioodi lõpp	11. oktoober 2021
Pakkumise tulemuse ja jaotamise väljakuulutamine	12. oktoobril 2021 või selle paiku
Pakkumisega seotud arveldused	14. oktoobril 2021 või selle paiku
Esimene kauplemispäev Nasdaq Riia börsil	15. oktoobril 2021 või selle paiku

Aktsiaselts otsustab koos Globaalse Peakorraldajaga Pakutavate Aktsiate jaotamise pärast Pakkumisperioodi lõppemist 12. oktoobril 2021 või selle paiku. Pakutavate Aktsiate jaotus Institutsionaalse Pakkumise ja Jaepakkumise vahel ei ole eelnevalt kindlaks määratud. Aktsiaselts koos Globaalse Peakorraldajaga määravad täpse jaotuse kindlaks oma äranägemisel.

Käesoleva Prospekti kuupäeva seisuga on Aktsiaseltsil 40,000,000 Aktsiat. Pakutavate Aktsiate arv on kuni 8,395,000 (sh täiendava jaotamise õiguse alusel pakutavad aktsiad). Seega on pärast Aktsiaseltsi aktsiakapitali suurendamise edukat registreerimist Aktsiaseltsi Aktsiate arv kuni 48,395,000, tingimusel, et Pakutavate Aktsiate arvu ei muudeta. Seetõttu lahjendatakse vahetult enne Pakkumist olemasolevad aktsiaosalused Aktsiaseltsis Pakkumise tulemusel kuni 17.35% võrra (eeldusel, et olemasolevad aktsionärid ei märgi Pakkumise käigus Aktsiaid nende aktsiaosalusele vastavas proportsioonis).

Miks see Prospekt koostatakse?

Pakkumise eeldatav netotulu on kuni EUR 12,100,000.

Pakkumise põhieesmärk on tugevdada ja optimeerida Aktsiaseltsi bilanssi, suurendades Aktsiaseltsi summaarset omakapitali baasi ja omakapitali suhtarvu. Samal ajal vähendab pakkumine nii Kontserni jooksvaid kui ka tulevasi finantseerimiskulusid.

Juhatus kavatseb vähendada Kontserni finantskohustisi ja suurendada oluliselt omakapitali suhtarvu, makses tagasi kõige kallimad finantskohustised niivõrd, kuivõrd laekumised seda võimaldavad. Lisaks kavatseb juhatus refinantseerida ühe aasta jooksul pärast Pakkumist Kontserni ülejäänud intressikandvad kohustised esialgse sihtmääraga 8%.

Turuolukorrast ja asjaoludest sõltuvalt kavatseb juhatus hiljemalt 2024. aasta lõpus, ent võimalik, et ka varem refinantseerida ülejäänud Kontserni intressikandvad kohustised kaalutud keskmise intressimääraga 8% või vähem (võrreldes intressikandvate kohustiste kuludega, mis 2021. aastal moodustas 10.85%).

Suutlikkus finantseerida Aktsiaseltsi tegevust madalamate intressimääradega lubab Aktsiaseltsil kasvada dünaamilisemalt ja tugevdab selle bilanssi. Lisaks avab see võimalusi konkurentsipositsiooni parandamiseks ärisegmentides, kus Kontsern tegutseb, ning pakkuda klientidele konkurentsivõimelisemaid ja madalama intressimääraga tooteid ja kiirendada Kontserni laenuportfelli kasvu. Üldiselt eeldatakse, et rahastamise saamine madalama hinnaga annab Kontsernile suurema paindlikkuse otsuste tegemisel uutele turusegmentidele sisenemise ning klientidele uute toodete ja teenuste väljatöötamise üle.

Pakkumise suhtes ei ole sõlmitud märkimislepingut siduva kohustuse alusel.

Pakkumise või Kauplemisele lubamisega ei kaasne olulisi huvide konflikte.

GOING PUBLIC

SUMMARY IN LATVIAN

1.3 Summary in Latvian *(Kopsavilkums)*

1.3.1 Ievads un brīdinājumi

Vērtspapīru nosaukums un starptautiskais vērtspapīru identifikācijas numurs (ISIN)

Sabiedrības (DelfinGroup) akcija, rezervētais 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 info@delfingroup.lv; ipo@delfingroup.lv, telefona numurs ir +371 26189988. Tās juridiskās personas identifikators (LEI) ir 2138002PKHUJIMVMYB13.

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 2021. gada 21. 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, lasot to kopsakarā ar pārējām Prospekta daļām, nav sniegta pamatinformācija, lai palīdzētu ieguldītājiem apsvērt, vai ieguldīt minētajos vērtspapīros.

1.3.2 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 2138002PKHUJIMVMYB13. 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).

Priekšrocības

Līdera pozīcija tirgū. Visā savas pastāvēšanas vēsturē Sabiedrība ir demonstrējusi pastāvīgu izaugsmi visā pamatdarbības operāciju spektrā. Par to liecina Sabiedrības sekmīgā darbība, kuru apliecina apjomīgs filiāļu tīkls ar tiešsaistes darbības komponenti, ievērojams darbinieku skaits, nozīmīga klientu bāze, produktu veidu daudzveidība, kā arī pastāvīga, iespaidīga un pieaugoša pelnītspēja pēdējo 12 darbības gadu laikā.

Orientēšanās uz ilgtspēju. Valde uzskata, ka ilgtspējīga darbība palīdzēs nodrošināt ilgstošu Sabiedrības darbību un maksimālus ilgtermiņa ieguvumus tās akcionāriem. Sabiedrība ir ieviesusi noturīgu un labākajai starptautiskajai praksei atbilstošu korporatīvās pārvaldības politiku un procedūras, kuru pamatmērķis ir nodrošināt visizcilāko uzņēmuma darbības vadību. Sabiedrība kopš 2021. gada ir sākusi publicēt Vides, sociālās atbildības un pārvaldības ("**ESG**") pārskatu.

Augsta līmeņa digitalizācija. Sabiedrība lepojas ar attīstītajām tehnoloģijām, ko tā ieviesusi gan savā produktu sortimentā un pakalpojumu sniegšanā klientiem. Grupa piedāvā tiešsaistes piekļuvi gandrīz visiem saviem produktiem un pakalpojumiem, kā arī tā turpina papildināt esošo digitālo produktu un pakalpojumu klāstu, lai tādējādi pilnveidotu klientu apkalpošanas kvalitāti.

Stratēģija

Sabiedrības stratēģija ir koncentrēta uz: (1) Grupas vērtības palielināšanu; (2) ilgtermiņa pelnītspējas nodrošināšanu; (3) nevainojamas reputācijas uzturēšanu; (4) visu sabiedrības grupu finansiālās iekļautības atbalstīšanu.

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"	10.00%	4,000,000	Agris Evertovskis
SIA EC finance	21.31%	8,525,870	Agris Evertovskis
SIA L24 Finance	65.19%	26,074,130	Aigars Kesenfelds Linda Kesenfelde

Saskaņā ar 2021. gada 26. aprīlī noslēgto Akcionāru līgumu un tā grozījumiem starp Agri Evertovski un Sabiedrības lielākajiem akcionāriem, Agrim Evertovskim ir tiesības iecelt vai atsaukt Sabiedrības Padomes locekļu vairākumu. Tādējādi Agris Evertovskis kā SIA "AE Consulting" un SIA EC finance īpašnieks var īstenot izšķirošu ietekmi Sabiedrībā (līdz laikam, kamēr ir spēkā Akcionāru līgums).

Akcionāru līgums tiks izbeigts pirms tiks uzsākta Akciju tirdzniecība biržā (Nasdaq Riga Baltijas Oficiālajā sarakstā).

SIA "AE Consulting" un SIA EC finance kopīgi pieder 31,31% Sabiedrības akciju (un attiecīgo balsstiesību). SIA L24 Finance pieder 65,19% Sabiedrības akciju (un attiecīgo balsstiesību). SIA "AE Consulting", SIA EC finance un SIA L24 Finance kopīgi pieder 96,50% Sabiedrības akciju (un attiecīgo balsstiesību). Visas minētās līdzdalības daļas Sabiedrības kapitālā (un ar tām saistītās balsstiesības) iegūtas pirms Sabiedrības akciju iekļaušanas regulētā tirgū.

Atbilstoši Finanšu instrumentu tirgus likuma 66. panta piektās daļas 8.apakšpunktam obligāto akciju atpirkšanas piedāvājumu attiecīgā persona vai personas neizsaka, ja līdzdalības apmērs, kas sasniedz vai pārsniedz 30 procentus no Sabiedrības balsstiesīgo akciju kopskaita, ir iegūts pirms Sabiedrības akciju iekļaušanas regulētajā tirgū. Līdz ar to iepriekš minētajām personām nav jāizsaka obligātais akciju atpirkšanas piedāvājumus attiecībā uz Sabiedrības akcijām, pamatojoties uz līdzdalības daļām (un ar tām saistītajām balsstiesībām), kas iegūtas pirms Sabiedrības akciju iekļaušanas Nasdaq Riga Baltijas Oficiālajā sarakstā.

Galvenie rīkotājdirektori

Turpmāk norādītas ziņas par Sabiedrības galvenajiem rīkotājdirektoriem Prospekta izstrādāšanas brīdī.

Vārds	Amats	Iecelšanas datums	Amata termiņa beigas
Didzis Ādmīdiņš	Izpilddirektors, Valdes priekšsēdētājs	2021. gada 19. janvāris	2026. gada 18. janvāris
Kristaps Bergmanis	Valdes loceklis	2021. gada 19. janvāris	2026. gada 18. janvāris
Ivars Lamberts	Komercdirektors, Valdes loceklis	2021. gada 19. janvāris	2026. gada 18. janvāris
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 Voļskis	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
Aldis Umblejs	Finanšu direktors	2021. gada 3. augusts	-

Zvērinātie revidenti

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 2020. gada 31. decembrī, 2019. gada 31. decembrī un 2018. gada 31. decembrī. Prospektam ir pievienoti arī Grupas pārskatītais konsolidētais starpperioda pārskats par 6 mēnešu periodu, kas beidzās 2021. gada 30. jūnijā un Grupas nepārskatītais konsolidētais starpperioda pārskats par 6 mēnešu periodu, kas beidzās 2020. 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 30. jūnijā (nepārskatīts)*	*Par sešu mēnešu periodu, kas beidzās 30. jūnijā (pārskatīts)*
	2018.	*2019.*	*2020.*	*2020.*	*2021.*
Kopējie ienākumi	**18,850**	**22,177**	**23,664**	**11,215**	**11,936**
Bruto peļņa	**13,399**	**13,825**	**14,357**	**6,549**	**7,362**
Peļņa pirms uzņēmumu ienākuma nodokļa	**4,625**	**4,263**	**4,652**	**2,067**	**2,253**
Uzņēmumu ienākuma nodoklis	(79)	(350)	(755)	(33)	(623)
Starplaika dividendes	(490)	-	-	-	-
Neto peļņa par pārskata gadu	**4,056**	**3,913**	**3,897**	**2,034**	**1,630**
Uz mātes uzņēmuma īpašniekiem attiecināmā neto peļņa	4,546	3,913	3,897	2,034	1,630
Neto ienākums uz vienu akciju, EUR[5]	**3.03**	**2.61**[5]	**0.97**	**0.05**	**0.04**
Koriģētais neto ienākums uz neto akciju, EUR[6]	**0.11**	**0.10**	**0.10**	**0.05**	**0.04**

[5] 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.
[6] Salīdzinošos nolūkos apgrozībā esošo akciju skaits ir pielāgots jaunu akciju emisijām.

Atlasīta informācija par konsolidēto finansiālo stāvokli, EUR'000

	Par gadu, kas beidzās 31. decembrī (revidēts)			*Par sešu mēnešu periodu, kas beidzās 30. jūnijā (nepārskatīts)*	*Par sešu mēnešu periodu, kas beidzās 30. jūnijā (pārskatīts)*
	2018.	*2019.*	*2020.*	*2020.*	*2021.*
Kopā ilgtermiņa aktīvi	5,167	12,740	22,217	13,188	24,677
Kopā apgrozāmie līdzekļi	21,498	25,530	23,742	28,045	15,009
Kopā aktīvi	26,666	38,270	45,959	41,233	39,686
Kopā pašu kapitāls	5,954	8,367	9,251	10,401	8,109
Kopā ilgtermiņa kreditori	7,189	13,173	17,991	16,569	15,341
Kopā īstermiņa kreditori	13,522	16,730	18,717	14,263	16,236
Kopā pasīvi un pašu kapitāls	26,666	38,270	45,959	41,233	39,686

Atlasīta informācija par naudas plūsmas pārskatu, EUR'000

	Par gadu, kas beidzās 31. decembrī (revidēts)			*Par sešu mēnešu periodu, kas beidzās 30. jūnijā (nepārskatīts)*	*Par sešu mēnešu periodu, kas beidzās 30. jūnijā (pārskatīts)*
	2018.	*2019.*	*2020.*	*2020.*	*2021.*
Neto naudas plūsma no (uz) pamatdarbības	601	(6,199)	1,908	845	3,338
Neto naudas plūsma no (uz) investīciju darbības	(177)	(778)	(698)	1,083	362
Neto naudas plūsma no (uz) finansēšanas darbības	846	4,623	2,246	(1,106)	(7,698)
Neto naudas plūsma par pārskata gadu	1,269	(2,354)	3,456	822	(3,998)

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 kredītspēju vai to lielumu, un tas var negatīvi ietekmēt Grupas darbību, finansiālo stāvokli, darbības rezultātus un izredzes. Aizņēmēju kredītspējas pavājināšanās un tam sekojoša pieaugoša pasliktināšanās var negatīvi ietekmēt Grupas darbību, finansiālo stāvokli, darbības rezultātus un perspektīvas.

1.3.3 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 tiks reģistrētas Nasdaq CSD ar rezervēto ISIN LV0000101806 pēc šī Prospekta apstiprināšanas un pirms Piedāvājuma perioda, kā arī tās tiks uzturētas ieraksta formā. Akciju sertifikāti nav izsniegti un netiks izsniegti.

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

Prospekta izstrādes dienā Sabiedrības pamatkapitāls 4,000,000 EUR apjomā ir sadalīts 40,000,000 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). Pēc Sabiedrības pamatkapitāla pieauguma, ko veido Piedāvājuma akcijas, reģistrēšanas Latvijas Komercreģistrā, uz Piedāvājuma daļām attieksies tādas pašas tiesības kā uz esošajām Sabiedrības akcijām.

No vērtspapīriem 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.

Sabiedrība ir izpildījusi akcionāru interesi saņemt regulārus un prognozējamus uz atdevi balstītus ieņēmumus, vienlaikus saglabājot Sabiedrības finansiālo stabilitāti un orientējoties uz ilgtermiņa attīstības mērķiem. 2020. gadā Sabiedrība dividendēs izmaksāja 3 miljonus EUR, kas nozīmē, ka vienas akcijas atdeve ir EUR 0.08.

Kur tiks tirgotas Akcijas?

Sekmīga Piedāvājuma gadījumā Akcijas tiks tirgotas Nasdaq Riga Baltijas Oficiālajā sarakstā. Pieteikums par Akciju tirdzniecību nav iesniegts un netiks iesniegts nevienai citai biržai. Akciju tirdzniecību Nasdaq Riga Baltijas Oficiālajā sarakstā paredzēts uzsākt ap 2021. gada 15. oktobri.

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. Sabiedrības Akcijas iepriekš nav publiski tirgotas un nav iespējams garantēt, ka Akcijām attīstīsies aktīvs un likvīds tirgus. Nespēja attīstīt vai uzturēt aktīvu tirdzniecību var ietekmēt Akciju likviditāti, un Sabiedrība nevar garantēt, ka tās Akciju tirgus cena nepazemināsies zem Piedāvājuma cenas. Tādējādi ieguldītājiem var nebūt iespējams ātri pārdot Akcijas par Piedāvājuma cenu vai augstāku cenu.

Piedāvājuma atsaukšana un nepietiekama parakstīšanās uz Akcijām. Sabiedrība pieliks vislielākās pūles, lai nodrošinātu sekmīgu Piedāvājumu, tomēr Sabiedrība nevar garantēt, ka Piedāvājums būs sekmīgs un ieguldītāji saņems Piedāvājuma akcijas, uz kurām tie parakstījušies. Sabiedrībai 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. Analītiskās izpētes apjoma samazinājumam vai palielinājumam var gan būt, gan arī nebūt neliela kopsakarībā ar faktiskajiem darbības rezultātiem, jo Sabiedrība neietekmē 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 darījumiem, 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.

1.3.4 Informācija par vērtspapīru publisku piedāvājumu un tirdzniecības atļaušanu regulētā tirgū

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

Piedāvājuma gaitā tiek piedāvātas līdz 7,300,000 Piedāvājuma akcijas (kā arī līdz 1,095,000 papildu Piedāvājuma akcijas, kas var tikt piešķirtas, atbilstoši piešķiršanas pārsnieguma iespējai). Sagaidāmā bruto ieņēmumu summa no Piedāvājuma ir līdz 12,760,400 EUR. Ar Piedāvājumu tieši saistītās izmaksas ir novērtētas ap 660,400 EUR. Tādējādi neto ieņēmumi no Piedāvājuma ir sagaidāmi 12,100,000 EUR apmērā.

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 pēc noteiktiem izņēmumiem, kas noteikti attiecīgo dalībvalstu likumā - nepubliski ("**Institucionālais piedāvājums**").

Sabiedrība iesniegs kotācijas pieteikumu Nasdaq Riga par atļauju visu Sabiedrības Akciju, tai skaitā, Piedāvājuma akciju tirdzniecībai Nasdaq Riga Baltijas Oficiālajā sarakstā. Sabiedrības Akciju tirdzniecības uzsākšana Nasdaq Riga ir sagaidāma ap 2021. gada 15. oktobri. Piedāvājuma izteikšanas orientējošais laika grafiks ir šāds:

Piedāvājuma perioda sākums	2021. gada 28. septembris
Piedāvājuma perioda beigas	2021. gada 11. oktobris
Piedāvājuma rezultātu paziņošana un Piešķiršana	Aptuveni 2021. gada 12. oktobris
Piedāvājuma izpilde	Aptuveni 2021. gada 14. oktobris
Pirmā tirdzniecības diena Nasdaq Riga	Aptuveni 2021. gada 15. oktobris

Sabiedrība kopīgi ar Galveno organizētāju lems par Piedāvājuma akciju piešķiršanu pēc Piedāvājuma perioda beigām, ap 2021. gada 12. oktobri. Piedāvājuma sadalījums starp Institucionālo piedāvājumu un Mazumtirdzniecības piedāvājumu nav iepriekš noteikts. Sabiedrība kopīgi ar Globālo Vadošo menedžeri noteiks precīzu sadalījumu pēc saviem ieskatiem.

Prospekta dienā Sabiedrības Akciju skaits ir 40,000,000. Piedāvājuma akciju skaits ir līdz 8,395,000 akcijām (ieskaitot piešķiršanas pārsnieguma iespēju). Tādējādi Sabiedrības Akciju skaits pēc Sabiedrības pamatkapitāla sekmīgas reģistrācijas būs līdz 48,395,000, ar nosacījumu, ka Piedāvājuma akciju skaits netiek mainīts. Tādējādi Sabiedrības Akciju turējums tieši pirms Piedāvājuma tiktu samazināts līdz 17.35% Piedāvājuma rezultātā (pieņemot, ka esošie Akcionāri Piedāvājuma gaitā neparakstīsies uz Akcijām, kas atbilst viņu Akciju turējuma apjomam).

Kādēļ tiek sagatavots šis prospekts?

Tiek paredzēts, ka neto ieņēmumi no Piedāvājuma sasniegs līdz pat 12,100,000 EUR.

Galvenie Piedāvājuma izteikšanas iemesli ir Sabiedrības bilances stiprināšana un optimizēšana, palielinot Sabiedrības kopējo pašu kapitāla bāzi, kā arī pašu kapitāla attiecību pret kopējo aktīvu apjomu. Paralēli tam, piedāvājuma rezultātā tiks samazināti Grupas šī brīža un turpmākie finansēšanas izdevumi.

Valde plāno samazināt Grupas finansiālās saistības un būtiski palielināt pašu kapitāla attiecību pret kopējo aktīvu apjomu, atmaksājot visdārgākās finansiālās saistības tādā apjomā, kādā tas būs iespējams no ieņēmumiem. Turklāt Valde viena gada laikā pēc Piedāvājuma plāno refinansēt Grupas finanšu saistības ar sākotnējo mērķa likmi 8% apmērā.

Atkarībā no tirgus situācijas un apstākļiem Valde ne vēlāk kā līdz 2024. gada beigām, taču iespējams, agrāk, plāno refinansēt Grupas atlikušās finanšu saistības uz vidējo svērto procentu likmi zem 8% vai zemāk (salīdzinot ar saistībām 2021. gadā, kurām vidējā svērtā procentu likme ir 10.85%).

Spēja finansēt Sabiedrības darbības operācijas ar zemākām procentu likmēm ļaus nodrošināt dinamiskāku Sabiedrības izaugsmi un stiprinās tās bilanci. Turklāt tas nodrošinās iespējas uzlabot konkurences stāvokli Grupas darbības segmentos, piedāvājot saviem klientiem konkurētspējīgākus produktus ar zemākām procentu likmēm un paātrinot Grupas aizdevumu portfeļa palielināšanu. Kopumā sagaidāms, ka finansējuma saņemšana ar zemākām izmaksām nodrošinās Grupai papildu elastīgumu lēmumos par iesaistīšanos jaunos tirgus segmentos un jaunu tās klientiem piedāvājamu produktu un pakalpojumu izstrādē.

Uz Piedāvājumu neattiecas emisijas izplatīšanas līgums ar stingri noteiktām saistībām.

Ar Piedāvājumu vai Tirdzniecības atļaušanu nav saistīti nekādi būtiski interešu konflikti.

SUMMARY IN LITHUANIAN

1.4 Summary in Lithuanian *(Santrauka)*

1.4.1 Įvadas ir perspėjimai

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

Įmonės akcijos ("DelfinGroup"), rezervuotas 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 info@delfingroup.lv; ipo@delfingroup.lv, telefono numeris: +371 26189988. Juridinio asmens identifikatorius (LEI) yra 2138002PKHUJIMVMYB13.

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 2021 m. rugsėjo 21 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 apsvarstyta 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 pradedant 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 nenuoseklі 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.

1.4.2 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 dviejose 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).

Privalumai

Rinkos lyderystė. Per visą savo istoriją, Įmonė demonstravo nuoseklų augimą viame savo pagrindinės veiklos spektre. Tai liudija sėkminga veikla, pasižyminti dideliu filialų tinklu kartu su internetinio verslo komponentu, dideliu darbuotojų skaičiumi, didele klientų baze, produktų asortimento įvairove, taip pat dideliu ir augančiu pelningumu per pastaruosius 12 veiklos metų.

Dėmesys į tvarumui. Valdyba mano, kad tvarus verslo valdymas padės užtikrinti bendrovės ilgaamžiškumą ir maksimaliai padidinti ilgalaikę grąžą akcininkams. Įmonė įgyvendino tvirtas įmonių valdymo procedūras ir valdymo politiką, atitinkančias geriausią tarptautinę praktiką, kurių galutinis tikslas – vykdyti verslą geriausiu būdu. Nuo 2021 m. įmonė pradėjo skelbti aplinkos, socialinę ir valdymo (angl. *Environmental*, *Social and Governance*, toliau - ESG) ataskaitą.

Skaitmeninis pažangumas. Įmonė gali didžiuotis pažangiomis technologijomis, kurias diegia tiek per savo prekių asortimentą, tiek per paslaugų klientams teikimą. Grupė siūlo prieigą prie beveik visų savo produktų ir paslaugų internete ir toliau nuolat pildo esamą skaitmeninių produktų ir paslaugų asortimentą, siekdama pagerinti klientų patirtį.

Strategija

Įmonės strategija orientuota į: (1) Grupės vertės didinimą; (2) ilgalaikio pelningumo užtikrinimą; (3) Nepriekaištingos reputacijos išlaikymą; (4) Skatinti visų visuomenės sluoksnių finansinę įtraukti.

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"	10.00%	4,000,000	Agris Evertovskis
SIA EC finance	21.31%	8,525,870	Agris Evertovskis
SIA "L24 Finance"	65.19%	26,074,130	Aigaras Kesenfeldsas Linda Kesenfelde

Pagal 2021 m. balandžio 26 d. tarp p. Agrio Evertovskio ir pagrindinių bendrovės akcininkų sudarytą Akcininkų Sutartį, su pakeitimais, p. Agris Evertovskis turi teisę paskirti arba atšaukti daugumą Bendrovės stebėtojų tarybos narių. Taigi, nuosavybės teisių į SIA „AE Consulting" ir SIA „EC finance" pagrindu, p. Agris Evertovskis gali daryti lemiamą įtaką Bendrovei (tiek, kiek galioja Akcininkų Sutartis).

Akcininkų Sutartis nustos galioti prieš Akcijų Įtraukimą į vertybinių popierių biržos prekybos sąrašą (Nasdaq Riga Baltijos Oficialųjį sąrašą).

SIA „AE Consulting" ir SIA „EC finance" bendrai valdo 31,31% Bendrovės akcijų (ir balsavimo teisių). SIA „L24 Finance" valdo 65,19% Bendrovės akcijų (ir balsavimo teisių). SIA „AE Consulting", SIA „EC finance" ir SIA „L24 Finance" bendrai valdo 96,50% Bendrovės akcijų (ir balsavimo teisių). Visos minėtos akcijų paketo dalys (ir susijusios balsavimo teisės) yra įgytos prieš įtraukiant Bendrovės akcijas į reguliuojamos rinkos sąrašą.

Pagal Latvijos finansinių priemonių rinkos įstatymo 66(5)8) straipsnį, numatytas asmuo ar asmenys neteikia privalomo pasiūlymo dėl akcijų išpirkimo, jei akcijų paketas, siekiantis ar viršijantis 30% visų balso teisę turinčių Bendrovės akcijų, yra įsigytas prieš įtraukiant Bendrovės akcijas į reguliuojamos rinkos sąrašą. Dėl to, aukščiau nurodyti asmenys neprivalės teikti privalomo pasiūlymo išpirkti Bendrovės akcijas remiantis akcijų paketu (ir susijusiomis balsavimo teisėmis), įgytomis prieš įtraukiant Bendrovės akcijas į „Nasdaq Riga" Baltijos Oficialųjį sąrašą.

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.
Kristaps Bergmanis	Valdybos narys	2021 m. sausio 19 d.	2026 m. sausio 18 d.
Ivars Lamberts	Generalinis administracijos direktorius (COO), valdybos narys	2021 m. sausio 19 d.	2026 m. sausio 18 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.
Aldis Umblejs	Finansų direktorius (CFO)	2021 m. rugpjūčio 3 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. Teisės aktų nustatyta tvarka auditorius renka visuotinis akcininkų susirinkimas.

Kokia yra pagrindinė finansinė informacija apie emitentą?

Grupės audituotos konsoliduotos finansinės atskaitomybės už finansinius metus, pasibaigusius 2020 m. gruodžio 31 d., 2019 m. gruodžio 31 d. ir 2018 m. gruodžio 31 d., buvo pridėtos prie Prospekto. Be to, prie Prospekto buvo pridėta Grupės peržiūrėta 6 mėnesių laikotarpio konsoliduota tarpinė finansinė atskaitomybė paruošta 2021 m. birželio 30 dienai, taip pat Grupės neperžiūrėta 6 mėnesių laikotarpio konsoliduota tarpinė finansinė atskaitomybė paruošta 2020 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

	Finansiniai metai pasibaigę gruodžio 31 d. (audituota)			*Šešių mėnesių laikotarpis pasibaigęs birželio 30 d. (neperžiūrėta)*	*Šešių mėnesių laikotarpis pasibaigęs birželio 30 d. (peržiūrėta)*
	2018 m	*2019 m*	*2020 m*	*2020 m*	*2021 m*
Bendros pajamos	**18,850**	**22,177**	**23,664**	**11,215**	**11,936**
Bendrasis pelnas	**13,399**	**13,825**	**14,357**	**6,549**	**7,362**
Pelnas prieš pelno mokestį	**4,625**	**4,263**	**4,652**	**2,067**	**2,253**
Pelno mokestis	(79)	(350)	(755)	(33)	(623)
Tarpiniai dividendai	(490)	-	-	-	-
Grynasis ataskaitinių metų pelnas	**4,056**	**3,913**	**3,897**	**2,034**	**1,630**
Grynasis pelnas, priskirtinas patronuojančios įmonės savininkams	4,546	3,913	3,897	2,034	1,630
Pelnas už akciją, EUR[7]	**3.03**	**2.61**[7]	**0.97**	**0.05**	**0.04**
Koreguotas pelnas vienai akcijai, EUR[8]	**0.11**	**0.10**	**0.10**	**0.05**	**0.04**

[7] Pelnas už akcijas nurodomas kiekvieno atitinkamo laikotarpio pabaigoje. Pelnas už akciją už 2019 m. yra neįtrauktas į audituotas finansines atskaitomybes. Tai buvo apskaičiuota ir įtraukta į šią lentelę palyginimo tikslais.
[8] Palyginimo tikslais, išleistų akcijų skaičius buvo pakoreguotas atsižvelgiant į naujas akcijų emisijas.

Pasirinkta konsoliduotos finansinės būklės ataskaita informacija, tūkst. eurų

	Finansiniai metai pasibaigę gruodžio 31 d. (audituota)			*Šešių mėnesių laikotarpis pasibaigęs birželio 30 d. (neperžiūrėta)*	*Šešių mėnesių laikotarpis pasibaigęs birželio 30 d. (peržiūrėta)*
	2018 m	*2019 m*	*2020 m*	*2020 m*	*2021 m*
Iš viso ilgalaikio turto	5,167	12,740	22,217	13,188	24,677
Iš viso trumpalaikio turto	21,498	25,530	23,742	28,045	15,009
Bendras turtas	26,666	38,270	45,959	41,233	39,686
Visas kapitalas	5,954	8,367	9,251	10,401	8,109
Iš viso ilgalaikių kreditorių	7,189	13,173	17,991	16,569	15,341
Iš viso trumpalaikių kreditorių	13,522	16,730	18,717	14,263	16,236
Iš viso įsipareigojimų ir nuosavo kapitalo	26,666	38,270	45,959	41,233	39,686

Pasirinkta konsoliduota pinigų srautų ataskaita informacija, tūkst. eurų

	Finansiniai metai pasibaigę gruodžio 31 d. (audituota)			*Šešių mėnesių laikotarpis pasibaigęs birželio 30 d. (neperžiūrėta)*	*Šešių mėnesių laikotarpis pasibaigęs birželio 30 d. (peržiūrėta)*
	2018 m	*2019 m*	*2020 m*	*2020 m*	*2021 m*
Grynieji pinigų srautai iš (į) pagrindinės veiklos	601	(6,199)	1,908	845	3,338
Grynieji pinigų srautai iš (į) investicinės veiklos	(177)	(778)	(698)	(1,083)	362
Grynieji pinigų srautai iš (į) finansavimo veiklos	846	4,623	2,246	(1,106)	(7,698)
Ataskaitinių metų grynieji pinigų srautai	1,269	(2,354)	3,456	822	(3,998)

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. Vadinasi, 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 veiksnių 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.

1.4.3 Informacija apie vertybinius popierius

Kokios yra pagrindinės vertybinių popierių savybės?

Tipas, klasė ir ISIN

Visos Įmonės Akcijos (taip pat ir Siūlomos) yra nematerialios pareikštinės akcijos, kurių kiekvienos nominali vertė yra 0.10 euro centų. Akcijos bus įregistruotos "Nasdaq CSD" rezervuotu ISIN numeriu LV0000101806 po šio Prospekto patvirtinimo ir prieš Siūlymo Laikotarpio pradžią ir bus saugomos nematerialia forma. Akcijų sertifikatai nėra ir nebus išleisti.

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

Prospekto paskelbimo metu Įmonės įstatinis kapitalas yra 4,000,000 eurų, padalytas į 40,000,000 nematerialių pareikštinių akcijų. Kiekvienos neapmokėtos Akcijos nominali vertė yra 0,10 eurų. Visos Akcijos yra išleistos ir pinai 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). Užregistravus Latvijos Įmonių registre Įmonės įstatinio kapitalo padidinimą, kurį sudaro Siūlomos akcijos, siūlomos akcijos įgyja tokias pačias teises kaip ir visos esamos Įmonės akcijos.

Su Akcijomis susijusios teisės

Visi Įmonės akcininkai turi būti traktuojami vienodai. Kiekviena Įmonės akcija suteikia jos turėtojui vienodas teises į Įmonės turto ir pelno dalį. Likvidavus Įmonę, 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 Įmonės lėšos, likusios po to, kai buvo apmokėtos Įmonės nemokumo procedūros išlaidos ir patenkinti kreditoriniai reikalavimai, yra paskirstomi Įmonės 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 Įmonės 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, Įmonė gali mokėti dviejų rūšių dividendus:

- **Specialūs dividendai,** kurie: 1) **nustatomi** patvirtinus 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** patvirtinus 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.

Įmonė įvykdė akcininkų interesus siekti reguliarios ir numatomos pajamingumo grąžos, išlaikydama Įmonės finansinį stabilumą ir sutelkdama dėmesį į ilgalaikius plėtros tikslus. 2020 metais Įmonė išmokėjo išdalino 3 mln. eurų dividendų, o tai sudaro 0,08 euro už akciją.

Kur bus prekiaujama Akcijomis?

Sėkmingo Siūlymo atveju akcijos bus parduodamos pagrindiniame "Nasdaq Riga" Baltijos Oficialiajame prekybos sąraše. Paraiška prekyba Akcijomis jokioje kitoje vertybinių popierių biržoje nebuvo ir nebus pateikta. Tikimasi, kad prekyba Akcijomis, įtrauktomis į "Nasdaq Riga" Baltijos Oficialųjį prekybos sąrašą, prasidės / arba apytiksliai prasidės 2021 m. spalio 15 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. Įmonė Akcijomis anksčiau nebuvo prekiaujama viešai, todėl nėra garantijos, kad vystysis aktyvi ir likvidi Akcijų rinka. Netinkamas aktyvios prekybos plėtojimas ar išlaikymas gali turėti įtakos Akcijų likvidumui ir Įmonė negali užtikrinti, kad jos Akcijų rinkos kaina nenukris žemiau Siūlomos kainos. Todėl investuotojai gali neturėti galimybės greitai parduoti savo akcijas už Pasiūlymo kainą arba už aukštesnę.

Pasiūlymo atšaukimas ir per maža paklausa. Įmonė dės visas pastangas, kad Siūlymas būtų sėkmingas; tačiau Įmonė negali garantuoti, kad Siūlymas bus sėkmingas ir kad investuotojai gaus Siūlomas Akcijas, kurias jie įsigyja. Įmonė 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.

1.4.4 Informacija apie vertybinių popierių siūlymą visuomenei ir įtraukimą į prekybą reguliuojamoje rinkoje

Kokiomis sąlygomis ir tvarkaraščiu galiu investuoti į šį vertybinį popierių?

Siūlymo metu yra siūlomos iki 7,300,000 Siūlomų Akcijų (plius iki 1,095,000 papildomų Siūlomų Akcijų, kurios gali būti paskirstytos pagal perdalijimo galimybę). Numatoma bendra Siūlymo pajamų suma yra iki

12,760,400 eurų. Sąnaudos, tiesiogiai susijusios su Siūlymu, yra apytiksliai 660,400 eurų. Todėl tikimasi, kad grynosios siūlymo pajamos bus 12,100,000 eurų.

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").**

Įmonė pateiks akcijų įtraukimo į biržos prekybos sąrašą paraišką "Nasdaq Riga" dėl visų Įmonės akcijų, įskaitant Siūlomas akcijas, įtraukimo į prekybą pagrindiniame "Nasdaq Riga" Baltijos Oficialiajame prekybos sąraše. Tikimasi, kad "Nasdaq Riga" prekyba Įmonės akcijomis bus pradėta / arba apytiksliai prasidės 2021 m. spalio 15 d. Orientacinis Pasiūlymo grafikas yra:

Pasiūlymo laikotarpio pradžia	2021 m. rugsėjo 28 d.
Pasiūlymo laikotarpio pabaiga	2021 m. spalio 11 d.
Pasiūlymo ir Paskirstymo rezultatų paskelbimas	Apie 2021 m. spalio 12 d.
Pasiūlymo apmokėjimas	Apie 2021 m. spalio 14 d.
Pirmoji prekybos diena "Nasdaq Riga"	Apie 2021 m. spalio 15 d.

Įmonė kartu su Tarptautiniu vadovu priims sprendimą dėl Pasiūlymo akcijų paskirstymo pasibaigus siūlymo laikotarpiui / arba apytiksliai 2021 m. spalio 12 d. Siūlomų Akcijų paskirstymas tarp institucinio siūlymo ir mažmeninio siūlymo anksčiau nebuvo nustatytas. Įmonė kartu su Tarptautiniu vadovu savo nuožiūra nustatys tikslų paskirstymą.

Šio Prospekto dienai Įmonės akcijų skaičius yra 40,000,000. Siūlomų akcijų skaičius yra iki 8,395,000 (įskaitant papildomo paskirstymo galimybę). Todėl, sėkmingai įregistravus Įmonės įstatinio kapitalo padidinimą, Įmonės akcijų skaičius bus iki 48,395,000 , tačiau su sąlyga, kad Siūlomų akcijų skaičius nesikeis. Todėl prieš pat Siūlymą turimas Įmonės akcijų paketas dėl Siūlymo sumažės iki 17.35% (darant prielaidą, kad esami Akcininkai Siūlymo metu nepasirašys jų turimą akcijų paketą atitinkančių Akcijų).

Kodėl rengiamas šis Prospektas?

Tikimasi, kad grynosios pajamos iš Siūlymo sudarys iki 12,100,000 eurų.

Pagrindinės Siūlymo priežastys yra stiprinti ir optimizuoti Įmonės balansą, didinant bendrą Įmonės nuosavybės bazę ir nuosavybės koeficientą. Kartu Siūlymas sumažina ir dabartines, ir būsimas Grupės finansavimo išlaidas.

Valdyba planuoja sumažinti Grupės finansinius įsipareigojimus ir iš esmės padidinti nuosavybės koeficientą, padengdama brangiausius finansinius įsipareigojimus tiek, kiek tai leis pajamos. Be to, Valdyba planuoja per vienerius metus po Siūlymo, refinansuoti likusius palūkaninius Grupės įsipareigojimus pradine 8% palūkanų norma.

Atsižvelgdama į rinkos padėtį ir aplinkybes, ne vėliau kaip 2024 m. pabaigoje, o galbūt ir anksčiau, Valdyba planuoja refinansuoti likusius Grupės palūkaninius įsipareigojimus, kurių vidutinė svertinė palūkanų norma yra mažesnė nei 8 % arba mažesnė (palyginti su palūkaninių įsipareigojimų kaina 2021 m. – 10.85%).

Galimybė finansuoti Įmonės veiklą mažesnėmis palūkanų normomis sudarys sąlygas dinamiškesniam Įmonės augimui ir sustiprins jos balansą. Be to, tai suteiks galimybių pagerinti konkurencinę padėtį verslo segmentuose, kuriuose veikia Grupė, siūlant klientams konkurencingesnius produktus su mažesnėmis palūkanomis ir paspartins Grupės paskolų portfelio didinimą. Apskritai tikimasi, kad finansavimas mažesnėmis sąnaudomis suteiks Grupei daugiau lankstumo priimant sprendimus dėl įėjimo į naujus rinkos segmentus ir naujų produktų bei paslaugų klientams kūrimo.

Siūlymui netaikoma draudimo sutartis tvirto įsipareigojimo pagrindu.

Dėl Siūlymo ar jo Įtraukimo į prekybos sąrašą nėra jokių reikšmingų interesų konfliktų.

2 RISK FACTORS

2 RISK FACTORS

Risk factors, understood as sources of uncertainty, are inherent in any business activity. Therefore, investment in the Offer Shares and 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 Company or that the Company 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 and the Offer Shares 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 Management Board. 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 Management Board 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 Company'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 33 licensed consumer lending companies[9] 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 2020, was 9.8 (6.9% in the year 2019 and 4.9% in the year 2018).[10] 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 adverting, established reputation and continuous investment in new technology.

While the Management Board believes that it 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 12 companies licensed to provide pawn loans to consumers[11]. In 2020, the market share of the Company in Latvia amounted to 35.7% (compared to 33.7% in the year 2019 and 31.2% in the year 2018).[12] 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

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[9] Overview of Consumer (non-bank) Credit Market Activities in 2020 by the Consumer Rights Protection Centre. Available at: https://www.ptac.gov.lv/lv/media/2226/download.
[10] Based on the information provided in the Overview on Consumer (non-bank) Credit Market Activities in 2020 by the Consumer Rights Protection Centre. Available at: https://www.ptac.gov.lv/lv/media/2226/download.
[11] Overview of Consumer (non-bank) Credit Market Activities in 2020 by the Consumer Rights Protection Centre. Available at: https://www.ptac.gov.lv/lv/media/2226/download.
[12] Based on the information provided in the Overview of Consumer (non-bank) Credit Market Activities in 2020 by the Consumer Rights Protection Centre. Available at: https://www.ptac.gov.lv/lv/media/2226/download.

be considered significant. Consequently, additional compliance requirements stemming from the Latvian Competition Law could apply.

The Company'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 Group believes that it 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 Company'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 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 5,473,781 in the year 2020 (61.1% of the total selling and administrative expenses (compared to 62.4% in the year 2019), 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 Company'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 Company'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 Company'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 EUR 48,125 loans issued by the Group in 2020, EUR 29,895 comprised loans not secured by any collateral or security of any kind (*unsecured loans*).

The Group uses debt service to income ratio assessment method and has developed an application scoring engine. Moreover, the Group uses certain credit history databases to check background information on the borrowers such as the total income, total indebtedness of each potential customer and their existing credit history. However, the Group realises that the information contained in the databases may not be comprehensive or updated in a timely manner, the customer credit risk assessment may not be appropriate or the information contained in records relied on in making the credit risk assessment may be incomplete or unreliable. 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 2020, the revenue generated by consumer loans constituted 54.2% of the Group's total revenue. According to data, the non-performing loan ratio was at 4.80% in 2020.

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 Company's assessment, the degree of risk related to the provision of consumer lending services 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 is aware of the possibility that it 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.[13] 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 Company'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 2020 there were eight cases and the total sum of the stolen goods was EUR 2,212 and 19 cents (please see Section 8.6 "Risk management" of this Prospectus).

[13] Available at: https://jauns.lv/raksts/zinas/30555-eksperiments-ar-zagtu-telefonu-uz-lombardu.

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 the majority of its branches on leased premises. The Company leases 6,246 square metres of branch premises in Latvia; 3,144 and 3,102 square meters in Riga and across the regions, respectively. As of the date of this Prospectus the Company has entered into around 90 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 Management Board does not expect material complications regarding the lease premises in the foreseeable future.

The Company'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 222,403 throughout 2018, 2019 and 2020 into information systems, software, computers, electronics devices and other equipment. 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 Company's assessment, the degree of risk relating to the occurrence of disruptions to the Group's technical operations is low.

Risk related to global pandemics

The COVID-19 pandemic has created and may continue to create significant uncertainty in global markets, and the long-term economic impact of the COVID-19 pandemic is highly uncertain. The perceived risks of infection and health risk associated with COVID-19 and the number of people infected in Latvia and across the world generally, has resulted in various restrictive measures being taken by governmental authorities to stop the spread of COVID-19. Fear of COVID-19 related risks as well as measures taken to fight the pandemic has affected, and could continue in the longer term to affect, the economies and markets of many countries globally, and could ultimately result in an economic downturn adversely affecting the Group's business and results of operations. Additionally, the COVID-19 pandemic may disrupt the operations of the Group's business partners for an indefinite period of time, including as a result of actions taken by governments in response to the COVID-19 pandemic and/or business shutdowns, all of which could negatively impact the Group's business, financial condition and results of operations.

The impact of the COVID-19 pandemic on the industry and the Group's business, financial condition and results of operations will depend on future developments, including the duration and spread of the pandemic and the effectiveness of vaccine distribution efforts globally, all of which cannot be predicted with certainty.

The Group has taken precautionary measures aimed at minimising the risks posed by the COVID-19 pandemic to its employees and the community at large and has moved a significant part of operations online.

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 Company'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 Company believes that 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 Company'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 Company'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 Company'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 Company'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 Company'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 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 Company'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, and expects to continue to incur, 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 Company'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.

In the opinion of the Management Board, 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 Company'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 Company'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. Several measures mitigating the risk of money laundering are in place: 1) consumer loans exceeding EUR 1,000 can only be disbursed by means of bank transfer to the bank account of the borrower; 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) in each instance, Group employees are required to check and verify the origin of the funds before executing a transaction.

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 Company'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

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 First North 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, 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 Company'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 polices, 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 2020, the total net loan portfolio including accrued interest of the Group amounted to EUR 34,673,854. The Group reported EUR 1,591,793 of credit losses for the year 2020. 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 Company'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. Part of the reasoning underlying this initial public offering of shares is to lower the overall reliance and cost of the alternative funding for the Group.

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 Company'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 Company'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 Company'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.

Furthermore, Shares of the Company have not previously been publicly traded, and there is no guarantee that an active and liquid market for the Shares will develop. The failure to develop or maintain active trading may affect the liquidity of the Shares and the Company cannot assure that the market price of its Shares will not decline below the Offer Price. Consequently, investors may not be in a position to sell their Shares quickly at or above the Offer Price.

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

Cancellation of Offering and undersubscription

Best efforts will be made by the Company to ensure that the Offering is successful; however, there can be no assurances by the Company that the Offering will be successful and that the investors will receive the Offer Shares they subscribe for. The Company is entitled to cancel the Offering (please see Section 4.14 "Postponement or cancellation of Offering" of this Prospectus.

In the Company's assessment, the risk of cancellation of the Offering and undersubscription is low.

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 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, as further described in Section 6.2 "Dividend Policy". 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 Company's assessment the category of this risk is medium.

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 Company'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 burden of the Shareholders and may therefore have an adverse effect on the rate of return from investment into the Shares.

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

Risks posed to investors whose principal currency is other than EUR

The Company's shares are, and any dividends to be paid in respect of them will be, denominated in EUR. An investment in the Company's shares by investors whose principal currency is other than EUR exposes such investors to foreign currency exchange rate risk. Any depreciation of EUR in relation to the investor's principal currency will reduce the value of the investment in the shares of the Company or any dividends in relation to such currency.

The Company's assessment for the risk profile posed to investors whose principal currency is other than EUR is low.

3 INTRODUCTORY INFORMATION

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

AS "DelfinGroup" (the "**Company**") is the person responsible for the information provided in this Prospectus. The Company accepts responsibility for the correctness and accuracy of the information contained in this Prospectus. Having taken all reasonable care, the Company believes that the information in this Prospectus is, to the best of the Company's knowledge, in conformity with the facts and excludes no information likely to affect the meaning of this Prospectus.

signed with a safe electronic signature

Chairman of the Management Board
Didzis Ādmīdiņš

signed with a safe electronic signature

Member of the Management Board
Kristaps Bergmanis

signed with a safe electronic signature

Member of the Management Board
Ivars Lamberts

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.

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 Company 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 2020, 31 December 2019, 31 December 2018 (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 2021 has been derived or taken from the reviewed consolidated interim financial statements for the 6-month period which ended on 30 June 2021 (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 2020 has been prepared in accordance with IAS 34 but has not 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.

Third-party information and market information

Certain information contained in this Prospectus have been obtained from third parties. Such information is accurately reproduced and, as far as the Company is aware and is able to ascertain from the information published by the third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Certain information regarding the markets in which the Group operates is based on the best assessment made by the Management Board. 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 Company 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 Management Board. The Company 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 Company's Website

This Prospectus contains references to the Company's website (https://www.delfingroup.lv/). The Company does not incorporate the information available on the website 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 Company or its Management Board relative to the information currently available to the Management Board. 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 or the Company'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 Company 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 Management Board'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 is prepared solely for the purposes of the Offering as well as for the listing and Admission to trading of the Shares on the Baltic Main List of Nasdaq Riga. No public offering of the Offer Shares is conducted in any jurisdiction other than Latvia, Estonia, and Lithuania and, consequently, the dissemination of this Prospectus in other countries may be restricted or prohibited by law. This Prospectus may not be used for any other purpose than deciding on participating in the Offering or investing in the Shares. Copying, reproduction (other than for private and non-commercial use) or dissemination of this Prospectus without the express written consent of the Company is prohibited.

3.7 Notice to US investors

The Offer Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "**US Securities Act**") or with any securities regulatory authority of any state of the United States. This Prospectus is not to be distributed to the United States or in any other jurisdiction where it would be unlawful. Accordingly, the Offer Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into or from the United States absent registration under the US Securities Act or an exemption therefrom, and in compliance with applicable state securities laws.

3.8 Approval of this Prospectus

This Prospectus has been registered by the decision of the Latvian Financial and Capital Market Commission, dated 21 September 2021. Registration by the Latvian Financial and Capital Market Commission merely confirms that this Prospectus is in accordance with the standards of completeness, comprehensibility and consistency provided in the Prospectus Regulation. The registration of this Prospectus should not be regarded as an endorsement of the Offer Shares. The prospective investors should assess the suitability of investing in the Offer Shares by themselves.

3.9 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 2020 (Please see Section 17 "Schedule 1" of this ProspectusSCHEDULE 1);
2) the Group's audited consolidate annual report for the financial year ended on 31 December 2019 (Please see Section 17 "Schedule 1"SCHEDULE 1);
3) the Group's audited consolidated annual report for the financial year ended on 31 December 2018 (Please see Section 17 "Schedule 1" of this Prospectus);
4) the Group's reviewed consolidated interim financial statements for the 6-month period which ended on 30 June 2021 (Please see Section 18 "Schedule 2" of this Prospectus);
5) the Group's unreviewed consolidated interim financial statements for the 6-month period which ended on 30 June 2020 (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 with the aforementioned documents on the website of the Company at https://www.delfingroup.lv/reports and https://www.delfingroup.lv/governance.

3.10 Documents on Display

This Prospectus and its Summaries in Latvian, Estonian and Lithuanian 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). In addition, the following documents can be accessed through the Company's website (https://www.delfingroup.lv/) during the validity period of this Prospectus:

1) this Prospectus (including its Summaries in Latvian, Estonian and Lithuanian) (available at: https://www.delfingroup.lv/invest);
2) Terms of the Notes Issue (ISIN LV0000850048) (available at: https://www.delfingroup.lv/storage/files/as-delfingroup-issue-terms-isin-lv0000850048.pdf);

Any interested party may download the above documents from the Company's website free of charge or request the delivery of electronic copies of the documents from the Company or the Global Lead Manager and Bookrunner.

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4 TERMS AND CONDITIONS OF THE OFFERING

4 TERMS AND CONDITIONS OF THE OFFERING

4.1 The Offering

In the course of the Offering, up to 7,300,000 new shares are being offered by the Company. For the purpose of stabilisation under the over-allotment option the number of offered shares may be increased by up to 1,095,000 shares to a total of up to 8,395,000 shares (the "**Offer Shares**"), depending on the final demand and allocation to prospective investors in accordance with terms described in this Section "Terms and Conditions of 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 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 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 are dematerialised bearer shares with the nominal value of EUR 0.10 each (also the Offer Shares will be). The Shares will be registered with Nasdaq CSD under the reserved ISIN LV0000101806 after the approval of this Prospectus and before the start of the Offer Period and will be 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, 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 division of the Offer Shares between the Retail Offering and the Institutional Offering has not been predetermined and will be decided by the Company after consulting with the Global Lead Manager in accordance with the principles described in Section 4.8 "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 4.14 "Postponement or Cancellation of Offering" of this Prospectus.

The Company will submit a listing application to Nasdaq Riga for the listing and admission to trading of all the Company's shares, including the Offer Shares, on the Baltic Main List of Nasdaq Riga. Trading with the Company's Shares is expected to commence on Nasdaq Riga on or about 15 October 2021. The indicative timetable of the Offering is the following:

Table 4.1.1

The indicative timetable of the Offering

Start of the Offer Period	28 September 2021
End of the Offer Period	11 October 2021
Announcement of results of the Offering and Allocation	On or about 12 October 2021
Settlement of the Offering	On or about 14 October 2021
First trading day on Nasdaq Riga	On or about 15 October 2021

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 Subscription Undertakings for the Shares. The Offer Period commences on 28 September 2021 at 10:00 local time in Latvia and terminates on 11 October 2021 at

15:30 local time in Latvia, Estonia and Lithuania unless it is shortened or extended (described in more detail in the Section 4.12 "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.

Submitting Subscription Undertakings in Retail Offering

Subscription 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 investment amount is EUR 1.52 for which an investor can subscribe for one share. All investors participating in the Offering may submit Subscription Undertakings in euros only. An investor shall bear all costs and fees charged in connection with the submission, cancellation or amendment of a Subscription Undertaking pursuant to the price list of the respective financial institution who is a member of the Nasdaq Riga accepting the Subscription Undertaking.

In order to subscribe for the Offer Shares an investor must have a securities account with a financial institution who is a member of Nasdaq Riga. The Subscription 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 Subscription Undertakings within Retail Offering

An investor wishing to subscribe for 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 Subscription 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 Subscription 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 Subscription 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. Subscription 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 Subscription Undertaking either personally or through a representative whom the investor has authorised to submit the Subscription Undertaking.

A Subscription 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 Subscription Undertaking is correct, complete and legible. The Company reserves the right to reject any Subscription 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 Subscription 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 Company 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 Subscription 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 Company or the Global Lead Manager and the investor;

(4) accepts that the number of the Offer Shares indicated in the Subscription 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 4.8 "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 Subscription 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 Subscription 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 Subscription 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 Subscription Undertaking in question has been made and carry out the procedure required by the financial institution for amending or cancelling the Subscription 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 subscription consideration.

Submitting Subscription Undertakings in the Institutional Offering

In order to subscribe 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 subscribe (the "**Subscription Undertaking**"). Investors have to submit the Subscription Undertaking with a value date that enables settlement "delivery versus payment" on 14 October 2021.

The Global Lead Manager accepts the Subscription 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 Subscription Undertaking in a format accepted by the respective financial institution for subscribing to the Offer Shares. An investor may use any method suggested by the financial institution for submitting the Subscription 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 Subscription 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 Subscription Undertaking was submitted, and carry out the actions required by the financial institution for changing or annulling the Subscription Undertaking. Upon ending of the Subscription Period, all Subscription Undertakings which have not been cancelled become binding on the investor.

An investor may submit the Subscription 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. Subscription 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 subscribed for 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 Stabilisation and overallotment option

The Company and the Shareholders have in connection with the Offering authorised AS LHV Pank as the stabilising manager (the "**Stabilising Manager**") to over allocate for the purpose of stabilisation up to 1,095,000 shares (the "**Over-Allotment Shares**"), i.e. 15% of Offer Shares. The Over-Allotment Shares bear the same rights as the Offer Shares. Further information about the number of over-allotment shares sold in the Offering is presented in the Section 4.16 "Dilution" of this Prospectus.

The Stabilising Manager will have the right to acquire Offer Shares on Nasdaq Riga in an amount equal to the Over-Allotment Shares by retaining the proceeds from the sale of the Offer Shares (the "**Stabilisation Proceeds**"), in order to stabilise the stock market price of the Offer Shares at a level higher than that which would otherwise prevail in conformity with the applicable law (including with Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (Market Abuse Regulation)). The Company and the Stabilising Manager shall notify of all transactions made for the purposes of stabilisation in accordance with applicable law. The Stabilising Manager may make the purchase within 30 calendar days as of commencement of the trading with the Shares on the Baltic Main List of Nasdaq Riga (the "**Stabilisation Period**").

The stabilising transactions to purchase the Offer Shares may only be effected at a price not exceeding the Offer Price. The Stabilising Manager will not, however, be required to carry out any stabilisation actions. If any such actions are carried out by the Stabilising Manager, they may be discontinued at any time without prior notice. No assurance can be given that such stabilisation actions, if taken, will bring the expected results.

At the end of the Stabilisation Period, the Stabilising Manager will return any remaining Stabilisation Proceeds which were not used for stabilisation activities to the Company (net of respective costs).

4.6 Offer Price

The Offer Price is **EUR 1.52** per one Offer Share, of which EUR 0.10 is the nominal value of one Offer Share and EUR 1.42 is the premium. The Offer Price will be the same in the Retail Offering and in the Institutional Offering.

4.7 Payment

By submitting a Subscription 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 subscription price multiplied by the Maximum Amount. An investor may only submit a Subscription 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 4.10 "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 4.10 "Settlement and Trading".

4.8 Allocation of the Offer Shares

The Company, together with the Global Lead Manager, will decide on the allocation of the Offer Shares after the expiry of the Offering Period, on or about 12 October 2021. The allocation of the Offer Shares between the Retail Offering and the Institutional Offering has not been previously determined. The Company, together with the Global Lead Manager, will determine the exact allocation upon its sole discretion taking into account factors such as the quantitative and the qualitative analysis of the order book.

The Offer Shares will be allocated to the investors participating in the Retail Offering in accordance with the following principles, which the Company together with the Global Lead Manager may change depending on the distribution of subscription undertakings collected in the Retail Offering and the Institutional Offering, the total demand and other circumstances.

(1) Each investor who submitted a Subscription Undertaking in the Retail Offering during the first week of the Offering (before 1 October 2021 at 16:00) is guaranteed an allocation of up to 500 of the Offer Shares subscribed for. For Subscription Undertakings, amended or supplemented after the referred term, the current allocation principle will apply only to the Offer Shares subscribed before the referred term.

(2) In addition to the clause (1) above, each investor who submitted a Subscription Undertaking in the Retail Offering is reasonably assured to receive an allocation of up to 1,000 of the Offer Shares subscribed for on preferred allocation basis (prorated as a residual).

(3) Both of these principles are applied to each investor who submitted a Subscription Undertaking in the Retail Offering and the correspondence of subscriptions shall be verified pursuant to the sequence indicated above. This means that first, it is determined whether the investor submitted the Subscription Undertaking before the term specified in clause (1) and, if not, (2) shall be applied upon allocation.

(4) In a scenario where the Subscription Undertakings submitted in the Retail Offering exceed the part guaranteed to the investors pursuant to clause 1 above, the Offer Shares shall be allocated in steps. In such instance, each step is allocated a certain percentage of Offer Shares based on the number of Offer Shares subscribed for in the Subscription Undertaking less the part guaranteed in the Retail Offering. The allocation tiers are the following: (1) from 501 Offer Shares to 1,000 Offer Shares (including) shall be allocated on preferred basis (prorated as a residual) and (2) allocation for investors who have subscribed for more than 1,000 Offer Shares shall be decided at the sole discretion of the Company and the Global Lead Manager. The percentages of allocation tiers have not been fixed and the Company together with the Global Lead Manager shall decide on the percentages based on the total demand of the Offering.

A Subscription Undertaking is deemed submitted from the moment Nasdaq Riga receives a duly completed transaction instruction from the financial institution managing investor's securities account (please see Section 4.3 of this Prospectus).

Upon allocation, all Subscription Undertakings submitted by one investor shall be aggregated.

To illustrate the allocation principles of the Retail Offering, few examples of the application of the principles in practice are provided below. The examples have been prepared based on the assumption that the Company together with the Global Lead Manager will not change the size of guaranteed allocations.

Example 1. An investor subscribes for 1 to 500 Offer Shares in during the first week of the Offering (before 1 October 2021 at 16:00). An investor shall be allocated 1 to 500 Offer Shares.

Example 2. An investor subscribes for 1,000 Offer Shares during the first week of the Offering (before 1 October 2021 at 16:00) and 1,000 Offer Shares after 1 October 2021 at 16:00.

For the Subscription Undertaking submitted during the first week of the Offering (before 1 October 2021 at 16:00) 500 Offer Shares shall be allocated, leaving 1,500 Offer Shares to be prorated as a residual.

(1) Assuming that there are up to 1,000 Offer Shares available for the second tier of tranche, then 1,000 Offer Shares will be allocated, leaving 500 subscribed Offer Shares to be prorated as residual.

(2) If there are not up to 1,000 Offer Shares available to distribute to each investor for the second tier tranche, then 1,000 of the remaining 1,500 will be prorated for the second tier tranche, which will allocate a fixed prorated proportion of 1,000 Offer Shares to the subscriptions entitled up to 1,000 Offer Shares. It has no impact whether 1,000 additional Offer Shares are anticipated or less than 1,000 Offer Shares for other retail investors, the same prorated proportion will apply. The residual 500 Offer Shares of demand will receive zero allocation (nothing available to be allocated).

The Company together with the Global Lead Manager reserves the right to deem a Subscription Undertaking submitted in the Retail Offering to be part of the Institutional Offering and decide on the allocation of Offer Shares to such investor in accordance with the principles of allocation of the Institutional Offering at their sole discretion within the applicable law.

Upon over-subscription of the Offering, the Company may, at the proposal of the Global Lead Manager, decide to increase the number of Offer Shares by the number of Over-Allotment Shares, which would increase the number of Offer Shares up to 8,395,000 Offer Shares. These Shares shall be allocated between the investors participating in the Offering in accordance with the principles described in this Section "Allocation of the Offer Shares". If the Offering is undersubscribed, the Company may reduce the number of the Offer Shares accordingly, or cancel the Offering as described in the Section 4.14 "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 4.13 "Return of Funds".

The Company expects to announce the results of the allocation process on the website of Nasdaq Riga https://nasdaqbaltic.com/statistics/en/news and the website of the Company at http://www.delfingroup.lv/invest on or about 12 October 2021.

4.9 Settlement Through the Global Lead Manager

In order to simplify and expedite the settlement of the Offering, the Company will borrow the necessary number of Offer Shares from SIA L24 Finance (current shareholder of the Company) and will transfer these to the Global Lead Manager's account so as to allocate these existing Shares to investors in accordance with the allocation rules described above.

The net proceeds of the Offering (excluding the Stabilisation Proceeds) will then be passed to the Company and used by the Company for payment of newly issued Shares. When the payment for such new Shares has been completed, the Global Lead Manager will return the borrowed Shares to the Company in accordance with the share lending agreement between them, and the Company will respectively return these Shares to SIA L24 Finance.

If the over-allotment option is exercised during the Offering, the Stabilisation Proceeds will be used to stabilise the stock market price of the Offer Shares at a level higher than that which would otherwise prevail in conformity with the applicable law (including with Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (Market Abuse Regulation)) (please see Section 4.5 "Stabilisation and overallotment option" of this Prospectus). At the end of the Stabilisation Period, the Stabilising Manager will return any remaining Stabilisation Proceeds which were not used for stabilisation activities to the Company (net of respective costs) for the payment for the respective Over-Allotment Shares.

During the period of time when the Global Lead Manager holds Shares for the purpose of the Offering, no Shareholders' Meetings will be held by the Company, and no shareholders' resolution will be adopted.

4.10 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 14 October 2021 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 Subscription 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 Subscription 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 Subscription Undertaking of the respective investor will be rejected and the investor will lose all rights to the Offer Shares allocated to such investor.

The Company will submit a listing application to Nasdaq Riga for the listing of all the Shares of the Company, including the Offer Shares, on the Baltic Main list of Nasdaq Riga. The Company will take all necessary measures in order to comply with the rules of Nasdaq Riga to ensure that the application is approved. The expected date of listing and Admission to trading of the Shares on the Baltic Main List of Nasdaq Riga is on or about 15 October 2021.

4.11 Agreements Related to the Offering

Placement and Services Agreement

The Company 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 2021, 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, act as a Stabilising Manager (please see Section 4.5 "Stabilisation and overallotment option" of this Prospectus). The total commissions to be paid to the Global Lead Manager will be approximately up to EUR 475,000 in the event that investors subscribe for all of the Offer Shares (including the Over-allotment shares).

Lock-up agreement

In addition, certain Shareholders of the Company have agreed to be subject to lock-up agreement as follows:

Didzis Ādmīdiņš, who owns 1.50% of the Company's Shares before the Offering, has agreed without the prior written consent of AS LHV Pank not to, directly or indirectly, sell, contract to sell, exercise any option to sell, or otherwise dispose of any Shares of the Company owned by him during the period commencing on the date of the lock-up agreement (entered into on or about the start of the Offer Period) and ending after the lapse of 12 (twelve) calendar months from the date of the lock-up agreement. The same restriction shall apply to any securities convertible into or exchangeable for the Shares of the Company and to any swap or other agreement or any transaction, the economic consequence of which would be the transfer of the ownership of the Shares of the Company. AS LHV Pank is not entitled to unreasonably withhold its consent, provided that the proposed new owner of the locked-up shares of the Company has executed or has committed to execute a lock-up agreement on similar terms for the remaining term of the lock up period.

Kristaps Bergmanis, who owns 1.00% of the Company's Shares before the Offering, has agreed without the prior written consent of AS LHV Pank not to, directly or indirectly, sell, contract to sell, exercise any option to sell, or otherwise dispose of any Shares of the Company owned by him during the period commencing on the date of the lock-up agreement (entered into on or about the start of the Offer Period) and ending after the lapse of 12 (twelve) calendar months from the date of the lock-up agreement. The same restriction shall apply to any securities convertible into or exchangeable for the Shares of the Company and to any swap or other agreement or any transaction, the economic consequence of which would be the transfer of the ownership of the Shares of the Company. AS LHV Pank is not entitled to unreasonably withhold its consent, provided that the proposed new owner of the locked-up shares of the Company has executed or has committed to execute a lock-up agreement on similar terms for the remaining term of the lock up period.

Ivars Lamberts, who owns 1.00% of the Company's Shares before the Offering, has agreed without the prior written consent of AS LHV Pank not to, directly or indirectly, sell, contract to sell, exercise any option to sell, or otherwise dispose of any Shares of the Company owned by him during the period commencing on the date of the lock-up agreement (entered into on or about the start of the Offer Period) and ending after the lapse of 12 (twelve) calendar months from the date of the lock-up agreement. The same restriction shall apply to any securities convertible into or exchangeable for the Shares of the Company and to any swap or other agreement or any transaction, the economic consequence of which would be the transfer of the ownership of the Shares of the Company. AS LHV Pank is not entitled to unreasonably withhold its consent, provided that the proposed new owner of the locked-up shares of the Company has executed or has committed to execute a lock-up agreement on similar terms for the remaining term of the lock up period.

SIA "AE Consulting", which owns 10.00% of the Company's Shares before the Offering, has agreed without the prior written consent of AS LHV Pank not to, directly or indirectly, sell, contract to sell, exercise any option to sell, or otherwise dispose of any Shares of the Company owned by it during the period commencing on the date of the lock-up agreement (entered into on or about the start of the Offer Period) and ending after the lapse of 12 (twelve) calendar months from the date of the lock-up agreement. The same restriction shall apply to any securities convertible into or exchangeable for the Shares of the Company and to any swap or other agreement or any transaction, the economic consequence of which would be the transfer of the ownership of the Shares of the Company. AS LHV Pank is not entitled to unreasonably withhold its consent, provided that the proposed new owner of the locked-up shares of the Company has executed or has committed to execute a lock-up agreement on similar terms for the remaining term of the lock up period.

SIA EC finance, which owns 21.31% of the Company's Shares before the Offering, has agreed without the prior written consent of AS LHV Pank not to, directly or indirectly, sell, contract to sell, exercise any option to sell, or otherwise dispose of any Shares of the Company owned by it during the period commencing on the date of the lock-up agreement (entered into on or about the start of the Offer Period) and ending after the lapse of 12 (twelve) calendar months from the date of the lock-up agreement. The same restriction shall apply to any securities convertible into or exchangeable for the Shares of the Company and to any swap or other agreement or any transaction, the economic consequence of which would be the transfer of the ownership of the Shares of the Company. AS LHV Pank is not entitled to unreasonably withhold its consent, provided that the proposed new owner of the locked-up shares of the Company has executed or has committed to execute a lock-up agreement on similar terms for the remaining term of the lock up period.

SIA L24 Finance, which owns 65.19% of the Company's Shares before the Offering, has agreed without the prior written consent of AS LHV Pank not to, directly or indirectly, sell, contract to sell, exercise any option to sell, or otherwise dispose of any Shares of the Company owned by it during the period commencing on the date of the lock-up agreement (entered into on or about the start of the Offer Period) and ending after the lapse of 12 (twelve) calendar months from the date of the lock-up agreement. The same restriction shall apply to any securities convertible into or exchangeable for the Shares of the Company and to any swap or other agreement or any transaction, the economic consequence of which would be the transfer of the ownership of the Shares of the Company. AS LHV Pank is not entitled to unreasonably withhold its consent, provided that the proposed new owner of the locked-up shares of the Company has executed or has committed to execute a lock-up agreement on similar terms for the remaining term of the lock up period.

Market Maker Agreement

The Company will sign a Market Maker Agreement with LHV Pank on or about 23 September 2021, which has undertaken to act as market maker for the Shares of the Company to increase their liquidity. In accordance with the Market Maker Agreement, LHV Pank will provide liquidity on both bid and ask sides around the Company by increasing market depth. The provision of services will commence as of Admission of Shares to Trading.

4.12 Change to the Offer Price and Offer Period

In accordance with the Prospectus Regulation, the Company 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 Company's 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 Company is required to publish a supplement to the Prospectus, an investor, who has submitted a Subscription 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”.

4.13 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 Subscription 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 day. Regardless of the reason for which funds are released, the Company 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.

4.14 Postponement or Cancellation of the Offering

The Company 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 and through the Company’s website (www.delfingroup.lv/invest). 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.

4.15 Conflicts of Interest

The members of the Management Board of the Company own shareholdings in the Company and therefore such members of the Management Board are interested in the future wellbeing and success of the Company, including success of the Offering (the size of the shareholdings is described in more detail under Section 10.3 “Shareholders”).

According to the knowledge of the Management Board of the Company, the persons connected with the Offering have no other material personal interests from the viewpoint of the Offering. The Management Board is not aware of any conflict of interest related to the Offering.

4.16 Dilution

As of the date of this Prospectus, the number of the Shares of the Company is 40,000,000. The number of the Offer Shares is up to 8,395,000 (including the over-allotment option). Therefore, the number of the Shares of the Company after the successful registration of the increase of the share capital of the Company will be up to 48,395,000, provided, however, that the number of the Offer Shares is not changed in accordance with the terms and conditions described in the Section 4.14 “Postponement or Cancellation of the Offering”. Therefore, the shareholdings in the Company existing immediately prior to the Offering will be diluted by up to 17.35% as a result of the Offering (with the assumption that existing Shareholders do not subscribe in the course of the Offering for Shares corresponding to their shareholding).

The Company’s net asset value per share is EUR 0.20 as at 30 June 2021. Further information on the price formation of Offer Shares in the course of the Offering is provided under the Section 4.6 “Offering Price”.

The following table shows the size of the holding of the Shareholders in the Company as at the date of this Prospectus and the assumed size after completion of the Offering (assuming that the Shareholders will not subscribe for additional shares during the Offering and that the Offer Shares are issued in full volume).

Table 4.16.1

The size of the holding of the Shareholders in the Company and the assumed size after completion of the Offering

	As at the date of Prospectus		*After completion of the Offering, assuming the sale of all Offer Shares (not including the Over-Allotment Shares)*		*After completion of the Offering, assuming the sale of all Offer Shares (including the Over-Allotment Shares)*	
Shareholder	**Number of shares**	**% of votes**	**Number of shares**	**% of votes**	**Number of shares**	**% of votes**
SIA L24 Finance	26,074,130	65.19%	26,074,130	55.12%	26,074,130	53.88%
SIA EC finance	8,525,870	21.31%	8,525,870	18.02%	8,525,870	17.62%
SIA "AE Consulting"	4,000,000	10.00%	4,000,000	8.46%	4,000,000	8.27%
Didzis Ādmīdiņš	600,000	1.50%	600,000	1.27%	600,000	1.24%
Ivars Lamberts	400,000	1.00%	400,000	0.85%	400,000	0.82%
Kristaps Bergmanis	400,000	1.00%	400,000	0.85%	400,000	0.82%
Total Shareholder Shares	**40,000,000**	**100%**	40,000,000	84.57%	40,000,000	82.65%
Total Offer Shares	-	-	7,300,000	15.43%	8,395,000	17.35%
TOTAL SHARES	**40,000,000**	**100%**	**47,300,000**	**100%**	**48,395,000**	**100%**

4.17 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.

4.18 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, vehicle operation 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.

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-resident, 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. 655 of 7 November 2017.

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 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 its 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.

4.19 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. 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.

4.20 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.

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5 REASONS FOR OFFERING AND USE OF PROCEEDS

5 REASONS FOR OFFERING AND USE OF PROCEEDS

The expected amount of gross proceeds of the Offering is up to EUR 12,760,400.

Expenses directly related to the Offering are estimated to be approximately EUR 660,400, including commissions to be paid to the Global Lead Manager. Therefore, the net proceeds of the Offering are expected to be up to EUR 12,100,000.

The main reasons for the Offering are to strengthen and optimise the balance sheet of the Company by increasing the total equity base of the Company as well as the equity ratio. In parallel, the Offering has the effect of reducing both current and future financing expenses of the Group. The Group's operations have been financed mainly through the issuance of bonds (of which two issuances are currently listed on the Nasdaq First North) and through the investment platform Mintos Marketplace (please see Section 8.14 "Material agreements" of this Prospectus). As of the date of this Prospectus, the Group has the following outstanding financial liabilities:

Table 5.1.

The Group's outstanding financial liabilities

	Outstanding amount, EUR as of 31 July 2021	Annual Interest rate	Annual amount of interest cost, EUR	Savings per 1% decrease in annual interest, EUR	Cumulative debt amount, EUR	Weighted average interest rate for cumulative debt amount
Bond ISIN LV0000802213 (maturity date: 25.10.2021)	5,000,000	14.00%	700,000	50,000	5,000,000	14.00%
Bond ISIN LV0000802379 (maturity date: 25.11.2022)	5,000,000	14.00%	700,000	50,000	10,000,000	14.00%
Bond ISIN LV0000802429 (maturity date: 25.11.2022)	3,500,000	12.00%	420,000	35,000	13,500,000	13.48%
Bond ISIN LV0000850048 (maturity date: 25.08.2023)	5,000,000	9.75%	487,500	50,000	18,500,000	12.47%
Mintos Marketplace Consumer portfolio	7,882,411	8.01%	631,381	78,824	26,382,411	11.14%
Mintos Marketplace Pawn portfolio	1,619,949	6.09%	98,655	16,620	28,002,360	10.85%

As a result of the public listing of the Company's Shares, stronger balance sheet and higher equity ratio, the Management Board expects that the Company will be able to attract financing at lower interest rates. As the total cumulative interest-bearing liabilities amount is EUR 28,002,360 (as of 31.07.2021) with the weighted average interest rate of 10.85% (as of 31.07.2021), reducing the interest rate by 1% across all outstanding obligations of the Group would have the annual cost decrease of interest-bearing liabilities by EUR 280,023.[14]

In the short run after the Offering, the Management Board plans to reduce the Group's financial liabilities and materially increase the equity ratio by means of repaying the most expensive financial liabilities to the extent the proceeds will allow.

Furthermore, the Management Board plans to refinance the Group's remaining interest-bearing liabilities at the initial target rate of 8% within one year following the Offering. Provided that the net proceeds from the Offering amounts to EUR 12,100,000, the reduction in borrowing costs is estimated to be at EUR 1,796,288 per year if the weighted average interest rate of the remaining interest-bearing liabilities reach the target rate of 8% per annum.

Depending on the net proceeds generated as a result of the Offering, the Management Board plans to use the proceeds from the Offering to repay and/or refinance the Group's interest-bearing liabilities in the following order indicated in the Table 5.2. below.

Table 5.2.

	EUR 12,100,000 net proceeds assumed			
Sequence of the use of proceeds	Interest bearing liabilities	Instant annual savings on interest expense, EUR	Remaining interest-bearing liabilities, EUR	Interest saving from refinancing remaining liabilities at 8%
1.	Bond (maturity date: 25.10.2021)	700,000	-	-
2.	Bond (maturity date: 25.11.2022)	700,000	-	-
3.	Bond (maturity date: 25.11.2022)	-	3,500,00	140,000
4.	Mintos Marketplace Consumer portfolio	168,210	5,782,411	578
5.	Bond (maturity date: 25.08.2023)	-	5,000,000	87,500
6.	Mintos Marketplaces Pawn portfolio	-	1,619,949	-
		1,568,210		228,078
	Planned Interest expense savings per year (run rate) shortly after the Offering	1,796,288		

As illustrated in the above table, the estimated net proceeds will be used towards repaying the bond issue maturing on 25 October 2021 and the bond issue of EUR 5,000,000 maturing on 25 November 2022, as well as part of Mintos Marketplace Consumer portfolio liabilities. The remaining liabilities will benefit from refinancing at a lower interest rate. Depending on market situation and circumstances, no later than at the end of 2024 and possibly earlier, the Management Board plans to refinance the remaining Group's interest-bearing liabilities below 8% weighted average interest rate or lower (compared to the cost of interest-bearing liabilities on 31.07.2020 of 10.85%).

The ability to finance the Company's operations at lower interest rates will enable a more dynamic growth of the Company and will strengthen its balance sheet. Moreover, it will provide the possibilities to improve

[14] The Management Board notes that the estimated savings are based on the interest rates of the Mintos Marketplace pawn portfolio and Mintos Marketplace consumer portfolio as of 31 July 2021. Due to fluctuation in Mintos Marketplace debt instruments, may not correspond to the current rates.

the competitive position within the business segments where the Group operates by offering more competitive and lower interest rate products to its customers and accelerate the increase of the loan portfolio of the Group. Overall, obtaining funding at lower cost is expected to give the Group added flexibility to decide on entering new market segments and developing new products and services to its customers.

As a result of the Offering, the Management Board plans to further enhance the Company's credibility and awareness in the bond market and other channels where the Company is attracting funding to finance its business activities.

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 Company and Management Board. The anticipated use of proceeds of the Offering is subject to risks, uncertainties, and assumptions regarding the future operations of the Company, the local and international macroeconomic environment and other factors (please see Section 3.5 "Forward-Looking Statements"). Therefore, the sequence and order of the use of proceeds of the Offering may vary and differ from the plan assumed in this Section depending on conditions such as market opportunity and technical possibilities. Nevertheless, in the opinion of the Management Board the optimisation of funding costs is an important element for the further growth of the Group and enhancement of its profitability in the long term. Thus, the proceeds of the Offering will be used to optimise the funding costs of the Group to the extent practically possible in accordance with the possible circumstances that may be in the future.

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6 RIGHT TO DIVIDENDS AND DIVIDEND POLICY

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 Divided 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.

The Company has fulfilled shareholders' interests in gaining regular and predictable yield-based returns while maintaining the financial stability of the Company and focusing on long-term development goals.

With the frequency of dividend payments now being fixed on a quarterly basis (together with the possibility of an additional annual dividend), the Company has decided to apply a clearer and more uniform approach to calculating the payout ratio. This ratio represents the proportion of earnings which have been paid out in the form of dividends to shareholders. Going forward, the following methodology will be used, where TTM = trailing twelve months:

TTM dividends paid[15] to shareholders / earnings for the previous 4 quarters.[16]

Applying the respective formula to the dividend payments made in the past 12 months as of 30.06.2021 date the payout ratio would come to 164% (31.12.2020: 77%). The particular high ratio is explained by the fact that previously the dividends were paid out on yearly basis, and during first half of year 2020 there were postponed dividend payments due to uncertainty in relation to pandemic COVID - 19 effects.

The Company's recently stated target of greater than 50% payout ratio remains intact.[17]

Previously, the formula applied was the following on an annual basis: Dividend payout ratio = (Dividends paid during the period)/(Net Profit for the period).

6.2 Dividend Policy

The initial edition of the Dividend Policy of the Company was adopted on 4 April 2020, and the amended edition on 10 September 2021. The Dividend Policy is available on the website of the Company.[18]

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

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[15] paid = where the supervisory board, annual general meeting or extraordinary general meeting of shareholders (whichever is relevant) have announced agreement on a payment to be made.
[16] earnings = consolidated net profit less minority interest (if applicable) and will be, in almost all cases, unaudited. Refers to previous 4 full quarters and not the current calendar quarter.
[17] Delfingroup financial targets for 2022: https://nasdaqbaltic.com/statistics/en/news/322453.
[18] The current version of the Dividend Policy of the Group: AS DelfinGroup Dividend policy.

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 infuse funds 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;
- 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. For a description regarding taxation, please see Section 4.17 “Taxation”.

6.4 Amount of the dividend per share

The historical breakdown of dividends distributed to shareholders of the Company in the financial years 2018 through to 2020 is presented in the table below*:

Table 6.4.1.

The historical breakdown of dividends distributed to shareholders of the Company

	2018	2019	2020
The total amount of dividends distributed, EUR	2,229,714	1,500,000	3,000,000
Dividends per share distributed, EUR (rounded)	1.49	1.00	0.08
Dividends per share distributed on comparable basis (as if the amount of share capital on year-to-year basis was 40,000,000 shares), EUR (rounded)	0.06	0.04	0.08

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

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7 PRINCIPAL MARKETS

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 Management Board 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 Management Board 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" and Section 15 "Capitalisation and Indebtedness".

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.[19]

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.

[19] 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.

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 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

Although banks hold the majority share of the consumer lending segment in Latvia, in terms of net loan portfolio, the share of the consumer lending market has increased from 36% in June 2018 to 40% in December 2020 (please see Table 7.3.1.).

Table 7.3.1.

Market share of specialised consumer lenders by consumer loan portfolio[20]

Period	Banks, MEUR	Specialised consumer lenders, MEUR	Total, MEUR	Market share of specialised consumer lenders
Jun-18	451	255	706	36%
Dec-18	458	285	743	38%
Jun-19	481	291	773	38%
Dec-19	493	307	800	38%
Jun-20	459	283	742	38%
Dec-20	448	297	745	40%

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, in recent years, there is a shifting trend in consumer lending from banks to specialised consumer lenders (see Table 7.3.1.) due to the following reasons:

[20] Sources: https://www.ptac.gov.lv/lv/media/2226/download and https://www.fktk.lv/statistika/kreditiestades/ceturksna-parskati/.

1) 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;

2) 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;

3) 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.

As a result, over the recent years, the market share of specialised consumer lenders has grown in consumer lending segment compared to the banks (please see Table 7.3.1.).

Table 7.3.2.

Total loan portfolio of Latvian specialised consumer lenders[21]

Period	Loan portfolio, MEUR	Percentage change compared to previous half-year
Jun-17	560	6.1%
Dec-17	612	9.3%
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%

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 34.6% from the first half of 2017 to the second half of 2020 (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 lenders[22]

Period	Consumer loan portfolio, MEUR	Percentage change from previous half-year	Percentage change from the base period
Jan to Jun 2017 (base period)	222	2.2%	-
Jul to Dec 2017	242	9.0%	9.0%
Jan to Jun 2018	254	5.0%	14.4%
Jul to Dec 2018	284	11.8%	27.9%

[21] Source: https://www.lafpa.lv/en/statistics/non-bank-lenders/.
[22] Source: https://www.ptac.gov.lv/lv/media/2226/download.

Jan to Jun 2019	290	2.1%	30.6%
Jul to Dec 2019	306	5.5%	37.8%
Jan to Jun 2020	281	(8.2)%	26.6%
Jul to Dec 2020	296	5.3%	33.3%

As per the data available, the consumer loan portfolio has increased by 33.3% from the first half of 2017 to the second half of 2020 (please see Table 7.3.3.). Moreover, it has more than doubled since 2013, when the consumer loan portfolio was valued at just MEUR 139.21[23].

Although the consumer loan portfolio has declined in 2020, this should almost solely be attributed to the adverse effects of the COVID-19 pandemic.

At the beginning of 2020, the consumer credit sector continued to grow and the total amount of loans issued was the largest in the last seven years. The onset of COVID-19 initially prompted a significant downturn in consumer lending activity.

Table 7.3.4.

Total number and value of consumer loans newly issued by Latvian specialised consumer lenders and the average loan size[24]

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

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. As 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 2 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. Following the easing of the restrictions, there is expected to be a strong recovery in consumer lending along with an improvement in consumer confidence.

[23] Source: Consumer Rights Protection Centre of Latvia https://www.ptac.gov.lv/lv/media/2226/download
[24] Source: https://www.ptac.gov.lv/lv/media/2226/download.

Table 7.3.5.

Quality of the loan portfolios of Latvian specialised consumer lenders[25]

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%

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 88.86% of in-person consumer loans and 81.57% of distance consumer loans repaid without delay in 2020, 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 (please see "Recent development of the applicable regulations") 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.).

Recent development of applicable regulations

(a) 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.

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[25]Source: https://www.ptac.gov.lv/lv/media/2226/download.

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.

(b) 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 will be applicable from 1 January 2022 and will enable 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.

New Consumer Agenda

The new consumer policy of the European Commission sets out priorities for the coming years in light of the COVID-19 pandemic and its aftermath. It also refers to several legislative proposals envisaged to enter into effect in the second half of 2021.

In the second half of 2021, the European Commission plans to introduce a proposal designed to revise the Consumer Credit Directive (the "**CCD**") and the Distance Marketing of Financial Services Directive in an effort to enhance consumer protection across the EU and improve clarity by recasting the existing directives on consumer credit.

The European Commission has drawn attention to a number of challenges identified at different stages of operation of the CCD. As mentioned, the proposal is set to be published in the second half of 2021 and will be subject to public consultations. Only after publication of the proposal will a comprehensive assessment of the extent of risks posed by the amended CCD become possible.

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.

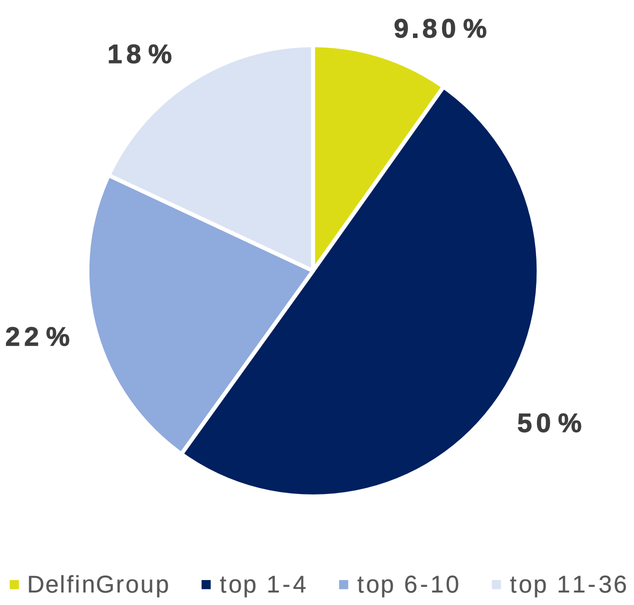
The Company believes that due to these factors, there is a substantial opportunity for technology-led specialised lenders to continue to attract market share from banks.

7.4 Competitive landscape

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.

Market share 2020, Consumer loans[26]



[26] Source: Management data of the Company.

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/)*.

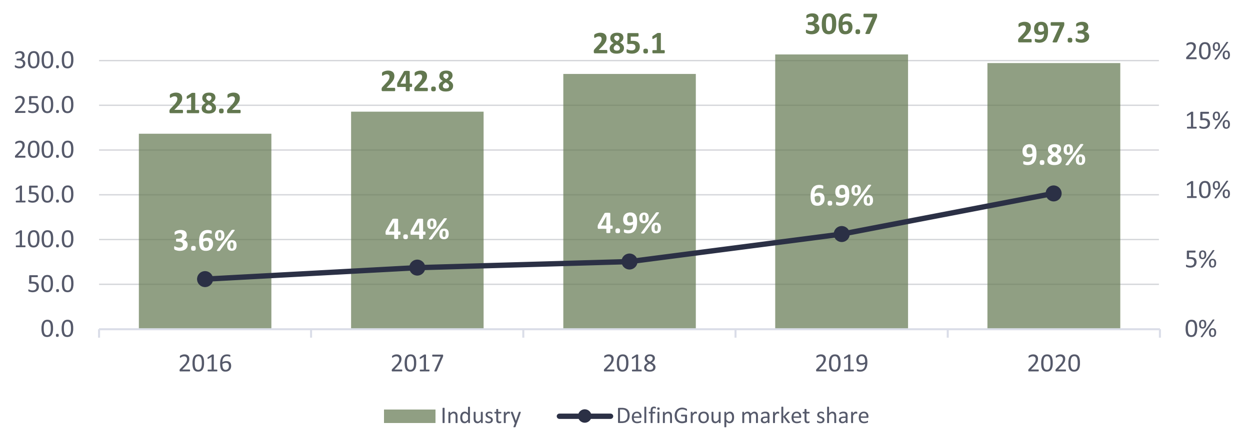
Table 7.4.2.

The Company's main competitors in consumer loan realm[27]

	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, MEUR[28]



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.vitacredit.lv/)*, *E-lats (https://www.e-lats.lv/)* and *Moda kapitāls (http://www.lombardsmoda.lv)*[29].

[27] Source: Management data of the Company.
[28] Source: Management data of the Company.
[29] Please see Section 8.8 "Investments" of this Prospectus regarding Moda kapitāls.

Figure 7.4.4.

Market share 2020, Pawn loans[30]

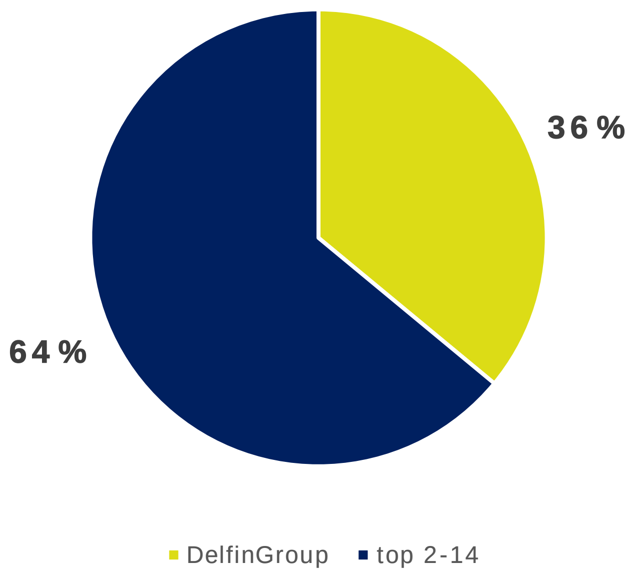
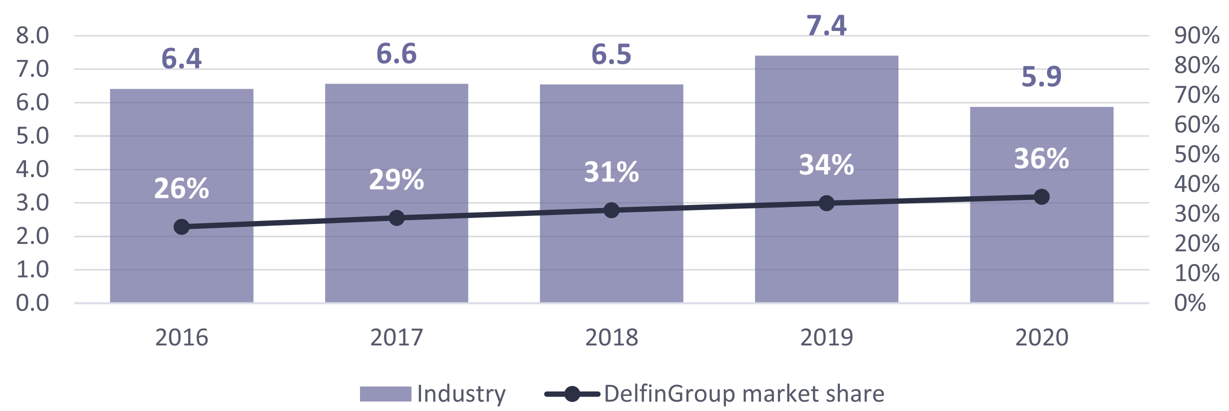


Figure 7.4.5.

DelfinGroup vs. Industry, Pawn loan portfolio, MEUR[31]



The pawn loan portfolio of the Company is growing steadily over the last 5 years. This has allowed the Company to remain well positioned in this market segment.

[30] Source: Management data of the Company.
[31] Source: Management data of the Company.

Table 7.4.6.

Pawn loan network in Latvia[32]

	Wide branch network in regions	Pledge gold	Pledge electronic devices	Developed consumer loan
DelfinGroup	Yes	Yes	Yes	Yes
Vita Credit	Limited	Yes	Yes	No
E-lats	Limited	Yes	Limited	Limited
Moda kapitāls[33]	Yes	Yes	Limited	No

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

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) 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;
8) Law on Release of Private Indebtedness for Natural Persons.

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".

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[32] Source: Management data of the Company.
[33] Please see Section 8.8 "Investments" of this Prospectus regarding Moda kapitāls.

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. 407 of 27 August 2019 "Regulations on the Procedure and Content of Submission of Threshold Declaration";
5) Cabinet Regulation No. 408 of 27 August 2019 "Regulations on Reporting of Suspicious Transactions".

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 prices[34]

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)%

The revenue of pre-owned goods in stores experienced a decline in the year 2020 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

[34] Source: Official statistics of Latvia:
https://data.stat.gov.lv/pxweb/en/OSP_PUB/START__TIR__TI__TIT/TIT030m/table/tableViewLayout1/.

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

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

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;

   Law on Out-Of-Court Consumer Dispute Resolution Bodies;

   Law on Safety of Goods and Services;

5) 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. 407 of 27 August 2019 “Regulations Regarding the Procedure and Content of Submission of Threshold Declaration”;
5) Cabinet Regulation No. 408 of 27 August 2019 “Regulations Regarding Reporting of Suspicious Transactions”.

8 COMPANY OVERVIEW

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	**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. **Online lending launched** by "Banknote", thereby enabling customers to use the Company's services through its website.
2018	**New brand "VIZIA" launched**. A modern financial services provider specialising in the provision of online consumer loans.
2019	**Corporate name "ExpressCredit" changed to "DelfinGroup"** to introduce a brand-new vision, mission and several new values.
2020	"**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.
2021	**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. **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%. **Announcement of the plan to go public on the Nasdaq Riga Stock Exchange with an initial public offering of shares (IPO)**

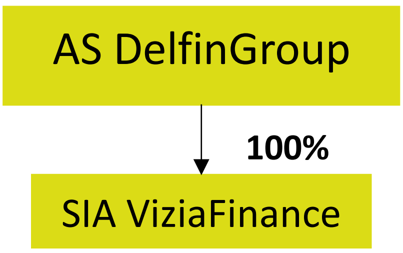
8.3 Organisational structure

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. Refin and ExpressInkasso are both wholly-owned subsidiaries of the Company however both are not included in the organisational structure of the Group as liquidation has been commenced for Refin and ExpressInkasso. It is anticipated that the companies will be liquidated by the end of 2021.[35]

Figure 8.3.1.

Structure of the Group



Registration data of the Company and ViziaFinance are provided below.

[35] During the firsrt quarter of 2021 the Company commenced reorganization and redistribution of functions at three of its subsidiaries: Banknote commercial properties (liquidated on 21 June 2021), REFIN and ExpressInkasso, with the aim of the Company to take over their functions. More information on: https://view.news.eu.nasdaq.com/view?id=b1752552b69b885af3a4202e2c9a67a8b&lang=en

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 4,000,000
Shares	40,000,000 shares with a nominal value of EUR 0.1 each
Shareholders	Please see Section 10.3 "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:

(1) **Consumer loan segment**: handling consumer loans to 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).

Figure 8.4.1.

The Group's offered services

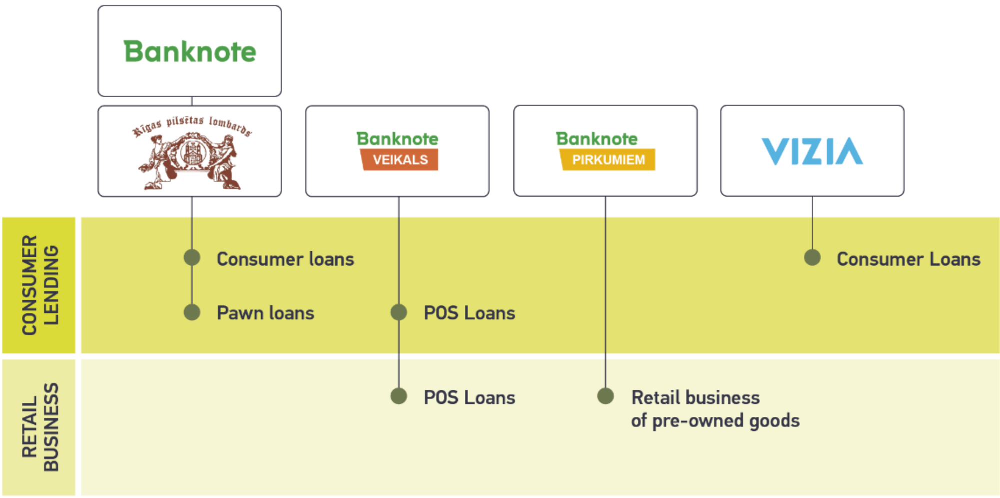


Table 8.4.1.

Key financial data divided into operating segments (MEUR)

	2018*	2019	2020
Revenue			
Total	18.85	21.79	23.66
Pawn loans	8.55	10.08	10.84
Consumer loans	9.57	10.81	12.38
Other activities	0.73	0.90	0.44
EBITDA			
Total	7.47	8.17	9.27
Pawn loans	1.65	2.87	2.86
Consumer loans	5.17	4.94	5.65
Other activities	0.65	0.36	0.76
Assets			
Total	26.67	38.27	45.96
Pawn loans	5.72	7.02	8.08
Consumer loans	16.87	21.99	32.23
Other activities	4.08	8.87	5.18

**Source: Some data included in this column are unaudited management data of the Company.*

***The Company started dividing the operating results into three segments (pawn loan segment, consumer loan segment and other activities) in 2020 for management purposes, such as for decision-making regarding resource allocation and performance assessment. Therefore, the respective data for 2018 is not separated into the same operating segments as for 2019 and 2020.*

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 Management Board believes that this assists in maximising loan originations and building customer loyalty.

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 – 5,000	EUR 100 – 5,000	EUR 50 – 1,400	EUR 100 – 5,000
Loan maturity	Up to 60 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 Management Board 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

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

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

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
Loan maturity	Up to 24 months
Interest rates per month	2-28%
Security	Secured

Retail business of pre-owned goods

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

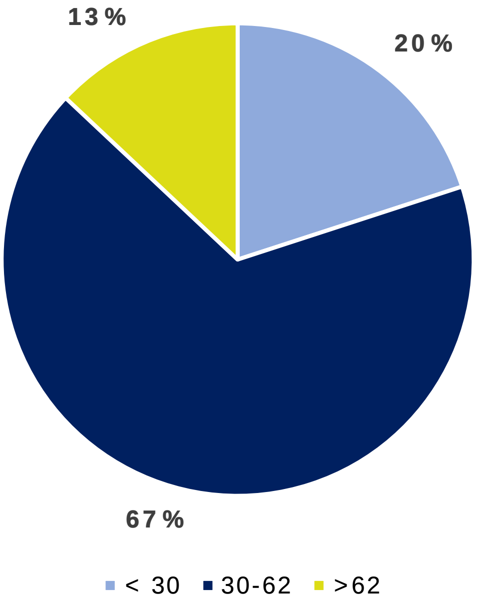
As of the date of this Prospectus, the Group operates in Latvia. The Group strives to deliver its services in a manner offering superior customer experience, tailored to customer needs and expectations.

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 4,000 inhabitants. Most of the services of the Group are available on online platforms.

Figure 8.5.1.

The Group's customer base (age)[36]



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), (cash loans in the amount of up to EUR 1,000 and loans via bank transfer (wire transfer) if the loan amount exceeds EUR 1,000). 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, additionally the VIZIA app is being developed).

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[36] Source: Management data of the Company.

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, Rīgas pilsētas lombards	Banknote VEIKALS
WEBSITE	Banknote, VIZIA	VIZIA	—	Banknote	Banknote VEIKALS
APP	Banknote	—	—	—	—
E-MAIL	—	—	Banknote PIRKUMIEM	—	—
WPP	—	—	Banknote PIRKUMIEM	—	—

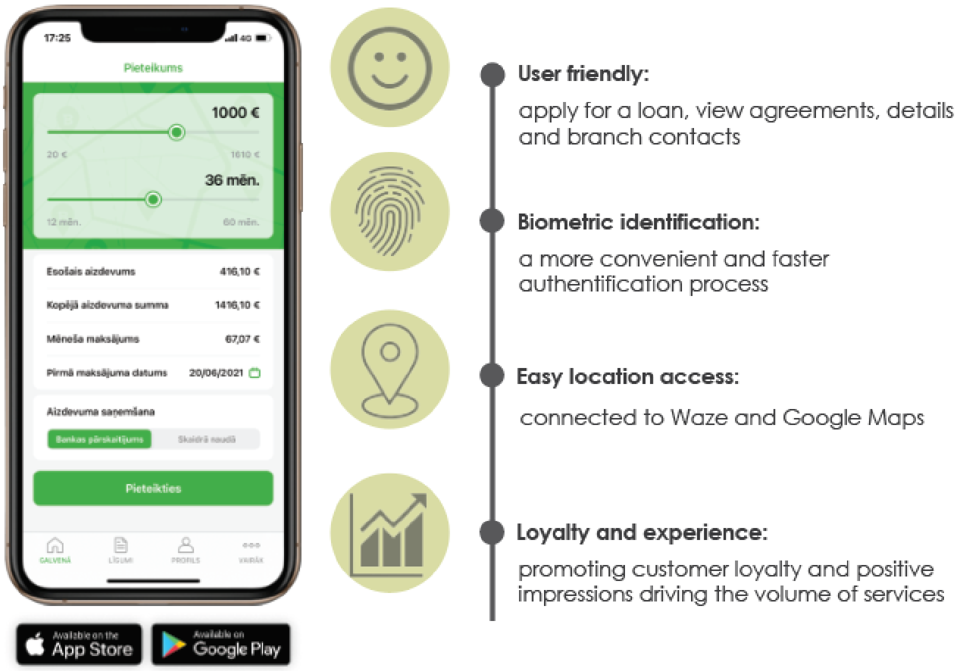
<u>Online</u>

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 App

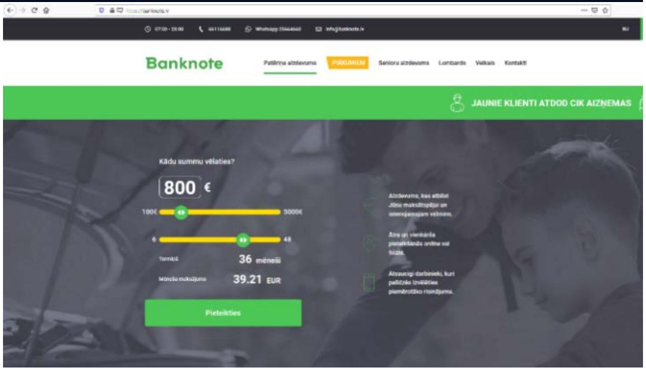
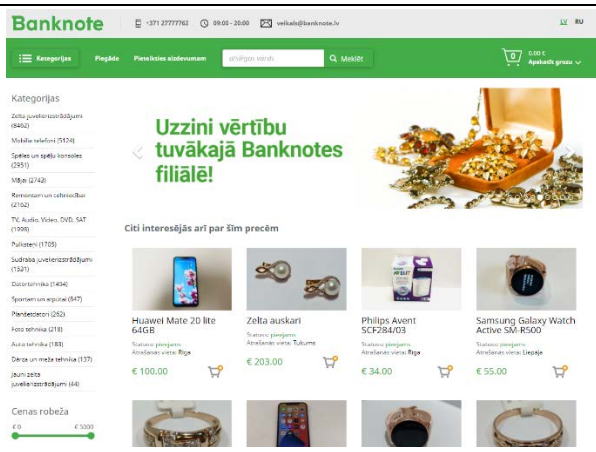
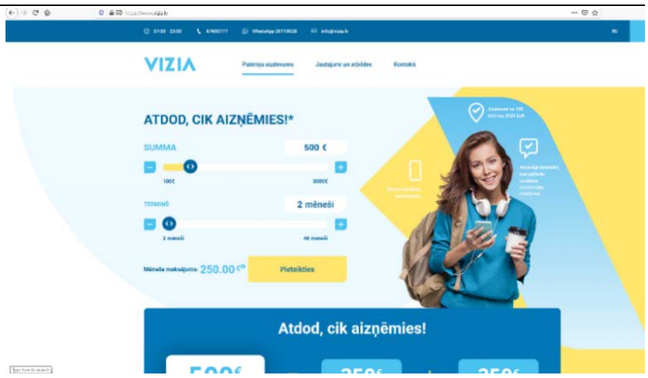


Banknote and VIZIA Website

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
https://www.banknote.lv/	Online platform enabling consumer loans.	
https://veikals.banknote.lv/	Internet store for pre-owned goods.	
https://www.vizia.lv/	Online platform enabling consumer loans.	

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

Table 8.5.3.

Domain	Purpose of the website	Snapshot
https://delfingroup.lv/	Corporate website of the Group.	

The Company's website

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.

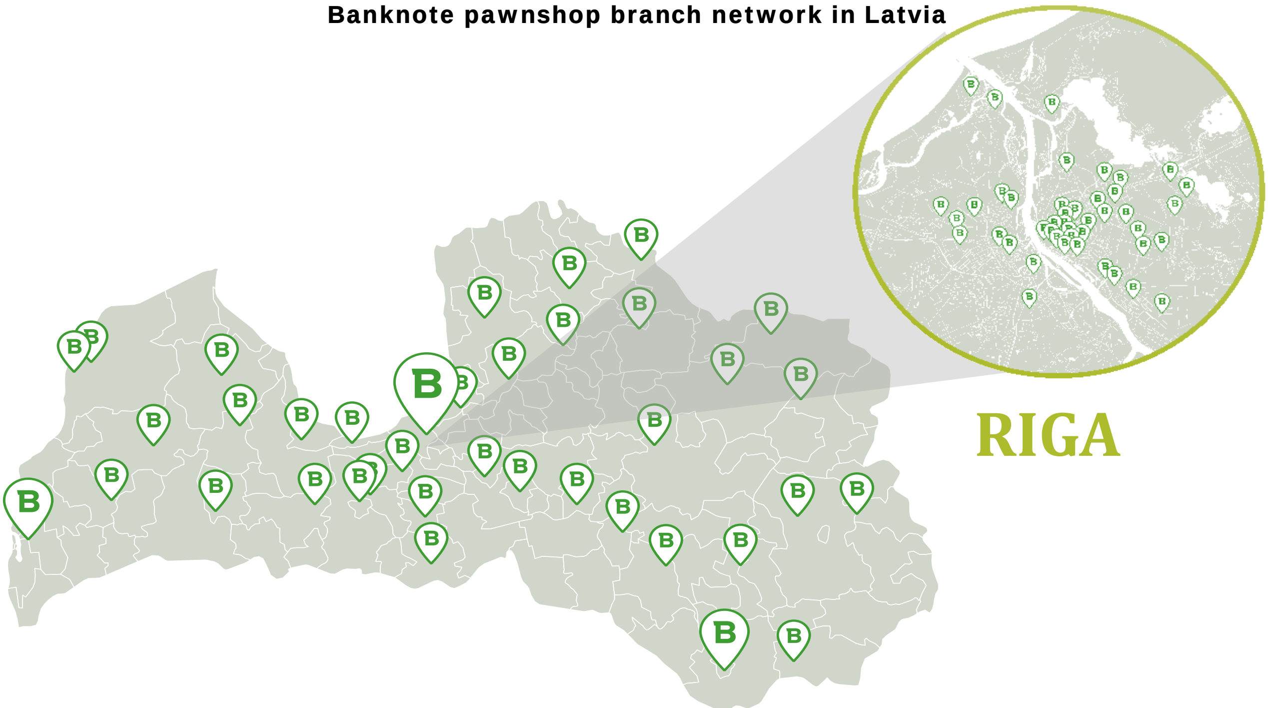
Offline – branches

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 93 branches. 43 of the branches are located in Riga, and 50 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

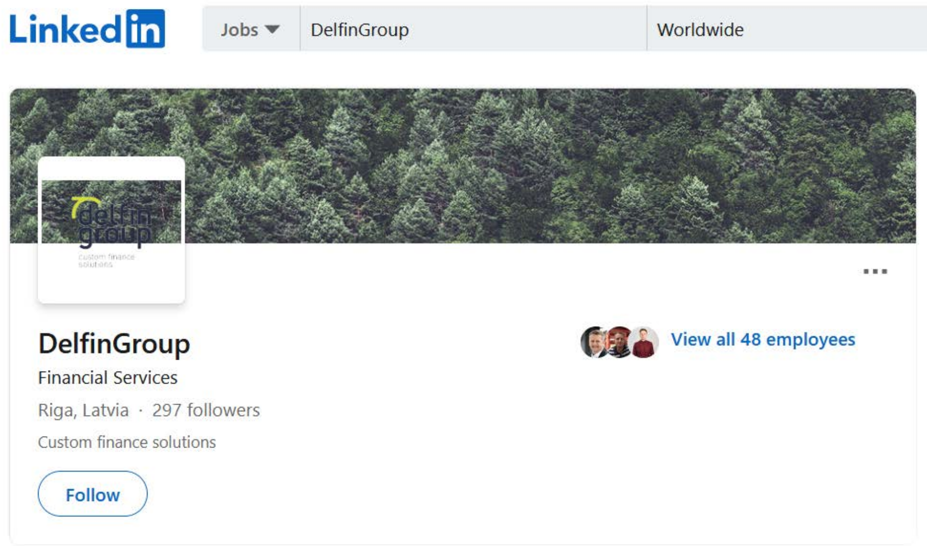


Distribution of information

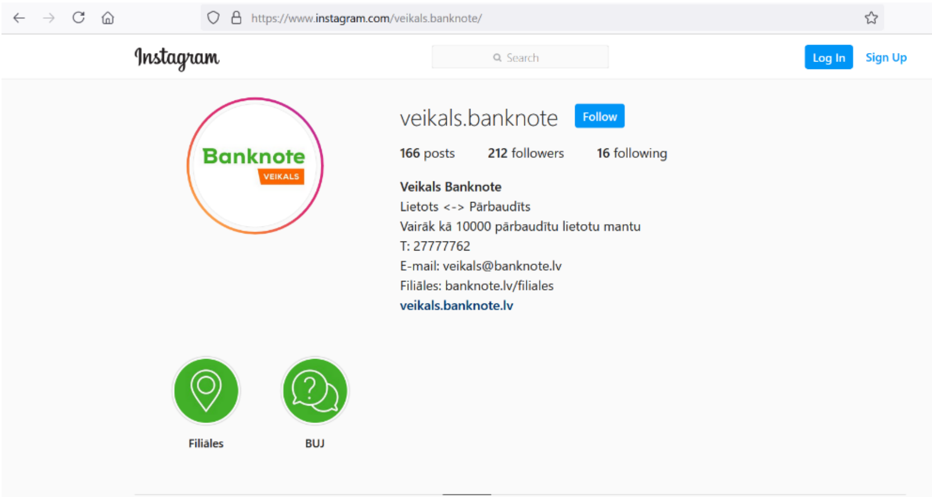
In the business segments in which the Group operates, customers usually commence the search for the available services online. Therefore, the Group continuously makes strategic investments in its online presence to engage potential customers at the earliest possible stage of the customer search journey. 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

<u>Consumer loans and credit line</u>

<u>Loan application process:</u>

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 8.5.4.

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

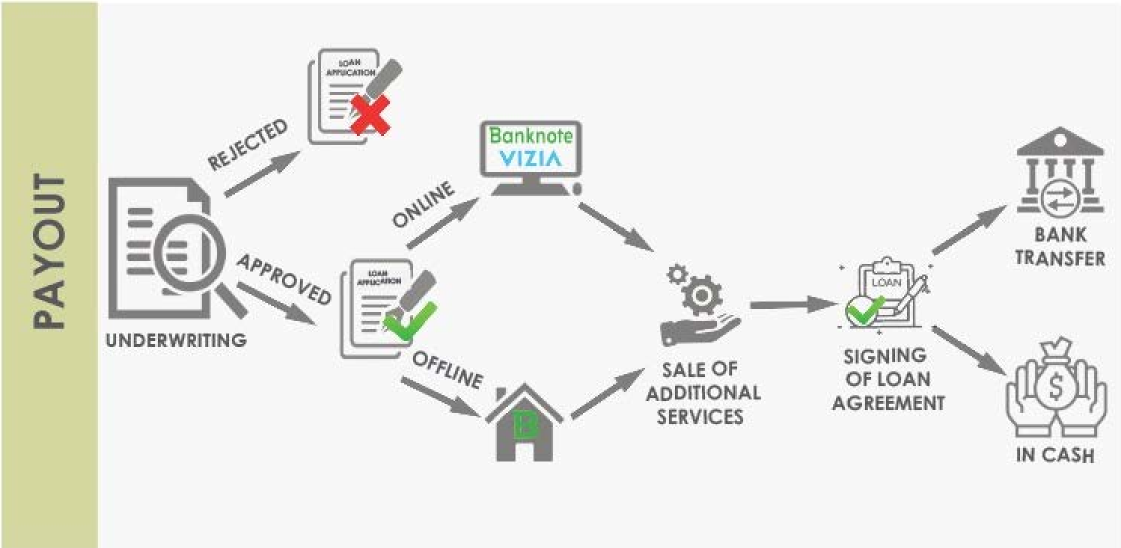
Following the submission of an application, the Group commences the underwriting process which includes a creditworthiness assessment, sanctions and AML compliance checks and other evaluation steps. If the application is rejected, no loan can be disbursed.

(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 8.5.5.

Consumer loan payout process



Loan repayment process:

(1) Ordinary course of loan repayment

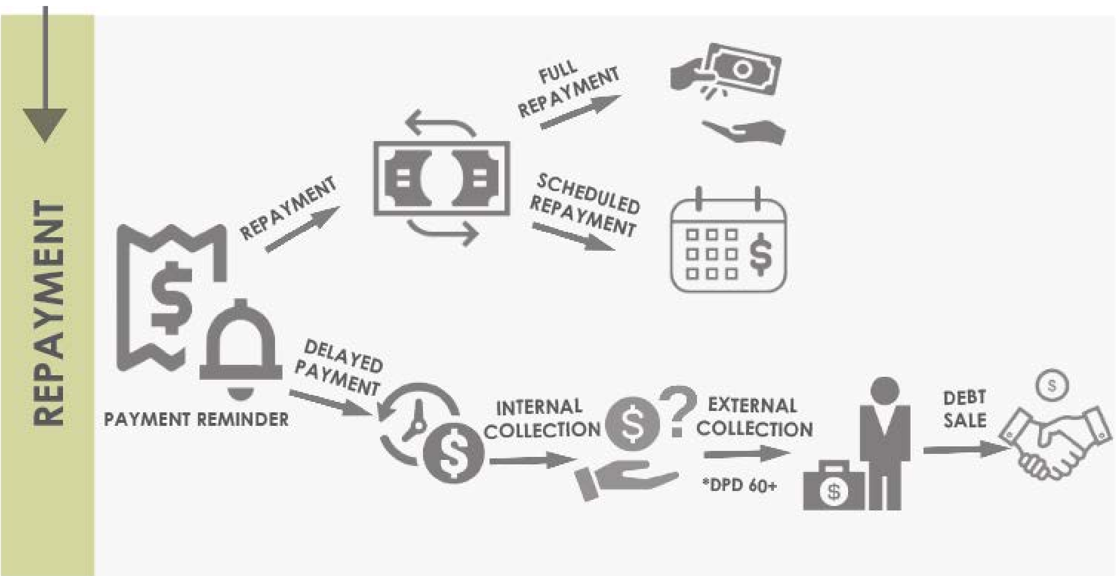
In most cases, loans are repaid in accordance with the repayment schedule in a timely manner. Therefore, the Company does not need to allocate additional resources to recover the debt amount.

(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 8.5.6.

Consumer loan repayment process

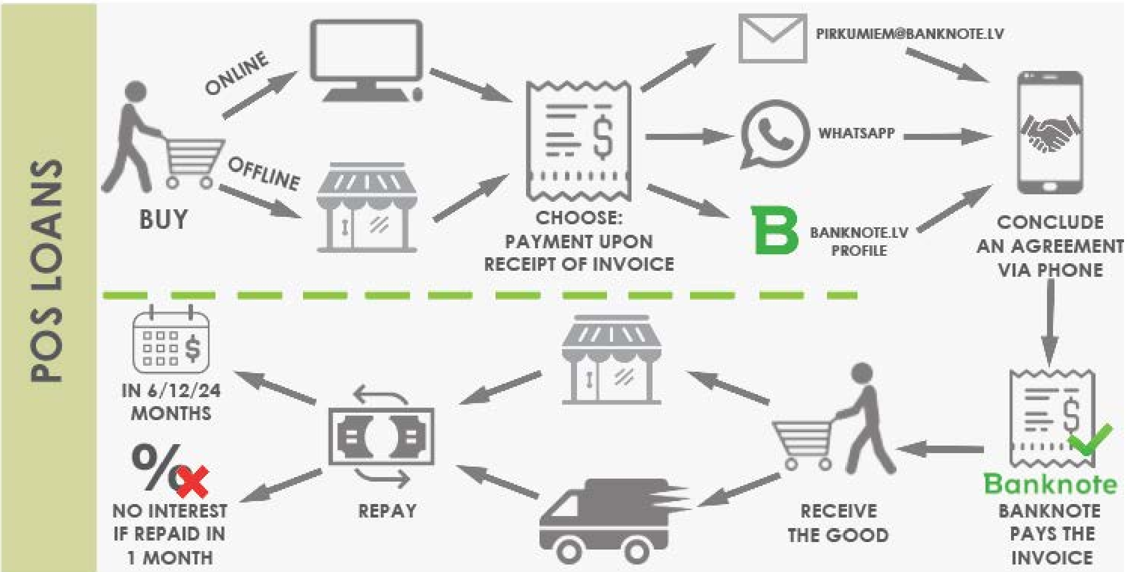


Point of sale ("Banknote pirkumiem" (or "*Banknote for purchases*"))

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.

Figure 8.5.7.

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.

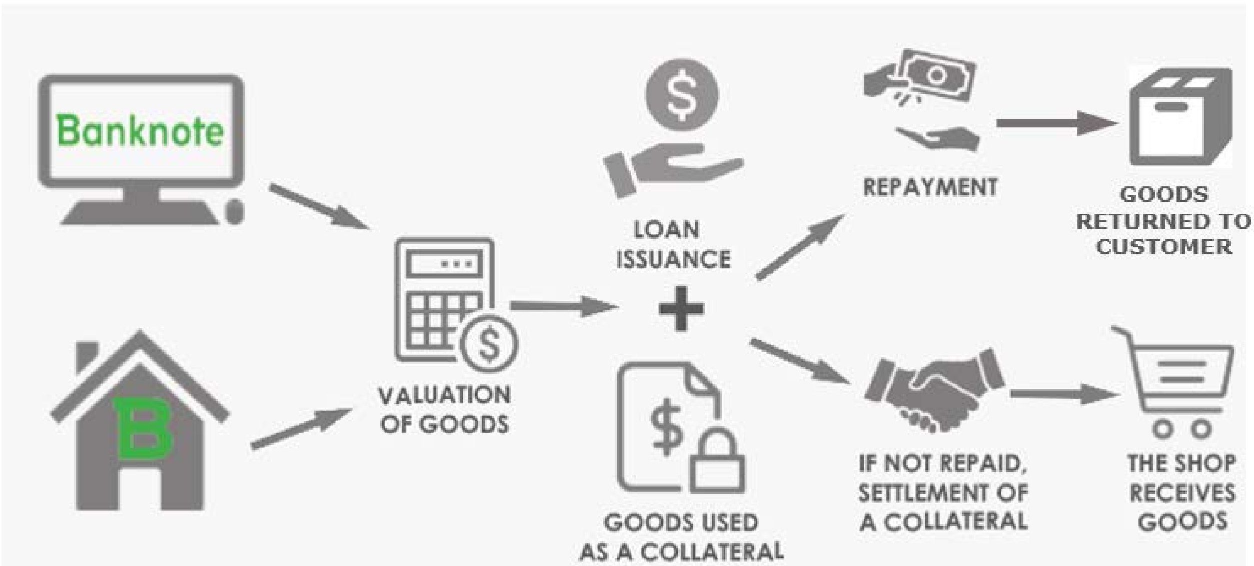
Once loan disbursement has occurred, the collateral is transferred into the possession of the lender.

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 8.5.8.

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.

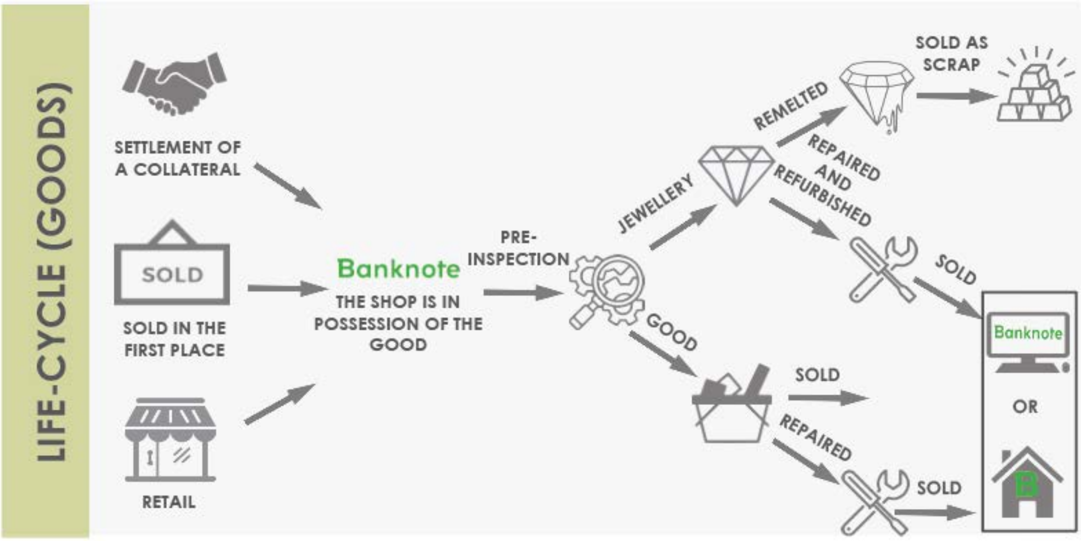
A preliminary examination is carried out with respect to all goods that are put up for sale at branch offices of the Company. The nature and scope of examination differs depending on whether the goods are jewellery or contain precious metals:

- 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 8.5.9.

Life cycle of goods



8.6 Risk management

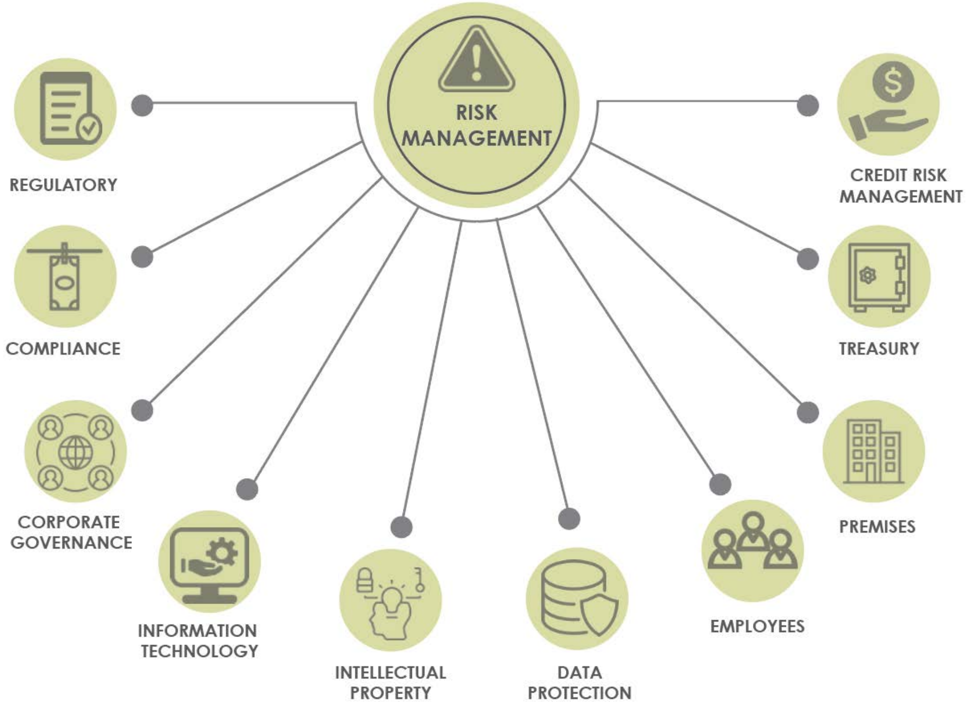
The Company is susceptible to different kinds of business risks. Therefore, it maintains effective systems of risk management and controls that scale with the complexity and growth of the Company. The Company's business model relies on the successful operation, oversight, and accountability of its risk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

Risk management



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/CFP 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/CFP 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 Management Board believes that 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 three 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).

The Company has entrusted management of its financial activities to its CFO Mr. Aldis Umblejs (since August 2021). His main areas of responsibility are supervision, planning, control and accounting of Company's finances.

Aldis Umblejs

The Company has entrusted management of its finance function to CFO Mr. Aldis Umblejs (since August 2021). His main areas of responsibilities include planning and control, funding and risk management.

Mr Aldis Umblejs graduated from BA School of Business and Finance and holds a Bachelor's degree in Entrepreneurship Management. Furthermore, he also studied Law and Finance Master's programme at Riga Graduate School of Law. Mr Aldis Umblejs is a CFA® charterholder and is a member of the Association of Chartered Certified Accountants (ACCA).

Mr Aldis Umblejs has gained an extensive experience in finance by holding Chief Financial Officer positions at AS Finitera (period of service 2017-2021) and SIA Scandagra Latvia (period of service 2014-2016). He also has gained extensive experience in audit and held several positions during his employment at EY (period of service 2016-2017, 2006-2011), Modern Times Group (period of service 2012-2014) and Nordea bank (period of service 2011-2012).

Mr Aldis Umblejs has been a member of the management board of AS NF Capital (period of service 2020-2021) and currently is a member of the Board in AS Finitera (since 2019) and chairman of the supervisory board of 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.

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:

1) identification of a customer (if the customer cannot be identified, the loan application is rejected);
2) AML process;
3) analysis of the internal databases (Banknote and VIZIA), including a record of delayed payments, refusal list, contact information, etc.;
4) 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 burdens.
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.

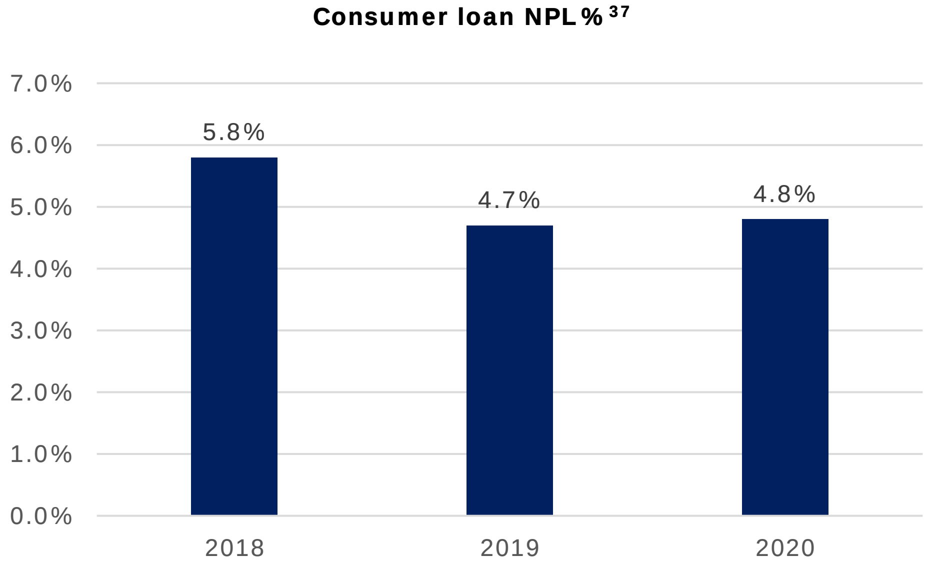
Loan write-off process

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**").

Figure 8.6.2.



The NPL Ratio for the previous three 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.

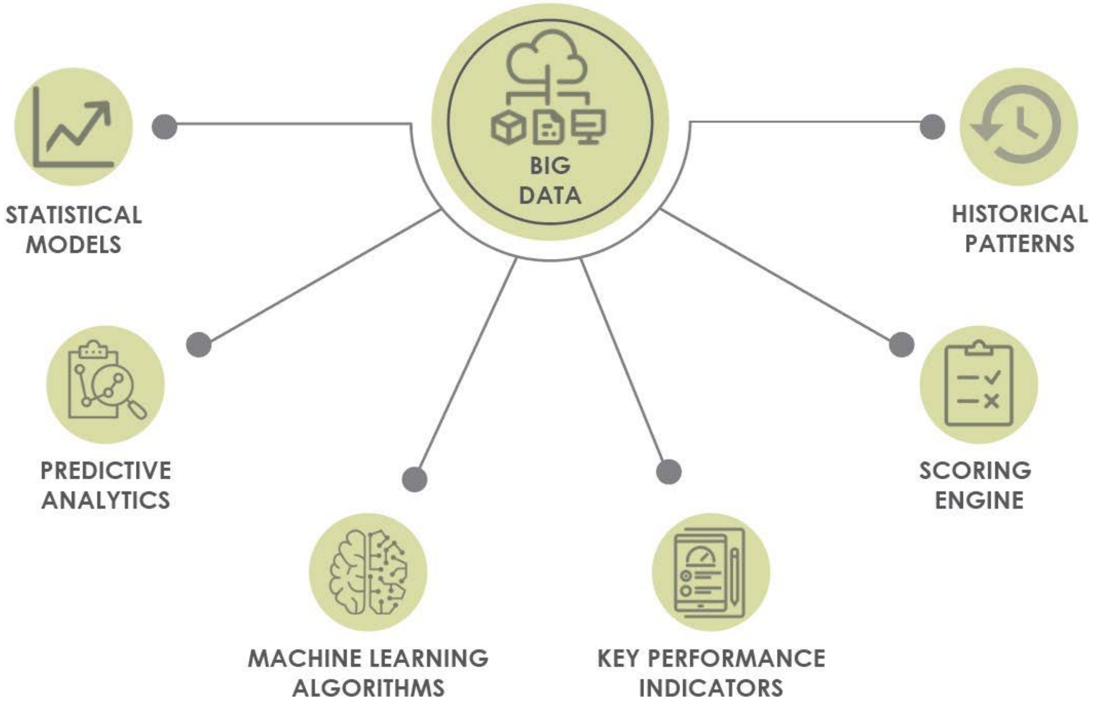
8.7 Big data

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 11 years of operating history, including data covering hundreds of thousands of customers and millions of customer transactions and interactions. The use of data increases the efficiency of overall business operations of the Company, optimises profitability and enhances the quality of customer service.

[37] Source: Management data of the Company.

Figure 8.7.1.

Big Data



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 no material investments beyond the scope of everyday economic activities.

Ongoing or planned acquisitions and investments

The Company has signed an agreement with Moda Kapitāls to purchase its pawn shop business by the end of 2021 as 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 involves 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 approximate price of the transaction is EUR 950,000. The precise contractual amount will be determined once the transaction will be completed at the end of 2021. The transaction will be financed entirely by the Group's internal financial resources. All of the assets that will be acquired by the Company from Moda Kapitāls are located in Latvia (the "**Transaction**").

Significant gross change

Item 18.4 of Schedule 1 to Delegated Regulation states that in the event of a significant gross change[38], a description of how the transaction could have affected the company's assets, liabilities and income if the transaction had taken place at the beginning of the reporting period or on the specified date, shall be included. This requirement is met by including pro forma (standard) information. The information shall be provided in accordance with Schedule 20 to the Delegated Regulation, shall include the information specified therein and shall be supplemented by a report prepared by an independent accountant or auditor.

In addition to the above, European Securities and Markets Authority's guidelines on disclosure requirements under the Prospectus Regulation No. ESMA32-382-1138 state that the calculation of whether the 25% threshold has been reached must be based on the size of the transaction in relation to historical financial information prior to the transaction. In the case of acquisitions, the company should use financial data that does not include the acquired entity (company) in its calculations. The company should use audited financial data for the last reporting year.

[38] Article 1 (e) of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, examination and approval of a 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 defines a significant gross change as a change in the volume of one or more transactions of the issuer of more than 25% (variation of more than 25% to one or more indicators of the size of the issuer's business).
ESMA guidelines on disclosure under the Prospectus Regulation state that in order to determine whether a transaction or a significant financial commitment has resulted in a significant gross change, the size of the transaction must be taken into account.
The amount of the transaction is determined taking into account the issuer's activities prior to the transaction, taking into account the following indicators: (a) total assets; (b) revenue; or (c) profit or loss.

Calculation and determination whether the Transaction caused significant gross change

Table 8.8.1.

Approximate indicators of AS Moda Kapitāls assets included in the transaction and their proportion in relation to the total assets of AS DelfinGroup*

	Year ended 31 December 2020	*Six-month period ended 30 June 2021***	*Year ended 31 December 2020*	*Six-month period ended 30 June 2021***
	AS Moda Kapitāls		**Selected assets of AS Moda Kapitāls in proportion to AS DelfinGroup total assets**	
Short-term loans secured with pledges including provisions for impairment	841,351	669,290	*1.86%*	*1.69%*
Movable property collateral	545,521	545,612	*1.21%*	*1.37%*

**As a result of the transaction, AS DelfinGroup acquired only a part of AS Moda Kapitāls, therefore it is not possible to separate accurate information regarding the taken over assets from the audited and interim unreviewed reports. The data in the table include information on the approximate amount of assets taken over.*

***Data for indicators as of 30 June 2020 and 30 June 2021 is included for information purposes.*

The calculation is based on the fact that:

1) The subject of the Transaction is the takeover of the pawn shop business, which includes the sale of the pawnshop loan portfolio and the goods of the pawn shop store rather than the acquisition of the entire company, thus the actual figures for the acquired part of the company are smaller;

2) As a result of the Transaction, the Company takes over the company's assets (as indicated in the calculation table above) and not the related profit (loss), therefore the indicator to be assessed is the amount of own assets in the transaction.

According to the above information, the audited financial indicators of Moda Kapitāls for 2020 in proportion to the audited financial indicators of the Company for 2020 do not exceed the regulated threshold of 25%. Furthermore, they are below 2%, which can be assessed as insignificant indicators for the Company. Thus, it can be assessed that the Transaction did not cause significant gross changes in the total assets of the Company.

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 12 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 Management Board 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 Management Board 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 Management 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.

Table 8.10.1.

The long-term financial targets of the Company (to be attained by the end of 2024)

Indicator*	2020 audited results	2022 interim targets	2024 targets
Net loan portfolio	MEUR 34.7	MEUR 51	MEUR 70
Cost-to-income ratio	57%	<52%	<45%
Cost of interest-bearing liabilities	12.7%	8%	<8%
Return on Equity (ROE)	44%	>30%	>30%
Equity ratio	20.1%	>27%	>27%
EBITDA**	MEUR 9.3	MEUR 12.0	MEUR 17.6
Profit before tax	MEUR 4.65	MEUR 8.7	MEUR 12.9
Dividend pay out ratio	55%	>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 from cession of non-performing loans))) / ((Net sales) – (Cost of sales) + (Interest income and similar income) + (Other operating income) – (Interest expenses and similar expenses)), Cost of interest-bearing liabilities = weighted average nominal interest rate calculated by amount of interest bearing liabilities as at the period end, Return on Equity (ROE) = (Net profit for the period) / (((Equity as at the start of the year) + (Equity as at the year end)) / 2), 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 2020 according to the Management report of the audited AS DelfinGroup Consolidated Annual accounts for the year ended 31 December 2020.*

The financial targets provided above are based on the following main assumptions:

- Increasing the Company's market share and growing faster than the overall market. It is planned that the Company's market share in the specialised consumer lending segment will increase from 10% (2020) to 17% (2024), and the market share in the pawn loans segment will increase from 36% (2020) to 42% (2024). The Company projects that the total loan portfolio of Latvian specialised consumer lenders will continue to grow by around 8% annually, and the total pawn loan market will grow at a moderate 2% per annum in the next 3-5 years.
- As the Company's net loan portfolio is projected to increase over time, the Company expects the cost to income ratio to fall to 52% or lower by 2022 and to 45% or lower by 2024. This is because of the nature of the Company's cost structure, which has a relatively high fixed cost share in its overall cost structure and, as income will continue to gradually increase, the cost base is expected to increase by less than the proportionate amount.
- The Offering proceeds will provide sufficient additional equity to the Company and will allow the Company to pay out 50% or more of annual profits each year as dividends by 2022.

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.

All the factors listed above will constitute EBITDA growth of 17.7% and profit before tax growth of 29% on average yearly over the 2020-2024 period.

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:

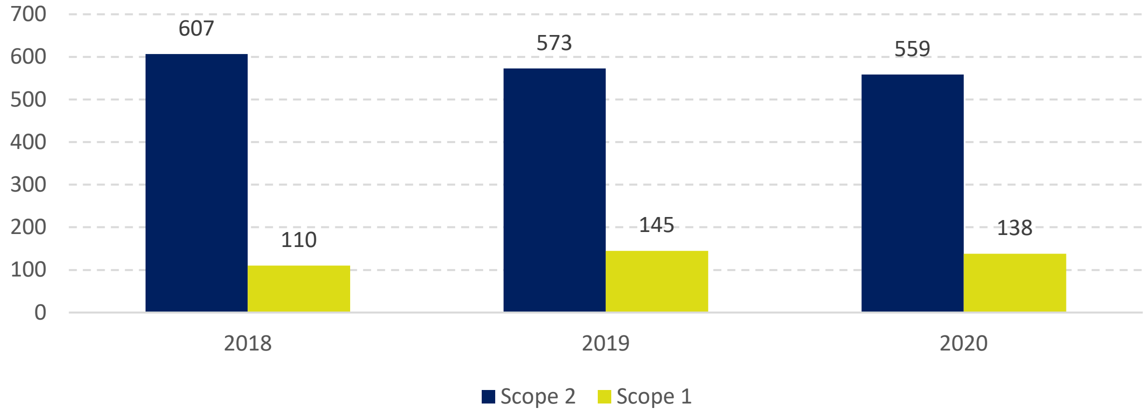
1) developing a policy for more efficient use of energy;
2) setting targets and objectives to meet the policy;
3) analysing data for surpassing comprehension and decision-making regarding energy use;
4) measuring the results;
5) reviewing the effectiveness and efficiency of the policy;
6) improving energy management.

The Group provides employers with a work environment that is safe and healthy. It puts effort into reducing greenhouse gas emissions. The Group has established a policy towards reducing the carbon footprint. It includes the collection and analysis of data on the direct (Scope 1) and indirect (Scope 2) emissions from:

1) combustion of natural gas, diesel, and petrol in stationary equipment at owned and controlled sites (Scope 1);
2) combustion of petrol and diesel in owned transportation devices (Scope 1);
3) electricity used at owned and controlled sites (Scope 2).

Figure 8.11.1.

DelfinGroup's impact of CO2 from operation, metric tons[39]



The Company has recently taken a serious look at the environmental impact of its vehicle fleet. It has reduced the overall number of cars and made investments towards fleet renewal.

Table 8.11.1.

The Company's environmental impact of its vehicle fleet[40]

	2018	2019	2020
Vehicle count	20	18	15
Average age of DelfinGroup's vehicle fleet	3.6	4.0	3.6

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).

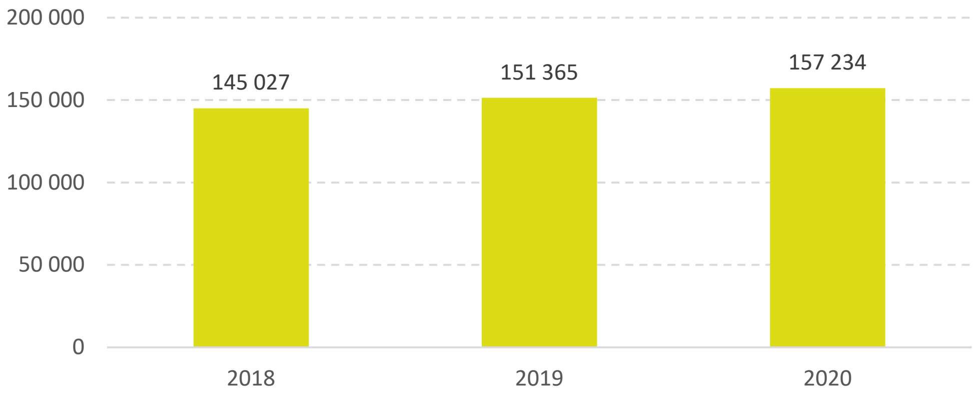
Sustainability through circular economy

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.

[39] Source: Management data of the Company.
[40] Source: Management data of the Company.

Figure 8.11.2.

Goods sold on secondary market, pieces[41]



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 8,800 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 2,032 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.

[41] Source: Management data of the Company.

Table 8.11.2.

Awards

Award	Description
First Latvian Corporate Governance Award 2021	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. 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.
Gold Level status, State Revenue Service In-Depth Cooperation Programme, 2021	The In-depth Cooperation Programme is designed as an instrument for cooperation between taxpayers and public authorities. 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.
Silver category, Sustainability index, 2021	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.
TOP 50 of the "Top Employer" rank, 2020	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.
Two winning titles in the store category, "Latvia's Best Merchant 2020" competition	For the first time, the Group participated in the client service quality assessment competition and acquired two winning titles in the store category – Banknote branches in Daugavpils (55 Saules Street) and Tukums (6 Elizabetes Street). The positive evaluation proves the high quality of customer service, effectiveness of environmental management, vast range of products available and information accessibility.

"BANKNOTE" – the best customer service provider for financial services 2017	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.

Table 8.11.3.

Partnerships

Partnership	Description
Latvian Association of Senior Communities	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.
Latvian Children's Hospital Fund	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.
Riga Coding School	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.

Table 8.11.4.

Memberships

Membership	Description
Latvian Chamber of Commerce and Industry (LCCI)	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.
Alternative Financial Services Association of Latvia (AFSAL)	AFSAL unites FinTech companies including other specialised consumer lenders active in the Latvian financial services market.

Baltic Institute of Corporate Governance (BICG)	BICG is a non-profit, non-governmental association that engages businesses and political leaders in encouraging best corporate governance practices in Lithuania, Latvia, and Estonia.

8.12 Employees

As of the date of the Prospectus, the Group has 294 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

	2018	2019	2020
Average number of employees employed by the Group	**272**	**276**	**279**

The place of permanent employment of the majority of employees of the Company (~199) is within the metropolitan area of Riga, Latvia. About 95 employees perform 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 Management Board believes that the in-depth industry knowledge and loyalty of its employees provide the Company with a distinct competitive advantage. 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 Management Board believes that it 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 Management Board 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 Management Board, 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 Management Board, the information provided below is sufficient to enable an understanding of the nature and substantive provisions of the relevant agreements.

Financing Agreements

On 18 October 2016, the Company and ViziaFinance entered into a Cooperation Agreement with AS Mintos Marketplace and 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 AS Mintos Marketplace, an opportunity to invest in the monetary claims of Mintos Finance against the Company.

Further to the above-mentioned Cooperation Agreement, on 18 October 2016, the Company and ViziaFinance entered into Loan Disbursement Cooperation Agreements (as amended from time to time) with Mintos Finance. The parties have agreed on the possibility of disbursement of loans for the benefit of the Company, subject to a EUR 20,000,000 (twenty million euros) limit, and repayment of the loan by 18 October 2024. As of 31 December 2020, the weighted average annual interest rate of the issued loans is 13.88%. 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 four bond issues outstanding:

- Secured bond issue ISIN LV0000802213 in the amount of EUR 5,000,000, registered with Nasdaq CSD and subject to the following terms: (i) total number of bonds issued is 5,000; (ii) bond face (nominal) value is EUR 1,000 each; (iii) coupon rate is 14%; (iv) monthly coupon payments to occur on the 25th day of each month; (v) maturity is reached on 25 October 2021, when the bond principal (EUR 1,000 for each bond) is to be repaid. Commencing as of 19 March 2018, the bonds are traded on the Nasdaq First North. The bonds are secured by a floating charge (commercial pledge) over the properties and current assets of the Company and its Subsidiary.
- Secured bonds issue ISIN LV0000802379 in the amount of EUR 5,000,000, registered with Nasdaq CSD and subject to the following terms: (i) total number of bonds issued is 5,000; (ii) bond face (nominal) value is EUR 1,000 each; (iii) 14% coupon rate is 14%; (iv) monthly coupon payments to occur on the 25th day of each month; (v) maturity is reached on 25 November 2022, when the bond principal (EUR 1,000 for each bond) is to be repaid. Commencing as of 11 August 2020, the bonds are traded on the Nasdaq First North. The bonds are secured by a floating charge (commercial pledge) over the properties and current assets of the Company and its Subsidiary.
- Unsecured bond issue ISIN LV0000802429 in the amount of EUR 3,500,000, registered with Nasdaq CSD and issued by means of a private placement on 30 September 2020 and subject to the following terms: (i) number of bonds issued is 3,500; (ii) bond face (nominal) value is EUR 1,000 each; (iii) coupon rate is 12%; (iv) monthly coupon payments to occur on the 25th day of each month; (v) maturity is reached on 25 November 2022, when the bond principal (EUR 1,000 for each bond) is to be repaid. The bonds are unsecured.

- 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.

Security

The Company has created and registered a floating charge (commercial pledge) over its properties and current assets, subject to the maximum claim amount of MEUR 40.5 for the benefit of bondholders on a *pari passu* basis under the bond issues ISIN LV0000802213 and ISIN LV0000802379, as well as for the benefit of Mintos Finance. As of 30 June 2021, the amount of secured liabilities of the Company is EUR 5,000,000 with respect to the bond issue ISIN LV0000802213, EUR 5,000,000 with respect to the bond issue ISIN LV0000802379, and EUR 12,992,882 with respect to the claims of Mintos Finance.

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 30 of the Group’s audited consolidated annual report for the financial year ended 31 December 2020, Note 30 of the Group’s audited consolidate annual report for the financial year ended on 31 December 2019 and Note 29 of the Group’s audited consolidated annual report for the financial year ended on 31 December 2018.

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 Management Board 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.

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9 GENERAL INFORMATION AND ARTICLES OF ASSOCIATION

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 2138002PKHUJIMVMYB13. 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: info@delfingroup.lv; ipo@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. Following Admission of the Company's Shares to trading on the Baltic Main List of the Nasdaq Riga, the Company will be required to comply 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 10 September 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 4,000,000 (four million *euro*).
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 40,000,000 (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 AND OWNERSHIP STRUCTURE

10 SHARE CAPITAL, SHARES AND OWNERSHIP STRUCTURE

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 4,000,000 divided into 40,000,000 dematerialised bearer shares (the "**Share / Shares"**). The Shares will be registered with the Nasdaq CSD under the reserved ISIN code LV0000101806 after approval of this Prospectus and before the start of the Offer Period and will be 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	40,000,000	0.10	4,000,000

The following changes affecting the share capital structure of the Company have occurred during the last three years of the Company's operation:

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
08.10.2020	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	EUR 4,000,000 (divided into 40,000,000 shares with a nominal value of EUR 0.10 each)	40,000,000

10.2 Resolutions

Resolution to increase the share capital and to issue Offer Shares

The Offering will involve the issue of as many new Shares as subscribed for (up to 8,395,000 Shares) in the course of the Offering and allocated to investors in accordance with the terms described in the Section 4 "Terms and Conditions of Offering" of this Prospectus.

On 10 September 2021, the General Meeting of the Company resolved to increase the Company's share capital by up to EUR 839,500 by issuing Offer Shares. During the General Meeting, Shareholders have waived their pre-emptive rights for the Offering. Please see Section 4.1 "The Offering" of this Prospectus for the indicative timetable of the Offering (the expected timeline for the completion of the Offer Shares issue).

10.3 Shareholders

As of the date of this Prospectus, the following companies and individuals are shareholders of record in the Company:

Table 10.3.1.

The Company's 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"	10.00%	4,000,000	Agris Evertovskis
SIA EC finance	21.31%	8,525,870	Agris Evertovskis
SIA L24 Finance	65.19%	26,074,130	Aigars Kesenfelds Linda Kesenfelde
Didzis Ādmīdiņš	1.50%	600,000	The same person
Ivars Lamberts	1.00%	400,000	The same person
Kristaps Bergmanis	1.00%	400,000	The same person

Control exercised by Mr Agris Evertovskis

Mr Agris Evertovskis, the Chairman of the Supervisory Board, indirectly owns 31.31% of the Shares, being the 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 the ultimate beneficial owner of the Company.

Mr Agris Evertovskis is capable of exercising a significant degree of influence over the Company. Such control is exercisable indirectly through the ownership by Mr Agris Evertovskis of SIA "AE Consulting", SIA EC finance.

Moreover, according to the Shareholders' Agreement entered into on 26 April 2021 between Mr Agris Evertovskis and the major Shareholders of the Company, together with the Supplementary Agreement No. 1 to the Shareholders' Agreement (the "**Shareholders Agreement**"), Mr Agris Evertovskis has the power to appoint or remove the majority of members of the Supervisory Board of the Company. Hence, according to Article 3, Paragraph 7 of the Latvian Group of Companies Law, Mr Agris Evertovskis is capable of exercising decisive influence over the Company. A notification on the exercise of decisive influence over the Company by Mr Agris Evertovskis (acting through SIA "AE Consulting") has been filed with the Commercial Register in accordance with the Latvian Group of Companies Law.

The Shareholders' Agreement will terminate as of the date of Admission of the Shares to trading on stock exchange.

Kesenfelds' Family Holding

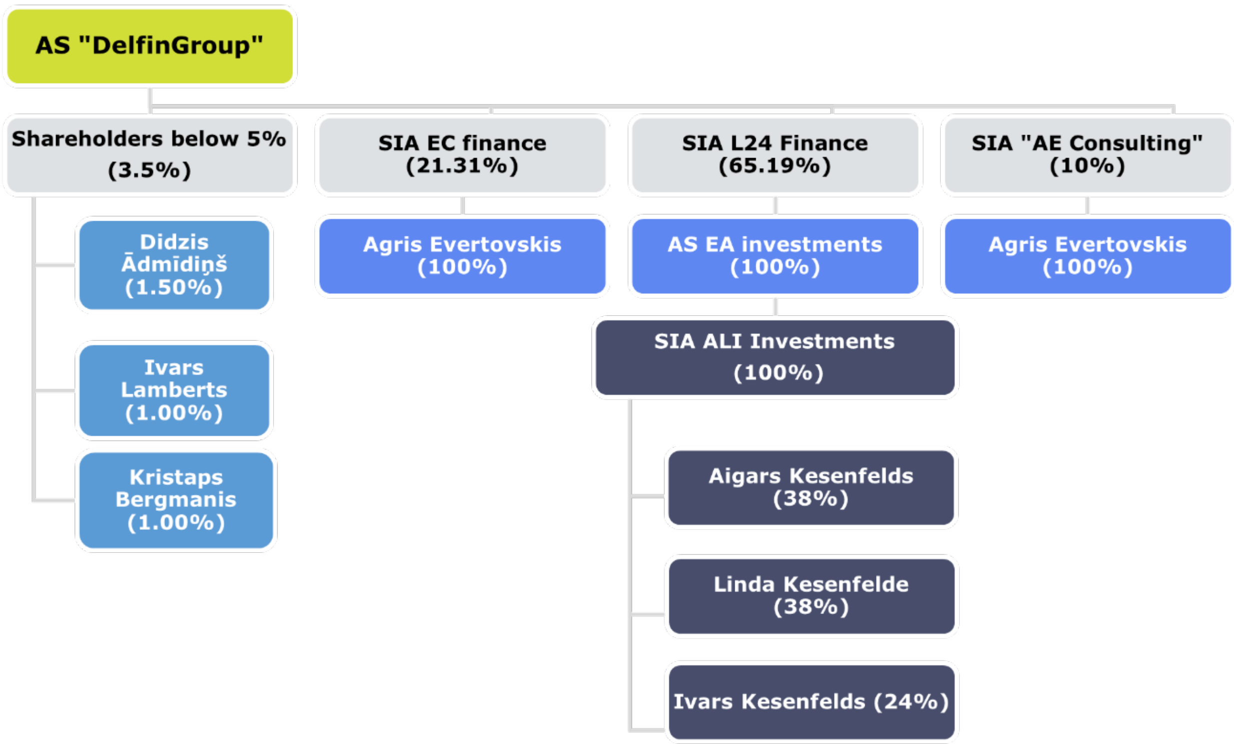
65.19% of the Company's shares belongs to SIA L24 Finance. The sole shareholder of SIA L24 Finance is AS EA investments. AS EA investments is wholly owned by SIA ALI Investments.

The ultimate beneficial owners of SIA L24 Finance, AS EA investments, and SIA ALI Investments are Mr Aigars Kesenfelds and Mrs Linda Kesenfelde (please refer to shareholding structure of the Company in the table below). Mr Aigars Kesenfelds and Mrs Linda Kesenfelde are spouses who indirectly own 49.54% of the Company's Shares.

Irrespective of their considerable shareholdings in the Company, neither Mr Aigars Kesenfelds nor Mrs Linda Kesenfelde are exercising decisive influence over the Company as of the date of the date of this Prospectus. The actual control over the Company is exercised by Mr Agris Evertovskis, for reasons further described in this Section "Shareholders' Agreement".

Figure 10.3.1.

Shareholding structure of the Company as of the date of the Prospectus



The shareholding stakes and voting rights acquired prior to listing of the Company shares on regulated market and the absence of obligation to express mandatory bid based on such shareholding stakes and voting rights

As disclosed in the Prospectus above, SIA "AE Consulting" and SIA EC finance jointly own 31.31% of the Company shares (and voting rights). SIA L24 Finance owns 65.19% of the Company shares (and voting rights). SIA "AE Consulting", SIA EC finance and SIA L24 Finance jointly own 96.50% of the Company shares (and voting rights). All of the mentioned shareholding stakes (and related voting rights) are acquired prior to listing of the Company shares on regulated market.

According to Latvian Financial Instruments Market Law Article 66 (5) 8) 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 it is disclosed in the prospectus. Consequently, the persons named above shall not be required to express mandatory bid for the repurchase of Company shares based on the shareholding stakes (and related voting rights) acquired prior to listing of the Company shares on the Baltic Main List of Nasdaq Riga.

Shareholders' Agreement

General Information. To the knowledge of the Management Board, the following Shareholders are parties to the Shareholders' Agreement as of the date of the Prospectus: SIA "AE Consulting", registration number 40003870736, SIA EC finance, registration number 40103950614, Mr Agris Evertovskis, date of birth 8 October 1984, and SIA L24 Finance, registration number 40103718685 (the "**Parties**").

Objectives of the Shareholders' Agreement. The Parties to the Shareholders' Agreement have agreed to endeavour to mutually cooperate in order to ensure the efficient management and operation of the Company in a manner consistent with the principles and practices of good corporate governance.

Commitments. The Parties have agreed that the main business objective of the Company among others is to offer consumer lending services to as broad customer base as possible in Latvia with the aim of generating profits and distributing dividends to shareholders.

The Parties have agreed that Mr Agris Evertovskis shall have the obligation to ensure that the Company will continue to conduct business and that the Company and all of its subsidiaries will conduct their respective operations in the ordinary course of business.

The Parties have agreed that they will exercise their voting rights and other rights and obligations arising from the Shareholders Agreement in good faith and will do their best to promote, *inter alia*, the attainment of the following objectives of the Shareholders Agreement:

1) ensure an efficient allocation of capital, assets and other resources and maximizing long-term profitability of the Company;
2) ensure an efficient and diligent management of the Company;
3) ensure operation of the Company in accordance with sound financial stability principles;
4) adopt resolutions of the General Meeting in accordance with the best practices of corporate conduct;
5) conduct all transactions involving assets of the Company at fair market prices and in accordance with applicable laws and regulations, without applying terms more favourable than justified by the prevailing market conditions.

Appointment of Members of the Supervisory Board. The Shareholders Agreement provides that as long as the Supervisory Board consists of three members, SIA "AE Consulting" and SIA EC finance shall jointly nominate one member of the Supervisory Board and SIA L24 Finance shall nominate one member, while the third member shall be an independent member of the Supervisory Board. Should the Supervisory Board consist of five members, the Parties have agreed that the Supervisory Board shall consist of one or two members who are nominated by SIA "AE Consulting" and SIA EC finance jointly, while one member shall be nominated by SIA L24 Finance and the remaining two members shall be independent members of the Supervisory Board.

Additional Requirements. The Shareholders Agreement includes a condition on transferability of the Shares, according to which a Party wishing to transfer the Shares to a third-party purchaser should first offer the Shares to the other Shareholders. The other Shareholder shall then be entitled to purchase the Shares on the terms and conditions as would have been agreed between the transferring Shareholder and the third party acquirer.

Termination of Shareholders Agreement. To the knowledge of the Management Board, the Parties have agreed to terminate the Shareholders Agreement in any of the following instances:

1) if the Parties have agreed to terminate the Shareholders Agreement in writing;
2) in the event of liquidation of the Company, following de-registration of the Company from the Commercial Register;
3) in the event of purchase by a Party of all Shares belonging to all other Parties;
4) if both of SIA "AE Consulting" and SIA EC finance have transferred all of their Shares to a third party purchaser other than Mr Agris Evertovskis, a member of his family (parent, spouse, child, brother and / or sister) and / or not a legal entity controlled solely by Mr Agris Evertovskis and / or his family members (parent, spouse, child, brother and / or sister);
5) if all of the shares owned by SIA "AE Consulting" and SIA EC finance have been transferred to a third party purchaser who is not a member of Mr Agris Evertovskis family (parent, spouse, child, brother and / or sister) and / or is not a legal entity controlled exclusively by Mr Agris Evertovskis and / or his family members (parent, spouse, child, brother and / or sister);
6) or the Shares are listed on a recognised stock exchange.

Particular reference is made to the provision that the Shareholders Agreement terminates prior to listing of Shares on a recognised stock exchange, like Nasdaq Riga.

Therefore, prior to listing of Company Shares on Nasdaq Baltic Regulated marked, the Shareholders Agreement shall automatically terminate. This (termination of a Shareholders' agreement) in itself corresponds to good practice in the event of public listing of a company shares.

The key terms of the Shareholders Agreement described herein are a summary and may not provide, nor are they intended to provide, the complete and exhaustive understanding of the terms and conditions of the Shareholders Agreement.

Significant Change in Ownership and Control.

Except as disclosed above regarding Shareholders' agreement and its termination conditions, as of the date of this Prospectus, the Company is not aware of any facts or arrangements that might give rise to a significant change in ownership structure and control over the Company.

10.4 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, including the Offer Shares, 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:

1) 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

2) 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 MANAGEMENT AND SUPERVISORY BODIES

11.1 Governance Structure

The governance structure of the Company is designed to ensure the 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

<u>The role and responsibilities of the Management Board</u>. 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) 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;

11) 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;

12) grant of loans for any purpose that is not related to the ordinary business activities of the Company;

13) 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;

14) 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;

15) 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

16) 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
Kristaps Bergmanis	Member of the Management Board	19 January 2021	18 January 2026
Ivars Lamberts	COO, Member of the Management Board	19 January 2021	18 January 2026

Didzis Ādmīdiņš

Mr Didzis Ādmīdiņš is the CEO of the Company (since 2018) and a member of the Management Board (since 2014). He owns directly 600,000 Shares (1.50% of the total number of Shares).

Mr Didzis Ādmīdiņš graduated from Riga Technical University and holds Master's degree in Economics and Business Administration.

Previously, Mr Didzis Ādmīdiņš served as Chief Operating Officer of several real estate companies (period of service 2008 – 2010). He also served as Retail Credit Specialist at Swedbank (period of service 2007 – 2008).

In the past, Mr Didzis Ādmīdiņš had been a member of the management board of AS "Naudasklubs.lv" (period of service 2015-2017), a member of the management board of SIA "EC finance" (period of service 2015-2020), and Chairman of the supervisory board of AS "EA investments" (period of service 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.

Ivars Lamberts

Mr Ivars Lamberts is the COO of the Company (since 2015) and a member of the Management Board (since 2018). He owns directly 400,000 Shares (1% of the total number of Shares).

Mr Ivars Lamberts graduated from BA School of Business and Finance and holds Master's degree in Economics and Bachelor's degree in Finance Management. He also holds Bachelor's degree from the University "Turiba".

Previously, Mr Ivars Lamberts served as Managing Director of the global loyalty program Lyoness (period of service 2012 – 2015) and as a member of the management board of Sabiedrība ar ierobežotu atbildību "LAFIKO.LV" (period of service 2010 – 2012).

He holds no positions in other companies outside the Group that are significant with respect to the Company.

In the past, Mr Ivars Lamberts owned directly a number of shares in Sabiedrība ar ierobežotu atbildību "Global Project Solutions" (period 2011-2020). In 2021, "Global Project Solutions" went into a voluntary liquidation.

Kristaps Bergmanis

Mr Kristaps Bergmanis was the CFO of the Company (2012-2021) and is a member of the Management Board (since 2014). Mainly, Mr Kristaps Bergmanis is responsible for relations with investors and IPO process coordination. Mr Kristaps Bergmanis owns directly 400,000 Shares (1% of the total number of Shares).

Mr Kristaps Bergmanis graduated from the Stockholm School of Economics in Riga and holds Bachelor's degree in Economics and Business. Mr Kristaps Bergmanis continues post-graduate studies at the University of Latvia as part of Master's degree program in Quality Management. He has also passed successfully 12 out of 14 exams to become an ACCA accredited professional.

Previously, Mr Kristaps Bergmanis served as CFO and a member of the management board of Sabiedrība ar ierobežotu atbildību "VISION EXPRESS BALTIJA" (period of service 2005-2012). He also served as Deputy Chairman of the supervisory board of AS "Naudasklubs.lv" (period of 2015-2017), a member of the management board of SIA "EC finance" (period of service 2015-2020) and Deputy Chairman of the supervisory board of AS "EA investments" (period of service 2015-2020).

In addition to his role with the Company, Mr Kristaps Bergmanis is a member of the management board of the association "Carnikavas novada attīstības biedrība", cooperative company "Arhitekts" and Sabiedrība ar ierobežotu atbildību "Inovento", a liquidator of SIA Banknote commercial properties, SIA REFIN and Sabiedrība ar ierobežotu atbildību "ExpressInkasso".

As of the date of this Prospectus, the referred positions and activities of Mr Kristaps Bergmanis outside the Company are not significant with respect to the Company, except for the position of a liquidator of SIA Banknote commercial properties, SIA REFIN and Sabiedrība ar ierobežotu atbildību "ExpressInkasso".

Please find additional information on the restrictions applicable to the disposal of Shares owned by members of the Management Board in Section 4.11 "Agreements Related to the Offering".

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 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	30 March 2021	29 March 2026	
Gatis Kokins	Deputy Chairman of the Supervisory Board	30 March 2021	29 March 2026	Yes
Edgars Voļskis	Member of the Supervisory Board	30 March 2021	29 March 2026	Yes
Mārtiņš Bičevskis	Member of the Supervisory Board	30 March 2021	29 March 2026	Yes
Jānis Pizičs	Member of the Supervisory Board	30 March 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 the Chairman of the Supervisory Board (since 2021) and the founder of the Company. During the period 2009-2021, Mr Agris Evertovskis served as the Chairman of the Management Board. Mr Agris Evertovskis is a member of the Supervisory Board's Remuneration and Nomination Committee and Business Development Committee. Mr Agris Evertovskis owns indirectly 31.31% of the total number of Shares.

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 led several commercial real estate development projects and companies. Previously, Mr Agris Evertovskis also served as Chairman of the supervisory board of AS "Naudasklubs.lv" (period of service 2015-2017), a member of the management board of SIA "OBDO Gin" (period of service 2011-2019), Chairman of the management board of SIA "EL Capital" (during 2016), Chairman of the management board of SIA "EC finance" (period of service 2015-2020), a member of the management board of SIA "DCE solutions" (during 2017), a member of the management board of AS "Smart Finance Holding" (period of service 2017-2020), a member of the management board of SIA "KALPAKS" (period of service 2016-2020), a member of the management board of SIA "L24 Finance" (period of service 2015-

2021), and a member of the management board of AS "EA investments" (period of service 2015-2021).

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", SIA "AE Consulting" and SIA "Next LC".

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.

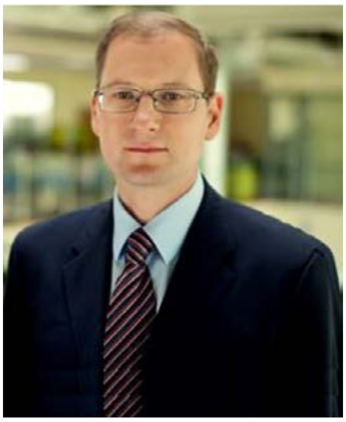
Gatis Kokins

Mr Gatis Kokins is 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 MBA from the Stockholm School of Economics in Riga and participated in number of executive education programs, including INSEAD and Harvard Business School. Prior to his appointment as the Deputy Chairman of the Supervisory Board, Mr Gatis Kokins had acquired extensive supervisory and management director experience, he served as Chairman of the supervisory board of SIA "Tet" (period of service 2009-2021), Chairman of the supervisory board of Citadele Bank Lithuania (period of service 2004-2009), a member of the management board of Swedbank Latvia (period of service 1993-1997), a member of the management board of SIA "OC VISION" (period of service from 2015) and SIA "D8 Corporation" (period of service 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 Voļskis



Mr Edgars Voļskis is a member of the Supervisory Board since 2021. He was appointed as an independent member of the Supervisory Board. Mr Edgars Voļskis is the Head of the Audit and Risk Committee. Mr Edgars Voļskis owns no Shares in the Company.

Mr Edgars Voļskis 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.

Prior to serving as a member of the Supervisory Board of the Company, Mr Edgars Voļskis had acquired extensive experience as auditor and accountant, he served as Partner with KPMG CIS in Belarus (period of service 2017-2019), Director of KPMG Baltics and Belarus (period of service 2006-2017), Risk Services Manager with Deloitte and Touche Adriatics in Slovenia, Croatia and Bosnia (period of service 2003-2006), Senior Auditor with Deloitte and Touche Latvia in Riga (period of service 1999-2002).

Currently, Mr Edgars Voļskis is a member of the management board and the CFO of Baltic International Bank. Mr Edgars Voļskis 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 Voļskis 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" (period of service 2017-2021), a member of the supervisory board of Akciju sabiedrība "Latvenergo" (period of service 2016-2019), Chairman of the supervisory board of Valsts akciju sabiedrība "Valsts nekustamie īpašumi" (period of service 2016-2019) and a member of the executive body of "Latvijas Komercbanku nozares asociācija" (period of service 2011-2016). In addition to these roles, Mr Mārtiņš Bičevskis served as the State Secretary at the Ministry of Finance (period of service 2008-2011) and as the State Secretary at the Ministry of Justice (period of service 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 is a member of the Supervisory Board since 2021. Mr Jānis Pizičs is the Head of the Business Development Committee and a member of the Audit and Risk Committee. Mr Jānis Pizičs owns no Shares in the Company.

Mr Jānis Pizičs holds BSc in Economics and Business from the Stockholm School of Economics in Riga and 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 (period of service 2017-2019), Deputy Chairman of the supervisory board of AS "Puzzle Ventures" (during 2020), deputy chairman of the supervisory board of AS "EAG finance" (period of service 2018-2021), Deputy Chairman of the supervisory board of AS "FINKO group" (period of service 2019-2021), Chairman of the supervisory board of AS "TIG invest" (period of service 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 fulfils independence criteria) – Mr Edgars Voļskis, 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 Renumeration 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 members of the Management Board and as of the date of this Prospectus, there exist no actual or potential conflicts of interest between the duties of any member of the Management Board or Supervisory Board or CFO of the Company Mr. Aldis Umblejs (please see detailed description in Section 8.6 “Risk Management”), or any of the Company’s subsidiaries, and their private or commercial interests.

To the knowledge of the members of the Management Board, no member of the Management Board or Supervisory Board, or CFO of the Company Mr. Aldis Umblejs (please see detailed description in Section 8.6 “Risk Management” of this Prospectus) 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, voluntary liquidation proceedings have been initiated in relation to several companies belonging to the Group. More specifically, on 23 February 2021, there have been initiated voluntary liquidation proceedings with respect to SIA “Refin”, SIA “ExpressInkasso” and SIA “Banknote commercial properties”. 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 members of the Management Board of the Company, Mr Didzis Ādmīdiņš, Mr Kristaps Bergmanis and Mr Ivars Lamberts. Mr Kristaps Bergmanis also serves in the role of liquidator of all three companies that are currently in liquidation.

In the past, Mr Agris Evertovskis served as Chairman of the Supervisory Board, Mr Didzis Ādmīdiņš served as a member of the Management Board and Mr Kristaps Bergmanis served as Deputy Chairman of the supervisory board of AS “Naudasklubs.lv”. The voluntary liquidation of AS “Naudasklubs.lv” had been completed on 19 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 members of the Management Board, no member of the Management Board or Supervisory Board, or CFO of the Company Mr. Aldis Umblejs (please see detailed description in Section 8.6 “Risk Management” of this Prospectus) 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 members of the Management Board, 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 the 2021, the Company has published its first Environmental, Social and Governance (ESG) report in respect of 2020. The ESG report demonstrates commitment by the Company to the improvement of environment and the well-being of its employees.

The Company performs ESG-related risks 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 the 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

As of 14 October 2020, the audit firm “BDO ASSURANCE” SIA, registration number: 42403042353, legal address: Kaļķu 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 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 2020, the Company has paid to the members of the Management Board an aggregate annual remuneration of EUR 339,549 gross, which corresponds to EUR 339,710 paid in the year 2019. The remuneration was a combination of salary (EUR 273,631), and employee social insurance contributions (EUR 65,918). Each member of the Management Board has been provided with a car and fuel allowance, car insurance, car repair allowance and a mobile phone paid by the Company.

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.

13 HISTORICAL FINANCIAL INFORMATION

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 2020, 31 December 2019 and 31 December 2018 (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 2021 has been derived or taken from the reviewed consolidated interim financial statements of the Group for the 6-month period ended 30 June 2021 (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 2020 has been prepared in accordance with IAS 34 but has not been reviewed by external auditors.

Amended and new pro forma Standards applied by the Group

The Group applies the following pro forma Standards in respect of the annual financial periods commencing 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 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).

Standards to be applied by the Group

A number of new Standards are effective with respect to the annual financial periods commencing after 1 January 2020, and the Company will implement these Standards as of the respective effective dates.

- 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.

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 (unreviewed)*	*Six-month period ended 30 June (reviewed)*
	2018	*2019*	*2020*	*2020*	*2021*
Net sales	4,186	5,403	6,164	3,109	2,691
Cost of sales	(2,659)	(3,604)	(4,224)	(2,177)	(1,763)
Interest income and similar income(1)	14,664	16,774	17,500	8,106	9,245
Interest expenses and similar expenses(1)	(2,792)	(2,853)	(3,490)	(1,710)	(1,861)
Credit loss expenses(1)	-	(1,896)	(1,592)	(779)	(950)
Gross profit	**13,399**	**13,825**	**14,357**	**6,549**	**7,362**
Selling expenses(1)	(5,932)	(5,426)	(5,426)	(2,497)	(2,768)
Administrative expenses	(2,771)	(3,488)	(3,540)	(1,631)	(2,034)
Other operating income	80	95	72	29	27
Other operating expenses(1)	(151)	(743)	(812)	(384)	(334)
Profit before corporate income tax	**4,625**	**4,263**	**4,652**	**2,067**	**2,253**
Income tax expenses	(79)	(350)	(755)	(33)	(623)
Interim dividends	(490)	-	-	-	-
Net profit for the reporting period	**4,056**	**3,913**	**3,897**	**2,034**	**1,630**
Earnings per share, EUR[42]	**3.03**	**2.61**	**0.97**	**0.05**	**0.04**
Adjusted earnings per share, EUR[43]	**0.11**	**0.10**	**0.10**	**0.05**	**0.04**

Notes

(1) Impact of changes in accounting policies - reclassification and correction of errors.

(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.

[42] 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.
[43] 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
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)
Selling expenses	(a)	(5,974)	548	(5,426)
Other operating expenses	(b)	(200)	(544)	(743)
Total according to Statement of profit or loss		**5,856**	**–**	**5,856**

Ta*ble13.3.*

The effect of changes on the interim condensed consolidated statement of comprehensive income of the Group for 6 months ended 30 June 2020 (EUR'000)

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Interest income and similar income	(c)	7,818	288	8,106
Interest expenses and similar expenses	(b)	(2,224)	513	(1,710)
Credit loss expenses	(a), (b), (c)	-	(779)	(779)
Selling expenses	(a)	(2,759)	263	(2,497)
Other operating expenses	(b)	(99)	(285)	(384)
Total in Statement of profit or loss		**2,736**	**-**	**2,736**

(d) Positions in the profit or loss statement of the Group for the year ended 31 December 2018 reflect the classification used prior to the changes introduced in 2020 Audited Financial Statements. Therefore, for the year ended 31 December 2018, the credit loss expenses are presented under Selling expenses amounting to EUR 87 thousand and losses on non-performing loan assignments amounting to EUR 494 thousand are presented under Interest expenses.

Table 13.4.

Balance sheet statements of the Group (EUR'000)

Item	*Year ended 31 December (audited)*			*Six-month period ended 30 June (un-reviewed)*	*Six-month period ended 30 June (reviewed)*
	2018	*2019*	*2020*	*2020*	*2021*
ASSETS					
Non-current assets					
Intangible assets					
Concessions, patents, licences, trademarks and similar rights	204	184	124	155	94
Goodwill	128	128	128	128	128
Other intangible assets	43	36	54	39	58
Advances on intangible assets	-	7	-	2	-

Total intangible assets	**375**	**354**	**306**	**323**	**279**
Property, plant and equipment					
Right-of-use assets (1)	-	2,049	3,194	3,056	3,145
Land, buildings, structures and perennials	-	-	85	-	82
Investments in property, plant and equipment	35	55	197	225	195
Other fixtures and fittings, tools and equipment (1)	193	283	248	311	258
Total property, plant and equipment	**228**	**2,386**	**3,725**	**3,592**	**3,680**
Non-current financial assets					
Loans to related companies	-	118	-	130	-
Loans and receivables	3,492	8,860	17,712	8,062	20,718
Loans to shareholders and management	1,072	1,022	474	1,081	-
Total long-term investments	**4,564**	**10,000**	**18,186**	**9,273**	**20,718**
Total non-current assets	**5,167**	**12,740**	**22,217**	**13,188**	**24,677**
Current assets					
Inventories					
Finished goods and goods for sale	848	1,155	1,534	1,186	1,533
Total inventories	**848**	**1,155**	**1,534**	**1,186**	**1,533**
Receivables					
Loans and receivables	16,659	22,687	16,962	24,194	12,548
Receivables from members and board	-	165	-	161	-
Loans to related companies	-	3	-	9	-
Other debtors	231	276	375	452	162
Deferred expenses	67	109	280	85	172
Receivables from affiliated companies	204	-	-	-	-
Total receivables	**17,161**	**23,239**	**17,616**	**24,901**	**12,882**
Cash and bank	3,489	1,136	4,592	1,958	594
Total current assets	**21,498**	**25,530**	**23,742**	**28,045**	**15,009**
TOTAL ASSETS	**26,666**	**38,270**	**45,959**	**41,233**	**39,686**
EQUITY AND LIABILITIES					
Equity:					
Share capital	1,500	1,500	4,000	1,500	4,000
Retained earnings	398	2,954	1,354	6,867	2,478
Profit for the reporting year	4,056	3,913	3,897	2,034	1,630
Total equity	**5,954**	**8,367**	**9,251**	**10,401**	**8,109**
Creditors					
Long-term creditors					
Bonds issued	6,193	6,060	8,442	9,005	8,475
Other borrowings (1)	997	5,576	6,817	4,986	4,103
Lease liabilities (1)	-	1,537	2,732	2,577	2,762
Total long-term creditors	**7,189**	**13,173**	**17,991**	**16,569**	**15,341**
Short-term creditors					
Bonds issued	1,722	1,765	5,023	1,329	4,892
Other borrowings (1)	10,644	13,037	10,870	10,266	8,890
Lease liabilities(1)	-	591	704	622	690
Trade payables	401	501	703	588	629
Accounts payable to affiliated companies	-	-	-	-	-

Taxes and social insurance	199	244	816	971	539
Accrued liabilities	556	592	602	487	597
Total short-term creditors	**13,522**	**16,730**	**18,717**	**14,263**	**16,236**
Total creditors	**20,711**	**29,903**	**36,708**	**30,832**	**31,577**
TOTAL EQUITY AND LIABILITIES	**26,666**	**38,270**	**45,959**	**41,233**	**39,686**

Notes

[(1)] Impact of changes in accounting policies - reclassification and correction of error

(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.

Table 13.5.

The effect of changes on the Balance sheet statements of the Group for the year ended 31 December 2019 (EUR'000)*

Item	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
ASSETS				
Non-current assets				
Right-of-use assets	(a)	1,980	69	2,049
Other fixtures and fittings, tools and equipment	(a)	352	(69)	283
Total in non-current assets		**2,332**	**-**	**2,332**
TOTAL in ASSETS		**2,332**	**-**	**2,332**
EQUITY AND LIABILITIES				
Long-term creditors				
Other borrowings	(a)	5,638	(62)	5,576
Lease liabilities	(a)	1,475	62	1,537
Total in long-term creditors		**7,113**	**-**	**7,113**
Short-term creditors				
Other borrowings	(a)	13,078	(41)	13,037
Lease liabilities	(a)	550	41	591
Total in short-term creditors		**13,628**	**-**	**13,628**
Total in creditors		**20,741**	**-**	**20,741**

**Source: some data included in this table are more detailed management data of the Company based on Financial Statements*

Table 13.6.

Statements of changes in equity of the Group (EUR'000)

	Share capital	Retained earnings	Profit for the reporting period	Total
As at 31 December 2017	**1,500**	**233**	**1,957**	**3,689**
Dividends paid	-	(1,740)	(490)	(2,230)
Prior years' retained earnings of subsidiary sold	-	-	(3)	(3)
Profit transfer	-	1,953	(1,953)	-
Decrease in retained earnings	-	(49)	-	(49)
Profit for the reporting year	-	-	4,546	4,546
As at 31 December 2018	**1,500**	**398**	**4,056**	**5,954**
Dividends paid	-	(1,500)	-	(1,500)
Profit transfer	-	4, 056	(4,056)	-
Profit for the reporting year	-	-	3,913	3,913
As at 31 December 2019	**1,500**	**2,954**	**3,913**	**8,367**
Dividends paid	-	(3,000)	-	(3,000)
Share capital transfer	2,500	(2,500)	-	-
Retained earnings subsidiary inclusion	-	-	(14)	(14)
Profit transfer	-	3,913	(3,913)	-
Profit for the reporting year	-	-	3,897	3,897
As at 31 December 2020	**4,000**	**1,367**	**3,884**	**9,251**
Dividends paid	-	(2,780)	-	(2,780)
Retained earnings subsidiary exclusion	-	14	(6)	7
Profit transfer	-	3,897	(3,897)	-
Profit for the reporting year	-	-	1,630	1,630
As at 30 June 2021	**4,000**	**2,498**	**1,610**	**8,109**

Table 13.7.

Cash flow statements of the Group (EUR'000)

	Year ended 31 December (audited)			*Six-month period ended 30 June (unreviewed)*	*Six-month period ended 30 June (reviewed)*
	2018	*2019*	*2020*	*2020*	*2021*
Cash flows from / (to) operating activities					
Profit before corporate income tax	**4,625**	**4,263**	**4,652**	**2,067**	**2,253**
Adjustments for:					
fixed assets and intangible assets depreciation[(1)]	250	212	282	125	131
right-of-use assets depreciation[(1)]	-	773	763	363	393
accruals and provisions	350	1,678	182	779	950
write-off provisions	75	-	-	-	-
assignment results[(1)]	494	544	620	285	270

accrued interest income[1]	-	39	(549)	15	(85)
accrued interest expenses[1]	-	(531)	(628)	(318)	(273)
interest income[1]	(14,664)	-	-	-	-
interest and similar expenses[1]	2,298	-	-	-	-
value adjustments of non-current and current financial assets[1]	(13)	5	(78)	-	-
other adjustments[1]	(3)	-	(14)	-	7
Profit or loss before adjustments of working capital and short-term liabilities[1]	**(6,587)**	**6,984**	**5,231**	**3,316**	**3,647**
Adjustments for:					
change in consumer loans issued (core business) and other debtors[1]	(4,689)	(11,585)	(2,859)	(3,036)	866
change in inventories	(240)	(307)	(379)	(31)	1
change in trade and other payables[1]	239	(1,212)	264	946	(421)
Gross cash flow from / (to) operating activities[1]	**(11,276)**	**(6,120)**	**2,258**	**1,195**	**4,092**
Corporate income tax payments	(368)	(79)	(350)	(350)	(755)
Interest income[1]	14,522	-	-	-	-
Interest paid[1]	(2,277)	-	-	-	-
Net cash flow from / (to) operating activities	**601**	**(6,199)**	**1,908**	**845**	**3,338**
Cash flow from / (to) investing activities					
Acquisition of fixed assets, intangibles	(223)	(810)	(1,542)	(225)	(112)
Proceeds from sales of fixed assets and intangibles	19	64	11	-	-
Net loans issued/repaid (other than core business of the Company)	26	(31)	833	-	-
Loans issued (other than core business of the Company)	-	-	-	(84)	(99)
Loans repaid (other than core business of the Company)	-	-	-	1,392	573
Net cash flow from / (to) investing activities	**(177)**	**(778)**	**(698)**	**1,083**	**362**
Cash flow from / (to) financing activities					
Loans received[1]	8,560	12,587	10,416	4,029	5,656
Loans repaid[1]	(4,316)	(7,235)	(11,547)	(7,659)	(10,463)
Bonds issued[1]	-	1,693	8,606	3,750	19
Redemption of bonds	(1,106)	(1,750)	(2,975)	(1,225)	(130)
Repayment of lease liabilities[1]	(62)	828	747	-	-
Dividends paid	(2,230)	(1,500)	(3,000)	-	(2,780)
Net cash flow from / (to) financing activities	**846**	**4,623**	**2,246**	**(1,106)**	**(7,698)**
Net cash flow of the reporting period	**1,269**	**(2,354)**	**3,456**	**822**	**(3,998)**
Cash and cash equivalents at the beginning of the period	**2,220**	**3,489**	**1,136**	**1,136**	**4,592**
Cash and cash equivalents at the end of the period	**3,489**	**1,136**	**4,592**	**1,958**	**594**

Notes

[(1)] Impact of changes in accounting policies - reclassification and correction of errors

(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 and Financial Statements for the six-month period ended 30 June 2020 have been reclassified to right-of-use assets depreciation in 2020 Audited Financial Statements and Financial statements for the six-month period ended 30 June 2021. Payments presented within Finance lease payments in 2019 Audited Financial Statement and within Financial statements for six-month period ended 30 June 2020 have been reclassified to Loans repaid in 2020 Audited Financial Statement and in Financial statements for the six-month period ended 30 June 2021. 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 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 and for six-month period ended 30 June 2020, assignment result presented in 2019 Audited Financial Statements and Financial statements for six-month period ended 30 June 2020 have been corrected in 2020 Audited Financial Statements and in Financial statements for the six-month period ended 30 June 2021.

(c) In 2020 the Group has corrected the error of the presentation of interest income and interest and similar expense for 2019 and Financial statements for six-month period ended 30 June 2020 in 2020 Audited Financial Statement and in Financial statements for the six-month period ended 30 June 2021 and presented the difference between cash and accrual amounts.

(d) 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 did not affect the positions for the year ended 31 December 2018. Therefore, for 2018, Bonds issued are presented under Loans received amounting to EUR 950 thousand. The change in presentation affected the positions for the year ended 31 December 2019 in 2020 Audited Financial Statements and positions for the six-month period ended 2020 in Financial Statements for six-month period ended 2021.

(e) In Financial Statements for six-month period ended 2021 the Group has changed presentation of loans issued and repaid (other than core business of the Group). 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 six-month period ended 2020 in Financial Statements for the six-month period ended 2021.

Table 13.8.

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
Cash flows from / (to) operating activities				
Profit before corporate income tax		**4,263**	**-**	**4,263**
Adjustments for:				
fixed assets and intangible assets depreciation	(a)	244	(32)	212
right-of-use assets depreciation	(a)	742	32	773
assignment results	(b)	1,499	(955)	544
accrued interest income	(c)	-	39	39
accrued interest expenses	(c)	-	(531)	(531)
interest income	(c)	(16,382)	16,382	-
interest and similar expenses	(b),(c)	2,853	(2,853)	-
value adjustments of non-current and current financial assets	(a)	(35)	40	5
other adjustments	(a)	16	(16)	-
Adjustments for:				
change in consumer loans issued (core business) and other debtors	(a),(c)	(13,095)	1,510	(11,585)
change in trade and other payables	(a)	1,107	(2,319)	(1,212)

Acquisition of right-of-use assets	(a)	(2,738)	2,738	-
Interest income	(c)	16,421	(16,421)	-
Interest paid	(b),(c)	(2,766)	2,766	-
Total in Net cash flow from / (to) operating activities		**(7,871)**	**380**	**(7,492)**
Cash flow from / (to) investing activities				
Acquisition of fixed assets, intangibles	(a)	(430)	(380)	(810)
Total in Net cash flow from / (to) investing activities		**(430)**	**(380)**	**(810)**
Cash flow from / (to) financing activities				
Loans received and bonds issued (net)	(d)	14,280	(14,280)	-
Loans received	(d)	-	12,587	12,587
Loans repaid	(a)	(7,131)	(104)	(7,235)
Bons issued	(d)	-	1,693	1,693
Finance lease payments	(a)	(104)	104	-
Total in Net cash flow from / (to) financing activities		**7,045**	**-**	**7,045**
Total in Net cash flow of the reporting period		**(1,256)**	**-**	**(1,256)**

**Source: some data included in this table are more detailed management data of the Company based on Financial Statements*

Table 13.9.

The effect of changes on the Cash flow statement of the Group for 6 months ended 30 June 2020 is provided below (EUR'000)*

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Cash flows from / (to) operating activities				
Adjustments for:				
fixed assets and intangible assets depreciation	(a)	131	(6)	125
accruals and provisions (except for bad debts)		637	142	779
assignment results	(b)	516	(231)	285
accrued interest income	(c)	-	15	15
accrued interest expenses	(c)	-	(318)	(318)
interest income	(c)	(7,818)	7,818	-
interest and similar expenses	(b),(c)	1,707	(1,707)	-
value adjustments of non-current and current financial assets	(a)	(9)	9	-
other adjustments	(a)	1	(1)	-
Adjustments for:				
change in consumer loans issued (core business) and other debtors	(a),(c), (e)	(891)	(2,145)	(3,036)
change in trade and other payables	(a)	1,859	(913)	946
Acquisition of right-of-use assets	(a)	(1,441)	1,441	-
Interest income	(c)	7,833	(7,833)	-

Interest paid	(b),(c)	(2,242)	2,242	-
Total in Net cash flow from / (to) operating activities		**283**	**(1,488)**	**(1,205)**
Cash flow from / (to) investing activities				
Acquisition of fixed assets, intangibles	(a)	(231)	6	(225)
Proceeds from sales of fixed assets and intangibles	(a)	11	(11)	-
Net loans issued/repaid (other than core business of the Company)	(e)	(74)	74	-
Loans issued (other than core business of the Company)	(e)	-	(84)	(84)
Loans repaid (other than core business of the Company)	(e)	-	1,392	1,392
Total in Net cash flow from / (to) investing activities		**(294)**	**1,377**	**1,083**
Cash flow from / (to) financing activities				
Loans received and bonds issued (net)	(d)	10,779	(10,779)	-
Loans received	(d)	-	4,029	4,029
Loans repaid	(a), (d)	(11,131)	3,472	(7,659)
Bons issued	(d)	-	3,750	3,750
Finance lease payments	(a)	19	(19)	-
Lease liabilities for right-of-use assets payments	(a)	341	(341)	-
Total in Net cash flow from / (to) financing activities		**8**	**112**	**120**
Total in Net cash flow of the reporting period		**(3)**	**-**	**(3)**

**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: EBITDA, EBITDA margin, EBIT margin, net profit margin, ROE, equity ratio and current ratio, all of which are defined below.

Table 13.10.

Key ratios and indicators (EUR’000):

Item	*Year ended 31 December*			*Six-month period ended 30 June*	
	2018	*2019*	*2020*	*2020*	*2021 (reviewed)*
Total income, EUR’000	18,850	22,177	23,664	11,215	11,936
EBITDA, EUR’000	7,173	8,187	9,274	4,266	4,638
EBITDA margin, %	38.1	36.9	39.2	38.0	38.9
EBIT, EUR’000	6,923	7,116	8,142	3,777	4,114
EBIT margin, %	36.7	32.1	34.4	33.7	34.5
Profit before corporate income tax, EUR’000	4,625	4,263	4,652	2,067	2,253
Net profit, EUR’000	4,546	3,913	3,897	2,034	1,630
Net profit margin, %	24.1	17.6	16.5	18.1	13.7
Return on equity (ROE), annualised, %	94.3	54.6	44.2	42.50	38.10
Dividend paid out, EUR’000	2,230	1,500	3,000	-	2,780
Equity ratio, %	22.3	21.9	20.1	25.2	20.4
Current ratio, x	1.6	1.5	1.3	2.0	0.9

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 13.11.

EBITDA calculation (EUR'000)

Item	*Year ended 31 December*			*Six-month period ended 30 June*	
	2018	*2019*	*2020*	*2020*	*2021*
Profit before corporate income tax	4,625	4,263	4,652	2,067	2,253
Interest expenses and similar expenses[(1)]	2,298	2,853	3,490	1,710	1,861
Right-of-use assets depreciation[(1)]	-	773	763	363	393
Depreciation of fixed assets[(1)]	250	212	282	125	131
Amortisation	-	86	87	1	0
EBITDA	**7,173**	**8,187**	**9,274**	**4,266**	**4,638**

Notes

[(1)] Impact of reclassification:

Refer to Tables 13.2 and 13.3 to see the impact of reclassification on Interest expenses and similar expenses for 2019 and the six-month period ended 30 June 2020. For comparison purposes, when calculating EBITDA for 2018, it was assumed interest expenses and similar expenses do not include losses on non-performing loan assignments amounting to EUR 494 thousand (as if 2018 was also subject to the reclassification).

Refer to Tables 14.5 and 14.7 to see the impact of reclassification on Right-of-use assets depreciation and depreciation of fixed assets for 2019.

EBITDA margin = EBITDA / total income, where total income = 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 income, where total income = net sales + interest income and similar income.
Net profit margin = net profit / total income, where total income = 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.

14 OPERATING AND FINANCIAL REVIEW

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 2020, 31 December 2019 and 31 December 2018, and for the six-month periods ended 30 June 2020 and 30 June 2021 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 Management Board 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 2020, the total revenue of the Group was EUR 23,664 thousand, representing a 6.7% year-on-year increase compared to EUR 22,177 thousand in the year ended 31 December 2019. The revenue in the year ended 31 December 2018 was EUR 18,850 thousand. In the six-month period ended 30 June 2021, the total revenue of the Group was EUR 11,936 thousand as compared to EUR 11,215 thousand in the six-month period ended 30 June 2020, representing a 6.4% year-on-year increase.

The Group's profit before corporate income tax in the year ended 31 December 2020 was EUR 4,652 thousand, compared to EUR 4,263 thousand in the year ended 31 December 2019, an increase of 9.1%. In the year ended 31 December 2019, profit before tax decreased by 7.8% from EUR 4,625 thousand in the year ended 31 December 2018. In the six-month period ended 30 June 2021, the Group's profit before corporate income tax was EUR 2,253 thousand as compared to EUR 2,067 thousand in the six-month period ended 30 June 2020, representing a 9.0% year-on-year increase.

The Group's net profit was fluctuating according to the proposed and paid out dividends. The net profit for the year ended 31 December 2020 was EUR 3,897 thousand, representing virtually no change compared to EUR 3,913 thousand in the year ended 31 December 2019. In 2019, the Group's net profit decreased by 13.9% from EUR 4,546 thousand in the year ended 31 December 2018. For the six-month period ended 30 June 2021, the Group's net profit was EUR 1,630 thousand as compared to EUR 2,034 thousand in the six-month period ended 30 June 2020, a decrease of 19.9%.

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 (unreviewed)*	*Six-month period ended 30 June (reviewed)*
	2018	*2019*	*2020*	*2020*	*2021*
Total revenue	18,850	22,177	23,664	11,215	11,936
Cost of sales	(2,659)	(3,604)	(4,224)	(2,177)	(1,763)
Credit loss expenses(1)	(732)	(2,639)	(2,404)	(1,163)	(1,284)
Interest expenses and similar expenses(1)	(2,298)	(2,853)	(3,490)	(1,710)	(1,861)
Gross profit	**13,161**	**13,082**	**13,546**	**6,166**	**7,028**
Selling expenses(1)	(5,845)	(5,426)	(5,426)	(2,497)	(2,768)
Administrative expenses	(2,771)	(3,488)	(3,540)	(1,631)	(2,034)
Other operating income	80	95	72	29	27
Profit before corporate income tax	**4,625**	**4,263**	**4,652**	**2,067**	**2,253**
Income tax expenses	(79)	(350)	(755)	(33)	(623)
Interim dividends	(490)	-	-	-	-
Net profit	**4,056**	**3,913**	**3,897**	**2,034**	**1,630**
EBITDA	**7,173**	**8,187**	**9,274**	**4,266**	**4,638**

Notes

(1) Impact of reclassification:

Refer to Tables 13.2 and 13.3 to see the impact of reclassification on Interest expenses and similar expenses, Credit loss expenses, Selling expenses, Other operating expenses for 2019 and the six-month period ended 30 June 2020. 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. For the purpose of comparison, for 2018, the provisions presented under Selling expenses in 2018 Financial Statements amounting to EUR 87 thousand and Interest expenses amounting to EUR 494 thousand that are directly related to losses from assignment are presented under Credit loss expenses.

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 2020, Latvian GDP contracted by 3.6% year-on-year[44], the sharpest decline in a decade, mainly attributable to the adverse impact of the COVID-19 pandemic. The 10% year-on-year decline in private consumption occurred as a result of rising unemployment and falling income levels, as well as the restrictions imposed due to the COVID-19 pandemic.[45] Although the Group has managed to maintain revenue growth throughout the year 2020, the volume of loans originated declined. In the period from 2014 to 2019, the level of private consumption in Latvia grew at an average rate of 2.3% annually. Growth is expected to resume after the COVID-19 restrictions are lifted. The governmental financial assistance and support packages are expected to mitigate some of the adverse effects of the pandemic[46]. The Group expects loan origination volumes to grow beyond the levels experienced prior to March 2020; however, given the economic uncertainties created by, or related to, 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".

44 Source: Ministry of Economics https://www.em.gov.lv/en/media/8918/download.
45 Source: Ministry of Economics https://www.em.gov.lv/en/media/8918/download.
46 Source: Ministry of Economics https://www.em.gov.lv/en/media/8918/download.

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 35 other licensed consumer lending companies in Latvia with diverse business models and service offerings. In 2020, the market share of the Group in terms of the consumer loan portfolio was 9.8% (compared to 6.9% in the year 2019 and 4.9% in the year 2018)[47]. 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 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 supra-national 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 23,664 thousand in 2020, 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 (unreviewed)*	*Six-month period ended 30 June (reviewed)*
	2018	*2019*	*2020*	*2020*	*2021*
Net sales					
Income from sales of goods	2,424	3,187	3,687	1,735	1,976
Income from sales of precious materials	1,008	1,459	1,715	997	426
Other income, loan and mortgage realisation and storage commission	755	758	763	378	290
Total net sales	**4,186**	**5,403**	**6,164**	**3,109**	**2,691**
Interest income and similar income					

[47] Based on the information provided in the Overview on Consumer (non-bank) Credit Market Activities in 2020 by the Consumer Rights Protection Centre. Available at: https://www.ptac.gov.lv/lv/media/2226/download.

Interest income according to effective interest rate method(1)	10,303	12,096	12,825	5,799	7,295
Interest income on pledge realisation	4,352	4,678	4,670	2,306	1,946
Interest income on loans to vehicle pledges	7	-	4	1	4
Interest income on mortgage loans	2	-	-	-	-
Total interest income and similar income(1)	**14,664**	**16,774**	**17,500**	**8,106**	**9,245**
Total Revenue	**18,850**	**22,177**	**23,664**	**11,215**	**11,936**

Notes

Impact of reclassification:

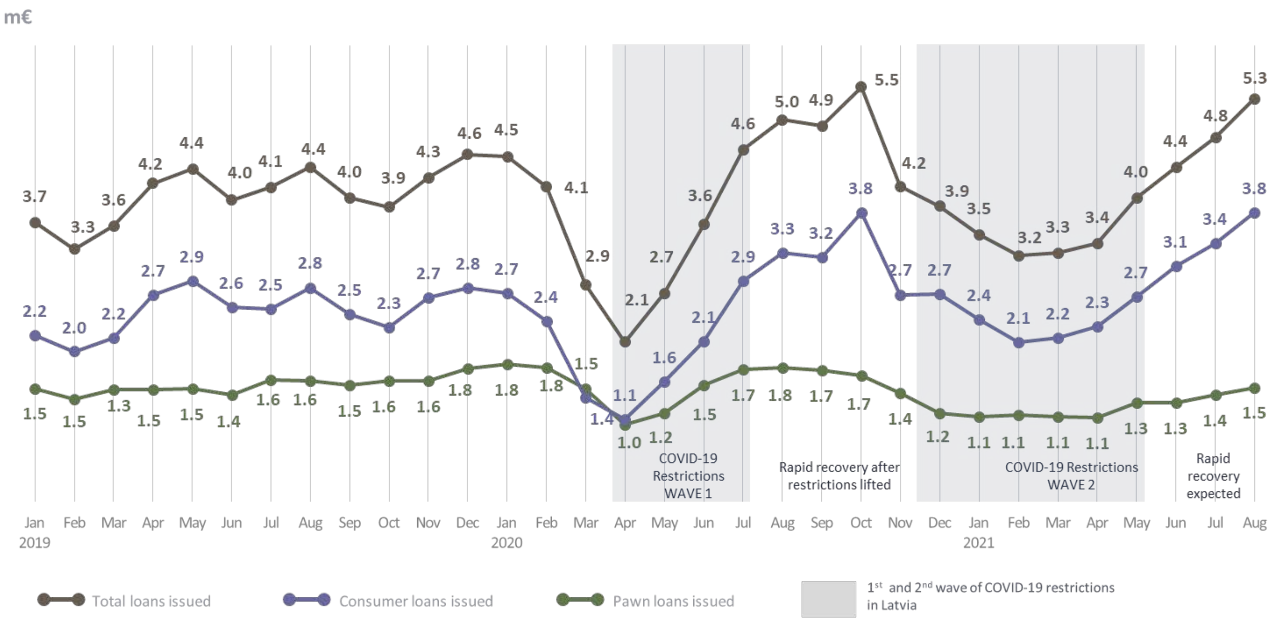
(1)Refer to Tables 13.2 and 13.3 to see the impact of reclassification on Interest income and similar income.

In 2019, revenue of the Group had increased by EUR 3,327 thousand (representing an 17.6% increase over 2018 revenue), having reached the total revenue of EUR 22,177 thousand. The revenue growth was achieved despite changes in the Law on Consumer Rights that came into force in mid-2019 (please refer to Section 7.3 “Key developments and trends in the provision of consumer lending services” of this Prospectus). The revenue growth is partly attributable to the effects of diversification into operational segments. In 2019, 45.5% of the Group’s revenues were generated from pawn loans and the retail of goods and precious metals, the segments that were not subject to the amendments introduced in 2019 to the Latvian Consumer Rights Protection Law (please see Section 7.3 “Key developments and trends in the provision of consumer lending services” of this Prospectus). In 2019, the total revenue from interest income and similar income reached EUR 16,774 thousand (representing a 14.4% increase (by EUR 2,110 thousand) over the 2018 revenue). The total revenue from sales of goods and precious metals increased from EUR 4,186 thousand in 2018 to EUR 5,403 thousand in 2019 (representing a 29.1% increase).

In 2020, the Group posted the highest top-line revenue of EUR 23,664 thousand in the history of the Group, 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. The lifting of restrictions has resulted in a rebound in the volume of loan originations, as illustrated by figure 14.1 below.

Figure 14.3.1.

Consumer and pawn loans issued by the Group, MEUR[48]



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 the Company expects to become an important sales channel for pre-owned goods. The growth in online store revenue in the fourth quarter of 2020 represented a 438% year-on-year increase. The revenue from sales of precious metals grew by 17.5% in 2020 compared to the 2019 revenue. Overall, in 2020, approximately one fourth of the total revenue (EUR 6,164 thousand) was generated by the retail sale of goods and precious metals, a year-on-year increase of 14.1% compared to 2019.

For the six-month period ended 30 June 2021, The Group's revenue was EUR 11,936 thousand, representing a 6.4% year-on-year increase. During the same period, the total interest and similar income reached EUR 9,245 thousand, representing a 14.1% year-on-year increase, while net sales were EUR 2,691 thousand, representing a 13.4% year-on-year decrease. These changes are due to the increase in the consumer loans portfolio and the negative effects of COVID-19 restrictions on sales and pawnbroking lending. More specifically, a 57.3% (EUR 571 thousand) year-on-year decrease in income from scrap sales of precious metals occurred, which is mainly a result of the increase in retail sales of gold and silver and partly due to COVID-19.

Cost of sales and services

[48] Source: data included in this figure are unaudited management data of the Company

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 (unreviewed)*	*Six-month period ended 30 June (reviewed)*
	2018	*2019*	*2020*	*2020*	*2021*
*Cost of sales**					
Cost of sales of goods	994	2,193	2,544	1,210	1,337
Cost of sales of precious metals	1,665	1,410	1,680	966	426
Total cost of sales	**2,659**	**3,604**	**4,224**	**2,177**	**1,763**
Gross profit	**1,527**	**1,799**	**1,940**	**932**	**928**
Gross margin, %	**36.5**	**33.3**	**31.5**	**30**	**34.5**
Cost of services provided					
Interest expenses on other borrowings	1,135	1,639	1,772	923	845
Bonds' coupon expenses	1,155	1,075	1,528	708	911
Interest expenses for right-of-use assets (premises rented)	-	133	187	77	104
Interest expenses on lease	6	4	2	1	1
Interest expenses for right-of-use assets (motor vehicles)	-	1	1	1	1
Net loss on foreign exchange	1	0.2	0.2	0.1	0.1
Total interest expenses and similar expenses[(1)]	**2,298**	**2,853**	**3,490**	**1,710**	**1,861**
Credit loss expenses (incl. Other operating expenses)[(1)]	**732**	**2,639**	**2,404**	**1,163**	**1,284**
Total cost of services provided[(1)]	**3,030**	**5,492**	**5,894**	**2,873**	**3,145**
Gross profit	**11,634**	**11,282**	**11,606**	**5,233**	**6,100**
Gross margin, %	**79.3**	**67.3**	**66.3**	**64.6**	**66**
Total cost of sales and services provided	**5,689**	**9,095**	**10,118**	**5,050**	**4,908**
Total gross profit	**13,161**	**13,082**	**13,546**	**6,166**	**7,028**
Gross margin, %	**69.8**	**59**	**57.2**	**55**	**58.9**

**Source: some data included under cost of sales are more detailed management data of the Company based on Financial Statements*

<u>Notes</u>

Impact of reclassification:

[(1)]Refer to Tables 13.2 and 13.3 to see the impact of reclassification on Interest expenses, Other operating expenses and similar expenses and Credit loss expenses. For the purposes of comparison, Other operating expenses are presented under Credit loss expenses as a major part of other operating expenses are comprised of losses from assignment. For the purpose of comparison, for 2018, the provisions presented under Selling expenses in 2018 financial statements amounting to EUR 87 thousand and Interest expenses amounting to EUR 494 thousand that are directly related to losses from assignment are presented under Credit loss expenses.

In 2019, the Group's cost of sales and services was EUR 9,095 thousand, representing a 59.9% increase compared to the EUR 5,689 thousand cost of sales and services figure in 2018. The largest items in the cost of sales and services provided in 2019 were the cost of sales of goods, interest expenses on other borrowings and credit loss expenses, contributing 24.1%, 18.0% and 29.0% of the total cost of sales respectively.

The Group's cost of sales and services provided was EUR 10,118 thousand in 2020, an increase of 11.2% from 2019. The three largest items in 2020 were the cost of sale of goods, interest expenses on other borrowings and credit loss expenses, comprising 25.1%, 17.5% and 23.8% of the total cost of sale and services respectively.

For the six-month period ended 30 June 2021, The Group's total cost of sales and services provided was EUR 4,908 thousand, a decrease of 2.8% year-on-year, while the total cost of services provided over the period increased by 9.5% year-on-year.

The Group's gross margin from activities related to the retail of pre-owned goods was 31.5% in 2020 (as compared to 33.3% in 2019 and 36.5% in 2018), while the gross margin from loan-related activities was 66.3% in 2020 (as compared to 67.3% in 2019 and 79.3% in 2018). Total gross profit decreased by EUR 79 thousand in 2019 and increased by EUR 464 thousand in 2020, reaching EUR 13,546 thousand. Total gross margin was 57.2% in 2020 (as compared to 59.0% in 2019 and 69.8% in 2018).

The Group's gross margin from activities related to the retail of pre-owned goods was 34.5% in the six-month period ended 30 June 2021 (as compared to 30.0% for the same period in 2020), while the gross margin from loan-related activities was 66.0% in the six-month period ended 30 June 2021 (as compared to 64.6% for the same period in 2020). Total gross profit increased by EUR 862 thousand or by 14% in the six-month period ended 30 June 2021 compared to the same period in 2020. Total gross margin for the period was 58.9% in 2021 (as compared to 55.0% for the same period in 2020).

Operating expenses

Table 14.3.3.

Selling expenses of the Group (EUR'000)

	Year ended 31 December (audited)			*Six-month period ended 30 June (unreviewed)*	*Six-month period ended 30 June (reviewed)**
	2018	*2019*	*2020*	*2020*	*2021*
Salary expenses	2,398	2,408	2,352	1,114	1,184
Depreciation of right-of-use assets (premises rented)(2)	788	698	641	337	325
Social insurance	575	577	564	267	278
Advertising	610	475	548	172	321
Depreciation of fixed assets	250	212	282	125	131
Non-deductible VAT	287	292	238	99	150
Utilities expenses	199	180	191	150	118
Maintenance expenses	39	83	132	61	54
Impairment on illiquid stocks	242	82	100	-	12
Transportation expenses	93	88	74	43	41
Software maintenance expenses	30	38	43	17	20
Depreciation of right-of-use assets (motor vehicles)(2)	-	36	38	4	16
Communication expenses	57	36	37	18	18
Debt collection expenses	69	59	46	23	14
Goods and fixed assets write-off	102	34	30	2	-
Security expenses	24	25	25	12	14
Renovation expenses	28	20	21	6	12
Labour protection expenditure	15	18	21	20	12
Insurance expenses	16	15	19	9	8
Expenditure on recruitment and training of workers	12	18	14	7	10
Other expenses	2	22	14	4	2
Business trip expenses	17	7	3	2	4
Provisions for unused annual leave and bonuses	(9)	1	(9)	5	24
Total selling expenses(1)	**5,845**	**5,426**	**5,426**	**2,497**	**2,768**

**Source: some data included in these columns are unreviewed management data of the Company. Partition of some of the operating costs for year ended 31 December 2018 and periods ended 30 June 2020 and 2021 is not presented in such detail in the Audited and Interim Financial Statements and is based on management data.*

Notes

Impact of reclassification:

(1) For the purposes of comparison, for 2018, expenses in the amount of EUR 87 thousand presented in 2018 Financial statements under Provisions for doubtful debtors and illiquid stocks are not presented with the Selling expenses, but have instead been reclassified to Credit loss expenses.

(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 year ended 31 December 2020:

Table 14.3.4.

Leases in the statement of comprehensive income (selling expenses), EUR'000[54]

	Year ended 31 December (audited)	
	2019	*2020*
Depreciation of right-of-use assets - premises	(698)	(641)
Depreciation of right-of-use assets - motor vehicles	(36)	(38)

In 2019, the Group's selling expenses decreased by 7.2% compared to 2018, while in 2020, there was almost no change, with selling expenses staying at around EUR 5,426 thousand. The largest item in selling expenses is salary expenses together with social insurance payments, amounting to 53.7% of total selling expenses in 2020 (55.0% in 2019 and 50.9% in 2018). Other large expense items are the depreciation of right-of-use assets (premises) amounting to 11.8% of total selling expenses in 2020 (12.9% in 2019 and 13.5% in 2018) and advertising amounting to 10.1% of total selling expenses in 2020 (8.8% in 2019 and 10.4% in 2018).

For the six-month period ended 30 June 2021, the Group's selling expenses increased by EUR 271 thousand or 10.9% year-on-year. The largest increase for the comparable period is attributable to salary and social insurance increase by EUR 81 thousand or 5.9% year-on-year, an increase in advertising expenses by EUR 149 thousand or 86.6% year-on-year, and an increase in non-deductible VAT expenses by EUR 51 thousand or 51.5% 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 (unreviewed)*	*Six-month period ended 30 June (reviewed)*
	2018	*2019*	*2020*	*2020*	*2021*
Salary expenses	1,540	2,075	2,067	993	1,161
Social insurance	371	499	491	239	273
Bank commission	327	453	497	212	228
Information database subscriptions, maintenance	195	127	107	50	39
Depreciation of right-of-use assets (premises)(1)	-	34	75	20	47
Legal advice	63	69	76	24	64
Office utilities expenses	42	28	35	19	29
Office expenses	32	31	38	18	14

Other administrative expenses	30	29	28	10	12
Communication expenses	23	27	26	13	16
Membership fees in professional organisations	50	32	21	23	13
Audit expenses	29	30	38	-	6
State fees and duties, licence expenses	43	33	31	16	58
Depreciation of right-of-use assets (motor vehicles)(1)	-	5	8	2	5
Provisions for unused annual leave and bonuses	24	17	1	3	34
Corporate communication expenses	-	-	-	-	35
Total administrative expenses	**2,771**	**3,488**	**3,540**	**1,631**	**2,034**

**Source: some data included in these columns are unreviewed management data of the Company. Partition of some of the administrative costs for year ended 31 December 2018 and periods ended 30 June 2020 and 2021 is not presented in such detail in the Audited and Interim Financial Statements and is based on management data.*

Notes

Impact of reclassification:
(1) 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 year ended 31 December 2020:

Table 14.3.6.

Leases in the statement of comprehensive income (administrative expenses), EUR'000[56]

	Year ended 31 December (audited)	
	2019	2020
Depreciation of right-of-use assets - premises	(34)	(75)
Depreciation of right-of-use assets - motor vehicles	(5)	(8)

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 (unreviewed)*	*Six-month period ended 30 June (reviewed)*
	2018	*2019*	*2020*	*2020*	*2021*
Total non-current assets	5,167	12,740	22,217	13,188	24,677
Total current assets	21,498	25,530	23,742	28,045	15,009
Total assets	**26,666**	**38,270**	**45,959**	**41,233**	**39,686**
Total equity	5,954	8,367	9,251	10,401	8,109
Total long-term creditors	7,189	13,173	17,991	16,569	15,341
Total short-term creditors	13,522	16,730	18,717	14,263	16,236
Total liabilities and equity	**26,666**	**38,270**	**45,959**	**41,233**	**39,686**

Total equity

As of the date of this Prospectus, the Company's share capital is EUR 4,000,000, which consists of 40,000,000 Shares, each with a nominal value of EUR 0.10. All shares are fully paid.

Total liabilities

Total liabilities increased approximately by 44.4% from EUR 20,711 thousand in 2018 to EUR 29,903 thousand in 2019. This increase is mainly attributable to both short-term and long-term borrowings from Mintos Finance, which together comprised an increase of 57% from EUR 11,492 thousand in 2018 to EUR 18,045 thousand in 2019.

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.

As at the period ended 30 June 2021, total liabilities decreased by EUR 5,131 thousand or 14.0% compared to the financial position as of 31 December 2020. The decrease is attributable to the efficient use of cash proceeds and repayment of loans from related parties, which was diverted to the repayment of short-term debts.

Total assets

Total assets increased by approximately 43.5% from EUR 26,666 thousand in 2018 to EUR 38,270 thousand in 2019. This increase was driven by a 146.6% increase in non-current assets from EUR 5,167 thousand to EUR 12,740 thousand in 2019, which, in turn, resulted from a 153.7% increase in non-current loans and receivables from EUR 3,492 thousand in 2018 to EUR 8,860 thousand in 2019.

Total current assets increased by 18.8% from EUR 21,498 thousand in 2018 to EUR 25,530 thousand in 2019, driven by the current loans and receivables increase of 36.2% from EUR 16,659 thousand in 2018 to EUR 22,687 thousand in 2019.

Total assets increased approximately by 20.1% from EUR 38,270 thousand in 2019 to EUR 45,959 thousand in 2020. This increase was driven by a 74.4% increase in non-current assets from EUR 12,740 thousand in 2019 to EUR 22,217 thousand in 2020, which in turn resulted in 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.

As of 30 June 2021, total assets decreased by EUR 6,273 thousand or 13.6% compared to total assets as at 31 December 2020. The decrease is attributable to the efficient use of cash proceeds and the repayment of loans from related parties which was diverted to the repayment of short-term debts. As at 31 December 2020, the cash and bank constituted EUR 4,592 thousand, while, as at 30 June 2020, cash and bank was EUR 594 thousand. Loans to shareholders, in the amount of EUR 474 thousand at of 31 December 2020 were fully settled by the end of the six-month period ended 30 June 2021.

Due to the pandemic, the Group introduced stricter loan underwriting policies, nonetheless, the net loan portfolio increased by 9.9% in 2020, reaching EUR 34,674 thousand. However, this was a modest rate of growth compared to 2019 when the net loan portfolio increased by 56.6% or by EUR 11,396 thousand. The increase of the net loan portfolio was mainly attributable to good business strategy and product positioning. Strong growth was experienced in the issued pawn loans as well as in the development of the Group's brand VIZIA, that in 2019, reached 75% annual growth in its net loan portfolio. Whereas, the slowdown of the increase rate of the net loan portfolio in 2020 compared to 2019 was mainly caused by the COVID-19 pandemic.

Table 14.4.2.

Net loan portfolio and total assets of the Group, (EUR'000)

	Year ended 31 December (audited)			*Six-month ended 30 June (unreviewed)*	*Six-month ended 30 June (reviewed)*
	2018	*2019*	*2020*	*2020*	*2021*
Net loan portfolio	20,151	31,547	34,674	32,256	33,265
Total Assets	26,666	38,270	45,959	41,233	39,686

During the six-month period ended 30 June 2021, The Group's net loan portfolio increased by EUR 1,009 thousand or 3.1% year-on-year and constituted 83.8% of total assets as at 30 June 2021 (compared to 78.2% as at 30 June 2020).

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 (unreviewed)*	*Six-month ended 30 June (reviewed)*
	2018	*2019*	*2020*	*2020*	*2021*
Debtors for loans issued against pledge					
Long-term debtors for loans issued against pledge	33	82	85	104	80
Short-term debtors for loans issued against pledge	2,864	3,284	2,945	2,111	2,677
Interest accrued for loans issued against pledge	134	165	139	146	130
Debtors for loans issued against pledge, total	**3,031**	**3,531**	**3,170**	**2,361**	**2,887**
Debtors for loans issued without pledge					
Long-term debtors for loans issued without pledge	3,459	8,778	17,626	16,369	20,638
Short-term debtors for loans issued without pledge	14,782	21,144	16,026	16,516	12,225
Interest accrued for loans issued without pledge	587	1,325	1,470	1,083	1,185
Debtors for loans issued without pledge, total	**18,828**	**31,247**	**35,122**	**33,968**	**34,048**
Loans and receivables before allowance, total	**21,859**	**34,778**	**38,292**	**36,329**	**36,935**
ECL allowance on loans to customers	**(1,708)**	**(3,231)**	**(3,618)**	**(4,073)**	**(3,670)**
Loans and receivables	**20,151**	**31,547**	**34,674**	**32,256**	**33,265**

**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 14.10 above, the net pawn loan portfolio ("Debtors for loans issued against pledge") grew by EUR 500 thousand in 2019 compared to 2018, while there was a decrease by EUR 361 thousand in 2020 compared to 2019, mainly attributable to COVID-19 related restrictions in branch operations and the sale of pre-owned goods (part of loans against pledge are accounted in a particular position up to disposal at pledge sales). The net consumer loan portfolio (Debtors for loans issued without pledge less ECL allowance on loans to customers) increased by 63.6% in 2019 to 2018, while the increase in 2020 was 12.5% year-on-year.

As at 30 June 2021, the net pawn loan portfolio has increased by 22.3% in comparison to the portfolio as at 30 June 2020, following the decision to increase precious metal sales in branches rather than the sale of precious metals as scrap. This decision has increased the gross margin on sales over the period to 34.5% as compared to 30.0% for the same period of year 2020 (please see table 14.3 Cost of sales and services provided and gross profits of the Group (EUR'000)). In the six-month period ended 30 June 2020, the net consumer loan portfolio grew by 1.6% 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 2021, the Group's borrowings (comprising short-term and long-term Mintos borrowings, bonds issues and lease liabilities) aggregated EUR 29,813 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 2021, the Group had a debt/equity ratio of 3.9. Total long-term debt of the Group was EUR 15,341 thousand and the total short-term borrowings of the Group was EUR 14,472 thousand. The Group has a solid balance sheet and a comfortable liquidity profile to sustain the current level of external debt financing.

In 2020, the Group has reported net interest income (total interest income less interest expenses) of EUR 14,010 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 (unreviewed)*	*Six-month ended 30 June (reviewed)*
	2018	*2019*	*2020*	*2020*	*2021*
Cash and cash equivalents at the beginning of the period	**2,220**	**3,489**	**1,136**	**1,136**	**4,592**
Net cash flows from/(to) operating activities	601	(6,199)	1,908	845	3,338
Net cash flows from/(to) investment activities	(177)	(778)	(698)	1,083	362
Net cash flows from/(to) financing activities	846	4,623	2,246	(1,106)	(7,698)
Net (decrease) increase in cash	1,269	(2,354)	3,456	822	(3,998)
Cash and cash equivalents at the end of the period	**3,490**	**1,136**	**4,592**	**1,958**	**594**

Cash flow from operating activities

For the six-month period of 2021, the cash flow from operating expenses was EUR 3,338 thousand and it was generated by operating profits and the decrease in the loan portfolio by EUR 1,817 thousand relating to the recovery of loans for discontinued operations.

The net cash used in operating activities for the year ended 31 December 2020 amounted to EUR 1,908 thousand, an increase by EUR 8,107 thousand year-on-year. The increase in the net cash used in operating activities in 2020 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 2020 was EUR 2,859 thousand as compared to a net outflow of EUR 11,584 thousand in year 2019 and EUR 4,689 thousand in year 2018.

The Group has positive operating cashflow as operations are profitable and generate excess cash flow. 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 investing 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 698 thousand in relation to the acquisition of fixed assets of intangibles for the year ended 31 December 2020 and EUR 778 thousand for the year ended 31 December 2019. In 2020, besides the acquisition of fixed assets, there was a EUR 833 thousand inflow of cash from investing activities representing repayment of loans issued (other than core business). 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 2021, total cash outflow to financing activities comprises EUR 7,698 thousand, representing net outflow of EUR 4,859 thousand for the repayment of debt to Mintos Finance and EUR 2,780 thousand paid out as dividends.

The net cash flow from financing activities decreased from EUR 4,623 thousand for the year ended 31 December 2019 to EUR 2,246 thousand for the year ended 31 December 2020. In 2020, the total cash flow from financing activities is primarily comprised of:

1) Net cash outflow from the liabilities arising from the Cooperation Agreement on Issuance of Loans with Mintos Finance in the amount of EUR 1,131 thousand.
2) Net cash inflow from the issuance of bonds in the amount of EUR 5,631 thousand.
3) Outflow of cash for dividends in the amount of EUR 3,000 thousand.

The net cash flow from financing activities increased from EUR 846 thousand for the year ended 31 December 2018, to EUR 4,623 thousand for the year ended 31 December 2019. In 2019, the total cash flow from financing activities is primarily comprised of:

1) Net cash inflow from the liabilities arising from the Cooperation Agreements on Issuance of Loans with Mintos Finance in the amount EUR 5,352 thousand.
2) Outflow of cash for dividends in the amount of EUR 1,500 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 2021 was EUR 594 thousand.

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 net cash and cash equivalents decreased by 67.4% from EUR 3,489 thousand for the year ended 31 December 2018 to EUR 1,136 thousand for the year ended 31 December 2019. The reasons for the decrease are explained above. No material subsequent events capable of changing the considerations described in this Section have occurred.

Capital structure and borrowing requirements

Capital structure

The Group has a diversified and sustainable capital structure.

Table 14.6.1.

Capital structure of the Group (EUR'000)

	Year ended 31 December (audited)			*Six-month ended 30 June (unreviewed)*	*Six-month ended 30 June (reviewed)*
	2018	*2019*	*2020*	*2020*	*2021*
Bonds issued, (EUR'000)	7,915	7,825	13,464	10,334	13,367
Other borrowings, (EUR'000) (1)	11,492	18,614	17,687	15,252	12,993
Lease liabilities, (EUR'000) (1)	149	2,127	3,436	3,199	3,453
Trade payables and accrued liabilities, (EUR'000)	957	1,093	1,305	1,075	1,226
Taxes and social insurance, (EUR'000)	199	244	816	971	539
Gross debt, (EUR'000)	20,711	29,903	36,708	30,831	31,577
Cash and bank, (EUR'000)	(3,489)	(1,136)	(4,592)	(1,958)	(594)
Net debt, (EUR'000)	**17,222**	**28,767**	**32,116**	**32,788**	**30,983**
Equity, (EUR'000)	5,954	8,367	9,251	10,401	8,109
Liabilities / equity ratio (x)	**3.47**	**3.57**	**3.97**	**2.96**	**3.89**
Net liabilities / equity ratio (x)	**2.89**	**3.44**	**3.47**	**3.15**	**3.82**

Notes

Impact of reclassification:

(1) Refer to Table 13.3 to see the impact of reclassification on Lese liabilities and other borrowings. For six-months ended 30 June 2020, EUR 85 thousand presented under Other borrowings are directly related to lease liabilities.

Borrowings

Table 14.6.2.

Borrowing structure of the Group (EUR'000)

	Year ended 31 December			*Six-month period ended 30 June (unreviewed)*	*Six-month ended 30 June (reviewed)*
	2018	*2019*	*2020*	*2020*	*2021*
Mintos Finance(1)	11,492	18,045	17,287	14,687	12,993
Lease liabilities (2)	149	2,127	3,436	3,284	3,453
Private loans(1)	-	569	400	480	-
Bonds	7,907	7,850	13,481	10,375	13,370
Accrued interest and bonds commission	8	(25)	(17)	(41)	(3)
Total borrowings	**19,555**	**28,047**	**34,587**	**28,785**	**29,813**

Notes

(1) In Financial Statements, Mintos Finance loans and private loans are presented together under Other borrowings.
(2) Refer to Table 13.3 to see the impact of reclassification on Lese liabilities. For the purpose of comparison, for the six-months ended 30 June 2020, EUR 85 thousand presented under Other borrowings have been reclassified under Lease liabilities.

Total borrowings per Table 14.13 "Borrowing structure of the Group" as at 30 June 2021 were EUR 29,813 thousand, representing 94.4% of the total amount of the Group's gross debt. Most of the borrowings are comprised of Mintos Finance financing constituting EUR 12,993 thousand and bond financing of EUR 13,370 thousand.

Total short-term borrowings as at 30 June 2021 were EUR 14,472 thousand, representing 45.8% of the total amount of the Group's gross debt. Most of the short-term borrowings are comprised of EUR 4,870 thousand of bond financing and EUR 8,890 thousand of Mintos Finance financing.

Total long-term debt as at 30 June 2021 was EUR 15,341 thousand, representing 48.6% of the total amount of the Group's gross debt. Most of the long-term borrowings are comprised of bonds issued constituting EUR 8,500 thousand and Mintos Finance financing of EUR 4,103 thousand.

- *Bonds issued*

As at the date of this Prospectus, the Company has two outstanding bond issues that are listed on Nasdaq Baltic First North and two outstanding privately issued unlisted bond issues. The total nominal value of the bonds outstanding is EUR 18,500 thousand (please see Section 8.14 "Material agreements" of this Prospectus).

The key financial covenants of the Terms of the Notes Issue ISIN LV0000802213, ISIN LV0000802379 and ISIN LV0000802429 are provided in the Management Report of the Audited Financial Statements, except for the audited financial statement of 2018.

The key financial covenants of the Terms of the Notes Issue ISIN LV0000850048 are published at https://www.delfingroup.lv/storage/files/as-delfingroup-issue-terms-isin-lv0000850048.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. The parties have agreed on the possibility of disbursement of loans for the benefit of the Company, subject to a EUR 20,000,000 (twenty million euros) limit, and repayment of the loan by 18 October 2024 (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 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 the Terms of the Notes Issue ISIN LV0000802213, and ISIN LV0000802379, as well as for Mintos Finance under the Cooperation Agreements on Issuance of Loans. As at 30 June 2021, the amount of secured liabilities constitutes EUR 5,000,000 for bonds ISIN LV0000802213, EUR 5,000,000 EUR for bonds ISIN LV0000802379 and EUR 12,992,882 for Mintos Finance.

14.6 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 35 million in 2020. 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.

14.7 Recent trends, development and material changes

Recent trends and developments

In July 2021, the Company issued unsecured bond ISIN LV0000805048 with the nominal amount of EUR 5,000 thousand and coupon rate of 9.75% indicating a positive trend in the reduction in the total costs of financing. The bond issued was offered via private placement and was oversubscribed 1.85 times.

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 2020 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 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 Management Board 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. The proceeds of the Offering have not been included in the calculation of the working capital of the Group. *Table 15.1.1.*

Working capital

	31 December 2018	*31 December 2019*	*31 December 2020*	*30 June 2021*
Total current assets, EUR'000	21,498	25,530	23,742	15,009
Total current liabilities, EUR'000	13,522	16,730	18,717	16,236
Working Capital, EUR'000	**7,976**	**8,800**	**5,025**	**(1,227)**
Liquidity ratio (x)	**1.6**	**1.5**	**1.3**	**0.9**
Quick ratio (x)	**1.5**	**1.5**	**1.2**	**0.8**

On 9 July 2021, the Group issued bonds via private placement for EUR 5,000 thousand with maturity on 25 August 2023. The proceeds were used to repay financing in relation to cooperation agreements with Mintos Finance. The issue of the long-term bond was used to partly repay short term liabilities and effectively manage the liquidity position of the Group.

15.2 Capitalisation and Indebtedness

The Tables 15.2 and 15.3 below present the Group's capitalisation and indebtedness as at 30 June 2021, which is based on the Interim Financial Report enclosed to this Prospectus. The presented information does not account for the Offering and the use of proceeds therefrom, which will potentially have a significant impact on the Group's capitalisation and indebtedness (please see Section 5 "Reasons for Offering and use of proceeds" of this Prospectus). The investors should read this Section in conjunction with Section 5 "Reasons for Offering and use of proceeds" of this Prospectus.

Table 15.2.1.

Capitalisation of the Group (EUR'000)

	As at 30 June 2021 (reviewed)
Guaranteed	-
Secured	13,781
Unguaranteed/unsecured	691
Total current debt	**14,472**
Guaranteed	-
Secured	9,078
Unguaranteed/unsecured	6,263
Total non-current debt	**15,341**
Share capital	4,000
Legal reserve (s)	-
Other reserves (Retained earnings)	2,478
Total shareholder equity	**6,478**
Total capitalisation (total current debt + total non-current debt + total shareholder equity)	**36,291**

**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 15.2.2.

Indebtedness of the Group (EUR'000)

		As at 30 June 2021 (reviewed)
A	Cash	594
B	Cash equivalents	-
C	Other current financial assets**	12,725
D	**Liquidity** (A + B + C)	**13,319**
E	Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	4,892
F	Current portion of non-current financial debt	9,580
G	**Current financial indebtedness** (E + F)	**14,472**
H	**Net current financial indebtedness** (G - D)	**1,153**
I	Non-current financial debt (excluding current portion and debt instruments)	6,865
J	Debt instruments	8,475
K	Non-current trade and other payables	-
L	**Non-current financial indebtedness** (I + J + K)	**15,340**
M	**Total financial indebtedness** (H + L)	**16,493**

**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 12 548 thousand and gold in the amount of EUR 177 thousand*

Current portion of non-current financial debt includes lease liabilities in the amount of EUR 690 thousand and Non-current financial debt (excluding current portion and debt instruments) includes lease liabilities in the amount of EUR 2,762 thousand.

As at 30 June 2021 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 2021 and up until the date of this Prospectus.

16 GLOSSARY

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.

Admission of Shares to Trading	Admission of Shares to Trading on Nasdaq Riga.
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 2020, 31 December 2019 and 31 December 2018 of the Group.
Banknote commercial properties	SIA Banknote commercial properties, limited liability company registered in the Latvian Commercial Register with registration No. 40103501494, liquidated on 21.06.2021.
Bank of Lithuania	The Bank of Lithuania (in Lithuanian: *Lietuvos bankas*) 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.
COO	Chief operating officer.
CPF	Counter Proliferation Financing.
Consumer Rights Protection Centre or CRPC	The Consumer Rights Protection Centre of Republic of Latvia (*Patērētāju tiesību aizsardzības centrs*). 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.
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.
COVID-19	The respiratory disease caused by the SARS-CoV-2 virus.
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.
Double Taxation Treaty	General reference to any applicable tax treaty for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income that is concluded by Latvia, Estonia or Lithuania.
EBITDA	Earnings before interest, taxes, depreciation, and amortization.
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.
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.
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.
ExpressInkasso	Sabiedrība ar ierobežotu atbildību "ExpressInkasso", limited liability company registered in the Latvian Commercial Register with registration No. 40103211998, having its registered address at Skanstes iela 50A, Rīga, LV-1013.
Latvian Financial and Capital Market Commission	The Financial and Capital Market Commission (*Finanšu un kapitāla tirgus komisija*). 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.
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.
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.
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 *(Societas Europaea)*, the regional Baltic central securities depository (CSD), registration No. 40003242879, registered address Vaļņu iela 1, Rīga LV-1050, Latvia.
Nasdaq Riga	Nasdaq Riga AS, registration No. 40003167049, registered address at Vaļņu iela 1, Riga, LV-1050.
Nasdaq First North	The Nasdaq Riga First North multilateral trading facility operated by Nasdaq Riga, AS.
OFAC	The Office of Foreign Assets Control of the United States Department of the Treasury.
Offering	The Retail Offering and the Institutional Offering jointly.
Offer Period	Period during which prospective investors may subscribe for the Offer Shares commencing on 28 September 2021 at 9:00 Latvian time and is expected to end on 11 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 8,395,000 Shares (including the over-allotment option) which are being offered to investors in the course of the Offering.
Over-Allotment Shares	Up to 1,095,000 shares, i.e. 15% of the 7,300,000 new shares which are being offered to investors in the course of the Offering for the purpose of stabilisation.
Prospectus	This document.
Prospectus Regulation	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 of admitted to trading on a regulated market, and repealing Directive 2003/71/EC.
Refin	SIA REFIN, limited liability company registered in the Latvian Commercial Register with registration No. 40203172517, having its registered address at Skanstes iela 50A, Rīga, LV-1013, Latvia.
Retail Offering	The public offering of the Offer Shares to retail investors in Latvia, Estonia and Lithuania.

Sanctions	Restrictive measures, namely, restrictions or prohibitions imposed pursuant to international public law, including restrictive measures adopted by the United Nations Security Council (UN), the European Union (EU), Office for Foreign Assets Control (OFAC) and by the Republic of Latvia.
Section	A Section of this Prospectus.
Shares	The bearer shares of the Company with the nominal value of EUR 0.10, that will be registered in the Nasdaq CSD under the reserved ISIN code LV0000101806 after the approval of this Prospectus and before the start of the Offer Period.
Shareholder	Natural or legal person(s) holding the Share(s) of the Company at any relevant point in time.
Stabilisation Manager	AS LHV Pank, an Estonian public limited company, registered in the Estonian Commercial Register under registration number 10539549, having its registered address at Tartu mnt 2, 10145, Tallinn, Estonia.
Stabilisation Period	The period beginning on the date on which the Shares are admitted to trading on Nasdaq Riga and ending no later than 30 calendar days thereafter for the purposes of stabilising transactions.
Stabilisation Proceeds	The retained proceeds from the sale of the Offer Shares in the amount equal to the Over-Allotment Shares.
Subscription Undertaking	An order submitted by an investor for the purchase of the Offer Shares in accordance with the terms and conditions of the Offering.
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.
Terms of the Notes Issue	A document, which entitles the Company to execute the issue and initial offering of the bonds in respect to issues ISIN LV0000802213, ISIN LV0000802379 and ISIN LV0000802429 and ISIN LV0000850048.
UN	The United Nations.

COMPANY

AS "DelfinGroup"

(registration No. 40103252854, registered address Skanstes iela 50A, Riga, LV-1013, Latvia)

GLOBAL LEAD MANAGER

AS LHV Pank

(registration No. 10539549, registered address Tartu mnt 2, Tallinn, 10145, Estonia)

LEGAL COUNSEL TO COMPANY

ZAB Eversheds Sutherland Bitāns SIA

(registration No. 40203329751, registered address Lāčplēša iela 20A - 9, Rīga, LV-1011, Latvia)

17 SCHEDULE 1

THE GROUP'S AUDITED CONSOLIDATED ANNUAL REPORTS FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2020, 31 DECEMBER 2019 AND 31 DECEMBER 2018, RESPECTIVELY

SIA "ExpressCredit"
Annual accounts for the year ended 31 December 2018 and Consolidated Annual accounts for the year ended 31 December 2018 prepared in accordance with the International Financial Reporting Standards as adopted by EU

Translation from Latvian

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Information on the Company

Name of the Company	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 64.91 Financial leasing NACE2 64.92 Other credit granting NACE2 47.79 Retail sale of second-hand goods in stores
Address	Raunas street 44 k-1, Riga, LV-1039 Latvia
Names and addresses of shareholders	Lombards24.lv, SIA (65.99% till 07.12.2018., 65.18% from 07.12.2018.), Raunas street 44k-1, Riga, Latvia AE Consulting, SIA (10.00%), Posma street 2, Riga, Latvia EC finance, SIA (21.51% till 07.12.2018., 21.32% from 07.12.2018.), Raunas street 44k-1, Riga, Latvia Private individuals (3.5%)
Ultimate parent company	EA investments, SIA Reg. No. 40103896106 Raunas street 44k-1, Riga, Latvia
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	Ieva Judinska-Bandeniece – Chairperson of the Council Uldis Judinskis – Deputy Chairman of the Council Ramona Miglāne – Member of the Council
Responsible person for accounting	Inta Pudāne - Chief accountant
Financial year	1 January - 31 December 2018
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

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	Raunas Street 44 k-1, Riga, LV 1039, Latvia
Operations as classified by NACE classification code system of the subsidiary	66.1 Financial support services except insurance and pension accrual
Subsidiary	**SIA ViziaFinance** (till 07.03.2018. SIA MoneyMetro) (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	Raunas Street 44 k-1, Riga, LV 1039, Latvia
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	Raunas Street 44 k-1, Riga, LV 1039, Latvia
Operations as classified by NACE classification code system of the subsidiary	73.20 Market and public opinion research
Subsidiary	**Cash Advance Bulgaria EOOD** till 21.05.2018. (parent company interest in subsidiary – 100%)
Number, place and date of registration of the subsidiary	204422780, Bulgaria, Sofia, 03 May 2017
Address of the subsidiary	49A, Bulgaria Blvd., fl. 4., office 30, Triaditsa region
Type of activity of the subsidiary	Crediting services

Statement of management`s responsibility

The management of SIA „ExpressCredit" 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 2018 and its profit and cash flows for 2018.

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

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

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

Agris Evertovskis Chairman of the Board	Didzis Ādmīdiņš Board Member	Kristaps Bergmanis Board Member	Ivars Lamberts Board Member

Riga, 18th April 2019

Management report

ExpressCredit group's turnover for the 12 months of 2018 reached EUR 18.9 million. Group's loan portfolio as at the end of year 2018 reached EUR 20.2 million. The Group's turnover in 12 months, compared to the same period of the previous year, has increased by 4.6%, while the company's loan portfolio has increased by 27.2% over the period.

In 2018 ExpressCredit has been operating according to its mission of providing simple and affordable financial services to people throughout Latvia. During the period several improvements were introduced to make the services even more welcoming for their customers. The company has increased the maximum loan amount to EUR 3000 and now offers a wider range of loan repayment terms, for example, the loan can now be received with a loan repayment term of up to 5 years. In 2018 SIA ExpressCredit subsidiary SIA ViziaFinance has also successfully implemented distance loan project www.vizia.lv.

According to the CRPC data, the total consumer loan portfolio of the Republic of Latvia in the first six months of year 2018 has increased to EUR 255.3 million, which is increase of EUR 12.5 million or 5.1% over six months period. By contrast, ExpressCredit has been able to increase its loan portfolio by 18% over the same period, thus grown faster than the market as a whole. In the pawn broking loan segment, ExpressCredit's market share is 28.7% in terms of loan portfolio and 39.1% in terms of loans granted, thus further strengthening the company's leading position in the lending market of the Republic of Latvia.

In 2019, the Group operations will be affected by the changes in the Law on Consumer Rights that came into force on 1 January, 2019, and some of the changes will take effect on 1 July, 2019. The company, despite the poor quality of the law, started to prepare for its application right after its promulgation. The company also strengthens its expertise and processes in activities related to implementation of AML/CFT tighter requirements. The company predicts that new amendments in the law could result in market consolidation, increase in the amount of loans granted and the volume of loan portfolios, in both, the pawn broking loans and consumer loan segments.

The company will celebrate 10 years this year. In line with the company's vision - to achieve the highest level of assessment, the company makes independent investments to strengthen its team's expertise and improve its competitiveness.

By implementing business strategy and all planned activities the following financial results of the Group were achieved in year 2018 compared to year 2017:

Position	**EUR, million**	**Change %**
Net loan portfolio	20.2	+27.2
Assets	26.7	+25.1
Net profit	4.55	+53.9

Branches
During the period from 1 January 2018 to 31 December, continued to work on the branch network efficiency. As at 31 December 2018 the Group had 86 branches in 39 cities in Latvia (31.12.2017. - 90 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
After year end on 21 March 2019 Company's shareholders made decision to pay out extraordinary dividends in the amount of 1,5 milion euro.
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 2018.

Future prospects
In 2019 the Company plans to strengthen its market leading position by investing in IT development, improving the branch network, investing in brand and product visibility and enhancing customer service quality. It is planned that the Group's loan portfolio will increase, and profit dynamics will be in line with 2018 results.

Distribution of the profit proposed by the Group
The Parent Company's board recommends the profit of 2018 to pay out in dividends, respecting the restrictions applied to debt securities emissions.

Agris Evertovskis Chairman of the Board	Didzis Ādmīdiņš Board Member	Kristaps Bergmanis Board Member	Ivars Lamberts Board Member

Riga, 18th April 2019

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 2018 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 2018 is available on the website of AS Nasdaq Riga www.nasdaqbaltic.com and on the Company's website www.expresscredit.lv.

Agris Evertovskis Chairman of the Board	Didzis Āmdīdiņš Board Member	Kristaps Bergmanis Board Member	Ivars Lamberts Board Member

Riga, 18th April 2019

Profit or loss account for the year ended 31 December 2018

	Notes	Parent company 2018 EUR	Group 2018 EUR	Parent company 2017 EUR	Group 2017 EUR
Net sales	(1)	4 186 422	4 186 422	4 164 444	4 164 444
Cost of sales	(2)	(2 658 754)	(2 658 754)	(2 750 464)	(2 750 464)
Interest income and similar income	(3)	13 793 021	14 663 755	12 878 502	13 863 118
Interest expenses and similar expenses	(4)	(2 679 091)	(2 792 480)	(3 372 673)	(3 505 739)
Gross profit		**12 641 598**	**13 398 943**	**10 919 809**	**11 771 359**
Selling expenses	(5)	(5 558 053)	(5 931 648)	(5 161 222)	(5 666 679)
Administrative expenses	(6)	(2 659 968)	(2 770 859)	(2 227 476)	(2 289 942)
Other operating income		93 244	80 184	59 187	44 476
Other operating expenses	(7)	(151 363)	(151 419)	(195 973)	(206 004)
Income from investments		490 000	-	-	-
Profit before corporate income tax		**4 855 458**	**4 625 201**	**3 394 325**	**3 653 210**
Income tax expense	(8)	(78 868)	(78 879)	(512 833)	(554 662)
Profit after corporate income tax		**4 776 590**	**4 546 322**	**2 881 492**	**3 098 548**
Expense from changes in deferred tax assets or deferred		-	-	(145 252)	(145 252)
Interim dividend		(490 000)	(490 000)	(996 526)	(996 526)
Profit for the reporting year		**4 286 590**	**4 056 322**	**1 739 714**	**1 956 770**
Earnings per share		**3.18**	**3.03**	**1.82**	**1.97**
Diluted earnings per share		**3.18**	**3.03**	**1.82**	**1.97**

Comprehensive income statement for 2018

	2018 EUR	2018 EUR	2017 EUR	2017 EUR
Profit for the reporting year	**4 776 590**	**4 546 322**	**2 736 240**	**2 953 296**
Other comprehensive income	-	-	-	-
Total comprehensive income	**4 776 590**	**4 546 322**	**2 736 240**	**2 953 296**

Notes on pages from 14 to 40 are integral part of these financial statements.

Agris Evertovskis Chairman of the Board	Kristaps Bergmanis Board Member	Didzis Ādmīdiņš Board Member	Ivars Lamberts Board Member	Inta Pudāne Chief accountant

Riga, 18th April 2019

Balance sheet as at 31 December 2018	Notes	Parent company 31.12.2018. EUR	Group 31.12.2018. EUR	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR
Assets					
Non-current assets:					
Intangible assets:					
Concessions, patents, licenses, trademarks and similar rights		204 024	204 024	193 281	193 281
Other intangible assets		22 777	43 204	25 274	34 159
Goodwill		-	127 616	-	127 616
Total intangible assets:	(9)	**226 801**	**374 844**	**218 555**	**355 056**
Property, plant and equipment:					
Investments in property, plant and equipment		34 525	34 525	49 243	50 546
Other fixtures and fittings, tools and equipment		193 571	193 571	187 754	195 192
Total property, plants and equipment	(10)	**228 096**	**228 096**	**236 997**	**245 738**
Non-current financial assets:					
Investments in related companies	(11)	1 182 828	-	1 395 828	-
Loans to related companies		-	-	551 594	551 594
Loans and receivables	(14)	3 121 260	3 491 915	1 768 214	1 912 896
Loans to shareholders and management	(12)	1 073 823	1 072 274	746 619	746 619
Total long-term investments:		**5 377 911**	**4 564 189**	**4 462 255**	**3 211 109**
Total non-current assets:		**5 832 808**	**5 167 129**	**4 917 807**	**3 811 903**
Current assets:					
Inventories:					
Finished goods and goods for sale	(13)	848 111	848 111	682 995	682 995
Total inventories:		**848 111**	**848 111**	**682 995**	**682 995**
Receivables:					
Loans and receivables	(14)	14 886 732	16 658 940	12 700 289	13 930 776
Receivables from affiliated companies	(15)	518 695	204 335	7 238	4 377
Other debtors	(16)	218 449	230 989	595 236	600 093
Deferred expenses	(17)	52 085	66 945	47 614	67 538
Total receivables:		**15 675 961**	**17 161 209**	**13 350 377**	**14 602 784**
Cash and bank	(18)	3 368 567	3 489 176	2 072 996	2 219 747
Total current assets:		**19 892 639**	**21 498 496**	**16 106 368**	**17 505 526**
Total assets		**25 725 447**	**26 665 625**	**21 024 175**	**21 317 429**

Notes on pages from 14 to 40 are integral part of these financial statements

Agris Evertovskis	Kristaps Bergmanis	Didzis Ādmīdiņš	Ivars Lamberts	Inta Pudāne
Chairman of the Board	Board Member	Board Member	Board Member	Chief accountant

Riga, 18th April 2019

Balance sheet as at 31 December 2018		Parent company	Group	Parent company	Group
Liabilities	Notes	31.12.2018.	31.12.2018.	31.12.2017.	31.12.2017.
Shareholders' funds:		EUR	EUR	EUR	EUR
Share capital	(19)	1 500 000	1 500 000	1 500 000	1 500 000
Retained earnings		(12 206)	397 834	-	232 708
Profit for the reporting year		4 286 590	4 056 322	1 739 714	1 956 770
Total shareholders' funds:		**5 774 384**	**5 954 156**	**3 239 714**	**3 689 478**
Creditors:					
Long-term creditors:					
Bonds issued	(20)	6 192 631	6 192 631	7 052 187	7 052 187
Other borrowings	(21)	936 930	996 544	1 300 697	1 444 391
Total long-term creditors:		**7 129 561**	**7 189 175**	**8 352 884**	**8 496 578**
Short-term creditors:					
Bonds issued	(20)	1 722 136	1 722 136	1 014 743	1 014 743
Other borrowings	(21)	9 810 701	10 643 864	6 421 346	6 834 774
Trade payables	(23)	384 573	400 778	314 369	325 614
Accounts payable to affiliated companies	(22)	171 611	416	821 545	51 280
Taxes and social insurance	(24)	195 303	199 137	377 339	402 964
Accrued liabilities	(23)	537 178	555 963	482 235	501 998
Total short-term creditors:		**12 821 502**	**13 522 294**	**9 431 577**	**9 131 373**
Total creditors		**19 951 063**	**20 711 469**	**17 784 461**	**17 627 951**
Total liabilities and shareholders' funds		**25 725 447**	**26 665 625**	**21 024 175**	**21 317 429**

Notes on pages from 14 to 40 are integral part of these financial statements.

Agris Evertovskis	Kristaps Bergmanis	Didzis Ādmīdiņš	Ivars Lamberts	Inta Pudāne
Chairman of the Board	Board Member	Board Member	Board Member	Chief accountant

Riga, 18th April 2019

Statement of changes in equity of the Parent Company's for the year ended 31 December 2018

	Share capital	Retained earnings	Profit for the reporting year	Total
	EUR	EUR	EUR	EUR
As at 31 December 2016	**1 500 000**	**78 216**	**995 258**	**2 573 474**
Dividends paid	-	(1 073 474)	(996 526)	(2 070 000)
Profit transfer	-	995 258	(995 258)	-
Profit for the reporting year	-	-	2 736 240	2 736 240
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 retaind 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**

* 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 2018

	Share capital	Retained earnings	Profit for the reporting year	Total
	EUR	EUR	EUR	EUR
As at 31 December 2016	**1 500 000**	**345 348**	**960 717**	**2 806 065**
Dividends paid	-	(1 073 474)	(996 526)	(2 070 000)
Prior years' retained earnings of subsidiary sold	-	-	117	117
Profit transfer	-	960 834	(960 834)	-
Profit for the reporting year	-	-	2 953 296	2 953 296
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**

* 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 14 to 40 are integral part of these financial statements.

Agris Evertovskis	Kristaps Bergmanis	Didzis Ādmīdiņš	Ivars Lamberts	Inta Pudāne
Chairman of the Board	Board Member	Board Member	Board Member	Chief accountant

Riga, 18th April 2019

Cash flow statement for the year ended 31 December 2018

	Parent company 2018 EUR	Group 2018 EUR	Parent company 2017 EUR	Group 2017 EUR
Cash flow from operating activities				
Profit before extraordinary items and taxes	**4 855 458**	**4 625 201**	**3 394 325**	**3 653 210**
Adjustments for:				
a) fixed assets and intangible assets depreciation	241 753	250 463	183 419	208 601
b) accruals and provisions (except for bad debts)	308 741	350 187	(41 798)	33 809
c) write-off of provisions	75 263	75 263	7 679	7 679
d) cessation results	440 273	494 170	1 554 187	1 683 212
e) interest income	(13 793 021)	(14 663 755)	(12 878 502)	(13 863 118)
f) interest and similar expense	2 238 818	2 298 310	1 818 486	1 820 203
g) impairment of non-current and current financial assets	(14 454)	(13 151)	(6 165)	(6 165)
h) other adjustments	-	(3 343)	-	(2 883)
Loss before adjustments of working capital and short-term liabilities	**(5 647 169)**	**(6 586 655)**	**(5 968 369)**	**(6 465 452)**
Adjustments for:				
a) increase in consumer loans issued (core business) and other debtors	(3 802 524)	(4 688 586)	(5 762 335)	(6 390 514)
b) stock (increase)/ decrease	(240 379)	(240 379)	10 041	10 041
c) trade creditors increase	228 441	239 400	85 650	104 378
Gross cash flow from operating activities	**(9 461 631)**	**(11 276 220)**	**(11 635 013)**	**(12 741 547)**
Corporate income tax payments	(338 863)	(367 824)	(226 428)	(252 239)
Interest income	13 667 153	14 521 911	12 892 377	13 873 822
Interest paid	(2 217 432)	(2 276 924)	(1 809 318)	(1 823 265)
Net cash flow from operating activities	**1 649 227**	**600 943**	**(778 382)**	**(943 229)**
Cash flow from investing activities				
Acquisition of affiliated, associated or other companies shares or parts	(300 000)	-	(513 000)	-
Earnings from the disposal of shares in subsidiaries	513 000	-	4 000	4 000
Acquisition of fixed assets and intangibles	(206 020)	(222 690)	(156 262)	(167 896)
Proceeds from sales of fixed assets and intangibles	15 369	19 226	28 459	28 459
Loans issued/repaid (other than core business of the Company) (net)	(287 067)	25 981	273 573	132 720
Net cash flow from investing activities	**(264 718)**	**(177 483)**	**(363 230)**	**(2 717)**

Cash flow statement for the year ended 31 December 2018 (continued)

Cash flow from financing activities				
Loans received and bonds issued (net)	8 204 777	8 559 898	14 111 335	14 062 738
Redemption/purchase of bonds	(1 106 000)	(1 106 000)	(2 851 000)	(2 851 000)
Loans repaid	(4 896 114)	(4 316 328)	(7 031 085)	(7 183 582)
Finance lease payments	(61 887)	(61 887)	(71 873)	(71 873)
Dividends paid	(2 229 714)	(2 229 714)	(2 070 000)	(2 070 000)
Net cash flow from financing activities	**(88 938)**	**845 969**	**2 087 377**	**1 886 283**
Net cash flow of the reporting year	**1 295 571**	**1 269 429**	**945 765**	**940 337**
Cash and cash equivalents at the beginning of the reporting year	**2 072 996**	**2 219 747**	**1 127 231**	**1 279 410**
Cash and cash equivalents at the end of reporting year	**3 368 567**	**3 489 176**	**2 072 996**	**2 219 747**

Notes on pages from 14 to 40 are integral part of these financial statements.

Agris Evertovskis	Kristaps Bergmanis	Didzis Ādmīdiņš	Ivars Lamberts	Inta Pudāne
Chairman of the Board	Board Member	Board Member	Board Member	Chief accountant

Riga, 18th April 2019

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, including any consequential amendments to other standards, with a date of initial application of 1 January 2018.

The following guidance effective from 1 January 2018 did not have material impact on these financial statements:

- IFRS 15 Revenue from Contracts with Customers;
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);
- IFRS 9 Financial Instruments in conjunction with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
- Transfers of Investment Property (Amendments to IAS 40);
- Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28);
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- Clarifications to IFRS 15 Revenue from Contracts with Customers.

Standards, amendments and interpretations, that are published and adopted by the EU but not yet applied by the Company:

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 financial statements. The following are the standards and interpretation which may be relevant to the Group/ Company. The Group/Company do not plan to adopt these standards early.

(i) IFRS 16 Leases – (Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15).
IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

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.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options; and
- leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases will be retained.

The implementation of IFRS 16 "Leases" will affect the Company's assests and liabilities by all operational leases contracts and longterm rental agreements. The Company's management evaluates that as at 31 December 2018 it would give a rise to Company's assests and liabilities in amount of 1.993 million EUR.

Transition to IFRS 16
The Company chose to use a modified retrospective approach in transition to IFRS 16.
The Company chose to use exceptions to leases that are short term, and leases of value that is not material.

(ii) IFRIC Interpretation 23: Uncertainty over Income Tax Treatments
The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted.

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances.

The Company management has not yet estimated the potential impact of this interpretation on its financial statements, but it does not expect that the amendments, when initially applied, will have material impact on the financial statements.

Notes (continued)
Accounting policies (continued)

(iii) Amendments to IFRS 1 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture
Effective for annual periods beginning on or after 1 January 2019; earlier application is permitted.
The Amendments relate to whether the measurement, in particular impairment requirements, of long-term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both.
The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28.

The Company management has not yet estimated the potential impact of these amendments on its financial statements, but it does not expect that the amendments, when initially applied, will have material impact on the financial statements.

Certain new standards and interpretations but not yet endorsed by the EU:

(i) Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The objective of the amendments is to clarify that, after a defined-benefit plan amendment, curtailment or settlement occurs, an entity should apply the updated assumptions from the remeasurement of its net defined benefit liability (asset) for the remainder of the reporting period. Effective for annual periods beginning after 1 January 2019 with earlier application permitted.

(ii) Annual Improvements to IFRSs 2015 – 2017 Cycle
Annual Improvements to IFRSs 2015 – 2017 Cycle published December 2017, including IFRS amendments and amendments to two IAS standards applicable to information disclosure, recognition and measurement: amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs are effective for annual periods beginning after 1 January 2019 with earlier application permitted.

(iii) Amendments to references to the Conceptual Guidelines in IFRS standards. Amendments to references to the Conceptual Guidelines in IFRS have been published on March 29, 2018 and are effective for periods beginning on or after 1 January 2020.

(iv) Amendments to IFRS 3 Business Combinations. Amendments to IFRS 3 Business Combinations were published on October 22, 2018, and are effective for periods beginning on or after 1 January 2020.

(v) Amendments to IAS 1 and IAS 8: definition of materiality. Amendments to IAS 1 and IAS 8: The definition of materiality was published on 31 October 2018 and is effective for periods beginning on or after 1 January 2020.

(vi) As of 1 January 2018, the Company has adopted IFRS 9, Financial Instruments, which results in changes in the Company's accounting policies for the recognition, classification, measurement and impairment of financial assets. In accordance with the transitional provisions of IFRS 9, the Company has decided not to change comparative data. Any adjustments to the carrying amount of financial assets at the date of transition are recognized in retained earnings in previous year.

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives).

In accordance with business model and SPPI requirements the Company measured financial assets at the amount recognized at initial recognition less principal repayments plus accrued interest and less any write-down for incurred impairment losses.

Introducing Value Reduction:

- Applying IFRS 9 "Financial instruments" not cause significant fluctuations to Company's financial results and recognised financial situation. Starting from 1 January 2017 the Company recognises general accounting provisions according to its debt portfolio. Company's created provisioning method for either general or individual provisions includes expected credit losses (ECL) approach.
- IFRS 9 introduces a new 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.

Notes (continued)
Accounting policies (continued)

- 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 wheather the claim is performing or not and if the claim is performing, whether a significant increase in credit risk has occoured.

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 liftime PD that represents the probability of default occurring over the remaining estimated life of tthe 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 liftime ECL.

Some of IFRS 9 main concepts, which have significant impact and need a high level of management evaluation are signs of a material increase in credit risk - may include, but are not limited to: (a) a repayment delay of 30 or more days; (b) refinancing of the claim into a new contract, which would not have occurred, if there had not been a solvency problem of the transaction party; (c) changes in contract conditions, which would not been implemented, if there had not been a solvency problem of the transaction party.

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 occuring in the future and write-off of liabilities can be devided 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 fullfil 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. misues of the credit receiver`s identity.

IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

As the Company's main operations are related to lending services and realization of pledges in stores, and operating income is generated by interest income and sales income of pledges or second-hand goods in stores, the Company's management expects no significant impact to Company's financial results and financial situation adopting the IFRS 15 "Revenue from Contracts with Customers".

Notes (continued)
Accounting policies (continued)

(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.

(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:

	31.12.2018.	**31.12.2017.**
	1 EUR	**1 EUR**
USD	1.14500	1.19930
RUB	79.71530	69.39200

Notes (continued)
Accounting policies (continued)

(f) Financial instruments – key measurement terms
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.

(h) Intangible assets (including 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 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.

Notes (continued)
Accounting policies (continued)

(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 SIA "ExpressCredit" 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 SIA "ExpressCredit" 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, SIA "ExpressCredit" recognises the income. Such income is outside VAT legislation and is not VAT taxable.

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.

Notes (continued)
Accounting policies (continued)

(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.

(v) Financial risk management

(v1) Financial risk factors
The activities of the Company expose it to different financial risks:
(u1.1) foreign currency risk;
(u1.2) credit risk;
(u1.3) operational risk;
(u1.4) market risk;
(u1.5) liquidity risk;
(u1.6) 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.

Notes (continued)
Accounting policies (continued)

(v) Financial risk management (continued)

(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:

	Parent company 31.12.2018. EUR	**Group 31.12.2018. EUR**	**Parent company 31.12.2017 EUR**	**Group 31.12.2017 EUR**
Loan and lease liabilities	18 834 009	19 555 591	16 609 607	16 396 636
Cash and bank	(3 368 567)	(3 489 176)	(2 072 996)	(2 219 747)
Net debts	**15 465 442**	**16 066 415**	**14 536 611**	**14 176 889**
Equity	5 774 384	5 954 156	3 239 714	3 689 478
Liabilities / equity ratio	**3.26**	**3.28**	**5.13**	**4.44**
Net liabilities / equity ratio	**2.68**	**2.70**	**4.49**	**3.84**

(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.

Notes (continued)
Accounting policies (continued)

(x) Related parties
Related parties include the shareholders, members of the Board of the parent company 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 Parlament 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.

Notes (continued)

(1) Net sales

Net revenue by type of revenue

	Parent company 2018 EUR	Group 2018 EUR	Parent company 2017 EUR	Group 2017 EUR
Income from sales of goods	2 423 601	2 423 601	2 091 010	2 091 010
Income from sales of precious metals	1 008 004	1 008 004	1 352 398	1 352 398
Other income, loan and mortgage realization and storage commissions	754 817	754 817	721 036	721 036
	4 186 422	**4 186 422**	**4 164 444**	**4 164 444**

Net revenue by geographical markets and type of operation

	2018 EUR	2018 EUR	2017 EUR	2017 EUR
Sales of product in Latvia	2 423 601	2 423 601	2 091 010	2 091 010
Sales of precious metals in Latvia	1 008 004	1 008 004	1 334 487	1 334 487
Sales of precious metals in EU	-	-	17 911	17 911
Sales of services in Latvia	754 817	754 817	721 036	721 036
	4 186 422	**4 186 422**	**4 164 444**	**4 164 444**

(2) Cost of sales

	2018 EUR	2018 EUR	2017 EUR	2017 EUR
Cost of pledges taken over	2 654 970	2 654 970	2 746 779	2 746 779
Goods and accessories purchased	3 784	3 784	3 685	3 685
	2 658 754	**2 658 754**	**2 750 464**	**2 750 464**

(3) Interest income and similar income

	2018 EUR	2018 EUR	2017 EUR	2017 EUR
Interest income on unsecured loans	9 431 891	10 302 625	8 920 787	9 905 403
Interest income on pledges realization	4 351 774	4 351 774	3 944 080	3 944 080
Interest income on loans to the vehicle pledges	6 905	6 905	8 442	8 442
Interest income on mortgage loans	2 451	2 451	5 193	5 193
	13 793 021	**14 663 755**	**12 878 502**	**13 863 118**

Notes (continued)

(4) Interest expenses and similar expenses

	Parent company 2018 EUR	Group 2018 EUR	Parent company 2017 EUR	Group 2017 EUR
Bonds' coupon expense	1 155 315	1 155 315	977 790	977 790
Interest expense on other borrowings	1 075 659	1 135 151	832 074	833 783
Losses from cession*	440 273	494 170	1 554 187	1 683 212
Interest expense on lease	6 388	6 388	4 629	4 629
Net loss on foreign exchange	1 456	1 456	3 993	6 325
	2 679 091	**2 792 480**	**3 372 673**	**3 505 739**

*In the 2017 annual accounts the losses from cession was included notes "Other operating expenses", from 2018 the losses from cession to the notes "Interest expenses and similar expenses". The amount for the 2017 annual accounts have been changed to match the 2018 data.

(5) Selling expenses

	2018 EUR	2018 EUR	2017 EUR	2017 EUR
Salary expenses	2 330 577	2 397 846	2 247 650	2 377 991
Rental expense	776 773	788 422	797 854	840 585
Social insurance	558 351	574 568	527 235	557 989
Advertising	405 150	610 084	282 589	405 943
Provisions for doubtful debtors and illiquid stocks	344 731	328 914	154 935	234 979
Depreciation of fixed assets	241 753	250 463	183 420	208 602
Non-deductible VAT	227 780	287 263	210 814	256 453
Utilities expense	197 410	199 262	196 606	204 587
Other expenses	125 295	144 026	164 409	179 568
Goods and fixed assets write-off	101 451	102 420	158 036	158 036
Transportation expenses	93 155	93 155	89 200	89 200
Communication expenses	55 560	56 802	58 880	60 489
Maintenance expenses	38 747	38 536	37 751	37 893
Renovation expenses	26 209	27 573	27 002	27 054
Security expenses	23 946	24 061	22 764	23 388
Business trip expenses	17 420	17 420	16 968	16 968
Provisions for unused annual leave and bonuses	(6 255)	(9 167)	(14 891)	(13 046)
	5 558 053	**5 931 648**	**5 161 222**	**5 666 679**

(6) Administrative expenses

	2018 EUR	2018 EUR	2017 EUR	2017 EUR
Salary expenses	1 529 234	1 539 845	1 284 944	1 284 944
Social insurance	368 060	370 616	302 507	302 507
Bank commission	304 695	327 331	312 714	322 613
Information database subscriptions, maintenance	152 562	194 819	84 117	106 538
Legal advice	59 249	63 179	35 720	39 273
Membership fees in professional organizations	48 974	50 174	39 839	41 039
Office rent	42 010	42 010	41 366	41 366
Office expenses	32 355	32 355	31 587	31 587
State fees and duties, licence expense	28 678	42 956	24 912	39 137
Other administrative expenses	27 131	31 902	19 561	29 129
Provisions for unused annual leave and bonuses	26 070	23 707	17 009	17 009
Communication expenses	23 000	23 000	19 700	19 700
Audit expenses*	17 950	28 964	13 500	15 100
	2 659 968	**2 770 859**	**2 227 476**	**2 289 942**

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

Notes (continued)

(7) Other operating expenses

	Parent company 2018 EUR	Group 2018 EUR	Parent company 2017 EUR	Group 2017 EUR
Other expenses	93 106	93 162	38 135	38 166
Donations	58 000	58 000	130 000	140 000
Fines	257	257	1 890	1 890
Goods written-off above trade loss norm	-	-	25 948	25 948
	151 363	**151 419**	**195 973**	**206 004**

(8) Corporate income tax for the reporting year

	2018 EUR	2018 EUR	2017 EUR	2017 EUR
Corporate income tax charge for the current year	78 868	78 879	512 833	554 662
Deferred corporate income tax charge	-	-	145 252	145 252
	78 868	**78 879**	**658 085**	**699 914**

Notes (continued)

(9) Intangible of the Parent company

	Concessions, patents, trademarks and similar rights	Other intangible assets	Advances	Total
	EUR	EUR	EUR	EUR
Cost				
31.12.2017.	225 684	30 727	-	256 411
Additions	79 339	8 777	2 340	90 456
Finished fixed assests from prepaid advances	2 340	-	(2 340)	-
31.12.2018.	**307 363**	**39 504**	**-**	**346 867**
Depreciation				
31.12.2017.	32 403	5 453	-	37 856
Charge for 2018	70 936	11 274	-	82 210
31.12.2018.	**103 339**	**16 727**	**-**	**120 066**
Net book value 31.12.2018.	**204 024**	**22 777**	**-**	**226 801**
Net book value 31.12.2017.	**193 281**	**25 274**	**-**	**218 555**

Intangible of the Group

	Concessions, patents, trademarks and similar rights	Other intangible assets	Advances	Goodwill	Total
	EUR	EUR	EUR	EUR	EUR
Cost					
31.12.2017.	225 684	51 121	-	127 616	404 421
Additions	79 339	25 447	2 340	-	107 126
Disposals	-	(12 280)	-	-	(12 280)
Finished fixed assests from prepaid advances	2 340	-	(2 340)	-	-
31.12.2018.	**307 363**	**64 288**	**-**	**127 616**	**499 267**
Depreciation					
31.12.2017.	32 403	16 962	-	-	49 365
Charge for 2018	70 936	16 402	-	-	87 338
Disposals	-	(12 280)	-	-	(12 280)
31.12.2018.	**103 339**	**21 084**	**-**	**-**	**124 423**
Net book value 31.12.2018.	**204 024**	**43 204**	**-**	**127 616**	**374 844**
Net book value 31.12.2017.	**193 281**	**34 159**	**-**	**127 616**	**355 056**

Notes (continued)

(10) Fixed assets of the Parent company

	Other fixed assets and inventory	Leasehold improvements	Total
	EUR	EUR	EUR
Cost			
31.12.2017.	967 159	354 362	1 321 521
Additions	136 854	14 704	151 558
Disposals	(47 739)	-	(47 739)
31.12.2018.	**1 056 274**	**369 066**	**1 425 340**
Depreciation			
31.12.2017.	779 405	305 119	1 084 524
Charge for 2018	130 121	29 422	159 543
Disposals	(46 823)	-	(46 823)
31.12.2018.	**862 703**	**334 541**	**1 197 244**
Net book value 31.12.2018.	**193 571**	**34 525**	**228 096**
Net book value 31.12.2017.	**187 754**	**49 243**	**236 997**

As at 31 December 2018 the residual value of the fixed assets acquired under the terms of financial lease was 148 678 *euro*. (31.12.2017.: 174 572 *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	Leasehold improvements	Total
	EUR	EUR	EUR
Cost			
31.12.2017.	983 087	361 836	1 344 923
Additions	136 854	14 704	151 558
Disposals	(63 667)	(7 474)	(71 141)
31.12.2018.	**1 056 274**	**369 066**	**1 425 340**
Depreciation			
31.12.2017.	787 895	311 290	1 099 185
Charge for 2018	133 703	29 422	163 125
Disposals	(58 895)	(6 171)	(65 066)
31.12.2018.	**862 703**	**334 541**	**1 197 244**
Net book value 31.12.2018.	**193 571**	**34 525**	**228 096**
Net book value 31.12.2017.	**195 192**	**50 546**	**245 738**

Notes (continued)

(11) 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 implementet acquisition of (100%) shares of the subsidiary SIA "REFIN" in 2018. The disposal was made of (100%) shares of the subsidiary SIA "Cash Advance Bulgaria" EOOD in amount of 513 000 shares with each share nominal value in 1 EUR.

a) participating interest in subsidiaries

Noame	Acquisition price of subsidiaries		Participating interest in share capital of subsidiaries	
	31.12.2018.	31.12.2017.	31.12.2018.	31.12.2017.
	EUR	EUR	%	%
SIA ExpressInkasso	2 828	2 828	100	100
SIA ViziaFinance	880 000	880 000	100	100
SIA REFIN no 03.10.2018.	300 000	-	100	-
Cash Advance Bulgaria EOOD from 20.01.2017. till 21.05.2018.	-	513 000	-	100
	1 182 828	**1 395 828**		

b) information on subsidiaries

Name	Address	Shareholders' funds 31.12.2018. EUR	Shareholders' funds 31.12.2017. EUR	Profit/ (loss) for the period 2018 EUR	Profit/ (loss) for the period 2017 EUR
SIA ExpressInkasso	Raunas street 44k-1, LV-1039 Riga, Latvia	245 955	493 160	242 795	259 951

Basic operations of SIA ExpressInkasso are debt collection services.

SIA ViziaFinance	Raunas street 44k-1, LV-1039 Riga, Latvia	693 541	708 473	21 447	(46 239)

Basic operation of SIA ViziaFinance is providing consumer lending services.

SIA REFIN (from 03.10.2018.)	Raunas street 44k-1, LV-1039 Riga, Latvia	295 488	N/A	(4 512)	N/A

Basic operation of SIA REFIN is marker research and public opinion polling services.

Cash Advance Bulgaria EOOD (from 20.01.2017.)	49A, Bulgaria Blvd., fl. 4., office 30, Triaditsa region	N/A	516 343	N/A	3 343

Basic operations of Cash Advance Bulgaria EOOD are Crediting services.

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

	Loans to members EUR
Cost	
31.12.2017.	746 619
Loans issued	1 041 060
Loans repaid	(811 633)
Interest of loans	96 228
31.12.2018.	**1 072 274**
Net book value as at 31.12.2018.	**1 072 274**
Net book value as at 31.12.2017.	**746 619**

Interest on borrowing is in range of 2.76% - 15% per annum. The loan maturity - 30 March 2023 (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.

Notes (continued)

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

	31.12.2018. EUR	31.12.2017. EUR
Goods for sale and pledges taken over	945 768	789 507
Precious metals	275 088	132 416
Provision for obsolete stock and inventory impairment	(372 745)	(238 928)
	848 111	**682 995**

a) ***Age analysis of stock***

	31.12.2018. EUR	31.12.2017. EUR
Outstanding for 0-180 days	587 852	447 155
Outstanding for 181-360 days	286 483	157 995
Outstanding for more than 360 days	346 521	316 773
Total stock	**1 220 856**	**921 923**

b) ***Provision for obsolete stock***

	2018 EUR	2017 EUR
Provisions for obsolete stock at the beginning of the year	238 928	231 249
Written-off	(124 900)	(189 321)
Additional provisions	258 717	197 000
Provisions for obsolete stock at the end of the year	**372 745**	**238 928**

(14) Loans and receivables

	Parent company 31.12.2018. EUR	Group 31.12.2018. EUR	Parent company 31.12.2017 EUR	Group 31.12.2017 EUR
Long-term loans and receivables				
Debtors for loans issued against pledge	32 631	32 631	61 099	61 099
Debtors for loans issued without pledge	3 088 629	3 459 284	1 707 115	1 851 797
Long-term loans and receivables, total	**3 121 260**	**3 491 915**	**1 768 214**	**1 912 896**
Short-term loans and receivables				
Debtors for loans issued against pledge	2 010 735	2 010 735	1 996 754	1 996 754
Debtors for loans issued against pledge, for realization	853 160	853 160	789 456	789 456
Debtors for loans issued without pledge	12 877 096	14 782 462	10 585 452	11 923 626
Interest accrued	666 714	720 401	540 846	578 557
Provisions for bad and doubtful trade debtors	(1 520 973)	(1 707 818)	(1 212 219)	(1 357 617)
Short-term loans and receivables, total	**14 886 732**	**16 658 940**	**12 700 289**	**13 930 776**
Loans and receivables	**18 007 992**	**20 150 855**	**14 468 503**	**15 843 672**

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 2018 in total – EUR 1 355 961, the amount of compensation – EUR 939 657. 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 3 055 582 (31.12.2017: EUR 2 847 309) 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 5 102 822, 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.

Notes (continued)

(14) Loans and receivables (continued)

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

	Parent company 31.12.2018.	Group 31.12.2018.	Parent company 31.12.2017	Group 31.12.2017
	EUR	EUR	EUR	EUR
Receivables not yet due	16 406 829	18 304 695	13 589 275	14 549 165
Outstanding 1-30 days	1 144 514	1 277 681	795 107	878 658
Outstanding 31-90 days	599 622	666 441	505 630	564 932
Outstanding 91-180 days	408 491	456 618	334 088	412 055
Outstanding for 181-360 days	466 544	515 720	130 815	383 567
Outstanding for more than 360 days	502 965	637 518	325 807	412 912
Total claims against debtors for loans issued	**19 528 965**	**21 858 673**	**15 680 722**	**17 201 289**

b) Provisions for bad and doubtful trade and other receivables

	Parent company 2018	Group 2018	Parent company 2017	Group 2017
	EUR	EUR	EUR	EUR
Provisions for bad and doubtful receivables at the beginning of the year	**1 212 219**	**1 357 617**	**1 281 032**	**1 350 823**
Written-off	-	(9 016)	(81 506)	(81 506)
Additional provisions	308 754	359 217	12 693	88 300
Provisions for bad and doubtful receivables at the end of the year	**1 520 973**	**1 707 818**	**1 212 219**	**1 357 617**

c) Loan loss allowance:

	Parent company 31.12.2018.	Group 31.12.2018.	Parent company 31.12.2017	Group 31.12.2017
	EUR	EUR	EUR	EUR
Classification of loans by impairment stages				
Stage 1	12 316 576	13 997 315	10 019 445	11 025 232
Stage 2	381 738	448 558	294 139	353 440
Stage 3	909 859	1 056 541	360 603	436 784
Secured loans (no impairment recognised)	5 920 792	6 356 259	5 006 535	5 385 833
Loans and receivables, gross value	**19 528 965**	**21 858 673**	**15 680 722**	**17 201 289**
Allocation of loan loss allowance by stages				
Stage 1	(530 799)	(571 181)	(708 416)	(792 835)
Stage 2	(201 464)	(234 110)	(174 661)	(198 692)
Stage 3	(788 710)	(902 527)	(329 142)	(366 090)
Loan loss allowance, total	**(1 520 973)**	**(1 707 818)**	**(1 212 219)**	**(1 357 617)**
Loans and receivables, net value	18 007 992	20 150 855	14 468 503	15 843 672

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

Notes (continued)

(15) Receivables from affiliated companies

	Parent company 31.12.2018. EUR	Group 31.12.2018. EUR	Parent company 31.12.2017 EUR	Group 31.12.2017 EUR
Long-term loans to affiliated companies				
SIA Kalpaks liability for loan issued and loan interest	-	-	407 100	407 100
SIA Banknote (prev. A.Kredīts) liability for loan issued and loan interest	-	-	144 494	144 494
Long-term loans to affiliated companies, total	**-**	**-**	**551 594**	**551 594**
Short-term receivables from affiliated companies				
Debts for goods and fixed assets sold, prepayment	2 817	2 818	4 167	1 306
SIA Banknote (prev. A.Kredīts) liability for loan issued , loan interest and services delivered	133 948	133 948	14	14
SIA Lombards24.lv saistības liability for loan issued	57 569	57 569	-	-
Liabilities of the Parent company's board for the loan issued and loan interest	10 000	10 000	3 057	3 057
SIA ViziaFinance liability for loan issued, loan interest and debt for the assigned rights of claim	314 361	-	-	-
Subsidiaries debts for dividends	-	-	-	-
Short-term receivables from affiliated companies, total	**518 695**	**204 335**	**7 238**	**4 377**
Loans and receivables from affiliated companies, total	**518 695**	**204 335**	**558 832**	**555 971**

The interest rate on loans to related parties 2.76 - 15%. All loans and other claims denominated in euro.

The Company has no debt overdue.

(16) Other debtors

	31.12.2018. EUR	31.12.2018. EUR	31.12.2017 EUR	31.12.2017 EUR
Loans to employees and other third parties	1 510	1 510	1 510	1 510
Guarantee deposit	69 768	69 911	58 045	62 566
Tax overpayment	54 218	65 055	-	-
Other debtors	122 039	123 599	564 780	565 116
Provisions for bad and doubtful other debtors	(29 086)	(29 086)	(29 099)	(29 099)
	218 449	**230 989**	**595 236**	**600 093**

a) Provisions for bad and doubtful other debtors

	2018 EUR	2017 EUR
Provisions for bad and doubtful other debtors at the beginning of the year	29 099	2 084
Written-off	(123 948)	(115 934)
Additional provisions	123 935	142 949
Provisions for bad and doubtful other debtors at the end of the year	**29 086**	**29 099**

b) Parent company other debtors by currency, translated into EUR :

	31.12.2018. EUR	31.12.2018. %	31.12.2017. EUR	31.12.2017. %
EUR	247 535	100	623 022	99.79
Provisions EUR	(29 086)	-	(29 099)	-
USD	-	-	1 313	0.21
Total other debtors	**218 449**	100%	**595 236**	100%

Notes (continued)

(16) Other debtors (continued)

Group other debtors by currency, translated into EUR:

	31.12.2018. EUR	31.12.2018. %	31.12.2017. EUR	31.12.2017. %
EUR	260 075	100	627 879	99.79
Provisions EUR	(29 086)	-	(29 099)	-
USD	-	-	1 313	0.21
Total other debtors	**230 989**	100%	**600 093**	100%

c) Age analysis of other debtors:

	Parent company 31.12.2018. EUR	Group 31.12.2018. EUR	Parent company 31.12.2017 EUR	Group 31.12.2017 EUR
Repayable upon request	205 159	217 699	126 447	131 304
Receivables not yet due	30 052	30 052	494 911	494 911
Outstanding for 1-30 days	358	358	206	206
Outstanding for 31-90 days	9 443	9 443	381	381
Outstanding for 91-180 days	513	513	365	365
Outstanding for 181-360 days	-	-	2	2
Outstanding for more than 360 days	2 010	2 010	2 023	2 023
Provisions	(29 086)	(29 086)	(29 099)	(29 099)
Total other debtors	**218 449**	**230 989**	**595 236**	**600 093**

(17) Deferred expenses

	31.12.2018. EUR	31.12.2018. EUR	31.12.2017 EUR	31.12.2017 EUR
Insurance	16 058	16 058	11 482	11 482
License for lending services and debt recovery services	16 665	30 890	18 316	32 541
Prepayment for rent and other costs	19 362	19 997	17 816	23 515
Total deferred expenses	**52 085**	**66 945**	**47 614**	**67 538**

(18) Cash and bank

	31.12.2018. EUR	31.12.2018. EUR	31.12.2017. EUR	31.12.2017. EUR
Cash at bank	3 196 605	3 317 214	1 882 267	2 015 751
Cash in hand	171 962	171 962	190 729	203 996
	3 368 567	**3 489 176**	**2 072 996**	**2 219 747**

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

(19) 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.

Notes (continued)

(20) Bonds issued

	Parent company 31.12.2018. EUR	Group 31.12.2018. EUR	Parent company 31.12.2017 EUR	Group 31.12.2017 EUR
Bonds issued	6 201 500	6 201 500	7 063 000	7 063 000
Bonds commission	(8 869)	(8 869)	(10 813)	(10 813)
Total long-term part of bonds issued	**6 192 631**	**6 192 631**	**7 052 187**	**7 052 187**
Bonds issued	1 705 500	1 705 500	1 000 000	1 000 000
Bonds commission	(378)	(378)	(2 806)	(2 806)
Interest accrued	17 014	17 014	17 549	17 549
Total short-term part of bonds issued	**1 722 136**	**1 722 136**	**1 014 743**	**1 014 743**
Bonds issued, total	**7 907 000**	**7 907 000**	**8 063 000**	**8 063 000**
Interest accrued, total	17 014	17 014	17 549	17 549
Bonds commission, total	(9 247)	(9 247)	(13 619)	(13 619)
Bonds issued net	**7 914 767**	**7 914 767**	**8 066 930**	**8 066 930**

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 1 000 *euro*, with the total nominal value of 3 500 000 *euro*, 89 000 euro of them are nominal value of self purchased bonds. 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 OMX Riga Baltic Securities list was started.

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, number of securities situated on 31.12.2018.: 5 000, Nominal value 1 000 *euro* per each with the total nominal value of 5 000 000 *euro,* 504 000 euro of them are nominal value of self purchased bonds. 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 25.10.2021. Issued bonds are not in public trade. Bonds are issued starting from 19.10.2016.

Term:	Gross future minimum payments 31.12.2018 EUR	NPV of future minimum payments 31.12.2018 EUR	Interest expenses 31.12.2018 EUR	Gross future minimum payments 31.12.2017 EUR	NPV of future minimum payments 31.12.2017 EUR	Interest expenses 31.12.2017 EUR
up to one year	2 758 334	1 705 500	1 052 834	2 220 597	1 000 000	1 220 597
2 – 5 years	7 518 317	6 201 500	1 316 817	9 432 651	7 063 000	2 369 651
	10 276 651	**7 907 000**	**2 369 651**	**11 653 248**	**8 063 000**	**3 590 248**

Notes (continued)

(21) Other borrowings

	Parent company 31.12.2018. EUR	Group 31.12.2018. EUR	Parent company 31.12.2017 EUR	Group 31.12.2017 EUR
Long-term finance lease	98 234	98 234	120 472	120 472
Other long-term loans	838 696	898 310	1 180 225	1 323 919
Total other long-term loans	**936 930**	**996 544**	**1 300 697**	**1 444 391**
Short-term finance lease	50 444	50 444	54 100	54 100
Other short-term loans	9 760 257	10 593 420	6 367 246	6 780 674
Total other short-term loans	**9 810 701**	**10 643 864**	**6 421 346**	**6 834 774**
Total other loans	10 747 631	11 640 408	7 722 043	8 279 165

The Parent company has acquired fixed assets on finance lease. As at 31 December 2018 the interest rate was set as 3M Euribor + 5% and 6M Euribor + 3-4.5%.

The Parent company has received loans from private individuals and legal entities. The interest is charged from 2,76% to 15 % p.a. The loans are received without security granted.

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 31.12.2018 EUR	NPV of future minimum payments 31.12.2018 EUR	Interest expenses 31.12.2018 EUR	Gross future minimum payments 31.12.2017 EUR	NPV of future minimum payments 31.12.2017 EUR	Interest expenses 31.12.2017 EUR
up to one year	11 038 094	9 813 073	1 225 021	7 223 100	6 421 346	801 754
2 – 7 years	1 026 310	934 558	91 752	1 576 576	1 300 697	275 879
	12 064 404	**10 747 631**	**1 316 773**	**8 799 676**	**7 722 043**	**1 077 633**

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

Term:	Gross future minimum payments 31.12.2018 EUR	NPV of future minimum payments 31.12.2018 EUR	Interest expenses 31.12.2018 EUR	Gross future minimum payments 31.12.2017 EUR	NPV of future minimum payments 31.12.2017 EUR	Interest expenses 31.12.2017 EUR
up to one year	11 975 403	10 646 236	1 329 166	7 660 175	6 834 774	825 401
2 – 7 years	1 091 865	994 172	97 693	1 795 954	1 444 391	351 563
	13 067 268	**11 640 408**	**1 426 859**	**9 456 129**	**8 279 165**	**1 176 964**

(22) Accounts payable to affiliated companies

	Parent company 31.12.2018. EUR	Group 31.12.2018. EUR	Parent company 31.12.2017 EUR	Group 31.12.2017 EUR
Liabilities for loan and interest accrued to Cash Advance Bulgaria EOOD	-	-	462 230	-
Loan from SIA ViziaFinance	-	-	90 104	-
Liabilities for Parent company's board for the loan issued and loan interest	-	-	50 112	50 112
Accrued liabilities for facilities management and utilities to SIA Banknote	235	235	558	558
Debt for the services provided by the SIA AE Consulting	-	181	-	181
Liabilities for loan interest to SIA Lombards24.lv	-	-	429	429
Loan from SIA ExpressInkasso	-	-	218 112	-
Debt for received payments of the assigned rights of claim to SIA ExpressInaksso	171 376	-	-	-
Total liabilities to related parties	**171 611**	**416**	**821 545**	**51 280**

Notes (continued)

(23) Trade creditors and accrued liabilities

	Parent company 31.12.2018.	Group 31.12.2018.	Parent company 31.12.2017	Group 31.12.2017
	EUR	EUR	EUR	EUR
Debts to suppliers	171 018	187 255	162 064	173 309
Salaries	203 546	205 488	175 869	183 333
Vacation liabilities	261 372	263 244	241 557	248 704
Amounts due to loan recipients	213 553	213 553	153 946	153 946
Other liabilities	72 262	87 201	63 168	68 320
	921 751	**956 741**	**796 604**	**827 612**

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:

	31.12.2018.	31.12.2018.	31.12.2017.	31.12.2017.
	EUR	EUR	EUR	EUR
Receivables not yet due	738 048	757 831	771 246	799 570
Outstanding for 1-30 days	10 696	10 696	24 331	25 930
Outstanding more than 30 days	173 007	188 214	1 027	2 112
Total trade creditors and accrued liabilities	**921 751**	**956 741**	**796 604**	**827 612**

Notes (continued)

(24) Taxes and social insurance payments

Parent 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	Total EUR
Liabilities 31.12.2017.	**14 443**	**205 777**	**42**	**100 436**	**53 348**	**3 293**	**377 339**
Charge for 2018	218 697	93 368	1 138	1 349 238	707 536	15 441	**2 385 418**
Paid in 2018	(216 007)	(338 863)	(1 090)	(1 333 900)	(702 670)	(14 642)	**(2 607 172)**
Overpaid 31.12.2018.	**-**	**(39 718)**	**-**	**-**	**-**	**-**	**(39 718)**
Liabilities 31.12.2018.	17 133	-	90	115 774	58 214	4 092	195 303

Group's taxes and social insurance

	VAT EUR	Corporate income tax EUR	Business risk charge EUR	Social insurance EUR	Payroll tax EUR	Vehicles tax EUR	Total EUR
Liabilities 31.12.2017.	**15 900**	**223 919**	**41**	**104 425**	**55 386**	**3 293**	**402 964**
Charge for 2018	226 782	93 379	1 165	1 376 583	721 535	15 441	**2 434 885**
Paid in 2018	(223 395)	(367 835)	(1 123)	(1 364 108)	(718 164)	(14 642)	**(2 689 267)**
Overpaid 31.12.2018.	**-**	**(50 548)**	**(7)**	**-**	**-**	**-**	**(50 555)**
Liabilities 31.12.2018.	19 287	11	90	116 900	58 757	4 092	199 137

(25) Average number of employees

	2018	2017
Average number of employees during the reporting year of the Parent company	**264**	**264**
Average number of employees during the reporting year of the Group	**270**	**277**

(26) Management remuneration

	31.12.2018. EUR	31.12.2017. EUR
Board members' remuneration:		
· salary expenses	199 879	114 984
· social insurance	48 151	27 125
	248 030	**142 109**

Council members do not receive any remuneration for their work as council members.
During the year loans in the amount of EUR 15 000 were issued to the board members. Loans and accrued interest in the amount of EUR 5 035 were repaid during the reporting period. The interest on loans is charged as 2.76% p.a.
As at 31.12.2018. loans balance in the amount of Eur 10 000 to the board members.
No other bonuses or incentive plans for the board members implemented.

Notes (continued)

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

(27a) Loans received – movement during the year

	Parent company 2018 EUR	Group 2018 EUR	Parent company 2017 EUR	Group 2017 EUR
Bonds issued	8 066 930	8 066 930	6 231 533	6 231 533
Other loans	7 722 043	8 279 165	6 140 009	6 140 009
Loan from affiliated companies	820 987	50 541		
Total loans received and bonds issued at the beginning of the year	**16 609 960**	**16 396 636**	**12 371 542**	**12 371 542**
Loans received	8 204 777	8 559 897	14 111 335	14 062 738
Loans repaid	(6 002 114)	(5 422 328)	(9 882 085)	(10 034 582)
Interest charged	2 238 818	2 298 310	1 818 486	1 820 203
Interest paid	(2 217 432)	(2 276 924)	(1 809 318)	(1 823 265)
Total loans received and bonds issued at the end of the year	**18 834 009**	**19 555 591**	**16 609 960**	**16 396 636**
inclusive				
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
Related parties' loans	171 611	416	820 987	50 541

(27b) Loans issued – movement during the year

	Parent company 2018 EUR	Group 2018 EUR	Parent company 2017 EUR	Group 2017 EUR
Loans and receivables	14 468 503	15 843 672	10 583 881	11 555 359
Loans to shareholders and management	746 619	746 619	1 216 601	1 216 601
Loans to related parties	551 594	551 594	217 557	217 557
Total loans issued the beginning of the year	**15 766 716**	**17 141 885**	**12 018 039**	**12 989 517**
Loans issued within operating activities	48 083 648	52 111 188	43 862 071	46 294 845
Loans repaid	(43 808 530)	(46 954 055)	(39 154 574)	(41 219 993)
Other loans issued	1 747 016	1 303 620	2 097 591	1 779 591
Other loans repaid	(1 459 949)	(1 329 601)	(2 371 164)	(1 912 311)
Interest charge	13 793 021	14 663 755	12 878 502	13 863 118
Interest payments received	(13 667 153)	(14 521 911)	(12 892 377)	(13 873 822)
Accrued interest	666 714	720 401	540 846	578 557
Bad debt provisions	(1 520 973)	(1 707 818)	(1 212 219)	(1 357 617)
Total loans issued the end of the year	**19 600 510**	**21 427 464**	**15 766 716**	**17 141 885**
inclusive				
Loans and receivables	18 007 992	20 150 855	14 468 503	15 843 672
Loans to shareholders and management	1 073 823	1 072 274	746 619	746 619
Loans to related parties	518 695	204 335	551 594	551 594

(28) Rent and lease agreements

The Company has concluded 89 rental agreements effective as at the date of signing of the annual report. The term of the agreements varies from 1 to 20 years. The following schedule summarises future lease payment liabilities in accordance with the agreements concluded.

	31.12.2018. EUR	31.12.2017. EUR
< 1 year	781 219	789 116
2 – 4 years	1 358 506	1 505 852
5 years and more	1 126 350	789 823
	3 266 075	**3 084 791**

Notes (continued)

(29) 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 2018	Transactions in 2017
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	-	N/A
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	-	N/A
Cash Advance Bulgaria EOOD, reg. No. 204422780 till 21.05.2018.	N/A	-
Other related companies		
"Banknote" SIA, reg. No. 40103501494	-	-
"KALPAKS", SIA, reg.No. 40203037474	-	-
"EL Capital", SIA, reg.No. 40203035929	-	-
"EuroLombard Ltd"., reg. No. 382902595000	-	-

	2018 EUR	2017 EUR
<u>Parent company transactions with</u>:		
Owners of the parent company		
Loans received	-	739 973
Loans repaid	-	739 973
Loans issued	203 381	1 363 904
Loan repayment received	188 000	1 855 287
Interest paid	2 988	3 576
Interest received	37 358	21 840
Dividends paid	2 229 714	2 070 000
Services received	1 602	2 542
Services delivered	1 788	420
Goods sold	2 080	2 492
Investment in shares	4 132	-
Bonds sold	-	50 000
<u>Parent company's transactions with:</u>		
Subsidiaries		
Cession of loans	-	573 959
Loans received	661 704	1 392 500
Loans repaid	969 920	634 284
Loans issued	443 396	318 000
Loan repayment received	135 796	355 563
Interest paid	16 061	16 275
Interest received	4 845	3 591
Services delivered	53 756	19 822
Services received	281 773	-
Goods sold	-	222
Fixed assets sold	-	238
Fixed asset additions	3 856	-
Investment in shares	300 000	513 000

Notes (continued)

Related party transactions (continued)

	2018 EUR	2017 EUR
Companies and individuals under common control or significant influence		
Loans received	-	50 000
Loans repaid	50 000	-
Loans issued	15 000	98 000
Loan repayment received	5 000	114 400
Interest paid	152	112
Interest received	35	2 264
Services delivered	60	60
Shares sold	-	4 000
Other related companies		
Loans issued	844 679	550 687
Loan repayment received	967 960	176 120
Interest received	62 729	33 565
Services received	21 239	26 438
Services delivered	4 042	6 721
Fixed assets sold	-	81
Group's transactions with:		
Owners of the parent company		
Loans received	-	739 973
Loans repaid	-	739 973
Loans issued	203 381	1 363 904
Loan repayment received	188 000	1 855 287
Interest paid	2 988	3 576
Interest received	37 358	21 840
Dividends paid	2 229 714	2 070 000
Services received	3 780	4 720
Services delivered	1 788	420
Goods sold	2 080	2 492
Fixed assets sold	4 132	-
Bonds sold	-	50 000
Companies and individuals under common control or significant influence		
Loans received	-	50 000
Loans repaid	50 000	-
Loans issued	15 000	98 000
Loan repayment received	5 000	114 400
Interest paid	152	112
Interest received	35	2 264
Services delivered	60	60
Shares sold	-	4 000
Other related companies		
Loans issued	844 679	550 687
Loan repayment received	967 960	176 120
Interest received	62 729	33 565
Services received	21 239	26 438
Services delivered	4 042	6 721
Fixed assets sold	-	81

Notes (continued)

(30) Guarantees issued, pledges

As at 31 December 2017 the Parent company has issued guarantees to other companies (only to legal entities) for the purchase of cars under the terms of financial lease. The total amount guaranteed as at 31.12.2018 - EUR 54 806. The guarantee is effective till 2021. Information about the Parent company's fixed assets acquired the terms of financial lease see in Note 10.

(31) Subsequent events

After year end on 21 March 2019 Company's shareholders made decision to pay out extraordinary dividends in the amount of 1,5 milion euro.

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 2018.

Agris Evertovskis Chairman of the Board	Kristaps Bergmanis Board Member	Didzis Ādmīdiņš Board Member	Ivars Lamberts Board Member	Inta Pudāne Chief accountant

Riga, 18th April 2019

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Latvia

Translation from Latvian original

Independent Auditor's Report

To the shareholders of SIA "ExpressCredit"

Report on the Audit of the Separate and Consolidated Financial Statements

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the separate financial statements of SIA "ExpressCredit" ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 8 to 40 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate and consolidated statement of financial position as at 31 December 2018;
- 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 2018, 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' Code of Ethics for Professional Accountants (IESBA Code) 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 IESBA Code 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 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 private customers in Latvia which involved an increased credit risk. Total amount of the Group's unsecured loans comprised EUR 18,242 thousand and loan loss allowance for these loans comprised EUR 1,708 thousand as at 31 December 2018 (further information is provided in the note 14 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 68% of the Company's total assets as at 31 December 2018 and potential loan loss impact on the financial performance of the Company and the Group.
Our audit response	Our main audit procedures were as follows: • 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 IFRS requirements especially the IFRS 9 which become effective on 1 January 2018. • 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.

Other matter
AS "ExpressCredit" separate and consolidated financial statements for the year ended 31 December 2017 were audited by another auditor who issued an unmodified opinion on 30 April 2018 on these financial statements.

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

- the Statement on Management Responsibility, as set out on page 5 of the accompanying Annual Report,
- the Management Report, as set out on pages 6 of the accompanying Annual Report,
- the Statement of Corporate Governance as set out on page 7 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 "ExpressCredit" for the year ended 31 December 2018. Our total uninterrupted period of engagement is one year, covering the period ending
31 December 2018.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Council of the Company and the Group who executes 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 of 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 certified 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
Certified auditor
Certificate No 135

Riga, Latvia
18th April 2019

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

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Information on the Company and Subsidiaries

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

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

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

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 Ādmīdiņš Board Member	Kristaps Bergmanis Board Member	Ivars Lamberts Board Member

Riga, 24th April 2020

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
dividend amount including any interim dividends shall not exceed 40% of the last audited net profit	33%	yes
to maintain Net Debt/Net Equity indicator not exceeding 4 to 1	3.60	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	1.28	yes
total consolidated loan amount to shareholders, management and other Related Persons shall not exceed EUR 1,400,000	1 307 683 EUR	yes

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

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

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

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

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

Agris Evertovskis Chairman of the Board	Didzis Ādmīdiņš Board Member	Kristaps Bergmanis Board Member	Ivars Lamberts Board Member

Riga, 24th April 2020

Corporate governance statement

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

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

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

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

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

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

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

Company's legal risks are supervised and managed by the members of the Board in line with the responsibilities, by attracting professional legal service providers.
The Board of the Company is responsible for ensuring the functioning of the multilateral and appropriate internal control and risk management system.

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

Agris Evertovskis Chairman of the Board	Didzis Ādmīdiņš Board Member	Kristaps Bergmanis Board Member	Ivars Lamberts Board Member

Riga, 24rd April 2020

Profit or loss account for the year ended 31 December 2019

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

Comprehensive income statement for 2019

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

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

Agris Evertovskis Chairman of the Board	Kristaps Bergmanis Board Member	Didzis Ādmīdiņš Board Member	Ivars Lamberts Board Member	Inta Pudāne Chief accountant

Riga, 24th April 2020

Balance sheet as at 31 December 2019		Parent company	Group	Parent company	Group
Assets	**Notes**	**31.12.2019.**	**31.12.2019.**	**31.12.2018.**	**31.12.2018.**
Non-current assets:		**EUR**	**EUR**	**EUR**	**EUR**
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	Kristaps Bergmanis	Didzis Ādmīdiņš	Ivars Lamberts	Inta Pudāne
Chairman of the Board	Board Member	Board Member	Board Member	Chief accountant

Riga, 24th April 2020

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

Riga, 24th April 2020

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 Ādmīdiņš Board Member	Ivars Lamberts Board Member	Inta Pudāne Chief accountant

Riga, 24th April 2020

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**
Adjustments for:				
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)**
Adjustments for:				
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)**

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 Ādmīdiņš Board Member	Ivars Lamberts Board Member	Inta Pudāne Chief accountant

Riga, 24th April 2020

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 andadopted 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 vechicles.

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

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

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

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

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

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.

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. 1 EUR	**31.12.2018. 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.

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.

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.

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:

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 Parlament 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.

Notes (continued)

(1) Net sales

Net revenue by type of revenue

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

Net revenue by geographical markets and type of operation

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

(2) Cost of sales

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

(3) Interest income and similar income

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

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**

Notes (continued)

(6) Administrative expenses

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

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

(7) Other operating expenses

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

(8) Corporate income tax for the reporting year

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

Notes (continued)

(9) Intangible of the Parent company

	Concessions, patents, trademarks and similar rights	Other intangible assets	Advances	Total
	EUR	EUR	EUR	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	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**
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**

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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 31.12.2018.	**193 571**	**-**	**34 525**	**-**	**-**	**-**	**228 096**

Notes (continued)

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

The Group adopted IFRS 16 with an initial application date of 1 January 2019. The entity applied the modified retrospective transition method. The amounts disclosed in the extracts are expressed in euros. The entity provided quantitative disclosures in its consolidated financial statements in a tabular format based on the nature of the disclosure item (i.e., asset, equity and liability and income statement).
Right-of-use assets and other liabilities for rights to use assets are shown as follows in the consolidated statement of financial position and statement of comprehensive income:

	31.12.2019.	**01.01.2019.**
	EUR	**EUR**
Non-current assets		
Right-of-use assets - premises	1 953 059	1 991 044
Right-of-use assets - motor vehicles	27 047	19 600
Assets, total	**1 980 106**	**2 010 644**

	31.12.2019.	**01.01.2019.**
Non-current liabilities		
Lease liabilities for right-of-use assets	1 475 350	1 370 927
Current liabilities		
Lease liabilities for right-of-use assets	549 585	636 898
Equity and Liabilities, total	**2 024 935**	**2 007 825**

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

In 2019 the Group incurred expenses for lease agreements wich 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 vechicles 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.

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 implementet 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 31.12.2019. EUR	Shareholders' funds 31.12.2018. EUR	Profit/ (loss) for the period 2019 EUR	Profit/ (loss) for the period 2018 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.

Name	Address	Shareholders' funds 31.12.2019. EUR	Shareholders' funds 31.12.2018. EUR	Profit/ (loss) for the period 2019 EUR	Profit/ (loss) for the period 2018 EUR
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.

Name	Address	Shareholders' funds 31.12.2019. EUR	Shareholders' funds 31.12.2018. EUR	Profit/ (loss) for the period 2019 EUR	Profit/ (loss) for the period 2018 EUR
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

	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**
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.

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.

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.

Notes (continued)

(16) Receivables from affiliated companies and management

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

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

(17) Other debtors

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

a) Provisions for bad and doubtful other debtors

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

b) Age analysis of other debtors:

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

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.

Notes (continued)

Bonds issued (continued)

Term:	Gross future minimum payments 31.12.2019. EUR	NPV of future minimum payments 31.12.2019. EUR	Interest expenses 31.12.2019. EUR	Gross future minimum payments 31.12.2018. EUR	NPV of future minimum payments 31.12.2018. EUR	Interest expenses 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 31.12.2019. EUR	Group 31.12.2019. EUR	Parent company 31.12.2018. EUR	Group 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 31.12.2019. EUR	NPV of future minimum payments 31.12.2019. EUR	Interest expenses 31.12.2019. EUR	Gross future minimum payments 31.12.2018. EUR	NPV of future minimum payments 31.12.2018. EUR	Interest expenses 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 31.12.2019. EUR	NPV of future minimum payments 31.12.2019. EUR	Interest expenses 31.12.2019. EUR	Gross future minimum payments 31.12.2018. EUR	NPV of future minimum payments 31.12.2018. EUR	Interest expenses 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**

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**

Notes (continued)

(26) Taxes and social insurance payments

Parent 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
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 EUR	Corporate income tax EUR	Business risk charge EUR	Social insurance EUR	Payroll tax EUR	Vehicles tax EUR	Natural resource tax EUR	Total 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
	339 710	**248 030**

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

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	**24 391 565**	**26 540 720**	**18 834 009**	**19 555 591**
inclusive				
Bonds issued	7 824 620	7 824 620	7 914 767	7 914 767
Other loans	16 332 679	18 715 921	10 747 631	11 640 408
Related parties' loans	234 266	179	171 611	416

(29b) Loans issued – movement during the year

	Parent company 2019 EUR	Group 2019 EUR	Parent company 2018 EUR	Group 2018 EUR
Loans and receivables	18 007 992	20 150 855	14 468 503	15 843 672
Loans to shareholders and management	1 073 823	1 072 274	746 619	746 619
Loans to related parties	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	**29 409 873**	**32 904 557**	**19 600 510**	**21 427 464**
inclusive				
Loans and receivables	22 378 984	31 596 874	18 007 992	20 150 855
Loans to shareholders and management	1 022 423	1 022 423	1 073 823	1 072 274
Loans to related parties	6 008 466	285 260	518 695	204 335

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	-	-
"VizіaFinance", 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, reģ. Nr. 50103451231	-	N/A

	2019 EUR	2018 EUR
<u>Parent company transactions with</u>:		
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
<u>Parent company's transactions with:</u>		
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

Notes (continued)

Related party transactions (continued)

	2019 EUR	2018 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
<u>Group's transactions with</u>:		
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

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	Kristaps Bergmanis	Didzis Ādmīdiņš	Ivars Lamberts	Inta Pudāne
Chairman of the Board	Board Member	Board Member	Board Member	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.
Our audit response	Our main audit procedures were as follows: • We assessed whether the Company's and the Group's accounting policies in relation to the impairment of loans to customers are in compliance with the IFRS requirements. • We tested internal controls applied within processes related to the loan approval and issuance as well as control over delayed payments and debt collection. This also included testing of general IT controls related to the automated loan issuance and re-payment control processes as well as data gathering and processing for the calculation of loan loss allowance. • We tested the logic and accuracy of expected credit loss calculation models developed by the Company with a particular focus on the assessment of probability of default and loss given default ratios. We tested completeness and accuracy of data used for the calculation of loan loss allowance.

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

Key audit matter	As disclosed in the note 15 of the accompanying separate and consolidated financial statements, during the reporting period one of the Group's entities acquired unsecured claim rights against companies involved in real estate trading. The gross value of these assets as at 31 December 2019 comprised EUR 6,279 thousand while provision of expected credit loss - EUR 450 thousand. We considered these assets as a key audit matter because their risk profile is significantly different from the rest of the Group's loan portfolio, their recovery depends on successful completion of real estate projects and significant negative deviations from management estimates for expected credit loss may result in major impact on the financial performance of the Group.
Our audit response	Our main audit procedures were as follows: • We did detailed analysis of management estimates for expected credit loss, including comparison of real estate sales price assumptions used by the management with third party information. • Where necessary, we asked to make corrections for management assumptions related to the projected time period to complete the sale of properties and associated calculation of expected credit loss. • We tested completeness and accuracy of information disclosed in the financial statements with respect to these assets.

Reporting on Other Information

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

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

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

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.^{2}, third paragraph of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.^{2}, third paragraph of the Financial Instruments Market Law.

The Group does not prepare the Non-financial statement.

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

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and/or the Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and/or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

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

We confirm that:

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

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

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

"BDO ASSURANCE" SIA
Licence No 182

Mārtiņš Zutis
Director
on behalf of SIA "BDO ASSURANCE"

Modrīte Johansone
Member of the Board
Sworn auditor
Certificate No 135

Riga, Latvia
24 April 2020

custom finance solutions

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

Translation from Latvian

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Information on the Company and Subsidiaries

Name of the Company	DelfinGroup (till 04.02.2020. ExpressCredit)
Legal status of the Company	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 Voļskis – 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, Riga, 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 VizíaFinance (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 lassification 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 Ādmīdiņš
Chairman of the Board

Kristaps Bergmanis
Board Member

Ivars Lamberts
Board Member

Rigā, 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 inreased 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 intetntion 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 Ādmīdiņš Chairman of the Board	**Kristaps Bergmanis** Board Member	**Ivars Lamberts** Board Member

Riga, 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 preapare 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	**Kristaps Bergmanis**	**Ivars Lamberts**
Chairman of the Board	Board Member	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 Ādmīdiņš Chairman of the Board	**Kristaps Bergmanis** Board Member	**Ivars Lamberts** Board Member	**Inta 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 Ādmīdiņš Chairman of the Board	**Kristaps Bergmanis** Board Member	**Ivars Lamberts** Board Member	**Inta Pudāne** Chief accountant

Riga, 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	5 576 378
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 Ādmīdiņš	**Kristaps Bergmanis**	**Ivars Lamberts**	**Inta Pudāne**
Chairman of the Board	Board Member	Board Member	Chief accountant

Riga, 23rd April 2021

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 Ādmīdiņš	**Kristaps Bergmanis**	**Ivars Lamberts**	**Inta Pudāne**
Chairman of the Board	Board Member	Board Member	Chief accountant

Riga, 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**	**(698 227)**	**(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 Ādmīdiņš Chairman of the Board	**Kristaps Bergmanis** Board Member	**Ivars Lamberts** Board Member	**Inta Pudāne** Chief accountant

Riga, 23rd April 2021

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 ad 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".

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.

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 wheather the claim is performing or not and if the claim is performing, whether a significant increase in credit risk has occoured.

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 liftime PD that represents the probability of default occurring over the remaining estimated life of tthe 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 liftime 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 occuring in the future and write-off of liabilities can be devided 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 fullfil 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. misues of the credit receiver`s identity.

Accounting policies (continued)

The Group continiousy monitors all assets subject to ECLs in order to identify if there has been significant increase in credit risk. If there is increase, relevand 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 liablities 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 constractual maturities please see note 34.

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. EUR	**31.12.2020. EUR**	**31.12.2019. EUR**	**31.12.2019. 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 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.

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 Parlament 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 effectve 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.

(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 improve-ments	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)
Transfes	-	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.	31.12.2019.
	EUR	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	2019
	EUR	EUR
Interest expenses and similar expenses		
Interest expense for right-of-use premises	(186 800)	(133 137)
Interest expense for right-of-use vehicles	(1 443)	(1 347)
Selling expense		
Depreciation of right-of-use assets - premises	(640 604)	(698 054)
Depreciation of right-of-use assets - motor vehicles	(38 394)	(36 312)
Administrative expenses		
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 implementet 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.	31.12.2019.	31.12.2020.	31.12.2019.
	EUR	EUR	%	%
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 31.12.2020.	Total equity 31.12.2019.	Profit/ (loss) for the period 2020	Profit/ (loss) for the period 2019
		EUR	EUR	EUR	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 Rīga, Latvija	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.

(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**

(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**

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**

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. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. 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. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. 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. EUR	31.12.2020. EUR	31.12.2019. EUR	31.12.2019. 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. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. 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.

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 liabities.

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 Investiciju 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 registerd 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
Long term lease liabilities - vehicles	61 382	61 382	76 009	76 009
Total long-term lease liabilities	**2 732 136**	**2 732 136**	**1 536 762**	**1 536 762**
Short term lease liabilities - premises	669 951	669 951	540 601	540 601
Short term lease liabilities - vehicles	33 764	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.

(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 ViziaFinance	-	-	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 EUR	Corporate income tax EUR	Business risk charge EUR	Social insurance EUR	Payroll tax EUR	Vehicles tax EUR	Natural resource tax EUR	Real estate tax EUR	Total 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.

(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**

(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 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	✓	✓
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)
VizіaFinance 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 count, segment employee costs, the amount of segment assets.

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)
Other information								
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)
Other information								
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

(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**		
	Level 1	**Level 2**	**Level 3**	**Total**
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			**1 196 310**			**1 735 762**

(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 intetntion 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 restricions 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 decrese 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 turnower 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.

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 Ādmīdiņš	**Kristaps Bergmanis**	**Ivars Lamberts**	**Inta Pudāne**
Chairman of the Board	Board Member	Board Member	Chief accountant

Riga, 23rd April 2021

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Latvia

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

18 SCHEDULE 2

THE GROUP'S 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

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	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 Voļskis – 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 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

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

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

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

Statement of management`s responsibility

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 electronical 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 Ādmīdiņš 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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Riga, 19th August 2021

Interim condensed consolidated Statement of comprehensive income for the six-month period ended 30 June 2021

		For 6 months ended 30 June		For 3 months ended 30 June	
		2021	**2020**	**2021**	**2020**
	Notes	**EUR**	**EUR**	**EUR**	**EUR**
			(unreviewed)		**(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.

Didzis Ādmīdiņš
Chairman of the Board

Kristaps Bergmanis
Board Member

Ivars Lamberts
Board Member

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Riga, 19th August 2021

Interim condensed consolidated Balance sheet as at 30 June 2021

Assets	Notes	Group 30 June 2021 EUR	Group 31 December 2020 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.

Didzis Ādmīdiņš	**Kristaps Bergmanis**	**Ivars Lamberts**
Chairman of the Board	Board Member	Board Member

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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**

Notes on pages from 16 to 29 are an integral part of these interim condensed consolidated financial statements.

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Chairman of the Board

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Board Member

Ivars Lamberts
Board Member

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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**

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 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**
Adjustments for:			
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**
Adjustments for:			
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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Chairman of the Board	Board Member	Board Member

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Riga, 19th August 2021

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

(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

(5) Selling expenses

	For 6 months ended 30 June		For 3 months ended 30 June	
	2021	2020	2021	2020
	EUR	EUR	EUR	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	2020	2021	2020
	EUR	EUR	EUR	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	2020	2021	2020
	EUR	EUR	EUR	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

(8) Corporate income tax for the reporting year

	For 6 months ended 30 June		For 3 months ended 30 June	
	2021	**2020**	**2021**	**2020**
	EUR	EUR	EUR	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	Other intangible assets	Advances	**Company's** Goodwill	Total
	EUR	EUR	EUR	EUR	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

(10) Fixed assets of the Group

	Land, buildings, structures and perennials	Other fixed assets and inventory	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							
31.12.2019	-	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	31 December 2020
	EUR	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.

(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

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

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 doubful 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 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	✓	✓
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, reģ. 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 For 6 months ended 30 June		Consumer loans For 6 months ended 30 June		Other activities For 6 months ended 30 June		Total 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)
Other information								
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

(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			
	Level 1	Level 2	Level 3	Total
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

(22) Subsequent events

In January 2021, AS DelfinGroup decided on the reorgansation 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 intetntion 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	Kristaps Bergmanis	Ivars Lamberts
Chairman of the Board	Board of Member	Board Member

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

Riga, 19th August 2021

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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
Riga, Latvia
19 August 2021

19 SCHEDULE 3

THE GROUPS UNREVIEWED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD WHICH ENDED ON 30 JUNE 2020

SIA “DELFINGROUP”

UNAUDITES CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD 01.01.2020. - 30.06.2020.

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

TRANSLATION FROM LATVIAN

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Information on the Company and Subsidiaries

Name of the Company	DelfinGroup (till 04.02.2020. ExpressCredit)
Legal status of the Company	Limited liability company
Number, place and date of registration	40103252854 Commercial Registry Riga, 12 October 2009
Operations as classified by NACE classification code system	NACE2 64.92 Other credit granting NACE2 64.91 Financial leasing NACE2 47.79 Retail sale of second-hand goods in stores NACE 69.20 Accounting and auditing services, tax consultancy
Address	Skanstes street 50A (till 10.03.2020. Raunas street 44 k-1), Riga, LV-1013 Latvia
Names and addresses of shareholders	Lombards24.lv, SIA (65.99% till 07.12.2018., 65.18% from 07.12.2018.), Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas street 44k-1) AE Consulting, SIA (10.00%), Skanstes street 50A, Riga, Latvia (till 10.03.2020. Posma street 2) EC finance, SIA (21.51% till 07.12.2018., 21.32% from 07.12.2018.), Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas street 44k-1) Private individuals (3.5%)
Ultimate parent company	EA investments, AS Reg. No. 40103896106 Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas street 44k-1)
Names and positions of Board members	Agris Evertovskis – Chairman of the Board Kristaps Bergmanis – Member of the Board Didzis Ādmīdiņš – Member of the Board Ivars Lamberts – Member of the Board
Names and positions of Council members	Uldis Judinskis – Chairperson of the Council Ramona Miglāne – Deputy Chairman of the Council Anete Ozoliņa – Member of the Council
Responsible person for accounting	Inta Pudāne - Chief accountant
Financial year	1 January 2020 - 30 June 2020

Information on the Subsidiaries

Subsidiary	**SIA ExpressInkasso** (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	22.10.2010.
Number, place and date of registration of the subsidiary	40103211998; Riga, 27 January 2009
Address of the subsidiary	Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas Street 44 k-1)
Operations as classified by NACE classification code system of the subsidiary	66.19 Financial support services except insurance and pension accrual

Subsidiary	**SIA ViziaFinance** (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	23.02.2015.
Number, place and date of registration of the subsidiary	40003040217; Riga, 06 December 1991
Address of the subsidiary	Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas Street 44 k-1)
Operations as classified by NACE classification code system of the subsidiary	64.92 Other financing services

Subsidiary	**SIA REFIN** (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	03.10.2018.
Number, place and date of registration of the subsidiary	40203172517; Riga, 03 October 2018
Address of the subsidiary	Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas Street 44 k-1)
Operations as classified by NACE classification code system of the subsidiary	64.92 Other financing services

Statement of management`s responsibility

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

Based on the information available to the Board of the parent company of the Group, the financial statements are prepared on the basis of the relevant primary documents and statements in accordance with International Financial Reporting Standards as adopted by the European Union and present a true and fair view of the Group's assets, liabilities and financial position as at 30 June 2020 and its profit and cash flows for first half of 2020.

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

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

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

Agris Evertovskis Chairman of the Board	Didzis Ādmīdiņš Board Member	Kristaps Bergmanis Board Member	Ivars Lamberts Board Member

Riga, 4th August 2020

Management report

In the first half of year 2020, the company's turnover has increased by 7.3% compared to the corresponding period of year 2019, reaching EUR 10.9 million, while the profit reached EUR 2.03 million.

DelfinGroup's vision is to achieve the highest level of recognition based on the company's values - simplicity, accessibility, respect, progress, ambition, mastery and focus on the client.

In the 1st half of 2020, DelfinGroup operated in accordance with the company's values, strategy and set goals, as well as the operation was subordinated to the state of emergency declared on March 12, 2020 in connection with COVID-19. DelfinGroup successfully responded to the crisis caused by COVID-19. The company's focus was on securing cash reserves and reviewing cost structure according to needs. In addition, a stricter assessment of customers solvency was introduced, resulting in lower lending. Due to the crisis, there was also less natural demand for the company's services. With the lifting of emergency measures, DelfinGroup adjusted its strategy and returned to its previous growth rate.

Agris Evertovskis, Chairman of the Board: "It is a great satisfaction that thanks to good strategic planning and strategy execution in an unclear, very serious situation with many unknowns, the current performance has been achieved. In my opinion, this is a great indication for investors, employees and cooperation partners about the high professionalism of our team."

Didzis Ādmīdiņš, Member of the Board of SIA DelfinGroup, Executive Director, who is responsible for the consumer lending segment: "The company's conservative credit policy has justified itself, as the share of bad loans was not significantly affected during the crisis. Even improvements have been observed in certain segments. We are actively working both during the crisis and now to introduce product improvements and be able to provide better customer service to our clients."

"As the time of the emergency proved, the pawnbroking product supports the company with a stable revenue base even in the times of economic downturn. At the beginning of the second quarter, the temporary decline in pawn loan interest income was successfully offset by the growth of income from the sales in pawn stores in 87 branches and on the internet https://veikals.banknote.lv ", adds Ivars Lamberts, Member of the Board and Commercial Director.

"Despite all circumstances, a positive signal to our work is the very successful attraction of bond financing at the end of the 1st half 2020 and the full redemption of all available corporate bonds, which confirms the return of investor activity and evaluation of the company's performance," concludes Kristaps Bergmanis, a Member of the Board and Finance Director.

In the 2nd quarter of 2020, the company attracted additional financing in the amount of EUR 0.98 million for the bonds ISIN LV0000802379 issued on 15 November 2019, which have been redeemed as of 31 July 2020 in full amount of EUR 5,000,000. The risen funds were used to repay the existing liabilities to the Mintos marketplace and the principal amount of ISIN LV0000801322 bonds.

Following the impact of COVID-19 in Europe in the 1st half of 2020, investor activity in the Mintos peer-to-peer lending platform declined, resulting in increased funding costs, which returned to pre-crisis levels at the end of the period.

By implementing the business strategy and planned measures, as well as introducing emergency solutions in response to the impact of COVID-19, the following financial results of the Group were achieved in the 1st half of 2020:

Position	**EUR, million**	**Change*, %**
Net loan portfolio	32.25	+ 2.2
Assets	41.23	+ 7.7
Net profit	2.03	- 0.5

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

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

Covenant	Value as of 30.06.2020.	Compliance
dividend amount including any interim dividends shall not exceed 40% of the last audited net profit	0%	yes
to maintain Net Debt/Net Equity indicator not exceeding 4 to 1	2.58	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	1.38	yes
total consolidated loan amount to shareholders, management and other Related Persons shall not exceed EUR 1,400,000	1 382 019 EUR	yes

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

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

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

On 28 July 2020, the company's shareholders decided to increase the company's share capital to EUR 4 million, using the profits of previous periods for this purpose.

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 30 June 2020.

Agris Evertovskis Chairman of the Board	Didzis Ādmīdiņš Board Member	Kristaps Bergmanis Board Member	Ivars Lamberts Board Member

Riga, 4th August 2020

Profit or loss account for the period 01.01.2020. - 30.06.2020.

	Group 01.01.2020-30.06.2020. EUR	Group 01.01.2019.-30.06.2019. EUR
Net sales	3 109 453	2 423 464
Cost of sales	(2 176 734)	(1 612 497)
Interest income and similar income	7 817 923	7 754 791
Interest expenses and similar expenses	(2 223 514)	(1 820 118)
Gross profit	**6 527 128**	**6 745 640**
Selling expenses	(2 759 441)	(2 795 325)
Administrative expenses	(1 630 821)	(1 570 645)
Other operating income	28 803	57 152
Other operating expenses	(99 067)	(52 234)
Profit before corporate income tax	**2 066 602**	**2 384 588**
Income tax expense	(32 912)	(339 731)
Profit for the reporting year	**2 033 690**	**2 044 857**

Comprehensive income statement

	01.01.2020-30.06.2020. EUR	01.01.2019.-30.06.2019. EUR
Profit for the reporting year	**2 033 690**	**2 044 857**
Other comprehensive income	**-**	**-**
Total comprehensive income	**2 033 690**	**2 044 857**

Agris Evertovskis	Kristaps Bergmanis	Didzis Ādmīdiņš	Ivars Lamberts	Inta Pudāne
Chairman of the Board	Board Member	Board Member	Board Member	Chief accountant

Riga, 4th August 2020

Balance sheet as at 30 June 2020

	Group	Group
Assets	**30.06.2020.**	**31.12.2019.**
Non-current assets:	**EUR**	**EUR**
Intangible assets:		
Concessions, patents, licenses, trademarks and similar rights	154 534	184 201
Other intangible assets	38 584	35 733
Goodwill	127 616	127 616
Advances on intangible assets	2 108	6 748
Total intangible assets:	**322 842**	**354 298**
Property, plant and equipment:		
Investments in property, plant and equipment	224 809	54 515
Right-of-use assets	3 056 137	1 980 106
Other fixtures and fittings, tools and equipment	311 181	351 553
Total property, plants and equipment	**3 592 127**	**2 386 174**
Non-current financial assets:		
Loans to related companies	130 420	117 620
Loans and receivables	8 062 037	8 859 789
Loans to shareholders and management	1 080 869	1 022 423
Total long-term investments:	**9 273 326**	**9 999 832**
Total non-current assets:	**13 188 295**	**12 740 304**
Current assets:		
Inventories:		
Finished goods and goods for sale	1 185 879	1 155 352
Total inventories:	**1 185 879**	**1 155 352**
Receivables:		
Loans and receivables	24 193 687	22 687 085
Receivables from members and board	161 439	165 112
Debt to related companies	9 291	2 528
Other debtors	451 953	275 751
Deferred expenses	84 770	108 539
Total receivables:	**24 901 140**	**23 239 015**
Cash and bank	1 957 780	1 135 644
Total current assets:	**28 044 799**	**25 530 011**
Total assets	**41 233 094**	**38 270 315**

Agris Evertovskis	Kristaps Bergmanis	Didzis Ādmīdiņš	Ivars Lamberts	Inta Pudāne
Chairman of the Board	Board Member	Board Member	Board Member	Chief accountant

Riga, 4th August 2020

Balance sheet as at 30 June 2020

	Group	Group
Liabilities and equity	**30.06.2020.**	**31.12.2019.**
Equity:	**EUR**	**EUR**
Share capital	1 500 000	1 500 000
Retained earnings	6 867 492	2 954 156
Profit for the reporting year	2 033 690	3 913 336
Total equity:	**10 401 182**	**8 367 492**
Creditors:		
Long-term creditors:		
Bonds issued	9 005 193	6 059 853
Other borrowings	4 986 222	5 637 790
		1 475 350
Lease liabilities for right-of-use assets	2 577 432	
Total long-term creditors:	**16 568 847**	**13 172 993**
Short-term creditors:		
Bonds issued	1 329 116	1 764 767
Other borrowings	10 266 344	13 078 131
Lease liabilities for right-of-use assets	622 105	549 585
Trade payables	587 513	501 355
Accounts payable to affiliated companies	488	179
Taxes and social insurance	970 503	243 989
Accrued liabilities	486 996	591 824
Total short-term creditors:	**14 263 065**	**16 729 830**
Total creditors	**30 831 912**	**29 902 823**
Total liabilities and equity	**41 233 094**	**38 270 315**

Agris Evertovskis	Kristaps Bergmanis	Didzis Ādmīdiņš	Ivars Lamberts	Inta Pudāne
Chairman of the Board	Board Member	Board Member	Board Member	Chief accountant

Riga, 4th August 2020

Statement of changes in equity of the Group for the half year ended 30 June 2020

	Share capital	Retained earnings	Profit for the reporting year	Total
	EUR	EUR	EUR	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	-	-	-	-
Profit transfer	-	3 913 336	(3 913 336)	-
Profit for the reporting year	-	-	2 033 690	2 033 690
As at 30 June 2020	**1 500 000**	**6 867 492**	**2 033 690**	**10 401 182**

Agris Evertovskis	Kristaps Bergmanis	Didzis Ādmīdiņš	Ivars Lamberts	Inta Pudāne
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Riga, 4th August 2020

Cash flow statement for the half year ended 30 June 2020

	Group 01.01.2020.- 30.06.2020. EUR	Group 01.01.2019.- 30.06.2019. EUR
Cash flow from operating activities		
Profit before extraordinary items and taxes	**2 066 602**	**2 384 588**
Adjustments for:		
a) fixed assets and intangible assets depreciation	130 577	114 031
b) right-of-use assets depreciation	363 963	-
c) accruals and provisions (except for bad debts)	637 091	190 586
d) write-off of provisions	-	-
e) cessation results	516 273	619 662
f) interest income	(7 817 923)	(7 754 791)
g) interest and similar expense	1 707 241	1 200 456
h) impairment of non-current and current financial assets	(8 865)	(19 153)
i) other adjustments	1 144	-
Loss before adjustments of working capital and short-term liabilities	**(2 403 897)**	**(3 264 621)**
Adjustments for:		
a) increase in consumer loans issued (core business) and other debtors	(890 985)	(7 234 980)
b) stock (increase)/ decrease	(30 527)	(325 284)
c) trade creditors increase	1 858 534	(296 686)
d) Acquisition of right-of-use assets	(1 441 138)	-
Gross cash flow from operating activities	**(2 908 013)**	**(11 121 571)**
Corporate income tax payments	(349 957)	64 045
Interest income	7 832 774	7 763 751
Interest paid	(2 241 739)	(1 185 498)
Net cash flow from operating activities	**2 333 065**	**(4 479 273)**
Cash flow from investing activities		
Acquisition of affiliated, associated or other companies shares or parts	-	-
Earnings from the disposal of shares in subsidiaries	-	-
Acquisition of fixed assets and intangibles	(230 867)	(159 349)
Proceeds from sales of fixed assets and intangibles	10 689	45 882
Loans issued/repaid (other than core business of the Company) (net)	(74 336)	(112 708)
Net cash flow from investing activities	**(294 514)**	**(226 175)**

Cash flow statement for the half year ended 30 June 2020 (continued)

Cash flow from financing activities		
Loans received and bonds issued (net)	10 778 591	5 819 276
Redemption/purchase of bonds	(1 225 000)	(875 000)
Loans repaid	(11 130 671)	(1 681 993)
Finance lease payments	19 399	(77 059)
Lease liabilities for right-of-use assets payments	341 266	-
Dividends paid	-	(1 500 000)
Net cash flow from financing activities	**(1 216 415)**	**1 685 224**
Net cash flow of the reporting year	**822 136**	**(3 020 224)**
Cash and cash equivalents at the beginning of the reporting year	**1 135 644**	**3 489 176**
Cash and cash equivalents at the end of reporting year	**1 957 780**	**468 952**

Agris Evertovskis	Kristaps Bergmanis	Didzis Ādmīdiņš	Ivars Lamberts	Inta Pudāne
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Riga, 4th August 2020

Notes

Age analysis of claims against debtors for loans issued:

	Group 30.06.2020. EUR	Group 31.12.2019. EUR
Receivables not yet due	31 507 652	30 599 448
Outstanding 1-30 days	2 343 190	1 975 902
Outstanding 31-90 days	717 489	957 883
Outstanding 91-180 days	589 544	482 098
Outstanding for 181-360 days	566 587	364 104
Outstanding for more than 360 days	604 451	603 538
Total gross claims against debtors for loans issued	**36 328 913**	**34 982 973**
Provisions for bad and doubtful trade debtors	(4 073 189)	(3 436 099)
Total net claims against debtors for loans issued	**32 255 724**	**31 546 874**

Agris Evertovskis	Kristaps Bergmanis	Didzis Ādmīdiņš	Ivars Lamberts	Inta Pudāne
Chairman of the Board	Board Member	Board Member	Board Member	Chief accountant

Riga, 4th August 2020

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