SIA EC finance

incorporated and registered in Latvia, with registration number 40103950614

Public offering by SIA EC finance of up to 1,510,000 shares of AS "DelfinGroup"

Price EUR 1.35 per Offer Share

Offer Period 22 May 2023 – 2 June 2023

PROSPECTUS
ON PUBLIC OFFERING OF THE COMPANY'S SHARES

This Prospectus on Public Offering of AS "DelfinGroup" (the "**Company**" or "**DelfinGroup**") Shares (the "**Prospectus**") has been prepared by the Company's shareholder SIA EC finance (the "**Offeror**") in connection with public offering (the "**Offering**") of the Company's shares (the "**Shares**") listed on the Baltic Main List of Nasdaq Riga. The Offering comprises of up to 1,510,000 existing Shares (the "**Offer Shares**") offered by the Offeror. The Offer Shares are existing fully paid-up Shares of the Company. The current share capital of the Company is not being increased or reduced within or as a result of the Offering.

The Offer Shares are offered (i) publicly to retail investors in Latvia, Estonia and Lithuania (the "**Retail Offering**"); and (ii) non-publicly to qualified investors within the meaning of Article 2(e) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the Prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (the "**Prospectus Regulation**") in Latvia and in certain selected Member States of the European Economic Area as well as other selected investors in accordance with the exemptions set out in the legislation of the Member States (the "**Institutional Offering**"). The public offering shall take place in Latvia, Estonia and Lithuania only and Offer Shares shall not be publicly offered in any other jurisdiction. The Prospectus has been approved by the decision of the Bank of Latvia on 17 May 2023.

The Offer Period of the Offer Shares commences on 22 May 2023 at 10:00 and terminates on 2 June 2023 at 15:30 (the "**Offer Period**") in accordance with the terms and conditions set out in this Prospectus. The Offer Price is EUR 1.35 per one Offer Share (the "**Offer Price**").

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

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

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

MIFID II product governance. The Retail Offering is directed to all retail investors in Latvia, Estonia and Lithuania. The Institutional Offering is directed to qualified investors in Latvia and in certain selected countries of the European Economic Area which have implemented the Prospectus Regulation, as well as to certain selected investors in accordance with other exemptions available under the laws of respective jurisdictions. Persons who offer, sell or recommend Shares (the Distributors) are independently responsible for the evaluation of the target market and appropriate distribution channels and must guarantee that these are in conformity with the provisions of this Prospectus.

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

AS LHV Pank

Global Lead Manager and Bookrunner

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1.1. Summary in English

Introduction and warnings

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

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

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

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

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

SIA EC finance is a limited liability company (*sabiedrība ar ierobežotu atbildību*), incorporated in Latvia, registered in the Register of Enterprises of Latvia with registration number 40103950614, having its registered address at Skanstes iela 50A, Rīga, LV-1013. The Company's e-mail is SIA.EC.finance@gmail.com, telephone number is +371 25350677. Its legal entity identifier (LEI) is 984500DD97SA6CC9G232.

Identity and contact details of the competent authority approving the Prospectus

This Prospectus has been approved by the Bank of Latvia, as the competent authority, with its address at Krišjāņa Valdemāra iela 2A, Rīga, LV-1050, e-mail: info@bank.lv, telephone number: +371 67022300, in accordance with Regulation (EU) 2017/1129.

Date of approval of the Prospectus

This Prospectus was approved on 17 May 2023.

Warnings

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

Key information on the Company

Who is the issuer of securities?

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

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

Principal activities

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

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

(1) **Consumer loan segment**: handling consumer loans for customers, debt collection activities and loan debt sales to external debt collection companies.

(2) **Pawn loan segment**: handling pawn loan issuance and the sale of pawn shop items.

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

Major shareholders

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

Name of shareholder	Percentage of total share capital held	Number of Shares held	Ultimate beneficial owner(s) of the shareholder
SIA "AE Consulting"	8.75%	3,965,174	Agris Evertovskis
SIA EC finance	18.22%	8,258,560	Agris Evertovskis
SIA L24 Finance	55.13%	24,983,099	Aigars Kesenfelds Linda Kesenfelde

SIA "AE Consulting" and SIA EC finance jointly own 26.97% of the Company shares (and voting rights). SIA L24 Finance owns 55.13% of the Company shares (and voting rights). SIA "AE Consulting", SIA EC finance and SIA L24 Finance jointly own 82.10% of the Company shares (and voting rights).

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

Key managing directors

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

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

Identity of statutory auditors

"KPMG Baltics SIA", registration number: 40003235171, registered address at Roberta Hirša iela 1, Rīga, LV-1045, 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 2022, 31 December 2021 and 31 December 2020 have been enclosed to the Prospectus. Also, the Group's unreviewed consolidated interim financial statements for the 3-month period which ended on 31 March 2023 and the Group's unreviewed consolidated interim financial statements for the 3-month period which ended on 31 March 2022 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)			*Three-month period ended 31 March*	
	2020	*2021*	*2022*	*2022*	*2023*
Total revenue	**23,664**	**25,189**	**35,776**	**7,586**	**11,082**
Gross profit	**14,301**	**15,390**	**20,742**	**4,707**	**5,702**
EBIT margin, %	**35.9**	**35.0**	**33.3**	**29.9**	**32.6**
Profit before corporate income tax	**4,854**	**4,997**	**7,258**	**1,579**	**1,825**
Corporate income tax	(755)	(979)	(1,296)	(188)	(212)
Interim dividends	-	-	-	-	-
Net profit for the reporting year	**4,100**	**4,018**	**5,961**	**1,391**	**1,613**
Net profit margin, %	**17.3**	**16.0**	**16.7**	**18.3**	**14.6**
Net profit attributable to owners of the parent company	4,100	4,018	5,961	1,391	1,613
Earnings per share, EUR [1]	**1.025**	**0.098**	**0.132**	**0.031**	**0.036**
Adjusted earnings per share, EUR[2]	**0.102**	**0.098**	**0.132**	**0.031**	**0.036**

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

	Year ended 31 December (audited)			*Three-month period ended 31 March*	
	2020	*2021*	*2022*	*2022*	*2023*
Total non-current assets	22,419	32,743	50,256	36,156	57,023
Total current assets	24,047	19,420	26,902	19,533	28,073
Total assets	**46,466**	**52,163**	**77,158**	**55,690**	**85,095**
Total equity	9,758	17,476	18,106	18,011	18,915
Total long-term creditors	17,991	20,633	21,688	23,692	25,957
Total short-term creditors	18,717	14,054	37,364	13,986	40,223
Total liabilities and equity	**46,466**	**52,163**	**77,158**	**55,690**	**85,095**

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

	Year ended 31 December (audited)			*Three-month period ended 31 March*	
	2020	*2021*	*2022*	*2022*	*2023*
Net cash flow from (to) operating activities	2,441	(3,307)	(17,966)	(2,811)	(5,798)
Net cash flow from (to)	262	(74)	(704)	(203)	(243)

[1] Earning per shares as reported at the end of each respective period.
[2] For comparability purposes, the number of shares outstanding have been adjusted for current amount of shares outstanding.

investing activities					
Net cash flow from (to) financing activities	753	1,249	18,579	2,259	6,070
Net cash flow of the reporting year	3,456	(2,132)	(90)	(756)	29

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

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

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

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

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

Risk related to borrower credit risk. Any failure by a borrower to meet its obligations in accordance with the agreed contractual terms may have an adverse impact on the Group's earnings and the value of assets on its balance sheet. The Group may fail to adequately identify the relevant factors or accurately estimate the impact and/or magnitude of identified factors with respect to a borrower's credit quality, which could adversely affect its business, financial condition, results of operations and prospects. A deterioration in borrower credit quality and the consequent increase in impairments would have an adverse impact on the business, financial condition, results of operations and prospects of the Group.

Information on the securities

What are the main features of the securities?

Type, class and ISIN

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

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

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

Rights attached to the Shares

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

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

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

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

Restrictions on free transferability of the Shares

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

Dividend Policy

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

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

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

Since its public listing the Company has made 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 5,424,757 million in dividends in 2022 which amounts to EUR 0.12 per share.

Where are the Shares traded?

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

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

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

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

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

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

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

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

Information on the offer of securities to the public

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

In the course of the Offering, up to 1,510,000 Offer Shares are being offered. The Offer Shares are existing fully paid-up Shares of the Company. The current share capital of the Company is not being increased or reduced within or as a result of the Offering. The expected amount of gross proceeds of the Offering is up to EUR 2,038,500. Expenses directly related to the Offering are estimated to be approximately EUR 36,410. Therefore, the net proceeds of the Offering are expected to be up to EUR 2,002,090. The Company will not receive any proceeds from the Offering. The Offeror is covering all costs and expenses related to the Offering.

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

The indicative timetable of the Offering is the following:

Start of the Offer Period	22 May 2023 at 10:00
End of the Offer Period	2 June 2023 at 15:30
Announcement of results of the Offering and Allocation	On or about 5 June 2023
Settlement of the Offering	On or about 6 June 2023

The Offeror together with the Global Lead Manager have decided that the Offer Shares will be allocated on *pro-rata* basis, according to the purchase requests received during the offer period, on or about 5 June 2023.

As of the date of this Prospectus, the number of the Shares of the Company is 45,319,594. The number of the Offer Shares is 1,510,000. The results of the Offering will not have any effect on the number of the Shares of the Company.

Who is the selling shareholder?

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

SIA EC finance is a limited liability company (*sabiedrība ar ierobežotu atbildību*), incorporated in Latvia, registered in the Register of Enterprises of Latvia with registration number 40103950614, having its registered address at Skanstes iela 50A, Rīga, LV-1013. The Company's e-mail is SIA.EC.finance@gmail.com, telephone number is +371 25350677. Its legal entity identifier (LEI) is 984500DD97SA6CC9G232.

The Offeror is publicly offering the following amount of shares:

Name of selling shareholder	Percentage of total share capital held	Number of Shares held	Number of Shares offered to the public
SIA EC finance	18.22%	8,258,560	1,510,000

Why is this Prospectus being produced?

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

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

1.2. Summary in Estonian *(Kokkuvõte)*

1.1.1. Sissejuhatus ja hoiatused

Väärtpaberi nimetus ja rahvusvaheline väärtpaberite identifitseerimisnumber (ISIN)

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

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

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

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

SIA EC finance on Läti osaühing (*sabiedrība ar ierobežotu atbildību*), asutatud Lätis, registreeritud Läti Äriregistris registrinumbriga 40103950614 ja registriaadressiga Skanstes iela 50A, Rīga, LV-1013. Ettevõtte e-mail on SIA.EC.finance@gmail.com ja telefoninumber on +371 25350677. Ettevõtte rahvusvaheline juriidilise isiku identifikaator (legal entity identifier või LEI) on 984500DD97SA6CC9G232.

Prospekti kinnitava asutuse nimi ja kontaktandmed

Käesoleva Prospekti on kinnitanud Läti Pangandus, aadress Krišjāna Valdemāra iela 2A, Riia, LV-1050, e-post: info@bank.lv, telefoninumber: +371 6702 2300, kooskõlas Euroopa Liidu määrusega (EL) 2017/1129.

Prospekti kinnitamise kuupäev

Käesolev prospekt kinnitati 17. mai 2023.

Hoiatused

Käesolev Kokkuvõte on koostatud vastavalt Määruse (EL) 2017/1129 artiklile 7 ning seda tuleb käsitleda Prospekti sissejuhatusena. Väärtpaberitesse investeerimise üle otsustamisel peaks investor tutvuma terve Prospektiga. Investor võib kaotada kogu investeeritud kapitali või osa sellest. Kui kohtule esitatakse Prospektis sisalduva teabega seotud nõue, võib hagejast investorile liikmesriigi õiguse alusel tuleneda kohustus kanda enne kohtumenetluse algatamist Prospekti tõlkimise kulud. 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.

1.1.2. Põhiteave Aktsiaseltsi kohta

Kes on väärtpaberite emitent?

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

Aktsiaselts on asutatud Lätis, selle registreeritud aadress on Skanstes iela 50A, 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).

Suuraktsionärid

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

Aktsionäri nimi	**Protsent aktsiakapitalist**	**Omanduses olevate aktsiate arv**	**Aktsionäri tegelik(ud) kasusaaja(d)**
SIA "AE Consulting"	8.75%	3,965,174	Agris Evertovskis
SIA EC finance	18.22%	8,258,560	Agris Evertovskis
SIA L24 Finance	55.13%	24,983,099	Aigars Kesenfelds Linda Kesenfelde

SIA "AE Consulting" ja SIA "EC finance" omavad kokku 26.97% Aktsiaseltsi aktsiatest (ja hääleõigusest). SIA L24 Finance omab 55.13% Aktsiaseltsi aktsiatest (ja hääleõigusest). SIA "AE Consulting", SIA "EC finance" ja SIA "L24 Finance" omavad kokku 82.10% Aktsiaseltsi aktsiatest (ja hääleõigusest).

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

Juhatuse peamised liikmed

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

Nimi	**Ametikoht**	**Ametisse määramise kuupäev**	**Volituste lõppemise tähtpäev**
Didzis Ādmīdiņš	Tegevjuht, juhatuse esimees	19. jaanuar 2021	18. jaanuar 2026
Sanita Pudnika	Operatsioonide juht, juhatuse liige	1. märts 2022	28. veebruar 2027
Agris Evertovskis	Nõukogu esimees	30. märts 2021	29. märts 2026
Gatis Kokins	Nõukogu esimehe asetäitja	30. märts 2021	29. märts 2026
Edgars 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, juhatuse liige	15.detsember 2021	14. detsember 2026

Vannutatud audiitorite andmed

"KPMG Baltics SIA", registrinumber: 40003235171, registreeritud aadress at Roberta Hirša iela 1, Rīga, LV-1045, on Kontserni vannutatud audiitorid. Vannutatud audiitorid valib üldkoosolek.

Milline on emitenti puudutav põhiline finantsteave?

Prospektile on lisatud Kontserni konsolideeritud auditeeritud finantsaruanded 31. detsembril 2022.a, 31. detsembril 2021.a ja 31. detsembril 2020.a lõppenud majandusaastate kohta. Samuti on prospektile lisatud Kontserni 3-kuulise perioodi, mis lõppes 31. märtsil 2023, kontrollimata konsolideeritud vahearuanded ja 31. märtsil 2022 lõppenud 3-kuulise perioodi läbivaatamata konsolideeritud vahearuanded. 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)			*31. märtsil lõppenud kolmekuuline periood (auditeerimata)*	
	2020	*2021*	*2022*	*2022*	*2023*

Kogutulu	**23,664**	**25,189**	**35,776**	**7,586**	**11,082**
Brutokasum	**14,301**	**15,390**	**20,742**	**4,707**	**5,702**
Kasumi brutomarginaalist, %	**35.9**	**35.0**	**33.3**	**29.9**	**32.6**
Kasum enne tulumaksu	**4,854**	**4,997**	**7,258**	**1,579**	**1,825**
tulumaks	(755)	(979)	(1,296)	(188)	(212)
Vahedividendid	-	-	-	-	-
Aruandeaasta puhaskasum	**4,100**	**4,018**	**5,961**	**1,391**	**1,613**
Puhaskasumi marginal, %	**17.3**	**16.0**	**16.7**	**18.3**	**14.6**
Emaettevõtja omanikele omistatav puhaskasum	4,100	4,018	5,961	1,391	1,613
Kasum aktsia kohta, EUR[1]	**1.025**	**0.098**	**0.132**	**0.031**	**0.036**
Korrigeeritud kasum aktsia kohta, EUR[2]	**0.102**	**0.098**	**0.132**	**0.031**	**0.036**

[1] Kasum aktsia kohta, nagu teatatud vastava perioodi lõpus.

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

Valitud konsolideeritud finantsseisundi aruande info, EUR'000

	31. detsembril lõppenud aasta (auditeeritud)			*31. märtsil lõppenud kolmekuuline periood (auditeerimata)*	
	2020	*2021*	*2022*	*2022*	*2023*
Põhivarad kokku	22,419	32,743	50,256	36,156	57,023
Käibevarad kokku	24,047	19,420	26,902	19,533	28,073
Varad kokku	**46,466**	**52,163**	**77,158**	**55,690**	**85,095**
Omakapital kokku	9,758	17,476	18,106	18,011	18,915
Pikaajalised võlad kokku	17,991	20,633	21,688	23,692	25,957
Lühiajalised võlad kokku	18,717	14,054	37,364	13,986	40,223
Kokku kohustused ja omakapital	**46,466**	**52,163**	**77,158**	**55,690**	**85,095**

Valitud konsolideeritud rahavoogude aruande info, EUR'000

	31. detsembril lõppenud aasta (auditeeritud)			*31. märtsil lõppenud kolmekuuline periood (auditeerimata)*	
	2020	*2021*	*2022*	*2022*	*2023*
Netorahavood põhitegevusest	2,441	(3,307)	(17,966)	(2,811)	(5,798)
Netorahavood investeerimistegevusest	262	(74)	(704)	(203)	(243)
Netorahavood finantseerimistegevusest	753	1,249	18,579	2,259	6,070
Aruandeaasta netorahavood	3,456	(2,132)	(90)	(756)	29

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. CRPC on kohustatud sekkuma, kui Aktsiaselts ja/või Kontsern rikuvad oma kohalduvast õigusest tulenevaid kohustusi. CRPC võib tegevusloa peatada kuni kuueks kuuks, kui Aktsiaselts ja/või Kontsern ei järgi normatiivakte ega tee koostööd tuvastatud lahknevuste lahendamiseks. Oluliste rikkumiste korral võib CRPC viimase meetmena Aktsiaseltsi ja/või Kontserni tegevusloa tühistada. Kontserni tegevus on sõltuv CRPC poolt antud tegevuslubadest. Kui tegevusload tühistatakse või nende kehtivus peatatakse, peab Kontsern lõpetama tarbijakrediidiga seotud tegevuse, mis omakorda avaldab olulist negatiivset mõju Kontserni majandustegevusele, finantsseisundile ja tegevuse tulemuslikkusele.

Laenuvõtja krediidiriskiga seotud risk. Kui laenuvõtja ei täida oma kohustusi lepinguga kokkulepitud tingimuste kohaselt, võib see mõjutada negatiivselt Kontserni kasumit ja bilansis kajastatud varade väärtust. Kontsern ei pruugi olla suuteline laenuvõtja 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.

1.2.1. 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 on registreeritud Nasdaq CSD-s ISIN-koodiga ISIN LV0000101806 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 4,531,959.40, mis on jagatud 45,319,594 dematerialiseeritud esitajaaktsiaks. Iga emiteeritud Aktsia väikseim nimiväärtus on EUR 0.10. Kõik Aktsiad on emiteeritud ja nende eest on täielikult tasutud. Aktsiate vääringuks on eurod ning nad alluvad Läti õigusele ning Pakkumise valuutaks on euro. Kõik olemasolevad Aktsiad annavad aktsionäridele võrdsed õigused (sh üks aktsia, üks hääl).

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.

Alates Aktsiaseltsi aktsiate noteerimisest on Aktsiaselts pakkunud regulaarseid ja prognoositavaid dividendipõhiseid tootlusi samal ajal säilitades Aktsiaseltsi finantsstabiilsuse ja keskendudes pikaajalistele arengueesmärkidele. Aktsiaselts jaotas 2022. aastal dividende EUR 5,424,757 euro ulatuses, mis teeb 0.12 eurot iga aktsia kohta.

Kus Aktsiatega kaubeldakse?

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

Millised on väärtpaberitele omased põhiriskid?

Aktsiahinna ja aktsia likviidsuse risk. Nasdaq Riia börs on oluliselt vähemlikviidne ja volatiilsem kui teised väljakujunenud ja pikema ajalooga väärtpaberiturud. Nasdaq Riia börsi üsna väike turukapitalisatsioon ja madal likviidsus võivad avaldada negatiivset mõju aktsionäride võimalustele Aktsiaid 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 analüüside jätkumise (või teostamise) kohta. Aja jooksul võib Aktsiaseltsi kohta kolmandate isikute poolt teostatud kättesaadavate analüüside maht kasvada või väheneda, olles vaid vähesel määral või üldse mitte korrelatsioonis Aktsiaseltsi tegevuse tegelike tulemustega, sest Aktsiaseltsil puudub igasugune mõju nende analüütikute üle, kes selliseid analüüse koostavad. Kolmandate isikute poolne negatiivne või ebapiisav kajastus avaldab tõenäoliselt Aktsiate turuhinnale ja kauplemismahtudele negatiivset mõju.

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

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

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

Pakkumise raames pakutakse kokku kuni 1,510,000 Pakutavat Aktsiat. Pakutavad Aktsiad on olemasolevad Aktsiaseltsi Aktsiad. Käesoleva Pakkumise tulemusel ei suurene ega vähene Aktsiaseltsi aktsiakapital. Pakkumise eeldatav brutotulu on kuni EUR 2,038,500. Pakkumisega otseselt seotud kulutuste hinnanguline suurus on EUR 36,410. Seega on Pakkumise eeldatav netotulu kuni EUR 2,002,090. Aktsiaselts ei saa mingit osa Pakkumise tuludest kogu Pakkumise tulu läheb Pakkujale. Pakkuja katab ise kõik Pakkumisega seotud kulud.

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

Pakkumise indikatiivne ajakava on järgmine:

Pakkumisperioodi algus	22. mai 2023 kell 10:00
Pakkumisperioodi lõpp	2. juuni 2023 kell 15:30
Pakkumise tulemuse ja jaotamise väljakuulutamine	5. juuni 2023 või selle paiku
Pakkumisega seotud arveldused	6. juuni 2023 või selle paiku

Aktsiaselts on otsustanud koos Globaalse Peakorraldajaga Pakutavate Aktsiate pro-rata jaotamise vastavalt esitatud ostukorraldustele pärast Pakkumisperioodi lõppemist 5. juuni 2023 või selle paiku.

Käesoleva Prospekti kuupäeva seisuga on Aktsiaseltsil 45,319,594 Aktsiat. Pakutavate Aktsiate arv on kuni 1,510,000. Pakkumise tulemus ei muuda Aktsiaseltsi aktsiate arvu.

Kes on müüv aktsionär?

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

SIA EC finance on Läti osaühing (*sabiedrība ar ierobežotu atbildību*), asutatud Lätis, registreeritud Läti Äriregistris registrinumbriga 40103950614 ja registriaadressiga Skanstes iela 50A, Rīga, LV-1013. Ettevõtte e-mail on SIA.EC.finance@gmail.com ja telefoninumber on +371 25350677. Ettevõtte rahvusvaheline juriidilise isiku identifikaator (legal entity identifier või LEI) on 984500DD97SA6CC9G232.

Pakkuja pakub avalikult järgneva koguse Aktsiaid:

Müüva aktsionäri nimi	Omatav protsent kogu aktsiakapitalist	Kokku omatav Aktsiate arv	Avalikult pakutav Aktsiate arv
SIA EC finance	18.22%	8,258,560	1,510,000

Miks see Prospekt koostatakse?

Prospekt on koostatud selleks, et: 1) läbi vabalt kaubeldavate Aktsiate osa suurendamise kasvatada Aktsia likviidsust; 2) võimaldada Pakkujal diversifitseerida oma varasi ja investeeringuid.

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

1.3. Summary in Latvian *(Kopsavilkums)*

Ievads un brīdinājumi

Vērtspapīru nosaukums un starptautiskais vērtspapīru identifikācijas numurs (ISIN)

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

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

AS "DelfinGroup" ir akciju sabiedrība, kas dibināta Latvijā, reģistrēta Latvijas Uzņēmumu reģistrā ar reģistrācijas numuru 40103252854 un juridisko adresi Skanstes ielā 50A, Rīgā, LV-1013. Sabiedrības e-pasts ir ir@delfingroup.lv, telefona numurs ir +371 26189988. Tās juridiskās personas identifikators (LEI) ir 2138002PKHUJIMVMYB13.

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

SIA EC finance ir sabiedrība ar ierobežotu atbildību, kas dibināta Latvijā, reģistrēta Latvijas Uzņēmumu reģistrā ar reģistrācijas numuru 40103950614 un juridisko adresi Skanstes iela 50A, Rīga, LV-1013. Sabiedrības e-pasts ir SIA.EC.finance@gmail.com, telefona numurs ir +371 25350677. Tās juridiskās personas identifikators (LEI) ir 984500DD97SA6CC9G232.

Kompetentās iestādes, kas apstiprina prospektu, identitāte un kontaktinformācija

Prospektu kā kompetentā iestāde ir apstiprinājusi Latvijas Banka, adrese: Krišjāņa Valdemāra iela 2A, Rīga, LV-1050, e-pasts: info@bank.lv, tālruņa numurs: +371 67774800, saskaņā ar Regulu (EU) 2017/1129.

Prospekta apstiprināšanas datums

Šis Prospekts ir apstiprināts 2023. gada 17. maijā.

Brīdinājumi

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

Pamatinformācija par Sabiedrību

Kas ir vērtspapīru emitents?

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

Sabiedrība ir dibināta Latvijā, tās juridiskā adrese ir Skanstes iela 50A, Rīga, LV-1013, un tās LEI numurs ir 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).

Lielākie akcionāri

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

Akcionāra vārds (nosaukums)	Kopējā akciju kapitāla procenti turējumā	Akciju skaits turējumā	Akcionāra patiesais labuma guvējs (-i)
SIA "AE Consulting"	8.75%	3,965,174	Agris Evertovskis
SIA EC finance	18.22%	8,258,560	Agris Evertovskis
SIA L24 Finance	55.13%	24,983,099	Aigars Kesenfelds Linda Kesenfelde

SIA "AE Consulting" un SIA EC finance kopīgi pieder 26.97% Sabiedrības akciju (un attiecīgo balsstiesību). SIA L24 Finance pieder 55.13% Sabiedrības akciju (un attiecīgo balsstiesību). SIA "AE Consulting", SIA EC finance un SIA L24 Finance kopīgi pieder 82.10% Sabiedrības akciju (un attiecīgo balsstiesību).

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

Galvenie rīkotājdirektori

Turpmāk norādītas ziņas par Sabiedrības galvenajiem rīkotājdirektoriem Prospekta izstrādāšanas brīdī.

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

Zvērināto revidentu identitāte

"KPMG Baltics SIA", reģistrācijas numurs: 40003235171, juridiskā adrese: Roberta Hirša iela 1, Rīga, LV-1045, 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 2022. gada 31. decembrī, 2021. gada 31. decembrī un 2020. gada 31. decembrī. Prospektam ir pievienots arī Grupas nepārskatītais konsolidētais starpperioda pārskats par 3 mēnešu periodu, kas beidzās 2023. gada 31. martā un Grupas nepārskatītais konsolidētais starpperioda pārskats par 3 mēnešu periodu, kas beidzās 2022. gada 31. martā. 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 trīs mēnešu periodu, kas beidzās 31. martā (nepārskatīts)*	
	2020	*2021*	*2022*	*2022*	*2023*
Kopējie ienākumi	**23,664**	**25,189**	**35,776**	**7,586**	**11,082**
Bruto peļņa	**14,301**	**15,390**	**20,742**	**4,707**	**5,702**
EBIT norma, %	**35.9**	**35.0**	**33.3**	**29.9**	**32.6**
Peļņa pirms uzņēmumu ienākuma nodokļa	**4,854**	**4,997**	**7,258**	**1,579**	**1,825**
Uzņēmumu ienākuma nodoklis	(755)	(979)	(1,296)	(188)	(212)
Starplaika dividendes	-	-	-	-	-
Neto peļņa par pārskata gadu	**4,100**	**4,018**	**5,961**	**1,391**	**1,613**
Tīrās peļņas norma, %	**17.3**	**16.0**	**16.7**	**18.3**	**14.6**
Uz mātes uzņēmuma īpašniekiem attiecināmā neto peļņa	4,100	4,018	5,961	1,391	1,613
Neto ienākums uz vienu akciju, EUR[3]	**1.025**	**0.098**	**0.132**	**0.031**	**0.036**
Koriģētais neto ienākums uz neto akciju, EUR[4]	**0.102**	**0.098**	**0.132**	**0.031**	**0.036**

Atlasīta informācija par konsolidēto finansiālo stāvokli, EUR'000

	Par gadu, kas beidzās 31. decembrī (revidēts)			*Par trīs mēnešu periodu, kas beidzās 31. martā (nepārskatīts)*	
	2020	*2021*	*2022*	*2022*	*2023*
Kopā ilgtermiņa aktīvi	22,419	32,743	50,256	36,156	57,023
Kopā apgrozāmie līdzekļi	24,047	19,420	26,902	19,533	28,073
Kopā aktīvi	**46,466**	**52,163**	**77,158**	**55,690**	**85,095**
Kopā pašu kapitāls	9,758	17,476	18,106	18,011	18,915
Kopā ilgtermiņa kreditori	17,991	20,633	21,688	23,692	25,957
Kopā īstermiņa kreditori	18,717	14,054	37,364	13,986	40,223
Kopā pasīvi un pašu kapitāls	**46,466**	**52,163**	**77,158**	**55,690**	**85,095**

Atlasīta informācija par naudas plūsmas pārskatu, EUR'000

	Par gadu, kas beidzās 31. decembrī (revidēts)			*Par trīs mēnešu periodu, kas beidzās 31. martā (nepārskatīts)*	
	2020	*2021*	*2022*	*2022*	*2023*
Neto naudas plūsma no (uz) pamatdarbības	2,441	(3,307)	(17,966)	(2,811)	(5,798)
Neto naudas plūsma no (uz) investīciju darbības	262	(74)	(704)	(203)	(243)
Neto naudas plūsma no (uz) finansēšanas darbības	753	1,249	18,579	2,259	6,070
Neto naudas plūsma par pārskata gadu	3,456	(2,132)	(90)	(756)	29

Kas ir emitentam raksturīgie būtiskākie riski?

<u>Ar konkurenci saistīts risks patērētāju kreditēšanas un aizdevumu pret ķīlu darbības jomā.</u> 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

[3] Peļņa par akcijām, kas tiek norādīta katra attiecīgā perioda beigās. Peļņa par akciju 2019. gadā nav iekļauta Revidētajos finanšu pārskatos. Tā aprēķināta un iekļauta šajā tabulā salīdzinošos nolūkos.
[4] Salīdzinošos nolūkos apgrozībā esošo akciju skaits ir pielāgots jaunu akciju emisijām.

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.

Informācija par vērtspapīriem

Kādas ir vērtspapīru galvenās iezīmes?

Veids, kategorija un ISIN

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

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

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

No Akcijām izrietošās tiesības

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

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

Akciju pakārtotība emitenta kapitāla struktūrā maksātnespējas gadījumā

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

Akciju brīvas atsavināšanas ierobežojumi

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

Dividenžu politika

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

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

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

Kopš tās iekļaušanas publiskajā sarakstā Sabiedrība ir guvusi regulārus un prognozējamus uz atdevi balstītus ieņēmumus, vienlaikus saglabājot Sabiedrības finansiālo stabilitāti un orientējoties uz ilgtermiņa attīstības mērķiem. 2022. gadā Sabiedrība dividendēs izmaksāja 5,424,757 EUR, kas ir EUR 0.12 uz vienu akciju.

Kur tiek tirgotas Akcijas?

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

Kas ir vērtspapīriem raksturīgie būtiskākie riski?

Akciju cenas un akciju likviditātes risks. Nasdaq Riga birža, salīdzinot ar citiem stabiliem vērtspapīru tirgiem ar ilgāku vēsturi, ir ievērojami mazāk likvīda un ar augstu cenu svārstības dinamiku. Nasdaq Riga biržas visai mazā tirgus kapitalizācija un zemā likviditāte var negatīvi ietekmēt akcionāru spēju pārdot Akcijas nozīmīgos apjomos. Ieguldītājiem var nebūt iespējams ātri pārdot Akcijas par Piedāvājuma cenu vai augstāku cenu.

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

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

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

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

Nodokļu režīma riski. Izmaiņas 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.

Informācija par vērtspapīru publisko piedāvājumu

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

Piedāvājuma gaitā tiek piedāvātas līdz 1,510,000 Piedāvājuma akcijas. Piedāvājuma akcijas ir pastāvošas, pilnībā apmaksātas Sabiedrības Akcijas. Piedāvājuma rezultātā Sabiedrības pašreizējais pamatkapitāls netiek palielināts vai samazināts. Sagaidāmā bruto ieņēmumu summa no Piedāvājuma ir līdz 2,038,500 EUR. Ar Piedāvājumu tieši saistītās izmaksas ir novērtētas ap 36,410 EUR. Tādējādi neto ieņēmumi no Piedāvājuma ir sagaidāmi līdz 2,002,090 EUR apmērā. Sabiedrība nesaņems nekādus ieņēmumus no Piedāvājuma. Piedāvātājs sedz visas ar Piedāvājumu saistītās izmaksas un izdevumus.

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

Piedāvājuma orientējošais laika grafiks ir šāds:

Piedāvājuma perioda sākums	2023. gada 22. maijs plkst. 10:00
Piedāvājuma perioda beigas	2023. gada 2. jūnijs plkst. 15:30
Piedāvājuma rezultātu paziņošana un Piešķiršana	Aptuveni 2023. gada 5. jūnijs
Piedāvājuma izpilde	Aptuveni 2023. gada 6. jūnijs

Piedāvātājs kopīgi ar Galveno organizētāju ir nolēmis, ka Piedāvājuma akcijas tiks piešķirtas proporcionāli (*pro-rata)* Piedāvājuma periodā saņemtajiem iegādes pieteikumiem ap 2023. gada 5. jūniju.

Prospekta dienā Sabiedrības Akciju skaits ir 45,319,594. Piedāvājuma akciju skaits ir 1,510,000. Piedāvājuma rezultāti neietekmēs Sabiedrības Akciju skaitu.

Kas ir akcionāri, kas pārdod savas akcijas?

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

SIA EC finance ir sabiedrība ar ierobežotu atbildību, kas dibināta Latvijā, reģistrēta Latvijas Uzņēmumu reģistrā ar reģistrācijas numuru 40103950614 un juridisko adresi Skanstes iela 50A, Rīga, LV-1013. Sabiedrības e-pasts ir SIA.EC.finance@gmail.com, telefona numurs ir +371 25350677. Tās juridiskās personas identifikators (LEI) ir 984500DD97SA6CC9G232.

Piedāvātājs publiski piedāvā šādu akciju daudzumu:

Akcionāra vārds (nosaukums)	Kopējā akciju kapitāla procenti turējumā	Akciju skaits turējumā	Publiski piedāvāto Akciju skaits
SIA EC finance	18.22%	8,258,560	1,510,000

Kādēļ tiek sagatavots šis Prospekts?

Šis Prospekts tiek sagatavots: 1) lai palielinātu brīvā apgrozībā (*free-float*) esošo Akciju skaitu, tādējādi palielinot Akciju likviditāti; 2) lai Piedāvātājs varētu diversificēt savus aktīvus un ieguldījumus.

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

1.4. Summary in Lithuanian *(Santrauka)*

Įvadas ir perspėjimai

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

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

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

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

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

SIA EC finance yra Latvijoje įsteigta uždaroji akcinė bendrovė (*sabiedrība ar ierobežotu atbildību*), įregistruota Latvijos juridinių asmenų registre, registracijos numeris 40103950614, kurios registruotas adresas yra Skanstes iela 50A, Rīga, LV-1013. Bendrovės elektroninis paštas yra SIA.EC.finance@gmail.com, telefono numeris: +371 25350677. Juridinio asmens identifikatorius (LEI) yra 984500DD97SA6CC9G232.

Prospektą tvirtinanti kompetentinga institucija ir kontaktiniai duomenys

Šį Prospektą patvirtino Latvijos bankas, kaip kompetentinga institucija, adresas Krišjāņa Valdemāra iela 2A, Ryga, LV-1050, elektroninis paštas: info@bank.lv, telefono numeris: +371 6702 2300, pagal Reglamentą (ES) 2017/1129.

Prospekto patvirtinimo data

Šis Prospektas buvo patvirtintas 2023 m. gegužės 17 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 nenuosekli skaitant kartu su kitomis Prospekto dalimis arba joje, skaitant kartu su kitomis Prospekto dalimis, nepateikiama pagrindinė informacija, kuria siekiama padėti investuotojams svarstant galimybę investuoti į šiuos vertybinius popierius.

Pagrindinė informacija apie įmonę

Kas yra vertybinių popierių emitentas?

Buveinė, teisinė forma, LEI, įsteigimo ir veiklos šalis

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

Pagrindinė veikla

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

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

(1) **Vartojimo paskolų segmentas**: vartojimo paskolų valdymas, skolų išieškojimo veikla ir skolų pardavimas skolų išieškojimo bendrovėms.

(2) **Lombardo paskolų segmentas**: lombardo paskolų išdavimas ir lombardo prekių pardavimas.

(3) **Kitų operacijų segmentas**: paskolų teikimas nekilnojamojo turto plėtrai (nuo šio Prospekto datos nebėra aktyvi paslauga), bendrosios administravimo paslaugos grupės įmonėms (labai menka veikla, nereikšminga).

Pagrindiniai akcininkai

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

Akcininko pavadinimas	**Bendro turimo įstatinio kapitalo procentinė dalis**	**Turimų akcijų skaičius**	**Akcininko galutinis naudos gavėjas(-ai)**
SIA "AE Consulting"	8.75%	3,965,174	Agris Evertovskis
SIA EC finance	18.22%	8,258,560	Agris Evertovskis
SIA L24 Finance	55.13%	24,983,099	Aigars Kesenfelds Linda Kesenfelde

SIA „AE Consulting“ ir SIA „EC finance“ bendrai valdo 26.97% Įmonės akcijų (ir balsavimo teisių). SIA „L24 Finance“ valdo 55.13% Įmonės akcijų (ir balsavimo teisių). SIA „AE Consulting“, SIA „EC finance“ ir SIA „L24 Finance“ bendrai valdo 82.10% Įmonės akcijų (ir balsavimo teisių).

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

Pagrindiniai vadovaujantys direktoriai

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

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

Teisės aktais nustatytą auditą atliekančių auditorių tapatybė

"KPMG Baltics SIA", registracijos numeris: 40003235171, registruota adresas Roberta Hirša iela 1, Rīga, LV-1045, yra teisės aktų tvarka patvirtinti Grupės auditoriai. Auditorius renka visuotinis akcininkų susirinkimas.

Kokia yra pagrindinė finansinė informacija apie emitentą?

Grupės audituotos konsoliduotos finansinės atskaitomybės už finansinius metus, pasibaigusius 2022 m. gruodžio 31 d., 2021 m. gruodžio 31 d. ir 2020 m. gruodžio 31 d., buvo pridėtos prie Prospekto. Be to, prie Prospekto buvo pridėta Grupės neperžiūrėta 3 mėnesių laikotarpio konsoliduota tarpinė finansinė atskaitomybė paruošta 2023 m. kovas 31 dienai, taip pat Grupės neperžiūrėta 3 mėnesių laikotarpio konsoliduota tarpinė finansinė atskaitomybė paruošta 2022 m. kovas 31 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)			*Trijų mėnesių laikotarpis pasibaigęs kovas 31 d. (neperžiūrėta)*	
	2020	*2021*	*2022*	*2022*	*2023*
Bendros pajamos	**23,664**	**25,189**	**35,776**	**7,586**	**11,082**
Bendrasis pelnas	**14,301**	**15,390**	**20,742**	**4,707**	**5,702**
EBIT marža, %	**35.9**	**35.0**	**33.3**	**29.9**	**32.6**
Pelnas prieš pelno mokestį	**4,854**	**4,997**	**7,258**	**1,579**	**1,825**
Pelno mokestis	(755)	(979)	(1,296)	(188)	(212)
Tarpiniai dividendai	-	-	-	-	-
Grynasis ataskaitinių metų pelnas	**4,100**	**4,018**	**5,961**	**1,391**	**1,613**
Grynoji pelno norma, %	**17.3**	**16.0**	**16.7**	**18.3**	**14.6**
Grynasis pelnas, priskirtinas patronuojančios įmonės savininkams	4,100	4,018	5,961	1,391	1,613
Pelnas už akciją, EUR[5]	**1.025**	**0.098**	**0.132**	**0.031**	**0.036**
Koreguotas pelnas vienai akcijai, EUR[6]	**0.102**	**0.098**	**0.132**	**0.031**	**0.036**

Pasirinkta konsoliduotos finansinės būklės ataskaita informacija, tūkst. eurų

	Finansiniai metai pasibaigę gruodžio 31 d. (audituota)			*Trijų mėnesių laikotarpis pasibaigęs kovas 31 d. (neperžiūrėta)*	
	2020	*2021*	*2022*	*2022*	*2023*
Iš viso ilgalaikio turto	22,419	32,743	50,256	36,156	57,023
Iš viso trumpalaikio turto	24,047	19,420	26,902	19,533	28,073
Bendras turtas	**46,466**	**52,163**	**77,158**	**55,690**	**85,095**
Visas kapitalas	9,758	17,476	18,106	18,011	18,915
Iš viso ilgalaikių kreditorių	17,991	20,633	21,688	23,692	25,957
Iš viso trumpalaikių kreditorių	18,717	14,054	37,364	13,986	40,223
Iš viso įsipareigojimų ir nuosavo kapitalo	**46,466**	**52,163**	**77,158**	**55,690**	**85,095**

Pasirinkta konsoliduota pinigų srautų ataskaita informacija, tūkst. eurų

	Finansiniai metai pasibaigę gruodžio 31 d. (audituota)			*Trijų mėnesių laikotarpis pasibaigęs kovas 31 d. (neperžiūrėta)*	
	2020	*2021*	*2022*	*2022*	*2023*
Grynieji pinigų srautai iš (į) pagrindinės veiklos	2,441	(3,307)	(17,966)	(2,811)	(5,798)
Grynieji pinigų srautai iš (į) investicinės veiklos	262	(74)	(704)	(203)	(243)
Grynieji pinigų srautai iš (į) finansavimo veiklos	753	1,249	18,579	2,259	6,070
Ataskaitinių metų grynieji pinigų srautai	3,456	(2,132)	(90)	(756)	29

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

[5] 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.
[6] Palyginimo tikslais, išleistų akcijų skaičius buvo pakoreguotas atsižvelgiant į naujas akcijų emisijas.

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.

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" ISIN numeriu LV0000101806 ir saugomos nematerialia forma. Akcijų sertifikatai nėra ir nebus išleisti.

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

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

Su Akcijomis susijusios teisės

Visi 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.

Nuo Įmonės įtraukimo į viešąjį prekybos sąrašą, Įmonė įgijo reguliarios ir numatomos pajamingumo grąžos, išlaikydama Įmonės finansinį stabilumą ir sutelkdama dėmesį į ilgalaikius plėtros tikslus. 2021 metais Įmonė išmokėjo 5,424,757 EUR dividendų, o tai sudaro 0,12 euro už akciją.

Kur bus prekiaujama Akcijomis?

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

Kokios yra pagrindinės rizikos, būdingos vertybiniams popieriams?

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

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

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

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

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

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

Informacija apie vertybinių popierių siūlymą visuomenei

Kokiomis sąlygomis ir tvarkaraščiu galiu investuoti į šį vertybinį popierių?

Siūlymo metu yra siūloma iki 1,510,000 Siūlomų Akcijų. Siūlomos Akcijos yra pilnai apmokėtos Įmonės akcijos. Dabartinis Įmonės įstatinis kapitalas Siūlymo metu ar dėl jo nėra didinamas ar mažinamas. Numatoma bendra Siūlymo pajamų suma yra iki 2,038,500 eurų. Sąnaudos, tiesiogiai susijusios su Siūlymu, yra apytiksliai 36,410 eurų. Tikimasi, kad grynosios siūlymo pajamos bus iki 2,002,090 eurų. Įmonė negaus jokių pajamų iš Siūlymo. Siūlymo teikėjas padengia visas išlaidas, susijusias su Siūlymu.

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

Orientacinis Pasiūlymo grafikas yra:

Pasiūlymo laikotarpio pradžia	2023 m. gegužės 22 d., 10 val.
Pasiūlymo laikotarpio pabaiga	2023 m. birželio 2 d., 15:30 min.
Pasiūlymo ir Paskirstymo rezultatų paskelbimas	Apie 2023 m. birželio 5 d.
Pasiūlymo apmokėjimas	Apie 2022 m. birželio 6 d.

Siūlymo teikėjas kartu su Tarptautiniu vadovu nusprendė, kad Siūlomos akcijos bus paskirstytos proporcingai, atsižvelgiant į pirkimo prašymus, gautus per pasiūlymo laikotarpį, maždaug 2022 m. birželio 5 d.

Šio Prospekto dienai Įmonės akcijų skaičius yra 45,319,594. Siūlomų akcijų skaičius yra 1,0,000. Siūlymo rezultatai neturės įtakos Bendrovės akcijų skaičiui.

Kas yra parduodantis akcininkas?

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

SIA EC finance ir sabiedrība ar ierobežotu atbildību, kas dibināta Latvijā, reģistrēta Latvijas Uzņēmumu reģistrā ar reģistrācijas numuru 40103950614 un juridisko adresi Skanstes iela 50A, Rīga, LV-1013. Sabiedrības e-pasts ir SIA.EC.finance@gmail.com, telefona numurs ir +371 25350677. Tās juridiskās personas identifikators (LEI) ir 984500DD97SA6CC9G232.

Siūlymo teikėjas viešai siūlo tokį akcijų kiekį:

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

Kodėl šis Prospektas rengiamas?

Prospektas rengiamas: 1) padidinti laisvai cirkuliuojančių Akcijų skaičių ir taip padidinti Akcijos likvidumą; 2) Siūlymo teikėjui diversifikuoti savo turtą ir investicijas.

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

2. RISK FACTORS

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

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

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

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

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

2.1. Risk factors relating to macroeconomic conditions

Risk of economic slowdown

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

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

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

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

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

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

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

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

Competition risk in the consumer lending segment

The Group competes with 23 licensed consumer lending companies[7] 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 2022 was 14.5% (12% in the year 2021 and 10% in the year 2020).[8] Interest rates charged by consumer loan providers vary significantly. The maximum permitted rates are set by the Latvian legislator (please see Section 7.5 "Regulatory environment" of this Prospectus). Because of this, the Company's strategy is to increase market share primarily through the breadth of its service offering, speed, quality and reliability in the provision of the scale of services, effective brand adverting, established reputation and continuous investment in new technology.

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

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

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

[7] Capital companies that have received a special permit (license) to provide consumer credit services. Available at: https://registri.ptac.gov.lv/lv/table/kapitalsabiedribas-kuras-sanemu-licenci-pateretaju-krediteanas-pakalpojumu-sniegsanai.

[8] Based on the information provided in the Overview on Consumer (non-bank) Credit Market Activities in 2022 by the Consumer Rights Protection Centre. Available at: https://www.ptac.gov.lv/lv/media/3375/download?attachment.

Competition risk in the pawn loan segment

The Company currently competes with 4 companies licensed to provide pawn loans to consumers[9]. In 2022, the market share of the Company in Latvia amounted to 53% (compared to 46% in the year 2021 and 36% in the year 2020).[10] Moreover, considering the fact that the Company plans to continue expanding its operations in the area of pawn loans, there may be a risk that the Company will attract additional scrutiny on the part of supervisory authorities as its market share in the pawn loan business will be considered significant. Consequently, additional compliance requirements stemming from the Latvian Competition Law could apply.

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

Risk related to unsuccessful development of products and services

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

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

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

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

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

2.3. Risk factors related to the Group's business

Risk related to personnel and workforce

The competence and commitment of the Group's employees are important factors for the successful development and management of opportunities and risks of the Group. Therefore, the success of the Group's business is largely dependent on its ability to attract, train, motivate and retain qualified employees. A lack of qualified and motivated personnel could impair the Group's development and growth, increase its costs and harm reputation. Any loss of qualified personnel, high employee turnover,

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[9] Overview of Consumer (non-bank) Credit Market Activities in first half of 2022 by the Consumer Rights Protection Centre. Available at: https://www.ptac.gov.lv/lv/media/3375/download?attachment.

[10] Based on the information provided in the Overview of Consumer (non-bank) Credit Market Activities in 2022 by the Consumer Rights Protection Centre. Available at: https://www.ptac.gov.lv/lv/media/3375/download?attachment.

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 7,899,726 in the year 2022 (59.5% of the total selling and administrative expenses (compared to 57.6% in the year 2021), personnel expenses represent a significant share of the total cost base of the Group. Any material disagreements between the Group and its employees could disrupt the Group's operations, lead to a loss in revenue and customers and increase operating costs. If the Group's operation is affected over a longer period of time by labour disputes, this could have a material adverse effect on the business, financial condition and results of operations of the Group.

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

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

Lending concentration risk

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

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

Reputational risk

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

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

Risk posed by providing consumer loan services

From the total amount of MEUR 67,439 issued loans by the Group in 2022, most loans are not secured by any collateral or security of any kind (*unsecured loans*).

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

In 2022, the revenue generated by consumer loans constituted 66% of the Group's total revenue. The non-performing loan ratio at the end of 2022 was 1,4%.

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

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

Risk related to Force majeure

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

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

Risk related to Geo-political tension

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

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

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

Risks posed by providing pawn loan services

Risk of inaccurate appraisal of pledged assets

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

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

Risk related to origin of the goods

The Company may inadvertently accept goods with illicit origin. However, the Company has put in place several guidelines which the Company updates on a regular basis to minimise this risk. The Company's employees undergo detailed training in verifying the true ownership of goods offered as collateral for pawn-based loans. This includes checking the identity of the individual(s) and tracing title to the goods. Regardless of such procedures, an event where the legal origin of the good has been determined incorrectly cannot be totally excluded.[11] Failure to identify the true owner of goods could adversely affect the reputation, business and financial condition of the Company due to subsequent actions by authorities and/or the media.

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

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

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 2022, the total value of stolen goods was EUR 9,581.71, from which EUR 270 have been recovered as of the date of this Prospectus. Five criminal proceedings were initiated in 2022 to protect the Company's rights in relation to these cases (please see Section 8.6 "Risk management" of this Prospectus).

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

Risk related to lease agreements

The Company operates most of its branches on leased premises. The Company leases around 7 thousand square metres of branch premises in Latvia – around 3.5 thousand square meters in Riga and around 3.5 thousand square meters across the regions. As of the date of this Prospectus the Company has entered into around 92 lease agreements with various third parties, which may be renewed from time to time. Any delay or failure to renew the lease agreements on terms and conditions favourable to the Company may force the Company to move some of its branches to new premises. The Company may incur expenses in relation to such relocation, which may affect the results of operations of the Company. All lease agreements are not due to expire at the same time.

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

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

Risks related to the Group's technical operations

The Group has invested significant resources in the amount of EUR 100 thousand in 2022 into information systems, software, computers, electronics devices, other equipment and maintenance. Constant connectivity of the branches of the Company across Latvia with the head office is the key to the proper functioning of the Group's business. At the same time, malfunction of security systems, computer system disruptions, communication systems failure and data interception during transmission through the external communication channels and networks may have a negative effect on the Group's operations. Please also refer to Section 8.8 "Investments" for more details.

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

2.4. Risk factors relating to IT and intellectual property

Cybersecurity and IT-related risks

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

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

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

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

Risks related to third-party cloud systems

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

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

Risks related to third-party service providers

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

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

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

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

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

Brand-related risks

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

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

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

Risks related to infringing third-party intellectual property rights

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

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

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

2.5. Risk factors relating to laws, regulations and compliance

Risks related to statutory licencing requirements

The Group is subject to licensing requirements, strict regulation and close supervision by the Latvian Consumer Rights Protection Centre (the "**CRPC**"). As part of the existing licensing framework, the Company and the Group is required to comply with certain statutory and regulatory requirements. The Group's licences have an indefinite duration, but are subject to revocation or suspension by the CRPC. The CRPC must intervene if the Company and/or the Group violate their obligations under the applicable laws. The CRPC can suspend the licence for up to 6 months if the Company and/or the Group does not comply with regulatory enactments and fails to cooperate to solve the identified discrepancies. In the case of material violations, the CRPC can, as an ultimate measure, revoke the Company's and/or the Group's licence. In such case, the Company and/or the Group would not be allowed to issue any more loans for a period of 3 years, however, following the expiration of 3 years, the Company and/or the Group would be able to re-apply for the licence. Nevertheless, even if the licence were revoked, the Company and/or the Group would be able to continue servicing the existing loans, but it would not be allowed to change the terms of existing agreements to be more unfavourable from the perspective of the consumers.

Taking the nature, gravity, duration and potential effects of the violation into consideration, the CRPC can, instead of revoking the Company's and/or the Group's licence, suspend the Company's and/or the Group's licence for a period of up to 6 months. A suspension may be combined with the imposition of monetary fines. The CRPC can impose monetary fines without suspending the licence. In 2022 and 2021 the Group did not pay any fines to the CRPC, however in 2020, fines paid by the Group to the CRPC amounted to EUR 25,066. The imposition by the CRPC of material fines, penalties or warnings upon the Company and/or the Group would cause significant and potentially irreparable harm to the Group's reputation and, as a result, the Group's business, financial position and results of operations could suffer. The Group's operations are contingent upon the operating licences granted by the CRPC. If the licences are revoked or suspended, the Group will have to cease its consumer credit operations which, in turn, will produce a material adverse effect on the Group's business, financial condition and results of operations.

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

Risks of regulatory requirements and regulatory changes

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

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

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

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

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

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

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

Operations of the Company and the Group are subject to the codes of conduct adopted by the CRPC, general recommendations, policies and guidelines and interpretations of law and Cabinet of Ministers regulations. The Group is subject to supervision by the CRPC with regard to, among other things, rules on internal governance and control, compliance with legal enactments, including compliance with non-binding interpretation guidelines issued by the CRPC. In addition, as for any provider of consumer loans, the offerings of the Group's services are subject to targeted reviews by the CRPC.

The Group has established a satisfactory working relationship with the CRPC and communicates with the CRPC on a regular basis. Regardless, whenever the interpretation of a law or regulations by the

Group differs from the interpretation by the CRPC, the Group may become subject to the imposition of penalties and its business could be adversely affected.

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

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

Risks related to EU General Data Protection Regulation

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

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

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

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

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

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

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

Cash transactions entail a high risk of money laundering. The Group allows the execution of cash transactions amounting to no more than EUR 6,900 over the course of a month. Several measures mitigating the risk of money laundering are in place: 1) consumer loans exceeding EUR 1,000 and pawn loans exceeding EUR 3,000 can only be disbursed by means of bank transfer to the bank account of the borrower, cash transactions are evaluated as a part of transaction monitoring; 2) whenever the value of a cash transaction exceeds EUR 3,000, the Group employees are required to advise the customer to execute the transaction by means of bank transfer; 3) whenever the value of the cash transaction exceeds EUR 5,000, Group employees are required to obtain approval of the AML department and fill in the relevant AML form; 4) Group employees are required to check and verify the origin of the funds before executing each consumer loan transaction, while in the cases of pawn loans the origin of the funds and the collateral is verified, if deemed necessary based on the client's risk level and the value of the collateral.

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

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

Information disclosure risk

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

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

2.6. Risk factors relating to financial matters

Risk related to borrower credit risk

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

The Group has set detailed prudential guidelines and policies regarding the issuance of consumer loans and pawn loans. Despite the detailed guidelines and 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 2022, the total net loan portfolio including accrued interest of the Group amounted to MEUR 67.4. The Group reported MEUR 5.8 of credit losses for the year 2022. The degree to which credit risk may affect the Company can potentially increase. The increase in credit risk profile of the loan portfolio, in turn, may adversely affect the credit quality of the Company's assets.

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

Funding and liquidity risk

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

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

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

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

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

Risks related to the debt collection process

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

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

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

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

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

Risks associated with related party transactions

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

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

2.7. Risks relating to the Shares and the Offering

Share price and share liquidity risk

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

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

Cancellation of Offering

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

Risk of share value dilution

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

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

Risks related to the ability to pay dividends

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

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

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

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

Lack of adequate analyst coverage

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

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

Tax regime risks

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

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

3. INTRODUCTORY INFORMATION

3.1. Applicable Law

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

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

3.2. Responsible Persons and Limitation of Liability

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

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

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

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

signed with a safe electronic signature

SIA EC finance
Member of the Management Board
Agris Evertovskis

3.3. Presentation of Information

Approximation of numbers

Numerical and quantitative values in this Prospectus (e.g., monetary values, percentage values, etc.) are presented with such precision that the Offeror deems necessary in order to provide adequate and sufficient information on the relevant matter while avoiding an excessive level of detail. In some cases, quantitative values have been rounded up to the nearest decimal place or whole number to avoid an excessive level of detail. As a result, certain values may not necessarily add up to the respective totals due to the effects of the approximation. Exact numbers can be examined and derived from the Financial Statements to the extent that the relevant information is reflected therein.

Currencies

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

Date of financial information

The financial information presented in this Prospectus has been derived or taken from the audited consolidated financial statements of the Group pertaining to the three financial years which ended on 31 December 2022, 31 December 2021, 31 December 2020 (the "**Audited Financial Statements**") prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The Financial Statements have been reviewed and prepared by "KPMG Baltics SIA" for financial year which ended on 31 December 2022 and by "BDO ASSURANCE" SIA for financial years which ended on 31 December 2021 and 31 December 2020, and have been enclosed to this Prospectus as Schedule 1.

The financial information in this Prospectus for the 3-month period which ended on 31 March 2023 and 3-month period which ended on 31 March 2022 has been derived or taken from the unreviewed consolidated interim financial statements of the Group for the 3-month period which ended on 31 March 2023 and for the 3-month period which ended on 31 March 2022 (the "**Interim Financial Reports**") which have been prepared in accordance with the International Accounting Standards (IAS) 34 but have not been reviewed by external auditors as enclosed to this Prospectus as Schedule 2 (the Interim Financial Reports together with the Audited Financial Statements also referred to as the "**Financial Statements**").

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

Market information

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

Updates

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

Definitions of terms

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

References to the Group's Websites

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

3.4. Accounting Principles

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

3.5. Forward-Looking Statements

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

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

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

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

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

3.6. Use of this Prospectus

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

3.7. Approval of this Prospectus

This Prospectus has been approved by the decision of the Bank of Latvia as competent authority under Prospectus Regulation, dated 17 May 2023. The Bank of Latvia merely confirms that this Prospectus is in accordance with the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. This approval should not be considered as an endorsement of the Company or the Offeror or the quality of the Offer Shares. Prospective investors should assess the suitability of investing in the Offer Shares by themselves.

3.8. References incorporated into this Prospectus

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

1) the Group's audited consolidated annual report for the financial year ended 31 December 2022 (Please see "Schedule 1" of this Prospectus);

2) the Group's audited consolidate annual report for the financial year ended on 31 December 2021 (Please see "Schedule 1" of this Prospectus);

3) the Group's audited consolidated annual report for the financial year ended on 31 December 2020 (Please see "Schedule 1" of this Prospectus);

4) the Group's unreviewed consolidated interim financial statements for the 3-month period which ended on 31 March 2023 (Please see "Schedule 2" of this Prospectus);

5) the Group's unreviewed consolidated interim financial statements for the 3-month period which ended on 31 March 2022 (Please see "Schedule 2" of this Prospectus);

6) the Company's Articles of Association.

The Financial Statements have been audited or reviewed by an independent auditor "KPMG Baltics SIA" for financial year which ended on 31 December 2022 and "BDO ASSURANCE" SIA for financial years which ended on 31 December 2021 and 31 December 2020 and (please see Section 11.9 "The external auditor" of this Prospectus). The Financial Statements incorporate by reference the information requested under sections 18.1.1, 18.1.3, 18.1.6, 18.2.1 and 18.3.1 of Schedule 1 to the Delegated Regulation.

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

3.9. Documents on Display

This Prospectus will be available in electronic form on the website of the Bank of Latvia (https://bank.lv/) and Nasdaq Riga website (www.nasdaqbaltic.com).

Any interested party may download the Prospectus from the Bank of Latvia and Nasdaq Riga website free of charge or request the delivery of electronic copy of the Prospectus from the Offeror.

4. TERMS AND CONDITIONS OF THE OFFERING

4.1. The Offering

In the course of the Offering, 1,510,000 Shares (the "**Offer Shares**") are being offered by the Offeror.

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

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

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

All the Shares, including the Offer Shares, are of one class, rank *pari passu* with each other and carry equal voting rights. The Offer Shares will give rights to dividends declared by the Company (if any). For further description of the rights attached to the Shares, including the Offer Shares (please see Section 6 "Right to dividends and Dividend Policy" and Section 10.5 "Shareholder rights" of this Prospectus).

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

Table 4.1.1

The indicative timetable of the Offering

Start of the Offer Period	22 May 2023
End of the Offer Period	2 June 2023
Announcement of results of the Offering and Allocation	On or about 5 June 2023
Settlement of the Offering	On or about 6 June 2023

4.2. Offer Period

The Offer Period is a period during which persons who have a right to participate in the Retail Offering and the Institutional Offering may submit Purchase Undertakings for the Shares. The Offer Period commences on 22 May 2023 at 10:00 local time in Latvia and terminates on 2 June 2023 at 15:30 local time in Latvia, Estonia and Lithuania unless it is shortened or extended (described in more detail in the Section 4.11 "Change to the Offer Price and Offer Period" of this Prospectus).

4.3. Retail Offering

Rights to participate in the Retail Offering

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

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

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

Purchase Undertakings in Retail Offering

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

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

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

Submission of Purchase Undertakings within Retail Offering

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

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

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

By submitting a Purchase Undertaking each investor:

(1) confirms that they have read this Prospectus and its Summary, including (but not limited to) risk factors set out in this Prospectus and a description of rights and obligations resulting from the ownership of the Shares;

(2) accepts the terms and conditions of the Offering set out in this Section and elsewhere in this Prospectus and agrees with the Offeror that such terms will be applicable to the investor's acquisition of any Offer Shares;

(3) acknowledges that the Offering does not constitute a binding sales offer of the Offer Shares, and that the submission of a Purchase Undertaking does not constitute the acceptance of a binding sales offer, and therefore does not in itself entitle the investor to acquire the Offer Shares, nor does it result in an agreement for the sale of the Offer Shares between the Offeror or the Global Lead Manager and the investor;

(4) accepts that the number of the Offer Shares indicated in the Purchase Undertaking will be regarded as the maximum number of Offer Shares which the investor wishes to acquire (the "**Maximum Amount**") and that the investor may receive less (but not more) Offer Shares than the Maximum Amount (described in more detail in the Section 4.7 "Allocation of Offer Shares");

(5) undertakes to acquire and pay for any number of Offer Shares allocated to them in accordance with these terms and conditions up to the Maximum Amount;

(6) authorises the financial institution and instructs them to forward the registered Purchase Undertaking to Nasdaq Riga;

(7) consents to the processing of investor's personal data to the extent such data processing is required for the purposes of the Offering in accordance with this Prospectus;

(8) authorises the financial institution, or Nasdaq Riga, as the case may be, to amend the information contained in the Purchase Undertaking, including to (a) specify the value date of the transaction and (b) specify the number of Offer Shares to be purchased by the investor and the total amount of the transaction, which results by multiplying the Offer Price by the number of Offer Shares allocated to the respective investor.

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

4.4. Institutional Offering

Rights to participate in the Institutional Offering

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

Submitting Purchase Undertakings in the Institutional Offering

In order to apply for the Offer Shares in the Institutional Offering, an application must be submitted during the Offer Period informing the Global Lead Manager or the financial institution, who is a member of Nasdaq Riga of the number of Offer Shares the investor wishes to purchase (the "**Purchase Undertaking**"). Investors have to submit the Purchase Undertaking with a value date that enables settlement "delivery versus payment" on 6 June 2023.

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

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

An investor may submit the Purchase Undertaking through a nominee account only in case the investor authorises the holder of the nominee account to disclose the identity of the investor to Nasdaq Riga in writing. Purchase Undertakings submitted via nominee accounts shall be taken into account upon allocation only if the holder of the nominee account has disclosed the investor's identity, seat and registry code, the number of securities applied for purchase and the total amount of the transaction to or Nasdaq Riga in writing. Among others, the registered address of a legal person must be disclosed.

4.5. Offer Price

In accordance with the information obtained from Nasdaq Riga the volume weighted average Share price from 1 February 2023 until 30 April 2023 (3 months) has been EUR 1.51. To incentivize investors to purchase Offer Shares, the Offeror is providing 10.6% discount from the average Share price.

Therefore, the Offer Price is **EUR 1.35** per one Offer Share. The Offer Price will be the same in the Retail Offering and in the Institutional Offering.

4.6. Payment

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

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

4.7. Allocation of the Offer Shares

The Offeror together with the Global Lead Manager have decided that the Offer Shares will be allocated on proportional basis (*pro-rata*) for both Retail Offering and Institutional Offering on or about 5 June 2023.

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

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

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

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

The Offeror and Global Lead Manager expects to announce the results of the allocation process on the website of Nasdaq Riga https://nasdaqbaltic.com/statistics/en/news on or about 5 June 2023.

4.8. Settlement Through the Global Lead Manager

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

4.9. Settlement and Trading

Settlement of the Offering will be carried out by Nasdaq CSD. The Offer Shares allocated to investors will be transferred to their securities accounts from the securities account of the Global Lead Manager on or about 6 June 2023 through the "delivery versus payment" method simultaneously with the transfer of payment for such Offer Shares, in accordance with the rules of Nasdaq CSD. The title to the Offer Shares will pass to the relevant investors when the Offer Shares are transferred to their securities accounts.

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

4.10. Agreements Related to the Offering

The Offeror has appointed AS LHV Pank as the Global Lead Manager and Bookrunner and intends to conclude a Placement and Services Agreement in connection with the Offering on or about 10 May 2023, which includes, among others, the obligation of the Global Lead Manager to sell the Offer Shares "on a best effort basis", arrange the settlement of the Offering. The total commissions to be paid to the Global Lead Manager will be approximately up to EUR 30,578 in the event that investors apply to purchase all of the Offer Shares.

4.11. Change to the Offer Price and Offer Period

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

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

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

4.12. Release of Funds

If the Offering or a part thereof is cancelled in accordance with the terms and conditions described in this Prospectus, if the investor's Purchase Undertaking is rejected or if the allocation deviates from the amount of Offer Shares applied for, the funds blocked on the investor's current account, or a part thereof (the amount in excess of payment for the allocated Offer Shares), is expected to be released by the respective account operator within 2 working days. Regardless of the reason for which funds are released, the Offeror shall not be liable for the release of the respective funds and for the payment of interest on the released funds for the time they were blocked.

4.13. Postponement or Cancellation of the Offering

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

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

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

4.14. Taxation

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

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

Risks associated with taxation and changes in tax legislation

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

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

4.15. Latvia

Taxation of the Company

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

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

Corporate income tax

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

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

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

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

Dividends and capital gains received by the Company

Dividends received by the Company from its Latvian shareholdings and capital gains of the Company are not subject to corporate income tax upon receipt, nor are dividends subject to withholding tax upon distribution to the Company, if received by the Company from its Latvian subsidiaries.

Moreover, 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; 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.

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

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

Taxation of dividend income

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

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

Moreover, whenever private individuals use an investment account for their investments that qualifies as such under the Latvian Law on Personal Income Tax and is opened with 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 dividends that have already been taxed upon payment at source; minus income from Latvian or other EU or European Economic Area state and local government securities). Thus, personal income tax 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.

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

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 regards 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 regards to taxation and reporting are applicable under the domestic law of its country of residence.

Other Taxes

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

4.16. Estonia

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

Taxation of the Shareholders

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

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

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

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

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

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

Taxation of dividend income

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

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

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

Corporate income tax is only levied upon further profit distribution by the Estonian resident entity to its shareholders and a 20% tax rate is applicable to the taxable base that is divided by a coefficient of 0.8. Distribution of profits includes dividends, share buy-backs, capital reductions, liquidation proceeds, certain issued loans to a shareholder or a partner, or deemed profit distributions (such as transfer pricing adjustments, business non-related expenses and payments). Corporate income tax at the rate of 14% (dividing taxable base by a coefficient of 0.86) is applicable to Estonian resident entities making regular profit distributions, namely, dividends paid in the amount that is below or equal to the extent of taxed dividends paid during the three preceding years. In addition, a withholding tax of 7% will apply in such case. Certain corporate income tax exemptions might be applicable for the further distribution of profits to the shareholders of the Estonian resident entity.

Taxation of capital gains

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

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

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

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

Other Taxes

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

4.17. Lithuania

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

Taxation of the Shareholders

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

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

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

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

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

Taxation of dividend income

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

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

Lithuanian resident entities pay corporate income tax on profits, including passive income, such as dividends. Taxable income is calculated by reducing the general income of a certain tax period with deductible expenses and non-taxable income. General corporate income tax rate is 15%. A reduced rate of 5% applies to corporate profits of small companies that conform to certain criteria. Newly established small companies may be subject to corporate income tax of 0% for the first year of activity, provided that certain conditions are met.

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

Taxation of capital gains

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

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

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

Other Taxes

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

5. REASONS FOR OFFERING AND USE OF PROCEEDS

5.1. Reasons for the Offering

The Offeror provides the following reasons for Offering:

1) to increase the amount of Shares in free-float and thus increase the Share liquidity;

2) for Offeror to diversify its assets and investments.

The Company will not receive any proceeds from the Offering.

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

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

5.2. Use of Proceeds

The Company will not receive any proceeds from the Offering.

Expenses directly related to the Offering are estimated to be approximately EUR 75,955, including commissions to be paid to the Global Lead Manager.

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

6. RIGHT TO DIVIDENDS AND DIVIDEND POLICY

6.1. Types, determination and distribution of dividends

Each shareholder of the Company has the right to a share in the profit of the Company. The Company in accordance with Latvian Commercial Law, Articles of Association and 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 after the General Meeting in which the annual report is adopted and decision on dividends distribution duly passed.

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

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

6.2. Dividend Policy

The initial edition of the Dividend Policy of the Company was adopted on 4 September 2020, and the amended edition on 29 March 2023. The Dividend Policy is available on the website of the Company.[12]

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

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

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

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

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

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[12] The current version of the Dividend Policy of the Group: https://delfingroup.lv/storage/files/delfingroup-dividenzu-politika-eng-nr12pl10-3-2023.pdf.

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

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

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

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

6.3. Entitlement to dividend

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

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

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

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

6.4. Amount of the dividend per share

The historical breakdown of dividends distributed to shareholders of the Company in the financial years 2020 through to 2022 is presented in the table below*:

Table 6.4.1.

The historical breakdown of dividends distributed to shareholders of the Company

	2020	**2021**	**2022**
The total amount of dividends distributed, EUR	3,000,000	3,723,138	5,424,757
Dividends per share distributed, EUR (rounded)	0.08	0.09	0.12
Dividends per share distributed on comparable basis (as if the amount of share capital on year-to-year basis was 45,319,594 shares), EUR (rounded)	0.07	0.08	0.12

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

7. PRINCIPAL MARKETS

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

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

7.1. Introduction

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

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

7.2. Overview of the consumer lending segment

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

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

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

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

Function of consumer lending

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

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

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

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

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

Consumer lending services

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

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

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

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

Evolution of the segment

Banks hold the majority share of the consumer lending segment in Latvia, in terms of net loan portfolio, the share of the specialised consumer lenders market has remained stable from December 2019 until June 2022 being around 37% - 38% of total consumer loan portfolio. At the end of December 2022, market share of specialised consumer lenders for the first time reached 40% (please see Table 7.3.1.).

Table 7.3.1.

Market share of specialised consumer lenders by consumer loan portfolio[14]

Period	Banks, MEUR	Specialised consumer lenders, MEUR	Total, MEUR	Market share of specialised consumer lenders
Dec-19	493	307	800	38%
Jun-20	459	283	742	38%
Dec-20	503	297	800	37%
Jun-21	497	303	800	38%
Dec-21	588	345	933	37%
Jun-22	620	385	1004	38%
Dec-22	648	436	1084	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, the trend is shifting in consumer lending from banks to specialised consumer lenders due to the following reasons:

[14] Sources: https://www.ptac.gov.lv/lv/media/3705/download?attachment and https://uzraudziba.bank.lv/statistika/kreditiestades/ceturksna-parskati/.

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

Table 7.3.2.

Total loan portfolio of Latvian specialised consumer lenders[15]

Period	Loan portfolio, MEUR	Percentage change compared to previous half-year
Dec-18	711	8.5
Jun-19	732	2.9
Dec-19	764	4.4
Jun-20	733	(4.1)
Dec-20	754	2.8
Jun-21	768	1.9
Dec-21	831	8.2
Jun-22	888	6.9
Dec-22	945	6.4

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 32.9% from the second half of 2018 to the second half of 2022 (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[16]

Period	Consumer loan portfolio, MEUR	Percentage change from previous half-year	Percentage change from the base period
Jun-18 (base period)	255	4.9	-
Dec-18	285	11.8	11.8
Jun-19	291	2.1	14.1
Dec-19	307	5.5	20.4
Jun-20	283	(7.8)	11.0
Dec-20	297	4.9	16.5
Jun-21	303	2.0	18.8

[15] Source: https://www.ptac.gov.lv/lv/media/3705/download?attachment.

[16] Source: https://www.ptac.gov.lv/lv/media/3705/download?attachment.

Dec-21	345	13.9	35.3
Jun-22	385	11.6	51.0
Dec-22	436	13.2	71.0

As per the data available, the consumer loan portfolio has increased by 71.0% from the first half of 2018 to the second half of 2022 (please see Table 7.3.3.). Moreover, it has more than tripled since second half of 2013, when the consumer loan portfolio was valued at just MEUR 133.43[17].

At the second half of 2022, the consumer credit sector continued to grow and the total value of consumer loan portfolio was the largest in the last seven years.

Table 7.3.4.

Total number and value of consumer loans newly issued by Latvian specialised consumer lenders and the average loan size[18]

Period	Number of new loans	Total value, MEUR	Year-on-year change in total value	Average loan size, EUR
2015	1,178,371	291.69	23.93%	247.54
2016	1,190,297	336.03	15.20%	282.31
2017	1,088,750	361.53	7.59%	332.06
2018	1,068,051	392.28	8.51%	367.29
2019	826,489	369.27	(5.87)%	446.79
2020	608,865	308.25	(16.52)%	506.27
2021	549,077	350.41	13.68%	638.05
2022	568,558	418.04	19.30%	735.27

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. The average loan sizes and tenures are increasing, the loan portfolio is growing (please see Table 7.3.2.) and also for the first time in 4 years, the number of new loans issued in 2022 has grown by almost 20 thousand compared to 2021(please see Table 7.3.4.).

In 2020, the volume of new consumer loans in Latvia underwent a decline of approximately 16.50% from pre-COVID-19 levels. The reduction can be attributed to consumer concerns regarding income and employment stability and the implementation of stringent restrictions on in-person consumer lending at branch offices. However, in 2021, the volume of new consumer loans rebounded and reached almost pre-COVID-19 levels. Furthermore, there was a significant increase of 13.68% as compared to 2020. This trend appears to be continuing in the second half of 2022 which showed an increase by 19.30% as compared to 2021.

Table 7.3.5.

Quality of the loan portfolios of Latvian specialised consumer lenders[19]

Period	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%

[17] Source: https://www.ptac.gov.lv/lv/media/3705/download?attachment.
[18] Source: https://www.ptac.gov.lv/lv/media/3705/download?attachment.
[19] Source: https://www.ptac.gov.lv/lv/media/3705/download?attachment.

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%
2021	90.98%	85.02%
2022	88.92%	85.94%

The data provided in Table 7.3.5. show that the quality attached to consumer loans issued by specialised consumer lenders has been slightly increasing. The proportion of loans that were repaid on schedule has been growing over recent years, with 88.92% of in-person consumer loans and 85.94% of distance consumer loans repaid without delay in 2022, compared to only 79.99% and 63.83% respectively in 2013. This positive change may be the mark of a changing approach to lending on behalf of both the loan providers and the borrowers.

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

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

Developments of applicable regulations

1) Amendments to Latvian Consumer Rights Protection Law

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

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

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

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

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

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

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

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

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

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

The emergence of FinTech consumer lenders

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

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

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

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

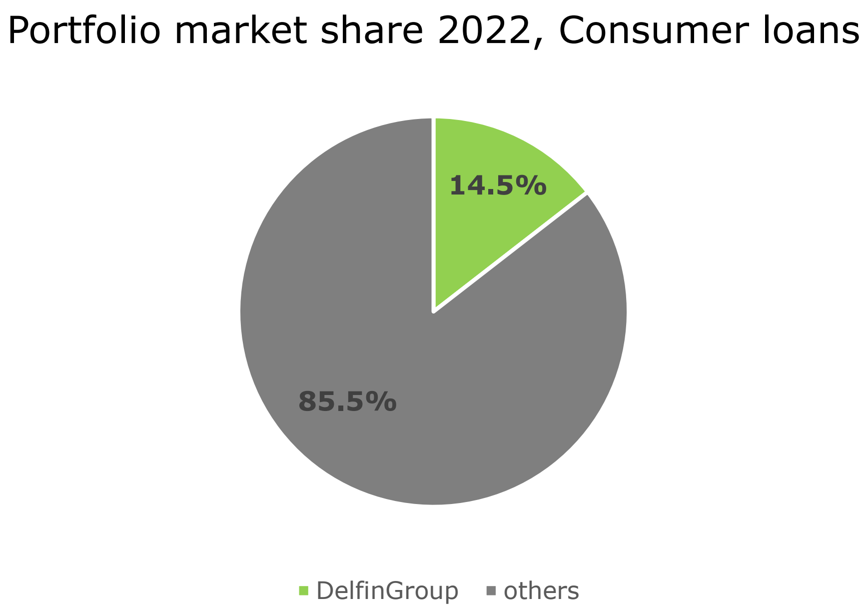
The Company believes that due to these factors, there is a substantial opportunity for technology-led specialised lenders to continue to attract market share from banks.

7.4. Competitive landscape of consumer lending services

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

Figure 7.4.1.

Portfolio market share 2022, Consumer loans[20]



Main competitors: consumer loans

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

Table 7.4.2.

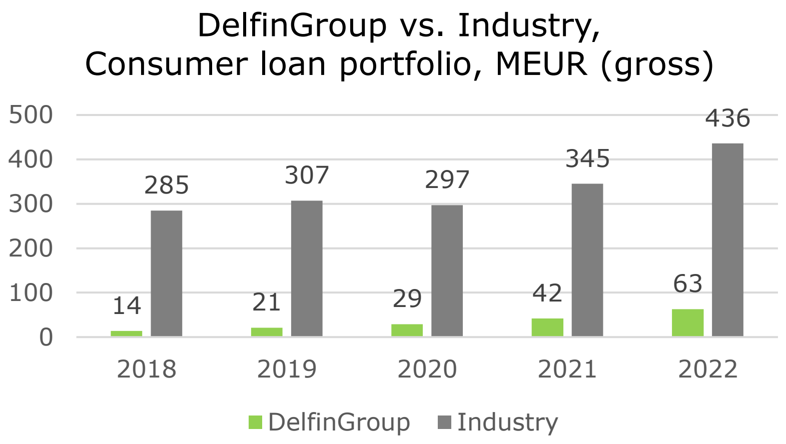
The Company's main competitors in consumer loan realm

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

[20] Source: https://www.ptac.gov.lv/lv/media/3375/download?attachment.

Figure 7.4.3.

DelfinGroup vs. Industry, Consumer loan portfolio, MEUR[21]



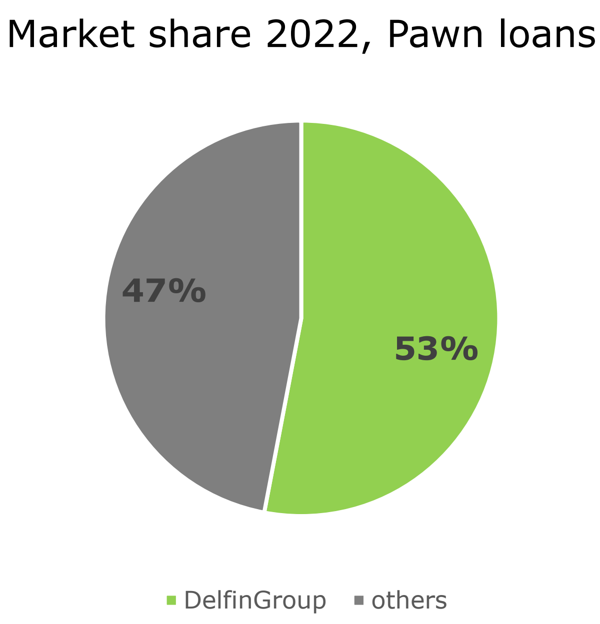
The Company has been steadily growing its share of the Latvian consumer loan market and adding to its portfolio of consumer loans.

The main competitors: pawn loans

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

Figure 7.4.4.

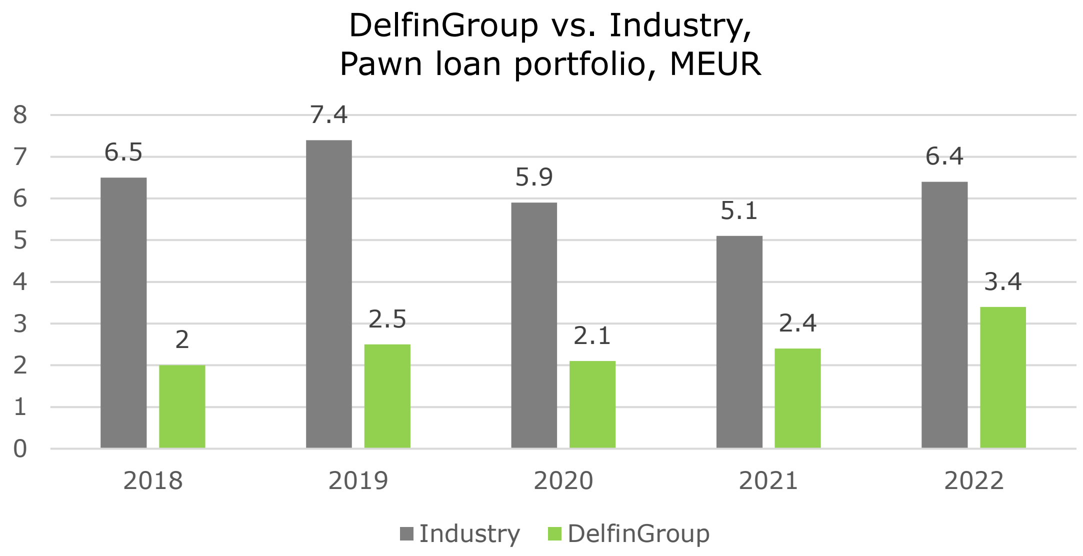
Market share 2022, Pawn loans[22]



[21] Source: https://www.ptac.gov.lv/lv/media/3375/download?attachment.
[22] Source: https://www.ptac.gov.lv/lv/media/3375/download?attachment.

Figure 7.4.5.

DelfinGroup vs. Industry, Pawn loan portfolio, MEUR[23]



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

Table 7.4.6.

Pawn loan network in Latvia

	Wide branch network in regions	Pledge gold	Pledge electronic devices	Developed consumer loan
DelfinGroup	Yes	Yes	Yes	Yes
Vita Credit	Limited	Yes	Yes	No
E-lats	Limited	Yes	Yes	Limited
Finance 360 association	Limited	Yes	Yes	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 of consumer lending services

Licensing framework for the provision of consumer loan services

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

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

1) Commercial Law of the Republic of Latvia;
2) Consumer Rights Protection Law;
3) Personal Data Processing Law and Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation);

[23] Source: https://www.ptac.gov.lv/lv/media/3375/download?attachment.

4) Financial Instrument Market Law;

5) Unfair Commercial Practices Prohibition Law;

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

7) Law on Safety of Goods and Services;

8) Law on Information Society Services;

9) Law on Release of Private Indebtedness for Natural Persons;

10) Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation).

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

1) Cabinet Regulation No. 245 of 29 March 2011 "Regulations Regarding Special Permit (Licence) for Consumer Credit Services";

2) Cabinet Regulation No. 691 of 25 October 2016 "Regulations on Consumer Credit";

3) Cabinet Regulation No. 648 of 21 October 2014 "Regulations Regarding Distance Contract for the Provision of Financial Services";

4) Law on Extrajudicial Recovery of Debt;

5) Cabinet Regulation No. 61 of 29 January 2013 "Regulations Regarding the Permissible Amount of Expenses for Recovery of Debt and Non-Reimbursable Expenses";

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

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

1) Law on International Sanctions and National Sanctions of the Republic of Latvia;

2) Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing;

3) Cabinet Regulation No. 705 of 13 November 2018 "Regulations Regarding Requirements on the Prevention of Money Laundering and Terrorism Financing for the Providers of Consumer Crediting and Debt Recovery Services";

4) Cabinet Regulation No. 550 of 17 August 2021 "Regulations on the Procedure and Content of Submission of Suspicious Transactions and Threshold Declaration".

Licensing requirements

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

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

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

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

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

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

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

Evolution of the segment

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

Table 7.7.1.

The total revenue of the business segment of pre-owned goods in stores at current prices[24]

Year	Total revenue, thousands of EUR	Year on year change
2017	39,401	4.7%
2018	38,890	(1.3)%
2019	42,435	9.1%
2020	33,687	(20.6)%
2021	25,195	(25.2)%
2022	38,729	53.7%

The revenue of pre-owned goods in stores experienced a decline in the year 2020 and 2021 compared to the year 2019. The decline is attributable to the adverse effects of the COVID-19 pandemic. However, in 2022 the revenue of pre-owned goods in stores returned to pre-COVID-19 levels, increasing by 53.7% in comparison with 2021, from 25,195 thousands of EUR to 38,729 thousands of EUR, respectively. It shows that the overall trend in recent years is such that the demand for pre-owned goods is growing due to a shift in the preferences of customers. Digitalisation and the introduction of new trading formats enhances the tendency towards re-sale and leads to the progressive development of the second-hand goods market.

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

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

7.8. Competitive landscape of pre-owned goods retail

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

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

7.9. Regulatory environment of pre-owned goods retail

New consumer policy - General Product Safety Regulation

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

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

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

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

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

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

8. COMPANY OVERVIEW

8.1. About the Company

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

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

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

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

Core values of the Company:

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

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

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

8.2. Historical timeline and milestone events

Table 8.2.1.

Historical timeline and milestone events

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

2017	**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 coupon rate of 9.75%. **Reorganisation into a Joint Stock Company.** The Company changed its corporate structure to a Joint Stock Company. The reorganisation is aimed at further increasing the Company's transparency and ability to attract outside financing. **Initial Public Offering.** The initial public offering (IPO) of The Company successfully closed on 14 October 2021. 5,927 investors participated in the IPO and the Company raised 8,09 million euros. On 19 October 2021 Nasdaq Riga decided to list the Company's shares on the Baltic Main List as of 20 October 2021.
2022	**Renewal of Banknote online store.** In 2022 Bankonte online store underwent renewal and redesign. The new design features a modern and streamlined interface that is easy to navigate and provides a seamless shopping experience for customers. The renewed Bankonte online store is now better equipped to serve its customers and compete in the highly competitive e-commerce market. **Acquires pawn shop business of AS Moda Kapitāls.** The company completed the acquisition of the AS Moda Kapitāls pawn shop business, which was started in August 2021. AS Moda Kapitāls owned the fourth largest pawn shop network in Latvia and the acquisition of its business will strengthen the leading position of the Company in regions. **Two new bond issues via private placement** in the amount of EUR 10 million with the historically lowest annual coupon rate of 8% and in the amount of EUR 10 million with annual coupon rate of 3M EURIBOR + 8.75%.

8.3. Organisational structure

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

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

Figure 8.3.1.

Structure of the Group

Registration data of the Company and ViziaFinance are provided below.

Table 8.3.1.

The Company

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

Table 8.3.2.

ViziaFinance

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

8.4. Services

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

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

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

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

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

Figure 8.4.1.

The Group's offered services

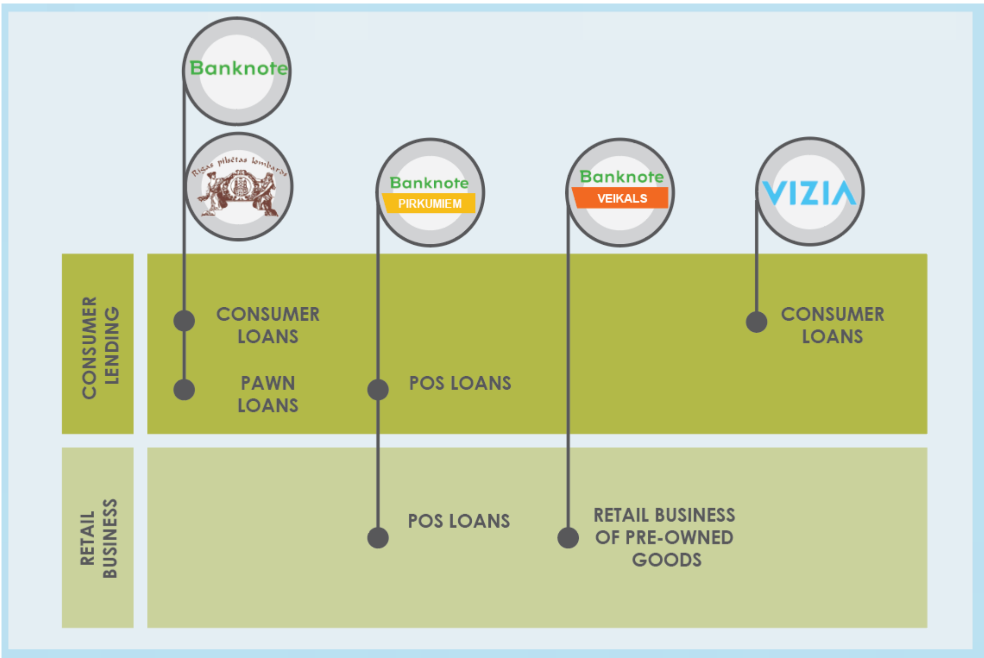


Table 8.4.1.

Key financial data divided into operating segments (MEUR)

	2020	2021	2022
Revenue			
Total	23.66	25.49	35.76
Pawn loans and Retail	10.84	9.80	12.44
Consumer loans	12.38	15.62	23.39
Other activities	0.44	0.07	-
EBITDA			
Total	9.43	10.20	13.10
Pawn loans and Retail	2.87	1.93	3.29
Consumer loans	5.82	8.11	9.79
Other activities	0.77	0.15	0.03
Assets			
Total	45.96	52.06	77.35
Pawn loans and Retail	8.08	8.51	11.49

Consumer loans	32.23	43.56	65.86
Other activities	5.18	-	-

Consumer lending services

Consumer loans

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

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

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

Table 8.4.2.

The Group's provided consumer lending services

	Banknote	**VIZIA**	**Banknote**	**VIZIA**
	Consumer loans		**POS loans: Banknote pirkumiem ("*Banknote for purchases*")**	**Credit line**
Loan amount	EUR 100 – 10,000		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 offers consumers fast, convenient, and secure means to borrow money. The Company lends money to all customers aged 18 or older and no distinction is made. To facilitate financial inclusion, Banknote also focuses on a particular category of borrowers – seniors, or elderly individuals. Banknote is one of the few services in the Latvian market specifically targeting seniors. The Company believes that seniors are underserved in the Latvian loan market, and access by seniors to consumer loans is limited.

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

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

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, up to 95% from pledge value
Loan maturity	Up to 24 months
Interest rates per month	2-28%
Security	Secured

Retail business of pre-owned goods

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.
In 2022, the Company redesigned its online store and in 2023, the Company opened Banknote XL, largest store of pre-owned goods retail in the Baltics, thus stimulating circular economy.

8.5. Customer experience

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

Customer base

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

Table 8.5.1.

The Group's customer base (age), percentage[25]

Age	2020	2021	2022
<30	10%	16%	18%
30-59	57%	55%	55%
>59	33%	29%	27%

Relationships with customers

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

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

Distribution of the Group's services

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

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

The distribution channels are outlined below.

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

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	—	—

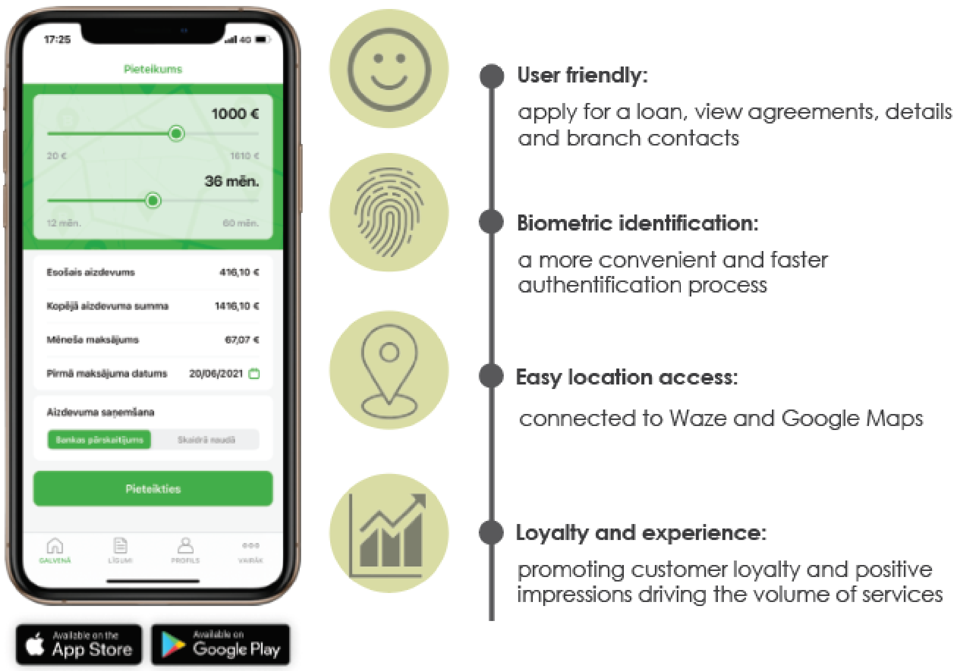
Online

Banknote App

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

Figure 8.5.2.

Banknote App

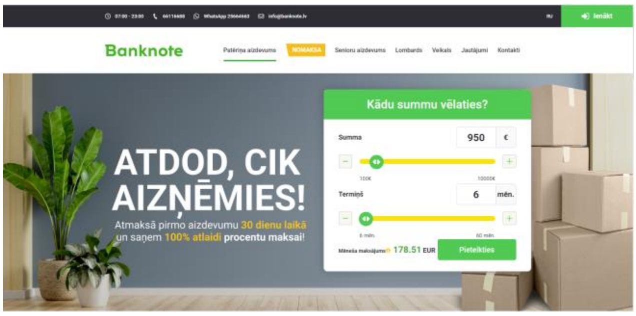
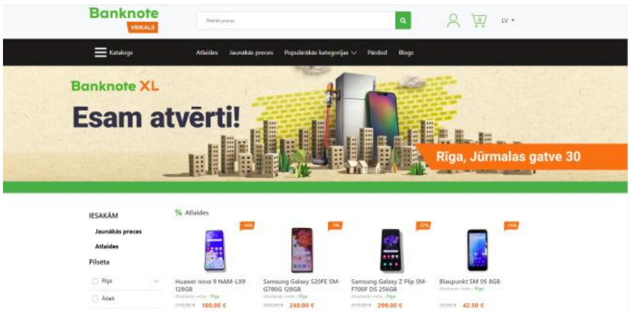
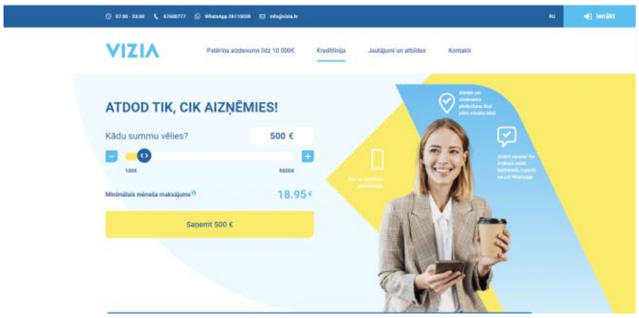


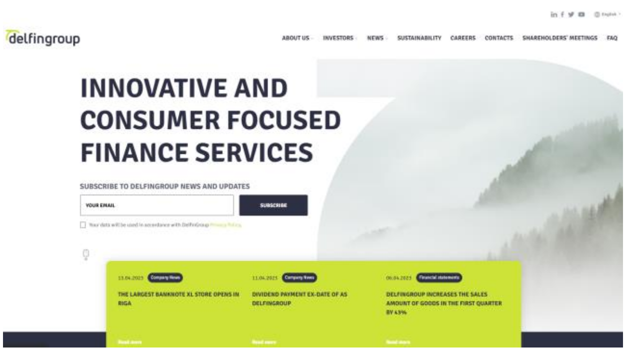
Banknote and VIZIA Website

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.	

https://delfingroup.lv/	Corporate website of the Group.	

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

WhatsApp, e-mail and phone

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

Offline – branches

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

As of the date of the Prospectus, the Group operates and generates revenue in Latvia by serving its customers via 93 branches. 41 of the branches are located in Riga, and 50 of the branches are located in other cities and towns across Latvia.

Figure 8.5.3.

Banknote pawnshop branch network in Latvia

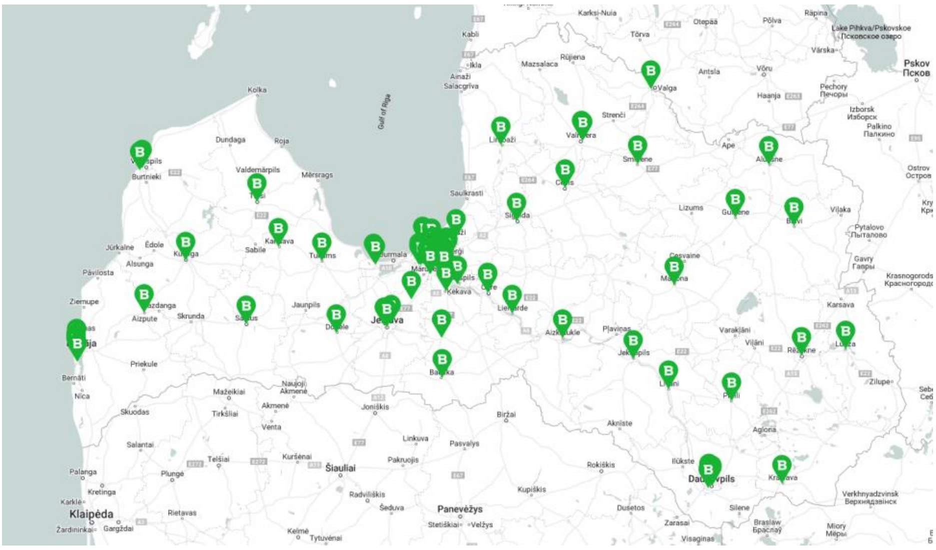


Figure 8.5.4.

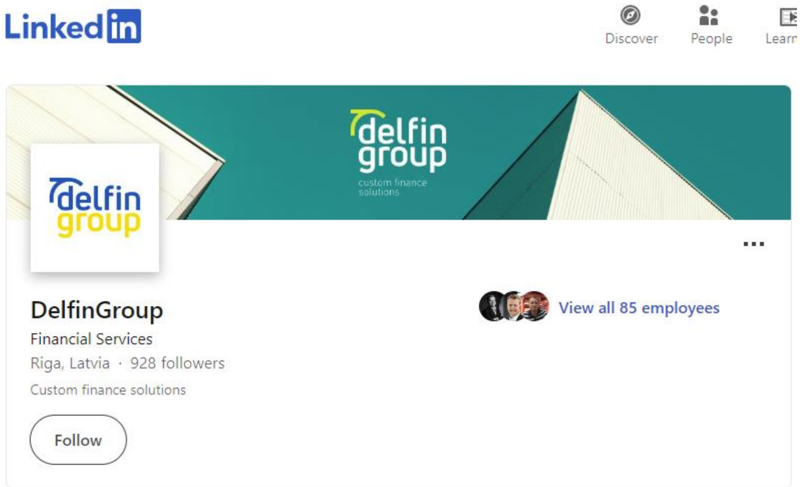
Banknote pawnshop branch network in Riga

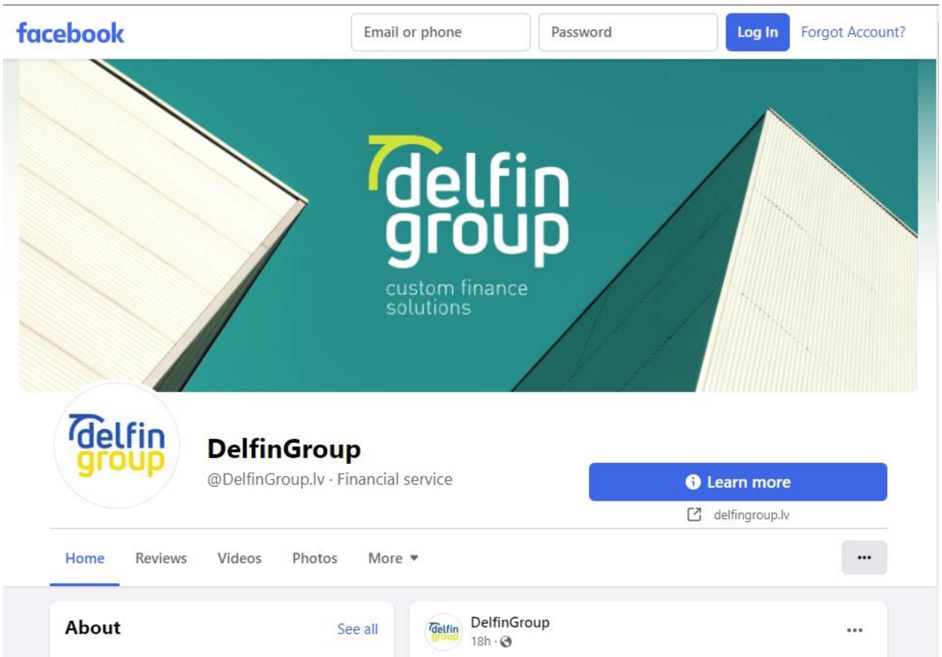
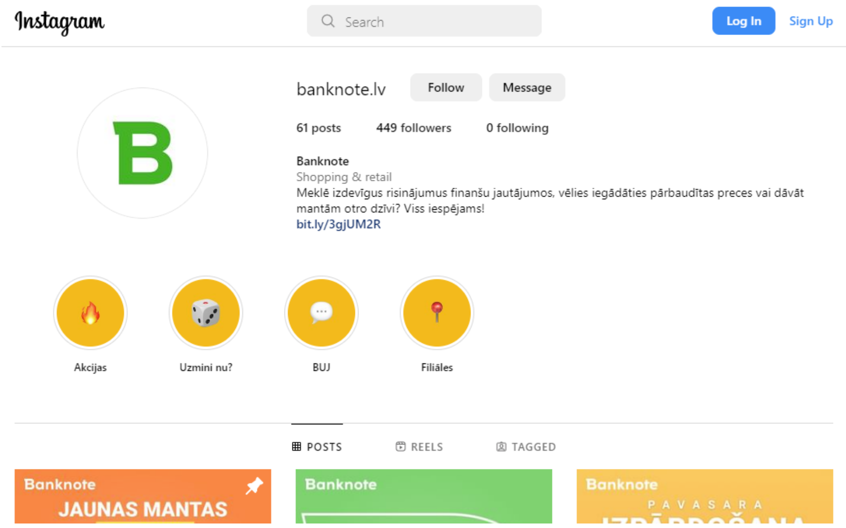
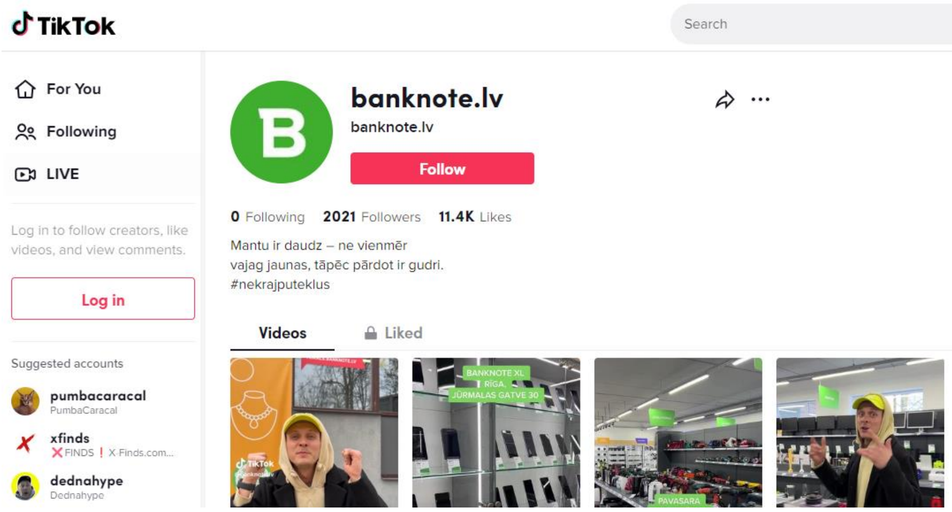
Distribution of information

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

Table 8.5.4.

The Groups social media presence

Social media	Social media marketing snapshot
LinkedIn	

Facebook	
Instagram	
TikTok	

Customer engagement

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

Consumer loans and credit line

Loan application process:

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

(1) Identification and verification

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

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

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

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

(2) Application

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

Figure 8.5.5.

Consumer loan application process

Loan approval and disbursement process:

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

(1) Loan approval process

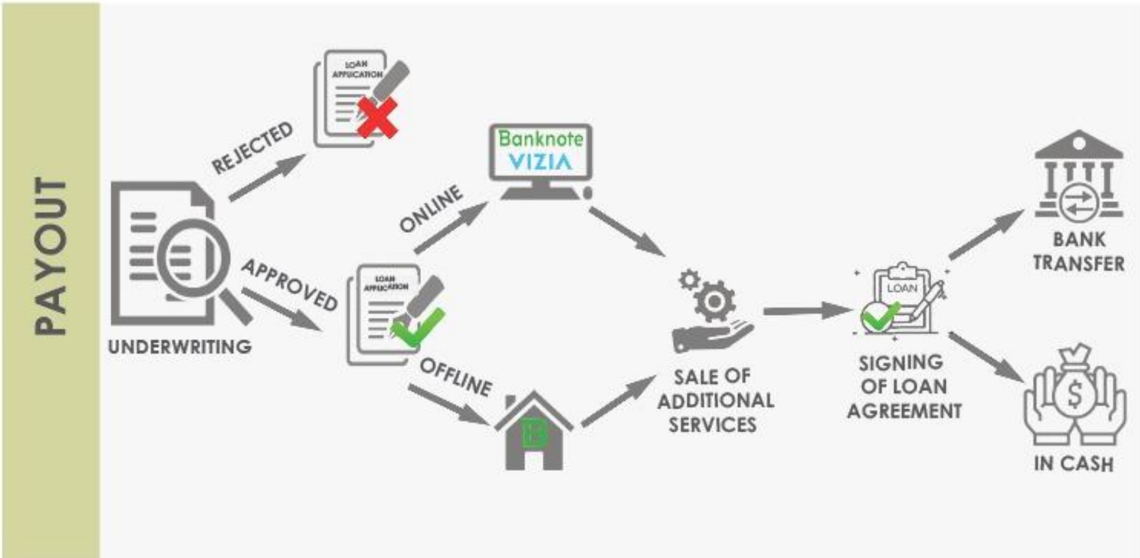
Following the submission of an application, the Group commences the underwriting process which includes a creditworthiness assessment, sanctions and AML compliance checks and other evaluation steps. If the application is rejected, no loan can be disbursed.

(2)   Loan disbursement process

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

Figure 8.5.6.

Consumer loan pay-out process



Loan repayment process:

(1)   Ordinary course of loan repayment

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

(2)   Delayed loan repayment

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

Figure 8.5.7.

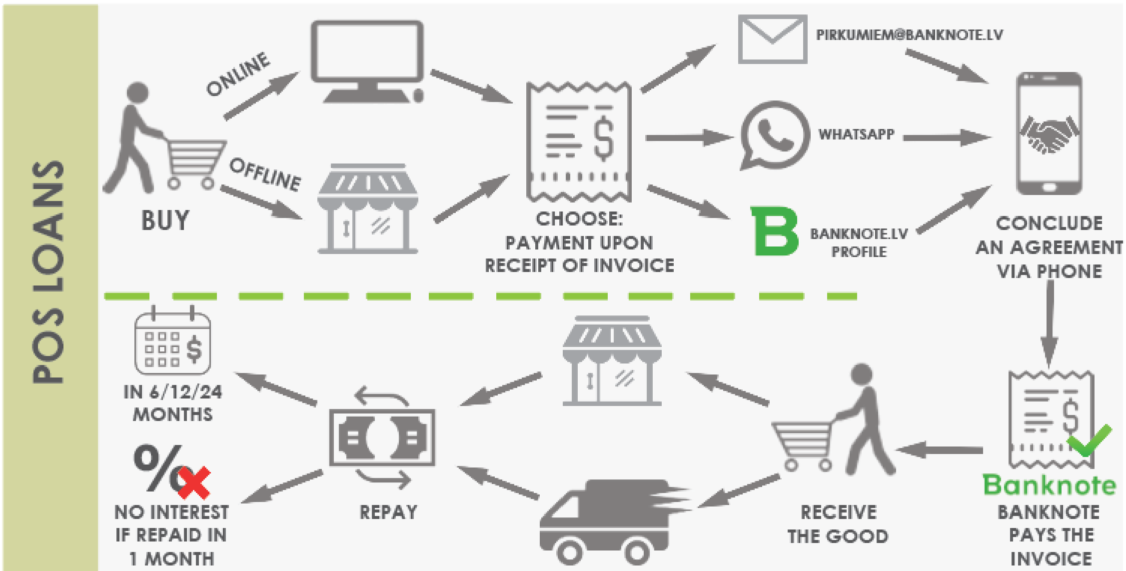
Consumer loan repayment process

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 8.5.8.

Consumer loan repayment process



(2) Pawn loans

<u>Loan application process:</u>

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*
(2)

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.

(3) *Loan disbursement process*

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

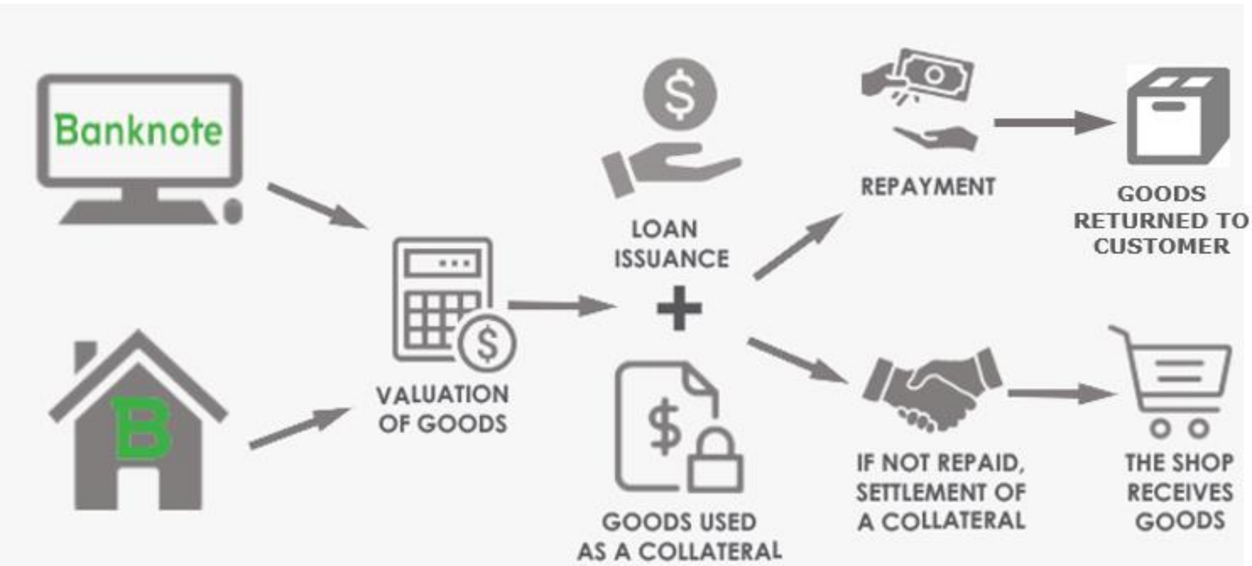
Once loan disbursement has occurred, the collateral is transferred into the possession of the lender.

Loan repayment and release of collateral process:

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

Figure 8.5.9.

Pawn loan life-cycle



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

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

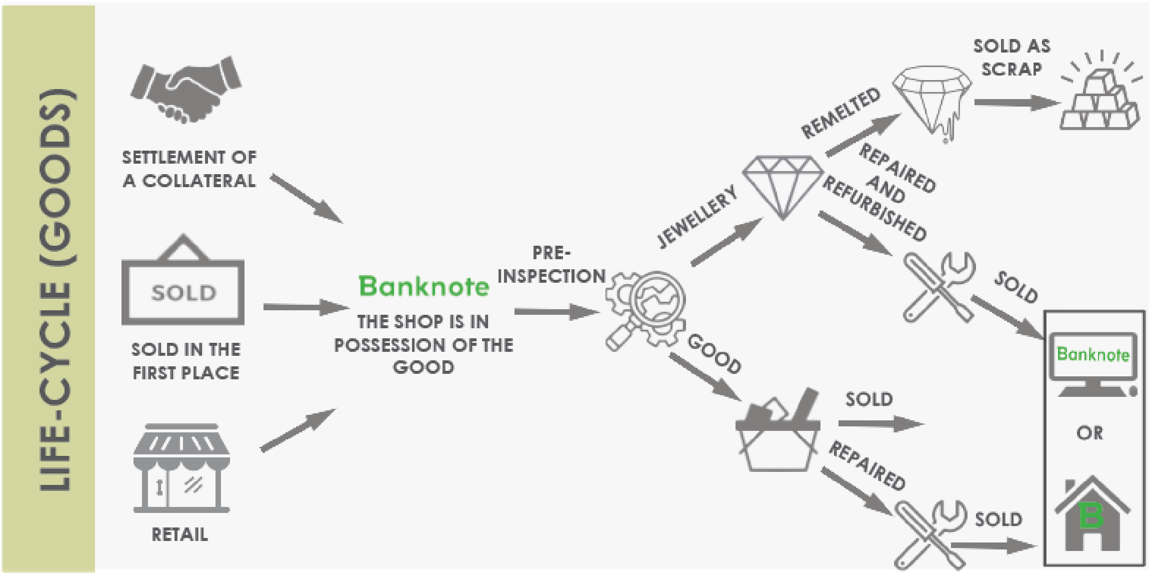
- placement of pre-owned good used towards collateral for sale, following failure by the borrower to repay a pawn loan;
- a natural person sells a pre-owned good to the Company via a branch office or online; or
- the Company purchases a pre-owned good from another retailer.

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

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

Figure 8.5.10.

Life cycle of goods



8.6. Risk management

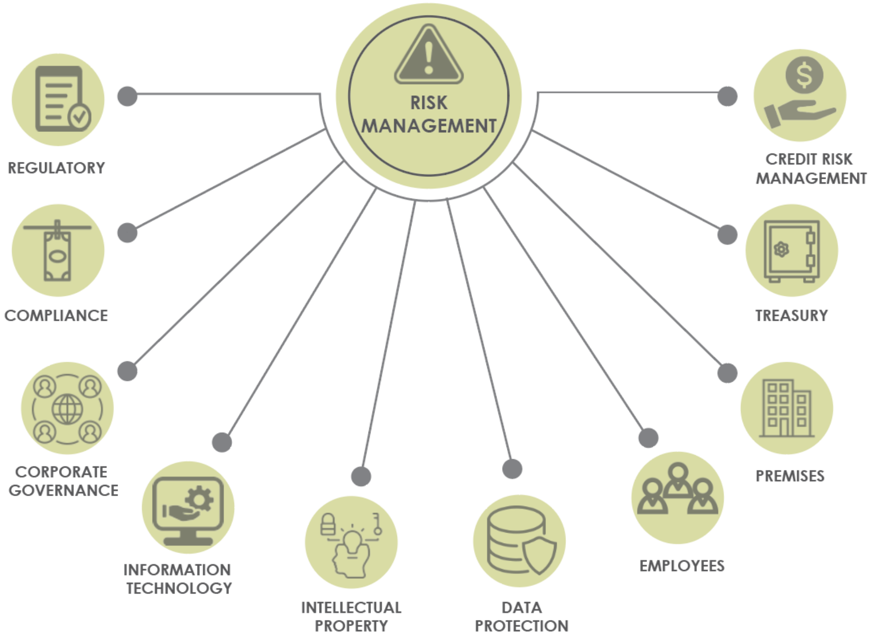
The Company is susceptible to different kinds of business risks. Therefore, it maintains effective systems of risk management and controls that scale with the complexity and growth of the Company. The Company's business model relies on the successful operation, oversight, and accountability of its risk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

Risk Management Architecture

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

Figure 8.6.1.

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

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

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

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

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

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

Insurance. The Company has obtained adequate insurance policies covering the risks specific to its business. The existing insurance policies of the Group cover the risk of burglary arising from its branch operations, however the insurance policies are subject to liability caps, or maximum insurance limits.

According to the scope of insurance coverage, all goods and jewellery related to the Company's pawn loan services and the business of pre-owned goods retail are insured. Thus, the Company fulfils the requirements on the mandatory insurance of goods used as collateral underlying pawn loans required by the Regulations Regarding Consumer Credit adopted by the Cabinet of Ministers.

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

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

Credit risk management. Credit risk is the possibility of loss due to the failure of any customer to abide by the terms and conditions of any loan agreement with the Company. The Group's credit risk management involves the maintenance and development of an effective risk control system to ensure the Group's successful operations. The framework of risk management is composed of regulatory requirements provided in laws, regulations and guidelines adopted by the Latvian Consumer Rights Protection Centre. The Group has further developed additional internal procedures and a system to assess the credit risk using advanced data analysis.

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

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

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

Credit risk assessment procedure

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

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

- analysis of the external databases, including monitoring loan history, capacity, solvency, current liabilities and debts, etc. The Group executes the aforementioned actions and receives information from databases of the State Revenue Service and Credit Information Bureau, which allows the Group to review the customer's income, bank account statements, etc.

Creditworthiness assessment

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

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

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

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

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

Loan provision

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

Debt collection process

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

Loan write-off process

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

Non-Performing Loans

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

Table 8.6.2.

Consumer loan NPL%[26]

2019	2020	2021	2022
4.7%	4.8%	1.9%	1.4%

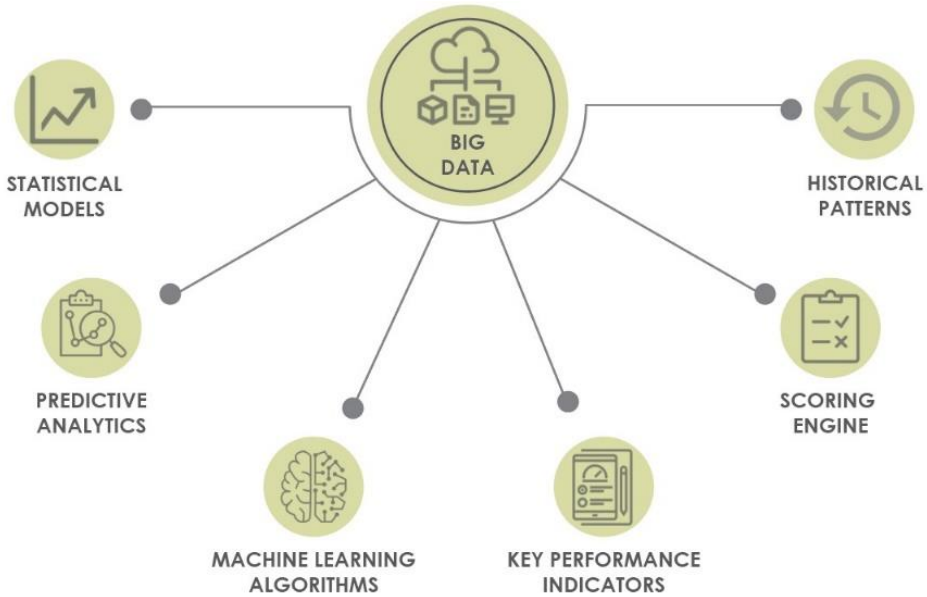
The NPL Ratio for the previous four years of operation suggests that the credit risk management strategy of the Company is being implemented properly as the NPL ratio has remained relatively stable with a downward sloping trend from 2019 to 2022 and has experienced decrease by more than 3%, respectively.

8.7. Big data

Big data is increasingly becoming one of the most valuable and sought-after assets within the lending industry as it enables the tracking of customer behaviours, preferences, interests and trends. The Company has accumulated data spanning over 13 years of operating history, including data covering hundreds of thousands of customers and millions of customer transactions and interactions. The use of data increases the efficiency of overall business operations of the Company, optimises profitability and enhances the quality of customer service.

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

[26] Source: https://nasdaqbaltic.com/market/upload/reports/dgr/2022_q4_en_eur_con_ias_inv.pdf

and risk management personnel of the Company. These models help optimise business processes and deliver predictable outcomes.

Machine learning algorithms

Machine learning algorithms are developed in-house using the most widely used programming languages. Data analysts of the Company deploy a broad range of statistical and business intelligence software. Business intelligence systems utilise data aggregated from cloud-based data pools. Extraction, transition, and other tools are combined with other well-known software to enable the aggregation, visualisation, and presentation of data via freely accessible online reports.

Debt collection processes are semi-automated and rely, to a significant extent, on machine learning and analytics-enabled recovery and collection models assessing the likelihood of non-repayment and failure to collect and subsequently modifying collection communication. Collection cases are assigned to dedicated collection professionals based on the available historical data and evidence.

Key Performance Indicators

Dashboards integrating carefully selected Key Performance Indicators (KPI) are used for monitoring and evaluating the performance of main business functions and departments. Access to real-time based and visually immersive insights enable the Management to adopt swift and confident data-based decisions.

Scoring engine

The application scoring engine has been developed using a combined stack of supervised classification algorithms such as logistic regression. Scoring results not only provide a binary answer as to whether a particular loan application should be approved, but also assess the maximum credit risk exposure and the maximum amount of the loan that can be granted to a particular applicant.

Historical patterns

Marketing and sales communications are based on detected patterns, tracing how various customer profiles react to different communication channels and messages. Communication strategies are constantly adjusted using the latest available data aggregated during marketing and sales campaigns.

8.8. Investments

The Group's operations require regular investments in the Group's assets to improve the services offered to customers, develop new products and services for customers. Furthermore, investments are also required to establish and maintain compliance with the regulatory requirements. The Group continuously seeks possibilities to increase the business volume through organic growth but it does not preclude the Group from making material investments in the future.

During the period covered by the historical financial information, the Group has made the following material investment beyond the scope of everyday economic activities:

Acquisition of loan portfolios of six pawnshop branches of the Finance 360

In July 2022 the Group announced that it continues to strengthen its leading positions in the Latvian pawnshop market and has completed the takeover of the loan portfolios of six pawnshop branches of the SIA "Finance 360". Among them were the loan portfolios of four branches of *Loko Finanses* in *Rīga, Jūsu Lombards* in *Liepāja*, and *Ātrais kredīts* in *Rēzekne*.

The loan portfolios of all six pawnshops will be taken over by the branches of the Banknote pawnshop network. The acquisition of assets does not represent any takeover of claims, risks or liabilities of SIA "Finance 360". All of the assets that acquired by the Company from Finance 360 pawnshop partnership are located in Latvia.

Acquisition of Moda Kapitāls

In February 2022 the Company completed acquisition of the AS Moda Kapitāls pawn shop business, which was started in August 2021. The acquisition was part of the Group's growth strategy, which is focused on expanding its pawn shop network, strengthening regional presence and increasing the customer base. The agreement involved the acquisition of pawn loan portfolio currently owned by Moda Kapitāls and the goods of the pawn shop store. The acquisition of assets does not represent any takeover of claims, risks or liabilities of Moda Kapitāls as a legal entity. The price of the transaction was EUR 823 thousand. The transaction was entirely financed by the Group's internal financial resources. All of the assets that acquired by the Company from Moda Kapitāls are located in Latvia.

8.9. Strengths

Market leadership

Throughout its history the Company has demonstrated consistent growth across the entire spectrum of core business operations. This is evidenced by its successful operation marked by a sizeable branch network together with online business component, significant number of employees, substantial customer base, diversity of product range, diverse financing structure, as well as consistently impressive and increasing profitability for the past 13 years of operation.

The attainment of these performance results was possible because of the management team, which has accumulated significant expertise in the field of consumer lending and retail business. The Company's focus is on responsible lending. It has acquired the reputation of a trustworthy and highly professional business that possesses the ability to respond rapidly and effectively to the challenges of both regulatory changes and unprecedented adverse events.

Focus on sustainability

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

Not only has the Company implemented robust corporate governance practices, it also promotes sustainable decision-making and management. In its retail business segment, it adheres to the principles of circular economy. Commencing in 2021, it has begun publishing the Environmental, Social and Governance (the "**ESG**") report.

Digitally advanced

The Company takes pride in the advanced technology that it has implemented both throughout the range of its products and the provision of services to customers. The Group offers access to nearly all its products and services online and continues adding to the existing array of digital products and services with the ultimate goal of enhancing customer experience. Meanwhile, a robust brick-and-mortar offering of products and services is still there to maximise the benefits of inclusion of customers with no access, or limited access, to the personal finance products and services that are only accessible online.

8.10. Strategy and objectives

The Company is committed to raising the value of its business to ensure sustainable growth. In addition to the continued efforts aimed at increasing the value of the Company and ensuring both short-term and long-term profitability, the Company remains dedicated to the provision of financial services in the most customer-centric manner possible to a wide range of social groups. Financial inclusion is a cornerstone underpinning the strategy of the Company. Business activities of the Company are carried out in a manner that makes both financial and social sense to all of its stakeholders: clients, employees, shareholders, investors, business associates, as well as the society at large.

Pillars of strategy of the Company

- *Increasing value of the Group.* The Company is committed to raising the value of the Group. Therefore, it is executing competitive and highly effective business practices based on data-driven decision-making and enhanced digital solutions.
- *Ensuring long-term profitability*. The Company believes that to succeed in the longer term it needs to constantly improve its internal practices by enhancing its corporate governance and risk management standards. These objectives also need to be successfully aligned with achieving strong short-term performance.
- *Maintaining flawless reputation*. The Company is mindful of the reputation and the public image projected by the Company. It considers these factors as one of the Company's main competitive advantages. It highly values the trust earned among both its customers and investors and is dedicated to maintaining and strengthening it in the future.
- *Supporting financial inclusion of all strata of society (including rural residents, elderly people, those who are underserved, and borrowers who have near prime or sub-prime credit scores)*. The Company is confident that the financial inclusion of all members of society is a necessary

pre-requisite for the achievement of a sustainable society and financial wellbeing for all. It will, therefore, continue to maintain focus on the development of lending services to meet the needs of a variety of people belonging to different social groups.

Strategic focus

The strategic focus of the Group is on growth opportunities that arise in the Latvian lending market and, in particular, in the area of e-commerce:

- Maintaining a significant position in the Latvian specialised lending market and expanding the business.
- Continuing to capitalise on opportunities in the online market, focusing on the development of the online platform of the Company to drive innovation and growth in pre-owned goods retail, improving the customer experience of integrated pawnshop and online sales solutions.
- Optimising its offering and selection of pre-owned goods, focusing on product range and quality to satisfy increasingly sophisticated customer expectations.
- Maintaining focus on cost controls and improving operational efficiencies.
- Increasing brand awareness by continuing to invest in brand recognition and targeting customers effectively.

Financial targets

On 28 February 2023 the Company renewed the previously set financial guidance for 2023 and 2024 and set forecasts for 2025[27].

The Company's financial report for 2022 shows that their services have remained in steady demand among customers and that the Company has been able to effectively navigate the challenges posed by the global economy. As a result, all indicators have shown significant growth. The Company's loan portfolio has reached 67.4 million euros, which is 109% of the previously set goals. In addition, the Company has exceeded its EBITDA target, with a growth to 13.1 million euros, representing a 103% achievement.

The same trends that were observed in 2022 are continuing into the first few months of 2023, with a complex geopolitical situation, economic uncertainty, and an uncertain business environment. As a result of these external conditions, there have been changes in the capital markets. While the Company's operations are impacted by these external factors and the rising financing costs of Company’s growing loan portfolio, the Company has been able to successfully diversify their sources of financing and earn the trust of investors over the years. Even though the cost of capital is currently higher, the Company is still able to attract financing through bonds and an investment platform.

Although the Company has achieved its EBITDA targets for 2022, the Company is proceeding with caution when it comes to forecasting for the coming years. It's worth mentioning that the Company has seen a 40% increase in profits compared to their 2021 results. As a result, the Company expects to see stable growth moving forward and has set new financial targets accordingly.

After evaluating the Company's growth in all of its main business segments, it is expected that there will continue to be strong demand for the Company's products and services in the coming years, which will contribute to the growth of its loan portfolio. As a result, it is predicted that by the end of 2025, the Company's loan portfolio will reach 100 million euros.

Table 8.10.1.

Planned financial targets for 2023, 2024, and 2025 for the Company as of 28 February 2023

Indicator*	2022 audited results	2023 target	2024 target	2025 target
Net loan portfolio	MEUR 67.5	MEUR 77	MEUR 90	MEUR 100
Cost-to-income ratio	50.3%	<45%	<45%	<45%

[27]Source: https://view.news.eu.nasdaq.com/view?id=b6b6be0196be07aea2f546c8c0dd02645&lang=en&src=listed

Return on Equity (ROE)	33.5%	>30%	>30%	>30%
Equity ratio	23.5%	>20%	>20%	>20%
EBITDA**	MEUR 13.1	MEUR 17	MEUR 23	MEUR 26
Profit before tax	MEUR 7.3	MEUR 8	MEUR 12	MEUR 15
Dividend pay-out ratio	51%	>50%	>50%	>50%

**APM (alternative performance measure), where calculations are based on Consolidated results: Cost-to-income ratio = ((Sales expenses) + (Administrative expenses) + (Other expenses (excluding Loss from cession of non-performing loans))) / ((Net sales) – (Cost of sales) + (Interest income and similar income) + (Other operating income) – (Interest expenses and similar expenses)), Equity ratio = (Equity)/(Total assets), EBITDA, Earnings before interest, taxes, depreciation and amortisation = (Profit before tax) + (Interest expenses and similar expenses) + (Rights of used assets depreciation) + (Depreciation of fixed assets) + (Amortisation), Dividend pay out ratio = (Dividends paid during the period)/(Net Profit for the period).*

***EBITDA source: Indicator for the year 2022 according to the Management report of the audited AS DelfinGroup Consolidated Annual accounts for the year ended 31 December 2022.*

The table above on long-term financial targets of the Company (to be attained by the end of 2025) has been compiled and prepared on a basis which is both comparable with the historical financial information and consistent with the Company's accounting policies.

The Company's strategy in terms of financial governance

- Increasing return on investment.
- Diversification of the sources of funding to support growth of the Company's loan portfolio.
- Regular (quarterly) dividend payments to the shareholders.

Strategy with respect to consumer loan and pawn loan services

- *Increasing market share in terms of the volume of loan issuance and net loan portfolio*. The long-term objective is to become a leading consumer and pawn loan provider in Latvia. The Company has set the goal to achieve the economies of scale by efficiently selling existing and new financial services to a larger customer base. As a result, material improvement of the key performance indicators of the Group can be achieved. By achieving this goal, the Company will increase the long-term shareholder value.
- *Ensuring high profitability of the loan portfolio*. The Group is directing its resources to further develop its data driven decision-making capabilities, issue loans in a trustworthy and secured manner and enhance the overall profitability of the net loan portfolio. Furthermore, the Group plans to persistently work on improving the knowledge and expertise of its employees in order to provide an excellent service to its customers and make sound business decisions.
- *Developing the Group's services and expanding its branch network and online presence.* The Company will continue to focus on developing the business of consumer lending and pawn loans, thus ensuring the longevity of these market segments while also increasing its market share. The Company's goal is to provide services of exceptional quality, all while employing modern business practices, where the decision-making is predominantly data-based. Moreover, the Company is developing new lending products if the available data suggest profitability of such products.

Company's strategy for the retail business of pre-owned goods and jewellery

- *Pawnshops as a part of circular economy.* The Company provides a second life for goods via its network of pawnshops. One of its goals is to raise awareness of the role played by pawnshops in the circular economy. The Company aims to shift consumer preferences towards pawnshops and gain wider recognition of the Company's pawnshops by the general public.
- *Establishing a leadership position in the flow of pre-owned goods and jewellery in the economy.* The Company plans to continue raising recognition of its brand *"Banknote"* as a leader in the field of retail business of pre-owned goods, thereby increasing the volume of pre-owned goods circulating in the economy.

- *Developing the use of online distribution channels in the retail business.* The Company will continue to promote access by consumers to its retail business of pre-owned goods and jewellery via online distribution channels.

8.11. Community investment

Environmental responsibility and sustainable practices

The Group focuses on implementing sustainable management processes and practices and is conscious of its economic, social and environmental impact on the society and communities in which it operates.

In 2017, the Group became ISO 50001:2015 certified as being compliant with the requirements for an organisation to establish, implement, maintain, and improve energy management systems (EnMS), after having implemented the following standards:

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

In 2022, for Scope 1 the emissions generated by the Company's fleet of vehicles are included, which encompasses both owned vehicles and those included in leasing contracts. In Scope 2, emissions generated by the use of electricity and heat energy in the company's office and branch network are included.

The Company considers emissions created by its suppliers and employees as significant categories of Scope 3. The largest group of suppliers is "Suppliers-Clients". Given the nature of the Company's operations, goods sold in its branches are supplied by customers of the Company's retail of pre-owned goods or pawn loan services, and with a wide network of branches, goods are usually delivered to the nearest branch to the customer, thus ensuring a sustainable supply practice for goods.

Employee mobility was included in the Scope 3 calculation. In 2021, employee mobility accounted for 206 tCO2, while in 2022 it was 306 tCO2. The increase is explained by the lifting of Covid-19 restrictions in 2022. To reduce this indicator, the company provides administrative staff with the opportunity to work remotely, while branch employees have the option to choose the closest workplace to their place of residence.

Table 8.11.1.

DelfinGroup's impact of CO2 from operation, metric tons[28]

		2021	2022
Carbon footprint	Scope 1, t CO2	112	112
	Scope 2, t CO2	117	120
	Scope 3, t CO2	206	306
	Total, t CO2	465	572
Scope 1 and Scope 2 t CO2 emissions per 1000 euros of revenue		0.009	0.007
Scope 1, Scope 2, Scope 3 t CO2 emissions per 1000 euros of revenue		0.018	0.016

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

[28] Source: information provided by the Management of the Company.

society. In selecting suppliers, the Group favours environmentally conscious and socially responsible suppliers.

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.

In the spirit of growing awareness and adherence to the principles of circular economy, the Group continues to develop and implement environmentally friendly and responsible solutions for the disposal of goods, for instance, by way of offering to repair the goods or recycle them.

Social responsibility and community inclusion

The Group provides services and financial solutions covering all social strata of society without distinction. In addition, the Group seeks to engage underserved and disadvantaged members of society, including rural residents, elderly people, and borrowers who have near prime or sub-prime credit scores, into financial and economic processes. Because of its commitment to environmental and societal values, in doing business, the Group stays attuned to the following priority areas of investment in community:

1) **Education**: acquiring skills to reduce the risk of social exclusion and contributing to financial literacy and employment opportunities;
2) **Healthcare**: raising public awareness of shortages and other pending issues in healthcare;
3) **Environment**: mitigating the negative effects of climate change and promoting biodiversity.

Table 8.11.3.

Awards

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 (currently – Bank of Latvia), 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, 2022	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 75 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, 2021	The Company was ranked 29th among the 50 top employer brands in Latvia in 2021, a +7 improvement compared to the 2020 ranking. Moreover, in 2021 the Company was 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.
Four honorary Laureate titles in the store category, "Latvia's Best Trader 2021" competition	For the second time, the Group participated in the client service quality assessment competition and acquired four honorary titles of a Laureate for the following branches: Rīga, Ieriķu iela 3 (TC Domina); Preiļi, Daugavpils iela 2; Liepāja, M. Ķempes Iela 8; Valmiera, Cēsu iela 11. The positive evaluation proves the high quality of customer service, effectiveness of environmental management, vast range of products available and information accessibility.
"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 8.11.4.

Partnerships

Partnership	Description
The Society Integration Foundation	Since 2022 the Company is recognized as Family-Friendly Workplace. The goal of the "Family-friendly workplace" initiative is to promote the development of a work environment culture in Latvia that is empathetic, humane and understanding, while offering tools for both the assessment of the existing work environment and financial assistance in the implementation of various support measures for employees.
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.
BA School of Business and Finance and Riga Technical University	The Company in the beginning of 2023 signed an agreement with BA School of Business and Finance (BASBF) and Riga Technical University (RTU) on cooperation in the fields of studies and research. As a result, the the Company and these higher education institutions have arranged to work together as part of the Financial Management Information Systems joint vocational bachelor study programme taught by BASBF and RTU.

Table 8.11.5.

Memberships

Membership	**Description**
Latvian Chamber of Commerce and Industry (LCCI)	LCCI is the largest association of business entrepreneurs in Latvia, uniting 2,687 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.
FinTech Latvia Association (FLA)	FLA 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.

Stand with Ukraine

The war that began in February 2022 has affected the lives of the Ukrainian people and left the country in a critical state. The Company has made donations in amount of EUR 250,000 to support Ukrainians. Out of EUR 250,000:

1) The Company donated EUR 160,000 to the "Entrepreneurs for the Peace" movement, uniting Latvian companies to support Ukraine's fight for peace and freedom.
2) EUR 30,000 is meant for the "For People of Ukraine" initiative, facilitated by Ziedot.lv.
3) The Company donated EUR 10,000 to the "Help them rise!" movement. It is a Children's Hospital Foundation support program for Ukrainian refugee families and their children.
4) The Company donated EUR 50,000 to *TEV* association. The TEV association arranges and delivers the necessary things to the defenders of Ukraine and the people in eastern Ukraine.

8.12. Employees

As of the date of the Prospectus, the Group has more than 300 employees.

The historical employee headcount numbers of the Group as of the end of the past three years of operation are presented in the table below.

Table 8.12.1.

The Group's employee headcount

	2020	2021	2022
Average number of employees employed by the Group	**279**	**283**	**329**

At the end of 2022, the place of permanent employment of the majority of employees of the Company (~223) was within the metropolitan area of Riga, Latvia. About 106 employees performed their permanent work duties in other cities or areas across Latvia.

No employee of the Group is a member of any trade union. No subsidiary of the Group, including the Company, is a party to any collective bargaining agreement.

The Company believes that the in-depth industry knowledge and loyalty of its employees provide the Company with a distinct competitive advantage. In the view of the Offeror, the management of the Company has experience in identifying market trends and suitable locations for opening branches to suit target customers. The management also has attained experience and necessary skills in digital realm, successfully managing services offered online. The management is committed to promoting a result-driven culture that rewards employees based on merit. The Company's workforce also includes appraisers who are skilled at appraising the value and authenticity of a broad variety of goods that are pledged by customers to obtain pawn loans from the Company and the Company conducts periodic training programmes to augment their knowledge and efficiency in performing these tasks. To develop further in online presence, the Company invests resources in IT field professionals.

Further, the Offeror believes that the Company has been successful in attracting, fostering, and retaining talent. The recruitment and business strategy has been aligned throughout the years, and having a strong pool of talent gives the Company a competitive edge.

8.13. Dependency on agreements, patents, licences etc.

The Company and its subsidiary ViziaFinance both are holding special permit (licence) authorising companies to provide consumer lending services in Latvia. The Company and ViziaFinance are dependent on its special permit (licence) to provide their main services with respect to the consumer lending segment. Consequently, both special permits (licences) are considered as critical for the Group's business.

As stated in Section 8.6 "Risk management" the brand name "DelfinGroup" is owned by the Company and has been registered as a trademark with the European Union Intellectual Property Office, United Kingdom Intellectual Property Office, and Latvian Patent Office. Since the Group targets the Latvian market, several figurative and verbal trademarks have been registered locally in Latvia, including the key brand names "DelfinGroup", "VIZIA", "VIZIA Finance", "Banknote", "banknote.lv", "Banknote Pirkumiem" and "Rīgas pilsētas lombards". The Company believes that brand awareness is the key to continued expansion of business of the Group. Therefore, the portfolio of trademarks that the Company maintains is considered as business-critical.

Companies belonging to the Group have entered into several financing agreements and issued bonds (please see Section 8.14 "Material agreements" of this Prospectus) and have substantial indebtedness under the respective agreements and terms of notes of issued bonds. The financing agreements are considered to be a substantial part of the Group's funding structure (please see Section 14.5 "Liquidity and capital resources"), thus they are considered as business-critical.

The Company has entered into agreements and arrangements with independent third-party contractors aimed at the provision of services to the Company that include telecommunications, IT infrastructure, and software services, however none of the agreements are considered to be as business-critical.

8.14. Material agreements

All commercial agreements entered into by the Company are within the scope of its stated business objectives.

In the opinion of the Offeror, the below specified agreements are material and require an elevated level of analysis, prior scrutiny and specific corporate governance approvals in view of the volumes, complexity and importance for the Company.

Several of the agreements are subject to confidentiality undertakings. Because of this, the information below may not confer the sufficient level of detail and is limited, primarily due to the considerations of confidentiality. However, in the opinion of the Offeror, the information provided below is sufficient to enable an understanding of the nature and substantive provisions of the relevant agreements.

Financing Agreements

The Company and ViziaFinance have entered into a Cooperation Agreement with Mintos Finance. The parties have agreed to mutually cooperate by offering users of the investment platform under the domain name www.mintos.com, operated by Mintos Marketplace, an opportunity to invest in the monetary claims of Mintos Finance against the Company.

Further to the above-mentioned Cooperation Agreement, which was signed on 18 October 2016, the Company and ViziaFinance entered into Cooperation Agreements on Issuance of Loans (as amended from time to time) with Mintos Finance and additionally on 6 May 2022 Cooperation agreement with Mintos Marketplace and Mintos Finance No. 20 was signed on issuance of Notes. The parties have agreed for the potential provision of loans for the Company's advantage, on the condition that Mintos is provided with security. This security ensures that all loans placed on the Mintos platform are backed by 120% collateral. As of 31 December 2022, the weighted average annual interest rate of the issued loans is 12.5%. The term of maturity of each loan is agreed separately for each loan and is aligned to the term of the corresponding loan provided by the Company to its customers.

Financial instruments - corporate bonds

As of the date of the Prospectus, the Company has three bond issues outstanding:

1) Unsecured bond issue ISIN LV0000850048 in the amount of EUR 5,000,000, registered with Nasdaq CSD and issued by means of a private placement on 9 July 2021 and subject to the following terms: (i) number of bonds issued is 5,000; (ii) bond face (nominal) value is EUR 1,000 each; (iii) coupon rate is 9.75%; (iv) monthly coupon payments to occur on the 25th day of each month; (v) maturity is reached on 25 August 2023, when the bond principal (EUR 1,000 for each bond) is to be repaid. The bonds are unsecured.

2) Unsecured bond issue ISIN LV0000802536 in the amount of EUR 10,000,000, registered with Nasdaq CSD and issued by means of a private placement on 26 November 2021 and subject to the following terms: (i) number of bonds issued is 10,000; (ii) bond face (nominal) value is EUR 1,000 each; (iii) coupon rate is 8.00%; (iv) monthly coupon payments to occur on the 25th day of each month; (v) maturity is reached on 25 November 2023, when the bond principal (EUR 1,000 for each bond) is to be repaid. As of 21 June 2022, the bonds are traded on the Nasdaq First North. The bonds are unsecured.

3) Unsecured bond issue ISIN LV0000850055 in the amount of EUR 10,000,000, registered with Nasdaq CSD and issued by means of a private placement on 7 July 2022 and subject to the following terms: (i) number of bonds issued is 10,000; (ii) bond face (nominal) value is EUR 1,000 each; (iii) coupon rate is 3M EURIBOR + 8.75%; (iv) monthly coupon payments to occur on the 25th day of each month; (v) maturity is reached on 25 September 2024, when the bond principal (EUR 1,000 for each bond) is to be repaid. The bonds are unsecured. As of 31 March 2023 bonds in total of EUR 8 517 000 have been issued, it is expected that these bonds will be fully subscribed by the end of June 2023.

Security

The Group has created and registered four groups of commercial pledges over its assets and claims, subject to the maximum claim amount of EUR 37,800,000 (thirty seven million eight hundred thousand euros) as collateral registered to collateral agent Eversheds Sutherland Bitāns (in favour of Mintos Finance) and to Mintos Finance No.20 and Mintos Marketplace. As of 31 December 2022, the amount of secured liabilities of the Company is EUR 34,860,758 with respect to the claims of Mintos Finance, Mintos Finance No.20 and Mintos Marketplace.

8.15. Related party transactions

The Company and ViziaFinance are parties to related-party transactions. Transactions with related parties are generally believed to pose the risk of a conflict of interest and expose shareholders to potential abuse. However, all the related-party transactions involving the Group companies are carried out on market terms and are beneficial to shareholders of the relevant companies. The terms and conditions of the related-party transactions involving the Group companies are not different from the terms and conditions of similar transactions that are entered into by Group companies with third parties in the ordinary course of business and are at arm's length. Detailed information on the related-party transactions involving the Group companies is provided in Note 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 2021 and Note 26 of the Group's audited consolidate annual report for the financial year ended on 31 December 2022.

8.16. Legal proceedings

Related to the business of lending to multiple borrowers, the Company regularly brings lawsuits before Latvian courts for the collection of unpaid debts. Whenever such lawsuits arise, the Company typically acts as a plaintiff or joint plaintiff.

As at the date of the Prospectus, the Offeror is not aware of any pending judicial or other legal proceedings that are likely to have a material effect on the financial condition or profitability of the Group. The Group companies, as plaintiffs, are parties to several legal proceedings that are pending before Latvian courts. The majority of these legal proceedings concern debt recovery claims.

The following legal proceedings that are significant and are materially different from the regular court proceedings should be noted:

On 28 January 2021, the Department of Administrative Cases of the Senate of the Republic of Latvia (the Senate) issued judgment SKA-68/2021 in the administrative case, following filing by AS "DelfinGroup" (formerly SIA "ExpressCredit") of an application for the partial cancellation of certain decisions adopted by the Consumer Rights Protection Centre of Latvia in the years 2016 and 2017. The legal issues examined in the judgment included the lawfulness of fees charged by the Company for the extension of the term of consumer loans and the assignment of claims arising from consumer loan agreements on the investment platform www.mintos.com and other similar platforms. The case focused on the interpretation of legal issues, and not failure by the Company to satisfy the requirements of the Consumer Rights Protection Centre. Since the Company has already ensured compliance with the year 2016 and year 2017 decisions by the Consumer Rights Protection Centre prior to the commencement of the legal proceedings, no additional action by the Company is required. No violations of consumer rights occurred during the intermittent period, while the essence of the case turned on the hypothetical questions as to whether harm to consumers might arise from the assignment of creditor claims to other creditors and whether the total cost to consumers includes the cost of extending the loan.

Moreover, the Company has already paid the EUR 6,000 fine charged under the decision of the Consumer Rights Protection Centre. It is, therefore, safe to say that that the judgment does not affect the financial condition or prospects of the Company or the Group.

9. GENERAL INFORMATION AND ARTICLES OF ASSOCIATION

9.1. General information on the Company

The business name of the Company is AS "DelfinGroup". The Company was registered in the Commercial Register on 12 October 2009 under the registration number 40103252854 and its LEI number is 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: ir@delfingroup.lv;

telephone number: +371 26189988;

corporate website: www.delfingroup.lv.

9.2. The Articles of Association

Corporate governance of the Company is carried out in accordance with the statutory provisions of Latvian law including, primarily, the Latvian Commercial Law and the Latvian Financial Instrument Market Law, the Company's Articles of Association and the internal policies, rules and procedures of the Company. As the Company's Shares are trading on the Baltic Main List of the Nasdaq Riga, the Company also complies with the Rules and Procedures of Nasdaq Riga.

The current version of the Articles of Association was adopted by the resolution of the General Meeting dated 15 October 2021. The consolidated version of the text of the Articles of Association currently in force can be found on the Company's corporate website www.delfingroup.lv/governance.

Summary of the Articles of Association

The following is a summary and explanation of the main provisions of the Articles of Association:

1. The authorised share capital of the Company is EUR 4,531,959.4 (four million five hundred and thirty-one thousand nine hundred fifty-nine *euros* and forty cents).
2. The Company has only one type of shares - dematerialised bearer shares with a nominal value of EUR 0.10 (zero, point, ten euro cents). The share capital of the Company is comprised of 45,319,594 (forty-five million three hundred and nineteen thousand five hundred and ninety-four) 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.
15. The Articles of Association contain no provisions enabling, authorizing or permitting withdrawal, redemption or conversion of the existing shares of the Company.

10. SHARE CAPITAL, SHARES, OWNERSHIP STRUCTURE, SELLING SHAREHOLDER

10.1. Share capital and shares

All of the Company's Shares have been issued in accordance with Latvian law and, in particular, the Latvian Commercial Law. The nature and scope of rights attaching to the Company's shares, including the rights stated in the Articles of Association, can only be amended according to the procedure set forth in the Latvian Commercial Law.

The Company is a joint stock company (*akciju sabiedrība*). The current registered share capital of the Company is EUR 4,531,959.40 divided into 45,319,594 dematerialised bearer shares (the "**Share/Shares**"). The Shares are registered with the Nasdaq CSD under the ISIN code LV0000101806 and are kept in book-entry form. No share certificates have or may be issued. All existing Shares are of the same category. The nominal (face) par value of each outstanding Share is EUR 0.10. All of the Shares have been issued and fully paid up. The Shares have not been subject to any public takeover bid during the current or last financial year.

Table 10.1.1.

The Company's Shares

Type of Share	Number of Shares	Nominal value, EUR	Total nominal value, EUR
Dematerialised bearer shares	45,319,594	0.10	4,531,959.40

The following changes affecting the Share capital structure of the Company have occurred over the period covered by the historical financial information:

Table 10.1.2.

The Company's Share capital changes

Date of registration	Share capital before	Change	Share capital after	Number of Shares
04.08.2020	EUR 1,500,000 (divided into 1,500,000 Shares with a nominal value of EUR 1.00 each)	The Share capital was increased by EUR 2,500,000 resulting in allotment of additional Shares	EUR 4,000,000 (divided into 4,000,000 Shares with a nominal value of EUR 1.00 each)	4,000,000
19.01.2021	EUR 4,000,000 (divided into 4,000,000 Shares with a nominal value of EUR 1.00 each)	The Share capital was divided into 40,000,000 Shares with a nominal value EUR 0.10 each (the Company was re-organized into a joint stock company)	EUR 4,000,000 (divided into 40,000,000 Shares with a nominal value of EUR 0.10 each)	40,000,000
18.10.2021 (subscription) 21.10.2021 (paid-up)	EUR 4,000,000 (divided into 40,000,000 Shares with a nominal value of EUR 0.10 each)	The Share capital was increased by EUR 531,959.40 as a result of the IPO	EUR 4,531,959.40 (divided into 45,319,594 Shares with a nominal value of EUR 0.10 each)	45,319,594

10.2. Conditional equity capital

Changes were registered in the share capital of the Company on 20 September 2021 to implement the personnel share options programme (please also see Section 12.2 "Personnel Share Options").

The share capital was conditionally increased by EUR 45,000 of conditional equity capital, divided into 450,000 shares with the nominal value of EUR 0.10.

As of the date of this Prospectus, none of the options have been converted into Shares.

10.3. Shareholders

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

Table 10.3.1.

The Company's major shareholders

Name of shareholder	Percentage of the total share capital held	Number of Shares held	The ultimate beneficial owner(s) of the shareholder
SIA "AE Consulting"	8.75%	3,965,174	Agris Evertovskis
SIA EC finance	18.22%	8,258,560	Agris Evertovskis
SIA L24 Finance	55.13%	24,983,099	Aigars Kesenfelds Linda Kesenfelde

The Company's major shareholders do not have different voting rights.

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

Mr Agris Evertovskis

Mr Agris Evertovskis, the Chairman of the Supervisory Board, indirectly owns 26.97% of the Shares, thus being an ultimate beneficial owner of the Company. According to the Latvian Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing (*Noziedzīgi iegūtu līdzekļu legalizācijas un terorisma un proliferācijas finansēšanas novēršanas likums*), the ultimate beneficial owner is a natural person (private individual) who directly or indirectly owns more than 25% of the capital shares of the legal entity, or directly or indirectly controls it. Since Mr Agris Evertovskis indirectly owns more than 25% of the Company's Shares and exercises control over the Company, he is an ultimate beneficial owner of the Company.

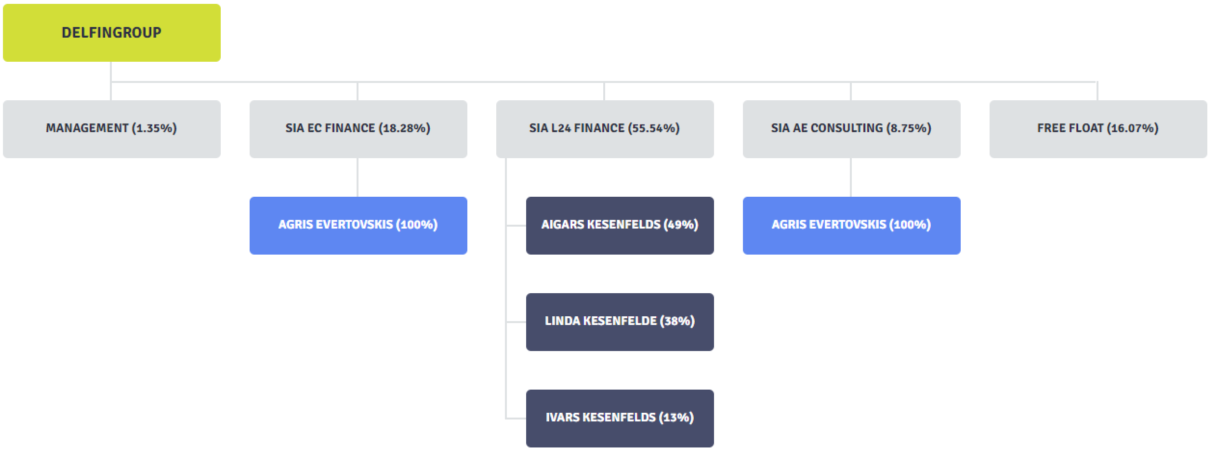
Kesenfelds' Family Holding

55.13% of the Company's shares are owned by SIA L24 Finance. Shareholders of SIA L24 Finance are Mr Aigars Kesenfelds (~49%), his spouse Mrs Linda Kesenfelde (~38%) and his father Mr Ivars Kesenfelds (~13%). Please refer to shareholding structure of the Company in the table below. Since Mr Aigars Kesenfelds indirectly owns more than 25% of the Company's Shares he is registered as an ultimate beneficial owner of the Company.

If as a result of the Offering the shareholding of SIA L24 Finance in the Company might reduce below 50% threshold, such reduction in shareholding will be notifiable in accordance with Article 61(1) of the Latvian Financial Instrument Market Law. Similarly, SIA L24 Finance shall notify any increase or decrease of the shareholding in accordance with the thresholds mentioned in Article 61(1) of Latvian Financial Instrument Market Law.

Figure 10.3.1.

Shareholding structure of the Company as of 21 March 2023



As of the date of this Prospectus, the Offeror is not aware of any facts or arrangements that might give rise to a change in control over the Company. The Offeror is not aware that any of the shareholders are acting in concert.

10.4. Selling Shareholder

The following Shareholder is offering to sell its Shares:

SIA EC finance is a limited liability company (*sabiedrība ar ierobežotu atbildību*), incorporated in Latvia, registered in the Register of Enterprises of Latvia with registration number 40103950614, having its registered address at Skanstes iela 50A, Rīga, LV-1013. The Company's e-mail is SIA.EC.finance@gmail.com, telephone number is +371 25350677. Its legal entity identifier (LEI) is 984500DD97SA6CC9G232.

The following table sets forth the number of shares being offered by the Offeror (selling shareholder) and the size of the shareholding before and immediately after the Offering:

	Pre-Offering		Offering		Post-Offering	
Shareholder	**Amount of shares**	**%**	**Amount of shares**	**%**	**Amount of shares**	**%**
SIA EC finance	8,258,560	18.22	1,510,000	3.33	6,748,560	14.89

Ultimate beneficial owner of SIA EC finance is Mr Agris Evertovskis which from 12.10.2009. until 18.01.2019. was the Chairman of the Management Board of the Company and from 19.01.2021. until the date of this Prospectus is the Chairman of the Supervisory Board of the Company.

10.5. Shareholder Rights

This Section aims to provide a general overview over the scope of rights conferred upon shareholders of the Company in accordance with the applicable rules of Latvian law and the Articles of Association. This general overview is not intended to be exhaustive, nor does it purport to cover all legal issues that may arise in connection with ownership of the Shares.

Under the applicable laws, all shareholders of the Company shall be subject to equitable treatment. Each Share of the Company confers upon its holder the same rights to a share of the Company's assets and profits. In the event of liquidation of the Company, shareholders are entitled to a share of the surplus of assets in the proportion to the number of Shares held. No restrictions apply with respect to transferability of the Shares. The following rights attach to each Share:

Right of Share Disposal. Each shareholder of the Company has the right to dispose of the Share(s) owned. The disposal includes sale (transfer of ownership) and other forms of disposal. No restrictions apply to transferability of the Shares, neither under the statutory provisions of Latvian law nor under the Articles of Association.

Right to Vote. Shareholders have the right to participate and vote at General Meetings. A shareholder is eligible to participate and vote at a General Meeting if it is a shareholder of record (i.e., recorded as a shareholder in the shareholders' register of the Company) at least 5 working days prior to the date of the General Meeting. Each fully paid-up Share, confers upon each shareholder at least one vote at the General Meeting.

A shareholder does not have the right to vote at the General Meeting if, and with respect to the following matters only:

1) he or she is a member of the Supervisory Board or a member of the Management Board, a liquidator, an auditor, an internal auditor of the Company, or the General Meeting will be deciding a matter related to the revocation of authority, a motion of no confidence, or the commencement of legal action against the shareholder;
2) the General Meeting will be deciding a matter concerning enforcement of the Company's rights against the shareholder;
3) the General Meeting will be deciding a matter concerning release of the shareholder from obligations or liability towards the Company;
4) the General Meeting will be deciding a matter concerning entry by the Company into a transaction or arrangement with a person related to the shareholder; or
5) other limitations of shareholders voting rights can apply if specifically provided for in accordance with the Latvian Commercial Law.

Right to Participate in General Meeting. The Annual General Meeting must be held once a year pursuant to the procedure and at a time set forth by law and the Articles of Association. The Annual General Meeting adopts resolutions on the approval of annual report of the Company, reports by the Management Board and Supervisory Board and the application of profit reported in the previous financial year, as well as on other matters included in the agenda of the Annual General Meeting. Shareholders may participate in the Annual General Meetings and exercise their voting rights in person or by a proxy.

Convening of General Meeting. General Meetings, both Annual and Extraordinary, are convened by the Management Board. Apart from the Management Board, the right to request convening of Extraordinary General Meeting is also vested in the Shareholders representing at least one-twentieth (5%) of the Company's share capital. In specific instances, where the Management Board fails to convene a General Meeting, it may be convened by the Supervisory Board or by the Latvian Enterprise Register at the request of Company's auditor or Shareholders representing at least one-twentieth (5%) of the Company's share capital.

Right to Include Particular Matters into Agenda of General Meeting. Shareholders representing at least one-twentieth (5%) of the Company's share capital may request the Management Board to include particular matters into the agenda of the next General Meeting, provided that such request is made no later than within 7 days from the date of receipt by the Shareholders of notice convening the General Meeting.

Right to Information. The Management Board has an obligation, upon receipt of a written request by any Shareholder submitted to the Management Board at least 14 days prior to the date of the General Meeting, to provide the requesting shareholder with information regarding all matters included into agenda of the General Meeting. The Management Board is entitled to refuse provision of the requested information if the provision of such information would be detrimental to important economic interests of the Company, would result in disclosure of a trade secret or if disclosure is prohibited by law.

Revocation of Resolutions Adopted by General Meeting. A resolution of the General Meeting which is unlawful and is in breach of the Articles of Association, is detrimental to the interests of the Company, or is aimed at aggrieving a Shareholder, may be appealed against by way of legal action seeking revocation of the resolution. The legal action seeking revocation of resolutions adopted by the General Meeting shall be brought against the Company.

Shareholders who have been holding Shares in the Company for at least 3 months prior to the date of the General Meeting are entitled to appeal against resolutions adopted by the relevant General Meeting. Furthermore, the right of legal action seeking revocation of resolutions adopted by the General Meeting, or legal action aimed at invalidating resolutions adopted by the General Meeting, is vested in the following shareholders: (i) shareholders who voted against the resolution and, upon passing of the resolution, requested that his or her objection be included in the minutes of the General Meeting; (ii) shareholders who were refused participation in the General Meeting for no lawful reason; and (iii) shareholders who were not present at the General Meeting – only if the General Meeting was improperly convened or if the resolution was adopted on a matter not included in the agenda of the General Meeting.

Right to Liquidation Quota. Upon liquidation of the Company, each Shareholder is entitled to receive a liquidation quota in the proportion to its existing shareholding, in the instances and in accordance with the procedures established by the provisions of statutory law.

Quorum. According to Latvian law and the Articles of Association, the General Meeting is quorate (i.e., a sufficient number of shareholders is present to adopt resolutions) if Shareholders representing more than 50% of the total number of votes are present at the meeting.

Pre-Emption Rights. In the event of increase in the amount of share capital of the Company, each Shareholder has a right of pre-emption to purchase the newly issued shares in the proportion to the total nominal value of the Shares already owned. If the Shareholder fails to exercise the right of pre-emption within the specified period of time, the newly issued shares must be offered for subscription to those Shareholders who have exercised their pre-emption rights according to the procedure specified in the terms of share capital increase.

The rights of pre-emption may be cancelled by resolution of the General Meeting, provided that no less than three quarters of the Shareholders with voting rights present at the General Meeting vote in favour of the cancellation and provided, further, that no greater majority vote is required for adopting the resolution in accordance with the Articles of Association.

Redemption Provisions. Because the Shares are fully paid up, no redemption provisions are intended or apply.

Conversion of Shares. Latvian law stipulates no specific statutory procedure for the conversion of shares from one category to another (nor is conversion prohibited). In order to enable conversion of the Shares, the Articles of Association shall be amended and corresponding adjustments shall be made to shareholders' register of the Company. Currently the Articles of Association do not provide for conversion of the Shares.

Shareholder Rights in Case of Mandatory Bid, Sell-Out and Squeeze-Out. Latvian law requires a mandatory bid for all Shares to be made by one or more persons acting in concert who seek to do any of the following:

- acquire the voting rights attaching to the Shares, directly or indirectly, in such amount that the voting power exercised by such person(s) would correspond to or exceed 30% of the total number of voting shares of the Company; or
- vote at a General Meeting to exclude the Shares from a stock exchange.

The person(s) responsible for making the mandatory bid makes the bid in accordance with the procedure specified in the statutory law, once the making of the bid is permitted by the Bank of Latvia.

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 the Bank of Latvia. 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 Bank of Latvia and grant of permission to proceed with the offer.

The Bank of Latvia monitors and ensures compliance of the final share purchase, and settlement of the purchase, in accordance with the provisions of the Bank of Latvia.

The provisions relevant to mandatory bids, sell out and squeeze-out offers are established, primarily, under the Latvian Share Buyback Law, the Latvian Financial Instruments Market Law and Latvian Group of Companies Law.

11. MANAGEMENT AND SUPRVISORY BODIES

11.1. Governance Structure

The governance structure of the Company is designed to ensure optimal management and control of the business of the Company as a whole in a manner aligned to the business objectives of the Company and the Group.

The Management Board carries out general management of the Company, except for the issues attributed to the competence of the General Meeting.

The function of the Supervisory Board is in supervising the Management Board and representing the interests of Shareholders in-between of General Meetings.

The General Meeting is the supreme management and decision-making body of the Company. Additional information on the competence of the General Meeting is provided in Section 10.5 "Shareholder Rights".

In addition, the Supervisory Board has formed the Remuneration and Nomination Committee and the Business Development Committee, both of which are functioning at the Supervisory Board level, while the General Meeting has formed the Audit and Risk Committee.

The seat of the Management Board and the Supervisory Board is the registered address of the Company at Skanstes iela 50A, Riga, LV-1013, Latvia.

11.2. Management Board

The role and responsibilities of the Management Board. The Management Board is responsible for the day-to-day management of the Company's operations and decision-making (with the exception of decisions falling within the exclusive competence of the General Meeting and decisions requiring approval by the Supervisory Board).

The Management Board also participates in the development and execution of the Company's strategy and material policies. The primary objectives of the Management Board include managing the Company's assets to maximise their value and returns, improving the efficiency of internal control and risk management systems, and ensuring the protection of shareholder rights and interests. The Management Board represents the Company in relation to third parties and the public at large.

The Management Board reports to the Supervisory Board and must abide by its valid instructions. The Management Board requires approval by the Supervisory Board in order to adopt decisions on matters of major importance for the Company. In addition to issues set forth by law, approval by the Supervisory Board is required with respect to decisions on any of the following matters:

1) commencement of new types of activity and termination of current activities;
2) determinations concerning the general principles of operation;
3) acquisitions, increases or decreases of shareholdings in other companies;
4) acquisitions or disposals of other undertakings;
5) acquisitions, alienations of the real property or creation of encumbrances over real property with rights *in rem*;
6) issuance of procuration;
7) consents to entry into, amendment or renewal of related party transactions;
8) grants by the Company of sureties, pledges or guarantees related to the performance of obligations of third parties, as well as amendments to or termination of such sureties, pledges or guarantees;
9) off-balance sheet commitments by the Company;
10) receipt of financing if the single case causes the Company liabilities of more than EUR 100,000 to the extent that the issue is not within the competence of the shareholders' meeting;
11) entry into one or more transactions with the same person, or if the purpose of the transaction falls outside the scope of the ordinary business of the Company, provided that the total value of the transaction(s) during one financial year exceeds EUR 100,000;

12) debt incurrence if the debt, in any single instance, causes the Company to be liable in excess of EUR 100,000, to the extent that the issue is not within the competence of the shareholders' meeting;

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

14) transfer or modification of intellectual property, grant of exclusive licenses or other similar rights for the benefit of third parties, with the exception of affiliates of the Company, or other significant transactions involving the intellectual property of the Company;

15) commencement, termination or settlement of any legal proceedings, arbitration or mediation proceedings, with the exception of recovery of debt incurred in the ordinary course of business, or any motion for the grant of injunctive relief (including temporary restraining order or protective order) that may be necessary for the protection of legitimate interests of the Company in the circumstances where approval by the Supervisory Board is impossible or impracticable;

16) filing of an application for a voluntary insolvency of the Company or filing of a motion for the commencement of legal protection proceedings with respect to the Company; or

17) in respect of any of the above matters, in as far as the matter concerns a subsidiary of the Company.

Appointment of members of the Management Board. In selecting and appointing the members of the Management Board, the Supervisory Board with help of the Remuneration and Nomination Committee seek to ensure adherence to the principle of diversity, including with respect to work experience, nationality, age and gender of the candidates. To this end, a set of specific selection criteria, including with respect to the skills and competence of each candidate, have been established by the Supervisory Board.

Organisation and functioning of the Management Board. According to the Articles of Association, the Company shall be represented by two Management Board members acting jointly. The Articles of Association establish no minimum requisite number of members of the Management Board.

As of the date of this Prospectus, the Management Board consists of three members appointed by the Supervisory Board for the term in office of five years.

The Supervisory Board appoints one member of the Management Board to act as the Chairman of the Management Board. The Chairman of the Management Board shall make sure, among other duties, that the members of the Management Board receive sufficient information and materials enabling the proper execution of their duties.

Decisions of the Management Board are adopted by a simple majority of the votes cast. In the event of a split vote, the Chairman of the Management Board has a casting vote.

The details on the members of the Management Board of the Company, as of the date of this Prospectus, are provided below.

Table 11.2.1.

Members of the Management Board of the Company

Name	Role	Appointment Date	Expiration of the Term in Office
Didzis Ādmīdiņš	CEO, Chairman of the Management Board	19 January 2021	18 January 2026
Aldis Umblejs	CFO, Member of the Management Board	15 December 2021	14 December 2026
Sanita Pudnika	COO, Member of the Management Board	1 March 2022	28 February 2027

Didzis Ādmīdiņš

Mr Didzis Ādmīdiņš has been the CEO of the Company since 2018 and a member of the Management Board since 2014. Mr Didzis Ādmīdiņš owns 1.32% of the Shares of the Company. Mr Didzis Ādmīdiņš is also Chairman of the Management Board of ViziaFinance.

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

Previously Mr Didzis Ādmīdiņš served as COO of several real estate companies (2008 – 2010), and as a Retail Credit Specialist at Swedbank (2007 – 2008).

In the past, Mr Didzis Ādmīdiņš was a member of the management board of AS "Naudasklubs.lv" (2010-2017) and SIA "EC finance" (2015-2020), as well as the chairman of the supervisory board of AS "EA investments" (2015-2020). In addition to his current role with the Company, Mr Didzis Ādmīdiņš is a procurist with sabiedrība ar ierobežotu atbildību "Ādmīdiņš".

As of the date of this Prospectus, the referred positions and activities of Mr Didzis Ādmīdiņš outside the Company are not significant with respect to the Company.

Aldis Umblejs

Mr Aldis Umblejs joined the Company in 2021, first taking the position of CFO and later being appointed as a Member of the Management Board. Mr Aldis Umblejs directly owns 0.01% of Shares of the Company.

Mr Aldis Umblejs holds a Bachelor of Science in Business Administration from BA School of Business and Finance, as well as the qualification of a Chartered Certified Accountant (FCCA) and Chartered Financial Analyst (CFA).

Previously Mr Aldis Umblejs was a member of the management board of AS Eleving Consumer Finance Holding (2020-2021) and served as the CFO of SIA DCE Solutions (2017 – 2020) and SIA Scandagra Latvia (2014 – 2016), a manager at Ernst & Young (2016-2017) and senior consultant (2006-2011), internal audit manager at Modern Times Group (MTG) AB (2012-2014) and group internal auditor at Nordea Bank Finland Plc Latvia branch (2011-2012).

In addition to his current role with the Company, Mr Aldis Umblejs is a Member of the Management Board at ViziaFinance (since 2021), AS Finitera (since 2019) and AS "SPV Properties" (since 2019).

As of the date of this Prospectus, the referred positions and activities of Mr Aldis Umblejs outside the Company are not significant with respect to the Company.

Sanita Pudnika

Ms Sanita Pudnika has been the COO of the Company and a member of the Management Board since 2022. Ms Sanita Pudnika owns Shares in the Company.

Ms Sanita Pudnika holds a Bachelor's degree from the University of Latvia and has more than 10 years of experience in financial technology (fintech), insurance, and banking sectors.

Before joining the Company, Ms Sanita Pudnika managed loan operations at TWINO Group in Latvia as the Country Manager for Latvia, developing consumer lending products and loans for small and medium-sized enterprises (2018 – 2020).

Prior to that, Ms Sanita Pudnika worked at Citadele banka as a Product Manager of Consumer Lending (2016 – 2018) and Head Manager of Projects with Partners in the Department of Consumer Lending (2015 – 2016), and in the field of insurance at Colemont FKB Latvia and UniCredit Insurance Broker.

Ms Sanita Pudnika does not hold any positions in legal entities other than the Company and ViziaFinance.

11.3. Supervisory Board

The role and responsibilities of the Supervisory Board. The Supervisory Board oversees performance by the Management Board of its managerial duties, taking into account the interests of the Shareholders, in accordance with the provisions of statutory law and the Articles of Association.

Rules of Procedure of the Supervisory Board. On 22 February 2021, the Supervisory Board adopted the Rules of Procedure of the Supervisory Board. The Rules of Procedure determine the work organization of the Supervisory Board, the manner of convening meetings of the Supervisory Board, the information flow, procedural aspects and the manner of decision-making at the meetings of the Supervisory Board.

The organisation and functioning of the Supervisory Board. According to the Articles of Association, the Supervisory Board shall consist of five members who are appointed for the term in office of five years. The Supervisory Board adopts resolutions by a simple majority of the votes cast and, in the event of a split vote, the Chairman of the Supervisory Board has a casting vote. Currently the Supervisory Board consists of one member that has been nominated by SIA "AE Consulting" and SIA EC finance jointly (while a Shareholders Agreement was in place) and four members that have been selected and nominated through an open selection process organised by the Company.

Tasks of the Supervisory Board. In addition to the provisions of the law and Articles of Association, the Supervisory Board has the following tasks: approve the strategy and monitor its implementation; approve the annual financial plan (which also includes the budget) and monitor its implementation; elect and recall members of the management board; approve the Rules of procedure of the Management Board; determine the remuneration of the members of the Management Board; set annual financial and non-financial targets for the Management Board and monitor their achievement; monitor the operation of internal control and risk management systems, as well as internal audit, review their adequacy and effectiveness; set general operating principles, including the approval of key policies; approve the strategic and annual risk-based internal audit plan; consider all issues that are within the competence of the General Meeting and prepare an appropriate opinion on them; approve the conclusion of an agreement with third parties in accordance with the transaction amount specified in the Articles of Association; conclude any partnership, joint venture, association or similar association or agreement on behalf of the Company; consider issues related to the acquisition of participation in other companies, its increase or decrease, issuance of a power of attorney, awarding of loans that are not related to the normal business activities of the Company; represent the Company before Shareholders and other key audiences by reporting on the Company's activities; perform annual self-evaluation of the work of the Supervisory Board; perform other tasks in accordance with the provisions of the Articles of Association.

The details on the members of the Supervisory Board of the Company, as of the date of this Prospectus, are provided below.

Table 11.3.1.

Members of the Supervisory Board of the Company

Name	**Role**	**Appointment Date**	**Expiration of the Term in Office**	**Fulfils independence criteria***
Agris Evertovskis	Chairman of the Supervisory Board	13 April 2021	29 March 2026	
Gatis Kokins	Deputy Chairman of the Supervisory Board	13 April 2021	29 March 2026	Yes
Edgars Voļskis	Member of the Supervisory Board	13 April 2021	29 March 2026	Yes
Mārtiņš Bičevskis	Member of the Supervisory Board	13 April 2021	29 March 2026	Yes
Jānis Pizičs	Member of the Supervisory Board	13 April 2021	29 March 2026	

**The independence criteria are defined in Latvian Corporate Governance Code (Latvijas Korporatīvās pārvaldības kodekss), please see: https://www.tm.gov.lv/lv/media/7299/download*

Agris Evertovskis

Mr Agris Evertovskis is a founder of the Company, and has served as the Chairman of the Supervisory Board since 2021. Mr Agris Evertovskis is a member of the Supervisory Board's Remuneration and Nomination Committee and Business Development Committee. Mr Agris Evertovskis indirectly owns 26.97% of the Shares of the Company.

Mr Agris Evertovskis graduated from the Stockholm School of Economics in Riga and holds Bachelor's degree in Economics and Business.

Prior to serving as the Chairman of the Supervisory Board, Mr Agris Evertovskis was the Chairman of the Management Board of the Company (2009 – 2021). In the past, Mr Agris Evertovskis led several commercial real estate development projects and companies and served as chairman of the supervisory board of AS "Naudasklubs.lv" (2015 – 2017), a member of the management board of SIA "OBDO Gin" (2011 – 2019), SIA "DCE solutions" (during 2017), AS "Smart Finance Holding" (2017-2020), SIA "KALPAKS" (2016-2020), SIA "L24 Finance" (2015-2021) and AS "EA investments" (period of service 2015-2021). Mr Agris Evertovskis has also served as the chairman of the management board of SIA "EL Capital" (2016-2021) and SIA "EC finance" (2015 – 2020).

In addition to his role with the Company, Mr Agris Evertovskis is currently a member of the management boards of SIA "EC finance", SIA "Five nines company" and SIA "AE Consulting".

As of the date of this Prospectus, the referred positions and activities of Mr Agris Evertovskis outside the Company are not significant with respect to the Company, except for the positions as a member of the management board of SIA "EC finance" and SIA "AE Consulting" both of which companies are the direct shareholders of the Company.

Gatis Kokins

Mr Gatis Kokins has been the Deputy Chairman of the Supervisory Board of the Company since 2021. Mr Gatis Kokins was appointed to serve as an independent member of the Supervisory Board. He is a member of the Supervisory Board's Audit and Risk Committee, the Remuneration and Nomination Committee, as well as a member of the Business Development Committee. Mr Gatis Kokins owns no Shares in the Company.

Mr Gatis Kokins graduated from the University of Latvia and holds Master of Science degree in Physics. He received an MBA from the Stockholm School of Economics in Riga and participated in number of executive education programs, including INSEAD and Harvard Business School.

Mr Gatis Kokins has acquired extensive management experience, having served as the chairman of the supervisory board of SIA "Tet" (2009-2021) and Citadele Bank Lithuania (2004-2009), as well as a member of the management board of Swedbank Latvia (1993-1997), SIA "OC VISION" (from 2015) and SIA "D8 Corporation" (2002-2009).

As of the date of this Prospectus, Mr Gatis Kokins does not hold any positions or perform any duties outside the Company that are significant with respect to the Company.

Dr. Edgars Voļskis

Mr Edgars Voļskis is a member of the Supervisory Board since 2021, having been appointed as independent member. Mr Edgars Voļskis is 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.

Mr Edgars Voļskis served as CFO and member of the management board of Baltic International Bank SE (2020 – 2022). Prior to serving as a member of the Supervisory Board of the Company, Mr Edgars Voļskis had also acquired extensive experience as auditor and accountant. He served as partner with KPMG CIS in Belarus (2017-

2019), director of KPMG Baltics and Belarus (2006-2017), risk services manager with Deloitte and Touche Adriatics in Slovenia, Croatia and Bosnia (2003-2006), senior auditor with Deloitte and Touche Latvia in Riga (1999-2002).
Mr Edgars Voļskis is also a member of the management board of SIA "EGGA" a member of the management board of the association "Latvijas Ekonomistu asociācija" and Chairman of Supervisory Board of AS "KRĒMERI". 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 directly owns 0.001% of Shares in the Company.
Mr Mārtiņš Bičevskis graduated from the University of Latvia with Law degree. Martins has held high level positions in various ministries of the Republic of Latvia. In turn, he is a start-up Ecosystem Enthusiast & an activator for the Latvian sports ecosystem.
Prior to serving as a member of the Supervisory Board, Mr Mārtiņš Bičevskis served as a member of the executive body of "Latvijas Sporta federāciju padome" (2017-2021), a member of the supervisory board of Akciju sabiedrība "Latvenergo" (2016-2019), Chairman of the supervisory board of Valsts akciju sabiedrība "Valsts nekustamie īpašumi" (2016-2019) and a member of the executive body of "Latvijas Komercbanku nozares asociācija" (2011-2016). In addition to these roles, Mr Mārtiņš Bičevskis served as the State Secretary at the Ministry of Finance (2008-2011) and as the State Secretary at the Ministry of Justice (2004-2008).
Currently, Mr Mārtiņš Bičevskis *serves as a* limited partner with the Commercialization Reactor Fund, an angel investor and a mentor at "Cocoon"*,* Deputy Chairperson of the supervisory board of Akciju sabiedrība "LatRailNet", Member of Executive Committee of the Latvian Olympic Committee and as a member of the executive bodies of the following associations: "Latvijas Komandu sporta spēļu asociācija" and "Latvijas Privātā un Riska kapitāla asociācija". As of the date of this Prospectus, the referred positions and activities of Mr Mārtiņš Bičevskis outside the Company are not significant with respect to the Company.

Jānis Pizičs

Mr Jānis Pizičs has been a member of the Supervisory Board since 2021. Mr Jānis Pizičs is Head of the Business Development Committee and a member of the Audit and Risk Committee. Mr Jānis Pizičs owns 0.0147% of the Shares of the Company.
Mr Jānis Pizičs holds a BSc in Economics and Business from the Stockholm School of Economics in Riga and an MBA from Riga Business School.
Prior to serving as a member of the Supervisory Board, Mr Jānis Pizičs served as a member of the management board of SIA LeadGen Brokerage (2017-2019), deputy chairman of the supervisory board of AS "Puzzle Ventures" (during 2020), AS "EAG finance" (2018-2021) and AS "FINKO group" (2019-2021), SIA "Mindi Latvia" (2020-2021), SIA "Mindi Insurance" (2020-2021), as well as chairman of the supervisory board of AS "TIG invest" (2018-2021). In addition to these roles, Mr Jānis Pizičs served as CEO of AS "FINKO group", Finance improvement lead / cluster finance partner HIV in the Nordic cluster for SIA "GlaxoSmithKline Latvia", budgeting and reporting manager with SPI Group SARL Group, business controller of SIA "LATVIJAS ENERGOCELTNIEKS" and tax consultant at Ernst & Young Baltic.
Until January 2023, Mr Jānis Pizičs served as a member of the management board of AS "Monio Group".
Currently, Mr Jānis Pizičs serves as a member of the management boards of AS "DBF Finance", Sabiedrība ar ierobežotu atbildību "BWCA", AS "SPV Properties", 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

<u>The role of the Committee</u>. 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. Until 31 December 2022 Roberts Korde served as the internal auditor of the Company. Currently, the Company is searching for new internal auditor. However, it has carried out project-based compliance audit with respect to shareholders, bondholders and conflict of interest. The audit has been completed, but as of the date of the Prospectus, the Company is still awaiting its results, the audit was carried out by audit firm SIA "BDO ASSURANCE".

According to the Internal Audit Policy of the Company, duties of the internal auditor include:

- supervising the process of preparing the Company's annual reports;
- carrying out internal audit;
- supervising the audit process for the Company's annual reports;
- 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

<u>The role of the Committee</u>. 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 Offeror as of the date of this Prospectus, there exist no actual or potential conflicts of interest between the duties of any member of the Company's Management Board or Supervisory Board, or any of the Company's subsidiaries, and their private or commercial interests.

To the knowledge of the Offeror, no member of the Company's Management Board or Supervisory Board has ever been prosecuted in criminal proceedings or convicted of malicious or fraudulent acts.

As part of reorganization and optimisation of the administrative structure of the Group, in 2021 several companies belonging to the Group, more specifically, SIA "Refin", SIA "ExpressInkasso" and SIA "Banknote commercial properties" were voluntarily liquidated. Former members of the management of SIA "Refin", SIA "ExpressInkasso" and SIA "Banknote commercial properties" include the Chairman of the Supervisory Board of the Company Mr Agris Evertovskis and member of the Management Board of the Company Mr Didzis Ādmīdiņš.

In the past, Mr Agris Evertovskis served as chairman of the supervisory board and Mr Didzis Ādmīdiņš served as a member of the management board of AS "Naudasklubs.lv". The voluntary liquidation of AS "Naudasklubs.lv" was completed in June 2017. Mr Didzis Ādmīdiņš was the liquidator of the company. AS "Naudasklubs.lv" was active in the business of retail sale of new goods through specialised stores and retail sale of second-hand goods through stores. To the knowledge of the Offeror, no member of the Company's Management Board or Supervisory Board has been serving in any managerial or fiduciary capacity with any company or organization, with the exception of the roles disclosed in Section 11.2 "Management Board" and Section 11.3 "Supervisory Board", which have, at any time, been the subject to any bankruptcy or involuntary liquidation proceedings at the time of the initiation of such bankruptcy or involuntary liquidation proceedings.

To the knowledge of the Offeror, no court or other competent authority has prohibited any person specified in this Section and Section 8.6 "Risk Management" of this Prospectus to serve as a member of any governance body of any company or organization, or has imposed any prohibition on participation in the management of any business or company, nor has any criminally punishable offence been incriminated against any such individual.

11.8. Good corporate governance, sustainability and compliance practices

Corporate Governance Policy. On 2 February 2021, the Management Board of the Company approved the Corporate Governance Policy of the Company. The policy has been prepared taking into account the requirements established for companies within the framework of Latvian regulatory enactments, the recommendations of the Organization for Economic Co-Operation and Development (OECD) for corporate governance (2015) and recommendations for the good corporate governance of companies in Latvia known as the "Corporate Governance Code" (2020).

Purpose. The purpose of the Company's corporate governance policy to set out the principles of Company's corporate governance and ensure that DelfinGroup is run in a transparent and ethical manner, ensuring good business practices.

The principles. The core principles of the Company's Corporate Governance Policy and its operational practices include:

- ensuring good quality services and a sustainable financial condition;
- clear division of roles, powers and responsibilities among key corporate governance institutions of the Company and within the entire organisation;
- transparent appointment processes of professional Supervisory Board members, including independent members;
- definite operational rules for Company's corporate governance institutions and clear decision making procedures;
- clear objectives of financial and non-financial performance of the Company;
- clear and motivational remuneration system, medium- and long-term incentive plans;
- duty of diligent management;
- implementation of ethical and responsible business practices;
- prevention of risk of conflict of interest and corruption;
- proper disclosures, accessibility and transparency of information;
- effective internal controls, risk management processes and audits.

Strategic development planning.

The Company's sustainable development is based on strategic planning system which includes:

- strategy (2 years);
- long-term financial plan and targets (5 years);
- short-term financial plan and targets (1 year).

The Management Board draws up an annual action plan to implement the strategy and reach financial goals and renders status report to the Supervisory Board at least once every six months or at request. Every six months, the Management Board and the Supervisory Board review the strategy and financial plans, evaluate the results and, if necessary, perform adjustments which are approved by the Supervisory Board.

ESG. The Company conducts its business responsibly towards the environment, shareholders, employees and other stakeholders. DelfinGroup cooperates with stakeholders and provides information in sustainability reports accordingly. In 2021, the Company published its first Environmental, Social and Governance (ESG) report in respect of 2020, which was followed by a report in respect of 2021. The ESG reports demonstrate commitment of the Company to improve the environment and well-being of its employees.

The Company performs ESG-related risk evaluation and implements appropriate risk exclusion or reduction strategies.

The Company is firmly committed to maintaining good corporate governance and responsible business practices while respecting the environmental, social, human and cultural aspects pertinent to its business.

The Company's vision is to build a sustainable society by empowering people and promoting financial inclusion.

The Company's corporate culture is based on its values, ethics, vision, behaviours and work environment. The Company trusts that good corporate culture contributes to high workplace morale as well as engaged, productive staff which leads to exceptional business results.

Compliance policies. The Company' Supervisory Board approves at least the following compliance and good practices policies:

- Business partner assessment policy;
- Code of ethics;
- Internal audit policy;
- Policy of internal control and compliance;
- Policy for prevention of market abuse;
- Policy for confidentiality, circulation and disclosure of information;
- Data protection policy;
- Risk management policy (including anti-money laundering compliance, sanctions risk);
- Whistle-blowing policy;
- Equality, diversity and inclusion policy.

The Management Board ensures the implementation (including communication, training) and enforcement of the policies thereof. The Management Board shall submit proposals to the Supervisory Board for policy updates as needed or in accordance with the renewal schedule of each policy, but not less than once in 3 years.

11.9. The external auditor

The Financial Statements have been reviewed and prepared by audit firm "KPMG Baltics SIA", registration number: 40003235171, legal address: Roberta Hirša iela 1, Riga, LV-1045 for financial year which ended on 31 December 2022 and by audit firm "BDO ASSURANCE" SIA, registration number: 42403042353, legal address: Kaļķu Street 15 - 3B, Riga, LV-1050 for financial years which ended on 31 December 2021 and 31 December 2020. "KPMG Baltics SIA" and "BDO ASSURANCE" SIA are certified auditors and a members of the Latvian Association of Certified Auditors.

12. REMUNERATION AND BENEFITS

12.1. Remuneration policy

The Company has adopted a Remuneration Policy which elaborates a number of principles critical to the determination of remuneration of employees, and members of the Management Board and Supervisory Board. These principles are as follows:

- the remuneration shall be commensurate with the performance and personal contribution of the employee, member of the Management Board or Supervisory Board;
- the remuneration shall be in alignment with the terms of employment, the scope of responsibilities of each employee or member of the Management Board or Supervisory Board and the actual performance of the Company;
- the remuneration of members of the Management Board and Supervisory Board shall be proportionate to the remuneration of employees of the Company;
- the level of remuneration shall be competitive with the overall labour market;
- the remuneration structure shall be balanced and not encourage excessive risk-taking;
- the remuneration shall not be contrary to the long-term value and objectives of the Company and its shareholders;
- in order to avoid conflicts of interest, the Company shall ascertain that its employees, members of the Management Board and Supervisory Board are not involved in the process of determination of their own compensation.

The amount of remuneration paid. In the year 2022, the Company has paid to the members of the Management Board an aggregate annual remuneration of EUR 460,597 gross, which corresponds to EUR 431,448 gross paid in the year 2021. The remuneration was a combination of salary (EUR 372,681), and employee social insurance contributions (EUR 31,705). According to the Remuneration Policy, the Chairman of the Management Board is entitled to a Company car (that is not of a luxury class) and fuel allowance. Members of the Management Board can request to be provided with a mobile phone of choice, and their telephone bills are paid by the Company.

In the year 2022, the Company has paid to the members of the Supervisory Council an aggregate annual remuneration of EUR 166,145 gross, which corresponds to EUR 136,698 gross paid in the year 2021. The remuneration was a combination of salary (EUR 134,440), and employee social insurance contributions (EUR 31,705).

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

Gross amount per month for:	***Remuneration, EUR***
Member of the Supervisory Board	2,100
Chairman of the Supervisory Board	3,150
Deputy Chairperson of the Supervisory Board	450
Head of a committee	450
Member of a committee	225
Head of a working group	450
Member of a working group	225

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.

As of the date of the Prospectus, no share options have been converted into shares. As of 31 December 2022, in total the Group has granted 73 968 share options of which 21 250 share options the following Management Board and Supervisory Board members[29]:

Name, surname, position	**Option grant date**	**Effective date of the right to covert option into share**	**Conversion price, EUR**	**Exercise period**	**Information about the financial year**			
					Opening Balance	During the year		Closing balance
					Share options at the beginning of the year	Share options granted	Share options converted	Share options granted but not converted
Didzis Ādmīdiņš, Chairman of the Management Board	01.12.2022.	01.12.2023.	0.1	01.12.2022. – 01.12.2023.	0	5,000	0	5,000
Aldis Umblejs, Member of the Management Board, Chief Financial Officer	01.12.2022.	01.12.2023.	0.1	01.12.2022. – 01.12.2023.	0	5,000	0	5,000
Sanita Pudnika, Member of the Manageme	01.12.2022.	01.12.2023.	0.1	01.12.2022. – 01.12.2023.	0	5,000	0	5,000

[29] Source: https://delfingroup.lv/storage/files/delfingroup-remuneration-report-2022-esigned-en-en.pdf

nt Board, Chief Commercial Officer								
Agris Evertovskis, Chairman of the Supervisory Board	01.12.2022.	01.12.2023.	0.1	01.12.2022. – 01.12.2023.	0	1,250	0	1,250
Gatis Kokins, Deputy Chairman of the Supervisory Board	01.12.2022.	01.12.2023.	0.1	01.12.2022. – 01.12.2023.	0	1,250	0	1,250
Mārtiņš Bičevskis, Member of the Supervisory Board	01.12.2022.	01.12.2023.	0.1	01.12.2022. – 01.12.2023.	0	1,250	0	1,250
Jānis Pizičs, Member of the Supervisory Board	01.12.2022.	01.12.2023.	0.1	01.12.2022. – 01.12.2023.	0	1,250	0	1,250
Edgars Voļskis, Member of the Supervisory Board	01.12.2022.	01.12.2023.	0.1	01.12.2022. – 01.12.2023.	0	1,250	0	1,250

12.3. Remuneration Report

For year 2022, the Company in accordance with Latvian Financial Instrument Market Law published Remuneration Report[30]. The Remuneration Report consists of 5 sections: Introduction, Remuneration of the Management Board, Remuneration of the Supervisory Board, Changes in remuneration and Company performance results and Remuneration related to stock options.

The following remuneration and other benefits were paid out in 2022 to the Management Board:

Name, Surname, Position	**Fixed Remuneration, EUR**			**Variable Remuneration EUR**	**Total Remuneration EUR**	**Proportion of Fixed and Variable Remuneration%**	**Notes**
	Base Salary	Other Benefits*	Total				
Didzis Ādmīdiņš, Chairman of the Management Board	95,389	100	95,489	74,204	169,593	56/44	
Aldis Umblejs, Member of the Management Board, Chief Financial Officer	71,844	100	71,944	15,396	87,240	82/18	
Sanita Pudnika, Member of the Management	72,374	100	8,107	8,107	80,481	90/10	Member of the Management Board

[30] Source: https://delfingroup.lv/storage/files/delfingroup-remuneration-report-2022-esigned-en-en.pdf

Board, Chief Commercial Officer							since 01.03.2022
Ivars Lamberts, Member of the Management Board, Chief Commercial Officer	17,503	100	17,865	17,865**	35,368	50/50	Member of the Management Board until 01.03.2022

** Other benefits include health insurance*

*** The variable remuneration for I. Lamberts includes a payment for the 2022 result, which was paid upon termination of employment*

The following remuneration and other benefits were paid out in 2022 to the Supervisory Board:

Name, Surname, Position	**Fixed Remuneration, EUR**				**Variable Remuneration EUR**	**Total Remuneration EUR**	**Proportion of Fixed and Variable Remuneration%**
	Base Salary	Allowances for work in Supervisory Board Committees	Other Benefits*	Total			
Agris Evertovskis, Chairman of the Supervisory Board	42,000	3,600	100	45,700	0	45,700	100/0
Gatis Kokins, Deputy Chairman of the Supervisory Board	20,400	5,400	-	25,800	0	25,800	100/0
Mārtiņš Bičevskis, Member of the Supervisory Board	16,800	3,600	-	20,400	0	20,400	100/0
Jānis Pizičs, Member of the Supervisory Board	16,800	5,400	100	22,300	0	22,300	100/0
Edgars Voļskis, Member of the Supervisory Board	16,800	3,600	-	20,400		20,400	100/0

**Other benefits include health insurance*

Remuneration Report for year 2022 is the first Company's Remuneration Report prepared in accordance with Latvian Financial Instrument Market Law. Therefore, it reflects the first period against which the results of the following years will be compared. The comparative data summarizes the remuneration of the Management Board and Supervisory Board, Company performance indicators, and the average full-time salary of the Company's employees, excluding Management Board and Supervisory Board members. In addition, heads of departments of the Company have been selected as the reference group for employee compensation.

Management Board remuneration, EUR	**2022**
Management Board fixed remuneration	257,511
Management Board variable remuneration	115,571
Management Board total remuneration	372,681
Supervisory Board fixed remuneration	134,600
Supervisory Board variable remuneration	0
Supervisory Board total remuneration	134,600

Company performance, EUR	
Revenue	35,775,886
Profit before tax	7,257,561
Net profit	5,961,453
The average salary of employees for full-time work, EUR	
Remuneration of department heads	39,996

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 2022, 31 December 2021 and 31 December 2020 (the "**Audited Financial Statements**") prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. Indicated information in the Financial Statement for the year ended 31 December 2020 in addition to the Group covers former subsidiaries of the Company, i.e., SIA ExpressInkasso, SIA REFIN and SIA Banknote commercial properties.

The financial information in this Prospectus for the 3-month period which ended on 31 March 2023 and 3-month period which ended on 31 March 2022 has been derived or taken from the unreviewed consolidated interim financial statements of the Group for the 3-month period which ended on 31 March 2023 and for the 3-month period which ended on 31 March 2022 (the "**Interim Financial Reports**") which have been prepared in accordance with the International Accounting Standards (IAS) 34 but have not been reviewed by external auditors (the Interim Financial Reports together with the Audited Financial Statements also referred to as the "**Financial Statements**").

Standards issued but not yet effective

A number of new standards or amendments to standards are effective (some of which are not yet been endorsed by the European Union) for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new standards or amended standards in preparing these consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 17 Insurance Contracts, effective for reporting periods beginning on or after 1 January 2023, with comparative figures required.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current, effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.
- Definition of Accounting Estimates - Amendments to IAS 8, effective for annual reporting periods beginning on or after 1 January 2023.
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2, applicable for annual periods beginning on or after 1 January 2023.
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes, applicable for annual periods beginning on or after 1 January 2023.

The Audited Financial Statement for year which ended on 31 December 2022 has been audited and reviewed by "KPMG Baltics SIA" and Audited Financial Statements for years which ended on 31 December 2021 and 31 December 2020 have been audited and reviewed by "BDO ASSURANCE" SIA and have been enclosed to this Prospectus as Schedule 1.

Table 13.1.

Statement of profit or loss of the Group (EUR'000)

	Year ended 31 December (audited)			*Three-month period ended 31 March (unreviewed)*	
	2020	*2021*	*2022*	*2022*	*2023*
Net sales (1)	6,164	4,822	6,473	1,246	2,303
Cost of sales (1)	(4,224)	(3,157)	(4,204)	(780)	1,443
Interest income and similar income (1)	17,500	20,368	29,303	6,340	8,779
Interest expenses and similar expenses (1)	(3,633)	(3,827)	(4,669)	(689)	(1,792)
Credit loss expenses (1)	(1,505)	(2,815)	(6,161)	(1,410)	(2,145)
Gross profit (1)	**14,301**	**15,390**	**20,742**	**4,707**	**5,702**
Selling expenses (1)	(5,446)	(6,125)	(7,500)	(1,757)	(2,063)

Administrative expenses (1)	(3,261)	(4,213)	(5,773)	(1,279)	(1,765)
Other operating income	72	85	104	24	15
Other operating expenses (1)	(812)	(140)	(315)	(116)	(64)
Profit before corporate income tax (1)	**4,854**	**4,997**	**7,258**	**1,579**	**1,825**
Income tax expenses	(755)	(979)	(1,296)	(188)	(212)
Net profit for the reporting period (1)	**4,100**	**4,018**	**5,961**	**1,391**	**1,613**
Earnings per share, EUR[31] (1)	**0.102**	**0.098**	**0.132**	**0.031**	**0.036**
Adjusted earnings per share, EUR[32]	**0.102**	**0.098**	**0.132**	**0.031**	**0.036**

Notes

(1)Impact of restatement in comparative figures:

(a) In the Financial Statements for the year ended 31 December 2021, the Group has adopted changes in the accounting policy in respect of recognition of internally generated intangible assets. The change relates to development of software, mainly consisting of internally capitalised salary expenses. All costs incurred in 2020 which were recognized as part of the cost of an intangible asset qualified the capitalization criteria as at the date when such costs were incurred. However, initially they were expensed in accordance with accounting policy applicable at that time. Following the change in accounting policy expenses, including past expenses, meeting the capitalization criteria as at the date of its occurrence were capitalized. Management considers that the change in accounting policies more accurately reflects the Company's process in regard to internally developing IT resources as well as better aligns costs with income. Group has made an assessment on the change in accounting policy impact on the beginning of the earliest period presented, i.e., 1 January 2020. Management assessed capitalization criteria as per IAS 38 as of 1 January 2020 and concluded that no relevant costs qualified with requirements of IAS 38 as at that date.

(b) In the Financial Statements for the year ended 31 December 2021, the Group has identified a classification error on bond issuance commissions in 2020. The error relates to incorrect classification of bond issuance commissions as bank commissions under Administrative costs. The error resulted in overstatement of amount of bank commission expenses and understatement of interest expenses.

(c) In the Financial Statements for the year ended 31 December 2021, the Group has also identified a classification error on accrued interest expenses in 2020. The error relates to incorrect classification of accrued interest expenses for other borrowings under Credit loss expense and resulted in overstated amount of credit loss expenses and understatement of interest expenses. To comply with presentation requitements of IFRS 9, the Group reclassified mentioned amount from Credit loss expense to Interest expenses and similar expenses.

(d) In the Financial Statements for the year ended 31 December 2022, the Group has identified a classification error on pawn loans while preparing Group's financial statements. The error relates to incorrect classification of pawn loans as Inventory and related sales of collateral as Net sales. The error resulted in overstatement of the Group's and the Company's Net sales by EUR 1 140 031, Cost of sales by EUR 805 281 and understatement of Interest income and similar income by EUR 334 750 in statement of profit and loss for the year ended 31 December 2021. Similarly, in the Financial Statements for the three-month period ended 31 March 2023 the Management has identified a classification error on pawn loans while preparing Group's financial statements. The error relates to incorrect classification of collateral as Net sales. The error resulted in overstatement of the Group's Net sales by EUR 330 940, Cost of sales by EUR 225 709 in statement of profit or loss for the prior 3 months ended 31 March 2022 and understatement of Interest income and similar income by EUR 105 231 in statement of profit and loss for the prior 3 months ended 31 March 2022.

(e) The Group and the Company has improved ECL calculation model. The Group and the Company have included defaults from debt sale before payments are past due for more than 90 days in

[31] Earning per shares as reported at the end of each respective period.
[32] For comparability purposes, the number of shares outstanding have been adjusted for new share issues.

probability of default calculation. Model improvement resulted in an identified understatement of Credit loss expenses by EUR 417 660 in statement of profit or loss for the year ended 31 December 2021 and by EUR 247 327 in statement of profit or loss for the three-month period ended 31 March 2022.

(f) The Management has reconsidered the judgment in respect of pawn loan accounting and come to conclusion that pawn loans do not meet solely payment of principal and interest (SPPI) requirements, thus prior period pawn loan measurement according to amortized cost were erroneous. The Group and the Company recognizes and subsequently measures pawn loans at fair value. There is no difference in comparative figures of Loans and receivables, and Interest income and similar income due to this error.

(g) The Management has identified an error on interest revenue calculation on debt financial assets by applying effective interest rate method while preparing Group's and the Company's financial statements. The error resulted in understatement of Interest income and similar income by EUR 211 567 in statement of profit and loss for the year ended 31 December 2021 and by EUR 225 026 in statement of profit and for the three-month period ended 31 March 2022. To comply with requirements of IFRS 9, the Group and the Company have recalculated interest income and similar income.

(h) The Management has identified a classification error on accounting of e-shop sales while preparing Group's financial statements. The error relates to incorrect recognition of e-shop markup in net sales. The error resulted in understatement of the Group's and the Company's Net sales by EUR 294 565, Cost of sales by EUR 294 565 in statement of profit or loss for the year ended 31 December 2021. The error also resulted in understatement of the Group's Net sales by EUR 110 944, Cost of sales by EUR 110 944 in statement of profit or loss for the three-month period ended 31 March 2022.

(i) The Group and the Company have changed the presentation of losses from debt sales. In statement of profit or loss for the year ended 31 December 2021 and in the statement of profit or loss for the three-month period ended 31 March 2022 losses from debt sales was presented under Other operating expenses. In these financial statements, for better presentation of financial information, losses from debt sales were reclassified to Credit loss expenses. The reclassification resulted in understatement of Credit loss expenses and overstatement of Other operating expenses by EUR 165 328 in statement of profit and loss for the year ended 31 December 2021 and by EUR 79 469 in statement of profit and loss for the three-month period ended 31 March 2022.

(j) Abovementioned corrections resulted in understatement of retained earnings by EUR 98 661 as at 31 March 2022.

Table 13.2.

The effect of changes on the Statement of profit or loss of the Group for 2020 (EUR'000)

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Net sales		6,164	-	6,164
Cost of sales		(4,224)	-	(4,224)
Interest income and similar income		17,500	-	17,500
Interest expenses and similar expenses	(b), (c)	(3,490)	(142)	(3,633)
Credit loss expenses	(c)	(1,592)	86	(1,505)
Gross profit		**14,357**	**(56)**	**14,301**
Selling expenses	(a)	(5,426)	(20)	(5,446)
Administrative expenses	(a), (b)	(3,540)	279	(3,261)
Other operating income		72	-	72
Other operating expenses		(812)	-	(812)
Profit before corporate income tax		**4,652**	**202**	**4,854**
Income tax expenses		(755)	-	(755)
Net profit for the reporting period		**3,897**	**202**	**4,100**

Earnings per share		**0.097**	**0.005**	**0.102**

Table 13.3.

The effect of changes on the Statement of profit or loss of the Group for 2021 (EUR'000)

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Net sales	(d), (h)	5,667	(845)	4,822
Cost of sales	(d), (h)	(3,668)	511	(3,157)
Interest income and similar income	(d), (g)	19,821	546	20,368
Interest expenses and similar expenses		(3,827)	-	(3,827)
Credit loss expenses	(e), (i)	(2,237)	(578)	(2,815)
Gross profit		**15,756**	**(367)**	**15,390**
Selling expenses		(6,125)	-	(6,125)
Administrative expenses		(4,213)	-	(4,213)
Other operating income		85	-	85
Other operating expenses	(i)	(301)	160	(140)
Profit before corporate income tax		**5,203**	**(206)**	**4,997**
Income tax expenses		(979)	-	(979)
Net profit for the reporting period		**4,224**	**(206)**	**4,018**
Earnings per share		**0.103**	**(0.005)**	**0.098**

Table 13.4.

The effect of changes on the Statement of profit or loss of the Group for three-months ended 31 March 2022 (EUR'000)

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Net sales	(d), (h)	1,466	(220)	1,246
Cost of sales	(d), (h)	(894)	115	(780)
Interest income and similar income	(d), (g)	6,010	330	6,340
Interest expenses and similar expenses		(689)	-	(689)
Credit loss expenses	(e), (i)	(1,083)	(327)	(1,410)
Gross profit		**4,809**	**(102)**	**4,707**
Selling expenses		(1,757)	-	(1,757)
Administrative expenses		(1,279)	-	(1,279)
Other operating income		24	-	24
Other operating expenses	(i)	(195)	79	(116)
Profit before corporate income tax		**1,601**	**(22)**	**1,579**
Income tax expenses		(188)	-	(188)
Net profit for the reporting period		**1,414**	**(22)**	**1,391**
Earnings per share		**0.031**	**-**	**0.031**

Table 13.5.

Balance sheet statements of the Group (EUR'000)

Item	*Year ended 31 December (audited)*			*Three-month period ended 31 March (unreviewed)*	
	*2020**	*2021*	*2022*	*2022*	*2023*
ASSETS					
Non-current assets					
Intangible assets					
Concessions, patents, licences, trademarks and similar rights	124	64	27	62	17
Internally developed software (1)	202	377	575	420	524
Other intangible assets	54	51	121	112	135
Goodwill	128	128	128	127	128
Advances on intangible assets	-	19	44	21	175
Total intangible assets (1)	**508**	**638**	**895**	**744**	**979**
Property, plant and equipment					
Right-of-use assets (1)	3,194	2,973	2,636	2,915	2,698
Land, buildings, structures and perennials	85	170	182	182	180
Investments in property, plant and equipment	197	187	189	183	202
Other fixtures and fittings, tools and equipment (1)	248	207	203	192	234
Total property, plant and equipment	**3,725**	**3,536**	**3,211**	**3,472**	**3,314**
Non-current financial assets					
Loans and receivables	17,712	28,569	46,150	31,941	52,729
Loans to shareholders and management	474	-	-	-	-
Long-term investments	**18,186**	**28,569**	**46,150**	**31,941**	**52,729**
Total non-current assets (1)	**22,419**	**32,743**	**50,256**	**36,156**	**57,022**
Current assets					
Inventories					
Finished goods and goods for sale (1)	852	1,255	2,290	2,138	3,909
Total inventories (1)	**852**	**1,255**	**2,290**	**2,138**	**3,909**
Receivables					
Loans and receivables (1)	17,949	15,186	21,368	15,150	20,724
Other debtors	375	352	575	389	633
Deferred expenses	280	167	301	151	409
Total receivables (1)	**18,603**	**15,705**	**22,243**	**15,691**	**21,766**
Cash and cash equivalents	4,592	2,460	2,369	1,704	2,398
Total current assets (1)	**24,047**	**19,420**	**26,902**	**19,533**	**28,073**
TOTAL ASSETS (1)	**46,466**	**52,163**	**77,158**	**55,690**	**85,095**
EQUITY AND LIABILITIES					
Equity:					
Share capital	4,000	4,532	4,532	4,532	4,532
Share premium	-	6,891	6,891	6,891	6,891
Other capital reserves	-	-	93	-	128
Retained earnings (1)	5,758	6,053	6,590	6,589	7,364
Total equity (1)	**9,758**	**17,476**	**18,106**	**18,011**	**18,915**

Creditors					
Long-term creditors					
Bonds issued	8,442	9,894	4,331	11,975	7,406
Other borrowings	6,817	8,086	15,005	9,158	16,326
Lease liabilities	2,732	2,652	2,353	2,558	2,225
Total long-term creditors	**17,991**	**20,633**	**21,688**	**23,692**	**25,957**
Short-term creditors					
Bonds issued	5,023	944	14,783	15,865	15,548
Other borrowings	10,870	10,487	19,856	10,495	20,560
Lease liabilities	704	653	565	688	749
Trade payables	703	806	856	782	695
Taxes and social insurance	816	398	560	491	586
Unpaid dividends	-	-	-	779	838
Accrued liabilities	602	766	742	736	1,246
Total short-term creditors	**18,717**	**14,054**	**37,364**	**13,986**	**40,223**
Total creditors	**36,708**	**34,687**	**59,052**	**37,678**	**66,180**
TOTAL EQUITY AND LIABILITIES (1)	**46,466**	**52,163**	**77,158**	**55,690**	**85,095**

** Financial information for the year ended 31 December 2020 includes restatements made in comparative figures in financial information as of 1 January 2021. These restatements in comparative figures due to correction of errors are reflected in the Financial Statement for the year ended 31 December 2022*.

Notes

(1) Impact of restatement in comparative figures

(a) In the Financial Statement for the year ended 31 December 2021, the Group has adopted changes in the accounting policy in respect of recognition of internally generated intangible assets. The change relates to development of software, mainly consisting of internally capitalised salary expenses. All costs incurred in 2020 which were recognized as part of the cost of an intangible asset qualified the capitalization criteria as at the date when such costs were incurred. However, initially they were expensed in accordance with accounting policy applicable at that time. Following the change in accounting policy expenses, including past expenses, meeting the capitalization criteria as at the date of its occurrence were capitalized. Management considers that the change in accounting policies more accurately reflects the Company's process in regard to internally developing IT resources as well as better aligns costs with income. Group has made an assessment on the change in accounting policy impact on the beginning of the earliest period presented, i.e. 1 January 2020. Management assessed capitalization criteria as per IAS 38 as of 1 January 2020 and concluded that no relevant costs qualified with requirements of IAS 38 as at that date.

(b) The Management has identified a classification error on pawn loans while preparing Group's financial statements. The error relates to incorrect classification of pawn loans as Inventory and related sales of collateral as Net sales. The error resulted in overstatement of the Group's and the Company's Inventory by EUR 694,792 in balance sheet as of 31 December 2021 and by EUR 681,817 in balance sheet as of 1 January 2021 and understatement of Loans and receivables by EUR 694 792 in balance sheet as of 31 December 2021 and by EUR 681,817 in balance sheet as of 1 January 2021.

(c) The Group and the Company have improved ECL calculation model. The Group and the Company have included defaults from debt sale before payments are past due for more than 90 days in probability of default calculation. Model improvement resulted in an identified overstatement of Loans and receivables by EUR 387,290 in balance sheet as of 31 December 2021 and understatement by EUR 30,370 in balance sheet as of 1 January 2021.

(d) The Management has reconsidered the judgment in respect of pawn loan accounting and come to conclusion that pawn loans do not meet solely payment of principal and interest (SPPI) requirements, thus prior period pawn loan measurement according to amortized cost were erroneous. The Group and the Company recognizes and subsequently measures pawn loans at fair value. There is no difference in comparative figures of Loans and receivables, and Interest income and similar income due to this error.

(e) The Management has identified an error on interest revenue calculation on debt financial assets by applying effective interest rate method while preparing Group's and the Company's financial statements. The error resulted in understatement of Loans and receivables by EUR 485,951 in balance sheet as at 31 December 2021 and by EUR 274,384 in balance sheet as of 1 January 2021.

(f) The Group and the Company have changed the short-term, long-term split of Bonds issued. The reclassification resulted in understatement of short-term Bonds issued and overstatement of long-term Bonds issued by EUR 931,039 in the Group's and the Company's balance sheet as at 31 December 2021.

Table 13.6.

The effect of changes on the Balance sheet statements of the Group for the year ended 31 December 2020 (EUR'000)*

Item	**Reference**	**Previously recorded amounts**	**Effect of reclassification**	**Adjusted data**
ASSETS				
Non-current assets				
Intangible assets				
Concessions, patents, licences, trademarks and similar rights		124	-	124
Internally developed software	(a)	-	202	202
Other intangible assets		54	-	54
Goodwill		128	-	128
Total intangible assets		**306**	**202**	**508**
Property, plant and equipment		**3,725**	-	**3,725**
Long-term investments		**18,186**	-	**18,186**
Total non-current assets		**22,217**	**202**	**22,419**
Current assets				
Inventories				
Finished goods and goods for sale	(b)	1,534	(682)	852
Total inventories		**1,534**	**(682)**	**1,534**
Receivables				
Loans and receivables	(b), (c), (e)	16,962	987	17,949
Other debtors		375	-	375
Deferred expenses		280	-	280
Total receivables		**17,616**	**987**	**18,603**
Cash and cash equivalents		4,592	-	4,592
Total current assets		**23,742**	**305**	**24,047**
TOTAL ASSETS		**45,959**	**507**	**46,466**
EQUITY AND LIABILITIES				
Equity:				
Share capital		4,000	-	4,000
Retained earnings	(a), (b), (c), (e)	5,251	507	5,758
Total equity		**9,251**	**507**	**9,758**
Creditors				
Long-term creditors		**17,991**	-	**17,991**
Short-term creditors		**18,717**	-	**18,717**

Total creditors		**36,708**	**-**	**36,708**
TOTAL EQUITY AND LIABILITIES		**45,959**	**507**	**46,466**

**Source:* some data included in this table are more detailed management data of the Company based on Financial Statements. Financial information for the year ended 31 December 2020 includes restatements made in comparative figures in financial information as of 1 January 2021. These restatements in comparative figures due to correction of errors are reflected in the Financial Statement for the year ended 31 December 2022.*

Table 13.7.

The effect of changes on the Balance sheet statements of the Group for the year ended 31 December 2021 (EUR'000)

Item	**Reference**	**Previously recorded amounts**	**Effect of reclassification**	**Adjusted data**
ASSETS				
Non-current assets				
Intangible assets				
Concessions, patents, licences, trademarks and similar rights		64	-	64
Internally developed software		377	-	377
Other intangible assets		51	-	51
Goodwill		128	-	128
Advances on intangible assets		19		19
Total intangible assets		**638**	**-**	**638**
Property, plant and equipment		**3,536**	-	**3,536**
Long-term investments		**28,569**	-	**28,569**
Total non-current assets		**32,743**	**-**	**32,743**
Current assets				
Inventories				
Finished goods and goods for sale	(b)	1,949	(695)	1,255
Total inventories		**1,949**	**(695)**	**1,255**
Receivables				
Loans and receivables	(b), (c), (e)	14,392	793	15,186
Other debtors		352	-	352
Deferred expenses		167	-	167
Total receivables		**14,912**	**793**	**15,705**
Cash and cash equivalents		2,460	-	2,460
Total current assets		**19,321**	**99**	**19,420**
TOTAL ASSETS		**52,065**	**99**	**52,163**
EQUITY AND LIABILITIES				
Equity:				
Share capital		4,532	-	4,532
Share premium		6,891	-	6,891
Retained earnings	(b), (c), (e)	5,954	99	6,053
Total equity		**17,377**	**99**	**17,476**
Creditors				

Long-term creditors				
Bonds issued	(f)	10,825	(931)	9,894
Other borrowings		8,086	-	8,086
Lease liabilities		2,652	-	2,652
Total long-term creditors		**21,564**	**(931)**	**20,633**
Short-term creditors				
Bonds issued	(f)	13	931	944
Other borrowings		10,487	-	10,487
Lease liabilities		653	-	653
Trade payables		806	-	806
Taxes and social insurance		398	-	398
Unpaid dividends		-	-	-
Accrued liabilities		766	-	766
Total short-term creditors		**13,123**	**931**	**14,054**
Total creditors		**34,687**	**-**	**34,687**
TOTAL EQUITY AND LIABILITIES		**52,065**	**99**	**52,163**

Table 13.8.

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

	Share capital	Share premium	Other capital reserves	Retained earnings	Total
As at 31 December 2019	**1,500**	**-**	**-**	**6,867**	**8,367**
Dividends paid	-	-	-	(3,000)	(3,000)
Share capital transfer	2,500	-	-	(2,500)	-
Retained earnings subsidiary inclusion	-	-	-	(14)	(14)
Profit for the reporting period	-	-	-	3,897	3,897
As at 31 December 2020	**4,000**	**-**	**-**	**5,251**	**9,251**
Impact of correction of errors	**-**	**-**	**-**	202	202
Restated as at 31 December 2020*	**4,000**	**-**	**-**	**5,454**	**9,454**
Impact of correction of errors	**-**	**-**	**-**	305	305
Restated as at 1 January 2021**	**4,000**	**-**	**-**	**5,758**	**9,758**
Dividends paid	**-**	-	-	(3,723)	(3,723)
Share capital increase resulted from IPO	532	7,554	-	-	8,086
IPO transaction costs	-	(663)	-	-	(663)
Profit for the reporting year***	-	-	-	4,018	4,018
As at 31 December 2021	**4,532**	**6,891**	**-**	**6,053**	**17,476**
Dividends paid	-	-	-	(5,425)	(5,425)
Share-based payments	-	-	93	-	93
Profit for the reporting year	-	-	-	5,961	5,961

As at 31 December 2022	**4,532**	**6,891**	**93**	**6,590**	**18,106**
Dividends paid	-	-	-	(838)	(838)
Share-based payments	-	-	35	-	35
Profit for the reporting year	-	-	-	1,613	1,613
As at 31 March 2023	**4,532**	**6,891**	**128**	**7,364**	**18,915**

** See restatement regarding Net profit for the reporting period on the Profit and Loss statement of the Group as of 31 December 2020 and Retained earnings and Total equity on the Balance sheet statement of the Group for the year ended 31 December 2020 (in the Financial Statements for the year ended 31 December 2021).*

*** See restatement regarding Retained earnings and Total equity on the Balance sheet statement of the Group as of 1 January 2021 (in the Financial Statements for the year ended 31 December 2022).*

**** See restatement regarding Net profit for the reporting period on the Profit and Loss statement of the Group as of 31 December 2021 and Retained earnings and Total equity on the Balance sheet statement of the Group for the year ended 31 December 2021 (in the Financial Statements for the year ended 31 December 2022).*

Table 13.9.

Cash flow statement of the Group (EUR'000)

	Year ended 31 December (audited)			*Three-month period ended 31 March (unreviewed)*	
	2020	*2021*	*2022*	*2022*	*2023*
Cash flows from/(to) operating activities					
Profit before corporate income tax (1)	**4,854**	**4,997**	**7,258**	**1,579**	**1,825**
Adjustments for:					
fixed assets and intangible assets depreciation (1)	302	362	433	103	118
right-of-use assets depreciation	763	776	751	188	188
credit loss expenses (1)	1,505	2,815	6,161	1,410	2,145
assignment results (1)	620	-	-	-	-
employee share option	-	-	93	-	35
interest income (1)	(17,500)	(20,368)	(29,303)	(6,340)	(8,779)
interest and similar expenses (1)	3,633	3,827	4,669	689	1,792
other adjustments	(14)	-	-	-	-
Profit or loss before adjustments of working capital and short-term liabilities (1)	**(5,835)**	**(7,590)**	**(9,938)**	**(2,371)**	**(2,676)**
Adjustments for:					
change in loans and receivables and other debtors (1)	(4,432)	(11,303)	(29,872)	(4,757)	(7,500)
change in inventories (1)	(379)	279	(1,035)	(883)	(1,620)
change in trade and other payables (1)	746	(64)	1	872	1,486
Gross cash flow from/(to) operating activities (1)	**(9,900)**	**(18,678)**	**(40,844)**	**(7,140)**	**(10,310)**
Interest received (1)	16,951	20,237	28,898	6,254	8,032

Interest paid [1]	(4,261)	(4,111)	(5,041)	(946)	(2,224)
Corporate income tax payments	(350)	(755)	(979)	(979)	(1,296)
Net cash flow from/(to) operating activities [1]	**2,441**	**(3,307)**	**(17,966)**	**(2,811)**	**(5,798)**
Cash flow from/(to) investing activities					
Acquisition of fixed assets, intangibles [1]	(571)	(549)	(704)	(203)	(243)
Proceeds from sales of fixed assets and intangibles [1]	-	-	-	-	-
Net loans issued/repaid (other than core business of the Company) [1]	-	-	-	-	-
Loans issued (other than core business of the Company) [1]	(439)	(93)	-	-	-
Loans repaid (other than core business of the Company) [1]	1,272	567	-	-	-
Net cash flow from/(to) investing activities [1]	**262**	**(74)**	**(704)**	**(203)**	**(243)**
Cash flow from/(to) financing activities					
Share capital increase resulted from IPO (incl. share premium)	-	8,086	-	-	-
IPO transaction costs	-	(663)	-	-	-
Loans received	10,416	20,634	35,566	3,395	6,438
Loans repaid	(11,547)	(19,849)	(18,783)	(2,045)	(3,979)
Bonds issued	8,606	11,111	8,651	1,142	3,838
Redemption of bonds	(2,975)	(13,481)	(500)	(2)	-
Repayment of lease liabilities [1]	(747)	(866)	(930)	(231)	(228)
Dividends paid	(3,000)	(3,723)	(5,425)	-	-
Net cash flow from/(to) financing activities [1]	**753**	**1,249**	**18,579**	**2,259**	**6,070**
Net cash flow of the reporting period	**3,456**	**(2,132)**	**(90)**	**(756)**	**29**
Cash and cash equivalents at the beginning of the period	**1,136**	**4,592**	**2,460**	**2,460**	**2,369**
Cash and cash equivalents at the end of the period	**4,592**	**2,460**	**2,369**	**1,704**	**2,398**

Notes

[1] Impact of restatement in comparative figures

(a) In the Financial Statement for the year ended 31 December 2021, the Group has adopted changes in the accounting policy in respect of recognition of internally generated intangible assets. The change relates to development of software, mainly consisting of internally capitalised salary expenses. All costs incurred in 2020 which were recognized as part of the cost of an intangible asset qualified the capitalization criteria as at the date when such costs were incurred. However, initially they were expensed in accordance with accounting policy applicable at that time. Following the change in accounting policy expenses, including past expenses, meeting the capitalization criteria as at the date of its occurrence were capitalized. Management considers that the change in accounting policies more accurately reflects the Company's process in regard to internally developing IT resources as well as better aligns costs with income. Group has made an assessment on the change in accounting policy impact on the beginning of the earliest period presented, i.e. 1 January 2020. Management assessed capitalization criteria as per IAS 38 as of 1 January 2020 and concluded that no relevant costs qualified with requirements of IAS 38 as at that date.

(b) In the Financial Statement for the year ended 31 December 2021 the Group has corrected the error of the presentation of credit loss expenses under adjustments in accruals and provisions and change in loans and receivables and other debtors. As credit loss expense is not cash movement, for 2020 in 2021 Audited Financial Statement the Group presented in credit loss expenses separately under operating cash flow adjustments.

(c) In the Financial Statement for the year ended 31 December 2021 the Group has corrected the error of interest income and interest and similar expense presented as the difference between cash and accrual amounts. Therefore, for 2020 in 2021 Audited Financial Statement the Group presented interest income and interest and similar expense in adjustments and interest income and interest and similar expense received in Cash flow from operating activities.

(d) In the Financial Statement for the year ended 31 December 2021 the Group has corrected the error of the presentation of Repayment of lease liabilities. Therefore, for 2020 in 2021 Audited Financial Statement correction is made and repayment of lease liabilities presented as cash outflow.

(e) In the Financial Statement for the year ended 31 December 2021 the Group has changed presentation of cash flow from investing activities. For the better presentation, the Group divided net loans issued and repaid into two separated positions. The change in presentation affected the positions for the year ended 31 December 2020 in 2021 Audited Financial Statements.

(f) In the Financial Statement for the year ended 31 December 2021 the Group has corrected the error of the presentation of non-cash disposal of fixed assets and intangibles under Cash flow from investing activities as proceeds of fixed assets and intangible and value adjustments of non-current and current financial assets for 2020 in 2021 Audited Financial Statement.

(g) In the Financial Statement for the year ended 31 December 2022, the Group has identified a classification error on pawn loans while preparing Group's financial statements. The error resulted in overstatement of the Group's and the Company's Net sales by EUR 1,140,031, Cost of sales by EUR 805,281 in statement of profit or loss for the year ended 31 December 2021 and Inventory by EUR 694,792 in balance sheet as of 31 December 2021 and by EUR 681,817 in balance sheet as of 1 January 2021 and understatement of Interest income and similar income by EUR 334,750 in statement of profit and loss for the year ended 31 December 2021 and Loans and receivables by EUR 694,792 in balance sheet as of 31 December 2021 and by EUR 681,817 in balance sheet as of 1 January 2021. Similarly, in the Financial Statements for the three-month period ended 31 March 2023 the Management has identified a classification error on pawn loans while preparing Group's financial statements. The error relates to incorrect classification of collateral as Net sales. The error resulted in overstatement of the Group's Net sales by EUR 330 940, Cost of sales by EUR 225 709 in statement of profit or loss for the prior 3 months ended 31 March 2022 and understatement of Interest income and similar income by EUR 105 231 in statement of profit and loss for the prior 3 months ended 31 March 2022.

(h) The Management has identified an error on interest revenue calculation on debt financial assets by applying effective interest rate method while preparing Group's and the Company's financial statements. The error resulted in understatement of Interest income and similar income by EUR 211,567 in statement of profit and loss for the year ended 31 December 2021 and Loans and receivables by EUR 485,951 in balance sheet as at 31 December 2021 and by EUR 274,384 in balance sheet as of 1 January 2021. Similarly, the error resulted in understatement of Interest income and similar income by EUR 225 026 in statement of profit and for the three-month period ended 31 March 2022. To comply with requirements of IFRS 9, the Group and the Company have recalculated interest income and similar income.

(i) The Group and the Company has improved ECL calculation model. The Group and the Company have included defaults from debt sale before payments are past due for more than 90 days in probability of default calculation. Model improvement resulted in an identified understatement of Credit loss expenses by EUR 417,660 in statement of profit or loss for the year ended 31 December 2021 and by EUR 247 327 in statement of profit or loss for the three-month period ended 31 March 2022.

(j) The Group and the Company have changed the presentation of losses from debt sales. In statement of profit or loss for the year ended 31 December 2021 losses from debt sales was presented under Other operating expenses. In these financial statements, for better presentation of financial information, losses from debt sales were reclassified to Credit loss expenses. The reclassification resulted in understatement of Credit loss expenses and overstatement of Other operating expenses by EUR 165,328 in statement of profit and loss for the year ended 31 December 2021 and by EUR 79 469 in statement of profit and loss for the three-month period ended 31 March 2022.

Table 13.10.

The effect of changes on the Cash flow statement of the Group for the year ended 31 December 2020 (EUR'000)*

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Cash flows from/(to) operating activities				
Profit before corporate income tax		**4,652**	**202**	**4,854**
Adjustments for:				
fixed assets and intangible assets depreciation	(a)	282	20	302
right-of-use assets depreciation		763	-	763
credit loss expenses	(b)	-	1,505	1,505
accruals and provisions	(b)	182	(182)	-
assignment results		620	-	620
accrued interest income	(c)	(549)	549	-
accrued interest expenses	(c)	(628)	628	-
interest income	(c)	-	(17,500)	(17,500)
interest and similar expenses	(c)	-	3,633	3,633
value adjustments of non-current and current financial assets	(f)	(78)	78	-
other adjustments		(14)	-	(14)
Profit or loss before adjustments of working capital and short-term liabilities		**5,231**	**(11,066)**	**(5,835)**
Adjustments for:				
change in loans and receivables and other debtors	(b),(f)	(2,859)	(1,573)	(4,432)
change in inventories		(379)	-	(379)
change in trade and other payables	(a), (d)	264	482	746
Gross cash flow from/(to) operating activities		**2,258**	**(12,158)**	**(9,900)**
Interest received	(c)	-	16,951	16,951
Interest paid	(c)	**-**	(4,261)	(4,261)
Corporate income tax payments		(350)	**-**	(350)
Net cash flow from/(to) operating activities		**1,908**	**533**	**2,441**
Cash flow from/(to) investing activities				
Acquisition of fixed assets, intangibles	(a)	(1,542)	971	(571)
Proceeds from sales of fixed assets and intangibles	(f)	11	(11)	-
Net loans issued/repaid (other than core business of the	(e)	833	(833)	-

Company)				
Loans issued (other than core business of the Company)	(e)	-	(439)	(439)
Loans repaid (other than core business of the Company)	(e)	**-**	1,272	1,272
Net cash flow from/(to) investing activities		**(698)**	**960**	**262**
Cash flow from/(to) financing activities				
Loans received		10,416	-	10,416
Loans repaid		(11,547)	-	(11,547)
Bons issued		8,606	-	8,606
Redemption of bonds		(2,975)	-	(2,975)
Repayment of lease liabilities	(d)	747	(1,493)	(747)
Dividends paid		(3,000)	-	(3,000)
Net cash flow from/(to) financing activities		**2,246**	**(1,493)**	**753**
Net cash flow of the reporting period		**3,456**	**-**	**3,456**
Cash and cash equivalents at the beginning of the period		**1,136**	**-**	**1,136**
Cash and cash equivalents at the end of the period		**4,592**	**-**	**4,592**

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

Table 13.11.

The effect of changes on the Cash flow statement of the Group for the year ended 31 December 2021 (EUR'000)*

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Cash flows from/(to) operating activities				
Profit before corporate income tax		**5,203**	**(206)**	**4,997**
Adjustments for:				
fixed assets and intangible assets depreciation		362	-	362
right-of-use assets depreciation		776	-	776
credit loss expenses	(i), (j)	2,237	578	2,815
assignment results	(j)	160	(160)	-
interest income	(g), (h)	(19,821)	(546)	(20,368)
interest and similar expenses		3,827	-	3,827
Profit or loss before adjustments of working capital and short-term liabilities		**(7,255)**	**(335)**	**(7,590)**
Adjustments for:				
change in loans and receivables and other debtors	(g), (i), (h)	(10,236)	(1,067)	(11,303)
change in inventories	(g)	(415)	694	279
change in trade and other payables		(64)	-	(64)
Gross cash flow from/(to)		**(17,971)**	**(707)**	**(18,678)**

operating activities				
Interest received	(g), (h)	19,691	546	20,237
Interest paid	(j)	(4,271)	160	(4,111)
Corporate income tax payments		(755)	-	(755)
Net cash flow from/(to) operating activities		**(3,307)**	**-**	**(3,307)**
Cash flow from/(to) investing activities				
Acquisition of fixed assets, intangibles		(549)	-	(549)
Loans issued (other than core business of the Company)		(93)	-	(93)
Loans repaid (other than core business of the Company)		567	-	567
Net cash flow from/(to) investing activities		**(74)**	**-**	**(74)**
Cash flow from/(to) financing activities				
Share capital increase resulted from IPO (incl. share premium)		8,086	-	8,086
IPO transaction costs		(663)	-	(663)
Loans received		20,634	-	20,634
Loans repaid		(19,849)	-	(19,849)
Bonds issued		11,111	-	11,111
Redemption of bonds		(13,481)	-	(13,481)
Repayment of lease liabilities		(866)	-	(866)
Dividends paid		(3,723)	-	(3,723)
Net cash flow from/(to) financing activities		**1,249**	**-**	**1,249**
Net cash flow of the reporting period		**(2,132)**	**-**	**(2,132)**
Cash and cash equivalents at the beginning of the period		**4,592**	**-**	**4,592**
Cash and cash equivalents at the end of the period		**2,460**	**-**	**2,460**

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

Table 13.12.

The effect of changes on the Cash flow statement of the Group for three-months ended 31 March 2022 (EUR'000)*

	Reference	**Previously recorded amounts**	**Effect of reclassification**	**Adjusted data**
Cash flows from/(to) operating activities				
Profit before corporate income tax		**1,601**	**(22)**	**1,579**
Adjustments for:				
fixed assets and intangible assets depreciation		103	-	103
right-of-use assets depreciation		188	-	188
credit loss expenses	(i), (j)	1,083	327	1,410
assignment results	(j)	79	(79)	-
interest income	(g), (h)	(6,010)	(330)	(6,340)

interest and similar expenses		689	-	689
Profit or loss before adjustments of working capital and short-term liabilities		**(2,266)**	**(105)**	**(2,371)**
Adjustments for:				
change in loans and receivables and other debtors	(g), (i), (h)	(5,147)	390	(4,757)
change in inventories	(g)	(189)	(695)	(883)
change in trade and other payables		872	-	872
Gross cash flow from/(to) operating activities		**(6,730)**	**(410)**	**(7,140)**
Interest received	(g), (h)	5,924	330	6,254
Interest paid	(j)	(1,026)	79	(946)
Corporate income tax payments		(979)	-	(979)
Net cash flow from/(to) operating activities		**(2,811)**	**-**	**(2,811)**
Cash flow from/(to) investing activities				
Acquisition of fixed assets, intangibles		(203)	-	(203)
Loans issued (other than core business of the Company)		-	-	-
Loans repaid (other than core business of the Company)		-	-	-
Net cash flow from/(to) investing activities		**(203)**	**-**	**(203)**
Cash flow from/(to) financing activities				
Share capital increase resulted from IPO (incl. share premium)		-	-	-
IPO transaction costs		-	-	-
Loans received		3,395	-	3,395
Loans repaid		(2,045)	-	(2,045)
Bonds issued		1,142	-	1,142
Redemption of bonds		(2)	-	(2)
Repayment of lease liabilities		(231)	-	(231)
Dividends paid		-	-	-
Net cash flow from/(to) financing activities		**2,259**	**-**	**2,259**
Net cash flow of the reporting period		**(756)**	**-**	**(756)**
Cash and cash equivalents at the beginning of the period		**2,460**	**-**	**2,460**
Cash and cash equivalents at the end of the period		**1,704**	**-**	**1,704**

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

Alternative Performance Measures

This Prospectus contains certain financial and operating performance measures that are not defined or recognised under the IFRS and which are considered to be "alternative performance measures" as defined in the "ESMA Guidelines on Alternative Performance Measures" issued by the European Securities and Markets Authority on 5 October 2015 (the "**APMs**" or "**Alternative Performance Measures**"). This Prospectus presents the following Alternative Performance Measures: total revenue, EBITDA, EBITDA margin, EBIT, EBIT margin, net profit margin, ROE, equity ratio and current ratio, gross profit from net sales, gross margin from net sales, total costs of services provided, gross profit from financial services, gross margin from financial services, adjusted gross profit, adjusted gross profit margin, all of which are defined below:

Total revenue = net sales + interest income and similar income. Refer to Table 14.3.1 to see total revenue calculation.

EBITDA (earnings before interest, taxes, depreciation and amortisation) = profit before tax + interest expenses and similar expenses + right-of-use assets depreciation + depreciation of fixed assets + amortisation. Refer to Table 13.14 to see EBITDA calculation.

EBITDA margin = EBITDA / Total revenue, where Total revenue = net sales + interest income and similar income.

EBIT (earnings before interest and taxes) = profit before tax + interest expenses and similar expenses. Refer to Table 13.14 to see EBIT calculation.

EBIT margin = EBIT / Total revenue, where Total revenue = net sales + interest income and similar income.

Net profit margin = net profit / Total revenue, where Total revenue = net sales + interest income and similar income.

Return on equity (ROE) = net profit / equity (average). As per three-month results the ROE provided is annualised = net profit for the period/months in the period*12 / equity (average).

Equity ratio = equity / total assets.

Current ratio = current assets / current liabilities.

Gross profit from net sales = net sales – cost of sales.

Gross margin from net sales = Gross profit from net sales / net sales.

Total costs of services provided = total interest expenses and similar expenses + credit loss expenses + other operating expenses.

Total costs of sales and services provided = cost of sales + Total costs of services provided, where Total costs of services provided = total interest expenses and similar expenses + credit loss expenses + other operating expenses.

Gross profit from financial services = total interest income and similar income – Total costs of services provided, where Total costs of services provided = total interest expenses and similar expenses + credit loss expenses + other operating expenses.

Gross margin from financial services = Gross profit from financial services / total interest income and similar income.

Adjusted gross profit = gross profit – other operating expenses.

Adjusted gross profit margin = Adjusted gross profit / (net sales + total interest income and similar income).

Net loan portfolio = Non-current loans and receivables + Current loans and receivables.

Table 13.13.

Key ratios and indicators (EUR'000):

Item	*Year ended 31 December*			*Three-month period ended 31 March*	
	2020	*2021*	*2022*	*2022*	*2023*
Total revenue*, EUR'000 (1)	23,664	25,189	35,776	7,586	11,082
EBITDA*, EUR'000 (1)	9,553	9,962	13,111	2,559	3,923
EBITDA margin*, % (1)	40.4	39.6	36.6	33.7	35.4
EBIT*, EUR'000 (1)	8,487	8,824	11,927	2,268	3,617
EBIT margin*, % (1)	35.9	35.0	33.3	29.9	32.6
Profit before corporate income tax, EUR'000 (1)	4,854	4,997	7,258	1,579	1,825
Net profit, EUR'000 (1)	4,100	4,018	5,961	1,391	1,613
Net profit margin*, % (1)	17.3	16.0	16.7	18.3	14.6

Return on equity (ROE)*, annualised, % (1)	45.2	29.5	33.5	31.4	34.9
Dividend paid out, EUR'000	3,000	3,723	5,425	779	838
Equity ratio*, %	21.0	33.5	23.5	32.3	22.2
Current ratio*, x	1.3	1.4	0.7	1.4	0.7

for APM calculations please see Section "Alternative Performance Measures".

Notes

(1) Impact of restatement in comparative figures:

(a) Refer to Tables 13.2, 13.3 and 13.4 to see the impact of restatement in comparative figures of Profit or loss statement of the Group for 2020, 2021 and the three-month period ended 31 March 2022.

(b) Refer to Tables 13.6 and 13.7 to see the impact of reclassification on impact of restatement in comparative figures of Balance sheet statements of the Group for 2020 and 2021.

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.

Table 13.14.

EBIT and EBITDA calculation (EUR'000)

Item	*Year ended 31 December*			*Three-month period ended 31 March*	
	2020	*2021*	*2022*	*2022*	*2023*
Profit before corporate income tax (1)	4,854	4,997	7,258	1,579	1,825
Interest expenses and similar expenses (1)	3,633	3,827	4,669	689	1,792
EBIT*	**8,487**	**8,824**	**11,927**	**2,268**	**3,617**
Right-of-use assets depreciation	763	776	751	188	188
Depreciation and amortisation of fixed and intangible assets (1)	302	362	433	103	118
EBITDA*	**9,553**	**9,962**	**13,111**	**2,559**	**3,923**

for APM calculations please see Section "Alternative Performance Measures".

Notes

[1] Impact of restatement in comparative figures:

(a) Refer to Table 13.2, 13.3 and 13.4 to see the impact of restatement in comparative figures of Profit or loss statement of the Group for 2020, 2021 and the three-month period ended 31 March 2022.

(b) Refer to Tables 13.6 and 13.7 to see the impact of restatement in comparative figures of Balance sheet statements of the Group for 2020 and 2021.

(c) Refer to Table 13.10 and 13.11 to see the impact of restatement in comparative figures of Cash flow statements of the Group for 2020 and 2021.

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 2022, 31 December 2021 and 31 December 2020, and for the three-month periods ended 31 March 2022 and 31 March 2023 and the accompanying notes included in the Financial Statements, and with the information relating to the Group's business included elsewhere in this Prospectus.

The discussion includes forward-looking statements that reflect the current view of the Offeror and involves risks and uncertainties. The Group's actual results could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this Prospectus, in particular, in the Section 2 "Risk Factors" and Section 3.5 "Forward-Looking Statements". Prospective investors should read the entire Prospectus and not merely rely on the information contained in this Section "Operating and Financial Review".

14.1. Overview

The Group is a specialised consumer loan provider in Latvia, operating in the segments of consumer lending and pre-owned goods retail. In the year ended 31 December 2022, the total revenue of the Group was EUR 35,776 thousand, representing a 42.0% year-on-year increase compared to EUR 25,189 thousand in the year ended 31 December 2021. The revenue in the year ended 31 December 2020 was EUR 23,664 thousand. In the three-month period ended 31 March 2023, the total revenue of the Group was EUR 11,082 thousand as compared to EUR 7,586 thousand in the three-month period ended 31 March 2022, representing a 46.1% year-on-year increase.

The Group's profit before corporate income tax in the year ended 31 December 2022 was EUR 7,258 thousand, compared to EUR 4,997 thousand in the year ended 31 December 2021, an increase of 45.25%. In the year ended 31 December 2021, profit before tax increased by 2.95% from EUR 4,854 thousand in the year ended 31 December 2020. In the three-month period ended 31 March 2023, the Group's profit before corporate income tax was EUR 1,825 thousand as compared to EUR 1,579 thousand in the three-month period ended 31 March 2022, representing a 15.6% year-on-year increase.

Table 14.1.1.

Financial data from the consolidated income statements of the Group (EUR'000)

	Year ended 31 December (audited)			*Three-month period ended 31 March (unreviewed)*	
	2020	*2021*	*2022*	*2022*	*2023*
Total revenue* (1)	23,664	25,189	35,776	7,586	11,082
Cost of sales (1)	(4,224)	(3,157)	(4,204)	(780)	(1,443)
Credit loss expenses	(1,505)	(2,815)	(6,161)	(1,410)	(2,145)
Other operating expenses	(812)	(140)	(315)	(116)	(64)
Interest expenses and similar expenses (1)	(3,633)	(3,827)	(4,669)	(689)	(1,792)
Adjusted gross profit* (1)	**13,489**	**15,249**	**20,427**	**4,591**	**5,638**
Selling expenses (1)	(5,446)	(6,125)	(7,500)	(1,757)	(2,063)
Administrative expenses (1)	(3,261)	(4,213)	(5,773)	(1,279)	(1,765)
Other operating income	72	85	104	24	15
Profit before corporate income	**4,854**	**4,997**	**7,258**	**1,579**	**1,825**

tax (1)					
Income tax expenses	(755)	(979)	(1,296)	(188)	(212)
Net profit (1)	**4,100**	**4,018**	**5,961**	**1,613**	**1,391**
EBITDA* (1)	**9,553**	**9,962**	**13,111**	**2,559**	**3,923**

**for APM calculations please see Section "Alternative Performance Measures".*

The net profit for the year ended 31 December 2022 was EUR 5,961 thousand, compared to EUR 4,018 thousand for the year ended 31 December 2021, representing a 48.36% increase. In 2021, the Group's net profit decreased by 2.0% from EUR 4,100 thousand in the year ended 31 December 2020. For the three-month period ended 31 March 2023, the Group's net profit was EUR 1,613 thousand as compared to EUR 1,391 thousand in the three-month period ended 31 March 2022, an increase of 15.9%.

Notes

(1) Impact of restatement in comparative figures:

(a) Refer to Tables 13.2, 13.3 and 13.4 to see the impact of restatement in comparative figures of Profit or loss statement of the Group for 2020, 2021 and the three-month period ended 31 March 2022.

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 2022, Latvian GDP grew by 2,2% year-on-year[33], representing a decline from previous year due to geopolitical situation. The 8.1% year-on-year increase in private consumption due to the easing of COVID-19 restrictions, an increase in the average wage and inflation.[34] Group has managed to reach record-high numbers of new loan issuance and turnover in 2022. The government's support measures to mitigate the negative effects of COVID-19 and war in the Ukraine, which have been largely financed at the expense of increasing the general government deficit, have maintained positive growth in government consumption[35]. The Group expects loan origination volumes to grow; however, given the economic uncertainties created by high inflation, war in the Ukraine estimates are inevitably bound to deviate significantly from the actual performance. The potential effects of changes in the macroeconomic situation are further discussed in Section 2.1 "Risks", "Risk factors relating to macroeconomic conditions".

Competition

The state of competition has a major impact on the Group's business. The consumer lending market, in which the Group operates, is competitive. The Group competes with 23 other licensed consumer lending companies in Latvia with diverse business models and service offerings. In 2022, the market share of the Group in terms of the consumer loan portfolio was 14,5% (compared to 12% in the year 2021 and 10% in the year 2020)[36]. 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".

[33] Source: Ministry of Economics https://www.em.gov.lv/lv/media/16948/download?attachment
[34] Source: Ministry of Economics https://www.em.gov.lv/lv/media/16948/download?attachment
[35] Source: Ministry of Economics https://www.em.gov.lv/lv/media/16948/download?attachment
[36] Based on the information provided in the Overview on Consumer (non-bank) Credit Market Activities in 2021 by the Consumer Rights Protection Centre. Available at: https://www.ptac.gov.lv/lv/media/3071/download.

Regulatory environment

The operations of the Group are subject to national and EU laws and regulations, as well as codes of conduct adopted by the CRPC, general recommendations, policies and guidelines. Changes in laws and regulations may have a significant impact on operations of the Group. The Group is subject to licensing requirements. In addition, the fiscal policies in Latvia and, in particular, in the field of corporate income tax, may affect profitability. The potential consequences of changes in the regulatory environment are further discussed under Section 2.5 "Risks", "Risk factors relating to laws, regulations and compliance".

Quality of loan portfolio and impairment

The volume of non-performing loans and the extent of impairment depend on the expected debt recovery rate. In the case of a significant deterioration in economic conditions, the recovery rate may fall below projections, thereby negatively affecting the financial performance of the Company and profitability. The potential effects of changes in the quality of loan portfolio and the amount of credit losses are further discussed under Section 2 "Risks", "Risk factors related to the Group's business".

14.3. Results of operations of the Group

Revenue

The Group has successfully grown across the entire spectrum of its core business operations since the commencement of its business in 2009. The total revenue of the Group has increased from EUR 2,017 thousand in 2010 to EUR 35,776 thousand in 2022, growing at a 27.08% CAGR (Compound Annual Growth Rate).

Table 14.3.1.

Revenue break-down of the Group (EUR'000)

	Year ended 31 December (audited)			*Three-month period ended 31 March (unreviewed)*	
	2020	*2021*	*2022*	*2022*	*2023*
Net sales					
Income from sales of goods [(1)]	3,687	3,365	4,878	948	1,910
Income from sales of precious materials	1,715	841	857	142	141
Other income, loan and mortgage realisation and storage commission	763	615	737	155	252
Total net sales [(1)]	**6,164**	**4,822**	**6,473**	**1,246**	**2,303**
Interest income and similar income					
Interest income on unsecured loans	12,825	15,904	23,339	5,220	7,257
Interest income on secure loans [(1)]	4,670	4,458	5,964	1,120	1,521
Other interest income (Interest income on loans to vehicle pledges)	4	5	1	0.2	0.7
Total interest income and similar income [(1)]	**17,500**	**20,368**	**29,303**	**6,340**	**8,779**
Total Revenue*	**23,664**	**25,189**	**35,776**	**7,586**	**11,082**

*for APM calculations please see Section "Alternative Performance Measures".

Notes

[(1)] Impact of restatement in comparative figures:

(a) Refer to Table 13.3 and 13.4 to see the impact of restatement in comparative figures of Profit or loss statement of the Group for 2021 and the three-month period ended 31 March 2022.

In 2022, the Group posted the highest top-line revenue of EUR 35,776 thousand in the history of the Group, an increase of EUR 10,587 thousand, representing a 42.0% increase over 2021 revenue. Interest income and similar income reached EUR 29,303 thousand, an increase of EUR 8,935 thousand, representing a 43.9% increase over 2021 interest income and similar income.

In 2021, revenue of the Group had reached EUR 25,189 thousand, despite the adverse effects of the COVID-19 pandemic on its operations, an increase of EUR 1,525 thousand, representing a 6.4% increase over 2020 revenue. Interest income and similar income reached EUR 20,368 thousand, an increase of EUR 2,868 thousand, representing a 16.4% increase over 2020 interest income and similar income.

In 2020 the Group launched of a new consumer loan product, *"Banknote Pirkumiem"* (or "Banknote for purchases"). The product is 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).

For the three-month period ended 31 March 2023, The Group's revenue was EUR 11,082 thousand, representing a 46.1% year-on-year increase. During the same period, the total interest income and similar income reached EUR 8,779 thousand, representing a 38.5% year-on-year increase, while net sales were EUR 2,303 thousand, representing a 84.9% year-on-year increase.

Cost of sales and services

Table 14.3.2

Cost of sales and services provided and gross profits of the Group (EUR'000)

	Year ended 31 December (audited)			*Three-month period ended 31 March (unreviewed)*	
	2020	*2021*	*2022*	*2022*	*2023*
*Cost of sales**					
Cost of sales of goods	2,544	2,320	3,384	-***	-***
Cost of sales of precious metals	1,680	838	819	-***	-***
Total cost of sales (1)	**4,224**	**3,157**	**4,204**	**780**	**1,443**
Gross profit from net sales** (1)	**1,940**	**1,665**	**2,269**	**466**	**859**
Gross margin from net sales, %** (1)	**31.5**	**34.5**	**35.1**	**37.4**	**37.3**
Cost of services provided					
Interest expenses on other borrowings (1)	1,858	1,417	3,099	339	1,144
Bonds' coupon expenses (1)	1,584	2,204	1,394	303	608
Interest expenses on lease liabilities for leased premises	187	204	175	46	40
Interest expenses on lease liabilities for leased vehicles	4	2	1	0.4	0.6
Net loss on foreign exchange	0.2	0.2	0.5	0.1	0.04
Total interest expenses and similar expenses (1)	**3,633**	**3,827**	**4,669**	**689**	**1,792**
Credit loss expenses	**1,505**	**2,815**	**6,161**	**1,410**	**2,145**
Other operating expenses	**812**	**140**	**315**	**116**	**64**
Total cost of services provided** (1)	**5,951**	**6,783**	**11,145**	**2,215**	**4,001**
Gross profit from financial services** (1)	**11,549**	**13,585**	**18,158**	**4,125**	**4,778**
Gross margin from financial services, %** (1)	**66.0**	**66.7**	**62.0**	**65.1**	**54.4**
Total cost of sales and services provided** (1)	**10,175**	**9,940**	**15,349**	**2,995**	**5,444**
Adjusted gross profit**(1)	**13,489**	**15,249**	**20,427**	**4,591**	**5,638**
Adjusted gross margin, %** (1)	**57.0**	**60.5**	**57.1**	**60.5**	**50.9**

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

**for APM calculations please see Section "Alternative Performance Measures".

**** The Financial Statements for the three-month period ended 31 March 2022 and for the three-month period ended 31 March 2023 do not contain separately allocated information on cost of sales of goods and cost of sales of precious metals.*

Note

Impact of reclassification:

(1) Impact of restatement in comparative figures:

(a) Refer to Tables 13.2, 13.3 and 13.4 to see the impact of restatement in comparative figures of Profit or loss statement of the Group for 2020, 2021 and the three-month period ended 31 March 2022.

In 2021, the Group's cost of sales and services provided was EUR 9,940 thousand, representing a decrease of 2.3% compared to the EUR 10,175 thousand cost of sales and services figure in 2020. The three largest items in 2021 were the cost of sales of goods, bonds' coupon expenses and interest expenses on other borrowings, comprising 23.3%, 22.2% and 14.3% of the total cost of sale and services provided respectively.

The Group's cost of sales and services provided in 2022 was EUR 15,349, representing an increase of 54.4% compared to the cost of sales and services figure in 2021. The three largest items in 2022 were the cost of sale of goods, interest expenses on other borrowings and bonds' coupon expenses, comprising 22.0%, 20.2% and 9.1% of the total cost of sale and services provided respectively.

For the three-month period ended 31 March 2023, The Group's total cost of sales and services provided was EUR 5,444 thousand, an increase of 81.8% year-on-year, while the total cost of services provided over the period increased by 80.6% year-on-year.

The Group's gross margin from activities related to the retail of pre-owned goods was 35.1% in 2022 (as compared to 34.5% in 2021 and 31.5% in 2020), while the gross margin from loan-related activities was 62.0% in 2022 (as compared to 66.7% in 2021 and 66.0% in 2020). Adjusted gross profit increased by EUR 1,760 thousand in 2021 and by EUR 5,178 in 2022, reaching EUR 20,427 thousand. Adjusted gross margin was 57.1% in 2022 (as compared to 60.5% in 2021 and 57.0% in 2020).

The Group's gross margin from activities related to the retail of pre-owned goods was 37.3% in the three-month period ended 31 March 2023 (as compared to 37.4% for the same period in 2022), while the gross margin from loan-related activities was 54.4% in the three-month period ended 31 March 2023 (as compared to 65.1% for the same period in 2022). Adjusted gross profit increased by EUR 1,047 thousand or by 22.8% in the three-month period ended 31 March 2023 compared to the same period in 2022. Adjusted gross margin for the period was 50.9% in 2023 (as compared to 60.5% for the same period in 2022).

Operating expenses

Table 14.3.3.

Selling expenses of the Group (EUR'000)*

	Year ended 31 December (audited)			*Three-month period ended 31 March (unreviewed)*	
	2020	*2021*	*2022*	*2022*	*2023*
Salary expenses	2,352	2,516	2,982	680	794
Depreciation of right-of-use assets (premises rented) (2)	641	643	639	157	162
Social insurance	564	591	700	160	187
Advertising	548	739	844	206	231
Depreciation of fixed assets (and amortisation of intangible assets) (1)	302	362	433	103	118
Non-deductible VAT	238	335	487	114	156
Utilities expenses	191	222	291	75	105
Maintenance expenses (1)	273	279	396	80	114
Transportation expenses	74	93	115	26	18

Depreciation of right-of-use assets (motor vehicles) (2)	38	29	16	6	2
Provisions for unused annual leave and bonuses	(9)	27	38	28	34
Other expenses (1)	232	288	559	122	142
Total selling expenses (1)	**5,446**	**6,125**	**7,500**	**1,757**	**2,063**

**Source: some data included in these columns are unreviewed management data of the Company. Partition of some of the selling costs for year ended 31 December 2020, 31 December 2021, 31 December 2022 and periods ended 31 March 2022 and 31 March 2023 are not presented in such layout in the Audited and Interim Financial Statements and are based on management data.*

Notes

(1) Impact of restatement in comparative figures:

(a) Refer to Table 13.2 to see the impact of restatement in comparative figures of Profit or loss statement of the Group for 2020.

(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 shown as follows in the consolidated statement of comprehensive income for the years ended 31 December 2020, 2021 and 2022:

Table 14.3.4.

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

	Year ended 31 December (audited)		
	2020	*2021*	*2022*
Depreciation of right-of-use assets - premises	(641)	(643)	(639)
Depreciation of right-of-use assets - motor vehicles	(38)	(29)	(16)

In 2021, the Group's selling expenses increased by 12.5% compared to 2020 reaching EUR 6,125 thousand, while in 2022, selling expenses increased by 22.4% compared to 2021 reaching EUR 7,500 thousand. The largest item in selling expenses is salary expenses together with social insurance payments, amounting to 49.1% of total selling expenses in 2022 (50.7% in 2021 and 53.5% in 2020). Other large expense items are advertising amounting to 11.3% of total selling expenses in 2022 (12.1% in 2021 and 10.1% in 2020) and the depreciation of right-of-use assets (premises) amounting to 8.5% of total selling expenses in 2022 (10.5% in 2021 and 11.8% in 2020).

For the three-month period ended 31 March 2023, the Group's selling expenses increased by EUR 306 thousand or 17.4% year-on-year. The largest increase for the comparable period is attributable to salary and social insurance increase by EUR 141 thousand or 16.8% year-on-year, an increase in non-deductible VAT expenses by EUR 42 thousand or 36.8% year-on-year, an increase in maintenance expenses by EUR 34 thousand or 43% year-on-year, an increase in utilities expenses by EUR 31 thousand or 41.3% year-on-year, an increase in other expenses by EUR 19 thousand or 15.6% and an increase in advertising expenses by EUR 25 thousand or 11.9% 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)			*Three-month period ended 31 March (unreviewed)*	
	2020	*2021*	*2022*	*2022*	*2023*
Salary expenses (1)	1,888	2,312	3,445	764	983

Social insurance (1)	447	531	773	180	251
Bank commission (1)	441	463	721	134	212
Depreciation of right-of-use assets (premises)(2)	75	94	94	23	23
Legal advice	76	115	83	22	12
Communication expenses (1)	107	339	217	38	149
Audit expenses	38	57	68	-	-
State fees and duties, licence expenses (1)	52	149	137	34	34
Depreciation of right-of-use assets (motor vehicles)(2)	8	10	2	2	-
Provisions for unused annual leave and bonuses	1	28	53	40	39
Other administrative expenses (1)	127	117	180	42	61
Total administrative expenses (1)	**3,261**	**4,213**	**5,773**	**1,279**	**1,765**

**Source: some data included in these columns are unreviewed management data of the Company. Partition of some of the administrative expenses for year ended 31 December 2020, 31 December 2021, 31 December 2022 and periods ended 31 March 2022 and 31 March 2023 is not presented in such layout in the Audited and Interim Financial Statements and are based on management data.*

Notes

(1) Impact of restatement in comparative figures:

(a) Refer to Table 13.2 to see the impact of restatement in comparative figures of Profit or loss statement of the Group for 2020.

(2) As the Group has adopted IFRS 16 on 1 January 2019, it has changed the presentation of right-of-use assets and other liabilities for rights to use assets. Therefore, the positions are as shown as follows in the consolidated statement of comprehensive income for the years ended 31 December 2020, 2021 and 2022:

Table 14.3.6.

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

	Year ended 31 December (audited)		
	2020	2021	2022
Depreciation of right-of-use assets - premises	(75)	(94)	(94)
Depreciation of right-of-use assets - motor vehicles	(8)	(10)	(2)

14.4. The Group's Financial position

Table 14.4.1.

Financial position of the Group, EUR'000

	Year ended 31 December (audited)			*Three-month period ended 31 March (unreviewed)*	
	2020	*2021*	*2022*	*2022*	*2023*
Total non-current assets (1)	22,419	32,743	50,256	36,156	57,022
Total current assets (1)	24,047	19,420	26,902	19,533	28,073

Total assets (1)	**46,466**	**52,163**	**77,158**	**55,690**	**85,095**
Total equity (1)	9,758	17,476	18,106	18,011	18,915
Total long-term creditors	17,991	20,633	21,688	23,692	25,957
Total short-term creditors	18,717	14,054	37,364	13,986	40,223
Total liabilities and equity (1)	**46,466**	**52,163**	**77,158**	**55,690**	**85,095**

Notes

(1) Impact of restatement in comparative figures:

(a) Refer to Tables 13.6 and 13.7 to see the impact of adoption of changes in accounting policy in comparative figures of Balance sheet statements of the Group for 2020 and 2021.

Total equity

As of the date of this Prospectus, the Company's share capital is EUR 4,531,959, which consists of 45,319,594 Shares, each with a nominal value of EUR 0.10. All shares are fully paid.

On 14 October 2021, the Company successfully closed the IPO and shares of Company has become traded in Nasdaq Riga Baltic Main list from 20 October 2021. During IPO, the Company issued 5,319,594 new shares with a nominal value of EUR 0.10 each, share price at the end of subscription period was EUR 1.52, total proceeds from shares issued was EUR 8,085,782, par value of new shares was EUR 531,959 and costs related to IPO was EUR 662,865 thus Share premium is EUR 6,890,958.

Total liabilities

Total liabilities decreased approximately by 5.5% from EUR 36,708 thousand in 2020 to EUR 34,687 thousand in 2021. This decrease is mainly attributable to short-term bonds issued, which comprised a decrease from EUR 5,023 thousand in 2020 to EUR 944 thousand in 2021 due to bond repayment.

Total liabilities increased by approximately 70.2% from EUR 34,687 thousand in 2021 to EUR 59,052 thousand in 2022. This increase is mainly attributable to short-term bonds issued, which comprised an increase from EUR 944 thousand in 2021 to EUR 14,783 thousand in 2022. In addition, this increase is attributable to short-term and long-term borrowing received from crowdfunding platform Mintos, which comprised an increase from total EUR 18,574 thousand in 2021 to EUR 34,861 thousand in 2022.

As at the period ended 31 March 2023, total liabilities increased by EUR 7,127 thousand or 12.1% compared to the financial position as of 31 December 2022. The increase is mainly attributable to long-term bonds issued and long-term borrowings from Mintos Finance, which together compromises an increase of 22,7% from EUR 19,335 thousand as at 31 December 2022 to EUR 23,732 thousand at the period ended 31 March 2023.

Total assets

Total assets increased by approximately 12.3% from EUR 46,466 thousand in 2020 to EUR 52,163 thousand in 2021. This increase was driven by a 46.1% increase in non-current assets from EUR 22,419 thousand to EUR 32,743 thousand in 2021, which, in turn, resulted from a 61.3% increase in non-current loans and receivables from EUR 17,712 thousand in 2020 to EUR 28,569 thousand in 2021.

Total current assets decreased by 19.2% from EUR 24,047 thousand in 2020 to EUR 19,420 thousand in 2021, driven by the decrease of 15.4% from EUR 17,949 thousand in 2020 to EUR 15,186 thousand in current loans and receivables in 2021.

Total assets increased approximately by 47.9% from EUR 52,163 thousand in 2021 to EUR 77,158 thousand in 2022. This increase was driven mainly by a 53.5% increase in non-current assets from EUR 32,743 thousand in 2021 to EUR 50,256 thousand in 2022, which, in turn, resulted from a 61.5% increase in non-current loans and receivables from EUR 28,569 thousand in 2021 to EUR 46,150 thousand in 2022.

Total current assets increased by 38.5% from EUR 19,420 thousand in 2021 to EUR 26,902 thousand in 2022. This increase was mainly driven by a 40.7% increase from EUR 15,186 thousand in 2021 to EUR 21,368 thousand in current loans and receivables in 2022.

As of 31 March 2023, total assets increased by EUR 7,937 thousand or 10.3% compared to total assets as at 31 December 2022. The increase was driven by a 13.5% increase in non-current assets from EUR 50,256 thousand as at 31 December 2022 to EUR 57,022 thousand as at 31 March 2023, which, in turn, resulted from a 14.3% increase in non-current loans and receivables from EUR 46,150 thousand as at 31 December 2022 to EUR 52,729 thousand as at 31 March 2023.

Table 14.4.2.

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

	Year ended 31 December (audited)			*Three-month ended 31 March (unreviewed)*	
	2020	*2021*	*2022*	*2022*	*2023*
Net loan portfolio* (1)	35,660	43,755	67,518	47,091	73,453
Total Assets (1)	46,466	52,163	77,158	55,690	85,095

**for APM calculations please see Section "Alternative Performance Measures".*

Notes

(1) Impact of restatement in comparative figures:

(a) Refer to Tables 13.6 and 13.7 to see the impact of adoption of changes in accounting policy in comparative figures of Balance sheet statements of the Group for 2020 and 2021.

During the three-month period ended 31 March 2023, The Group's net loan portfolio increased by EUR 26,362 thousand or 56.0% year-on-year and constituted 86.3% of total assets as at 31 March 2023 (compared to 84.6% as at 31 March 2022).

Table 14.4.3.

Loans and receivables of the Group by loan type, (EUR'000)*

	Year ended 31 December (audited)			*Three-month ended 31 March (unreviewed)*	
	2020	*2021*	*2022*	*2022*	*2023*
Debtors for loans issued against pledge					
Long-term debtors for loans issued against pledge	85	95	220	123	269
Short-term debtors for loans issued against pledge (1)	3,628	3,807	5,880	3,265	5,261
Interest accrued for loans issued against pledge	139	165	222	159	212
Debtors for loans issued against pledge, total (1)	**3,852**	**4,067**	**6,322**	**3,546**	**5,741**
Debtors for loans issued without pledge					
Long-term debtors for loans issued without pledge	17,626	28,474	45,930	31,818	52,461
Short-term debtors for loans issued without pledge	16,450	13,078	17,487	13,788	17,939
Interest accrued for loans issued without pledge	1,321	1,682	2,190	1,288	2,364
Debtors for loans issued without pledge, total	**35,397**	**43,234**	**65,607**	**46,895**	**72,764**

Loans and receivables before allowance, total (1)	**39,249**	**47,301**	**71,929**	**50,441**	**78,505**
ECL allowance on loans to customers	**(3,588)**	**(3,546)**	**(4,411)**	**(3,350)**	**(5,052)**
Loans and receivables (1)	**35,660**	**43,755**	**67,518**	**47,091**	**73,453**

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

(1) Impact of restatement in comparative figures:

(a) Refer to Table 13.6 and 13.7 to see the impact of adoption of changes in accounting policy in comparative figures of Balance sheet statements of the Group for 2020 and 2021.

As can be seen in the table 14.4.3. above, the net pawn loan portfolio ("Debtors for loans issued against pledge") increased by EUR 215 thousand or by 5.6% from EUR 3,852 thousand in 2020 to EUR 4,067 thousand in 2021 and increased by EUR 2,255 thousand or by 55.5% from EUR 4,067 thousand in 2021 to EUR 6,322 thousand in 2022. The net consumer loan portfolio (Debtors for loans issued without pledge less ECL allowance on loans to customers) increased by 24.8% from EUR 31,809 thousand in 2020 to EUR 39,688 thousand in 2021 and increased by 54.2% from EUR 39,589 thousand in 2021 to EUR 61,195 thousand in 2022.

As at 31 March 2023, the net pawn loan portfolio has increased by 56.0% in comparison to the portfolio as at 31 March 2022. In the three-month period ended 31 March 2023, the net consumer loan portfolio grew by 55.5% year-on-year.

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 31 March 2023, the Group's borrowings (comprising short-term and long-term Mintos Finance borrowings, bonds issues and lease liabilities) aggregated EUR 62,814 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 31 March 2023, the Group had a debt/equity ratio of 3.3. Total long-term debt of the Group was EUR 25,957 thousand and the total short-term borrowings of the Group was EUR 36,858 thousand. The Group has a solid balance sheet and a comfortable liquidity profile to sustain the current level of external debt financing.

In 2022, the Group has reported net interest income (total interest income less interest expenses) of EUR 24,634 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)			*Three-month ended 31 March (unreviewed)*	
	2020	*2021*	*2022*	*2022*	*2023*
Cash and cash equivalents at the beginning of the period	**1,136**	**4,592**	**2,460**	**2,460**	**2,369**
Net cash flows from/(to) operating activities (1)	2,441	(3,307)	(17,966)	(2,811)	(5,798)
Net cash flows from/(to) investment activities (1)	262	(74)	(704)	(203)	(243)
Net cash flows from/(to) financing activities (1)	753	1,249	18,579	2,259	6,070
Net (decrease) increase in cash	3,456	(2,132)	(91)	(756)	29
Cash and cash equivalents at the end of the period	**4,592**	**2,460**	**2,369**	**1,704**	**2,398**

(1) Impact of restatement in comparative figures:

(a) Refer to Table 13.10 and 13.11 to see the impact of adoption of changes in accounting policy in comparative figures of Cash flow statements of the Group for 2020 and 2021.

Cash flow from operating activities

For the three-month period ended 31 March 2023, the cash flow from operating activities was EUR 5,798 thousand and it was generated by operating profits and the increase in the loan portfolio by EUR 26,362 thousand year-on-year relating to the increase in issuance.

The net cash used in operating activities for the year ended 31 December 2022 amounted to EUR 17,966 thousand, an increase by EUR 14,659 thousand year-on-year. The increase in the net cash used in operating activities in 2022 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 2022 was EUR 29,872 thousand as compared to a net outflow of EUR 11,303 thousand in year 2021 and EUR 4,432 thousand in year 2020.

The operating cash flow turns negative in periods when there is a high increase in loan issuance and subsequent increase in the loan portfolio. During those periods the operating cash flows are financed by financing activities, in particular increasing financing from Mintos Finance or by the issue of additional bonds.

Cash flow from investment activities

The net cash flow from investing activities includes outflow in the amount of EUR 704 thousand in relation to the acquisition of fixed assets and intangibles for the year ended 31 December 2022, EUR 549 thousand for the year ended 31 December 2021 and EUR 571 thousand for the year ended 31 December 2020. In 2022 there was no other cash flow from investing activities. In 2021, besides the acquisition of fixed assets, there was a positive cash flow from repaid loans to shareholders (EUR 567 thousand). Investments in fixed assets are primarily comprised of improvements of branch network, IT and office equipment.

The net cash flow from investing activities in the period ended 31 March 2023 includes outflow in the amount of EUR 243 thousand in relation to the acquisition of fixed assets and intangibles. For the period ended 31 March 2022 net cash flow from investing activities included outflow in the amount of EUR 203 thousand in relation to the acquisition of fixed assets and intangibles.

Cash flow from financing activities

For the three-month period ended 31 March 2023, total cash inflow from financing activities comprises EUR 6,070 thousand, representing inflow of EUR 6,438 thousand as loans received and outflow of EUR 3,979 thousand as loans repaid to Mintos Finance, inflow of EUR 3,838 thousand Bonds issued and outflow of EUR 228 thousand as repayment of lease liabilities.

The net cash flow from financing activities increased from EUR 1,249 thousand for the year ended 31 December 2021 to EUR 18,579 thousand for the year ended 31 December 2022. In 2022, the total cash flow from financing activities is primarily comprised of:

1) Net cash inflow from the receiving and repayment of loans in the amount of EUR 16,783 thousand.
2) Cash inflow from the issuance and repayment of bonds in the amount of EUR 8,151 thousand.
3) Outflow of cash for dividends in the amount of EUR 5,425 thousand.

The net cash flow from financing activities increased from EUR 753 thousand for the year ended 31 December 2020, to EUR 1,249 thousand for the year ended 31 December 2021. In 2021, the total cash flow from financing activities is primarily comprised of:

1) Share capital increase resulted from IPO minus IPO transaction costs in the amount of EUR 7,423 thousand.
2) Outflow of cash for dividends in the amount of EUR 3,723 thousand.
3) Cash outflow from the issuance and repayment of bonds in the amount of EUR 2,370 thousand.

Cash and cash equivalents at the end of the period

The net cash and cash equivalents at the end of the three-month period ended 31 March 2023 were EUR 2,398 thousand.

The net cash and cash equivalents at the end of the period decreased by 3.7% from EUR 2,460 thousand for the year ended 31 December 2021, to EUR 2,369 thousand for the year ended 31 December 2022. The reasons for the decrease were explained above (*see* "Cash flow from operating activities").

The net cash and cash equivalents at the end of the period decreased by 46.4% from EUR 4,592 thousand for the year ended 31 December 2020, to EUR 2,460 thousand for the year ended 31 December 2021. The reasons for the decrease were explained above (see "Cash flow from operating activities"). No material subsequent events capable of changing the considerations described in this Section have occurred.

14.6. Capital structure and borrowing requirements

Capital structure

The Group has a diversified and sustainable capital structure.

Table 14.6.1.

Capital structure of the Group (EUR'000)

	Year ended 31 December (audited)			*Three-month ended 31 March (unreviewed)*	
	2020	*2021*	*2022*	*2022*	*2023*
Bonds issued, (EUR'000)	13,464	10,838	19,114	11,991	22,954
Other borrowings, (EUR'000)	17,687	18,574	34,861	19,653	36,886
Lease liabilities, (EUR'000)	3,436	3,305	2,918	3,246	2,974
Trade payables and accrued liabilities, (EUR'000)	1,305	1,572	1,599	1,518	1,941
Taxes and social insurance, (EUR'000)	816	398	560	491	586

Unpaid dividends, (EUR'000)	-	-	-	779	838
Gross debt, (EUR'000) (1)	36,708	34,687	59,052	37,678	66,180
Cash and cash equivalents, (EUR'000)	(4,592)	(2,460)	(2,369)	1,704	2,398
Net debt, (EUR'000) (1)	**32,116**	**32,227**	**56,683**	**35,974**	**63,782**
Equity, (EUR'000) (1)	9,758	17,377	18,106	18,011	18,915
Liabilities / equity ratio (x)	**3.76**	**1.98**	**3.26**	**2.09**	**3.50**
Net liabilities / equity ratio (x)	**3.29**	**1.84**	**3.13**	**2.00**	**3.37**

Notes

(1) Impact of restatement in comparative figures:

(a) Refer to Tables 13.6 and 13.7 to see the impact of restatement in comparative figures of Balance sheet statements of the Group for 2020 and 2021.

Borrowings

Table 14.6.2.

Borrowing structure of the Group (EUR'000)

	Year ended 31 December			*Three-month ended 31 March (unreviewed)*	
	2020	*2021*	*2022*	*2022*	*2023*
Mintos Finance(1)	17,287	18,574	34,861	19,653	36,886
Lease liabilities	3,436	3,305	2,918	3,246	2,974
Private loans(1)	400	-	-	-	-
Bonds	13,481	11,111	19,927	12,251	23,517
Accrued interest	24	13	25	16	29
Bonds commission	(41)	(286)	(408)	-*	-*
Total borrowings	**34,587**	**32,717**	**57,323**	**35,166**	**63,406**

** The Financial Statements for the three-month period ended 31 March 2022 and for the three-month period ended 31 March 2023 do not contain separately allocated information on bonds commission.*

Notes

(1) In Financial Statements, Mintos Finance loans and private loans are presented together under Other borrowings.

Total borrowings per Table 14.13 "Borrowing structure of the Group" as at 31 March 2023 were EUR 63,406 thousand, representing 95.8% of the total amount of the Group's gross debt. Most of the borrowings are comprised of Mintos Finance financing constituting EUR 36,886 thousand and bond financing of EUR 23,517 thousand.

Total short-term borrowings as at 31 March 2023 were EUR 36,858 thousand, representing 55.7% of the total amount of the Group's gross debt. Most of the short-term borrowings are comprised of EUR 20,560 thousand of Mintos Finance financing.

Total long-term debt as at 31 March 2023 was EUR 25,957 thousand, representing 39.2% of the total amount of the Group's gross debt. Most of the long-term borrowings are comprised of Mintos Finance financing constituting EUR 16,326 thousand.

Bonds issued

As at 31 March 2023, the Company has one outstanding bond issue that is listed on Nasdaq Baltic First North and two outstanding privately issued unlisted bond issue. The total nominal value of the bonds outstanding is EUR 23,517 thousand (please see Section 8.14 "Material agreements" of this Prospectus).

The key financial covenants of the Terms of the Notes Issue ISIN LV0000850048, ISIN LV0000802536 and ISIN LV0000850055 are provided in the Management Report of the Audited Financial Statements for the audited financial statement of 2022. In July 2022, the Company issued unsecured bond ISIN LV0000850055 with the nominal amount of EUR 10,000 thousand and coupon rate of 3M EURIBOR + 8.75% indicating a positive trend in the reduction in the total costs of financing. The bond issued was offered via private placement.

The key financial covenants of the Terms of the Notes Issue ISIN LV0000850048 are published at https://delfingroup.lv/storage/files/as-delfingroup-issue-terms-isin-lv0000850048.pdf in Section 4.4 "Financial covenants". The key financial covenants of the Terms of the Notes Issue ISIN LV0000802536 are published at https://www.delfingroup.lv/storage/files/as-delfingroup-issue-terms-isin-lv0000802536.pdf in Section 4.4 "Financial covenants". The Notes Issue ISIN LV0000850055 was offered via a private placement.

As of the date of this Prospectus, the Group has been in compliance with all covenants under the above-mentioned Terms of the Notes Issue.

Borrowings from Mintos Finance and other borrowings

The Company and ViziaFinance have entered into a Cooperation Agreement with Mintos Finance. The parties have agreed to mutually cooperate by offering users of the investment platform under the domain name www.mintos.com, operated by Mintos Marketplace, an opportunity to invest in the monetary claims of Mintos Finance against the Company.

Further to the above-mentioned Cooperation Agreement, which was signed on 18 October 2016, the Company and ViziaFinance entered into Cooperation Agreements on Issuance of Loans (as amended from time to time) with Mintos Finance and additionally on 6 May 2022 Cooperation agreement with Mintos Marketplace and Mintos Finance No.20 was signed on issuance of Notes. The parties have agreed on the possibility of disbursement of loans for the benefit of the Company, subject to a EUR 27,500,000 (twenty seven million five hundred thousand euros) limit for all abovementioned agreements and according to the agreements with Mintos group entities the loans matures according to the particular loan agreement terms concluded by the Group with its customers (please see Section 8.14"Material agreements" of this Prospectus). As of 31 December 2022, the weighted average annual interest rate of the issued loans is 12.5%.

As of the date of this Prospectus, the Company and ViziaFinance have been in compliance with all covenants under the above-mentioned agreements.

All covenants under the mentioned Terms of the Notes Issue for the issued bonds and under the Cooperation Agreement with Mintos Finance are considered by the Company to be in line with common market practice, and the Company is not aware of any terms that deviate from market practice.

Provided security

The Company has created and registered four groups of commercial pledges over its assets and claims, subject to the maximum claim amount of MEUR 37.8 as collateral registered to collateral agent Eversheds Sutherland Bitāns (in favour of Mintos Finance) and to Mintos Finance No.20 and Mintos Marketplace. As of 31 March 2023, the amount of secured liabilities of the Company is EUR 36,886 thousand with respect to the claims of Mintos Finance, Mintos Finance No.20 and Mintos Marketplace.

14.7. Long-term objectives

On 28 February 2023 the Company renewed the previously set financial guidance for 2023 and 2024 and set forecasts for 2025. 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 million by 2024 and EUR 15 million by 2025. In order to achieve this, the primary strategy is to accelerate the growth of its net loan portfolio.

After evaluating the Company's growth in all of its main business segments, it is expected that there will continue to be strong demand for the Company's products and services in the coming years, which will contribute to the growth of its loan portfolio. A target is set at EUR 90 million by 2024 and EUR 100 million by 2025, as compared to EUR 67.4 million in 2022.

In order to finance the growth of its net loan portfolio at lower interest rates, the Group needs to have a higher equity ratio. By issuing new equity as a result of the Offering, the Company will achieve this objective. Please read more on the Group's financial objectives in Section 8.10 "Strategy and objectives" of this Prospectus.

14.8. Recent trends, development and material changes

Recent trends and developments

The Group has devised a strategic plan to issue new bonds with the aim of refinancing its existing maturing liabilities as well as continue placing loans on the Mintos platform. This approach will enable the Group to settle its outstanding debt by utilizing the proceeds generated from the sale of these newly issued bonds and funding attracted on Mintos. Furthermore, the subscription period for LV0000850055 bonds is currently in progress, and it is expected that these bonds will be fully subscribed by the end of June 2023.

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 2022 and up to the date of this Prospectus.

Furthermore, there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the least the current financial year.

15. CAPITALISATION AND INDEBTEDNESS

15.1. Working Capital Statement

Considering the Group's existing assets, financial positions, plans and positive income from everyday business activities, it is the opinion of the Company that the Group's working capital is sufficient to cover all liabilities for the upcoming 12 months after the date of this Prospectus and that there is no need to involve additional external funds to cover the working capital needs.

The Group's historical working capital together with relevant ratios is presented in the Table 15.1 below.

Table 15.1.

Working capital

	31 December 2020	*31 December 2021*	*31 December 2022*	*31 March 2023 (unreviewed)*
Total current assets, EUR'000	24,047	19,420	26,902	28,073
Total current liabilities, EUR'000	18,717	14,054	37,364	40,223
Working Capital, EUR'000	**5,330**	**5,366**	**(10,462)**	**(12,150)**
Liquidity ratio (x)	**1.28**	**1.38**	**0.72**	**0.70**
Quick ratio (x)	**1.24**	**1.29**	**0.66**	**0.60**

On 7 July 2022, the Group started a closed bonds offering via private placement for EUR 10,000 thousand with maturity on 25 September 2024. New bonds are issued periodically taking into account the need for financing.

15.2. Capitalisation and Indebtedness

The Tables 15.2 and 15.3 below present the Group's capitalisation and indebtedness as at 31 March 2023, which is based on the Interim Financial Report enclosed to this Prospectus.

Table 15.2.

Capitalisation of the Group (EUR'000)

	As at 31 March 2023 (unreviewed)
Guaranteed	-
Secured	20,560
Unguaranteed/unsecured	16,298
Total current debt	**36,958**
Guaranteed	-
Secured	16,326
Unguaranteed/unsecured	9,631
Total non-current debt	**25,957**
Share capital	4,532
Share premium	6,891
Legal reserve(s)	-
Other reserves	7,492
Retained earnings	7,364
Other capital reserves**	128
Total shareholder equity	**18,915**
Total capitalisation (total current debt + total non-current debt + total shareholder equity)	**81,830**

**Source: some data included in this column are unaudited management data of the Company.*
*** Due to granted personnel share options*

For secured current and non-current debt, the following types of assets are used as collateral:

(i) a commercial pledge over all assets of the Group as an aggregation of property at the moment of pledging as well as its future components;

(ii) a commercial pledge over all receivables of the Group as an aggregation of property at the moment of pledging as well as its future components.

Table 15.3

Indebtedness of the Group (EUR'000)

		As at 31 March 2023 (unreviewed)
A	Cash	2,398
B	Cash equivalents	-
C	Other current financial assets**	22,587
D	**Liquidity** (A + B + C)	**24,985**
E	Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	15,548
F	Current portion of non-current financial debt	21,310
G	**Current financial indebtedness** (E + F)	**36,858**
H	**Net current financial indebtedness** (G - D)	11,873
I	Non-current financial debt (excluding current portion and debt instruments)	7,406
J	Debt instruments	18,551
K	Non-current trade and other payables	-
L	**Non-current financial indebtedness** (I + J + K)	**25,957**
M	**Total financial indebtedness** (H + L)	**37,830**

**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 20,724 thousand and gold in the amount of EUR 1,863 thousand*

Current portion of non-current financial debt includes lease liabilities in the amount of EUR 749 thousand and Non-current financial debt (excluding current portion and debt instruments) includes lease liabilities in the amount of EUR 2,225 thousand.

As at 31 March 2023 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 31 March 2023 and up until the date of this Prospectus.

16. GLOSSARY

The following definitions will apply throughout this Prospectus unless the context requires otherwise. They are not intended as technical definitions and are provided purely for assistance in understating certain terms used in this Prospectus.

AML	Anti-money laundering.
Articles of Association	Articles of Association of the Company effective as of the date of this Prospectus.
Audited Financial Statements	Audited financial statements as of and for the three years ended on 31 December 2021, 31 December 2020 and 31 December 2019 of the Group.
Bank of Lithuania	The Bank of Lithuania (in Lithuanian: *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.
Commercial Register	The Register of Enterprises of the Republic of Latvia.
Company or DelfinGroup	AS "DelfinGroup", joint-stock company registered in the Latvian Commercial Register with registration No 40103252854, having its registered address at Skanstes iela 50A, Rīga, LV-1013, Latvia.
Consumer Rights Protection Centre or CRPC	The Consumer Rights Protection Centre of Republic of Latvia (*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.
COO	Chief operating officer.
COVID-19	The respiratory disease caused by the SARS-CoV-2 virus.
CPF	Counter Proliferation Financing.
Delegated Regulation	Regulation (EU) 2019/980 of 14 March 2019 supplementing Prospectus Regulation as regards the format, content, scrutiny and approval of the Prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004.
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, and amortization.
ERS	The Estonian Register of Securities, operated by Nasdaq CSD SE Estonian Branch, address Maakri 19/1, 10145 Tallinn, Estonia.
Estonia	The Republic of Estonia.
Estonian Financial Supervision Authority	The Estonian Financial Supervision Authority, a financial supervision institution with autonomous competence and a separate budget which conducts supervision over credit institutions, insurance companies, insurance intermediaries, investment firms, management companies, investment and pension funds as well as the payment service providers, e-money institutions and the securities markets that have been authorised by the Financial Supervision Authority in the name of the state and which is independent in its activities and decisions.
EU	The European Union.

EUR	Euro, the official currency of eurozone countries, including Latvia, Estonia, and Lithuania.
Eurozone	The economic and monetary union of the European Union member states, which have adopted euro as their single official currency.
Financial Statements	Audited Financial Statements and Interim Financial Report.
General Meeting	Meeting of the Company's shareholders, the highest governing body of the Company.
Global Lead Manager	AS LHV Pank, an Estonian public limited company, registered in the Estonian Commercial Register with registration No. 10539549, having its registered address at Tartu mnt 2, 10145, Tallinn, Estonia.
Global Lead Manager	AS LHV Pank, an Estonian public limited company, registered in the Estonian Commercial Register with registration No. 10539549, having its registered address at Tartu mnt 2, 10145, Tallinn, Estonia.
Group	The Company and its Subsidiary.
IAS	International Accounting Standards.
IFRS	International Financial Reporting Standards.
Institutional Offering	The non-public offering of the Offer Shares in Latvia and in selected member states of the European Economic Area to qualified investors within the meaning of Article 2(e) of the Prospectus Regulation and other types of investors in reliance on certain exemptions available under the laws of each jurisdiction where the Offering is being made.
Interim Financial Report	The reviewed consolidated interim financial statements for the 6-month period which ended on 30 June 2021, included in this Prospectus as Schedule 2.
ISIN	International Securities Identification Number.
Latvia	The Republic of Latvia.
Bank of Latvia	The Bank of Latvia (*Latvijas Banka*). An autonomous public institution of the Republic of Latvia, which *inter alia* carries out the supervision of Latvian banks, credit unions, insurance companies and insurance brokerage companies, participants of financial instruments market, as well as private pension funds, payment institutions and electronic money institutions.
Listing	Listing of Shares on the Baltic Main List of Nasdaq Riga.
Lithuania	The Republic of Lithuania.
Management Board	The Management Board of the Company.
Member States	The Member States of the European Union.
MIFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.
Mintos Finance	SIA Mintos Finance, limited liability company registered in the Latvian Commercial Register with registration No. 40203022549, having its registered address at Skanstes iela 50, Riga LV-1013, Latvia, or any other Mintos group entity, or similar peer-to-peer or marketplace lending platform, as the case may be.
Mintos Marketplace	AS Mintos Marketplace, joint-stock company registered in the Latvian Commercial Register with registration No 40103903643, having its registered address at Skanstes iela 50, Rīga, LV-1013, Latvia. AS Mintos Marketplace is an investment firm licenced and

	supervised by the Bank of Latvia. 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 First North	The Nasdaq Riga First North multilateral trading facility operated by Nasdaq Riga, AS.
Nasdaq Riga	Nasdaq Riga AS, registration No. 40003167049, registered address at Vaļņu iela 1, Riga, LV-1050.
OFAC	The Office of Foreign Assets Control of the United States Department of the Treasury.
Offer Period	Period during which prospective investors may apply to purchase the Offer Shares commencing on 26 September 2022 at 9:00 Latvian time and is expected to end on 5 October at 15:30 Latvian time.
Offer Price	The price at which each Offer Share is to be issued or sold under the Offering.
Offer Shares	Up to 1,510,000 Shares which are being offered to investors in the course of the Offering.
Offering	The Retail Offering and the Institutional Offering jointly.
Offeror or Selling Shareholder	SIA EC finance is a limited liability company (*sabiedrība ar ierobežotu atbildību*), incorporated in Latvia, registered in the Register of Enterprises of Latvia with registration number 40103950614, having its registered address at Skanstes iela 50A, Rīga, LV-1013. The Company's e-mail is SIA.EC.finance@gmail.com, telephone number is +371 25350677. Its legal entity identifier (LEI) is 984500DD97SA6CC9G232.
Prospectus	This document.
Retail Offering	The public offering of the Offer Shares to retail investors in Latvia, Estonia and Lithuania.
Shareholder	Natural or legal person(s) holding the Share(s) of the Company at any relevant point in time.
Shares	The bearer shares of the Company with the nominal value of EUR 0.10, that are registered in the Nasdaq CSD under the ISIN code LV0000101806.
Subsidiary or ViziaFinance	SIA ViziaFinance, limited liability company registered in the Latvian Commercial Register with registration No. 40003040217, having its registered address at Skanstes iela 50A, Rīga, LV-1013.
Summary	The summary of this Prospectus.
Supervisory Board	The Supervisory Board of the Company.
UN	The United Nations.

OFFEROR AND SELLING SHAREHOLDER

SIA EC finance

(registration No. 40103950614, registered address Skanstes iela 50A, Rīga, LV-1013, Latvia)

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 THE OFFEROR

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 2022, 31 DECEMBER 2021 AND 31 DECEMBER 2020, RESPECTIVELY

custom finance solutions

AS "DelfinGroup"

Annual accounts
for the year ended
31 December 2022
and
Consolidated
Annual accounts
for the year ended
31 December 2022

prepared in accordance with International Financial Reporting Standards as adopted by EU

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 47.91 Retail sale via mail order houses or via Internet NACE2 47.79 Retail sale of second-hand goods in stores NACE 47.77 retail sale of watches and jewellery in specialised stores
Address	50A Skanstes Street, Riga, LV-1013 Latvia
Names and addresses of shareholders	SIA L24 Finance (55.98%), 12 Juras Street, Liepaja, Latvia SIA AE Consulting (8.90%), 50A Skanstes Street, Riga, Latvia SIA EC finance (18.28%), 50A Skanstes Street, Riga, Latvia Other (16.84%)
Ultimate parent company	SIA L24 Finance Reg. No. 40103718685 12 Juras Street, Liepaja, Latvia
Names and positions of Board members	Didzis Ādmīdiņš – Chairman of the Board (from 19.01.2021) Aldis Umblejs – Member of the Board (from 15.12.2021) Sanita Zitmane – Member of the Board (from 01.03.2022) Ivars Lamberts – Member of the Board (from 11.01.2018 till 28.02.2022)

Names and positions of Supervisory Board members	Agris Evertovskis – Chairperson of the Supervisory Board (from 13.04.2021) Gatis Kokins – Deputy Chairman of the Supervisory Board (from 13.04.2021) Mārtiņš Bičevskis – Member of the Supervisory Board (from 13.04.2021) Jānis Pizičs – Member of the Supervisory Board (from 13.04.2021) Edgars Voļskis – Member of the Supervisory Board (from 13.04.2021)
Financial year	1 January 2022 - 31 December 2022
Name and address of the auditor	SIA KPMG Baltics Certified Auditors' Company license No. 55 Roberta Hirša street 1, Riga, LV-1045 Latvia Responsible Certified Auditor: Rainers Vilāns Certificate No. 200

Information on the Subsidiaries

Subsidiary	SIA ViziaFinance (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	23.02.2015
Number, place and date of registration of the subsidiary	40003040217; Riga, 06 December 1991
Address of the subsidiary	50A Skanstes Street, Riga, Latvia
Operations as classified by NACE classification code system of the subsidiary	64.92 Other financing services

Statement of management`s responsibility

The management of AS *DelfinGroup* (hereinafter – the Company) is responsible for the preparation of the financial statements of the Company and for the preparation of the consolidated financial statements of the Company and its subsidiaries (hereinafter – the Group or DelfinGroup).

The financial statements set out on pages 16 to 61 are prepared in accordance with the source documents and present the financial position of the Company and the Group as of 31 December 2022 and 31 December 2021 and the results of their operations, changes in shareholders' equity and cash flows for the years then ended. The management report set out on pages 7 to 15 presents fairly the financial results of the reporting period and future prospects of the Company and the Group.

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

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

Didzis Ādmīdiņš Chairman of the Board	**Aldis Umblejs** Board Member	**Sanita Zitmane** Board Member

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

Management report

CEO statement

In the past year, we have successfully continued the development of *DelfinGroup* and fulfilled our mission - to create and provide innovative and custom financial solutions for every client. We aim to be a leader in the fast-growing, dynamic, and changing financial technology industry, attracting the most vital talent and offering widely used and modern financial products. We provide our customers with customized online and face-to-face services, allowing citizens to choose more understandable and convenient ways of receiving services. *DelfinGroup* has always paid increased attention to making our services available to the widest possible part of society, including in the regions of Latvia.

Although the year 2022 began with the gradual easing of pandemic restrictions, *DelfinGroup* was able to resume complete face-to-face services, which allowed us to look hopefully into the future, on February 24 of last year, the whole world was shaken by the news of Russia's start of a full-scale war in Ukraine. Russia's invasion of the neighbouring country caused a global energy crisis, which resulted in an economic recession, inflation, and uncertainty in the business environment. This meant adapting to the new situation in the Group's main business segments. Digitalization was developed in the pawn lending segment, an online store was renewed in the retail trade segment, and data science was improved in the consumer loan segment for more effective customer evaluation.

One of our strategic ambitions is to promote the circulation of pre-owned goods, promoting the circular economy culture in society. We have concluded that our society is still developing the habit of reusing goods, thus reducing consumption and encouraging thoughtful use of natural resources. An overwhelming majority of Latvian residents continue to keep items in their households that are not used and that could be put into circulation, maximizing the value of the goods and increasing their life cycle thus lowering CO2 emissions. It is essential to strengthen new habits in our society regarding the further use of pre-owned goods, to create an appropriate infrastructure and system that would motivate people to get involved and become a crucial part of the circular economy. That is why the *Banknote* concept developed by *DelfinGroup* offers both in-person and remotely the opportunity to sell or buy valuable things for secondary use. We have created *Lietots. Pārbaudīts* initiative, within the framework of which every item that enters the *Banknote* store is professionally checked and, if necessary, repaired. This initiative allows us to offer a guarantee on every item we sell.

The efficiency of *Banknote*'s environmentally friendly business model, which we have chosen and purposefully developed, can be seen in the high demand for new and pre-owned goods. Thanks to this, we are actively developing another business line - purchasing of goods. We look for suppliers, cooperate with international partners, and buy goods from private individuals to offer a wide assortment of goods to our branch and online store customers.

Considering the unique advantages and global trends, *DelfinGroup* aims to become the primary ambassadors of the circular economy in the region, promoting the circulation of pre-owned and slightly pre-owned goods and the rational use of resources and creating public awareness of an environmentally friendly lifestyle. By introducing solutions appropriate to the era, in 2022, we have renewed the online store for the sale of pre-owned and tested goods - *veikals.Banknote.lv*. It is one of the largest circular economy online stores in Latvia and throughout the Baltics, with more than 45 000 tested goods.

Although one of the strategic priorities of the Group is business digitalization, we are purposefully developing both directions - both online and in-person services. To promote the strengthening of circular economy principles in trade, in 2022, we continued to improve the *Banknote* circular economy store network. At the same time, the development of the branch network is also promoted by society's high demand for convenient financial services and in-person trade of pre-owned goods, contrary to the general tendency to close various types of service provision locations. We see that the demand for face-to-face services remains high, especially in the regions of Latvia, where the availability of various services is generally limited. There are more than 90 *Banknote* financial service and product sales points in Latvia, with a comprehensive representation directly in regions and small towns. In some places, our branches are the only or one of the few dealers of electrical goods and jewellery and, at the same time, a financial services institution.

There is a feeling of a job well done regarding the achieved business results. In 2022, *DelfinGroup* issued loans amounting to 80.3 million euros, which is 62% more than in 2021, while the retail of pre-owned goods increased by 27%, reaching 11.4 million euros. The results show that our operational strategy, developing versatile financial solutions, is correct. This year too, we will place great emphasis on developing the circular economy concept and trade in pre-owned goods. We assess the achieved financial results positively. They were facilitated by both the Group's strengthened market positions in the main business segments, the demand for simple and customer-oriented financial services, and our ability to adapt to the challenges of the global economy. As a result, the Group's profit before taxes increased by 45% in 2022, reaching 7.3 million euros, while revenues reached 35.8 million euros. On the other hand, the Group's loan portfolio has increased by 54% since the end of 2021, reaching 67.5 million euros.

Entering the regulated market of *Nasdaq Riga* in 2021, *DelfinGroup* created a unique dividend policy for the Baltic stock market - the Company promised to pay shareholders quarterly dividends of up to 50% of the quarterly profit. In 2022, we fulfilled our promise by making 6 dividend payments of more than EUR 5 million or 0.1197 euros per share, which provided the Company's shareholders with an excellent yield of 8.1%.

In response to geopolitical and other external conditions, the situation in the capital markets has also changed. Without a doubt, external factors and the cost of financing the growing loan portfolio also affect *DelfinGroup* operations. Still, over the years, we have successfully diversified funding sources for attracting capital and gained investors' trust. Although the cost of capital is currently higher, the Group continues to raise it through bonds and an investment platform successfully.

To take care of the environment, we are gradually giving preference to energy generated from renewable resources in a nature-friendly way. Thus, in 2022, *DelfinGroup* central office was fully supplied with green electricity. In the area of corporate governance, we continued to be open and transparent with our investors, employees, regulators, suppliers, and the wider public. For example, last year, we conducted two webinars for investors and interested parties about the Group's financial and business results; five shareholder meetings were held, where shareholders were invited to express their opinion both in person and remotely, and we also participated in several events organized by the *Fintech Latvia Association*, where *DelfinGroup* experts shared their experience and knowledge.

We aim to create a sustainable society, provide people with opportunities, and promote inclusion, diversity, equality, and well-being. We have financially supported several disadvantaged social groups - seniors, children, and low-income families - for several years. For example, in 2022, we increased the donation amount to improve the opportunities for senior citizens, provided the *Children's Hospital* with a bicycle ergometer, and supported families in need.

Responding immediately to Russia's aggression against Ukraine, from the first days of the war in February 2022, *DelfinGroup* actively supports Ukraine - its defenders and the country's residents who suffered in the war or were forced to flee. In 2022 we have donated more than 250,000 euros to the *Children's Hospital Foundation*, the *Entrepreneurs for Peace Foundation*, and the *TEV Association*.

The team determines the success of any company. In the past year, we have significantly strengthened the management team of *DelfinGroup* with strong industry professionals and have focused on increasing employee motivation. In 2022, to continue developing simple, customer-adapted, and technology-based financial services, we have created a new position - *Chief Innovation Manager*, whose task is to promote introducing innovative fintech technology solutions in the Group to participate in the creation of strategic development. In addition, as part of the long-term employee motivation program, we introduced a staff option program to promote belonging to the Group. We value every employee's contribution to the Group's development, so we provide the opportunity to voluntarily participate in the staff option program for employees at all job levels who have worked in the Company for at least 12 months. Now our employees will be able to earn additional wages along with the Group's development. A total of 450 thousand Company shares will be issued as part of the program.

Based on the business and financial results of 2022, as well as setting the Group's strategic priorities and forecasts until 2025, we are in a solid position to continue the growth of *DelfinGroup*.

I want to thank every investor, client, and employee who believed in the *DelfinGroup* story and continues to do so. Thank you for your trust!

Didzis Ādmīdiņš
AS *DelfinGroup*
Chief Executive Officer

Management report (CONTINUED)

Financial indicators
By implementing the business strategy and all planned activities, the following financial results of the Group were achieved in 2022 as compares to 2021:

Position	EUR, million	Change, %
Net loan portfolio	67.5	+54.3
Assets	77.2	+47.9
Revenue	35.8	+42.0
EBITDA	13.1	+31.6
Profit before taxes	7.3	+45.2
Net profit	6.0	+48.4

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

Position	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Revenue, EUR million	7.4	7.3	8.3	9.3	10.9
EBITDA, EUR million	2.9	2.6	3.2	3.5	3.8
EBITDA margin, %	39%	36%	39%	38%	35%
EBIT, EUR million	2.6	2.3	2.9	3.2	3.5
EBIT margin, %	35%	32%	35%	35%	32%
Profit before taxes, EUR million	1.5	1.6	2	1.8	1.9
Net profit, EUR million	1.4	1.4	1.2	1.7	1.7
Net profit margin, %	18%	20%	15%	18%	15%
ROE (annualised), %	40%	32%	29%	39%	37%
Current ratio	1.4	1.4	1.3	1.3	0.7

In some cases, quantitative values have been rounded up to the nearest decimal place or whole number to avoid an excessive level of detail. As a result, certain values may not necessarily add up to the respective totals due to the effects of the approximation. 2021 Q4 and 2022 Q4 figures are corrected by restatements in Note 1.

EBITDA calculation, EUR million:

Item	2022	2021
Profit before tax	7.3	5.0
Interest expenses and similar expenses	4.7	3.8
Depreciation and amortisation	1.2	1.1
EBITDA, EUR million	**13.1**	**10.0**

As for compliance with the Issue Terms of notes issue ISIN LV0000850048, ISIN LV0000802536 and ISIN LV0000850055 the financial covenant computation is as follows (see Notes 19, 20):

Covenant	Value as of 31.12.2022	Compliance
to maintain a Capitalization Ratio at least 25%	27%	yes
to maintain consolidated Interest Coverage Ratio of at least 1.25 times, calculated on the trailing 12 month basis	2.6	yes
to maintain the Net Loan portfolio, plus Cash, net value of outstanding Mintos Debt Security and secured notes balance, at least 1.2 times the outstanding principal amount of all unsecured interest-bearing debt on a consolidated basis.	1.8	yes

Management report (CONTINUED)

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

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

Revenue = net sales + interest income and similar income.

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

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

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

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

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

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

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

Equity ratio = total equity / total assets * 100.

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

Strategy
DelfinGroup aims to be a leader in the fast-growing, dynamic, and changing financial technology industry by attracting the most vital talent, offering widely used and advanced financial products, and maintaining efficient and transparent management processes.

By implementing and developing modern technological solutions, *DelfinGroup* can develop and offer modern and customer-oriented products and services with excellent user experience (*UX*), thereby becoming a significant market player. Furthermore, by continuing targeted technology and product development, *DelfinGroup* aims to become customers' first choice for financial services.

DelfinGroup has already significantly changed the pawnshop industry by introducing a modern approach to providing pawnshop services. However, the goal is to further transform the pawnshop industry, which has not been the focus of digital transformation until now, and develop the pawnshop product in a digital environment, thus offering a pawn loan that meets the needs of customers, innovatively and conveniently. Therefore, we want to strengthen our leadership position and be a game changer in the pawnshop industry.

Taking into account the unique advantages and global trends, *DelfinGroup* aims to become the main ambassador of the circular economy in the region, promoting the circulation of pre-owned and slightly pre-owned goods, introducing modern solutions in the online store and branches, as well as promoting the rational use of resources and creating public awareness of the environment-friendly lifestyle.

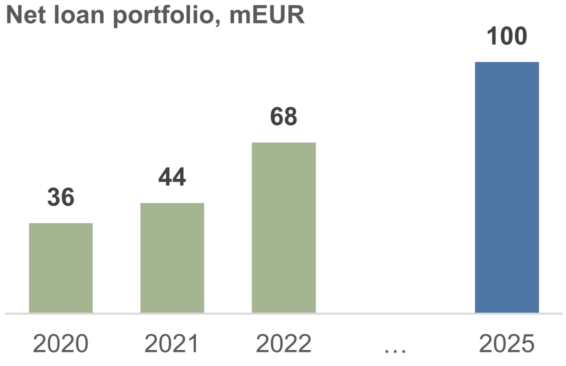
Targets
By following *DelfinGroup* mission of creating and providing innovative and custom financial solutions for every client, we will be able to ensure *DelfinGroup* long-term growth in value. By creating innovative and custom solutions for customer needs, we have achieved rapid growth in recent years, which has allowed *DelfinGroup* to strengthen its position in the Latvian market in all three main business segments.

Management report (CONTINUED)

The results achieved in 2022 confirm that the Group is operating in the right direction, which ensures stable business results. By continuing to invest in the development, *DelfinGroup* expects to significantly improve business results and maintain the most important indicators at a sustainable level until the end of 2025. In 2025, *DelfinGroup* plans to reach a net loan portfolio of 100 million euros, an average increase of 14% per year. Also, the Group plans to double both EBITDA and profit indicators by 2025. In the following years, however, DelfinGroup intends to maintain a return on equity (ROE) above 30%, an equity ratio above 20%, and a cost-to-income ratio below 45%, ensuring the Group's efficient operation.

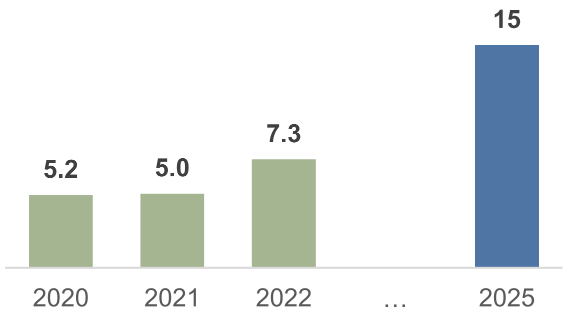
Until 2025, *DelfinGroup* plans to continue to ensure regular dividend payments, which would be more than 50% of the Group's annual profit within the year, similar to what has been done in 2022.

Net loan portfolio, mEUR

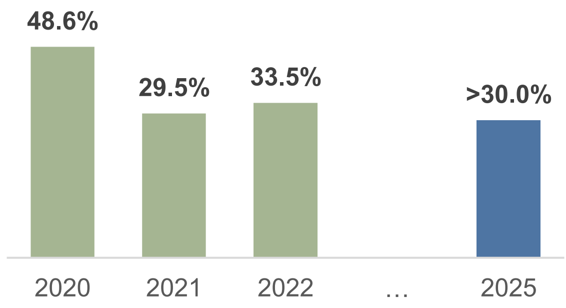


EBITDA, mEUR

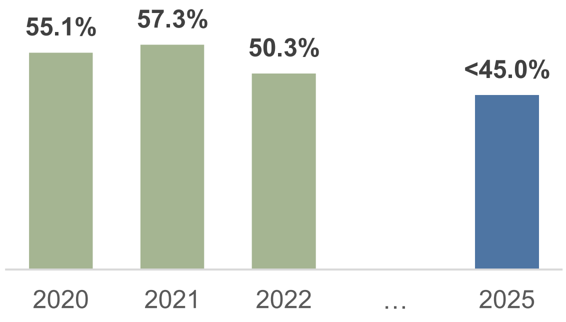
Profit before tax, mEUR



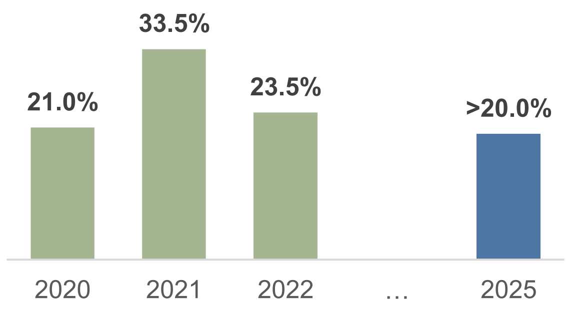
Return on equity (ROE)



Cost to income ratio



Equity ratio



Management report (CONTINUED)

Consumer lending segment

At the beginning of the year, as the restrictions of *Covid-19* eased, the war started by Russia in Ukraine once again created uncertainty in society and the economy. As a result, shortly after the start of the war, there was a greater caution among customers when choosing new loans. However, this trend was short-lived, and as *DelfinGroup* results show, customer interest in customized and innovative financial solutions remained stable.

However, due to the war, rising energy prices and inflation led to adjustments in customer perceptions and habits. The most significant impact was observed in September, before the start of the new heating season, when there was a pending position in receiving consumer loans and more active repayment of existing loans. Also, due to the general increase in prices, there is a gradual increase in the requested loan amount.

Continuing the trend of previous years, market consolidation was also observed last year, i.e., the departure or merger of smaller market participants, which the licensing fees of market participants in Latvia can partly explain. As a result, stable companies will strengthen the consumer loan market, improving the industry's overall reputation.

Despite the unclear economic situation, the demand for loans remained strong in the consumer lending segment, which is also confirmed by the results achieved by *DelfinGroup* - in 2022, 60.8 million euros were issued in new consumer loans, the highest result in the Group's history. Also, according to the *Consumer Rights Protection Center* of Latvia data, in the first half of 2022 (the latest available data), the total loan portfolio of consumer lenders had increased. However, as demand for loans remained strong, *DelfinGroup* followed a more prudent customer evaluation policy, financing lower-risk customers to ensure sustainable customer loan repayments and maintain a high-quality loan portfolio.

Achieving notable results in the segment of consumer loans was also helped by the investments made in the digitization of products, ensuring timely receipt of services online, on the internet, as well as in the mobile application. Furthermore, a significant contribution to achieving results was also brought by initiating broader cooperation with loan comparison platforms in Latvia, creating a network of cooperation partners that ensures more effective customer reach. Also, considering customer demand, last year, the maximum loan amount for consumer loans was increased to EUR 10 000, instead of the previous EUR 7 000, while the maximum amount of the credit line was increased to EUR 5 000, instead of the previous EUR 3 000.

Pawn lending segment

A significant contribution to the development of the pawn lending segment in 2022 was made by the lifting of *Covid-19* restrictions starting on April 1, as a result of which, more than one person could stay in the face-to-face branches at the same time, as was the case during the restriction period. Until now, the face-to-face factor in the pawnshop business is essential when evaluating the product. According to the *Consumer Rights Protection Centre* data, the industry experienced a decline. Still, in the first half of 2022, the industry's overall growth was already observed. Like the rest of the industry, lifting *Covid-19* restrictions significantly impacted the development of *DelfinGroup* pawn shops. Last year, pawn loans for 19.5 million euros were issued, exceeding the pre-pandemic results.

Trends in the economy in 2022 also affected the pawnshop loan segment. Above all, rising commodity prices due to inflation also meant higher collateral values and loans issued against them. The pawn loan issuance against gold in 2022 is also worth noting. Considering the increasing inflation, the value of gold also increased, which became more sought-after collateral for pawn shops. As a result, loans issued against gold collateral increased almost twice compared to the previous year.

Similar to the consumer lending segment, the pawnshop business in Latvia also experienced smaller pawnshops exiting the market or merging with others last year. As a result, some larger companies with a better reputation have established themselves in the market, raising the reputation of the industry and the quality of services. The year 2022 was also significant for *DelfinGroup* in terms of company acquisitions. At the beginning of the year, the takeover of AS *Moda Kapitāls*, one of the largest pawnshop chains in Latvia, was completed. *DelfinGroup* acquired AS *Moda Kapitāls'* pawnshop loan portfolio, also expanding its client base. As well as last year, a deal was concluded on the takeover of the credit portfolios of six pawnshop branches that were part of the *Finance 360* pawnshop association. Among them, the loan portfolios of branches in Riga, Liepāja and Rēzekne were taken over.

Management report (CONTINUED)

Like other industries, the pawnshop industry is also at the forefront of digital transformation. Today, customers are less and less willing to spend time visiting the service provider in person. Therefore, implementing digitalization processes is the most critical driver of the industry in the coming years. It is digital solutions that will help the pawnshop industry to reach new customers and take a strong position among other types of loans that are currently available online. The implementation of digitalization processes has also started in *DelfinGroup* pawn lending segment. First, the preliminary evaluation online of the product, where the customer can determine indicative value before going to the branch, should be highlighted. In the coming years, *DelfinGroup* plans to digitize the full-cycle pawnshop services, as a result of which customers will be able to pledge their goods and receive a loan entirely remotely, which will open up more opportunities to grow both *DelfinGroup* competitiveness in this business segment and its market share.

Retail of pre-owned goods segment
Considering the growing public interest in the circular economy model and extending the life of goods, similar to the rest of *DelfinGroup* business segments, the retail of pre-owned and slightly pre-owned goods segment also experienced significant growth in 2022. The sale of goods, including the sale of pledges taken over at the pawnshop, reached 11.4 million euros, a 27% increase compared to 2021.

In general, 2022 is the year of recovery of the retail segment after the restrictions of *Covid-19*. Customer interest is returned after visiting brick-and-mortar stores to view and test products in person before making a purchase. However, the *DelfinGroup* business model is suitable for such changes in customer habits, as the traded goods are available in the vast network of *Banknote* branches and in the online store. Thus *DelfinGroup* is accessible to a broader range of customers with different shopping habits. As the prices of consumer goods rose last year, customers had to think more about their purchases, as the cost of covering basic needs increased significantly. However, against this background, the demand for used and tested goods offered by *DelfinGroup* remained stable, and customers appreciated the opportunity to buy the necessary goods at a lower price. A significant contribution was also made by developing the circular economy and public awareness of extending the life of goods. Consequently, people began to choose more sustainable solutions for purchasing goods, supporting the development of the green course.

In 2022, the retail trade segment of pre-owned goods remained the focus of *DelfinGroup* activity. Last year, the most important work was done on the *Banknote* online store, which was renewed. As a result, the user experience on this page was improved, as well as various other solutions were created that will ensure the competitiveness of the online store in the future, such as by expanding payment options, card acceptance was introduced, as well as delivery options using parcel lockers of cooperation partners, which are available throughout the territory of Latvia, facilitating the purchase of goods.

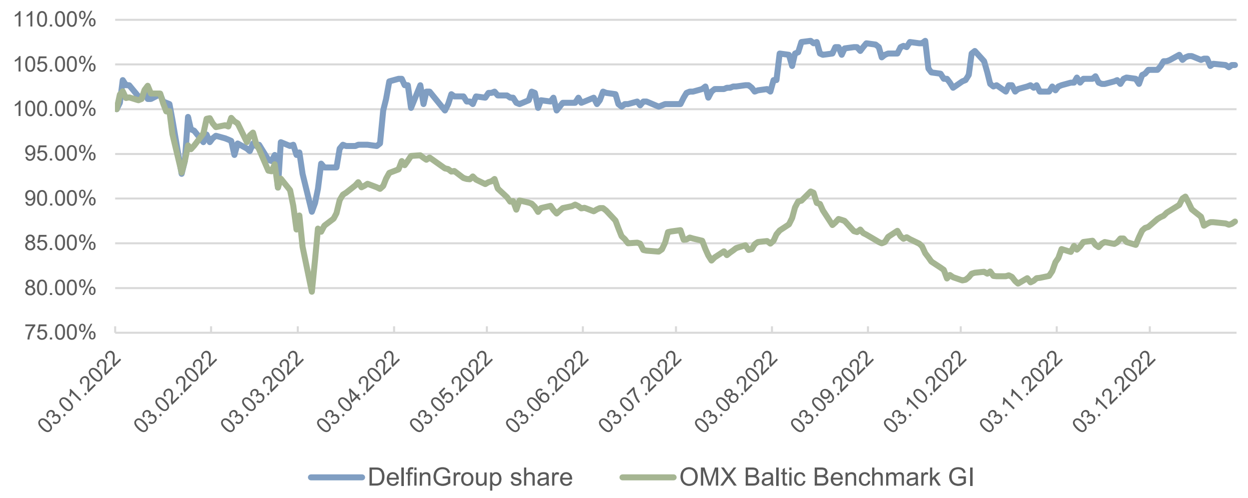
In previous years, the primary sources of acquisition of pre-owned and slightly pre-owned goods for *DelfinGroup* were the purchase of goods directly from the customer, as well as the realization of unredeemed pawn loan pledges, while in 2022, work began on expanding cooperation with various cooperation partners (*business-to-business*), from which bought slightly used and sometimes even new products that customers returned to them within the fourteen day return period, or demo products that were displayed in dealer stores for testing. The expansion of this type of cooperation ensures that the quantity of high-quality and relatively new goods at *Banknote* branches and the online store increases at more favourable prices than if customers bought them new.

Investor information
DelfinGroup shares are listed on the *Baltic Main List* in *Nasdaq Riga* with ISIN code LV0000101806. 2022 was the first full calendar year in which DelfinGroup shares were available for free trade. On December 31, 2022, a total of 45 319 594 shares were issued, the price of which was 1.482 euros, making the total market capitalization of 67.2 million euros. During the whole year, *DelfinGroup* share trading reached 2.1 million euros. The lowest price for which the Company's shares were traded was 1.2 euros, and the highest was 1.526 euros. Since the beginning of 2022, the share price of *DelfinGroup* increased by 4.96%, while the *OMX Baltic Benchmark GI* index decreased by 11.75%. In addition to the increase in share value, *DelfinGroup* shareholders received dividends with a total yield of 8.1%.

To ensure the number of shares in free public circulation that meets the requirements of the *Baltic Main List*, in September and October 2022, the Company's largest shareholders SIA *L24 Finance* and SIA *EC finance*, held public share offers for *DelfinGroup* shares. As a result, 885 investors from all over the Baltics participated in the offer and bought 741,528 shares for 1,067,800 euros. Similar to the Company's initial public offering in 2021, the greatest interest in the shares of the public offering was observed from Estonian investors. A total of 74% of the auction participants were from Estonia, 23% from Latvia, and 3% from Lithuania. As part of the public offer, the price of one share was set at 1.44 euros.

Management report (CONTINUED)

Price changes in 2022, %



In 2022, *DelfinGroup* continued to pay dividends following the dividend policy approved by shareholders. As a result, shareholders received quarterly dividends of up to 50% of the net profit of the previous quarter. In total, shareholders received six dividend payments in 2022 - four quarterly and two annual dividend payments. Annual dividends were approved at the annual meeting of shareholders on 29 April 2022 and split into two payments.

Dividend data	2022
Dividends paid to shareholders, mEUR	5.4
Dividends per share paid to shareholders, EUR	0.1197
Earnings per share, EUR	0.132
Dividend yield	8.1%

Last year, *DelfinGroup* continued to issue bonds to finance the Group's development. In June 2022, the issue of 8%, two-year unsecured bonds in the amount of EUR 10 million was completed, which then were listed on the *Nasdaq Riga* alternative market *Nasdaq First North*. On the other hand, in July 2022, *DelfinGroup* launched a new two-year unsecured bond issue with an annual coupon rate of 8.75% + 3M EURIBOR. As a result, on December 31, 2022, *DelfinGroup* had issued bonds for 19.1 million euros.

ISIN	Bonds issued, EUR	Maturity	Coupon	List
LV0000850048	4 966 199	25.08.2023	9.75%	Private placement
LV0000802536	9 381 038	25.11.2023	8%	*Nasdaq Riga First North*
LV0000850055	4 741 654	25.09.2024	8.75% + 3M EURIBOR	Private placement

To provide financing for the development of the loan portfolio, *DelfinGroup* continued to use the *Mintos* investment platform, with the help of which investors from more than a hundred countries invested in the loans issued by *DelfinGroup*. The Group has been attracting financing with the help of *Mintos* since 2016, and during this time, *DelfinGroup* has managed to attract investments of more than 400 million euros. As a result, the balance of *DelfinGroup* liabilities on the *Mintos* platform as of December 31, 2022, amounted to 35.1 million euros.

Management report (CONTINUED)

Branches
During the period from 1 January 2022 to 31 December 2022, the Group continued to work on branch network efficiency. As at 31 December 2022, the Group had 91 branch in 38 cities in Latvia (31.12.2021 - 93 branches in 38 cities).

Risk management
The Group is not exposed to foreign exchange rate risk because the basic transaction currency is the Euro. Majority of the funding of the Group consists of fixed coupon rate bonds and loans, so that the Group is not exposed to variable interest rate risk. Accurate application of the prudent strategies chosen has allowed the Group to successfully manage its financial risks, particularly the liquidity and credit risk. All Group transactions are performed in Latvia, the Group has no counterparties in Russia and Belarus thus the impact of the war in Ukraine and the associated sanctions has insignificant effect on the Company's operations.

Distribution of the profit proposed by the Company
As the Company paid out 50% of the net profit of each quarter in 2022 quarterly dividends, the Management Board proposes to allocate the Group's net profit of 2022 to retained earnings.

The Corporate Governance Report and the Remuneration Report for 2022 has also been submitted to *AS Nasdaq Riga* together with this separate and consolidated Annual Financial Report for year ended 31 December 2022 by *AS DelfinGroup*.

Didzis Ādmīdiņš Chairman of the Board	**Aldis Umblejs** Board Member	**Sanita Zitmane** Board Member

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Statement of profit or loss for the year ended 31 December 2022

	Notes	Group 2022 EUR	Group 2021 (restated, Note 1) EUR	Company 2022 EUR	Company 2021 (restated, Note 1) EUR
Net sales	(2)	6 472 567	4 821 871	6 472 567	4 821 871
Cost of sales	(3)	(4 203 640)	(3 157 294)	(4 203 640)	(3 157 294)
Interest income and similar income	(4)	29 303 319	20 367 515	22 999 450	17 012 924
Interest expenses and similar expenses	(5)	(4 669 485)	(3 827 313)	(3 905 910)	(3 497 133)
Credit loss expenses	(15)	(6 161 123)	(2 814 981)	(3 508 317)	(1 566 145)
Gross profit		**20 741 638**	**15 389 798**	**17 854 150**	**13 614 223**
Selling expenses	(6)	(7 500 225)	(6 124 650)	(7 111 623)	(5 820 639)
Administrative expenses	(7)	(5 773 267)	(4 212 808)	(5 491 593)	(4 026 730)
Other operating income		104 064	85 033	111 924	237 719
Other operating expenses		(314 649)	(140 442)	(314 332)	(164 198)
Income from participating interests		-	-	-	262 919
Profit before corporate income tax		**7 257 561**	**4 996 931**	**5 048 526**	**4 103 294**
Income tax expenses	(8)	(1 296 108)	(979 191)	(1 296 054)	(873 080)
Net profit		**5 961 453**	**4 017 740**	**3 752 472**	**3 230 214**
Basic earnings per share	(9)	0.132	0.098	0.083	0.079
Diluted earnings per share	(9)	0.132	0.098	0.083	0.079

Notes on pages from 21 to 61 are an integral part of these financial statements.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

Inta Pudāne
Chief accountant

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Balance sheet as at 31 December 2022

Assets	Notes	Group 31.12.2022	Group 31.12.2021 (restated, Note 1)	Group 01.01.2021 (restated, Note 1)	Company 31.12.2022	Company 31.12.2021 (restated, Note 1)	Company 01.01.2021 (restated, Note 1)
Non-current assets:		EUR	EUR	EUR	EUR	EUR	EUR
Intangible assets:							
Patents, licences, trademarks and similar rights		26 906	64 037	124 256	26 906	64 037	124 256
Internally developed software		575 458	376 816	202 248	575 458	376 816	202 248
Other intangible assets		121 162	50 669	54 076	116 322	42 056	41 927
Goodwill		127 616	127 616	127 616	-	-	-
Advances for intangible assets		43 801	18 834	-	43 801	18 834	-
Total intangible assets	(10)	**894 943**	**637 972**	**508 196**	**762 487**	**501 743**	**368 431**
Property, plant and equipment:							
Land, buildings and structures		182 378	169 906	85 385	182 378	169 906	-
Leasehold improvements		189 340	186 681	196 607	189 340	186 681	196 607
Right-of-use assets		2 636 223	2 972 570	3 194 412	2 636 223	2 972 570	3 194 412
Other fixtures and fittings, tools and equipment		203 192	206 604	248 214	202 634	206 604	248 214
Total property, plant and equipment	(11;12)	**3 211 133**	**3 535 761**	**3 724 618**	**3 210 575**	**3 535 761**	**3 639 233**
Non-current financial assets:							
Investments in related companies	(13)	-	-	-	880 000	880 000	1 685 672
Loans to related companies	(26)	-	-	-	4 193 265	1 768 200	1 155 565
Loans and receivables	(15)	46 150 128	28 569 431	17 711 758	30 827 871	21 164 732	13 987 061
Loans to shareholders and management		-	-	474 484	-	-	474 484
Total non-current financial assets		**46 150 128**	**28 569 431**	**18 186 242**	**35 901 136**	**23 812 932**	**17 302 782**
Total non-current assets		**50 256 204**	**32 743 164**	**22 419 056**	**39 874 198**	**27 850 436**	**21 310 446**
Current assets:							
Inventories:							
Finished goods and goods for sale		2 289 780	1 254 698	852 190	2 289 780	1 254 698	852 190
Total inventories	(14)	**2 289 780**	**1 254 698**	**852 190**	**2 289 780**	**1 254 698**	**852 190**
Receivables:							
Loans and receivables	(15)	21 367 679	15 185 772	17 948 667	18 615 313	13 163 072	13 526 082
Loans to related companies	(26)	-	-	-	77 454	38 075	2 876 548
Other debtors		574 646	352 269	374 756	393 459	289 554	135 227
Deferred expenses		300 670	167 436	279 523	163 935	110 109	224 366
Total receivables		**22 242 995**	**15 705 477**	**18 602 946**	**19 250 161**	**13 600 810**	**16 762 223**
Cash and cash equivalents	(16)	2 369 029	2 459 862	4 591 954	2 000 924	2 225 535	3 768 356
Total current assets		**26 901 804**	**19 420 037**	**24 047 090**	**23 540 865**	**17 081 043**	**21 382 769**
Total assets		**77 158 008**	**52 163 201**	**46 466 146**	**63 415 063**	**44 931 479**	**42 693 215**

Notes on pages from 21 to 61 are an integral part of these financial statements.

Didzis Ādmīdiņš Chairman of the Board	**Aldis Umblejs** Board Member	**Sanita Zitmane** Board Member	**Inta Pudāne** Chief accountant

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Balance sheet as at 31 December 2022

Liabilities and equity	Notes	Group 31.12.2022	Group 31.12.2021 (restated, Note 1)	Group 01.01.2021 (restated, Note 1)	Company 31.12.2022	Company 31.12.2021 (restated, Note 1)	Company 01.01.2021 (restated, Note 1)
Equity:		EUR	EUR	EUR	EUR	EUR	EUR
Share capital	(17)	4 531 959	4 531 959	4 000 000	4 531 959	4 531 959	4 000 000
Share premium	(17)	6 890 958	6 890 958	-	6 890 958	6 890 958	-
Other capital reserves	(19)	93 058	-	-	93 058	-	-
Retained earnings:	(18)	6 589 761	6 053 065	5 758 463	2 328 118	4 000 403	4 493 327
Total equity		**18 105 736**	**17 475 982**	**9 758 463**	**13 844 093**	**15 423 320**	**8 493 327**
Liabilities:							
Long-term liabilities:							
Bonds issued	(20)	4 330 630	9 894 123	8 441 717	4 330 630	9 894 123	8 441 717
Other borrowings	(21)	15 004 505	8 086 468	6 816 925	9 641 200	5 125 100	5 646 755
Lease liabilities for right-of-use assets	(12)	2 353 309	2 652 498	2 732 136	2 353 309	2 652 498	2 732 136
Total long-term liabilities		**21 688 444**	**20 633 089**	**17 990 778**	**16 325 139**	**17 671 721**	**16 820 608**
Short-term liabilities:							
Bonds issued	(20)	14 783 110	944 042	5 022 652	14 783 110	944 042	5 022 652
Other borrowings	(21)	19 856 253	10 487 168	10 869 932	15 841 891	8 345 402	9 339 999
Lease liabilities for right-of-use assets	(12)	565 131	652 699	703 715	565 131	652 699	703 715
Trade payables		856 429	805 784	702 933	795 123	752 114	676 305
Accounts payable to affiliated companies		-	-	-	-	-	243 815
Taxes and social insurance	(22)	560 492	398 268	815 952	560 349	391 791	810 031
Accrued liabilities		742 413	766 169	601 721	700 227	750 390	582 763
Total short-term liabilities		**37 363 828**	**14 054 130**	**18 716 905**	**33 245 831**	**11 836 438**	**17 379 280**
Total liabilities		**59 052 272**	**34 687 219**	**36 707 683**	**49 570 970**	**29 508 159**	**34 199 888**
Total liabilities and equity		**77 158 008**	**52 163 201**	**46 466 146**	**63 415 063**	**44 931 479**	**42 693 215**

Notes on pages from 21 to 61 are an integral part of these financial statements.

Didzis Ādmīdiņš	**Aldis Umblejs**	**Sanita Zitmane**	**Inta Pudāne**
Chairman of the Board	Board Member	Board Member	Chief accountant

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Statement of changes in equity of the Group for the year ended 31 December 2022

	Notes	Share capital EUR	Share premium EUR	Other capital reserves EUR	Retained earnings EUR	Total EUR
As at 01 January 2021, as previously reported		**4 000 000**	**-**	**-**	**5 453 709**	**9 453 709**
Impact of correction of errors (Note 1)		-	-	-	304 754	304 754
Restated as at 01 January 2021		**4 000 000**	**-**	**-**	**5 758 463**	**9 758 463**
Profit for the reporting period (restarted, Note 1)		-	-	-	4 017 740	4 017 740
Dividends paid	(18)	-	-	-	(3 723 138)	(3 723 138)
IPO transaction costs	(17)	-	(662 865)	-	-	(662 865)
Share capital increase resulted from IPO	(17)	531 959	7 553 823	-	-	8 085 782
Restated as at 31 December 2021		**4 531 959**	**6 890 958**	**-**	**6 053 065**	**17 475 982**
Profit for the reporting period		-	-	-	5 961 453	5 961 453
Dividends paid	(18)	-	-	-	(5 424 757)	(5 424 757)
Share-based payments	(17)	-	-	93 058	-	93 058
As at 31 December 2022		**4 531 959**	**6 890 958**	**93 058**	**6 589 761**	**18 105 736**

Statement of changes in equity of the Company's for the year ended 31 December 2022

	Notes	Share capital EUR	Share premium EUR	Other capital reserves EUR	Retained earnings EUR	Total EUR
As at 01 January 2021, as previously reported		**4 000 000**	**-**	**-**	**4 237 497**	**8 237 497**
Impact of correction of errors (Note 1)		-	-	-	255 830	255 830
Restarted as at 01 January 2021		**4 000 000**	**-**	**-**	**4 493 327**	**8 493 327**
Profit for the reporting period (restarted, Note 1)		-	-	-	3 230 214	3 230 214
Dividends paid	(18)	-	-	-	(3 723 138)	(3 723 138)
IPO transaction costs	(17)	-	(662 865)	-	-	(662 865)
Share capital increase resulted from IPO	(17)	531 959	7 553 823	-	-	8 085 782
Restarted as at 31 December 2021		**4 531 959**	**6 890 958**	**-**	**4 000 403**	**15 423 320**
Profit for the reporting period		-	-	-	3 752 472	3 752 472
Dividends paid	(18)	-	-	-	(5 424 757)	(5 424 757)
Share-based payments	(17)	-	-	93 058	-	93 058
As at 31 December 2022		**4 531 959**	**6 890 958**	**93 058**	**2 328 118**	**13 844 093**

Notes on pages from 21 to 61 are an integral part of these financial statements.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

Inta Pudāne
Chief accountant

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Cash flows statement for the year ended 31 December 2022

	Notes	Group 2022 EUR	Group 2021 (restated, Note 1) EUR	Company 2022 EUR	Company 2021 (restated, Note 1) EUR
<u>**Cash flow from operating activities**</u>					
Profit before corporate income tax		**7 257 561**	**4 996 931**	**5 048 526**	**4 103 294**
<u>Adjustments for non-cash items:</u>					
a) depreciation and amortisation	(10;11)	433 466	362 323	429 659	355 539
b) depreciation of right-of-use assets	(11)	750 699	775 932	750 699	775 932
c) credit loss expenses		6 161 123	2 814 981	3 508 317	1 566 145
d) share-based payment expense		93 058	-	93 058	-
e) interest income and similar income	(4)	(29 303 319)	(20 367 515)	(22 999 450)	(17 012 924)
f) interest expenses and similar expenses	(5)	4 669 485	3 827 313	3 905 910	3 497 133
g) liquidation of subsidiaries		-	-	-	(30 012)
Profit before adjustments of working capital and short-term liabilities		**(9 937 927)**	**(7 590 035)**	**(9 263 281)**	**(6 744 893)**
<u>Change in operating assets/liabilities:</u>					
a) (Increase) on loans and receivables and other debtors		(29 872 009)	(11 303 166)	(18 762 023)	(9 101 421)
b) (Increase)/ decrease on inventories		(1 035 082)	279 309	(1 035 082)	279 309
c) (Decrease)/ increase on trade payable and accrued liabilities		1 476	(64 256)	(132 290)	(86 391)
Gross cash flow from operating activities		**(40 843 542)**	**(18 678 148)**	**(29 192 676)**	**(15 653 396)**
Interest received		28 897 519	20 237 197	22 981 575	16 951 870
Interest paid		(5 041 149)	(4 111 029)	(4 277 574)	(3 780 849)
Corporate income tax payments		(979 191)	(754 536)	(873 080)	(753 716)
Net cash flow from operating activities		**(17 966 363)**	**(3 306 516)**	**(11 361 755)**	**(3 236 091)**
<u>**Cash flow from investing activities**</u>					
Acquisition of property, plant and equipment	(11)	(204 091)	(258 891)	(203 500)	(258 891)
Acquisition of intangible assets	(10)	(499 594)	(289 712)	(499 594)	(288 549)
Loans issued (Related companies)		-	(92 850)	(3 404 580)	(92 850)
Proceeds from repayment of issued loans (other than core business of the Company)		-	567 334	940 136	2 793 172
Liquidation quota of subsidiaries		-	-	-	938 691
Net cash flow from investing activities		**(703 685)**	**(74 119)**	**(3 167 538)**	**3 091 573**
<u>**Cash flow from financing activities**</u>					
Share capital increase resulted from IPO (incl. share premium)	(17)	-	8 085 782	-	8 085 782
IPO transaction costs	(17)	-	(662 865)	-	(662 865)
Loans received	(25)	35 565 757	20 633 934	23 718 321	13 643 489
Loans repaid		(18 782 851)	(19 849 406)	(11 209 948)	(15 505 807)
Bonds issued	(25)	8 651 455	11 111 000	8 651 455	11 111 000
Redemption of bonds		(500 000)	(13 481 000)	(500 000)	(13 481 000)
Repayment of lease liabilities		(930 389)	(865 764)	(930 389)	(865 764)
Dividends paid		(5 424 757)	(3 723 138)	(5 424 757)	(3 723 138)
Net cash flow from financing activities		**18 579 215**	**1 248 543**	**14 304 682**	**(1 398 303)**
Net cash flow of the reporting period		(90 833)	(2 132 092)	(224 611)	(1 542 821)
Cash and cash equivalents at the beginning of the reporting period		**2 459 862**	**4 591 954**	**2 225 535**	**3 768 356**
Cash and cash equivalents at the end of the reporting period	(16)	**2 369 029**	**2 459 862**	**2 000 924**	**2 225 535**

Notes on pages from 21 to 61 are an integral part of these financial statements.

Didzis Ādmīdiņš Chairman of the Board	**Aldis Umblejs** Board Member	**Sanita Zitmane** Board Member	**Inta Pudāne** Chief accountant

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

Notes

(1) Accounting policies

(a) Basis of preparation

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

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial statements are prepared based on historic cost method.

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

These annual financial statements are prepared and disclosed on a consolidated basis and on a standalone basis. The following subsidiaries are included in the consolidation: SIA *ViziaFinance* (100%) for the period ended 31 December 2022.

The former subsidiary SIA *Banknote* commercial properties (100%) has been liquidated on 21 June 2021. The assets of the SIA *Banknote* commercial properties were transferred to AS *DelfinGroup* as liquidation quota. The former subsidiary SIA *ExpressInkasso* (100%) has been liquidated on 09 September 2021 (excluded from the Enterprise register on 14 October 2021). The assets of the SIA *ExpressInkasso* were transferred to AS *DelfinGroup* as liquidation quota. The former subsidiary SIA *REFIN* (100%) has been liquidated on 01 December 2021. The assets of the SIA *REFIN* were transferred to AS *DelfinGroup* as liquidation quota.

The Executive Board approved these separate and consolidated financial statements for issue on 30 April 2023. Shareholders of the Company have the power to amend the financial statements after their issue, if necessary.

Standards issued but not yet effective

A number of new standards or amendments to standards are effective (some of which are not yet been endorsed by EU) for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new standards or amended standards in preparing these consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Definition of Accounting Estimate (Amendments to IAS 8).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes.

<u>Restatement in comparative figures due to correction of errors</u>

(a) The Management has identified a classification error on pawn loans while preparing Group's financial statements. The error relates to incorrect classification of pawn loans as Inventory and related sales of collateral as Net sales. The error resulted in overstatement of the Group's and the Company's Net sales by EUR 1 140 031, Cost of sales by EUR 805 281 in statement of profit or loss for the year ended 31 December 2021 and Inventory by EUR 694 792 in balance sheet as of 31 December 2021 and by EUR 681 817 in balance sheet as of 1 January 2021 and understatement of Interest income and similar income by EUR 334 750 in statement of profit and loss for the year ended 31 December 2021and Loans and receivables by EUR 694 792 in balance sheet as of 31 December 2021 and by EUR 681 817 in balance sheet as of 1 January 2021.

(b) In these financial statements, the Group and the Company has improved ECL calculation model. The Group and the Company have included defaults from debt sale before payments are past due for more than 90 days in probability of default calculation. Model improvement resulted in an identified understatement of Credit loss expenses by EUR 417 660 (EUR 176 927 for the Company) in statement of profit or loss for the year ended 31 December 2021, overstatement of Loans and receivables by EUR 387 290 (EUR 128 279 for the Company) in balance sheet as of 31 December 2021 and understatement by EUR 30 370 (EUR 48 648 for the Company) in balance sheet as of 1 January 2021.

(c) The Management has reconsidered the judgment in respect of pawn loan accounting and come to conclusion that pawn loans do not meet solely payment of principal and interest (SPPI) requirements, thus prior period pawn loan measurement according to amortized cost were erroneous. The Group and the Company recognizes and subsequently measures pawn loans at fair value. There is no difference in comparative figures of Loans and receivables, and Interest income and similar income due to this error.

Notes (continued)

(1) Accounting policies (continued)

(d) The Management has identified an error on interest revenue calculation on debt financial assets by applying effective interest rate method while preparing Group's and the Company's financial statements. The error resulted in understatement of Interest income and similar income by EUR 211 567 (EUR 151 041 for the Company) in statement of profit and loss for the year ended 31 December 2021 and Loans and receivables by EUR 485 951 (EUR 358 223 for the Company) in balance sheet as at 31 December 2021 and by EUR 274 384 (EUR 207 182 for the Company) in balance sheet as of 1 January 2021. To comply with requirements of IFRS 9, the Group and the Company have recalculated interest income and similar income.

(e) The Management has identified a classification error on accounting of e-shop sales while preparing Group's financial statements. The error relates to incorrect recognition of e-shop markup in net sales. The error resulted in understatement of the Group's and the Company's Net sales by EUR 294 565, Cost of sales by EUR 294 565 in statement of profit or loss for the year ended 31 December 2021.

(f) In these financial statements, the Group and the Company have changed the presentation of losses from debt sales. In statement of profit or loss for the year ended 31 December 2021 losses from debt sales was presented under Other operating expenses. In these financial statements, for better presentation of financial information, losses from debt sales were reclassified to Credit loss expenses. The reclassification resulted in understatement of Credit loss expenses and overstatement of Other operating expenses by EUR 165 328 (EUR 128 077 for the Company) in statement of profit and loss for the year ended 31 December 2021.

(g) In these financial statements, the Group and the Company have changed the short-term, long-term split of Bonds issued. The reclassification resulted in understatement of short-term Bonds issued and overstatement of long-term Bonds issued by EUR 931 039 in the Group's and the Company's balance sheet as at 31 December 2021.

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

Statement of profit or loss

	Reference	Year 2021 before restatement	Restatement	Year 2021 after restatement
Net sales	(a), (e)	5 667 337	(845 466)	4 821 871
Cost of sales	(a), (e)	(3 668 010)	510 716	(3 157 294)
Interest income and similar income	(a), (d)	19 821 198	546 317	20 367 515
Interest expenses and similar expenses		(3 827 313)	-	(3 827 313)
Credit loss expense	(b), (f)	(2 236 898)	(578 083)	(2 814 981)
Gross profit		**15 756 314**	**(366 516)**	**15 389 798**
Selling expenses		(6 124 650)	-	(6 124 650)
Administrative expenses		(4 212 808)	-	(4 212 808)
Other operating income		85 033	-	85 033
Other operating expenses	(f)	(300 865)	160 423	(140 442)
Profit before corporate income tax		**5 203 024**	**(206 093)**	**4 996 931**
Corporate income tax expenses		(979 191)	-	(979 191)
Net profit for the reporting period		**4 223 833**	**(206 093)**	**4 017 740**
Basic earnings per share		0.103	(0.005)	0.098

Notes (continued)

(1) Accounting policies (continued)

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

Statement of profit or loss

	Reference	Year 2021 before restatement	Restatement	Year 2021 after restatement
Net sales	(a), (e)	5 667 337	(845 466)	4 821 871
Cost of sales	(a), (e)	(3 668 010)	510 716	(3 157 294)
Interest income and similar income	(a), (d)	16 527 133	485 791	17 012 924
Interest expenses and similar expenses		(3 497 133)	-	(3 497 133)
Credit loss expense	(b), (f)	(1 261 141)	(305 004)	(1 566 145)
Gross profit		**13 768 186**	**(153 963)**	**13 614 223**
Selling expenses		(5 820 639)	-	(5 820 639)
Administrative expenses		(4 026 730)	-	(4 026 730)
Other operating income		237 719	-	237 719
Other operating expenses	(f)	(292 275)	128 077	(164 198)
Income from participating interests		262 919	-	262 919
Profit before corporate income tax		**4 129 180**	**(25 886)**	**4 103 294**
Corporate income tax expenses		(873 080)	-	(873 080)
Net profit for the reporting period		**3 256 100**	**(25 886)**	**3 230 214**
Basic earnings per share		0.079	-	0.079

Notes (continued)

(1) Accounting policies (continued)

The aforementioned corrections were performed by restating each of the affected Group financial statements line items for 31 December 2021 and January 2021 as follows:

Balance sheet (Assets)

	Reference	Before restatement 31 December 2021	Restatement	After restatement 31 December 2021	Before restatement 1 January 2021	Restatement	After restatement 1 January 2021
Patents, licences, trademarks and similar rights		64 037	-	64 037	124 256	-	124 256
Internally developed software		376 816	-	376 816	202 248	-	202 248
Other intangible assets		50 669	-	50 669	54 076	-	54 076
Goodwill		127 616	-	127 616	127 616	-	127 616
Advances on intangible assets		18 834	-	18 834	-	-	-
Total intangible assets		**637 972**	**-**	**637 972**	**508 196**	**-**	**508 196**
Land, buildings and structures		169 906	-	169 906	85 385	-	85 385
Investments in property, plant and equipment		186 681	-	186 681	196 607	-	196 607
Right-of-use assets		2 972 570	-	2 972 570	3 194 412	-	3 194 412
Other fixtures and fittings, tools and equipment		206 604	-	206 604	248 214	-	248 214
Total property, plant and equipment		**3 535 761**	**-**	**3 535 761**	**3 724 618**	**-**	**3 724 618**
Loans and receivables		28 569 431	-	28 569 431	17 711 758	-	17 711 758
Loans to shareholders and management		-	-	-	474 484	-	474 484
Total non-current financial assets:		**28 569 431**	**-**	**28 569 431**	**18 186 242**	**-**	**18 186 242**
Total non-current assets:		**32 743 164**	**-**	**32 743 164**	**22 419 056**	**-**	**22 419 056**
Finished goods and goods for sale	(a)	1 949 490	(694 792)	1 254 698	1 534 007	(681 817)	852 190
Total inventories		**1 949 490**	**(694 792)**	**1 254 698**	**1 534 007**	**(681 817)**	**852 190**
Loans and receivables	(a), (b), (d)	14 392 319	793 453	15 185 772	16 962 096	986 571	17 948 667
Other debtors		352 269	-	352 269	374 756	-	374 756
Deferred expenses		167 436	-	167 436	279 523	-	279 523
Total receivables		**14 912 024**	**793 453**	**15 705 477**	**17 616 375**	**986 571**	**18 602 946**
Cash and cash equivalents		2 459 862	-	2 459 862	4 591 954	-	4 591 954
Total current assets		**19 321 376**	**98 661**	**19 420 037**	**23 742 336**	**304 754**	**24 047 090**
Total assets		**52 064 540**	**98 661**	**52 163 201**	**46 161 392**	**304 754**	**46 466 146**

Notes (continued)

(1) Accounting policies (continued)

Balance sheet (Liabilities and equity)

	Reference	Before restatement 31 December 2021	Restatement	After restatement 31 December 2021	Before restatement 1 January 2021	Restatement	After restatement 1 January 2021
Equity							
Share capital		4 531 959	-	4 531 959	4 000 000	-	4 000 000
Share premium		6 890 958	-	6 890 958	-	-	-
Retained earnings	(a), (b), (d)	5 954 404	98 661	6 053 065	5 453 709	304 754	5 758 463
Total equity		**17 377 321**	**98 661**	**17 475 982**	**9 453 709**	**304 754**	**9 758 463**
Liabilities							
Long-term liabilities							
Bonds issued	(g)	10 825 162	(931 039)	9 894 123	8 441 717	-	8 441 717
Other borrowings		8 086 468	-	8 086 468	6 816 925	-	6 816 925
Lease liabilities for right-of-use assets		2 652 498	-	2 652 498	2 732 136	-	2 732 136
Total long-term liabilities		**21 564 128**	**(931 039)**	**20 633 089**	**17 990 778**	**-**	**17 990 778**
Short-term liabilities							
Bonds issued	(g)	13 003	931 039	944 042	5 022 652	-	5 022 652
Other borrowings		10 487 168	-	10 487 168	10 869 932	-	10 869 932
Lease liabilities for right-of-use assets		652 699	-	652 699	703 715	-	703 715
Trade payables		805 784	-	805 784	702 933	-	702 933
Accounts payable to affiliated companies		-	-	-	-	-	-
Taxes and social insurance		398 268	-	398 268	815 952	-	815 952
Accrued liabilities		766 169	-	766 169	601 721	-	601 721
Total short-term liabilities		**13 123 091**	**931 039**	**14 054 130**	**18 716 905**	**-**	**18 716 905**
Total liabilities		**34 687 219**	**-**	**34 687 219**	**36 707 683**	**-**	**36 707 683**
Total liabilities and equity		**52 064 540**	**98 661**	**52 163 201**	**46 161 392**	**304 754**	**46 466 146**

Notes (continued)

(1) Accounting policies (continued)

The aforementioned corrections were performed by restating each of the affected Company financial statements line items for 31 December 2021 and January 2021 as follows:

Balance sheet (Assets)

	Reference	Before restatement 31 December 2021	Restatement	After restatement 31 December 2021	Before restatement 1 January 2021	Restatement	After restatement 1 January 2021
Patents, licences, trademarks and similar rights		64 037	-	64 037	124 256	-	124 256
Internally developed software		376 816	-	376 816	202 248	-	202 248
Other intangible assets		42 056	-	42 056	41 927	-	41 927
Advances on intangible assets		18 834	-	18 834	-	-	-
Total intangible assets:		**501 743**	**-**	**501 743**	**368 431**	**-**	**368 431**
Land, buildings and structures		169 906	-	169 906	-	-	-
Investments in property, plant and equipment		186 681	-	186 681	196 607	-	196 607
Right-of-use assets		2 972 570	-	2 972 570	3 194 412	-	3 194 412
Other fixtures and fittings, tools and equipment		206 604	-	206 604	248 214	-	248 214
Total property, plant and equipment		**3 535 761**	**-**	**3 535 761**	**3 639 233**	**-**	**3 639 233**
Investments in related companies		880 000	-	880 000	1 685 672	-	1 685 672
Loans to related companies		1 768 200	-	1 768 200	1 155 565	-	1 155 565
Loans and receivables		21 164 732	-	21 164 732	13 987 061	-	13 987 061
Loans to shareholders and management		-	-	-	474 484	-	474 484
Total non-current financial assets		**23 812 932**	**-**	**23 812 932**	**17 302 782**	**-**	**17 302 782**
Total non-current assets		**27 850 436**	**-**	**27 850 436**	**21 310 446**	**-**	**21 310 446**
Finished goods and goods for sale	(a)	1 949 490	(694 792)	1 254 698	1 534 007	(681 817)	852 190
Total inventories:		**1 949 490**	**(694 792)**	**1 254 698**	**1 534 007**	**(681 817)**	**852 190**
Loans and receivables	(a), (b), (d)	12 238 336	924 736	13 163 072	12 588 435	937 647	13 526 082
Loans to related companies		38 075	-	38 075	2 876 548	-	2 876 548
Other debtors		289 554	-	289 554	135 227	-	135 227
Deferred expenses		110 109	-	110 109	224 366	-	224 366
Total receivables		**12 676 074**	**924 736**	**13 600 810**	**15 824 576**	**937 647**	**16 762 223**
Cash and cash equivalents		2 225 535	-	2 225 535	3 768 356	-	3 768 356
Total current assets		**16 851 099**	**229 944**	**17 081 043**	**21 126 939**	**255 830**	**21 382 769**
Total assets		**44 701 535**	**229 944**	**44 931 479**	**42 437 385**	**255 830**	**42 693 215**

Notes (continued)

(1) Accounting policies (continued)

Balance sheet (Liabilities and equity)

	Reference	Before restatement 31 December 2021	Restatement	After restatement 31 December 2021	Before restatement 1 January 2021	Restatement	After restatement 1 January 2021
Equity							
Share capital		4 531 959	-	4 531 959	4 000 000	-	4 000 000
Share premium		6 890 958	-	6 890 958	-	-	-
Retained earnings		3 770 459	229 944	4 000 403	4 237 497	255 830	4 493 327
Total equity	(a), (b), (d)	**15 193 376**	**229 944**	**15 423 320**	**8 237 497**	**255 830**	**8 493 327**
Liabilities							
Long-term liabilities							
Bonds issued	(g)	10 825 162	(931 039)	9 894 123	8 441 717	-	8 441 717
Other borrowings		5 125 100	-	5 125 100	5 646 755	-	5 646 755
Lease liabilities for right-of-use assets		2 652 498	-	2 652 498	2 732 136	-	2 732 136
Total long-term liabilities		**18 602 760**	(931 039)	**17 671 721**	**16 820 608**	**-**	**16 820 608**
Short-term liabilities							
Bonds issued	(g)	13 003	931 039	944 042	5 022 652	-	5 022 652
Other borrowings		8 345 402	-	8 345 402	9 339 999	-	9 339 999
Lease liabilities for right-of-use assets		652 699	-	652 699	703 715	-	703 715
Trade payables		752 114	-	752 114	676 305	-	676 305
Accounts payable to affiliated companies		-	-	-	243 815	-	243 815
Taxes and social insurance		391 791	-	391 791	810 031	-	810 031
Accrued liabilities		750 390	-	750 390	582 763	-	582 763
Total short-term liabilities		**10 905 399**	931 039	**11 836 438**	**17 379 280**	**-**	**17 379 280**
Total liabilities		**29 508 159**	-	**29 508 159**	**34 199 888**	**-**	**34 199 888**
Total liabilities and equity		**44 701 535**	**229 944**	**44 931 479**	**42 437 385**	**255 830**	**42 693 215**

(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***

Revenue from contracts with customers is recognized when or as the Group satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control is based mainly on transferring risks and rewards according to the delivery terms. The Group principally satisfies its performance obligations at a point in time; the amounts of revenue recognized relating to performance obligations satisfied over time are not significant. When, or as, a performance obligation is satisfied, the Group recognizes as revenue the amount of the transaction price that is allocated to that performance obligation.
The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for the promised goods or services. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised.
Revenue is presented net of indirect sales taxes such as value added tax, penalties and discounts.
Income from sale of goods and precious metals contains sale of non-durable goods and precious metals at Group's branch network and on-line shop.
Other income includes revenue from the provision of pawnshop services – commission income on storage and sale of non-performing pawn loan collateral.

Notes (continued)

(1) Accounting policies (continued)

- 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.

The Group calculates interest income on pawn loans by applying the nominal interest rate to the gross carrying amount of pawn loan asset. Interest income is calculated for the performing pawn loan portfolio and is stopped at the moment when pawn loan become non-performing.

- ***Interest expenses and similar expenses***

The effective interest rate of a financial liability is calculated on initial recognition of financial liability. In calculating interest expense, the effective interest rate is applied to the gross carrying amount of the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest.

- Other income

Other income is recognised based on accruals principle and when the services have been rendered.

- Expenses

Expenses are recognised based on accruals principle in the period of origination, irrespective of the moment of payment.

(d) Foreign currency

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

	31.12.2022 **1 EUR**	**31.12.2021** **1 EUR**
USD	1.07	1.13

(e) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Notes (continued)

(1) Accounting policies (continued)

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

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 30.

(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) Employee benefits

- Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

- Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment (SBP) arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(h) Intangible assets (including goodwill)

All intangible assets are initially measured at cost. Intangible assets are recorded at historic cost net of amortization and permanent diminution in value. The Group has a detailed intangible assets capitalisation policy covering accounting for development projects. The Group incurs costs for development of software and similar items, which may be capitalized. Capitalized expenditure can be either purchased or internally developed. Only those assets are capitalised that are separately identifiable, they are controlled by the Group, for which probable future economic benefits associated with the item will flow to the Group, and cost exceeds the minimum threshold (150 EUR) set by the Group shall be recognized. No intangible asset costs arising from the research phase of a project are capitalized. Expenditure on research is expensed when incurred.

Amortisation commences once the item is in the location and conditions necessary for it to be capable of operating in the manner intended by management and has been accepted by the business owner. Amortisation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

	years
Patents, trademarks and similar rights	3 – 5
Other intangible assets (including software)	3 – 5
Internally developed software	3 – 5

Goodwill is initially measured at cost and arising on the acquisition of subsidiaries being the excess of the fair value of the aggregate consideration transferred and the amount recognised for non-controlling interests, over the net fair value of the identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the gain is recognised in profit or loss statement immediately. The recognised goodwill is allocated to cash-generating units and carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Any impairment expense is recognised immediately as an expense in profit or loss statement. If subsidiaries are disposed, gains or losses on the disposal include the carrying amount of goodwill relating to the subsidiary sold.

The residual values, remaining useful lives and methods of amortisation are reviewed and, if required, adjusted annually.

Notes (continued)

(1) Accounting policies (continued)

(i) Property, plant and equipment

All property, plant and equipment are initially measured at cost. Property, plant and equipment are recorded at historic cost net of depreciation and permanent diminution in value. Depreciation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

	years
Buildings and structures	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. Property, plant and equipment 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.

(j) Investments in the subsidiaries and associated companies in the separate financial statements

In the financial statements the investments in subsidiary companies (SIA *ViziaFinance* as at 31 December 2022) 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.

(l) Inventories

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

(m) Trade and other receivables

Unsecured loans

Accounts receivable comprise loans and other receivables (other debtors, advances and deposits) that are non-derivative financial assets with fixed or determinable payments. All loans and receivables are recognised when cash is advanced to borrowers and derecognised on repayments. Loans are initially measured at their fair value**.** The Group subsequently measures consumer loans at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The Group is using a model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Notes (continued)

(1) Accounting policies (continued)

The expected credit loss is calculated as a function of PD, the exposure at default EAD and the loss given default LGD.

- PD ratio is calculated as proportion of historic loan portfolio amount of loans that reaches the number of past due more than 90 days or have been sold in debt sales.

- LGD calculation is based on recovered funds for loans over 90 days or loans that have been sold in debt sales. Recovered funds are discounted using the monthly effective interest rate.

The IFRS 9 impairment model uses a three-stage approach depending on whether the claim is performing or not and if the claim is performing, whether a significant increase in credit risk has occurred.

1. Stage 1 – 12-month ECL applies to all existing claims, which have no signs of significant increase in credit risk. 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 significant increase in credit risk (delay days > 30 days but less than 90 days or restructuring). The standard requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1. Restructured loans are kept in stage 2 for two successful payments after the restructuring, which is assessed to be sufficient period to reflect absence of significant increase in credit risk vis-à-vis original credit risk.
3. Stage 3 – Financial assets are recognized in Stage 3 when there is objective evidence that the loan is impaired (delay days > 90 days). Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

A settlement delay of 30 or more days is assessed based on their actual occurrence. The rest of the signs of increased risk and their impact have to be analysed case by case and the change in a customer`s risk level has to be made based on management`s judgement. This assessment is symmetrical in nature, allowing the credit risk of financial assets to move back to Stage 1 if the increase in credit risk has decreased since origination and is no longer deemed to be significant.

Default or the possibility of it occurring in the future and can be divided into the following events:

- Improbability of receiving payments. Based on objective evidence, it may be presumed that the client will be unable to settle all of the financial obligations and the situation cannot be solved satisfactorily.
- Payment delay. The contract is deemed to be non-performing if the client is no longer able or willing to fulfil payment obligations, e.g. upon any of the following events: (a) payments are past due for more than 90 days; (b) the client does not respond to the payment reminders and the desire to contact; (c) the client is bankrupt or deceased; (d) identity theft has been identified, i.e. misuse of the credit receiver`s identity.

The Group continuously monitors all assets subject to ECLs in order to identify if there has been significant increase in credit risk. If there is an increase, relevant adjustments to ECL are made.

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

The Group signed a contract with a third party for the receivable amounts regular debt sale to assign debtors for loans issued. Losses from these transactions were recognised in the current period under other operating expenses.

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.

Any ECL on financial assets other than loan portfolio and loans to related companies is not significant.

Pawn loans

Pawn loans are non-recourse loans secured against a collateral (the pledge). If the customer does not redeem the collateral by repaying the secured loan before the end of the contract, the Group is entitled to dispose of the goods to cover the outstanding balance of the loan. Pawn loans are recognised when cash is advanced to borrowers and derecognised on the repayment for performing loans or sale of the collateral for non-performing loans. Considering that that pawnshop loans do not meet the SPPI criteria, they are initially recognised and subsequently measured at fair value.

The pawn loan portfolio is divided in two categories: performing and non-performing loan portfolios. The performing loan portfolio comprises of loans that are not yet due or loans that have been extended. The non-performing loan portfolio contains loans that have not been repaid on maturity and the payment of which depends on the realization of the collateral.

Notes (continued)

(1) Accounting policies (continued)

(n) Leases

Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment testing.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in in-substance fixed lease payments or a change in the assessment of the option to purchase the underlying asset.

The Group does not apply IASB practical expedient on COVID-19-Related Rent Concessions and adjusts both right-of-use assets and lease liabilities when modifications of lease contracts occur.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered of low value (i.e., below EUR 4.5 thousand). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

(o) 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.

In Latvia deferred tax assets and liabilities are not recognized starting from 2018. Deferred tax liabilities are recognised only in case if dividends from subsidiaries are expected to be distributed.

Notes (continued)

(1) Accounting policies (continued)

(p) Borrowings

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

(q) Cash and cash equivalents

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

(r) Payment of dividends

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

(s) Financial risk management

(s1) Financial risk factors

The activities of the Group expose it to different financial risks:
(s1.1) foreign currency risk;
(s1.2) credit risk;
(s1.3) operational risk;
(s1.4) market risk;
(s1.5) liquidity risk.

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

(s1.1) Foreign exchange risk

The Group operates mainly in the local market and its exposure to foreign exchange risk is not significant.

(s1.2) Credit risk

The Group has a credit risk concentration based on its operational specifics – issuance of non-secured loans that is connected with an increased risk of asset recoverability. The Group's policies are developed in order to ensure maximum control procedures in the process of loan issuance, timely identification of bad and doubtful debts and adequate provisioning for potential loss.

Regarding loan unsecured loan issuance, the Group has three methods of customer identification: (i) obtaining data that accredits the identity of a natural person from a credit institution, (ii) verifying the customer's income, (iii) verifying the past and current obligations of the borrower. The Lending Company compares the information from the application form with the information received from external sources. The Group performs an automated credit check for those customers who have successfully completed the first four phases of the credit risk underwriting process. Its Risk and Data team has considerable experience in adding the optimal combination of alternative and traditional data sources, and knowledge of how to use the data collected for high-quality credit risk underwriting. The Group's credit check involves a collection of traditional credit bureau data and income information. The Group collects data from 4-5 external sources to check the borrower's creditworthiness and calculate the debt-to-income rate.

The Group has developed a linear rule strategy to evaluate each loan application using an automated credit risk underwriting process. The Group's credit risk underwriting models are developed by a centralized data science team. The Group develops its credit risk underwriting models based on information gathered during the customer registration, loan application, customer identification, fraud screening and credit screening phases. The Groups risk team closely monitors the quality of the data collected, validates, and verifies the completeness of the required data points. The team ensures that the credit check strategy is aligned with the settings of the credit check model, sets data requirements for each decision step, and ensures efficient data management. For pawn loans, the evaluation of the collaterals is performed by trained appraisers. The Group has established an efficient and effective debt collection process and has a dedicated team that adheres to debt collection practices that are fully compliant with local regulations.

The Group have regular monthly debt sale process developed and signed a contract with a third party for unsecured loans issued which are outstanding between 30 to 90 days and there are timely identified indications that loans sold could default. For loans that are outstanding more than 90 days separate debt sale agreements are signed. In the case of pawn loans, the collateral is sold in their branches or e-shop (the average realization period of the collateral is 3 months).

The table below shows the maximum exposure to credit risk for the components of the Balance Sheet. Exposures are based on net carrying amounts as reported in the Balance Sheet. The Group's maximum credit exposures are shown gross, i.e. without taking into account any collateral or other credit enhancements.

Notes (continued)

(1) Accounting policies (continued)

	Maximum exposure			
	Group	Group	Company	Company
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	EUR	EUR	EUR	EUR
Loans and receivables	67 517 807	43 755 203	49 443 184	34 327 804
Other debtors	574 646	352 269	393 459	289 554
Cash and cash equivalents	2 369 029	2 459 862	2 000 924	2 225 535

(s1.3) Operational risk

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

(s1.4) Market risk

The Group is exposed to market risks, basically related to the fluctuations of interest rates between the loans granted and funding received, as well as demand for the Group's services fluctuations. The Group's cash flows related to financing costs to some extent depend on the changes in market rates of interest. The Group attempts to limit market risks, adequately planning the expected cash flows, diversifying the product range and fixing funding resource interest rates. The Group issues loans at fixed rate and has borrowings with a fixed and variable rates. As at 31 December 2022 except from one bond emission in amount of EUR 4 927 000 and lease contracts amounting to 292 thousand EUR with contracts concluded in EUR currency with variable part denominate as 3 month EURIBOR rate all other interest bearing liabilities are with a fixed interest rate. The interest rate market risk is considered to be low.

The following table represents the effect in the Group's and the Company's profit before tax (over 12-month period) on change in interest rates in by 100 basis points.

	Group	Group	Company	Company
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Profit before corporate income tax				
+100 basis points scenario	120 124	49 986	111 009	40 656
-100 basis points scenario	(120 124)	(49 986)	(111 009)	(40 656)

(s1.5) Liquidity risk

The Group complies with the prudence principle in the management of its liquidity risk and maintains sufficient funds. The management of the Group has an oversight responsibility of the liquidity reserves and make current forecasts based on anticipated cash flows. The management of the Group performs liquidity analysis on a regular basis and ensures adequate gap between short-term liabilities and assets. Most of the Group's liabilities are long-term liabilities. Based on performed procedures the management is of the opinion that the Group will be able to secure sufficient liquidity by its operating activities. For analysis of financial liabilities by remaining contractual maturities please see note 31.

Notes (continued)

(1) Accounting policies (continued)

(s2) Management of the capital structure
In order to ensure the continuation of the Group's activities, while maximizing the return to stakeholders' capital management, optimization of the debt and equity balance is performed. The Group's capital structure consists of bonds issued, third party loans and finance lease liabilities, cash and equity, comprising issued share capital, retained earnings and share premium. At year-end the ratios were as follows:

	Group	**Group**	**Company**	**Company**
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**
	EUR	**EUR**	**EUR**	**EUR**
Bonds issued	19 113 740	10 838 165	19 113 740	10 838 165
Other borrowings	34 860 758	18 573 636	25 483 091	13 470 502
Lease liabilities	2 918 440	3 305 197	2 918 440	3 305 197
Trade payables and accrued liabilities	1 598 842	1 571 953	1 495 350	1 502 504
Taxes and social insurance	560 492	398 268	560 349	391 791
Gross debts	**59 052 272**	**34 687 219**	**49 570 970**	**29 508 159**
Cash and cash equivalents	(2 369 029)	(2 459 862)	(2 000 924)	(2 225 535)
Net debts	**56 683 243**	**32 227 357**	**47 570 046**	**27 282 624**
Equity	18 105 736	17 475 982	13 844 093	15 423 320
Gross debt / equity ratio	**3.26**	**1.98**	**3.58**	**1.91**
Net debt / equity ratio	**3.13**	**1.84**	**3.44**	**1.77**

(t) Significant assumptions and estimates

The preparation of the financial statements requires management to make professional judgments, assumptions and estimates which affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

Assumptions and estimates based on those assumptions are analysed 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.

Impairment losses on loans to customers

The measurement of impairment losses on loans to customers requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's criteria for assessing if there has been a significant increase in credit risk and allocation of loans to Stage 1 or 2;
- identification of unlikeliness to pay criteria and assignment of loans to Stage 3;
- development of ECL models, including the various formulae and the choice of inputs;
- forward-looking macroeconomic information incorporation in the ECL models;
- ECL adjustment due to decrease in debt sales;
- the modelling and calculation of key parameters of the ECL models, including probability of default (PD), loss given default (LGD), and exposure at default (EAD**).**

To enhance ECL models the Group uses forward-looking macroeconomic information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. As the Group operates only in Latvia all data of macroeconomic indicators published on monthly basis by Central Statistical Bureau Republic of Latvia was obtained, equalized, and compared with the Group's year on year 1–30-day delay to non-delay portfolio. This was used as a proxy for probability of default. Indicators with highest correlation are salary, number of employed persons aged 15-74 and economic sentiment index. Based on obtained data a regression model was created, which offers significance of the coefficient of each macroeconomic indicator. To use macroeconomic factor as forward-looking macroeconomic information adjustment three economic scenarios with distinct economic consequences were used: a base case scenario which comprises most likely future economic development, a less likely adverse scenario and less likely optimistic scenario. The key variables are summarized below.

Notes (continued)

(1) Accounting policies (continued)

	Base case scenario	**Adverse scenario**	**Optimistic scenario**
Nominal gross salary (yearly changes)	9.20%	8.28%	10.12%
Number of employed persons aged 15-74	1.00%	(4.00)%	6.00%
Economic sentiment index (yearly changes)	(7.70)%	(36.76)%	0.00%

The current implementation, based on an expert judgement, weights base case scenario with 60% likelihood, the adverse scenario at 20% likelihood and the optimistic scenario at 20% likelihood. If the weighting of the adverse scenario was to increase to 45%, the expected credit loss allowance of the Group would increase by EUR 48 397 and for the Company by EUR 28 283 as of 31 December 2022. If the weighting of the base case scenario was to increase to 100%, the expected credit loss allowance of the Group would decrease by EUR 40 331 and for the Company by EUR 23 569 as of 31 December 2022.

Due to significant changes in underwriting policy of the Group, the historical structure of default due to debt sales before reaching 90 day delay has changed and the Management of the Group made significant judgement that the ECL coefficients calculated based on historical data should decrease by 16% for Banknote brand portfolio and by 24% for VIZIA brand portfolio. These judgments are supported by the decrease in NPL ratio from 4.8% as of 31 December 2020 to 1.9% as of 31 December 2021 to 1.4% as of 31 December 2022 and decrease in Stage 3 proportion from total unsecured loan portfolio from 5.3% as of 31 December 2020 to 2.8% as of 31 December 2021 to 1.7% as of 31 December 2022.

The current adjustment is based on an expert judgement. If there was no adjustment for each brand portfolio, the expected credit loss allowance of the Group would increase by EUR 992 380 and for the Company by EUR 466 056 as of 31 December 2022 If the adjustment was to increase by 5 percentage points for each brand portfolio, the expected credit loss allowance of the Group would increase by EUR 255 307 and for the Company by EUR 143 505 as of 31 December 2022

The ECL model inputs and parameters were reviewed and where necessary updated. For more detailed qualitative and quantitative information on the impairment of financial assets, refer to Note 1 Accounting Policies section I Trade and other receivables and Note 15 Loans and receivables.

ECL arising from trade receivables or contract assets is assessed as not significant due to the nature.

<u>SPPI for pawn loans</u>

The SPPI assessment for pawn loans is highly judgmental. The focus in determining whether SPPI criteria are met focused on the non-recourse aspect of the loans in combination with an relatively high risk of non-fulfillment of the loans and the pricing structure of the loans. In light of the returns from pawn loans in case of default being closely linked to the sale of collateral it was concluded that pawn loans do not meet SPPI criteria and therefore are required to be carried at fair value through profit or loss. The procedures for assessing and managing this risk are to some extent limited due to the collateral used to secure the loan.

<u>Fair value of pawn loans</u>

The measurement of fair value of pawn loans requires judgement in the estimation of the amount and timing of future cash flows when determining the fair value of the performing pawn loans and the amount and timing of future cash flows when realizing collateral for non-performing loans.

The elements for the fair value model for the performing loans are driven by the portfolio's effective interest rate and portfolio's free cash flows. The non-performing loan portfolio fair value calculations are dependent on the expected time of realization of the pledge, its market price, associated sales costs, and relevant discount rate. The fair value model inputs and parameters are periodically reviewed and where necessary updated.

<u>Net realisable value of inventories</u>

The cost of the Group's inventory may have to be reduced to its net realisable value if the inventory has become damaged, is wholly or partly obsolete, or if its selling price has declined. The costs of inventory may not be recovered from sale because of increases in the costs to complete, or the estimated selling costs. Writing inventory down to net realisable value is carried out on an item-by-item basis. The Group's estimates of net realisable value are based on the most reliable evidence available and take into account fluctuations of price or cost after the end of the period if this is evidence of conditions existing at the end of the period.

Notes (continued)

(1) Accounting policies (continued)

Leases – estimating the incremental borrowing rate

In case the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.
Leases are accounted based on contractual term, no significant judgment here.

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

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

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

(x) Earnings per share
Earnings per share (EPS) are calculated by dividing the net profit or loss for the year attributable to the shareholders with the weighted-average number of shares outstanding during the year.

(y) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker – the Group's Board, which allocates resources to and assesses the performance of the operating segments of the Group. For management purposes, the Group is organised into three operating segments based on products and services. Group's segments are Pawn loan segment, Consumer loans segment, Retail segment and Other operating segment. Under Other operating segment there are accounted general Group administrative operations, services provided to related entities and real estates project development financing activities.

Notes (continued)

(2) Net sales

Net revenue by type of revenue

	Group 2022 EUR	Group 2021 (restated, Note 1) EUR	Company 2022 EUR	Company 2021 (restated, Note 1) EUR
Income from sales of goods	4 878 377	3 365 249	4 878 377	3 365 249
Income from sales of precious metals	857 399	841 360	857 399	841 360
Other income, loan and mortgage realisation and storage commission	736 791	615 262	736 791	615 262
	6 472 567	**4 821 871**	**6 472 567**	**4 821 871**

All net sales are generated in Latvia.

(3) Cost of sales

	Group 2022 EUR	Group 2021 (restated, Note 1) EUR	Company 2022 EUR	Company 2021 (restated, Note 1) EUR
Cost of sales of goods	3 384 400	2 319 767	3 384 400	2 319 767
Cost of sales of precious metals	819 240	837 527	819 240	837 527
	4 203 640	**3 157 294**	**4 203 640**	**3 157 294**

(4) Interest income and similar income

	Group 2022 EUR	Group 2021 (restated, Note 1) EUR	Company 2022 EUR	Company 2021 (restated, Note 1) EUR
Interest income on unsecured loans according to effective interest rate method	23 338 504	15 904 399	17 034 635	12 549 808
Interest income on pawn loans	5 963 753	4 458 355	5 963 753	4 458 355
Other interest income according to effective interest rate method	1 062	4 761	1 062	4 761
	29 303 319	**20 367 515**	**22 999 450**	**17 012 924**

(5) Interest expenses and similar expenses

	Group 2022 EUR	Group 2021 EUR	Company 2022 EUR	Company 2021 EUR
Interest expense on other borrowings	3 099 242	1 416 524	2 335 667	1 086 344
Bonds' interest expense	1 393 521	2 203 614	1 393 521	2 203 614
Interest expense on lease liabilities for leased premises	174 795	204 489	174 795	204 489
Interest expense lease liabilities for leased vehicles	1 429	2 473	1 429	2 473
Net loss on foreign exchange	498	213	498	213
	4 669 485	**3 827 313**	**3 905 910**	**3 497 133**

Notes (continued)

(6) Selling expenses

	Group 2022 EUR	Group 2021 EUR	Company 2022 EUR	Company 2021 EUR
Salary expenses	2 981 967	2 515 879	2 981 967	2 515 879
Advertising	844 156	739 462	557 233	505 805
Social insurance	699 897	590 774	699 897	590 774
Depreciation of right-of-use assets - premises	638 960	643 179	638 960	643 179
Non-deductible VAT	487 146	334 859	417 052	273 629
Depreciation of property, plant and equipment and amortisation of intangible assets	433 466	362 325	429 659	355 539
Maintenance expenses	395 724	278 573	389 858	274 436
Utilities expenses	290 952	222 161	290 903	218 252
Transportation expenses	115 374	93 050	115 374	93 050
Provisions for unused annual leave	37 532	26 627	37 532	26 627
Depreciation of right-of-use assets - motor vehicles	15 900	29 312	15 900	29 312
Other expenses	559 151	288 449	5 37 288	294 157
	7 500 225	**6 124 650**	**7 111 623**	**5 820 639**

(7) Administrative expenses

	Group 2022 EUR	Group 2021 EUR	Company 2022 EUR	Company 2021 EUR
Salary expenses	3 445 128	2 311 503	3 444 978	2 309 296
Social insurance	772 734	531 106	772 722	531 860
Bank commission	720 995	463 168	555 081	372 742
Communication expenses	217 054	338 716	184 737	301 781
State fees and duties, licence expenses	136 981	148 616	81 776	92 310
Depreciation of right-of-use assets - premises	93 914	93 914	93 914	93 914
Legal advice	83 097	114 556	76 459	113 716
Audit expenses*	68 397	57 250	54 792	50 250
Provisions for unused annual leave	52 632	27 517	52 620	28 717
Depreciation of right-of-use assets - motor vehicles	1 925	9 527	1 925	9 527
Other administrative expenses	180 410	116 935	172 589	122 617
	5 773 267	**4 212 808**	**5 491 593**	**4 026 730**

* The Group has received the statutory audit of annual report and translation of financial statements services.

(8) Corporate income tax for the reporting year

This tax mainly relates to the dividends paid out of the previous and current year's profits.

	Group 2022 EUR	Group 2021 EUR	Company 2022 EUR	Company 2021 EUR
Corporate income tax charge for the current year	1 296 108	979 191	1 296 054	873 080
	1 296 108	**979 191**	**1 296 054**	**873 080**

Notes (continued)

(8) Corporate income tax for the reporting year (continued)

Reconciliation of effective tax rate.
Current corporate income tax expenses for the years ending on 31 December 2022 and 31 December 2021 is different from the theoretical tax amount that the Group would incur if profit before tax was taxed at the statutory rate of 20%:

	Group 2022 EUR	Group 2021 EUR	Company 2022 EUR	Company 2021 EUR
Profit before corporate income tax	**7 257 561**	**4 996 931**	**5 048 526**	**4 103 294**
Theoretical tax at 20%	1 451 512	999 386	1 009 705	820 659
Effect from retained earnings	(155 404)	(20 195)	286 349	52 421
Corporate income tax	**1 296 108**	**979 191**	**1 296 054**	**873 080**

The Group's retained earnings for the year 2020 and 2021 were paid out in dividends and taxed with corporate income tax 942 615 EUR. If the group's profit before taxes for year 2020 and 2021 were taxed at a 20% tax rate, the corporate income tax amount would be 754 092 EUR.

(9) Basic earnings and Diluted earnings per share

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

	Group 2022 EUR	Group 2021 EUR	Company 2022 EUR	Company 2021 EUR
Net profit attributed to shareholders	5 961 453	4 017 740	3 752 472	3 230 214
Weighted average number of shares	45 319 594	41 034 770	45 319 594	41 034 770
Earnings per share	**0.132**	**0.098**	**0.083**	**0.079**
Weighted average number of shares used for calculating the diluted earnings per shares	45 331 135	41 034 770	45 331 135	41 034 770
Diluted earnings per share	**0.132**	**0.098**	**0.083**	**0.079**

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

	Change EUR	Actual number of shares after transaction EUR	Actual number of shares after transaction EUR
2021			
Number of shares at the beginning of the year	**-**	40 000 000	40 000 000
Number of shares at the end of the year	5 319 594	45 319 594	45 319 594
Weighted average number of shares:			**41 034 770**
Weighted average number of share options for DelfinGroup AS employees granted in 2021			-
Weighted average potential number of shares			**41 034 770**
2022			
Number of shares at the beginning of the year		45 319 594	45 319 594
Number of shares at the end of the year		45 319 594	45 319 594
Weighted average number of shares:			**45 319 594**
Weighted average number of share options for DelfinGroup AS employees granted in 2022*			11 541
Weighted average potential number of shares			**45 331 135**

*.Number of shares granted on 1 December 2022 73 968 with FV at grant date 1.258 EUR and option exercise price 0.100 EUR.

Notes (continued)

(10) Intangible assets

Group

	Patents, trademarks and similar rights	Internally developed software	Other intangible assets	Advances for intangible assets	Goodwill	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Cost						
31.12.2020	**356 125**	**222 647**	**80 318**	**-**	**127 616**	**786 706**
Additions	-	251 795	19 083	18 834	-	289 712
Disposals	(14 676)	-	-	-	-	(14 676)
31.12.2021	**341 449**	**474 442**	**99 401**	**18 834**	**127 616**	**1 061 742**
Additions	6 442	348 685	77 765	66 702	-	499 594
Transfers	12 915	-	28 820	(41 735)	-	-
Disposals	(11 500)	-	(1 660)	-	-	(13 160)
31.12.2022	**349 306**	**823 127**	**204 326**	**43 801**	**127 616**	**1 548 176**
Amortisation						
31.12.2020	**231 869**	**20 399**	**26 242**	**-**	**-**	**278 510**
Charge for 2021	60 219	77 227	22 490	-	-	159 936
Disposals	(14 676)	-	-	-	-	(14 676)
31.12.2021	**277 412**	**97 626**	**48 732**	**-**	**-**	**423 770**
Charge for 2022	56 488	150 043	36 093	-	-	242 624
Disposals	(11 500)	-	(1 661)	-	-	(13 161)
31.12.2022	**322 400**	**247 669**	**83 164**	**-**	**-**	**653 233**
Net book value 31.12.2022	**26 906**	**575 458**	**121 162**	**43 801**	**127 616**	**894 943**
Net book value 31.12.2021	**64 037**	**376 816**	**50 669**	**18 834**	**127 616**	**637 972**

Company

	Patents, trademarks and similar rights	Internally developed software	Other intangible assets	Advances for intangible assets	Total
	EUR	EUR	EUR	EUR	EUR
Cost					
31.12.2020	**356 125**	**222 647**	**60 561**	**-**	**639 333**
Additions	-	251 795	17 920	18 834	288 549
Disposals	(14 676)	-	-	-	(14 676)
31.12.2021	**341 449**	**474 442**	**78 481**	**18 834**	**913 206**
Additions	6 442	348 685	77 765	66 702	499 594
Transfers	12 915	-	28 820	(41 735)	-
Disposals	(11 500)	-	(1 660)	-	(13 160)
31.12.2022	**349 306**	**823 127**	**183 406**	**43 801**	**1 399 640**
Amortisation					
31.12.2020	**231 869**	**20 399**	**18 634**	**-**	**270 902**
Charge for 2021	60 221	77 227	17 791	-	155 239
Disposals	(14 678)	-	-	-	(14 678)
31.12.2021	**277 412**	**97 626**	**36 425**	**-**	**411 463**
Charge for 2022	56 488	150 043	32 319	-	238 850
Disposals	(11 500)	-	(1 660)	-	(13 160)
31.12.2022	**322 400**	**247 669**	**67 084**	**-**	**637 153**
Net book value 31.12.2022	**26 906**	**575 458**	**116 322**	**43 801**	**762 487**
Net book value 31.12.2021	**64 037**	**376 816**	**42 056**	**18 834**	**501 743**

Notes (continued)

(10) Intangible assets (continued)

Part of the IT employees are involved in building technical solutions for the operation of AS *DelfinGroup*. These systems are constantly built to meet both external and internal needs, and these are constantly being developed. As the systems are fully developed internally by IT department, related payroll and tax payments are capitalized for those IT employees who were involved in the development of the systems. The list of capitalized salaries is reviewed every month and capitalized amount is determined based on the works performed. Following initial recognition of the development expenditure as an asset, the asset is carried a cost less any accumulated amortisation and impairment
During 2022 capitalised salary and related taxes for such systems amounted to EUR 348 685 (2021 - EUR 251 795). The systems are constantly being developed and support the issuance of loans, growth of the portfolio and sale of goods and as such ensure that the future economic benefits will flow to the company over a long period, thus justifying capitalization.

(11) Property, plant and equipment

Group

	Land	Buildings and structures	Other equipment assets	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								
31.12.2020	**-**	**130 069**	**992 524**	**611 456**	**4 560 037**	**292 151**	**4 852 188**	**6 586 237**
Additions	99 000	14 019	123 781	22 091	345 846	-	345 846	604 737
Remeasurement	-	-	-	-	288 271	-	288 271	288 271
Disposals	-	(69 964)	(70 316)	-	(131 348)	-	(131 348)	(271 628)
31.12.2021	**99 000**	**74 124**	**1 045 989**	**633 547**	**5 062 806**	**292 151**	**5 354 957**	**7 207 617**
Additions	-	19 865	141 746	42 480	33 718	10 913	44 631	248 722
Remeasurement	-	-	-	-	514 171	-	514 171	514 171
Disposals	-	-	(50 087)	-	(331 890)	(42 214)	(374 104)	(424 191)
31.12.2022	**99 000**	**93 989**	**1 137 648**	**676 027**	**5 278 805**	**260 850**	**5 539 655**	**7 546 319**
Depreciation								
31.12.2020	**-**	**44 684**	**744 310**	**414 849**	**1 437 006**	**220 770**	**1 657 776**	**2 861 619**
Charge for 2021	-	6 300	164 070	32 017	737 093	38 839	775 932	978 319
Disposals	-	(47 766)	(68 995)	-	(51 321)	-	(51 321)	(168 082)
31.12.2021	**-**	**3 218**	**839 385**	**446 866**	**2 122 778**	**259 609**	**2 382 387**	**3 671 856**
Charge for 2022	-	7 393	143 628	39 821	732 874	17 825	750 699	941 541
Disposals	-	-	(48 557)	-	(204 801)	(24 853)	(229 654)	(278 211)
31.12.2022	**-**	**10 611**	**934 456**	**486 687**	**2 650 851**	**252 581**	**2 903 432**	**4 335 186**
Net book value 31.12.2022	**99 000**	**83 378**	**203 192**	**189 340**	**2 627 954**	**8 269**	**2 636 223**	**3 211 133**
Net book value 31.12.2021	**99 000**	**70 906**	**206 604**	**186 681**	**2 940 028**	**32 542**	**2 972 570**	**3 535 761**

Notes (continued)

(11) Property, plant and equipment (continued)

Company

	Land	Buildings and structures	Other equipment assets	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								
31.12.2020	**-**	**-**	**992 524**	**611 456**	**4 560 037**	**292 151**	**4 852 188**	**6 456 168**
Additions	99 000	14 019	123 781	22 091	345 846	-	345 846	604 737
Acquired with in liquidation of subsidiary	-	83 299	-	-	-	-	-	83 299
Remeasurement	-	-	-	-	288 271	-	288 271	288 271
Disposals	-	(23 194)	(70 316)	-	(131 348)	-	(131 348)	(224 858)
31.12.2021	**99 000**	**74 124**	**1 045 989**	**633 547**	**5 062 806**	**292 151**	**5 354 957**	**7 207 617**
Additions	-	19 865	141 155	42 480	33 718	10 913	44 631	248 131
Remeasurement	-	-	-	-	514 171	-	514 171	514 171
Disposals	-	-	(50 087)	-	(331 890)	(42 214)	(374 104)	(424 191)
31.12.2022	**99 000**	**93 989**	**1 137 057**	**676 027**	**5 278 805**	**260 850**	**5 539 655**	**7 545 728**
Depreciation								
31.12.2020	-	**-**	**744 310**	**414 849**	**1 437 006**	**220 770**	**1 657 776**	**2 816 935**
Charge for 2021	-	4 213	164 070	32 017	737 093	38 839	775 932	976 232
Disposals	-	(995)	(68 995)	-	(51 321)	-	(51 321)	(121 311)
31.12.2021	**-**	**3 218**	**839 385**	**446 866**	**2 122 778**	**259 609**	**2 382 387**	**3 671 856**
Charge for 2022	-	7 393	143 595	39 821	732 874	17 825	750 699	941 508
Disposals	-	-	(48 557)	-	(204 801)	(24 853)	(229 654)	(278 211)
31.12.2022	**-**	**10 611**	**934 423**	**486 687**	**2 650 851**	**252 581**	**2 903 432**	**4 335 153**
Net book value 31.12.2022	**99 000**	**83 378**	**202 634**	**189 340**	**2 627 954**	**8 269**	**2 636 223**	**3 210 575**
Net book value 31.12.2021	**99 000**	**70 906**	**206 604**	**186 681**	**2 940 028**	**32 542**	**2 972 570**	**3 535 761**

Disposal of right-of-use assets relate to early termination of lease contracts.

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

Right-of-use assets and other liabilities for rights to use assets are shown as follows in the consolidated and standalone balance sheet and statement of profit or loss:

	31.12.2022	31.12.2021
	EUR	EUR
Non-current assets		
Right-of-use assets - premises	2 627 954	2 940 028
Right-of-use assets - motor vehicles	8 269	32 542
Assets, total	**2 636 223**	**2 972 570**
Non-current liabilities		
Lease liabilities	2 353 309	2 652 498
Current liabilities		
Lease liabilities	565 131	652 699
Lease liabilities, total	**2 918 440**	**3 305 197**

Notes (continued)

(12) Right-of-use assets and lease liabilities (continued)

Leases in the statement of profit or loss

	2022 EUR	2021 EUR
Interest expenses and similar expenses		
Interest expense on lease liabilities for leased premises	(174 795)	(204 489)
Interest expense on lease liabilities for leased vehicles	(1 429)	(2 473)
Selling expense		
Depreciation of right-of-use assets - premises	(638 960)	(643 179)
Depreciation of right-of-use assets - motor vehicles	(15 900)	(29 312)
Administrative expenses		
Depreciation of right-of-use assets - premises	(93 914)	(93 914)
Depreciation of right-of-use assets - motor vehicles	(1 925)	(9 527)
Leases in the statement of profit or loss, total	**(926 923)**	**(982 894)**

Leases liabilities

	Group 31.12.2022 EUR	Group 31.12.2021 EUR	Company 31.12.2022 EUR	Company 31.12.2021 EUR
Long term lease liabilities - premises	2 335 493	2 627 961	2 335 493	2 627 961
Long term lease liabilities - vehicles	17 816	24 537	17 816	24 537
Total long-term lease liabilities	**2 353 309**	**2 652 498**	**2 353 309**	**2 652 498**
Short term lease liabilities - premises	548 848	633 826	548 848	633 826
Short term lease liabilities - vehicles	16 283	18 873	16 283	18 873
Total short-term lease liabilities	**565 131**	**652 699**	**565 131**	**652 699**
Lease liabilities, total	**2 918 440**	**3 305 197**	**2 918 440**	**3 305 197**

Lease agreements for premises are signed for a period of one year to fifteen years and six months. Car rental agreements are signed for a period of three years to three years and three months.
The weighted-average incremental borrowing rate for premises leased in 2022 comprised 3.97% (2021: 4.07%), the weighted-average incremental borrowing rate for motor vehicles was 3.20% (2021: 3.20%).
The total amount of lease payments on short-term leases and leases of low-value assets recognized as expense in statement of profit or loss for the year end 31 December 2022 is EUR 5 019 and EUR 3 962 for the year end 31 December 2021.
The total cash outflow for leases is EUR 930 389 and EUR 865 764 for the year end 31 December 2021. There are no variable lease payments included in the measurement of lease liabilities. Right-of-use assets are not subleased.

The following table sets out a maturity analysis of lease payables, showing the undiscounted lease payments to be paid after the reporting date.

	Group 31.12.2022 EUR	Group 31.12.2021 EUR	Company 31.12.2022 EUR	Company 31.12.2021 EUR
Less than one year	733 682	843 525	733 682	843 525
One to two years	643 918	658 670	643 918	658 670
Two to three years	464 713	564 255	464 713	564 255
Three to four years	229 793	399 941	229 793	399 941
Four to five years	178 245	235 694	178 245	235 694
More than five years	976 426	1 151 758	976 426	1 151 758
Total undiscounted lease payable	**3 226 777**	**3 853 843**	**3 226 777**	**3 853 843**

Notes (continued)

(13) Company's investments in subsidiaries
Company is the sole shareholder of the subsidiary SIA *ViziaFinance* (100%) as of 31 December 2022.

a) participating interest in subsidiaries

Name	Investments in share capital of subsidiaries		Participating interest in share capital of subsidiaries	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	EUR	EUR	%	%
ViziaFinance SIA	880 000	880 000	100	100
	880 000	**880 000**		

b) information on subsidiaries

Name	Address	Total equity 31.12.2022	31.12.2021
		EUR	EUR
ViziaFinance SIA	Skanstes street 50A, LV-1013 Riga, Latvia	4 903 239	2 805 047

Basic operation of *ViziaFinance* SIA 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.

(14) Goods for sale of the Company and the Group

	31.12.2022	31.12.2021 (restated, Note 1)
	EUR	EUR
Goods for sale	1 640 946	894 493
Inventory made of gold	648 834	360 205
	2 289 780	**1 254 698**

In 2022, write-off to net realizable value of inventories amounted to EUR 157 872 (in 2021: EUR 78 514).

(15) Loans and receivables

a) Loans and receivables by loan type

	Group 31.12.2022	Group 31.12.2021 (restated, Note 1)	Company 31.12.2022	Company 31.12.2021 (restated, Note 1)
	EUR	EUR	EUR	EUR
Pawn loans measured at fair value				
Long-term pawn loans	220 216	95 058	220 216	95 058
Short-term pawn loans	5 880 246	3 807 305	5 880 246	3 807 305
Interest accrued for pawn loans	221 906	164 698	221 906	164 698
Pawn loans measured at fair value, total	**6 322 368**	**4 067 061**	**6 322 368**	**4 067 061**
Debtors for loans issued without pledge				
Long-term debtors for loans issued without pledge	45 929 912	28 474 373	30 607 655	21 069 674
Short-term debtors for loans issued without pledge	17 487 363	13 078 077	13 629 332	10 328 142
Interest accrued for loans issued without pledge	2 189 607	1 681 814	1 517 281	1 228 097
Debtors for loans issued without pledge, total	**65 606 882**	**43 234 264**	**45 754 268**	**32 625 913**
Loans and receivables before allowance, total	**71 929 250**	**47 301 325**	**52 076 636**	**36 692 974**
ECL allowance on loans issued without pledge	**(4 411 443)**	**(3 546 122)**	**(2 633 452)**	**(2 365 170)**
Loans and receivables	**67 517 807**	**43 755 203**	**49 443 184**	**34 327 804**

Notes (continued)

(15) Loans and receivables (continued)

All loans are issued in euros. Weighted average term of consumer loans is 2.5 years and pawn loans is one month.

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

Pawn loans in the amount of EUR 6 322 368 (31.12.2021: EUR 4 067 061) are secured by the value of the collateral and measured at fair value.

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

An analysis of changes in the gross carrying value for loans issued and corresponding ECL in relation to retail lending during the year ended 31 December 2022 is as follows:

Group	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2021	**30 723 322**	**2 771 108**	**1 866 108**	**36 195**	**35 396 733**
New assets originated or purchased	37 221 049	-	-	-	37 221 049
Assets settled or partly settled	(24 505 460)	(1 437 562)	(856 057)	-	(26 799 079)
Net assets written off in debt sales	(162 803)	(1 140 677)	(1 281 318)	-	(2 584 798)
Assets written off	-	-	(324 548)	(36 195)	(360 743)
Effect of interest accruals	251 013	116 280	(6 191)	-	361 102
Transfers to Stage 1	371 814	(197 814)	(174 000)	-	-
Transfers to Stage 2	(4 774 160)	4 866 919	(92 759)	-	-
Transfers to Stage 3	(335 532)	(1 776 955)	2 112 487	-	-
At 31 December 2021	**38 789 243**	**3 201 299**	**1 243 722**	**-**	**43 234 264**
New assets originated or purchased	61 081 197	-	-	-	61 081 197
Assets settled or partly settled	(28 240 431)	(5 283 563)	(1 005 898)	-	(34 529 892)
Assets derecognised due to debt sales	(14 321)	(3 091 035)	(845 492)	-	(3 950 848)
Assets written off	-	-	(732 645)	-	(732 645)
Effect of interest accruals	432 612	102 592	(30 398)	-	504 806
Transfers to Stage 1	81 425	(69 036)	(12 389)	-	-
Transfers to Stage 2	(11 447 758)	11 545 084	(97 326)	-	-
Transfers to Stage 3	(375 920)	(2 244 836)	2 620 756	-	-
At 31 December 2022	**60 306 047**	**4 160 505**	**1 140 330**	**-**	**65 606 882**

Group	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2021	**1 819 119**	**600 485**	**1 168 490**	**-**	**3 588 094**
New assets originated or purchased	2 092 107	-	-	-	2 092 107
Assets settled or partly settled	(1 651 482)	(433 793)	(516 680)	-	(2 601 955)
Net assets written off in debt sales	(12 328)	(393 601)	(1 515 593)	-	(1 921 522)
Assets written off	-	-	(196 714)	-	(196 714)
Effect of interest accruals	12 314	52 849	46 852	-	112 015
Transfers to Stage 1	144 293	(39 444)	(104 849)	-	-
Transfers to Stage 2	(277 978)	332 674	(54 696)	-	-
Transfers to Stage 3	(17 951)	(331 189)	349 140	-	-
Impact on period end ECL due to changes in credit risk and inputs used for ECL calculations	(19 458)	936 411	1 557 144	-	2 474 097
At 31 December 2021	**2 088 636**	**724 392**	**733 094**	**-**	**3 546 122**
New assets originated or purchased	4 976 832	-	-	-	4 976 832
Assets settled or partly settled	(2 140 296)	(1 825 569)	(449 555)	-	(4 415 420)
Assets derecognised due to debt sales	(1 319)	(1 057 207)	(1 886 513)		(2 945 039)
Assets written off	-	-	(306 962)	-	(306 962)
Effect of interest accruals	16 673	9 883	(145 314)	-	(118 758)
Transfers to Stage 1	55 305	(50 148)	(5 157)	-	-
Transfers to Stage 2	(1 024 261)	1 063 218	(38 957)	-	-
Transfers to Stage 3	(26 442)	(757 928)	784 370	-	-
Impact on period end ECL due to changes in credit risk and inputs used for ECL calculations	(1 150967)	2 727 598	2 098 037	-	3 674 668
At 31 December 2022	**2 794 161**	**834 239**	**783 043**	**-**	**4 411 443**

Notes (continued)

(15) Loans and receivables (continued)

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

Company	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value as at 1 January 2021	**22 324 206**	**2 241 267**	**1 419 521**	**36 195**	**26 021 189**
New assets originated or purchased	26 397 460	-	-	-	26 397 460
Assets settled or partly settled	(16 649 136)	(775 887)	(663 881)	-	(18 088 904)
Assets derecognised due to debt sales	(131 223)	(599 649)	(841 465)	-	(1 572 337)
Assets written off	-	-	(289 812)	(36 195)	(326 007)
Effect of interest accruals	115 708	67 233	11 571	-	194 512
Transfers to Stage 1	278 779	(151 654)	(127 125)	-	-
Transfers to Stage 2	(2 659 348)	2 672 111	(12 763)	-	-
Transfers to Stage 3	(306 477)	(1 229 735)	1 536 212	-	-
At 31 December 2021	**29 369 969**	**2 223 686**	**1 032 258**	**-**	**32 625 913**
New assets originated or purchased	40 411 187	-	-	-	40 411 187
Assets settled or partly settled	(21 296 803)	(2 474 313)	(766 217)	-	(24 537 333)
Assets derecognised due to debt sales	(7 008)	(1 793 503)	(621 348)	-	(2 421 859)
Assets written off	-	-	(609 838)	-	(609 838)
Effect of interest accruals	330 104	36 874	(80 780)	-	286 198
Transfers to Stage 1	72 651	(63 738)	(8 913)	-	-
Transfers to Stage 2	(6 087 596)	6 091 617	(4 021)	-	-
Transfers to Stage 3	(316 228)	(1 618 339)	1 934 567	-	-
At 31 December 2022	**42 476 276**	**2 402 284**	**875 708**	**-**	**45 754 268**

Company	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at 1 January 2021	**996 082**	**426 803**	**900 752**	**-**	**2 323 637**
New assets originated or purchased	1 381 956	-	-	-	1 381 956
Assets settled or partly settled	(871 613)	(186 307)	(403 936)	-	(1 461 856)
Assets derecognised due to debt sales	(10 254)	(168 940)	(1 257 543)	-	(1 436 737)
Assets written off	-	-	(176 335)	-	(176 335)
Effect of interest accruals	3 436	32 482	57 273	-	93 191
Transfers to Stage 1	113 764	(36 415)	(77 349)	-	-
Transfers to Stage 2	(139 222)	146 987	(7 765)	-	-
Transfers to Stage 3	(16 045)	(295 286)	311 331	-	-
Impact on period end ECL due to changes in credit risk and inputs used for ECL calculations	(167 523)	543 111	1 265 726	-	1 641 314
At 31 December 2021	**1 290 581**	**462 435**	**612 154**	**-**	**2 365 170**
New assets originated or purchased	2 450 934	-	-	-	2 450 934
Assets settled or partly settled	(1 291 777)	(813 842)	(353 883)	-	(2 459 502)
Assets derecognised due to debt sales	(425)	(589 912)	(1 797 043)	-	(2 387 380)
Assets written off	-	-	(257 941)	-	(257 941)
Effect of interest accruals	3 630	(9 295)	(130 894)	-	(136 559)
Transfers to Stage 1	24 734	(20 965)	(3 769)	-	-
Transfers to Stage 2	(369 181)	371 096	(1 915)	-	-
Transfers to Stage 3	(19 209)	(532 298)	551 507	-	-
Impact on period end ECL due to changes in credit risk and inputs used for ECL calculations	(515 500)	1 562 544	2 011 686	-	3 058 730
At 31 December 2022	**1 573 787**	**429 763**	**629 902**	**-**	**2 633 452**

Notes (continued)

(15) Loans and receivables (continued)

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

	Group 31.12.2022 EUR	Group 31.12.2021 (restated, Note 1) EUR	Company 31.12.2022 EUR	Company 31.12.2021 (restated, Note 1) EUR
For trade debtors not yet due	57 445 337	37 049 201	40 749 698	28 357 048
Outstanding 1-30 days	4 555 603	3 316 789	2 785 838	2 189 453
Outstanding 31-90 days	2 465 106	1 624 551	1 342 521	1 047 155
Outstanding 91-180 days	328 818	241 861	268 809	209 274
Outstanding for 181-360 days	383 242	304 099	301 238	259 699
Outstanding for more than 360 days	428 776	697 763	306 164	563 284
Total debtors for loans issued	**65 606 882**	**43 234 264**	**45 754 268**	**32 625 913**

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

	Group 31.12.2022 EUR	Group 31.12.2021 (restated, Note 1) EUR	Company 31.12.2022 EUR	Company 31.12.2021 (restated, Note 1) EUR
For trade debtors not yet due	2 252 622	1 653 465	1 266 314	1 031 215
Outstanding 1-30 days	661 969	550 784	375 769	333 257
Outstanding 31-90 days	789 067	608 778	413 839	388 545
Outstanding 91-180 days	184 076	125 139	155 795	107 940
Outstanding for 181-360 days	245 456	168 013	200 580	143 414
Outstanding for more than 360 days	278 253	439 943	221 155	360 799
ECL allowance on loans issued without pledge	**4 411 443**	**3 546 122**	**2 633 452**	**2 365 170**

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

e) Credit loss expenses

	Group 31.12.2022 EUR	Group 31.12.2021 EUR	Company 31.12.2022 EUR	Company 31.12.2021 EUR
Credit losses on loans issued without pledge	10 819 278	5 192 691	6 108 712	3 134 656
Reversal of provision on debt sales	(4 396 119)	(2 225 558)	(2 387 380)	(1 436 737)
Reversal of provision from written-off loans	(306 962)	(196 713)	(257 941)	(176 335)
Credit loss expenses	**6 161 123**	**2 814 981**	**3 508 317**	**1 566 145**

(16) Cash and cash equivalents

	Group 31.12.2022 EUR	Group 31.12.2021 EUR	Company 31.12.2022 EUR	Company 31.12.2021 EUR
Cash at banks	2 041 788	2 177 557	1 673 683	1 943 230
Cash in hand	327 241	282 305	327 241	282 305
	2 369 029	**2 459 862**	**2 000 924**	**2 225 535**

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

Notes (continued)

(17) Share capital

On 14 October 2021, AS *DelfinGroup* successfully closed the initial public offering (IPO) and shares of Company has become traded in Nasdaq Riga Baltic Main list from 20 October 2021. During IPO, the Company issued 5 319 594 new shares with par value of EUR 0.10 each.
As at 31 December 2022, the Parent Company's share capital is EUR 4 531 959,40, which consists of 45 319 594 ordinary shares, each of them with a nominal value of EUR 0.10. All shares are fully paid.

Number of shares issued in IPO	5 319 594
Share price at the end of subscription period, EUR	1.52
Proceeds from shares issued, EUR	8 085 782
Par value of new shares, EUR	(531 959)
Costs related to IPO, EUR	(662 865)
Share premium, EUR	**6 890 958**

(18) Retained earnings

	Group 2022 EUR	Group 2021 (restated, Note 1) EUR	Company 2022 EUR	Company 2021 (restated, Note 1) EUR
Balance as at 1 January	**6 053 065**	**5 453 709**	**4 000 403**	**4 237 497**
Impact of correction of errors (Note 1)	-	304 754	-	255 830
Net profit for the period	5 961 453	4 017 740	3 752 472	3 230 214
Dividends declared and paid:				
Interim dividends of 0.0645 EUR (2021: 0.0541 EUR) per share	(2 923 115)	(2 223 138)	(2 923 115)	(2 223 138)
Annual dividend of 0.0552 EUR (2021: 0.0375 EUR) per share	(2 501 642)	(1 500 000)	(2 501 642)	(1 500 000)
Balance as at 31 December	**6 589 761**	**6 053 065**	**2 328 118**	**4 000 403**

(19) Share-based payments

<u>Share option plan</u>

In September 2021 shareholders approved an employee share option plan for employees and Management of the Group. Under the programme a total of 450 000 new shares can be issued. In December 2022 employees were granted first stock options under the employee share option plan. According to the Company's share option plan, share options of the parent are granted to all employees of the Company. The right to receive employee options belongs to those employees of the company who meet the following conditions:

- Employee has been with the company for at least 12 months;
- Employee has achieved the individual goals set for him by the Management and has contributed to achieving the common business goals.

To exercise the share options the option holder has to be employed with the Group. Upon exercising their personnel options, option holders are entitled to receive the Company's newly issued shares for a fee. The price of one share of the Company's new issue is EUR 0.10 (10 cents). The minimum term of holding employee options from their allocation to the day the option holder is entitled to exercise the option rights is 12 months. The options have to be exercised within a month after their vesting date and there are no cash settlement alternatives.
The Group recognized expenses in amount of EUR 93 058 during the reporting year (EUR 0 in 2021) in relation to the respective share option plan. The remaining 376 032 options of the plan whilst approved for use in future SBP schemes, have not been included in SBP contracts yet, hence no expense recognised in the year.

Movement during the year in number of options:

Outstanding at 1 January 2022	-
Granted	73 968
Exercised	-
Forfeited	-
Outstanding at 31 December 2022	73 968
Exercisable as of 31 December 2022	-

Notes (continued)

(19) Share-based payments (continued)

Fair value calculations

The fair value of share options is estimated at the grant date by using a Black-Scholes option pricing model. When estimating the fair value of options, the terms and conditions on which the share options were granted are considered, as well as making estimates on some of the assumptions to adjust for the BlackScholes model's calculations. The inputs used in the model are market observable whenever possible including the share price, expected dividend yield and risk-free rate. The weighted average fair value of options granted at the measurement date was EUR 1.2581 (EUR 0 in 2021).

The following table lists the key inputs used for calculating of fair value:

Weighted average fair value of share price	1.468
Weighted average exercise price	0.10
Expected life of share options (years)	1
Expected volatility (%)	20%
Dividend yield (%)	8%
Risk-free interest rate (%)	3%

(20) Bonds issued

	Group 31.12.2022 EUR	Group 31.12.2021 EUR	Company 31.12.2022 EUR	Company 31.12.2021 EUR
Total long-term part of bonds issued	**4 330 630**	**9 894 123**	**4 330 630**	**9 894 123**
Bonds issued	14 758 261	931 039	14 758 261	931 039
Interest accrued	24 849	13 003	24 849	13 003
Total short-term part of bonds issued	**14 783 110**	**944 042**	**14 783 110**	**944 042**
Bonds issued, total	**19 088 891**	**10 825 162**	**19 088 891**	**10 825 162**
Interest accrued, total	24 849	13 003	24 849	13 003
Bonds issued net	**19 113 740**	**10 838 165**	**19 113 740**	**10 838 165**

As of 31 December 2022, the Parent company of the Group has outstanding bonds (ISIN LV0000850048) in the amount of EUR 5 000 000, registered with the Latvia Central Depository and issued in a closed offer on 9 July 2021 on the following terms: number of bonds issued - 5 000, nominal value - EUR 1 000 per each bond, coupon rate – 9.75%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 August 2023. The bonds are not secured.

As of 31 December 2022, the Parent company of the Group has outstanding bonds (ISIN LV0000802536) in the amount of EUR 10 000 000, registered with the Latvia Central Depository on the following terms – number of financial instruments 10 000, with a nominal value 1 000 euro per each bond, coupon rate – 8.00%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 November 2023. The bond issue in full amount is traded on NASDAQ Baltic North Alternative market as of 21.06.2022. The bonds are not secured.

On 7 July 2022 the Parent company of the Group has started a closed bond offering (ISIN LV0000850055) in the amount of EUR 10 000 000. The offering has been registered with the Latvia Central Depository on the following terms – number of financial instruments is 10 000, with a nominal value 1 000 euro per each bond, coupon rate –3M EURIBOR + 8.75%, coupon is paid once a month on the 25th date. New bonds are issued periodically taking into account the need for financing. As of 31 December 2022, bonds in total of EUR 4 927 000 have been issued. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 September 2024. The bonds are not secured.

As at 31 December 2022 the Group is in compliance with covenants stated in all Terms of the Notes Issue. Please see covenants disclosed in Management report.

The group has devised a strategic plan to issue new bonds with the aim of refinancing its existing maturing liabilities as well as continue placing loans on the Mintos P2P platform. This approach will enable the group to settle its outstanding debt by utilizing the proceeds generated from the sale of these newly issued bonds and funding attracted on Mintos. Furthermore, the subscription period for LV0000850055 bonds is currently in progress, and it is expected that these bonds will be fully subscribed by the end of June 2023.

Notes (continued)

(21) Other borrowings

	Group 31.12.2022 EUR	Group 31.12.2021 EUR	Company 31.12.2022 EUR	Company 31.12.2021 EUR
Other long-term loans	15 004 505	8 086 468	9 641 200	5 125 100
Total other long-term loans	**15 004 505**	**8 086 468**	**9 641 200**	**5 125 100**
Other short-term loans	19 856 253	10 487 168	15 841 891	8 345 402
Total other short-term loans	**19 856 253**	**10 487 168**	**15 841 891**	**8 345 402**
Other loans, total	**34 860 758**	**18 573 636**	**25 483 091**	**13 470 502**

Amount of other borrowings is represented by loans received from crowdfunding platform Mintos, a platform registered in the European Union. The weighted average annual interest rate as of 31 December 2022 is 12.5%. According to the loan agreement with SIA Mintos Finance the loans matures according to the particular loan agreement terms concluded by the Group with its customers.
To ensure fulfilment of liabilities the Group has registered commercial pledge, see note 29. As at 31 December 2022 the Group is in compliance with covenants.

(22) Taxes and social insurance payments

	Group 31.12.2022 EUR	Group 31.12.2021 EUR	Company 31.12.2022 EUR	Company 31.12.2021 EUR
Value Added Tax	58 835	39 390	58 748	32 913
Income tax	210 796	131 868	210 796	131 868
Business risk charge	126	110	125	110
Social insurance	204 192	154 732	204 158	154 732
Payroll tax	115 557	92 937	115 536	92 937
Vehicles tax	4 031	4 460	4 031	4 460
Natural resource tax	4 887	50	4 887	50
Overpayment	(37 932)	(25 279)	(37 932)	(25 279)
Total taxes and social insurance payments	**560 492**	**398 268**	**560 349**	**391 791**

(23) Average number of employees

	2022	2021
Average number of employees during the reporting year of the Group	**329**	**301**
Average number of employees during the reporting year of the Company	**324**	**296**

(24) Management remuneration

	31.12.2022 EUR	31.12.2021 EUR
Supervisory Board members' remuneration:		
· salary expenses	134 440	110 606
· social insurance	31 705	26 092
	166 145	**136 698**
Board members' remuneration:		
· salary expenses	372 681	349 096
· social insurance	87 916	82 352
	460 597	**431 448**

Notes (continued)

(25) Changes in liabilities arising from financing activities

Group's changes in liabilities arising from financing activities

The Group	Bonds issued EUR	Other borrowings EUR	Lease liabilities EUR	Share capital and Share premium EUR	Total liabilities from financing activities EUR
Carrying amount at 31 December 2020	**13 464 369**	**17 686 857**	**3 435 851**	**4 000 000**	**38 587 077**
Proceeds	11 111 000	20 633 934	-	8 085 782	39 830 716
Settlement	(13 481 000)	(19 849 406)	(865 764)	-	(34 196 170)
Redemption	16 631	43 129	-	-	59 760
New lease contracts	-	-	345 846	-	345 846
Lease disposal	-	-	(104 529)	-	(104 529)
Modification of lease contracts	-	-	288 271	-	288 271
Interest expense on lease liabilities	-	-	205 522	-	205 522
IPO transaction costs	-	-	-	(662 865)	(662 865)
Commission accrued	(285 838)	-	-	-	(285 838)
Interest accrued	13 003	59 122	-	-	72 125
Carrying amount at 31 December 2021	**10 838 165**	**18 573 636**	**3 305 197**	**11 422 917**	**44 139 915**
Proceeds	8 651 455	35 565 757	-	-	44 217 212
Settlement	(500 000)	(18 782 851)	(930 389)	-	(20 213 240)
Redemption	507 630	(550 166)	-	-	(42 536)
New lease contracts	-	-	44 631	-	44 631
Lease disposal	-	-	(190 124)	-	(190 124)
Modification of lease contracts	-	-	514 171	-	514 171
Interest expense on lease liabilities	-	-	174 954	-	174 954
Commission accrued	(408 359)	(194 264)	-	-	(602 623)
Interest accrued	24 849	248 646	-	-	273 495
Carrying amount at 31 December 2022	**19 113 740**	**34 860 758**	**2 918 440**	**11 422 917**	**68 315 855**

Notes (continued)

(25) Changes in liabilities arising from financing activities (continued)

Company changes in liabilities arising from financing activities

The Company	**Bonds issued EUR**	**Other borrowings EUR**	**Lease liabilities EUR**	**Share capital and Share premium EUR**	**Total liabilities from financing activities EUR**
Carrying amount at 31 December 2020	**13 464 369**	**14 986 754**	**3 435 851**	**4 000 000**	**35 886 974**
Proceeds	11 111 000	13 643 489	-	8 085 782	32 840 271
Settlement	(13 481 000)	(15 505 807)	(865 764)	-	(29 852 571)
Redemption	16 631	304 521	-	-	321 152
New lease contracts	-	-	345 846	-	345 846
Lease disposal	-	-	(104 529)	-	(104 529)
Modification of lease contracts	-	-	288 271	-	288 271
Interest expense on lease liabilities	-	-	205 522	-	205 522
IPO transaction costs	-	-	-	(662 865)	(662 865)
Commission accrued	(285 838)	-	-	-	(285 838)
Interest accrued	13 003	41 545	-	-	54 548
Carrying amount at 31 December 2021	**10 838 165**	**13 470 502**	**3 305 197**	**11 422 917**	**39 036 781**
Proceeds	8 651 455	23 718 321	-	-	32 369 776
Settlement	(500 000)	(11 209 948)	(930 389)	-	(12 640 337)
Redemption	507 630	(544 831)	-	-	(37 201)
New lease contracts	-	-	44 631	-	44 631
Lease disposal	-	-	(190 124)	-	(190 124)
Modification of lease contracts	-	-	514 171	-	514 171
Interest expense on lease liabilities	-	-	174 954	-	174 954
Commission accrued	(408 359)	(131 809)	-	-	(540 168)
Interest accrued	24 849	180 856	-	-	205 705
Carrying amount at 31 December 2022	**19 113 740**	**25 483 091**	**2 918 440**	**11 422 917**	**58 938 188**

Modification of lease contracts mostly relates to extension of lease term.

(26) 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

Group's transactions

	Transactions in 2022 EUR	**Transactions in 2021 EUR**
Shareholders		
Interest received	-	9 865
Services delivered	-	228
Goods sold	-	59
Interest paid	24 235	-
Key management personnel		
Goods sold	-	1 702
Interest paid	-	19 830
Other related companies		
Services delivered	-	8 072
Services received	3 900	-

Notes (continued)

(26) Related party transactions (continued)

Parent company transactions

	Transactions in 2022 EUR	Transactions in 2021 EUR
Shareholders		
Interest received	-	9 865
Services delivered	-	228
Goods sold	-	59
Interest paid	24 235	-
Key management personnel		
Goods sold	-	1 702
Interest paid	-	19 830
Subsidiaries		
Interest paid	-	(7 433)
Interest received	131 324	263 103
Services delivered	12 107	18 779
Services received		(36 166)
Goods sold	591	-
Acquired of property, plant and equipment with in liquidation	-	83 299
Liquidation quota	-	938 691
Other related companies		
Services delivered	-	8 072
Services received	3 900	-

Loans granted to subsidiaries

	Group 31.12.2022 EUR	Group 31.12.2021 EUR	Company 31.12.2022 EUR	Company 31.12.2021 EUR
ViziaFinance SIA	-	-	4 262 780	1 768 200
ECL allowance for loans granted to subsidiaries			(69 515)	-
Long-term loans to related companies, total	**-**	**-**	**4 193 265**	**1 768 200**
ViziaFinance SIA	-	-	77 454	38 075
Short-term loans to related companies, total	**-**	**-**	**77 454**	**38 075**
Loans to related companies, total	**-**	**-**	**4 270 719**	**1 806 275**

The interest rate on loans to related companies 4%. All loans and other claims denominated in euro. The Company has no debt overdue.

Bonds issued to shareholders of the related companies

	Group 31.12.2022 EUR	Group 31.12.2021 EUR	Company 31.12.2022 EUR	Company 31.12.2021 EUR
AE Consulting SIA	200 000	-	200 000	-
Long-term part of bonds issued to shareholders of the related companies, total	**200 000**	**-**	**200 000**	**-**
AE Consulting SIA	307 000	-	307 000	
Short-term part of bonds issued to shareholders of the related companies, total	**307 000**	**-**	**307 000**	**-**
Bonds issued to related companies, total	**507 000**	**-**	**507 000**	**-**

Notes (continued)

(27) Shares held by members of Management Board and Supervisory Board

a) Shares held by members of Management Board

	31 December 2022 Shares	31 December 2021 Shares
Didzis Ādmīdiņš	600 000	600 000
Aldis Umblejs	4 910	2 814
Sanita Zitmane	50	-
Ivars Lamberts*	n/a	400 000

* Member of the Board till 28.02.2022

b) Shares held by members of Supervisory Board

	31 December 2022 Shares	31 December 2021 Shares
Agris Evertovskis (through ownership of LLC *EC finance* and LLC *AE Consulting*)	12 317 974	12 525 870
Jānis Pizičs	6 666	6 666
Mārtiņš Bičevskis	-	-
Gatis Kokins	500	-
Edgars Voļskis	-	-

(28) Segment information

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

Pawn loan segment	Handling pawn loan issuance, sale of pawn shop items in the branches and online.
Retail of pre-owned goods	Sale of pre-owned goods in the branches and online purchased from customers.
Consumer loan segment	Handling consumer loans to customers, debt collection activities and debt sales to external debt collection companies.
Other operations segment	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 on consolidation basis. Management mainly focuses on net sales, interest income and similar income and profit before taxes of the segment. For the costs, for which direct allocation to a particular segment is not attributable, the judgement of the management is used to allocate general costs by segments, based on the following cost allocation drivers – loan issuance, segment income, segment employee count, segment employee costs, the amount of segment assets.

Notes (continued)

(28) Segment information(continued)

Based on the nature of the services, the Group's operations can be divided as follows:

EUR	Consumer loans		Pawn loans		Retail of pre-owned goods		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Assets	65 716 677	44 112 944	8 385 899	6 001 048	3 053 982	2 024 393	1 450	24 816	77 158 008	52 163 201
Liabilities of the segment	49 484 402	28 288 135	7 101 708	4 857 210	2 465 174	1 520 432	988	21 442	59 052 272	34 687 219
Net sales	-	-	-	-	6 472 567	4 821 871	-	-	6 472 567	4 821 871
Interest income and similar income	23 338 504	15 809 043	5 963 753	4 458 355	-	-	1 062	100 117	29 303 319	20 367 515
Net performance of the segment	9 269 254	7 012 668	1 931 082	1 330 343	698 270	389 633	28 440	91 600	11 927 046	8 824 244
Financial (expenses)	(4 003 708)	(3 197 395)	(487 003)	(408 733)	(178 774)	(133 061)	-	(88 124)	(4 669 485)	(3 827 313)
Profit/(loss) before taxes	5 265 546	3 815 273	1 444 079	921 610	519 496	256 572	28 440	3 476	7 257 561	4 996 931
Corporate income tax	(939 970)	(747 671)	(258 314)	(180 606)	(92 745)	(50 280)	(5 079)	(634)	(1 296 108)	(979 191)

(29) Guarantees issued, pledges

The Group has registered four groups of commercial pledges by pledging its assets and claim rights for a maximum amount of EUR 33 million as collateral registered to collateral agent SIA *Eversheds Sutherland Bitāns* (in favour of SIA *Mintos Finance*) and to SIA *Mintos Finance* No.20 and AS *Mintos Marketplace* to provide collateral for loans placed on the Mintos P2P platform.
As of 31 December 2022, the amount of secured liabilities constitutes EUR 34 860 758 (As of 31 December 2021 EUR 18 573 636).

(30) Fair value of financial assets and financial liabilities

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist, Black-Scholes and option pricing models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, other premiums used in estimating discount rates, and expected price volatilities.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and may be derived from market prices or rates or estimated based on assumptions. Examples of instruments involving significant unobservable inputs include the valuation of pawn loan portfolio. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Also set out below is a comparison by class of the carrying amounts and fair values of the Company's and the Group's financial instruments that are not carried at fair value in the Consolidated balance sheet. The table does not include the fair values of non-financial assets and non-financial liabilities.

Notes (continued)

(30) Fair value of financial assets and financial liabilities (continued)

The Group

At 31 December 2022		Fair value hierarchy			
	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets for which fair values are disclosed					
Cash and cash equivalents	2 369 029	-	-	**2 369 029**	**2 369 029**
Loans and receivables					
Unsecured loans	-	-	60 976 977	**60 976 977**	**61 195 440**
Other financial assets	-	-	875 316	**875 316**	**875 316**
Assets which are accounted at fair value					
Loans and receivables					
Pawn loans	-	-	6 322 367	**6 322 367**	**6 322 367**
Liabilities for which fair values are disclosed					
Bonds issued	-	-	19 411 077	**19 411 077**	**19 113 740**
Other borrowings	-	-	33 486 167	**33 486 167**	**34 860 758**
Trade payables	-	-	856 429	**856 429**	**856 429**

At 31 December 2021		Fair value hierarchy			
	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets for which fair values are disclosed					
Cash and cash equivalents	2 459 862	-	-	**2 459 862**	**2 459 862**
Loans and receivables					
Unsecured loans	-	-	39 375 831	**39 375 831**	**39 695 831**
Other financial assets	-	-	519 705	**519 705**	**519 705**
Assets which are accounted at fair value					
Loans and receivables					
Pawn loans	-	-	4 059 372	**4 059 372**	**4 059 372**
Liabilities for which fair values are disclosed					
Bonds issued	-	-	11 254 482	**11 254 482**	**10 838 165**
Other borrowings	-	-	18 496 882	**18 496 882**	**18 573 636**
Trade payables	-	-	805 784	**805 784**	**805 784**

Notes (continued)

(30) Fair value of financial assets and financial liabilities (continued)

The Company

At 31 December 2022			Fair value hierarchy		
	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets for which fair values are disclosed					
Cash and cash equivalents	2 000 924	-	-	**2 000 924**	**2 000 924**
Loans and receivables					
Unsecured loans	-	-	42 065 686	42 065 686	**43 120 817**
Other financial assets	-	-	689 203	689 203	**689 203**
Assets which are accounted at fair value					
Loans and receivables					
Pawn loans	-	-	6 322 367	6 322 367	**6 322 367**
Liabilities for which fair values are disclosed					
Bonds issued	-	-	19 411 077	**19 411 077**	**19 113 740**
Other borrowings	-	-	24 930 902	**24 930 902**	**25 614 900**
Trade payables	-	-	795 123	**795 123**	**795 123**

At 31 December 2021			Fair value hierarchy		
	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets for which fair values are disclosed					
Cash and cash equivalents	2 225 535	-	-	**2 225 535**	**2 225 535**
Loans and receivables					
Unsecured loans	-	-	30 031 953	**30 031 953**	**30 268 432**
Other financial assets	-	-	399 663	**399 663**	**399 663**
Assets which are accounted at fair value					
Loans and receivables					
Pawn loans	-	-	4 059 372	**4 059 372**	**4 059 372**
Liabilities for which fair values are disclosed					
Bonds issued	-	-	11 254 482	**11 254 482**	**10 838 165**
Other borrowings	-	-	13 341 965	**13 341 965**	**13 470 502**
Trade payables	-	-	752 114	**752 114**	**752 114**

Reconciliation

The following table shows a reconciliation from the beginning balances to the ending balances for assets accounted at fair value in Level 3 of the fair value hierarchy.

The Group and the Company

2022	Group	Company
Balance at 1 January	4 059 372	4 059 372
Total gains or losses:		
Interest income	5 963 753	5 963 753
Other income	736 791	736 791
Issues	19 566 870	19 566 870
Settlements	(24 004 419)	(24 004 419)
Balance at 31 December	6 322 367	6 322 367

2021	Group	Company
Balance at 1 January	3 851 786	3 851 786
Total gains or losses:		
Interest income	4 458 355	4 458 355
Other income	615 262	615 262
Issues	12 990 046	12 990 046
Settlements	(17 856 077)	(17 856 077)
Balance at 31 December	4 059 372	4 059 372

Notes (continued)

(30) Fair value of financial assets and financial liabilities (continued)

Unobservable inputs used in measuring fair value

The following table sets out information about significant unobservable inputs used at 31 December 2022 and 2021 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of financial instrument	Fair values at 31 December	Valuation technique	Significant unobservable input	Range of estimates for unobservable input	Fair value measurement sensitivity to unobservable inputs
Pawn loans	2022: 6 322 368 (2021: 4 067 061)	Discounted cash flow	Sales costs Discount rate Expected return for cash-flows Sales margin cap	2022: 12% - 32% (2021: 13.5%-35.5%) 2022: 6%-190% (2021: 6%-200%) 2022: (21%-34%) (2021: 29%-32%) 2022: (5%-85%) (2021: 5%-85%)	Significant increases in any of these inputs in isolation would result in lower fair values.

Significant unobservable inputs are developed as follows:
- Sales costs and sale margins are derived from historical trends.
- Expected cash flows are derived from the entity's business plan and from historical comparison between plans and actual results.

The effect of unobservable inputs on fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects.

	Effect on profit or loss	
	Favorable	**(Unfavorable)**
31 December 2022		
Pawn loans	563 382	(609 604)
31 December 2021		
Pawn loans	322 678	(335 388)

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of pawn loans have been calculated by recalibrating the model values using unobservable inputs – sales costs, discount rate, expected return and sales margin cap.
Key inputs and assumptions used in the models at 31 December 2022 included:
- the average monthly discount rate of 15.9% (with reasonably possible alternative assumptions of 14.9% and 16.9%) (2021: 16.8%, 15.8% and 17.8% respectively)
- cumulative average expected return of 32% (with reasonably possible alternative assumptions of 30% and 34%) (2021: 30.2%, 28.2% and 32.2% respectively)
- average sales margin cap of 85% (with reasonably possible alternative assumptions of 65% and 105%) (2021: 85%, 65% and 105% respectively)
- average sales costs of 22% (with reasonably possible alternative assumptions of 12% and 32%) (2021: 23.5%, 13.53% and 33.5% respectively)

Collateral for pawn loans

Pawn loans made by the Group are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The following table sets out the principal types of collateral held against pawn loans:

	2022	**2021**
Goods	2 983 697	1 827 892
Gold	3 338 670	2 231 480
TOTAL	**6 322 367**	**4 059 372**

Notes (continued)

(30) Fair value of financial assets and financial liabilities (continued)

The following tables stratify credit exposures for pawn loans by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for goods is determined on the collateral value at origination.

LTV ratio	2022	2021
Goods		
Less than 50%	126 633	107 254
51–70%	1 557 218	962 763
71–90%	1 208 955	678 285
91–100%	60 295	36 798
More than 100%	30 596	42 792
Total	**2 983 697**	**1 827 892**

The value of the collateral for gold is determined based on the market price of gold at the date of origination of loans and can be up to 95% of market price of gold.

(31) Analysis of financial liabilities by remaining contractual maturities

The tables below summarise the maturity profile of the Company's and 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.

The Group

As at 31 December 2022	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying value
Financial liabilities						
Bonds issued	311 087	16 775 016	5 401 476	-	**22 487 579**	**19 113 740**
Other borrowings	4 906 939	13 104 928	20 943 662	44 378	**38 999 907**	**35 055 022**
Lease liabilities	199 570	534 112	1 696 267	796 828	**3 226 777**	**2 918 440**
Trade payables	856 429	-	-	-	**856 429**	**856 429**
Total undiscounted financial liabilities	**6 274 025**	**30 414 056**	**28 041 405**	**841 206**	**65 570 692**	**57 943 631**

As at 31 December 2021	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying value
Financial liabilities						
Bonds issued	162 730	813 650	12 114 674	-	**13 091 054**	**10 838 165**
Other borrowings	2 606 848	6 212 304	11 522 590	90 425	**20 432 167**	**18 573 636**
Lease liabilities	153 770	689 756	1 858 560	1 151 757	**3 853 843**	**3 305 197**
Trade payables	805 784	-	-	-	**805 784**	**805 784**
Total undiscounted financial liabilities	**3 729 132**	**7 715 710**	**25 495 824**	**1 242 182**	**38 182 848**	**33 522 782**

Notes (continued)

(31) Analysis of financial liabilities by remaining contractual maturities (continued)

The Company

As at 31 December 2022	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**	**Carrying value**
Financial liabilities						
Bonds issued	311 087	16 775 016	5 401 476	-	**22 487 579**	**19 113 740**
Other borrowings	3 640 638	9 723 026	15 538 870	32 926	**28 935 460**	**25 614 900**
Lease liabilities	199 570	534 112	1 696 267	796 828	**3 226 777**	**2 918 440**
Trade payables	795 123	-	-	-	**795 123**	**795 123**
Total undiscounted financial liabilities	**4 946 418**	**27 032 154**	**22 636 613**	**829 754**	**55 444 939**	**48 442 203**

As at 31 December 2021	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**	**Carrying value**
Financial liabilities						
Bonds issued	162 730	813 650	12 114 674	-	**13 091 054**	**10 838 165**
Other borrowings	1 878 068	4 475 571	8 301 296	65 146	**14 720 081**	**13 470 502**
Lease liabilities	153 770	689 756	1 858 560	1 151 757	**3 853 843**	**3 305 197**
Trade payables	750 390	-	-	-	**750 390**	**752 114**
Total undiscounted financial liabilities	**2 944 958**	**5 978 977**	**22 274 530**	**1 216 903**	**32 415 368**	**28 365 978**

(31) Subsequent events

Management has evaluated subsequent events up to the date of issuance of these financial statements and has determined that there have been no significant subsequent events that would require recognition or disclosure in these financial statements.

Didzis Ādmīdiņš	**Aldis Umblejs**	**Sanita Zitmane**	**Inta Pudāne**
Chairman of the Board	Board Member	Board Member	Chief accountant

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

KPMG Baltics SIA
Roberta Hirsa iela 1
Riga, LV-1045
Latvia

T: + 371 67038000
kpmg.com/lv
kpmg@kpmg.lv

Independent Auditors' Report

To the shareholders of DelfinGroup AS

Report on the Audit of the Separate and Consolidated Financial Statements

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of DelfinGroup AS ("the Company") and accompanying consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 16 to 61 of the accompanying separate and consolidated Annual Report, which comprise:

— the separate and consolidated balance sheet as at 31 December 2022,

— the separate and consolidated statement of profit or loss for the year then ended,

— the separate and consolidated statement of changes in equity for the year then ended,

— the separate and consolidated cash flows statement for the year then ended, and

— the notes to the separate and consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

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, respectively, as at 31 December 2022, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 *Auditors' Responsibility for the Audit of the Separate and Consolidated Financial Statements* section of our report.

We are independent of the Company and Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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 the '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 – comparative information

We draw attention to Note 1 section Restatement in comparative figures due to correction of errors on page 21 of the separate and consolidated financial statements, which describes that the Company and the Group identified errors in the previous years relating to expected credit loss calculation, classification and resulting measurement error for pawn loans, application of effective interest rate method to interest income calculation, classification error for accounting of e-shop sales, as a result of which the comparative information presented as at and for the year ended 31 December 2021 and the statement of financial position as at 1 January 2021 have been restated. 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.

In addition to the matters described in the *Emphasis of Matter* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

KPMG

Impairment allowances for Loans and receivables issued without pledge (separate and consolidated financial statements)	
Group's consolidated financial statements The gross amount of Loans and receivables issued without pledge as at 31 December 2022: EUR 65 607 thousand (31 December 2021: EUR 43 234 thousand); impairment losses on Loans and receivables recognised in 2022: EUR 6 161 thousand (in 2021: EUR 2 815 thousand); total impairment allowance as at 31 December 2022: EUR 4 411 thousand (31 December 2021: EUR 3 546 thousand). Company's separate financial statements The gross amount of Loans and receivables as at 31 December 2022: EUR 45 690 thousand (31 December 2021: EUR 32 626 thousand); impairment losses on Loans and receivables recognised in 2022: EUR 3 508 thousand (in 2021: EUR 1 566 thousand); total impairment allowance as at 31 December 2022: EUR 2 569 thousand (31 December 2021: EUR 2 365 thousand). We refer to the separate and consolidated financial statements: Note 1 (l) (Accounting policies), (s1.2) (Financial risk management), (t) (Significant assumptions and estimates), Note 15.	
Key audit matter	***How we addressed the key audit matter***
Loans and receivables issued without pledge, collectively represent approximately 79% of the Group's assets as at 31 December 2022 (31 December 2021: approximately 76%) and approximately 68% of the Company's assets as at 31 December 2022 (31 December 2021: approximately 67%). The Group offers loan products issued to private individuals. In accordance with IFRS 9, the Company and the Group calculates impairment allowance based on expected credit losses ("ECLs"). ECLs are estimated mainly based on the historical pattern of losses and changes in loan risk characteristics based on qualitative and quantitative indicators such as the probability of default ("PD") and loss given default ("LGD"). The Company and the Group incorporates forward looking information into modelling techniques applied and recognizes a post model adjustment, where it is deemed appropriate. Impairment allowance represents the Management's best estimate of the expected credit losses related the Loans and receivables issued without pledge as at the reporting date and requires significant judgments.	Our procedures in the area performed in coordination with our own financial risk modelling specialists included, among others: • inspecting the Group's expected credit loss ("ECL") methodology and assessing its compliance with the relevant requirements of IFRS 9; • testing selected key controls over the approval and recording and monitoring of loans; • assisted by our own information technology (IT) specialists, testing the application and general IT controls related to the ECL estimation process including calculation of days past due; • assessing the definition of default and the staging criteria and their consistent application by evaluating these against the requirements of IFRS 9; • independently assessing and challenging the forward-looking information used in the ECL model, by means of corroborating inquiries of the Management and inspection of publicly available information;

Due to the above factors, we consider the area to be associated with a significant risk of material misstatement, which requires our increased attention in the audit. As such, we determined it to be a key audit matter.	• challenging LGD and PD parameters, by assessing historical default levels and by reference to historical realized losses on defaults and loan sales; • assessing the adequacy of the Company's and the Group's disclosures on the loss allowances, credit risk management in the notes to the separate and consolidated financial statements.

Fair value measurement of pawn loans (separate and consolidated financial statements)

Company's and Group's consolidated financial statements

The carrying amount of pawn loans as at 31 December 2022: EUR 6 322 thousand (31 December 2021: EUR 4 067 thousand). Income recognised from pawn loans in 2022: EUR 6 701 thousand (in 2021: EUR 5 074 thousand).

We refer to the separate and consolidated financial statements: Note 1 (e) and (l) (Accounting policies), (t) (Significant assumptions and estimates), Note 15 and Note 30.

Key audit matter	***How we addressed the key audit matter***
The Company and the Group have a significant balance of pawn loans. The Company and the Group measures pawn loans at fair value, with all changes therein recorded in profit or loss as a consequence of significant management judgment applied relating to these loans not meeting the solely payments of principal and interest (SPPI) criteria set out in IFRS 9. The valuation of the Company's and Group's pawn loans measured at fair value involves significant judgements and estimates made by the management using the input from internal valuation of collaterals, particularly in relation to sensitivity of assumptions regarding selling costs of collateral, discount rates and cash flow projections. Due to the above factors, we consider the area to be associated with a significant risk of material misstatement, which requires our	Our procedures included, among others: • involving IFRS accounting specialists in assessing the management judgment made in relation to assessment of compliance with solely payments of principal and interest criteria for pawn loans by inspecting the general terms and conditions applied to pawn loans, inspecting statistic relating to past outcomes for defaulted pawn loans in relation to realisation of collateral; • based on our understanding of the Company's and Group's approach to valuation of pawn loans, assessing the applied valuation methodology against the requirements of IFRS 13 Fair Value Measurement; • using our own internal valuation specialists, challenging the valuation

increased attention in the audit. As such, we determined it to be a key audit matter.	methods and key assumptions applied by the Company's and Group's management, including those in respect of selling costs of collateral, discount rates and cash flow projections, and performing a sensitivity analysis in respect of the above key assumptions to evaluate the effects of their potential changes on the fair values; • assessing the adequacy of the Company's and the Group's disclosures on pawn loans and the valuation techniques and significant unobservable inputs disclosed in the notes to the separate and consolidated financial statements.

Other Matter relating to comparative information

The separate and consolidated financial statements of DelfinGroup AS as at and for the years ended 31 December 2021 and 31 December 2020 (from which the statement of financial position as at 1 January 2021 has been derived), excluding the adjustments described in Note 1 to the separate and consolidated financial statements, were audited by another auditor, who expressed an unmodified opinion on those financial statements on 29 March 2022 and 23 April 2021.

As part of our audit of the separate and consolidated financial statements as at and for the year ended 31 December 2022, we audited the adjustments described in Note 1 that were applied to restate the comparative information presented as at and for the year ended 31 December 2021 and the statement of financial position as at 1 January 2021. We were not engaged to audit, review, or apply any procedures to the separate and consolidated financial statements for the years ended 31 December 2021 or 31 December 2020 (not presented herein) or to the separate and consolidated statement of financial position as at 1 January 2021, other than with respect to the adjustments described in Note 1 to the separate and consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 1 are appropriate and have been properly applied.

Reporting on Other Information

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

— Information on the Company and Subsidiaries, as set out on pages 3 to 5 of the accompanying separate and consolidated Annual Report,

— the Statement on Management Responsibility, as set out on page 6 of the accompanying separate and consolidated Annual Report,

— the Management Report, as set out on pages 7 to 15 of the accompanying separate and consolidated Annual Report,

— the Statement of Corporate Governance prepared by the management as a stand-alone statement which at the date of the auditor's report is publicly available on the Group's website https://delfingroup.lv/reports,

— Remuneration report prepared by the management as a stand-alone statement which at the date of the auditor's report is publicly available on the Group's website https://delfingroup.lv/reports.

Our opinion on the separate and consolidated financial statements does not cover the other information included in the separate and consolidated 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 Company, Group and their 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' of the Republic of Latvia.

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

— the information given in the Management Report for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and

— the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the 'Law on Audit Services' 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 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.

Furthermore, in accordance with the 'Law on Audit Services' of the Republic of Latvia our responsibility is to consider whether the Remuneration Report includes the information required in section 59.4 of the 'Financial Instruments Market Law' of the Republic of Latvia, and whether material misstatements have been identified in the Remuneration Report in relation to the financial information disclosed in the Annual Report.

In our opinion, the Remuneration Report includes the information required in section 59.4 of the 'Financial Instruments Market Law' of the Republic of Latvia, and no material misstatements have been identified in the Remuneration Report in relation to the financial information disclosed in the separate and consolidated Annual Report.

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 IFRSs 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 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 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 Group's financial reporting process.

Auditors' 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 auditors' 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 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 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company and 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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.

Report on Other Legal and Regulatory Requirements

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 10 June 2022 to audit the separate and consolidated financial statements of DelfinGroup AS for the year ended 31 December 2022. Our total uninterrupted period of engagement is 1 year.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company and Group;

- as referred to in the paragraph 37.6 of the 'Law on Audit Services' of the Republic of Latvia we have not provided to the Company and Group the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity and group in conducting the audit.

For the period to which our statutory audit relates, we have not provided any services to the Company and Group in addition to the audit, which have not been disclosed in the Management Report or in the separate and consolidated financial statements of the Company and the Group.

The responsible certified auditor on the audit resulting in this independent auditors' report is Rainers Vilāns.

Report on the Auditors' Examination of the European Single Electronic Format (ESEF) Report

In addition to our audit of the accompanying separate and consolidated financial statements, as included in the separate and consolidated Annual Report, we have also been engaged by the management of the Group to express an opinion on compliance of the separate and consolidated financial statements prepared in a format that enables uniform electronic reporting ("the ESEF Report") with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management and Those Charged with Governance for the ESEF Report

Management is responsible for the preparation of the separate and consolidated financial statements in a format that enables uniform electronic reporting that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the separate and consolidated financial statements in the applicable xHTML format;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

Those charged with governance are responsible for overseeing the financial reporting process.

Auditors' Responsibility for the Examination of the ESEF Report

Our responsibility is to express an opinion on whether the ESEF report complies, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with *International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000)* issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Our procedures included, among other things:

- obtaining an understanding of the tagging process;
- tracing the tagged data to the consolidated financial statements of the Group presented in human-readable format;
- evaluating the completeness of the Group’s tagging of the consolidated financial statements;
- evaluating the appropriateness of the Group’s use of iXBRL elements selected from the ESEF taxonomy and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements; and
- evaluating the appropriateness of the format of the separate and consolidated financial statements.

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

Opinion

In our opinion, the ESEF Report of the Company and Group as at and for the year ended 31 December 2022 has been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

KPMG Baltics SIA
Licence No. 55

Rainers Vilāns
Member of the Board
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia
30 April 2023

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND IT HAS A TIME-STAMP

AS "DelfinGroup"

Annual accounts
for the year ended
31 December 2021
and
Consolidated
Annual accounts
for the year ended
31 December 2021

prepared in accordance with International Financial Reporting Standards as adopted by EU

Translation from Latvian

Table of Contents

Information on the Company and Subsidiaries

Name of the Company	DelfinGroup
Legal status of the Company	Joint stock company (till 19.01.2021, Limited liability company)
Number, place and date of registration	40103252854 Commercial Registry Riga, 12 October 2009
Operations as classified by NACE classification code system	NACE2 64.92 Other credit granting NACE2 47.91 Retail sale via mail order houses or via Internet NACE2 47.79 Retail sale of second-hand goods in stores NACE 47.77 retail sale of watches and jewellery in specialised stores
Address	50A Skanstes Street, Riga, LV-1013 Latvia
Names and addresses of shareholders	SIA L24 Finance (57.53%), 12 Juras Street, Liepaja, Latvia SIA AE Consulting (8.83%), 50A Skanstes Street, Riga, Latvia SIA EC finance (18.81%), 50A Skanstes Street, Riga, Latvia Other (14.83%)
Ultimate parent company	SIA L24 Finance Reg. No. 40103718685 12 Juras Street, Liepaja, Latvia
Names and positions of Board members	Didzis Ādmīdiņš – Chairman of the Board (from 19.01.2021) Aldis Umblejs – Member of the Board (from 15.12.2021) Sanita Zitmane – Member of the Board (from 01.03.2022) Agris Evertovskis – Chairman of the Board (from 12.10.2009 till 19.01.2021) Didzis Ādmīdiņš – Member of the Board (from 11.07.2014 till 19.01.2021) Kristaps Bergmanis – Member of the Board (from 11.07.2014 till 15.12.2021) Ivars Lamberts – Member of the Board (from 11.01.2018 till 28.02.2022)

Names and positions of Supervisory Board members	Agris Evertovskis – Chairperson of the Supervisory Board (from 19.01.2021 till 12.04.2021, from 13.04.2021) Gatis Kokins – Deputy Chairman of the Supervisory Board (from 13.04.2021) Mārtiņš Bičevskis – Member of the Supervisory Board (from 13.04.2021) Jānis Pizičs – Member of the Supervisory Board (from 13.04.2021) Edgars Voļskis – Member of the Supervisory Board (from 13.04.2021) Anete Ozoliņa – Deputy Chairman of the Supervisory Board (from 19.01.2021 till 13.04.2021) Uldis Judinskis – Member of the Supervisory Board (from 19.01.2021 till 13.04.2021) Uldis Judinskis – Chairperson of the Supervisory Board (from 16.05.2019 till 19.01.2021) Ramona Miglāne – Deputy Chairman of the Supervisory Board (from 16.05.2019 till 19.01.2021) Anete Ozoliņa – Member of the Supervisory Board (from 16.05.2019 till 19.01.2021)
Financial year	1 January 2021 - 31 December 2021
Name and address of the auditor	SIA BDO ASSURANCE Certified Auditors' Company license No. 182 Kaļķu street 15-3B, Riga, LV-1050 Latvia Responsible Certified Auditor: Irita Cimdare Certificate No. 103

Information on the Subsidiaries

Subsidiary	SIA ViziaFinance (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	23.02.2015
Number, place and date of registration of the subsidiary	40003040217; Riga, 06 December 1991
Address of the subsidiary	50A Skanstes Street, Riga, Latvia
Operations as classified by NACE classification code system of the subsidiary	64.92 Other financing services

Statement of management`s responsibility

The management of AS *DelfinGroup* (hereinafter – the Company) is responsible for the preparation of the financial statements of the Company and for the preparation of the consolidated financial statements of the Compaany and its subsidiaries (hereinafter – the Group).

The financial statements set out on pages 10 to 45 are prepared in accordance with the source documents and present the financial position of the Company and the Group as of 31 December 2021 and 31 December 2020 and the results of their operations, changes in shareholders' equity and cash flows for the years then ended. The management report set out on pages 7 to 9 presents fairly the financial results of the reporting period and future prospects of the Company and the Group.

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

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

Didzis Ādmīdiņš	**Aldis Umblejs**	**Sanita Zitmane**
Chairman of the Board	Board Member	Board Member

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Management report

According to the audited results of the year 2021 Latvian financial services company AS *DelfinGroup* has increased its revenue to EUR 25.5 million or by 7.7.% a year on year basis and 9.2% on a quarterly basis. In the 4th quarter of 2021 EBITDA increased by 33.3% compared to 3rd quarter of 2021 and for 12 months EBITDA increased by 7.4% and reached EUR 10.2 million. During the 4th quarter of 2021 profit before taxes increased by 41.7% compared to 3rd quarter of 2021 and was EUR 1.7 million and by 7.2% year on year and reached EUR 5.2 million. During the 4th quarter of 2021 the net profit has increased by 60% compared to 3rd quarter. The 4th quarter financial results mark the best results for a give quarter in the history of the Group. The increased revenue and profitability were mainly facilitated by stable growth of online consumer lending and retail of pre-owned goods.

During 2021 AS *DelfinGroup* issued EUR 52.5 million in new loans securing loan issuance growth of 9% year on year. Growth in loan issuance was mainly supported by the significant consumer lending increase which grew by 24% year on year and reached EUR 37 million. The positive trend of consumer loan issuance also reflected in AS *DelfinGroup* net loan portfolio which at the end of 2021 reached a record level – EUR 43 million, a 23.9% increase compared to previous year. Although, due to the restrictions placed on offline services in 2021 pawn loan issuance decreased by 15% year on year, nevertheless, in the 4th quarter of 2021 pawn loan segment has improved by having only a slight 5% decrease in the issuance compared to the same period in 2020.

In the 4th quarter of 2021 AS *DelfinGroup* successfully closed initial public offering (IPO) on *Nasdaq Riga* stock exchange in which a total of 5,927 investors participated. As a result AS *DelfinGroup* raised in total EUR 8.09 million of gross proceeds. The split of the new shareholders is as follows: 4.5 thousand investors from Estonia, 1.2 thousand from Latvia, 0.2 thousand from Lithuania and 44 investors from other countries. On 20 October 2021 AS *DelfinGroup* shares were listed for trading on the *Baltic Main List*. Funds attracted from the IPO substantially improved capital structure of the company as a result equity ratio reaching of 33.4% at the end of 2021.

With the help of funds raised from the IPO, during the 4th quarter 2021 AS *DelfinGroup* repaid and refinanced bonds in total amount of EUR 13.5 million. From those bonds EUR 5 million with 14% coupon rate were repaid according to schedule on 25.10.2021. With the aim to decrease financing costs EUR 5 million bonds with a 14% coupon rate and EUR 3.5 million bonds with 12% coupon rate were redeemed prematurely in November and December of 2021. All the transactions were made according to the IPO prospectus with the goal to decrease the cost of interest-bearing liabilities. As a result, during the 4th quarter the average cost of interest-bearing liabilities decreased from 10.7% to 7.5%. In addition, to support the growing loan portfolio during November 2021 AS *DelfinGroup* registered a new issue of unsecured bonds in the amount of EUR 10 million with an annual coupon rate of 8%. This is the lowest coupon rate in the history of AS *DelfinGroup* and marks a new milestone for the Group. At the end of the reporting period subscription of the bonds was still ongoing.

During 3rd quarter 2021 AS *DelfinGroup* signed a contract with AS Moda Kapitāls (the owner of the fourth largest pawn shop network in Latvia) to purchase AS Moda Kapitāls pawn shop assets. At that time AS Moda Kapitāls owned 25 pawn shop branches throughout Latvia. Among other things, the contract involved the purchase of AS Moda Kapitāls pawn loan portfolio. The transaction was finalized beginning of February 2022.

On December 15 December the composition of the Management Board was changed: Chief Financial Officer Aldis Umblejs was appointed as a Member of the Management Board. He replaced Kristaps Bergmanis who had decided to resign from his positions as Member of the Management Board and undertake other activities outside the Group. On 1 March 2022 Sanita Zitmane was appointed as a Member of the Management Board and Ivars Lamberts resigned from his positions as Member of the Management Board.

On 14 October SIA *ExpressInkasso* and on 1 December SIA *REFIN* were liquidated and excluded from the Register of Enterprises. The activities of these companies will be carried out by the parent company *AS DelfinGroup.*

Management report (CONTINUED)

On 10th December 2021 AS *DelfinGroup* held its first shareholders' meeting as a public stock company. At the meeting AS *DelfinGroup* shareholders approved to pay out an extraordinary dividend in the amount of EUR 512 thousand, namely EUR 0.0113 per share, from the profit of the third quarter of 2021 of AS DelfinGroup. Dividends were paid according to AS *DelfinGroup* dividend policy which anticipate quarterly dividend payments up to 50% from previous quarters' net profit. In addition, shareholders approved the issue of new bonds up to EUR 10 million to fund further business development of the company.

For the twelve months of 2021, in accordance with the adopted dividend policy, the company paid dividends in the amount of EUR 3.7 million.

By implementing the business strategy and all planned activities, the following financial results of the Group were achieved in 2021 as compares to 2020:

Position	EUR, million	Change, %
Net loan portfolio	43.0	+23.9
Assets	52.1	+12.8
Revenue	25.5	+7.7
EBITDA	10.2	+7.4
Profit before taxes	5.2	+7.2
Net profit	4.2	+3.0

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

Position	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4
Total income, EUR million	6.7	6.0	5.9	6.5	7.1
EBITDA, EUR million	2.5	2.5	2.1	2.4	3.2
EBITDA margin, %	37%	42%	35%	37%	45%
EBIT, EUR million	2.2	2.3	1.8	2.1	2.8
EBIT margin, %	33%	38%	31%	33%	39%
Profit before taxes, EUR million	1.2	1.1	1.1	1.2	1.7
Net profit, EUR million	0.9	0.8	0.8	1.0	1.6
Net profit margin, %	13%	13%	14%	16%	23%
ROE (annualised), %	42%	36%	38%	46%	47%
Current ratio	1.3	1.0	0.9	1.4	1.5

In some cases, quantitative values have been rounded up to the nearest decimal place or whole number to avoid an excessive level of detail. As a result, certain values may not necessarily add up to the respective totals due to the effects of the approximation.

EBITDA calculation, EUR million:

Item	2021	2020
Profit before tax	5.2	4.9
Interest expenses and similar expenses	3.9	3.5
Depreciation of fixed assets and amortisation	1.1	1.1
EBITDA, EUR million	**10.2**	**9.5**

Management report (CONTINUED)

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

Covenant	Value as of 31.12.2021	Compliance
to maintain a Capitalization Ratio at least 25%	40%	yes
to maintain consolidated ICR of at least 1.25 times, calculated on the trailing 12 month basis	2.4	yes
to maintain the Net Loan portfolio, plus Cash, net value of outstanding Mintos Debt Security and secured notes balance, at least 1.2 times the outstanding principal amount of all unsecured interest-bearing debt on a consolidated basis.	2.4	yes

Branches
During the period from 1 January 2021 to 31 December 2021, the Group continued to work on branch network efficiency. As at 31 December 2021, the Group had 93 branches in 38 cities in Latvia (31.12.2020 - 89 branches in 38 cities).

Risk management
The Group is not exposed to foreign exchange rate risk because the basic transaction currency is the Euro. Majority of the funding of the Group consists of fixed coupon rate bonds and loans, so that the Group is not exposed to variable interest rate risk. Accurate application of the prudent strategies chosen has allowed the Group to successfully manage its financial risks, particularly the liquidity and credit risk. All Group transactions are performed in Latvia, the Group has no counterparties in Russia and Belaruss thus the impact of the war in Ukraine and the associated sanctions has insignificant effect on the company's operations.

Distribution of the profit proposed by the Company
The Company's board recommends the distribution of annual dividends in amount of EUR 2.5 million.

The Corporate Governance Report for 2021 has also been submitted to *AS Nasdaq Riga* together with this separate and consolidated Annual Financial Report for year ended 31 December 2021 by *AS DelfinGroup*.

Didzis Ādmīdiņš Chairman of the Board	**Aldis Umblejs** Board Member	**Sanita Zitmane** Board Member

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Statement of profit or loss for the year ended 31 December 2021

	Notes	Company 2021 EUR	Group 2021 EUR	Company 2020 (restated, Note 1) EUR	Group 2020 (restated, Note 1) EUR
Net sales	(2)	5 667 337	5 667 337	6 164 231	6 164 231
Cost of sales	(3)	(3 668 010)	(3 668 010)	(4 224 332)	(4 224 332)
Interest income and similar income	(4)	16 527 133	19 821 198	15 459 316	17 499 755
Interest expenses and similar expenses	(5)	(3 497 133)	(3 827 313)	(3 407 017)	(3 633 152)
Credit loss expenses		(1 261 141)	(2 236 898)	(890 243)	(1 505 116)
Gross profit		**13 768 186**	**15 756 314**	**13 101 955**	**14 301 386**
Selling expenses	(6)	(5 820 639)	(6 124 650)	(5 221 723)	(5 446 243)
Administrative expenses	(7)	(4 026 730)	(4 212 808)	(3 108 291)	(3 261 026)
Other operating income		237 719	85 033	71 384	72 395
Other operating expenses		(292 275)	(300 865)	(627 549)	(812 259)
Income from participating interests		262 919	-	-	-
Profit before corporate income tax		**4 129 180**	**5 203 024**	**4 215 776**	**4 854 253**
Income tax expenses	(8)	(873 080)	(979 191)	(753 716)	(754 536)
Net profit		**3 256 100**	**4 223 833**	**3 462 060**	**4 099 717**
Earnings per share	(9)	0.079	0.103	0.087*	0.102*

* Earnings per shares for 12 months ended 31 December 2020 have been adjusted retrospectively to account for the share split performed in 2021.

Notes on pages from 15 to 45 are an integral part of these financial statements.

Didzis Ādmīdiņš Chairman of the Board	**Aldis Umblejs** Board Member	**Sanita Zitmane** Board Member	**Inta Pudāne** Chief accountant

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Balance sheet as at 31 December 2021

Assets		Company 31.12.2021	Group 31.12.2021	Company 31.12.2020 (restated, Note 1)	Group 31.12.2020 (restated, Note 1)
Non-current assets:	**Notes**	**EUR**	**EUR**	**EUR**	**EUR**
Intangible assets:					
Patents, licences, trademarks and similar rights		64 037	64 037	124 256	124 256
Internally developed software		376 816	376 816	202 248	202 248
Other intangible assets		42 056	50 669	41 927	54 076
Goodwill		-	127 616	-	127 616
Advances on intangible assets		18 834	18 834	-	-
Total intangible assets:	(10)	**501 743**	**637 972**	**368 431**	**508 196**
Property, plant and equipment:					
Land, buildings, structures and perennials		169 906	169 906	-	85 385
Investments in property, plant and equipment		186 681	186 681	196 607	196 607
Right-of-use assets		2 972 570	2 972 570	3 194 412	3 194 412
Other fixtures and fittings, tools and equipment		206 604	206 604	248 214	248 214
Total property, plant and equipment	(11;12)	**3 535 761**	**3 535 761**	**3 639 233**	**3 724 618**
Non-current financial assets:					
Investments in related companies	(13)	880 000	-	1 685 672	-
Loans to related companies	(25)	1 768 200	-	1 155 565	-
Loans and receivables	(16)	21 164 732	28 569 431	13 987 061	17 711 758
Loans to shareholders and management	(14)	-	-	474 484	474 484
Total non-current financial assets:		**23 812 932**	**28 569 431**	**17 302 782**	**18 186 242**
Total non-current assets:		**27 850 436**	**32 743 164**	**21 310 446**	**22 419 056**
Current assets:					
Inventories:					
Finished goods and goods for sale		1 949 490	1 949 490	1 534 007	1 534 007
Total inventories:	(15)	**1 949 490**	**1 949 490**	**1 534 007**	**1 534 007**
Receivables:					
Loans and receivables	(16)	12 238 336	14 392 319	12 588 435	16 962 096
Loans to related companies	(25)	38 075	-	2 876 548	-
Other debtors		289 554	352 269	135 227	374 756
Deferred expenses		110 109	167 436	224 366	279 523
Total receivables:		**12 676 074**	**14 912 024**	**15 824 576**	**17 616 375**
Cash and cash equivalents	(17)	2 225 535	2 459 862	3 768 356	4 591 954
Total current assets:		**16 851 099**	**19 321 376**	**21 126 939**	**23 742 336**
Total assets		**44 701 535**	**52 064 540**	**42 437 385**	**46 161 392**

Notes on pages from 15 to 45 are an integral part of these financial statements.

Didzis Ādmīdiņš	**Aldis Umblejs**	**Sanita Zitmane**	**Inta Pudāne**
Chairman of the Board	Board Member	Board Member	Chief accountant

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Balance sheet as at 31 December 2021

Liabilities and equity	Notes	Company 31.12.2021	Group 31.12.2021	Company 31.12.2020 (restated, Note 1)	Group 31.12.2020 (restated, Note 1)
Equity:		EUR	EUR	EUR	EUR
Share capital	(18)	4 531 959	4 531 959	4 000 000	4 000 000
Share premium		6 890 958	6 890 958	-	-
Retained earnings:					
- brought forward		514 359	1 730 571	775 437	1 353 992
- for the reporting period		3 256 100	4 223 833	3 462 060	4 099 717
Total equity:		**15 193 376**	**17 377 321**	**8 237 497**	**9 453 709**
Liabilities:					
Long-term liabilities:					
Bonds issued	(19)	10 825 162	10 825 162	8 441 717	8 441 717
Other borrowings	(20)	5 125 100	8 086 468	5 646 755	6 816 925
Lease liabilities for right-of-use assets	(12)	2 652 498	2 652 498	2 732 136	2 732 136
Total long-term liabilities:		**18 602 760**	**21 564 128**	**16 820 608**	**17 990 778**
Short-term liabilities:					
Bonds issued	(19)	13 003	13 003	5 022 652	5 022 652
Other borrowings	(20)	8 345 402	10 487 168	9 339 999	10 869 932
Lease liabilities for right-of-use assets	(12)	652 699	652 699	703 715	703 715
Trade payables		752 114	805 784	676 305	702 933
Accounts payable to affiliated companies		-	-	243 815	-
Taxes and social insurance	(21)	391 791	398 268	810 031	815 952
Accrued liabilities		750 390	766 169	582 763	601 721
Total short-term liabilities:		**10 905 399**	**13 123 091**	**17 379 280**	**18 716 905**
Total liabilities		**29 508 159**	**34 687 219**	**34 199 888**	**36 707 683**
Total liabilities and equity		**44 701 535**	**52 064 540**	**42 437 385**	**46 161 392**

Notes on pages from 15 to 45 are an integral part of these financial statements.

Didzis Ādmīdiņš	**Aldis Umblejs**	**Sanita Zitmane**	**Inta Pudāne**
Chairman of the Board	Board Member	Board Member	Chief accountant

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Statement of changes in equity of the Company's for the year ended 31 December 2021

	Notes	Share capital EUR	Share premium EUR	Retained earnings (restated, Note 1) EUR	Total EUR
As at 31 December 2019		**1 500 000**	**-**	**6 275 437**	**7 775 437**
Dividends paid		-	-	(3 000 000)	(3 000 000)
Share capital transfer		2 500 000	-	(2 500 000)	-
Profit for the reporting period (restated, note 1)		-	-	3 462 060	3 462 060
As at 31 December 2020		**4 000 000**	**-**	**4 237 497**	**8 237 497**
Dividends paid		-	-	(3 723 138)	(3 723 138)
Share capital increase resulted from IPO	(18)	531 959	7 553 823	-	8 085 782
IPO transaction costs	(18)	-	(662 865)	-	(662 865)
Profit for the reporting period		-	-	3 256 100	3 256 100
As at 31 December 2021		**4 531 959**	**6 890 958**	**3 770 459**	**15 193 376**

Statement of changes in equity of the Group for the year ended 31 December 2021

	Notes	Share capital EUR	Share premium EUR	Retained earnings (restated, Note 1) EUR	Total EUR
As at 31 December 2019		**1 500 000**	**-**	**6 867 492**	**8 367 492**
Dividends paid		-	-	(3 000 000)	(3 000 000)
Share capital transfer		2 500 000	-	(2 500 000)	-
Retained earnings subsidiary inclusion		-	-	(13 500)	(13 500)
Profit for the reporting period (restated, note 1)		-	-	4 099 717	4 099 717
As at 31 December 2020		**4 000 000**	**-**	**5 453 709**	**9 453 709**
Dividends paid		-	-	(3 723 138)	(3 723 138)
Share capital increase resulted from IPO	(18)	531 959	7 553 823	-	8 085 782
IPO transaction costs	(18)	-	(662 865)	-	(662 865)
Profit for the reporting period		-	-	4 223 833	4 223 833
As at 31 December 2021		**4 531 959**	**6 890 958**	**5 954 404**	**17 377 321**

Notes on pages from 15 to 45 are an integral part of these financial statements.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

Inta Pudāne
Chief accountant

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Cash flows statement for the year ended 31 December 2021

	Note	Company 2021 EUR	Group 2021 EUR	Company 2020 (restated, Note 1) EUR	Group 2020 (restated, Note 1) EUR
Cash flow from operating activities					
Profit before corporate income tax		**4 129 180**	**5 203 024**	**4 215 776**	**4 854 253**
Adjustments for non-cash items:					
a) depreciation of fixed assets and amortisation of intangible assets	(10;11)	355 539	362 325	281 390	302 364
b) depreciation of right-of-use assets	(11)	775 932	775 932	762 806	762 806
c) credit loss expenses		1 261 141	2 236 898	890 243	1 505 116
d) cessation results		128 077	160 423	438 240	620 101
e) interest income and similar income	(4)	(16 527 133)	(19 821 198)	(15 459 316)	(17 499 755)
f) interest expenses and similar expenses	(5)	3 497 133	3 827 313	3 407 017	3 633 152
g) liquidation of subsidiaries	(13)	(30 012)	-	-	-
h) other adjustments		-	-	(2 844)	(13 500)
Profit before adjustments of working capital and short-term liabilities		**(6 410 143)**	**(7 255 283)**	**(5 466 688)**	**(5 835 463)**
Change in operating assets/liabilities:					
a) (Increase) on loans and receivables and other debtors		(8 044 211)	(10 236 384)	(4 793 323)	(4 431 656)
b) (Increase) on inventories		(415 483)	(415 483)	(378 655)	(378 655)
c) (Decrease)/increase on trade payable and accrued liabilities		(86 391)	(64 256)	148 584	746 238
Gross cash flow from operating activities		**(14 956 228)**	**(17 971 406)**	**(10 490 082)**	**(9 899 536)**
Interest received		16 466 080	19 690 880	15 097 001	16 951 069
Interest paid		(3 908 926)	(4 271 452)	(3 852 786)	(4 260 782)
Corporate income tax payments		(753 716)	(754 536)	(349 957)	(349 957)
Net cash flow from operating activities		**(3 152 790)**	**(3 306 514)**	**404 176**	**2 440 794**
Cash flow from investing activities					
Acquisition of fixed assets, intangibles		(630 741)	(548 605)	(564 152)	(571 018)
Loans issued (other than core business of the Company)	(14)	(92 850)	(92 850)	(438 669)	(438 669)
Loans repaid (other than core business of the Company)		2 793 172	567 334	2 962 961	1 271 868
Liquidation quota of subsidiaries	(25)	938 691	-	-	-
Net cash flow from investing activities		**3 008 272**	**(74 121)**	**1 960 140**	**262 181**
Cash flow from financing activities					
Share capital increase resulted form IPO (incl. share premium)	(18)	8 085 782	8 085 782	-	-
IPO transaction costs	(18)	(662 865)	(662 865)	-	-
Loans received		13 643 489	20 633 934	7 349 981	10 415 870
Loans repaid		(15 505 807)	(19 849 406)	(8 642 673)	(11 546 966)
Bonds issued		11 111 000	11 111 000	8 606 000	8 606 000
Redemption of bonds		(13 481 000)	(13 481 000)	(2 975 000)	(2 975 000)
Repayment of lease liabilities		(865 764)	(865 764)	(746 569)	(746 569)
Dividends paid		(3 723 138)	(3 723 138)	(3 000 000)	(3 000 000)
Net cash flow from financing activities		**(1 398 303)**	**1 248 543**	**591 739**	**753 335**
Net cash flow of the reporting period		(1 542 821)	(2 132 092)	2 956 055	3 456 310
Cash and cash equivalents at the beginning of the reporting period		**3 768 356**	**4 591 954**	**812 301**	**1 135 644**
Cash and cash equivalents at the end of the reporting period		**2 225 535**	**2 459 862**	**3 768 356**	**4 591 954**

Notes on pages from 15 to 45 are an integral part of these financial statements.

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Chairman of the Board	Board Member	Board Member	Chief accountant

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Notes

(1) Accounting policies

(a) Basis of preparation

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

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial statements are prepared based on historic cost method.

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

These annual financial statements are prepared and disclosed on a consolidated basis and on a standalone basis. The following subsidiaries are included in the consolidation: SIA *ViziaFinance* (100%) for the period ended 31 December 2021.

The former subsidiary SIA *Banknote* commercial properties (100%) has been liquidated on 21 June 2021. The assets of the SIA *Banknote* commercial properties were transferred to AS *DelfinGroup* as liquidation quota. The former subsidiary SIA *ExpressInkasso* (100%) has been liquidated on 09 September 2021 (excluded from the Enterprise register on 14 October 2021). The assets of the SIA *ExpressInkasso* were transferred to AS *DelfinGroup* as liquidation quota. The former subsidiary SIA *REFIN* (100%) has been liquidated on 01 December 2021. The assets of the SIA *REFIN* were transferred to AS *DelfinGroup* as liquidation quota. For amount and types of assets acquired from each liquidated subsidiary see note 13.

Following the rapid spread of COVID-19 pandemic in 2020, which continued in 2021, many governments, including the Latvian Republic, have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain areas. These measures have affected the global supply chain, demand for goods and services, as well as scale of business activity. It is expected that pandemic itself as well as the related public health and social measures may influence the business of the entities in a wide range of industries.

Support measures were introduced by the Government of Latvian Republic to counter the economic downturn caused by the COVID-19 pandemic. These measures include, among others, subsidized lending to affected industries and individuals, payment holidays and easing of certain regulatory restrictions to help the financial sector maintain its capabilities to provide resources and to help customers avoid liquidity shortages as a result of the COVID-19 containment measures.
Starting 11 October 2021, the government of Latvia declared a new state of emergency due to the pandemic. During the state of emergency the Group took all mandatory and recommended security measures in relation to pandemic and all services provided by the Group were availavble to customers in full scope.
Despite 2021 being the second year of COVID-19 pandemic, it brought a faster than expected economic recovery in Latvia. This was reflected also in the results of the Group. The loan issuance for the Group has increased by 9% reaching EUR 52.5 million, turnover by 8% and portfolio by 24% compared to 2020, the Management of the Group assesses that COVID-19 pandemic did not impacted significantly business operations of the Group in 2021. The Group was able to achieve its financial targets.
The Group will continue to assess the effect of the pandemic and changing economic conditions on its activities, financial position and financial results.

New standards, interpretations and amendments adopted by the Group

The Group applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (IBOR reform Phase 2).

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company and consolidated financial statements of the Group. The Company and the Group intends to use the practical expedients in future periods if they become applicable.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

(1) Accounting policies (continued)

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group did not apply the practical expedient and continues to apply IFRS 16 guidance on lease modification accounting for rent concessions.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts, effective for reporting periods beginning on or after 1 January 2023, with comparative figures required.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current, effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.
- Reference to the Conceptual Framework – Amendments to IFRS 3, effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16, effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively.
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37, effective for annual reporting periods beginning on or after 1 January 2022.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter, effective for annual reporting periods beginning on or after 1 January 2022.
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities, effective for annual reporting periods beginning on or after 1 January 2022.
- Definition of Accounting Estimates - Amendments to IAS 8, effective for annual reporting periods beginning on or after 1 January 2023.
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2, applicable for annual periods beginning on or after 1 January 2023.

The Group is currently assessing the amendments to determine the impact they will have on the Group's financial statements.

Voluntary changes in significant accounting policies and correction of errors

(a) In these financial statements, the Group and the Company has adopted changes in the accounting policy in respect of recognition of internally generated intangible assets. The change relates to to development of software, mainly consisting of internally capitalised salary expenses. For details see Note 10.
All costs incurred in 2020 which were recognized as part of the cost of an intangible asset qualified the capitalization criteria as at the date when such costs were incurred. However, initially they were expensed in accordance with accounting policy applicable at that time. Following the change in accounting policy expenses, including past expenses, meeting the capitalization criteria as at the date of its occurrence were capitalized. Management considers that the change in accounting policies more accurately reflects the Company's process in regards to internally developing IT resources as well as better aligns costs with income.
Group has made an assessment on the change in accounting policy impact on the beginning of the earliest period presented, i.e. 1 January 2020. Management assessed capitalization criteria as per IAS 38 as of 1 January 2020 and concluded that no relevant costs qualified with requirements of IAS 38 as at that date.

(b) The Management has identified a clasification error on bond issuance commissions while preparing 2021 Group's and Company's financial statements. The error relates to incorrect classification of bond issuance commissions as bank commissions under Administrative costs. The error resulted in overstatement of amount of bank commission expenses and understatement of interest expenses;

(c) The Management has also identified a clasification error on accrued interest expenses. The error relates to incorrect classification of accrued interest expenses for other borrowings under Credit loss expense and resulted in overstated amount of credit loss expenses and understatement of interest expenses. To comply with presentation requitements of IFRS 9, the Group reclassified mentioned amount from Credit loss expense to Interest expenses and similar expenses.

Notes (continued)

(1) Accounting policies (continued)

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

Balance sheet

	Reference	As at 31 December 2020 before restatement	Restatement	As at 31 December 2020 after restatement
Assets				
Non-current assets	(a)	21 108 199	202 247	21 310 446
Current assets		21 126 939	-	21 126 939
Total assets		**42 235 138**	**202 247**	**42 437 385**
Liabilities and equity				
Total equity	(a)	8 035 250	202 247	8 237 497
Long-term liabilities		16 820 608	-	16 820 608
Short-term liabilities		17 379 280	-	17 379 280
Total liabilities and equity		**42 235 138**	**202 247**	**42 437 385**

Statement of profit or loss

	Reference	2020 before restatement	Restatement	2020 after restatement
Net sales		6 164 231	-	6 164 231
Cost of sales		(4 224 332)	-	(4 224 332)
Interest income and similar income		15 459 316	-	15 459 316
Interest expenses and similar expenses	(b), (c)	(3 278 011)	(129 006)	(3 407 017)
Credit loss expense	(c)	(963 163)	72 920	(890 243)
Gross profit		**13 158 041**	**(56 086)**	**13 101 955**
Selling expenses	(a)	(5 201 324)	(20 399)	(5 221 723)
Administrative expenses	(a), (b)	(3 387 023)	278 732	(3 108 291)
Other operating income		71 384	-	71 384
Other operating expenses		(627 549)	-	(627 549)
Profit before income tax		**4 013 529**	**202 247**	**4 215 776**
Income tax expenses		(753 716)	-	(753 716)
Net profit		**3 259 813**	**202 247**	**3 462 060**
Earnings per share*		**0.081**	**0.006**	**0.087**

* Earnings per shares for 12 months ended 31 December 2020 have been adjusted retrospectively to account for the share split performed in 2021.

Notes (continued)

(1) Accounting policies (continued)

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

Balance sheet

	Reference	As at 31 December 2020 before restatement	Restatement	As at 31 December 2020 after restatement
Assets				
Non-current assets	(a)	22 216 809	202 247	22 419 056
Current assets		23 742 336	-	23 742 336
Total assets		**45 959 145**	**202 247**	**46 161 392**
Liabilities and equity				
Total equity	(a)	9 251 462	202 247	9 453 709
Long-term liabilities		17 990 778	-	17 990 778
Short-term liabilities		18 716 905	-	18 716 905
Total liabilities and equity		**45 959 145**	**202 247**	**46 161 392**

Statement of profit or loss

	Reference	2020 before restatement	Restatement	2020 after restatement
Net sales		6 164 231	-	6 164 231
Cost of sales		(4 224 332)	-	(4 224 332)
Interest income and similar income		17 499 755	-	17 499 755
Interest expenses and similar expenses	(b), (c)	(3 490 389)	(142 763)	(3 633 152)
Credit loss expense	(c)	(1 591 793)	86 677	(1 505 116)
Gross profit		**14 357 472**	**(56 086)**	**14 301 386**
Selling expenses	(a)	(5 425 844)	(20 399)	(5 446 243)
Administrative expenses	(a), (b)	(3 539 758)	278 732	(3 261 026)
Other operating income		72 395	-	72 395
Other operating expenses		(812 259)	-	(812 259)
Profit before income tax		**4 652 006**	**202 247**	**4 854 253**
Income tax expenses		(754 536)	-	(754 536)
Net profit		**3 897 470**	**202 247**	**4 099 717**
Earnings per share*		**0.097**	**0.005**	**0.102**

* Earnings per shares for 12 months ended 31 December 2020 have been adjusted retrospectively to account for the share split performed in 2021.

(b) Consolidation principles

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Notes (continued)

(1) Accounting policies (continued)

(c) Recognition of revenue and expenses

- Net sales

Net revenue represents the total value of inventory sold during the year net of value added tax. Revenue from sale of inventory is recognized when control of the inventory is transferred to the customer at an amount that reflects the consideration to which Group expects to be entitled in exchange for those inventories. The Group has generally concluded that it is the principal in its revenue arrangements.

Revenue is measured at the fair value of the consideration received, excluding sales taxes.

- Interest income and similar income

The Group calculates interest revenue on debt financial assets measured at amortized cost by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

When a financial asset becomes credit-impaired, the Group calculates interest revenue by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest revenue on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest revenue by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

- Other income

Other income is recognised based on accruals principle.

- Expenses

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

(d) Foreign currency

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

	31.12.2021	**31.12.2020**
	1 EUR	**1 EUR**
USD	1.13	1.23

(e) Fair value of Financial instruments

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

Where, in the opinion of the Management, the fair values of financial assets and liabilities differ materially from their book values such fair values are separately disclosed in the notes to the accounts. See also note 28.

(f) Offsetting of financial assets and liabilities

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

Notes (continued)

(1) Accounting policies (continued)

(g) Intangible assets (including Company's goodwill)
All intangible assets are initially measured at cost. Intangible assets are recorded at historic cost net of amortization and permanent diminution in value. The Group has a detailed intangible assets capitalisation policy covering accounting for development projects. The Group incurs costs for development of software and similar items, which may be capitalized. Capitalized expenditure can be either purchased or internally developed. Only those assets are capitalised that are separately identifiable, they are controlled by the Group, for which probable future economic benefits associated with the item will flow to the Group, and cost exceeds the minimum threshold (150 EUR) set by the Group shall be recognized. No intangible asset costs arising from the research phase of a project are capitalized. Expenditure on research is expensed when incurred.

Amortisation commences once the item is in the location and conditions necessary for it to be capable of operating in the manner intended by management and has been accepted by the business owner. Amortisation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

	years
Patents, trademarks and similar rights	3 – 5
Other intangible assets (including software)	3 – 5

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

The residual values, remaining useful lives and methods of depreciation are reviewed and, if required, adjusted annually.

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

	years
Land, buildings, structures and perennials	20
Other fixed assets	3 – 5
Leasehold improvements	1 – 19
Right-of-use premises	1 – 19
Right-of-use vehicles	3 – 4

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

(i) Investments in the subsidiaries and associated companies in the separate financial statements
In the financial statements the investments in subsidiary companies (SIA *VizïaFinance* as at 31 December 2021*)* are carried at cost less impairment. Cost represents consideration paid for acquisition of subsidiaries as well as additional contributions to share capital of subsidiaries. Impairment is defined as the difference between the cost and recoverable amount. Recoverable amount is the higher of the respective asset's fair value less the costs to sell and the value in use.

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

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

Notes (continued)

(1) Accounting policies (continued)

(l) Trade and other receivables

Accounts receivable comprise loans and other receivables (other debtors, advances and deposits) that are non-derivative financial assets with fixed or determinable payments. All loans and receivables are recognised when cash is advanced to borrowers and derecognised on repayments. Loans are initially measured at their fair value**.** The Group subsequently measures consumer loans at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The Group is using a model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The expected credit loss is calculated as a function of PD, the exposure at default EAD and the loss given default LGD.

- For the PD calculation is determined the number of historically issued loans actually reaches the number of past due more than 90 days or have been ceded.
- LGD calculation is based on actually recovered funds for loans over 90 days. Recovered funds are discounted using the monthly effective interest rate.
- Expected credit losses are additionally adjusted for ceded loans. The management assesses the portfolio of overdue loans on a monthly basis and loans that are subject to a significant risk that they will not be repaid or will be assigned.

The IFRS 9 impairment model uses a three-stage approach depending on 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 divided into the following events:

- Improbability of receiving payments. Based on objective evidence, it may be presumed that the client will be unable to settle all of the financial obligations and the situation cannot be solved satisfactorily.
- Payment delay. The contract is deemed to be non-performing if the client is no longer able or willing to 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.

Notes (continued)

(1) 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.

(m) Leases

i. Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment testing.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in in-substance fixed lease payments or a change in the assessment of the option to purchase the underlying asset.

The Group does not apply IASB practical expedient on COVID-19-Related Rent Concessions and adjusts both right-of-use assets and lease liabilities when modifications of lease contracts occur.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered of low value (i.e., below EUR 4.5 thousand). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

ii. Operating – Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as lease income. Contingent rents are recognized as income in the period in which they are earned.

(n) Taxes

The corporate income tax expense is included in the financial statements based on the management's calculations made in accordance with the requirements of Latvian tax legislation.As of 1 January 2018, Corporate Income Tax is paid on distributed and notionally distributed profits.
The distributed and conditionally distributed profit is subject to a 20% gross tax or 20/80 of the net cost. Corporate income tax on dividend payments is recognized in the income statement. According to law effective 25% tax is applied to non-business related expenses.

(o) Provisions for unused annual leave

The amount of provision for unused annual leave is determined by multiplying the average daily pay of employees during the last 6 months by the number of accrued but unused annual leave days the end of the reporting year.

Notes (continued)

(1) Accounting policies (continued)

(p) Borrowings

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

(q) Cash and cash equivalents

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

(r) Payment of dividends

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

(s) Financial risk management

(s1) Financial risk factors

The activities of the Group expose it to different financial risks:
(r1.1) foreign currency risk;
(r1.2) credit risk;
(r1.3) operational risk;
(r1.4) market risk;
(r1.5) liquidity risk;
(r1.6) cash flow and interest rate risk.
The Group's overall risk management is focused on the uncertainty of financial markets and aims to reduce its adverse effects on the Company's financial indicators. The Chief Financial Officer (CFO) is responsible for risk management. CFO identifies, assesses and seeks to find solutions to avoid financial risks acting in close cooperation with other structural units of the Group.

(s1.1) Foreign exchange risk

The Group operates mainly in the local market and its exposure to foreign exchange risk is not relevant.

(s1.2) Credit risk

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

(s1.3) Operational risk

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

(s1.4) Market risk

The Group is exposed to market risks, basically related to the fluctuations of interest rates between the loans granted and funding received, as well as demand for the Group's services fluctuations. The Group attempts to limit market risks, adequately planning the expected cash flows, diversifying the product range and fixing funding resource interest rates. As at 31 December 2021 all interest rates are fixed except for lease contracts amounting to 292 thousand EUR with contracts concluded in EUR currency with variable part denominate as 6 month EURIBOR rate. The interest rate market risk is considered to be low.

(s1.5) Liquidity risk

The Group complies with the prudence principle in the management of its liquidity risk and maintains sufficient funds. The management of the Group has an oversight responsibility of the liquidity reserves and make current forecasts based on anticipated cash flows. The management of the Group performs liquidity analyse on a regular basis and ensures adequate gap between short-term liabilities and assets. Most of the Group's liabilities are long-term liabilities. Based on performed procedures the management is of the opinion that the Group will be able to secure sufficient liquidity by its operating activities. For analysis of financial liabilities by remaining contractual maturities please see note 29.

(s1.6) Cash flow interest rate risk

As the Group has borrowings and finance lease obligations, the Group's cash flows related to financing costs to some extent depend on the changes in market rates of interest. The Group's interest payment related cash flows depend on the current market rates of interest. The risk of fluctuating interest rates is partly averted by the fact that a number of loans received have fixed interest rates.

Notes (continued)

(1) Accounting policies (continued)

(s2) Management of the capital structure

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

	Company	Group	Company	Group
	31.12.2021	31.12.2021	31.12.2020 (restated, Note 1)	31.12.2020 (restated, Note 1)
	EUR	EUR	EUR	EUR
Bonds issued	10 838 165	10 838 165	13 464 369	13 464 369
Other borrowings	13 470 502	18 573 636	14 986 754	17 686 857
Lease liabilities	3 305 197	3 305 197	3 435 851	3 435 851
Accounts payable to affiliated companies	-	-	243 815	-
Trade payables and accrued liabilities	1 502 504	1 571 953	1 259 068	1 304 654
Taxes and social insurance	391 791	398 268	810 031	815 952
Gross debts	**29 508 159**	**34 687 219**	**34 199 888**	**36 707 683**
Cash and cash equivalents	(2 225 535)	(2 459 862)	(3 768 356)	(4 591 954)
Net debts	**27 282 624**	**32 227 357**	**30 431 532**	**32 115 729**
Equity	15 193 376	17 377 321	8 237 497	9 453 709
Debt / equity ratio	**1.94**	**2.00**	**4.15**	**3.88**
Net debt / equity ratio	**1.80**	**1.85**	**3.69**	**3.40**

(t) Significant assumptions and estimates

The preparation of the financial statements requires management to make professional judgments, assumptions and estimates which affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

Assumptions and estimates based on those assumptions are analyzed regularly to identify if changes are required. The changes in accounting estimates are recognized in the reporting period when the estimates were changed and in all periods that follow.

Useful life of fixed assets

The Group assesses the remaining useful lives of items of fixed assets at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimates. These estimates may have a material impact on the carrying amount of fixed assets and depreciation recognized in the statement of profit or loss.

Impairment of fixed assets

The Group reviews the value of its fixed assets and intangible assets whenever any events or circumstances support that the carrying value may not be recoverable. The Group's impairment test for property and equipment is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the forecast for the next years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested.

Net realisable value of inventories

The cost of the Group's inventory may have to be reduced to its net realisable value if the inventory has become damaged, is wholly or partly obsolete, or if its selling price has declined. The costs of inventory may not be recovered from sale because of increases in the costs to complete, or the estimated selling costs. Writing inventory down to net realisable value is carried out on an item-by-item basis. The Group's estimates of net realisable value are based on the most reliable evidence available and take into account fluctuations of price or cost after the end of the period if this is evidence of conditions existing at the end of the period.

Leases – estimating the incremental borrowing rate

In case the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

(1) Accounting policies (continued)

Impairment losses on loans to customers

The measurement of impairment losses on loans to customers requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's criteria for assessing if there has been a significant increase in credit risk and allocation of loans to Stage 1 or 2;
- identification of unlikeliness to pay criteria and assignment of loans to Stage 3;
- development of ECL models, including the various formulae and the choice of inputs;
- the modelling and calculation of key parameters of the ECL models, including probability of default (PD), loss given default (LGD), and exposure at default (EAD**).**

The ECL model inputs and parameters were reviewed and where necessary updated. For more detailed qualitative and quantitative information on the impairment of financial assets, refer to Note 1 Accounting Policies section l Trade and other receivables and Note 16 Loans and receivables.

(u) Related parties

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

(v) Subsequent events

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

(w) Contingencies

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

(x) Earnings per share

Earnings per share (EPS) are calculated by dividing the net profit or loss for the year attributable to the shareholders with the weighted-average number of shares outstanding during the year.

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker – the Group's Board, which allocates resources to and assesses the performance of the operating segments of the Group. For management purposes, the Group is organised into three operating segments based on products and services The Group's segments are Pawnloan segment, Consumer loans segment and Other operating segment. Under Other operating segment there are accounted general Group administrative operations, services provided to related entities and real estates project development financing activities.

Notes (continued)

(2) Net sales

Net revenue by type of revenue

	Company 2021 EUR	Group 2021 EUR	Company 2020 EUR	Group 2020 EUR
Income from sales of goods	4 210 715	4 210 715	3 686 567	3 686 567
Income from sales of precious metals	841 360	841 360	1 714 530	1 714 530
Other income, loan and mortgage realisation and storage commission	615 262	615 262	763 134	763 134
	5 667 337	**5 667 337**	**6 164 231**	**6 164 231**

All net sales are generated in Latvia.

(3) Cost of sales

	Company 2021 EUR	Group 2021 EUR	Company 2020 EUR	Group 2020 EUR
Cost of sales of goods	2 830 483	2 830 483	2 544 053	2 544 053
Cost of sales of precious metals	837 527	837 527	1 680 279	1 680 279
	3 668 010	**3 668 010**	**4 224 332**	**4 224 332**

(4) Interest income and similar income

	Company 2021 EUR	Group 2021 EUR	Company 2020 EUR	Group 2020 EUR
Interest revenue calculated using effective interest rate:				
Interest income on unsecured loans	12 398 767	15 692 832	10 785 043	12 825 482
Interest income on secured loans	4 123 605	4 123 605	4 669 988	4 669 988
Other interest income	4 761	4 761	4 285	4 285
	16 527 133	**19 821 198**	**15 459 316**	**17 499 755**

(5) Interest expenses and similar expenses

	Company 2021 EUR	Group 2021 EUR	Company 2020 (restated, Note 1) EUR	Group 2020 (restated, Note 1) EUR
Bonds' coupon expense	2 203 614	2 203 614	1 584 149	1 584 149
Interest expense on other borrowings	1 086 344	1 416 524	1 632 089	1 858 224
Interest expense on lease liabilities for leased premises	204 489	204 489	186 800	186 800
Interest expense lease liabilities for leased vehicles	2 473	2 473	3 787	3 787
Net loss on foreign exchange	213	213	192	192
	3 497 133	**3 827 313**	**3 407 017**	**3 633 152**

Notes (continued)

(6) Selling expenses

	Company 2021 EUR	Group 2021 EUR	Company 2020 (restated, Note 1) EUR	Group 2020 (restated, Note 1) EUR
Salary expenses	2 515 879	2 515 879	2 352 184	2 352 184
Depreciation of right-of-use assets - premises	643 179	643 179	640 604	640 604
Social insurance	590 774	590 774	563 848	563 848
Advertising	505 805	739 462	407 820	548 490
Depreciation of fixed assets	355 539	362 325	281 389	302 363
Maintenance expenses	274 436	278 573	272 925	272 925
Non-deductible VAT	273 629	334 859	194 729	238 414
Utilities expenses	218 252	222 161	191 457	191 457
Transportation expenses	93 050	93 050	73 764	73 764
Depreciation of right-of-use assets - motor vehicles	29 312	29 312	38 394	38 394
Provisions for unused annual leave	26 627	26 627	(8 551)	(8 551)
Other expenses	294 157	288 449	213 160	232 351
	5 820 639	**6 124 650**	**5 221 723**	**5 446 243**

(7) Administrative expenses

	Company 2021 EUR	Group 2021 EUR	Company 2020 (restated, Note 1) EUR	Group 2020 (restated, Note 1) EUR
Salary expenses	2 309 296	2 311 503	1 864 983	1 887 638
Social insurance	531 860	531 106	442 516	447 465
Bank commission	372 742	463 168	386 123	440 993
Communication expenses	301 781	338 716	86 912	106 961
Legal advice	113 716	114 556	72 951	75 826
Depreciation of right-of-use assets - premises	93 914	93 914	75 412	75 412
State fees and duties, licence expenses	92 310	148 616	38 166	52 013
Audit expenses*	50 250	57 250	20 700	37 903
Provisions for unused annual leave	28 717	27 517	1 284	1 321
Depreciation of right-of-use assets - motor vehicles	9 527	9 527	8 396	8 396
Other administrative expenses	122 617	116 935	110 848	127 098
	4 026 730	**4 212 808**	**3 108 291**	**3 261 026**

* During the reporting year auditors have perfomed a review engagement and issued review report on the Group's condensed interim consolidated financial statements for the six-month period ended June 30, 2021 for EUR 14 000. These expenses are directly attributable to IPO process and deducted from equity (Note 18). The Group has not received any other services from the auditors except for statury audit of annual report.

(8) Corporate income tax for the reporting year

	Company 2021 EUR	Group 2021 EUR	Company 2020 EUR	Group 2020 EUR
Corporate income tax charge for the current year	873 080	979 191	753 716	754 536
	873 080	**979 191**	**753 716**	**754 536**

This tax mainly relates to the dividends paid out of the previous and current year's profits.

Notes (continued)

(9) Earnings per share

Earnings per share are calculated by dividing the net result for the year after taxation attributable to shareholders by the weighted average number of shares in issue during the year. The table below presents the income and share data used in the computations of basic earnings per share for the Company and the Group:

	Company 2021 EUR	Group 2021 EUR	Company 2020 (restated, Note 1) EUR	Group 2020 (restated, Note 1) EUR
Net profit attributed to shareholders	3 256 100	4 223 833	3 462 060	4 099 717
Weighted average number of shares	41 034 770	41 034 770	40 000 000	40 000 000
Earnings per share	**0.079**	**0.103**	**0.087**	**0.102**

Earnings per shares for 12 months ended 31 December 2020 have been adjusted retrospectively to account for the share split performed in 2021. There is no dilution effect on weighted average number of shares for 2021 and 2020.

(10) Intangible assets

Company

	Patents, trademarks and similar rights EUR	Internally developed software (restated) EUR	Other intangible assets EUR	Advances on intangible assets EUR	Total EUR
Cost					
31.12.2019	**354 773**	**-**	**31 848**	**6 748**	**393 369**
Additions	1 387	222 647	41 047	-	265 081
Transfers	-	-	6 748	(6 748)	-
Disposals	(35)	-	(19 082)	-	(19 117)
31.12.2020	**356 125**	**222 647**	**60 561**	**-**	**639 333**
Additions	-	251 795	17 920	18 834	288 549
Disposals	(14 676)	-	-	-	(14 676)
31.12.2021	**341 449**	**474 442**	**78 481**	**18 834**	**913 206**
Amortisation					
31.12.2019	**170 572**	**-**	**15 843**	**-**	**186 415**
Charge for 2020	61 331	20 399	11 218	-	92 948
Disposals	(34)	-	(8 427)	-	(8 461)
31.12.2020.	**231 869**	**20 399**	**18 634**	**-**	**270 902**
Charge for 2021	60 221	77 227	17 791	-	155 239
Disposals	(14 678)	-	-	-	(14 678)
31.12.2021	**277 412**	**97 626**	**36 425**	**-**	**411 463**
Net book value 31.12.2021	**64 037**	**376 816**	**42 056**	**18 834**	**501 743**
Net book value 31.12.2020	**124 256**	**202 248**	**41 927**	**-**	**368 431**

Notes (continued)

(10) Intangible assets (continued)

Group

	Patents, trademarks and similar rights	Internally developed software (restated)	Other intangible assets	Advances on intangible assets	Goodwill	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Cost						
31.12.2019	**354 773**	**-**	**60 822**	**6 748**	**127 616**	**549 959**
Additions	1 387	222 647	47 912	-	-	271 946
Transfers	-	-	6 748	(6 748)	-	-
Disposals	(35)	-	(35 164)	-	-	(35 199)
31.12.2020	**356 125**	**222 647**	**80 318**	**-**	**127 616**	**786 706**
Additions	-	251 795	19 083	18 834	-	289 712
Disposals	(14 676)	-	-	-	-	(14 676)
31.12.2021	**341 449**	**474 442**	**99 401**	**18 834**	**127 616**	**1 061 742**
Amortisation						
31.12.2019	**170 572**	**-**	**25 089**	**-**	**-**	**195 661**
Charge for 2020	61 331	20 399	25 662	-	-	107 392
Disposals	(34)	**-**	(24 509)	-	-	(24 543)
31.12.2020	**231 869**	**20 399**	**26 242**	**-**	**-**	**278 510**
Charge for 2021	60 219	77 227	22 490	-	-	159 936
Disposals	(14 676)	**-**	-	-	-	(14 676)
31.12.2021	**277 412**	**97 626**	**48 732**	**-**	**-**	**423 770**
Net book value 31.12.2021	**64 037**	**376 816**	**50 669**	**18 834**	**127 616**	**637 972**
Net book value 31.12.2020	**124 256**	**202 248**	**54 076**	**-**	**127 616**	**508 196**

Part of the IT employees are involved in building technical solutions for the operation of DelfinGroup. These systems are constantly built to meet both external and internal needs, and these are constantly being developed. As the systems are fully developed internally by IT department, related payroll and tax payments are capitalized for those IT employees who were involved in the development of the systems. The list of capitalized salaries is reviewed every month and capitalized amount is determined based on the works performed. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and impairment

During 2021 capitalised salary and related taxes for such systems amounted to EUR 251 795 (2020 - EUR 222 647). The systems are constantly being developed and support the issuance of loans, growth of the portfolio and sale of goods and as such ensure that the future economic benefits will flow to the company over a long period, thus justifying capitalization.

Notes (continued)

(11) Fixed assets

Company

	Land, buildings, structures and perennials EUR	Other fixed assets and inventory EUR	Leasehold improve-ments EUR	Right-of-use premises EUR	Right-of-use vehicles EUR	Right-of-use assets, total EUR	Total EUR
Cost							
31.12.2019	**-**	**934 448**	**422 008**	**2 675 766**	**287 369**	**2 963 135**	**4 319 591**
Additions	-	109 625	189 448	1 171 129	22 614	1 193 743	1 492 816
Remeasurement	-	-	-	716 006	-	716 006	716 006
Disposals	-	(51 549)	-	(2 864)	(17 832)	(20 696)	(72 245)
31.12.2020	**-**	**992 524**	**611 456**	**4 560 037**	**292 151**	**4 852 188**	**6 456 168**
Additions	113 019	123 781	22 091	345 846	-	345 846	604 737
Acquired with in liquidation of subsidiary	83 299	-	-	-	-	-	83 299
Remeasurement	-	-	-	288 271	-	288 271	288 271
Disposals	(23 194)	(70 316)	-	(131 348)	-	(131 348)	(224 858)
31.12.2021	**173 124**	**1 045 989**	**633 547**	**5 062 806**	**292 151**	**5 354 957**	**7 207 617**
Depreciation							
31.12.2019	**-**	**651 770**	**367 493**	**722 707**	**191 447**	**914 154**	**1 933 417**
Charge for 2020	-	141 086	47 356	716 017	46 789	762 806	951 248
Disposals	-	(48 546)	-	(1 718)	(17 466)	(19 184)	(67 730)
31.12.2020	**-**	**744 310**	**414 849**	**1 437 006**	**220 770**	**1 657 776**	**2 816 935**
Charge for 2021	4 213	164 070	32 017	737 093	38 839	775 932	976 232
Disposals	(995)	(68 995)	-	(51 321)	-	(51 321)	(121 311)
31.12.2021	**3 218**	**839 385**	**446 866**	**2 122 778**	**259 609**	**2 382 387**	**3 671 856**
Net book value 31.12.2021	**169 906**	**206 604**	**186 681**	**2 940 028**	**32 542**	**2 972 570**	**3 535 761**
Net book value 31.12.2020	**-**	**248 214**	**196 607**	**3 123 031**	**71 381**	**3 194 412**	**3 639 233**

Notes (continued)

(11) Fixed assets (continued)

Group

	Land, buildings, structures and perennials	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	113 019	123 781	22 091	345 846	-	345 846	604 737
Remeasurement	-	-	-	288 271	-	288 271	288 271
Disposals	(69 964)	(70 316)	-	(131 348)	-	(131 348)	(271 628)
31.12.2021	**173 124**	**1 045 989**	**633 547**	**5 062 806**	**292 151**	**5 354 957**	**7 207 617**
Depreciation							
31.12.2019	**-**	**651 770**	**367 493**	**722 707**	**191 447**	**914 154**	**1 933 417**
Charge for 2020	6 530	141 086	47 356	716 017	46 789	762 806	957 778
Disposals	-	(48 546)	-	(1 718)	(17 466)	(19 184)	(67 730)
Acquired in business combination	38 154	-	-	-	-	-	38 154
31.12.2020	**44 684**	**744 310**	**414 849**	**1 437 006**	**220 770**	**1 657 776**	**2 861 619**
Charge for 2021	6 300	164 070	32 017	737 093	38 839	775 932	978 319
Disposals	(47 766)	(68 995)	-	(51 321)	-	(51 321)	(168 082)
31.12.2021	**3 218**	**839 385**	**446 866**	**2 122 778**	**259 609**	**2 382 387**	**3 671 856**
Net book value 31.12.2021	**169 906**	**206 604**	**186 681**	**2 940 028**	**32 542**	**2 972 570**	**3 535 761**
Net book value 31.12.2020	**85 385**	**248 214**	**196 607**	**3 123 031**	**71 381**	**3 194 412**	**3 724 618**

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

Right-of-use assets and other liabilities for rights to use assets are shown as follows in the consolidated and standalone balance sheet and statement of profit or loss:

	31.12.2021	31.12.2020
	EUR	EUR
Non-current assets		
Right-of-use assets - premises	2 940 028	3 123 031
Right-of-use assets - motor vehicles	32 542	71 381
Assets, total	**2 972 570**	**3 194 412**
Non-current liabilities		
Lease liabilities	2 652 498	2 732 136
Current liabilities		
Lease liabilities	652 699	703 715
Lease liabilities, total	**3 305 197**	**3 435 851**

Notes (continued)

(12) Right-of-use assets and lease liabilities (continued)

Leases in the statement of profit or loss

	2021 EUR	2020 EUR
Interest expenses and similar expenses		
Interest expense on lease liabilities for leased premises	(204 489)	(186 800)
Interest expense on lease liabilities for leased vehicles	(2 473)	(3 787)
Selling expense		
Depreciation of right-of-use assets - premises	(643 179)	(640 604)
Depreciation of right-of-use assets - motor vehicles	(29 312)	(38 394)
Administrative expenses		
Depreciation of right-of-use assets - premises	(93 914)	(75 412)
Depreciation of right-of-use assets - motor vehicles	(9 527)	(8 396)
Leases in the statement of profit or loss, total	**(982 894)**	**(953 393)**

Leases liabilities

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
Long term lease liabilities - premises	2 627 961	2 627 961	2 670 754	2 670 754
Long term lease liabilities - vehicles	24 537	24 537	61 382	61 382
Total long-term lease liabilities	**2 652 498**	**2 652 498**	**2 732 136**	**2 732 136**
Short term lease liabilities - premises	633 826	633 826	669 951	669 951
Short term lease liabilities - vehicles	18 873	18 873	33 764	33 764
Total short-term lease liabilities	**652 699**	**652 699**	**703 715**	**703 715**
Lease liabilities, total	**3 305 197**	**3 305 197**	**3 435 851**	**3 435 851**

Lease agreements for premises are signed for a period of one year to fifteen years and six months. Car rental agreements are signed for a period of three years to three years and three months.
The weighted-average incremental borrowing rate for premises leased in 2021 comprised 4.07% (2020: 5.25%), the weighted-average incremental borrowing rate for motor vehicles was 3.20% (2020: 3.20%).

(13) Company's investments in subsidiaries
Company is the sole shareholder of the subsidiary SIA *ViziaFinance* (100%) as of 31 December 2021.
The former subsidiary SIA *Banknote* commercial properties (100%) has been liquidated on 21 June 2021. The assets of the SIA *Banknote* commercial properties were transferred to AS *DelfinGroup* as liquidation quota and consisted of real estate (EUR 83 299 (note 11)) and cash (EUR 1 511). The former subsidiary SIA *ExpressInkasso* (100%) has been liquidated on 09 September 2021 (excluded from the Enterprise register on 14 October 2021). The assets of the SIA *ExpressInkasso* were transferred to AS *DelfinGroup* as liquidation quota (cash EUR 149 308). The former subsidiary SIA *REFIN* (100%) has been liquidated on 01 December 2021. The assets of the SIA *REFIN* were transferred to AS *DelfinGroup* as liquidation quota (cash EUR 787 873).

a) participating interest in subsidiaries

Name	Investments in share capital of subsidiaries 31.12.2021 EUR	31.12.2020 EUR	Participating interest in share capital of subsidiaries 31.12.2021 %	31.12.2020 %
SIA ExpressInkasso	-	2 828	-	100
SIA ViziaFinance	880 000	880 000	100	100
SIA REFIN	-	800 000	-	100
SIA Banknote commercial properties (from 30.09.2020)	-	2 844	-	100
	880 000	**1 685 672**		

Notes (continued)

(13) Company's investments in subsidiaries (continued)

b) information on subsidiaries

Name	**Address**	**Total equity 31.12.2021 EUR**	**31.12.2020 EUR**
SIA ViziaFinance	Skanstes street 50A, LV-1013 Riga, Latvia	2 936 331	1 488 808

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

SIA ExpressInkasso	Skanstes street 50A, LV-1013 Riga, Latvia	-	380 318

The company was engaged in debt collection activities and was licensed by the Consumer Rights Protection Center in the field of out-of-court debt recovery.

SIA REFIN	Skanstes street 50A, LV-1013 Rīga, Latvija	-	809 336

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

SIA Banknote commercial properties (from 30.09.2020)	Skanstes street 50A, LV-1013 Riga, Latvia	-	(4 193)

Basic operation of SIA *Banknote commercial properties* was renting and operating of own or leased real estate.

(14) Loans to shareholders and management

	Loans to members EUR
31.12.2019	**1 022 423**
Loans issued	438 669
Loans repaid	(1 036 932)
Interest accrued	56 450
Interest repaid	(6 126)
31.12.2020	**474 484**
Loans issued	92 850
Loans repaid	(375 453)
Interest accrued	6 865
Interest repaid	(198 746)
31.12.2021	**-**
Net book value as at 31.12.2021	**-**
Net book value as at 31.12.2020	**474 484**

Interest on borrowing is in the range of 3.01% - 4% per annum. The loan maturity - 31 December 2025 (including the loan principal amount and accrued interest). Loans are denominated in euros. Loans were early repaid.

	Currency	**Year of issue**	**Interest rate**	**Maturity**	**31.12.2021**	**31.12.2020**
SIA AE Consulting	EUR	2019	4%	2023	-	381 796
SIA L24 Finance	EUR	2016	3.01%	2025	-	83 688
AS EA investments	EUR	2020	4%	2025	-	9 000
Loans to shareholders and management					**-**	**474 484**

(15) Goods for sale of the Company and the Group

	31.12.2021 EUR	**31.12.2020 EUR**
Goods for sale and pledges taken over	1 589 285	1 271 073
Inventory made of gold	360 205	262 934
	1 949 490	**1 534 007**

In 2021, write-off to net realizable value of inventories amounted to EUR 78 514 (in 2020: EUR 100 299).

(16) Loans and receivables

a) Loans and receivables by loan type

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
Debtors for loans issued against pledge				
Long-term debtors for loans issued against pledge	95 058	95 058	85 492	85 492
Short-term debtors for loans issued against pledge	3 112 513	3 112 513	2 945 052	2 945 052
Interest accrued for loans issued against pledge	164 698	164 698	139 425	139 425
Debtors for loans issued against pledge, total	**3 372 269**	**3 372 269**	**3 169 969**	**3 169 969**
Debtors for loans issued without pledge				
Long-term debtors for loans issued without pledge	21 069 674	28 474 373	13 901 569	17 626 266
Short-term debtors for loans issued without pledge	10 328 142	13 078 077	11 042 149	16 025 664
Interest accrued for loans issued without pledge	869 874	1 195 863	834 094	1 470 419
Debtors for loans issued without pledge, total	**32 267 690**	**42 748 313**	**25 777 812**	**35 122 349**
Loans and receivables before allowance, total	**35 639 959**	**46 120 582**	**28 947 781**	**38 292 318**
ECL allowance on loans to customers	**(2 236 891)**	**(3 158 832)**	**(2 372 285)**	**(3 618 464)**
Loans and receivables	**33 403 068**	**42 961 750**	**26 575 496**	**34 673 854**

All loans are issued in euros. Weighted average term of consumer loans is 2.5 years and pawn loans is one month.

The Group signed a contract with a third party for the receivable amounts regular cession to assign debtors for loans issued which are outstanding for more than 90 days. Losses from these transactions were recognised in the current period.

The claims in the amount of EUR 3 372 269 (31.12.2020: EUR 3 169 969) are secured by the value of the collateral. Claims against debtors for loans issued against pledge are secured by pledges, whose fair value is higher than the carrying value, therefore provisions for secured overdue loans are not made.

b) Allowance for impairment of loans to customers at amortised cost

An analysis of changes in the gross carrying value for loans issued and corresponding ECL in relation to corporate lending during the year ended 31 December 2021 is as follows:

Company	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value as at 1 January 2020	**21 945 171**	**849 442**	**1 548 170**	**-**	**24 342 783**
New assets originated or purchased	43 054 244	-	-	**-**	**43 054 244**
Assets settled or partly settled	(35 417 038)	(845 338)	(264 513)	**-**	**(36 526 889)**
Assets written off or sold	(464 244)	(914 057)	(695 592)	**-**	**(2 073 893)**
Effect of interest accruals	109 144	26 680	15 712	**-**	**151 536**
Transfers to Stage 1	374 778	(44 493)	(330 285)	**-**	**-**
Transfers to Stage 2	(1 788 300)	1 794 679	(6 379)	**-**	**-**
Transfers to Stage 3	(1 454 078)	(80 939)	1 535 017	**-**	**-**
At 31 December 2020	**26 359 677**	**785 974**	**1 802 130**	**-**	**28 947 781**
New assets originated or purchased	41 559 415	-	-	154 587	41 714 002
Assets settled or partly settled	(28 883 596)	(228 577)	(4 018 001)	(130 109)	(33 260 283)
Assets written off or sold	(150 360)	(598 044)	(1 132 881)	-	(1 881 285)
Effect of interest accruals	9 568	52 962	57 214	-	119 744
Transfers to Stage 1	278 779	(151 654)	(127 125)	-	-
Transfers to Stage 2	(1 303 649)	1 316 412	(12 763)	-	-
Transfers to Stage 3	(4 710 414)	(56 437)	4 766 851	-	-
At 31 December 2021	**33 159 420**	**1 120 636**	**1 335 425**	**24 478**	**35 639 959**

Notes (continued)

(16) Loans and receivables (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

Company	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at 1 January 2020	**954 408**	**148 141**	**861 251**	**-**	**1 963 800**
New assets originated or purchased	1 897 260	-	-	-	**1 897 260**
Assets settled or partly settled	(1 258 885)	(222 605)	(204 029)	-	**(1 685 519)**
Assets written off or sold	(26 190)	(226 305)	(476 718)	-	**(729 213)**
Effect of interest accruals	1 821	6 066	15 770	-	**23 657**
Transfers to Stage 1	11 392	(5 818)	(5 574)	-	**-**
Transfers to Stage 2	(139 553)	142 905	(3 352)	-	**-**
Transfers to Stage 3	(383 553)	(67 043)	450 596	-	**-**
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	29 849	481 949	390 502	-	**902 300**
At 31 December 2020	**1 086 549**	**257 290**	**1 028 446**	**-**	**2 372 285**
New assets originated or purchased	1 370 880	-	-	-	1 370 880
Assets settled or partly settled	(1 167 038)	(17 367)	(2 447 823)	-	(3 632 228)
Assets written off or sold	(6 870)	(143 603)	(689 297)	-	(839 770)
Effect of interest accruals	3 436	32 482	57 273	-	93 191
Transfers to Stage 1	113 764	(36 415)	(77 349)	-	-
Transfers to Stage 2	(68 248)	76 014	(7 766)	-	-
Transfers to Stage 3	(247 001)	(13 552)	260 553	-	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	118 298	242 539	2 511 696	-	2 872 533
At 31 December 2021	**1 203 770**	**397 388**	**635 733**	**-**	**2 236 891**

Group	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value as at 1 January 2020	**31 957 718**	**1 043 994**	**1 736 689**	**39 342**	**34 777 743**
New assets originated or purchased	48 124 875	-	-	-	**48 124 875**
Assets settled or partly settled	(40 787 468)	(984 314)	(406 044)	(3 147)	**(42 180 973)**
Assets written off or sold	(573 630)	(1 248 691)	(836 840)	-	**(2 659 161)**
Effect of interest accruals	152 657	32 908	44 269	-	**229 834**
Transfers to Stage 1	435 581	(86 907)	(348 674)	-	**-**
Transfers to Stage 2	(2 357 958)	2 401 869	(43 911)	-	**-**
Transfers to Stage 3	(1 977 924)	(102 599)	2 080 523	-	**-**
At 31 December 2020	**34 973 851**	**1 056 260**	**2 226 012**	**36 195**	**38 292 318**
New assets originated or purchased	52 383 004	-	-	154 587	52 537 591
Assets settled or partly settled	(36 926 551)	(890 252)	(4 210 178)	(130 109)	(42 157 090)
Assets written off	(162 803)	(1 127 626)	(1 432 283)	(36 195)	(2 758 907)
Effect of interest accruals	80 394	86 429	39 847	-	206 670
Transfers to Stage 1	371 814	(197 814)	(174 000)	-	-
Transfers to Stage 2	(2 724 457)	2 817 216	(92 759)	-	-
Transfers to Stage 3	(5 097 434)	(70 504)	5 167 938	-	-
At 31 December 2021	**42 897 818**	**1 673 709**	**1 524 577**	**24 478**	**46 120 582**

Notes (continued)

(16) Loans and receivables (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

Group	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2020	**2 047 613**	**198 351**	**984 907**	**-**	**3 230 871**
New assets originated or purchased	2 544 523	-	-	-	**2 544 523**
Assets settled or partly settled	(1 827 451)	(258 471)	(294 993)	-	**(2 380 915)**
Assets written off or sold	(34 401)	(312 667)	(567 499)	-	**(914 567)**
Effect of interest accruals	4 957	8 939	44 327	-	**58 223**
Transfers to Stage 1	15 889	(8 955)	(6 934)	-	**-**
Transfers to Stage 2	(218 098)	222 480	(4 382)	-	**-**
Transfers to Stage 3	(570 449)	(102 989)	673 438	-	**-**
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	(68 058)	622 471	525 916	-	**1 080 329**
At 31 December 2020	**1 894 525**	**369 159**	**1 354 780**	**-**	**3 618 464**
New assets originated or purchased	2 081 031	-	-	-	2 081 031
Assets settled or partly settled	(1 429 535)	(274 762)	(2 560 567)	-	(4 264 864)
Assets written off	(8 942)	(182 955)	(745 698)	-	(937 595)
Effect of interest accruals	8 387	49 325	39 905	-	97 617
Transfers to Stage 1	160 432	(55 583)	(104 849)	-	-
Transfers to Stage 2	(161 470)	216 167	(54 697)	-	-
Transfers to Stage 3	(272 394)	(19 394)	291 788	-	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	(508 508)	523 109	2 549 578	-	2 564 179
At 31 December 2021	**1 763 526**	**625 066**	**770 240**	**-**	**3 158 832**

As of 31 December 2021, the amount of loans issued against pledge in Stage 3 in Company's and Group's balance sheet is EUR 270 728 (as of 31 December 2020 EUR 439 721). Current fair value of pledge of these loans is EUR 475 101 (as of 31 December 2020 EUR 581 836).

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

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
Receivables not yet due	31 082 010	39 713 633	24 358 172	32 473 188
Outstanding 1-30 days	2 232 000	3 338 771	2 009 196	2 508 354
Outstanding 31-90 days	1 120 636	1 673 709	785 974	1 056 261
Outstanding 91-180 days	284 309	315 061	722 713	989 467
Outstanding for 181-360 days	321 372	361 973	359 486	428 390
Outstanding for more than 360 days	599 632	717 435	712 240	836 658
Total claims against debtors for loans issued	**35 639 959**	**46 120 582**	**28 947 781**	**38 292 318**

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

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
For trade debtors not yet due	860 822	1 271 700	996 987	1 769 822
Outstanding 1-30 days	288 709	437 588	86 384	123 306
Outstanding 31-90 days	397 388	625 066	257 290	369 159
Outstanding 91-180 days	130 840	150 816	366 682	554 341
Outstanding for 181-360 days	165 855	193 681	174 278	244 996
Outstanding for more than 360 days	393 277	479 981	490 664	556 840
Total provisions for bad and doubful trade debtors	**2 236 891**	**3 158 832**	**2 372 285**	**3 618 464**

Notes (continued)

(16) Loans and receivables (continued)

Loan loss allowance has been defined based on collectively assessed impairment.
In August 2021 The Group signed a contract with AS Moda Kapitāls to purchase pawn shop business. The transaction involved acquisition of AS Moda Kapitāls pawn loan portfolio. During 2021 inventories in amount EUR 387 943 and pawn loan portfolio in amount EUR 314 983 were acquired. As of 31 December 2021 outstanding amount of inventories is EUR 126 208 and pawn loan portfolio is EUR 178 644. The Group accounted pawn loan portfolio at fair value upon acquisition.
At the inception of the transaction management has analyzed the requirements of IFRS 3 and concluded that the transaction does not meet the requirements of a business combination and is considered as an asset acquisition.

(17) Cash and bank

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
Cash at banks	1 943 230	2 177 557	3 410 752	4 234 350
Cash in hand	282 305	282 305	357 604	357 604
	2 225 535	**2 459 862**	**3 768 356**	**4 591 954**

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

(18) Share capital

On 14 October 2021, AS DelfinGroup successfully closed the initial public offering (IPO) and shares of Company has become traded in Nasdaq Riga Baltic Main list from 20 October 2021. During IPO, the Company issued 5 319 594 new shares with par value of EUR 0.10 each.
As at 31 December 2021, the Parent Company's share capital is EUR 4 531 959,40, which consists of 45 319 594 ordinary shares, each of them with a nominal value of EUR 0.10. All shares are fully paid.

Number of shares issued in IPO	5 319 594
Share price at the end of subscription period, EUR	1.52
Proceeds from shares issued, EUR	8 085 782
Par value of new shares, EUR	(531 959)
Costs related to IPO, EUR	(662 865)
Share premium, EUR	**6 890 958**

(19) Bonds issued

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
Total long-term part of bonds issued	**10 825 162**	**10 825 162**	**8 441 717**	**8 441 717**
Bonds issued	-	-	4 998 768	4 998 768
Interest accrued	13 003	13 003	23 884	23 884
Total short-term part of bonds issued	**13 003**	**13 003**	**5 022 652**	**5 022 652**
Bonds issued, total	**10 825 162**	**10 825 162**	**13 440 485**	**13 440 485**
Interest accrued, total	13 003	13 003	23 884	23 884
Bonds issued net	**10 838 165**	**10 838 165**	**13 464 369**	**13 464 369**

As of 31 December 2021, the Parent company of the Group has outstanding bonds (ISIN LV0000850048) in the amount of EUR 5 000 000, registered with the Latvia Central Depository and issued in a closed offer on 9 July 2021 on the following terms: number of bonds issued - 5 000, nominal value - EUR 1 000 per each bond, coupon rate – 9.75%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 August 2023. The bonds are not secured.

On 26 November 2021, the Parent company of the Group has started a closed bond offering (ISIN LV0000802536) in the amount of EUR 10 000 000. The offering has been registered with the Latvia Central Depository on the following terms: number of bonds issued - 10 000, nominal value - EUR 1 000 per each bond, coupon rate – 8.00%, coupon is paid once a month on the 25th date. New bonds are issued periodically taking into account the need for financing. As of 31 December 2021 bonds in total of EUR 6 111 000 have been isued. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 Nobember 2023. The bonds are not secured.

Notes (continued)

(20) Other borrowings

	Company 31.12.2021 EUR	Group 31.12.2021	Company 31.12.2020	Group 31.12.2020 EUR
Other long-term loans	5 125 100	8 086 468	5 646 755	6 816 925
Total other long-term loans	**5 125 100**	**8 086 468**	**5 646 755**	**6 816 925**
Other short-term loans	8 345 402	10 487 168	9 339 999	10 869 932
Total other short-term loans	**8 345 402**	**10 487 168**	**9 339 999**	**10 869 932**
Total other loans	**13 470 502**	**18 573 636**	**14 986 754**	**17 686 857**

The remaining amount on other borrowings is represented by loans received from a crowdfunding platform SIA *Mintos Finance*, a company registered in the European Union. The weighted average annual interest rate as of 31 December 2021 is 8.3%. According to the loan agreement with SIA *Mintos Finance* the loans matures according to the particular loan agreement terms concluded by the Group with its customers. The Group retains credit risk as well as other risks and rewards on the loans to customers financed by SIA *Mintos Finance*.

The Group has registered a commercial pledge by pledging its property and receivables, with a maximum claim amount of EUR 25 million as collateral in favour of SIA *Mintos Finance*.

(21) Taxes and social insurance payments

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
Value Added Tax	32 913	39 390	55 426	60 045
Income tax	131 868	131 868	249 901	250 721
Business risk charge	110	110	99	111
Social insurance	154 732	154 732	325 344	328 663
Payroll tax	92 937	92 937	174 948	176 207
Vehicles tax	4 460	4 460	4 226	4 226
Natural resource tax	50	50	87	87
Overpayment	(25 279)	(25 279)	-	(4 108)
Total taxes and social insurance payments	**391 791**	**398 268**	**810 031**	**815 952**

(22) Average number of employees

	2021	2020
Average number of employees during the reporting year of the Company	**296**	**274**
Average number of employees during the reporting year of the Group	**301**	**279**

Notes (continued)

(23) Management remuneration

	31.12.2021 EUR	31.12.2020 EUR
Supervisory Board members' remuneration:		
· salary expenses	110 606	-
· social insurance	26 092	-
	136 698	**-**
Board members' remuneration:		
· salary expenses	349 096	273 631
· social insurance	82 352	65 918
	431 448	**339 549**

(24) Changes in liabilities arising from financing activities

Company changes in liabilities arising from financing activities

The Company	Bonds issued EUR	Other borrowings EUR	Lease liabilities EUR	Dividends' payables EUR	Share capital and Share premium EUR	Total liabilities from financing activities EUR
Carrying amount at 31 December 2019	**7 824 620**	**16 230 321**	**2 127 293**	**-**	**1 500 000**	**27 682 234**
Proceeds	8 606 000	7 349 981	-	3 000 000	2 500 000	21 455 981
Redemption and settlement	(2 949 620)	(8 666 468)	(746 569)	(3 000 000)	-	(15 362 657)
New lease contracts	-	-	1 150 880	-	-	1 150 880
Modification of lease contracts	-	-	716 005	-	-	716 005
Interest expense on lease liabilities	-	-	188 243	-	-	188 243
Disposals	-	-	(1)	-	-	(1)
Bonds commission accrued	(40 515)					(40 515)
Interest accrued	23 884	72 920	-	-	-	96 804
Carrying amount at 31 December 2020	**13 464 369**	**14 986 754**	**3 435 851**	**-**	**4 000 000**	**35 886 974**
Proceeds	11 111 000	13 643 488	-	3 723 138	8 085 782	36 563 408
Redemption and settlement	(13 464 369)	(15 201 285)	(865 764)	(3 723 138)	-	(33 254 556)
New lease contracts	-	-	241 317	-	-	241 317
Modification of lease contracts	-	-	288 271	-	-	288 271
Interest expense on lease liabilities	-	-	205 522	-	-	205 522
IPO transaction costs	-	-	-	-	(662 865)	(662 865)
Bonds commission accrued	(285 838)					(285 838)
Interest accrued	13 003	41 545	-	-	-	54 548
Carrying amount at 31 December 2021	**10 838 165**	**13 470 502**	**3 305 197**	**-**	**11 422 917**	**39 036 781**

Notes (continued)

(24) Changes in liabilities arising from financing activities (continued)

Group's changes in liabilities arising from financing activities

The Group	Bonds issued EUR	Other borrowings EUR	Lease liabilities EUR	Dividends' payables EUR	Share capital and Share premium EUR	Total liabilities from financing activities EUR
Carrying amount at 31 December 2019	**7 824 620**	**18 613 563**	**2 127 293**	**-**	**1 500 000**	**30 065 476**
Proceeds	8 606 000	10 415 870	-	3 000 000	2 500 000	24 521 870
Redemption and settlement	(2 949 620)	(11 429 253)	(746 569)	(3 000 000)	-	(18 125 442)
New lease contracts	-	-	1 150 880	-	-	1 150 880
Modification of lease contracts	-	-	716 005	-	-	716 005
Interest expense on lease liabilities	-	-	188 243	-	-	188 243
Disposals	-	-	(1)	-	-	(1)
Bonds commission accrued	(40 515)	-				(40 515)
Interest accrued	23 884	86 677	-	-	-	110 561
Carrying amount at 31 December 2020	**13 464 369**	**17 686 857**	**3 435 851**	**-**	**4 000 000**	**38 587 077**
Proceeds	11 111 000	20 633 933	-	3 723 138	8 085 782	43 553 853
Redemption and settlement	(13 464 369)	(19 806 276)	(865 764)	(3 723 138)	-	(37 859 547)
New lease contracts	-	-	241 317	-	-	241 317
Modification of lease contracts	-	-	288 271	-	-	288 271
Interest expense on lease liabilities	-	-	205 522	-	-	205 522
IPO transaction costs	-	-	-	-	(662 865)	(662 865)
Bonds commission accrued	(285 838)	-				(285 838)
Interest accrued	13 003	59 122	-	-	-	72 125
Carrying amount at 31 December 2021	**10 838 165**	**18 573 636**	**3 305 197**	**-**	**11 422 917**	**44 139 915**

(25) Related party transactions

In the annual report there are presented only those related parties with whom have been transactions the reporting year or in the comparative period. All transactions with related parties are carried out in accordance with general market conditions.

	Transactions in 2021 EUR	Transactions in 2020 EUR
Parent company transactions with:		
Shareholding companies		
Interest received		
SIA AE Consulting	9 090	26 804
SIA L24 Finance	775	1 575
SIA EC finance	-	11
Services received		
SIA AE Consulting	-	(1 698)
Services delivered		
SIA AE Consulting	75	2 965
SIA L24 Finance	-	360
SIA EC finance	-	300
Goods sold		
SIA AE Consulting	59	1 090
Board members	1 702	992
Investment in shares		
SIA L24 Finance	-	(1 921)

Notes (continued)

(25) Related party transactions (continued)

	Transactions in 2021 EUR	Transactions in 2020 EUR
Parent company's transactions with:		
Subsidiaries		
Interest paid		
SIA ExpressInkasso	(1 392)	(2 944)
SIA REFIN	(6 041)	-
Interest received		
SIA ViziaFinance	51 511	19 866
SIA Banknote commercial properties	739	1 619
SIA ExpressInkasso	66	15
SIA REFIN	210 787	-
Services delivered		
SIA ViziaFinance	13 326	16 588
SIA ExpressInkasso	4 514	10 106
SIA REFIN	438	400
SIA Banknote commercial properties	501	330
Services received		
SIA ExpressInkasso	(30 589)	-
SIA Banknote commercial properties	(5 577)	(5 294)
Acquired of fixed assets with in liquidation		
SIA Banknote commercial properties	83 299	-
Liquidation quota		
SIA ExpressInkasso	149 308	-
SIA REFIN	787 873	-
SIA Banknote commercial properties	1 510	-
Companies and individuals under common control or significant influence		
Interest paid		
Board members	-	(1 598)
Services delivered		
AS EA investments	153	300
Other related companies		
Interest received		
SIA Banknote commercial properties	-	1 661
Ltd EuroLombard	-	1 570
Services received		
SIA Banknote commercial properties	-	(15 569)
Services delivered		
SIA Banknote commercial properties	-	938
SIA EL Capital	6 527	447
Ltd EuroLombard	1 545	6 139
SIA OBDO Gin	-	8 418
SIA KALPAKS	-	321
Goods received		
SIA OBDO Gin	-	(43)
Fixed assets sold		
SIA OBDO Gin	-	160
Group's transactions with:		
Shareholding companies		
Interest received		
SIA AE Consulting	9 090	26 804
SIA L24 Finance	775	1 575
SIA EC finance	-	11
Services received		
SIA AE Consulting	-	(1 698)
Services delivered		
SIA AE Consulting	75	2 965
SIA L24 Finance	-	360
SIA EC finance	-	300
Goods sold		
SIA AE Consulting	59	1 090
Board members	1 702	992
Investment in shares		
SIA L24 Finance	-	(1 921)

Notes (continued)

(25) Related party transactions (continued)

	Transactions in 2021 EUR	Transactions in 2020 EUR
Companies under common control or significant influence		
Interest paid		
Board members	-	(1 598)
Services delivered		
AS EA investments	153	300
Other related companies		
Interest received		
SIA Banknote commercial properties	-	1 661
Ltd EuroLombard	-	1 570
Services received		
SIA Banknote commercial properties	-	(15 569)
Services delivered		
SIA Banknote commercial properties	-	938
SIA EL Capital	6 527	447
Ltd EuroLombard	1 545	6 139
SIA OBDO Gin	-	8 418
SIA KALPAKS	-	321
Goods received		
SIA OBDO Gin	-	(43)
Fixed assets sold		
SIA OBDO Gin	-	160

Loans granted to shareholders and management

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
SIA AE Consulting	-	-	381 796	381 796
SIA L24 Finance	-	-	83 688	83 688
AS EA investments	-	-	9 000	9 000
	-	**-**	**474 484**	**474 484**

Loans granted to subsidiaries

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
SIA ViziaFinance	1 768 200	-	1 056 000	-
SIA Banknote commercial properties	-	-	99 565	-
Long-term loans to related companies, total	**1 768 200**	**-**	**1 155 565**	**-**
SIA REFIN	-	-	2 874 763	-
SIA Banknote commercial properties	-	-	1 619	-
SIA ViziaFinance	38 075	-	164	-
Other subsidiaries	-	-	2	-
Short-term loans to related companies, total	**38 075**	**-**	**2 876 548**	**-**
Loans to related companies, total	**1 806 275**	**-**	**4 032 113**	**-**

The interest rate on loans to related companies 4 %. All loans and other claims denominated in euro. The Company has no debt overdue.

(26) Segment information

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

Pawn loan segment	Handling pawn loan issuance, sale of pawn shop items in the branches and online.
Consumer loan segment	Handling consumer loans to customers, debt collection activities and loan cessions to external debt collection companies.
Other operations segment	Providing loans for real estate development, general administrative services to the companies of the Group, transactions with related parties. Loans for real estate development are no longer issued and are fully recovered.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments. For the costs, for which direct allocation to a particular segment is not attributable, the judgement of the management is used to allocate general costs by segments, based on the following cost allocation drivers – loan issuance, segment income, segment employee count, segment employee costs, the amount of segment assets.

Based on the nature of the services, the Group's operations can be divided as follows:

EUR	**Pawn loans**		**Consumer loans**		**Other activities**		**Total**	
	2021	**2020 (restated, Note 1)**	**2021**	**2020 (restated, Note 1)**	**2021**	**2020 (restated, Note 1)**	**2021**	**2020 (restated, Note 1)**
Assets	8 509 255	8 401 792	43 555 285	32 544 339	-	5 215 261	52 064 540	46 161 392
Liabilities of the segment	7 088 327	7 984 453	27 598 892	24 584 009	-	4 139 221	34 687 219	36 707 683
Income	9 795 703	10 838 504	15 623 398	12 383 072	69 434	442 410	25 488 535	23 663 986
Net performance of the segment	1 181 508	2 140 288	7 698 915	5 668 620	149 914	678 497	9 030 337	8 487 405
Financial (expenses)	(618 101)	(624 736)	(3 196 526)	(2 593 520)	(12 686)	(414 896)	(3 827 313)	(3 633 152)
Profit/(loss) before taxes	563 408	1 515 552	4 502 389	3 075 099	137 227	263 602	5 203 024	4 854 253
Corporate income tax	(106 031)	(235 575)	(847 334)	(477 988)	(25 826)	(40 973)	(979 191)	(754 536)
Other information								
Fixed assets and intangible assets (NBV)	2 816 042	2 888 720	1 357 691	983 211	-	360 883	4 173 733	4 232 814
Depreciation and amortisation during the reporting period	(767 989)	(726 934)	(370 268)	(247 421)	-	(90 814)	(1 138 257)	(1 065 169)
Loans issued	15 528 104	18 230 191	37 009 487	29 894 481	-	26 000	52 537 591	48 150 672
Loans received	15 875 167	18 008 376	19 812 199	20 819 042	4 806 601	2 850 292	40 493 967	41 677 710

(27) Guarantees issued, pledges

The Group has registered a commercial pledge by pledging its property and receivables, with the maximum claim amount of EUR 25 million as collateral registered to collateral agent SIA ZAB Eversheds Sutherland Bitāns in favor of SIA *Mintos Finance*. As of 31 December 2021, the amount of secured liabilities constitutes EUR 18 573 636 for AS *Mintos Finance*. As of 31 December 2020, the maximum claim amount was EUR 40.5 million as collateral registered to collateral agent SIA ZAB Eversheds Sutherland Bitāns on the pari passu principle among bondholders of notes issues ISIN LV0000802213 (EUR 5 000 000) and ISIN LV0000802379 (EUR 5 000 000), and EUR 17 268 857 in favor of SIA *Mintos Finance*.

Notes (continued)

(28) Fair value of financial assets and financial liabilities

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Also set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the Consolidated balance sheet. The table does not include the fair values of non-financial assets and non-financial liabilities.

At 31 December 2021	Fair value hierarchy				
	Level 1	Level 2	Level 3	Total fair value	Carrrying value
Assets for which fair values are disclosed					
Cash and cash equivalents	2 459 862	-	-	**2 459 862**	**2 459 862**
Loans and receivables	-	-	43 445 437	**43 445 437**	**42 961 750**
Other financial assets	-	-	519 705	**519 705**	**519 705**
Liabilities for which fair values are disclosed					
Bonds issued	-	-	11 254 482	**11 254 482**	**10 838 165**
Other borrowings	-	-	18 496 882	**18 496 822**	**18 573 636**
Lease liabilities	-	-	3 487 574	**3 487 574**	**3 305 197**
Trade payables	-	-	805 784	**805 784**	**805 784**

At 31 December 2020	Fair value hierarchy				
	Level 1	Level 2	Level 3	Total fair value	Carrrying value
Assets for which fair values are disclosed					
Cash and cash equivalents	4 591 954	-	-	**4 591 954**	**4 591 954**
Loans and receivables	-	-	32 281 609	**32 281 609**	**34 673 854**
Other financial assets	-	-	654 279	**654 279**	**654 279**
Liabilities for which fair values are disclosed					
Bonds issued	-	10 082 397	3 380 607	**13 463 004**	**13 464 369**
Other borrowings	-	-	18 414 469	**18 414 469**	**17 686 857**
Lease liabilities	-	-	3 504 097	**3 504 097**	**3 435 851**
Trade payables	-	-	702 933	**702 933**	**702 933**

(29) Analysis of financial liabilities by remaining contractual maturities

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations . Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay.

As at 31 December 2021	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities					
Bonds issued	162 730	813 650	12 114 674	-	**13 091 054**
Other borrowings	2 606 848	6 212 304	11 522 590	90 425	**20 432 167**
Lease liabilities	161 824	733 915	2 001 015	1 151 747	**4 048 501**
Trade payables	805 784	-	-	-	**805 784**
Total undiscounted financial liabilities	3 737 186	7 759 869	25 638 279	1 242 172	**38 377 506**

(30) Subsequent events

Beginning of February 2022 the Group finalized taking over the pawn shop assets of AS Moda Kapitāls. The transaction was started in August 2021 and involved acquisition of AS Moda Kapitāls pawn loan portfolio.

On 15 February 2022, the Latvian Government decided on a gradual and responsible easement of the epidemiological safety regulations effective in the country. First easements came into effect on 16 February, for instance, shops are allowed to work without limitations on opening hours. On 1 March 2022, state of emergency expired and a number of measures was eased further. During the state of emergency all services provided by the Group were availavble to customers in full scope. The Group continues to assess the impact of easement of restrictions on the Group's business operations.

On 24 February 2022, Russian Federation has started a war at Ukraine. Countries round the world support Ukraine by announcing financial and economic sanctions against Russian Federation and its ally Republic of Belarus. The management of the Group has evaluated current situation and has concluded that the aforementioned sanctions have no direct impact on the Group's operations since all sales for the Group are generated in Latvia and the Group has no dirrect exposure to Rusian, Belarusian and Ukrainian market. In addition, the management performed an overview and analysis of its counterparties and confirms that the Group does not have any relations with the sanctioned companies and sanctioned private individuals. There is still uncertainty related to final outcome of the situation, but the management regularly follows on the further developments, analyses a possible impact on the Group's business and is properly prepared to assess and implement any changes into business operations, risk management practices, policies and accounting estimates.

Changes in the composition of the Management board have been registered with the Enterprise Register on 1 March 2022. Sanita Zitmane was appointed as a member of the Management board AS DelfinGroup, replacing Ivars Lamberts who left the position of member of the Management board.

Didzis Ādmīdiņš Chairman of the Board	**Aldis Umblejs** Board Member	**Sanita Zitmane** Board Member	**Inta Pudāne** Chief accountant

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

Tel: +371 66777800
Fakss: +371 67222236
www.bdo.lv

Kaļķu street 15-3B
Rīga, LV-1050
Latvia

Independent Auditor’s Report

To the shareholders of AS “DelfinGroup”

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the separate financial statements of AS “DelfinGroup” (“the Company”) and the consolidated financial statements of the Company and its subsidiaries (“the Group”) set out on pages 10 to 45 of the accompanying separate and consolidated Annual Report, which comprise:
- the separate and consolidated statement of financial position as at 31 December 2021;
- the separate and consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the separate and consolidated statement of changes in equity for the year then ended;
- the separate and consolidated statement of cash flows for the year then ended;
- notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group as at 31 December 2021, and of its separate and consolidated financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union (“IFRS”).

Basis for Opinion

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

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

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

Key Audit Matters

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

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

Impairment of loans granted to retail customers

Key audit matter	Loans to customers comprise EUR 46 121 thousand at gross carrying value and EUR 42 962 thousand of net carrying value as at 31 December 2021 what represents 82.5% of total assets in the Consolidated financial statements and EUR 35 640 thousand at gross carrying value and EUR 33 403 thousand of net carrying value as at 31 December 2021 what represents 74.7% of total assets in the Separate financial statements. Loan portfolio mainly consist of both unsecured loans and pawn loans granted to private individuals. The management applies significant judgements in defining allowance for expected credit losses on the loans.
Our audit response	We tested internal controls applied within processes related to the loan approval and issuance as well as controls over delayed payments and debt collection. We tested methodology, management assumptions and inputs used in assessment of expected credit losses with a particular focus on the audit of probability of default and loss given default ratios. We tested completeness and accuracy of data used for the calculation of loan loss allowance. We also audited the management's assessment of COVID-19 impact on the quality of loan portfolio and other related considerations. We audited completeness and accuracy of disclosures related to loans, ECL allowance and credit loss expense.

Estimates used in defining right-of-use assets and lease liabilities (IFRS 16)

Key audit matter	The Group has a large number of lease contracts for the premises used in the core business. The Group recognizes right-of-use assets and lease liabilities for contracts which meet recognition criteria as set out in IFRS 16. Right-of-use assets and lease liabilities currently amount to EUR 2 973 thousand and EUR 3 305 thousand, respectively, in both, the Consolidated and Separate financial statements. The management applies significant professional judgement to define incremental borrowing rates used for discounting cash flows under lease contracts.
Our audit response	We audited completeness of lease contracts recognized under IFRS 16, methodology, inputs, and management assumptions used in calculation of carrying amount of right-of-use assets and lease liabilities, with focus on incremental borrowing rates used to discount cash flows under the leases. We tested accuracy and completeness of the data used in the calculations: lease term, lease payments, commencement dates; and accuracy of the calculations. We tested completeness and accuracy of disclosures related to right-of-use assets and lease liabilities.

Reporting on Other Information

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

- Information about the Company and the Group, as set out on pages 3 to 5 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 6 of the accompanying Annual Report,
- the Management Report, as set out on pages 7 to 9 of the accompanying Annual Report,
- the Statement of Corporate Governance for the year 2021, set out in separate statement provided by AS "DelfinGroup" management and available on AS "DelfinGroup" website https://www.delfingroup.lv/reports

Our opinion on the separate and consolidated financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

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

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

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

In accordance with the Law on Audit Services, we are also obliged to report whether the corporate governance statement provides information in accordance with Section 56^2, paragraph three of the Financial Instrument Market Law.

In our opinion, the corporate governance statement provides information in accordance with section 56^2, paragraph three of the Financial Instrument Market Law.

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

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of the separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibility for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the separate and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other legal and regulatory requirements

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged by the Management Board of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of AS "DelfinGroup" for the year ended 31 December 2021 (the "Presentation of the Consolidated Financial Statements").

Description of a subject matter and applicable criteria

The Presentation of the Consolidated Financial Statements has been prepared by the Management Board of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding paragraph determine the basis for preparation of the Presentation of the Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the Management Board and the Supervisory Board

The Management Board of the Company is responsible for the Presentation of the Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated Financial Statements which is free from material noncompliance with the requirements of the ESEF Regulation.

Members of the Supervisory Board are responsible for overseeing the financial reporting process.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised) - 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (ISAE 3000 (Revised)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000 (Revised) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality control requirements

We apply the provisions of the International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the ESEF Regulation. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

Appointment and period of our audit engagement

We were appointed by the Shareholders meeting on 09 August 2021 to audit the separate and consolidated financial statements of AS "DelfinGroup" for the year ended 31 December 2021. This is our fourth year of appointment.

We confirm that:

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

For the period to which our statutory audit relates, we have not provided any other services to the Company and the Group in addition to the audit, which have not been disclosed in the separate and consolidated financial statements of the Company and the Group.

Irita Cimdare is the responsible sworn auditor and audit engagement partner and Andrei Surmach is the assigned second audit engagement partner on the audit resulting in this independent auditor's report.

SIA "BDO ASSURANCE"
License No 182

Andrei Surmach
Partner

Irita Cimdare
Member of the Board
Sworn auditor
Certificate No 103

Riga, Latvia
29 March 2022

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

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 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 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 Chairman of the Board	**Kristaps Bergmanis** Board Member	**Ivars Lamberts** Board Member

Riga, 23rd April 2021

Statement of profit or loss for the year ended 31 December 2020

	Notes	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Net sales	(1)	6 164 231	6 164 231	5 403 464	5 403 464
Cost of sales	(2)	(4 224 332)	(4 224 332)	(3 603 607)	(3 603 607)
Interest income and similar income	(3)	15 459 316	17 499 755	15 289 006	16 774 412
Interest expenses and similar expenses	(4)	(3 278 011)	(3 490 389)	(2 687 671)	(2 852 983)
Credit loss expense		(963 163)	(1 591 793)	(1 502 467)	(1 896 009)
Gross profit		**13 158 041**	**14 357 472**	**12 898 725**	**13 825 277**
Selling expenses	(5)	(5 201 324)	(5 425 844)	(5 218 354)	(5 425 937)
Administrative expenses	(6)	(3 387 023)	(3 539 758)	(3 335 473)	(3 487 530)
Other operating income		71 384	72 395	113 712	94 932
Other operating expenses	(7)	(627 549)	(812 259)	(607 600)	(743 449)
Profit before corporate income tax		**4 013 529**	**4 652 006**	**3 851 010**	**4 263 293**
Income tax expense	(8)	(753 716)	(754 536)	(349 957)	(349 957)
Net profit		**3 259 813**	**3 897 470**	**3 501 053**	**3 913 336**
Earnings per share		0.81	0.97	0.88	0.98

Notes on pages from 16 to 45 are integral part of these financial statements.

Didzis 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	**Kristaps Bergmanis**	**Ivars Lamberts**	**Inta Pudāne**
Chairman of the Board	Board Member	Board Member	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".

Notes (continued)

Accounting policies (continued)

(d) Foreign currency translation

(d1) Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statement items are denominated in euro (EUR), which is the Company's functional and presentation currency.

(d2) Transactions and balances
All transactions in foreign currencies are translated into the functional currency using the exchange rates at the date of the respective transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement of the respective period. At the balance sheet date the rates set by the Bank of Latvia were:

	31.12.2020.	**31.12.2019.**
	1 EUR	**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.

Notes (continued)

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.

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.

<u>Useful life of fixed assets</u>

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.

<u>Impairment of of fixed assets</u>

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.

<u>Net realisable value of inventories</u>

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.

(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**

(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**

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 EUR	2019 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. EUR	31.12.2019. EUR	31.12.2020. %	31.12.2019. %
SIA ExpressInkasso	2 828	2 828	100	100
SIA ViziaFinance	880 000	880 000	100	100
SIA REFIN	800 000	800 000	100	100
SIA Banknote commercial properties (from 30.09.2020.)	2 844	-	100	-
	1 685 672	**1 682 828**		

b) information on subsidiaries

Name	Address	Total equity 31.12.2020. EUR	Total equity 31.12.2019. EUR	Profit/ (loss) for the period 2020 EUR	Profit/ (loss) for the period 2019 EUR
SIA ExpressInkasso	Skanstes street 50A, LV-1013 Riga, Latvia	380 318	366 841	13 477	120 886

The company is engaged in debt collection activities and is licensed by the Consumer Rights Protection Center in the field of out-of-court debt recovery.

Name	Address	Total equity 31.12.2020. EUR	Total equity 31.12.2019. EUR	Profit/ (loss) for the period 2020 EUR	Profit/ (loss) for the period 2019 EUR
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.

Name	Address	Total equity 31.12.2020. EUR	Total equity 31.12.2019. EUR	Profit/ (loss) for the period 2020 EUR	Profit/ (loss) for the period 2019 EUR
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.

Name	Address	Total equity 31.12.2020. EUR	Total equity 31.12.2019. EUR	Profit/ (loss) for the period 2020 EUR	Profit/ (loss) for the period 2019 EUR
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**

Notes (continued)

Loans and receivables (continued)

Company	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2020	**954 407**	**148 141**	**861 251**	**1 963 800**
New assets originated or purchased	1 897 260	-	-	1 897 260
Assets settled or partly settled	(1 301 785)	(29 231)	(77 831)	(1 408 847)
Assets written off or sold	-	(345 138)	(526 137)	(871 275)
Effect of interest accruals	1 819	(6 066)	(15 770)	(20 017)
Transfers to Stage 1	11 392	(5 818)	(5 574)	-
Transfers to Stage 2	(139 553)	142 905	(3 352)	-
Transfers to Stage 3	(383 553)	(67 043)	450 596	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	46 561	419 540	345 263	811 364
At 31 December 2020	**1 086 548**	**257 290**	**1 028 446**	**2 372 285**

Group	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value as at 1 January 2020	**31 957 718**	**1 043 994**	**1 736 689**	**39 342**	**34 777 743**
New assets originated or purchased	48 124 875	-	-	-	48 124 875
Assets settled or partly settled	(41 710 094)	(121 165)	(102 879)	(3 147)	(41 937 285)
Assets written off	-	(1 781 024)	(1 037 037)	-	(2 818 061)
Effect of interest accruals	152 658	(20 456)	12 845	-	145 047
Transfers to Stage 1	435 581	(86 907)	(348 674)	-	-
Transfers to Stage 2	(2 114 632)	2 124 417	(9 785)	-	-
Transfers to Stage 3	(1 872 254)	(102 599)	1 974 853	-	-
At 31 December 2020	**34 973 852**	**1 056 260**	**2 226 012**	**36 195**	**38 292 319**

Group	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at 1 January 2020	**2 047 613**	**198 351**	**984 907**	**-**	**3 230 871**
New assets originated or purchased	2 544 523	-	-	-	2 544 523
Assets settled or partly settled	(1 882 525)	(35 623)	(78 442)	-	(1 996 590)
Assets written off	-	(445 013)	(699 243)	-	(1 144 256)
Effect of interest accruals	4 957	(3 193)	12 787	-	14 551
Transfers to Stage 1	15 890	(8 955)	(6 934)	-	-
Transfers to Stage 2	(218 098)	222 480	(4 382)	-	-
Transfers to Stage 3	(570 449)	(102 989)	673 438	-	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	(47 386)	544 101	472 649	-	969 365
At 31 December 2020	**1 894 525**	**369 159**	**1 354 780**	**-**	**3 618 464**

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

	Company 31.12.2020. EUR	**Group 31.12.2020. EUR**	**Company 31.12.2019. EUR**	**Group 31.12.2019. EUR**
Receivables not yet due	24 358 172	32 473 188	20 264 843	29 924 557
Outstanding 1-30 days	2 009 196	2 508 354	1 688 018	2 040 851
Outstanding 31-90 days	785 974	1 056 261	849 442	1 043 994
Outstanding 91-180 days	722 713	989 467	464 520	537 798
Outstanding for 181-360 days	359 486	428 390	391 775	440 078
Outstanding for more than 360 days	712 240	836 658	684 185	790 465
Total claims against debtors for loans issued	**28 947 781**	**38 292 318**	**24 342 783**	**34 777 743**

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.

Notes (continued)

(24) Accounts payable to affiliated companies

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
Debt for received payments of the assigned rights of claim to SIA ExpressInaksso	243 619	-	234 070	-
Accrued liabilities for facilities management and utilities to SIA Banknote commercial properties	196	-	179	179
Debt for the services provided by the SIA 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**

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
<u>**Parent company transactions with**</u>**:**		
Owners of the parent company		
Interest paid		
Board members	-	(2 525)
Interest received		
AE Consulting SIA	26 804	29 584
L24 Finance SIA	1 575	1 436
EC finance SIA	11	-
Services received		
AE Consulting SIA	(1 698)	(1 326)
Services delivered		
AE Consulting SIA	1 331	214
L24 Finance SIA	360	120
EC finance SIA	300	60
Goods sold		
AE Consulting SIA	1 090	-
Board members	992	-
Investment in shares		
L24 Finance SIA	(1 921)	-

Notes (continued)

Related party transactions (continued)

	2020 EUR	2019 EUR
Parent company's transactions with:		
Subsidiaries		
Interest paid		
ExpressInkasso SIA	(2 944)	(2 048)
ViziaFinance SIA	-	(3 293)
Interest received		
ViziaFinance SIA	19 866	3 570
Banknote commercial properties SIA	1 619	-
ExpressInkasso SIA	15	-
REFIN SIA	-	12 282
Services delivered		
ViziaFinance SIA	16 588	17 636
ExpressInkasso SIA	10 106	25 214
REFIN SIA	400	160
Banknote commercial properties SIA	330	-
Services received		
ExpressInkasso SIA	-	(94 547)
Banknote commercial properties SIA	(5 294)	-
Investment in shares		
REFIN SIA	-	(500 000)
Companies and individuals under common control or significant influence		
Interest paid		
Board members	(1 598)	-
Interest received		
Board members	-	572
Services delivered		
EA investments AS	300	60
Board members		1 815
Other related companies		
Interest received		
Banknote commercial properties SIA	1 661	3 724
EuroLombard Ltd	1 570	-
KALPAKS SIA		36 804
Services received		
Banknote commercial properties SIA	(15 569)	(20 900)
Services delivered		
Banknote commercial properties SIA	938	1 085
EL Capital, SIA	447	207
EuroLombard Ltd.	6 139	12 138
OBDO Gin, SIA	8 418	60
KALPAKS, SIA	321	524
Goods received		
OBDO Gin, SIA	(43)	-
Fixed assets sold		
OBDO Gin, SIA	160	-

Group's transactions with:		
Owners of the parent company		
Interest paid		
Board members	-	(2 525)
Interest received		
AE Consulting SIA	26 804	29 584
L24 Finance SIA	1 575	1 436
EC finance SIA	11	-
Services received		
AE Consulting SIA	(1 698)	(3 504)
Services delivered		
AE Consulting SIA	2 965	214
L24 Finance SIA	360	120
EC finance SIA	300	60
Goods sold		
AE Consulting SIA	1 090	-
Board members	992	-
Investment in shares		
L24 Finance SIA	(1 921)	-

Notes (continued)

Related party transactions (continued)

Companies and individuals under common control or significant influence		
Interest paid		
Board members	(1 598)	-
Interest received		
Board members	-	572
Services delivered		
EA investments AS	300	60
Board members		1 815
Other related companies		
Interest received		
Banknote commercial properties SIA	1 661	3 724
EuroLombard Ltd	1 570	-
KALPAKS SIA		36 804
Services received		
Banknote commercial properties SIA	(15 569)	(20 900)
Services delivered		
Banknote commercial properties SIA	938	1 085
EL Capital, SIA	447	207
EuroLombard Ltd.	6 139	12 138
OBDO Gin, SIA	8 418	60
KALPAKS, SIA	321	524
Goods received		
OBDO Gin, SIA	(43)	-
Fixed assets sold		
OBDO Gin, SIA	160	-

Loans debt to shareholders and management

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
AE Consulting SIA	381 796	381 796	1 072 423	1 072 423
L24 Finance SIA	83 688	83 688	70 186	70 186
EA investments AS	9 000	9 000	-	-
Board members	-	-	44 853	44 853
EC finance SIA	-	-	73	73
	474 484	**474 484**	**1 187 535**	**1 187 535**

Debt of Subsidiaries

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
REFIN SIA	2 874 763	-	5 723 024	-
ViziaFinance SIA	1 056 164	-	-	-
Banknote commercial properties SIA	101 184	-	119 883	119 883
Other Subsidiaries	2	-	447	265
	4 032 113	**-**	**5 843 354**	**120 148**

(31) Segment information

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

Pawn loan segment	Handling pawn loan issuance, sale of pawn shop items in the branches and online.
Consumer loan segment	Handling consumer loans to customers, debt collection activities and loan cessions to external debt collection companies.
Other operations segment	Providing loans for real estate development, general administrative services to the companies of the Group, transactions with related parties.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the standalone and consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments. For the costs, which direct allocation to particular segment is not attributable the judgement of the management is used to allocate general costs by segments, based on the following cost allocation drivers – loan issuance, segment income, segment employee 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

Tel: +371 66777800
Fakss: +371 67222236
www.bdo.lv

Kaļķu street 15-3B
Rīga, LV-1050
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 UNREVIEWED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3-MONTH PERIOD WHICH ENDED ON 31 MARCH 2023 AND FOR THE 3-MONTH PERIOD WHICH ENDED ON 31 MARCH 2022, RESPECTIVELY

delfin group

custom finance solutions

AS “DelfinGroup”

Unaudited consolidated interim report
January – March 2023

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 47.91 Retail sale via mail order houses or via Internet NACE2 47.79 Retail sale of second-hand goods in stores NACE 47.77 Retail sale of watches and jewellery in specialised stores
Address	50A Skanstes Street, Riga, LV-1013 Latvia
Names and addresses of shareholders	SIA L24 Finance (55.54%), 12 Jūras Street, Liepaja, Latvia SIA AE Consulting (8.75%), 50A Skanstes Street, Riga, Latvia SIA EC finance (18.28%), 50A Skanstes Street, Riga, Latvia Other (17.43%)
Ultimate parent company	SIA L24 Finance Reg. No. 40103718685 12 Jūras Street, Liepaja, Latvia
Names and positions of Board members	Didzis Ādmīdiņš – Chairman of the Board (from 19.01.2021) Aldis Umblejs – Member of the Board (from 15.12.2021) Sanita Pudnika – Member of the Board (from 01.03.2022) Ivars Lamberts – Member of the Board (from 11.01.2018 till 28.02.2022)

Names and positions of Supervisory Board members	Agris Evertovskis – Chairperson of the Supervisory Board (from 13.04.2021) Gatis Kokins – Deputy Chairman of the Supervisory Board (from 13.04.2021) Mārtiņš Bičevskis – Member of the Supervisory Board (from 13.04.2021) Jānis Pizičs – Member of the Supervisory Board (from 13.04.2021) Edgars Voļskis – Member of the Supervisory Board (from 13.04.2021)
Reporting period	1 January 2023 – 31 March 2023

Information on the Subsidiaries

Subsidiary	SIA ViziaFinance (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	23.02.2015
Number, place and date of registration of the subsidiary	40003040217; Riga, 06 December 1991
Address of the subsidiary	50A Skanstes Street, Riga, Latvia
Operations as classified by NACE classification code system of the subsidiary	64.92 Other financing services

Statement of management`s responsibility

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

The interim report set out on pages 12 to 24 are prepared in accordance with the source documents and present the financial position of the Group as of 31 December 2023 and the results of its operations, changes in shareholders' equity and cash flows for the three-month period ended 31 March 2023. The management report set out on pages 7 to 11 presents fairly the financial results of the reporting period and future prospects of the Group.

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

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

Didzis Ādmīdiņš Chairman of the Board	**Aldis Umblejs** Board Member	**Sanita Pudnika** Board Member

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Management report

In the first three months of 2023, the Latvian financial services group AS *DelfinGroup* reached 11.1 million euros in revenue, which is 46% more compared to the corresponding period of 2022. The Group showed stable EBITDA growth, which increased by 53% and reached 3.9 million euros. In the first quarter of 2023, *DelfinGroup* continued to deliver increasing profitability, with profit before taxes running EUR 1.8 million, which is a 16% increase compared to the first quarter of last year, while the Group's net profit increased by 16%, reaching EUR 1.6 million.

In the 1st quarter of 2023, demand for *DelfinGroup* consumer and pawn loans remained stable, resulting in record quarterly loan issuance figures. In the first three months of 2023, the Group issued new loans for 24 million euros, 59% more than in the corresponding period of the previous year. Among them, consumer loans were issued in the amount of 18.3 million euros, or 59% more than in the corresponding period of last year. Meanwhile, in the pawn lending segment, issuance has increased by 58%, reaching 5.7 million euros. As a result of the successful issuance of loans, the Group's net loan portfolio has reached the historically highest level – 73.5 million euros.

According to the Group's strategy, one of the main goals is promoting the circular economy, which is supported by the trade of pre-owned and slightly pre-owned goods, which extends the life cycle of items and reduces CO2 emissions during the production of new goods. In this segment as well, *DelfinGroup* continued its stable development, increasing both the number of sold goods that have been given a second life and the revenues of the segment. In the first quarter of 2023, the Group sold pre-owned and new goods for 3.3 million euros, which is a 43% increase compared to the corresponding period of the previous year.

Based on the current economic situation, business results, and development trends, *DelfinGroup* clarified the goals for 2023 and 2024 and set forecasts for 2025. It is planned that the net loan portfolio of the Group will reach 100 million euros in 2025. Also, by the end of 2025, it is planned to reach an EBITDA of 26 million euros and to double the profit before taxes to 15 million euros. According to *DelfinGroup* dividend policy, the company will continue to maintain an equity ratio of at least 20% to total assets, which is a prerequisite for a well-balanced capital structure. In addition, as before, the company plans to make quarterly dividend payments to shareholders of up to 50% of the net profit.

On 29 March 2023, an extraordinary meeting of shareholders of the Company took place, where the AS *DelfinGroup* unaudited interim condensed consolidated financial statements for the twelve-month period ended 31 December 2022 were approved. Also, the payment of dividends from the 4th quarter of 2022 profit of 838 thousand euros was approved in the amount of 0.0185 euros per share. The quarterly dividend payment to shareholders took place on 17 April 2023.

As part of *DelfinGroup* long-term motivation program, a staff option program was launched to promote the employees' sense of belonging to the company. 450 thousand company shares will be issued as part of the program. All employees of the Group who have worked in the Group for at least 12 months can participate in the staff option program, which will allow employees to earn along with the company's development in addition to their salary.

In the 1st quarter of 2023, *DelfinGroup* signed an agreement with *BA School of Business and Finance* (BASBF) and *Riga Technical University* (RTU) on cooperation in the fields of studies and research. As a result, the fintech company and these higher education institutions have arranged to work together as part of the *Financial Management Information Systems* joint vocational bachelor study programme taught by BASBF and RTU. In close cooperation with industry professionals, the study programme prepares financial system software developers. It thus provides the financial and fintech industries with the highly skilled specialists that the job market demands. The agreement aims to create broader opportunities for cooperation in scientific, academic, and administrative work for *DelfinGroup* employees and the students and teaching staff of the *Financial Management Information Systems* vocational bachelor study programme. Furthermore, it will result in the students gaining the ability to consolidate their knowledge in practice and get advice from industry professionals throughout their studies.

Management report (CONTINUED)

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

Position	EUR, million	Change, %
Net loan portfolio	73.5	+8.8
Assets	85.1	+10.3
Revenue	11.1	+46.1
EBITDA	3.9	+53.3
Profit before taxes	1.8	+15.6
Net profit	1.6	+15.9

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

Position	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1
Revenue, EUR million	7.6	8.4	9.4	10.3	11.1
EBITDA, EUR million	2.6	3.2	3.5	3.8	3.9
EBITDA margin, %	34%	38%	37%	37%	35%
EBIT, EUR million	2.3	2.9	3.2	3.5	3.6
EBIT margin, %	30%	35%	34%	34%	33%
Profit before taxes, EUR million	1.6	2.0	1.8	1.9	1.8
Net profit, EUR million	1.4	1.2	1.7	1.7	1.6
Net profit margin, %	18%	14%	18%	16%	15%
ROE (annualised), %	31%	29%	39%	38%	35%
Current ratio	1.4	1.3	1.3	0.7	0.7

In some cases, quantitative values have been rounded up to the nearest decimal place or whole number to avoid an excessive level of detail. As a result, certain values may not necessarily add up to the respective totals due to the effects of the approximation. 2022 Q1 are corrected by restatements in Note 1. 2022 Q4 are corrected by restatements in Note 1 of Group's annual consolidated financial statements as at 31 December 2022.

EBITDA calculation, EUR million:

Item	2023 Q1	2022 Q1
Profit before tax	1.8	1.6
Interest expenses and similar expenses	1.8	0.7
Depreciation of fixed assets and amortisation	0.3	0.3
EBITDA, EUR million	**3.9**	**2.6**

Management report (CONTINUED)

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

Covenant	Value as of 31.03.2023	Compliance
to maintain a Capitalization Ratio at least 25%	26%	yes
to maintain consolidated Interest Coverage Ratio of at least 1.25 times, calculated on the trailing 12 month basis	2.5	yes
to maintain the Net Loan portfolio, plus Cash, net value of outstanding Mintos Debt Security and secured notes balance, at least 1.2 times the outstanding principal amount of all unsecured interest-bearing debt on a consolidated basis.	1.7	yes

Principles of alternative performance measures

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

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

Revenue = net sales + interest income and similar income.

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

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

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

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

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

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

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

Equity ratio = total equity / total assets * 100.

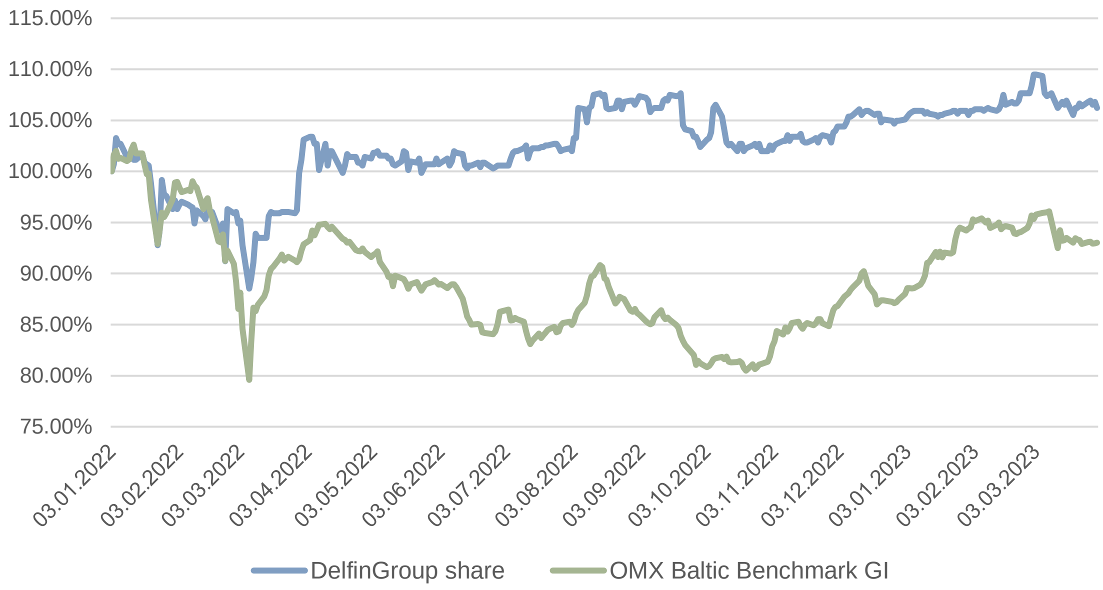
Cost to income ratio = (selling expenses + administrative expenses + other operating expenses – debt sale results) / (net sales – cost of sales + interest income and similar income – interest expenses and similar expenses + other operating income) * 100.

Investor information

DelfinGroup shares are listed on the Baltic Main List on the Nasdaq Riga stock exchange with the ISIN code LV0000101806. As of 31 March 2023, a total of 45,319,594 shares had been issued. The share price was EUR 1.5, making a total market capitalization of EUR 68 million. During the reporting period, the trading of DelfinGroup shares reached 803 thousand euros. During the first three months of 2023, the share price increased by 1.21%. The lowest price at which the Company's shares were traded was 1.478 euros, and the highest was 1.55 euros.

Management report (CONTINUED)

Price changes from the beginning of 2022, %



Branches
As at 31 December 2022, the Group had 92 branches in 38 cities in Latvia (31.12.2022 - 91 branches in 38 cities).

Risk management
The Group is not exposed to foreign exchange rate risk because the basic transaction currency is the Euro. Majority of the funding of the Group consists of fixed coupon rate borrowings, so that the Group is not exposed to variable interest rate risk. Accurate application of the prudent strategies chosen has allowed the Group to successfully manage its financial risks, particularly the liquidity and credit risk. All Group transactions are performed in Latvia, the Group has no counterparties in Russia and Belarus thus the impact of the war in Ukraine and the associated sanctions has insignificant effect on the company's operations.

Distribution of the profit proposed by the Company
The Company's board recommends the distribution of Q1 2023 profit as dividends in accordance with the Company's dividend policy, which sets the target of up to 50% quarterly dividend pay out.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Pudnika
Board Member

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Interim consolidated Statement of profit or loss
January – March 2023

	Notes	For 3 months ended 31 March 2023 EUR	2022 (restated, note 1) EUR
Net sales	(2)	2 302 806	1 245 761
Cost of sales		(1 443 337)	(779 723)
Interest income and similar income	(3)	8 779 121	6 340 294
Interest expenses and similar expenses	(4)	(1 791 960)	(688 911)
Credit loss expenses		(2 144 585)	(1 410 285)
Gross profit		**5 702 045**	**4 707 136**
Selling expenses	(5)	(2 062 572)	(1 757 066)
Administrative expenses	(6)	(1 764 851)	(1 279 404)
Other operating income		14 943	24 275
Other operating expenses		(64 249)	(115 917)
Profit before corporate income tax		**1 825 316**	**1 579 024**
Income tax expenses		(212 230)	(187 656)
Net profit		**1 613 086**	**1 391 368**
Basic earnings per share	(7)	0.036	0.031
Diluted earnings per share	(7)	0.036	0.031

Notes on pages from 17 to 24 are an integral part of these interim reports.

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Interim consolidated Balance sheet as at 31 March 2023

Assets	Notes	Group 31 March 2023	Group 31 December 2022
Non-current assets:		EUR	EUR
Intangible assets:			
Patents, licences, trademarks and similar rights		17 429	26 906
Internally developed software		523 649	575 458
Other intangible assets		134 755	121 162
Goodwill		127 616	127 616
Advances for intangible assets		175 100	43 801
Total intangible assets:		**978 549**	**894 943**
Property, plant and equipment:			
Land, buildings and structures		180 433	182 378
Leasehold improvements		201 946	189 340
Right-of-use assets		2 697 743	2 636 223
Other fixtures and fittings, tools and equipment		233 683	203 192
Total property, plant and equipment		**3 313 805**	**3 211 133**
Non-current financial assets:			
Loans and receivables	(8)	52 729 351	46 150 128
Total non-current financial assets:		**52 729 351**	**46 150 128**
Total non-current assets:		**57 021 705**	**50 256 204**
Current assets:			
Inventories:			
Finished goods and goods for sale		3 909 483	2 289 780
Total inventories:		**3 909 483**	**2 289 780**
Receivables:			
Loans and receivables	(8)	20 723 690	21 367 679
Other debtors		633 317	574 646
Deferred expenses		408 764	300 670
Total receivables:		**21 765 771**	**22 242 995**
Cash and cash equivalents		2 398 179	2 369 029
Total current assets:		**28 073 433**	**26 901 804**
Total assets		**85 095 138**	**77 158 008**

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Interim consolidated Balance sheet as at 31 March 2023

Liabilities and equity	Notes	Group 31 March 2023	Group 31 December 2022
Equity:		**EUR**	**EUR**
Share capital		4 531 959	4 531 959
Share premium		6 890 958	6 890 958
Other capital reserves		128 059	93 058
Retained earnings	(9)	7 364 435	6 589 761
Total equity:		**18 915 411**	**18 105 736**
Liabilities:			
Long-term liabilities:			
Bonds issued	(10)	7 406 149	4 330 630
Other borrowings	(11)	16 325 516	15 004 505
Lease liabilities for right-of-use assets		2 224 973	2 353 309
Total long-term liabilities:		**25 956 638**	**21 688 444**
Short-term liabilities:			
Bonds issued	(10)	15 548 252	14 783 110
Other borrowings	(11)	20 560 236	19 856 253
Lease liabilities for right-of-use assets		749 345	565 131
Trade payables		695 027	856 429
Taxes and social insurance		586 298	560 492
Unpaid dividends		838 412	-
Accrued liabilities		1 245 519	742 413
Total short-term liabilities:		**40 223 089**	**37 363 828**
Total liabilities		**66 179 727**	**59 052 272**
Total liabilities and equity		**85 095 138**	**77 158 008**

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Interim consolidated Statement of changes in equity
January - March 2023

	Share capital EUR	Share premium EUR	Other capital reserves EUR	Retained earnings EUR	Total EUR
As at 01 January 2022, as previously	**4 531 959**	**6 890 958**	**-**	**5 954 404**	**17 377 321**
Impact of correction of errors (Note 1)	-	-	-	98 661	98 661
Restated as at 01 January 2022	**4 531 959**	**6 890 958**	**-**	**6 053 065**	**17 475 982**
Profit for the reporting period (Note 1)	-	-	-	1 391 368	1 391 368
Dividends paid	-	-	-	(779 497)	(779 497)
As at 31 March 2022	**4 531 959**	**6 890 958**	**-**	**6 664 936**	**18 087 853**
As at 01 January 2023	**4 531 959**	**6 890 958**	**93 058**	**6 589 761**	**18 105 736**
Profit for the reporting period	-	-	-	1 613 086	1 613 086
Dividends paid	-	-	-	(838 412)	(838 412)
Share-based payments	-	-	35 001	-	35 001
As at 31 March 2023	**4 531 959**	**6 890 958**	**128 059**	**7 364 435**	**18 915 411**

Notes on pages from 17 to 24 are an integral part of these interim reports.

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Interim consolidated statement of cash flows
January - March 2023

	Notes	For 3 months ended 31 March 2023 EUR	For 3 months ended 31 March 2022 EUR
Cash flow from operating activities			
Profit before corporate income tax		**1 825 316**	**1 579 024**
Adjustments for non-cash items:			
a) depreciation and amortisation		118 151	103 344
b) depreciation of right-of-use assets		187 925	187 596
c) credit loss expenses		2 144 585	1 410 285
d) share-based payment expense		35 001	-
e) interest income and similar income	(3)	(8 779 121)	(6 340 294)
f) interest expenses and similar expenses	(4)	1 791 960	688 911
Profit before adjustments of working capital and short-term liabilities		**(2 676 183)**	**(2 371 134)**
Change in operating assets/liabilities:			
a) (Increase) on loans and receivables and other debtors		(7 499 551)	(4 756 972)
b) (Increase)/ decrease on inventories		(1 619 703)	(883 541)
c) (Decrease)/ increase on trade payable and accrued liabilities		1 485 594	871 707
Gross cash flow from operating activities		**(10 309 843)**	**(7 139 940)**
Interest received		8 032 088	6 254 224
Interest paid		(2 223 687)	(946 388)
Corporate income tax payments		(1 296 108)	(979 191)
Net cash flow from operating activities		**(5 797 550)**	**(2 811 295)**
Cash flow from investing activities			
Acquisition of property, plant and equipment		(87 022)	(44 984)
Acquisition of intangible assets		(155 887)	(158 204)
Net cash flow from investing activities		**(242 909)**	**(203 188)**
Cash flow from financing activities			
Loans received		6 438 383	3 394 579
Loans repaid		(3 979 001)	(2 044 977)
Bonds issued		3 838 000	1 142 347
Redemption of bonds		-	(2 347)
Repayment of lease liabilities		(227 773)	(230 817)
Net cash flow from financing activities		**6 069 609**	**2 258 785**
Net cash flow of the reporting period		29 150	(755 698)
Cash and cash equivalents at the beginning of the reporting period		**2 369 029**	**2 459 862**
Cash and cash equivalents at the end of the reporting period		**2 398 179**	**1 704 164**

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Notes

(1) Accounting policies
Basis of preparation

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

The interim reports for the three-months ended 31 March 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Management considers that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

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

These interim reports are prepared and disclosed on a consolidated basis. The following subsidiaries are included in the consolidation: SIA *ViziaFinance* (100%) for the period ended 31 March 2023.

<u>Restatement in comparative figures due to correction of errors</u>

(a) The Management has identified a classification error on pawn loans while preparing Group's financial statements. The error relates to incorrect classification of collateral as Net sales. The error resulted in overstatement of the Group's Net sales by EUR 330 940, Cost of sales by EUR 225 709 in statement of profit or loss for the prior 3 months ended 31 March 2022 and understatement of Interest income and similar income by EUR 105 231 in statement of profit and loss for the prior 3 months ended 31 March 2022.

(b) In these financial statements, the Group has improved ECL calculation model. The Group have included defaults from debt sale before payments are past due for more than 90 days in probability of default calculation. Model improvement resulted in an identified understatement of Credit loss expenses by EUR 247 327 in statement of profit or loss for the prior 3 months ended 31 March 2022.

(c) The Management has reconsidered the judgment in respect of pawn loan accounting and come to conclusion that pawn loans do not meet solely payment of principal and interest (SPPI) requirements, thus prior period pawn loan measurement according to amortized cost were erroneous. The Group recognizes and subsequently measures pawn loans at fair value. There is no difference in comparative figures of Loans and receivables, and Interest income and similar income due to this error.

(d) The Management has identified an error on interest revenue calculation on debt financial assets by applying effective interest rate method while preparing Group's financial statements. The error resulted in understatement of Interest income and similar income by EUR 225 026 in statement of profit and for the prior 3 months ended 31 March 2022. To comply with requirements of IFRS 9, the Group have recalculated interest income and similar income.

(e) The Management has identified a classification error on accounting of e-shop sales while preparing Group's financial statements. The error relates to incorrect recognition of e-shop markup in net sales. The error resulted in understatement of the Group's Net sales by EUR 110 944, Cost of sales by EUR 110 944 in statement of profit or loss for the prior 3 months ended 31 March 2022.

(f) In these financial statements, the Group have changed the presentation of losses from debt sales. In statement of profit or loss for the prior 3 months ended 31 March 2022 losses from debt sales was presented under Other operating expenses. In these financial statements, for better presentation of financial information, losses from debt sales were reclassified to Credit loss expenses. The reclassification resulted in understatement of Credit loss expenses and overstatement of Other operating expenses by EUR 79 469 in statement of profit and loss for the prior 3 months ended 31 March 2022.

(g) Abovementioned corrections resulted in understatement of retained earnings by EUR 98 661 as at 31 March 2022.

Notes (continued)

(1) Accounting policies (continued)

The aforementioned corrections were performed by restating each of the affected financial statements line items for the prior 3 months ended 31 March period, as follows:

Statement of profit or loss

	Reference	Before restatement for 3 months ended 31 March 2022	Restatement	After restatement for 3 months ended 31 March 2022
Net sales	(a), (e)	1 465 757	(219 996)	1 245 761
Cost of sales	(a), (e)	(894 488)	114 765	(779 723)
Interest income and similar income	(a), (d)	6 010 037	330 257	6 340 294
Interest expenses and similar expenses		(688 911)	-	(688 911)
Credit loss expense	(b), (f)	(1 083 489)	(326 796)	(1 410 285)
Gross profit		**4 808 906**	**(101 770)**	**4 707 136**
Selling expenses		(1 757 066)	-	(1 757 066)
Administrative expenses		(1 279 404)	-	(1 279 404)
Other operating income		24 275	-	24 275
Other operating expenses	(f)	(195 386)	79 469	(115 917)
Profit before corporate income tax		**1 601 325**	**(22 301)**	**1 579 024**
Income tax expenses		(187 656)	-	(187 656)
Net profit		**1 413 669**	**(22 301)**	**1 391 368**

The aforementioned corrections were performed by restating each of the affected financial statements line items for the prior 3 months ended 31 March period, as follows:

Statement of changes in equity

	Share capital EUR	Share premium EUR	Retained earnings EUR	Total EUR
As at 01 January 2022, as previously	**4 531 959**	**6 890 958**	**5 954 404**	**17 377 321**
Restatement, reference (g)	-	-	98 661	98 661
Restated as at 01 January 2022	**4 531 959**	**6 890 958**	**6 053 065**	**17 475 982**
Profit for the reporting period, reference (a), (b), (d), (e), (f)	-	-	1 391 368	1 391 368
Dividends paid	-	-	(779 497)	(779 497)
As at 31 March 2022	**4 531 959**	**6 890 958**	**6 664 936**	**18 087 853**

Notes (continued)

(2) Net sales

Net revenue by type of revenue

	For 3 months ended 31 March 2023 EUR	2022 (restated, Note 1) EUR
Income from sales of goods	1 909 815	948 214
Income from sales of precious metals	140 936	142 283
Other income, loan and mortgage realisation and storage commission	252 055	155 264
	2 302 806	**1 245 761**

All net sales are generated in Latvia.

(3) Interest income and similar income

	For 3 months ended 31 March 2023 EUR	2022 (restated, Note 1) EUR
Interest income on unsecured loans according to effective interest rate method	7 257 028	5 219 687
Interest income on pawn loans	1 521 416	1 120 400
Other interest income according to effective interest rate method	677	207
	8 779 121	**6 340 294**

(4) Interest expenses and similar expenses

	For 3 months ended 31 March 2023 EUR	2022 EUR
Interest expense on other borrowings	1 143 711	339 292
Bonds' interest expense	607 908	303 176
Interest expense on lease liabilities for leased premises	39 691	45 880
Interest expense lease liabilities for leased vehicles	614	422
Net loss on foreign exchange	36	141
	1 791 960	**688 911**

Notes (continued)

(5) Selling expenses

	For 3 months ended 31 March 2023	2022
	EUR	EUR
Salary expenses	794 264	680 082
Advertising	230 595	206 037
Social insurance	186 714	159 828
Depreciation of right-of-use assets - premises	162 286	156 992
Non-deductible VAT	156 011	114 069
Depreciation of property, plant and equipment and amortisation of intangible assets	118 151	103 344
Maintenance expenses	113 834	79 600
Utilities expenses	105 419	74 607
Provisions for unused annual leave	33 817	28 359
Transportation expenses	17 805	26 388
Depreciation of right-of-use assets - motor vehicles	2 160	5 577
Other expenses	141 516	122 183
	2 062 572	**1 757 066**

(6) Administrative expenses

	For 3 months ended 31 March 2023	2022
	EUR	EUR
Salary expenses	983 304	764 421
Social insurance	250 844	179 772
Bank commission	212 416	133 930
Communication expenses	148 939	38 092
Provisions for unused annual leave	39 011	40 216
State fees and duties, licence expenses	33 817	34 289
Depreciation of right-of-use assets - premises	23 479	23 479
Legal advice	11 561	21 749
Depreciation of right-of-use assets - motor vehicles	-	1 548
Other administrative expenses	61 480	41 908
	1 764 851	**1 279 404**

(7) Basic earnings and Diluted earnings per share

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

	For 3 months ended 31 March 2023	2022
	EUR	EUR
Net profit attributed to shareholders	1 613 086	1 391 368
Weighted average number of shares	45 319 594	45 319 594
Earnings per share	**0.036**	**0.031**
Weighted average number of shares used for calculating the diluted earnings per shares	45 367 691	45 319 594
Diluted earnings per share	**0.036**	**0.031**

Notes (continued)

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

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

	Change	Actual number of shares after transaction	Actual number of shares after transaction
	EUR	EUR	EUR
For 3 months ended 31 March 2022			
Number of shares at the beginning of the period		45 319 594	45 319 594
Number of shares at the end of the period		45 319 594	45 319 594
Weighted average number of shares:			**45 319 594**
Weighted average number of share options for DelfinGroup AS employees granted in Q1 2022			-
Weighted average potential number of shares			**45 319 594**
For 3 months ended 31 March 2023			
Number of shares at the beginning of the period		45 319 594	45 319 594
Number of shares at the end of the period		45 319 594	45 319 594
Weighted average number of shares:			**45 319 594**
Weighted average number of share options for DelfinGroup AS employees granted in Q12023*			48 097
Weighted average potential number of shares			**45 367 691**

*.Number of shares granted on 1 December 2022 73 968 with FV at grant date 1.258 EUR and option exercise price 0.100 EUR.

(8) Loans and receivables

a) Loans and receivables by loan type

	Group 31 March 2023	Group 31 December 2022
	EUR	EUR
Pawn loans measured at fair value		
Long-term pawn loans	268 543	220 216
Short-term pawn loans	5 261 125	5 880 246
Interest accrued for pawn loans	211 587	221 906
Pawn loans measured at fair value, total	**5 741 255**	**6 322 368**
Debtors for loans issued without pledge		
Long-term debtors for loans issued without pledge	52 460 808	45 929 912
Short-term debtors for loans issued without pledge	17 938 505	17 487 363
Interest accrued for loans issued without pledge	2 364 291	2 189 607
Debtors for loans issued without pledge, total	**72 763 604**	**65 606 882**
Loans and receivables before allowance, total	**78 504 859**	**71 929 250**
ECL allowance on loans issued without pledge	**(5 051 818)**	**(4 411 443)**
Loans and receivables	**73 453 041**	**67 517 807**

All loans are issued in euros. Weighted average term for consumer loans is 2.5 years and for pawn loans is one month.

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

Pawn loans in the amount of EUR 5 741 255 (31.12.2022: EUR 6 322 368) are secured by the value of the collateral and measured at fair value.

Notes (continued)

(8) Loans and receivables (continued)

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

An analysis of changes in the gross carrying value for loans issued and corresponding ECL during the three-month period ended 31 March 2023 is as follows:

Group	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	**60 306 047**	**4 160 505**	**1 140 330**	**65 606 882**
New assets originated or purchased	18 337 456	-	-	18 337 456
Assets settled or partly settled	(8 025 941)	(1 582 681)	(116 612)	(9 725 234)
Assets derecognised due to debt sales	-	(1 381 953)	(137 191)	(1 519 144)
Assets written off	-	-	(77 728)	(77 728)
Effect of interest accruals	230 303	(92 718)	3 787	141 372
Transfers to Stage 1	260 772	(249 290)	(11 482)	-
Transfers to Stage 2	(3 273 192)	3 278 870	(5 678)	-
Transfers to Stage 3	(181 711)	(432 174)	613 885	-
At 31 March 2023	**67 653 734**	**3 700 559**	**1 409 311**	**72 763 604**

Group	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	**2 794 161**	**834 239**	**783 043**	**4 411 443**
New assets originated or purchased	1 159 194	-	-	1 159 194
Assets settled or partly settled	(502 258)	(446 048)	(44 518)	(992 824)
Assets derecognised due to debt sales	-	(415 302)	(52 367)	(467 669)
Assets written off	-	-	(29 381)	(29 381)
Effect of interest accruals	19 912	(407)	85 040	104 545
Transfers to Stage 1	78 515	(74 836)	(3 679)	-
Transfers to Stage 2	(224 732)	226 879	(2 147)	-
Transfers to Stage 3	(3 492)	(129 091)	132 583	-
Impact on period end ECL changes in credit risk and inputs used for ECL calculation	(143 971)	701 071	309 410	866 510
At 31 March 2023	**3 177 329**	**696 505**	**1 177 984**	**5 051 818**

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

	Group 31 March 2023 EUR	**Group 31 December 2022 EUR**
Receivables not yet due	64 679 795	57 445 337
Outstanding 1-30 days	4 641 632	4 555 603
Outstanding 31-90 days	2 032 864	2 465 106
Outstanding 91-180 days	449 516	328 818
Outstanding for 181-360 days	471 348	383 242
Outstanding for more than 360 days	488 449	428 776
Total claims against debtors for loans issued	**72 763 604**	**65 606 882**

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

	Group 31 March2023 EUR	**Group 31 December 2022 EUR**
For trade debtors not yet due	2 615 055	2 252 622
Outstanding 1-30 days	745 417	661 969
Outstanding 31-90 days	734 054	789 067
Outstanding 91-180 days	280 074	184 076
Outstanding for 181-360 days	309 705	245 456
Outstanding for more than 360 days	367 513	278 253
Total provisions for bad and doubtful trade debtors	**5 051 818**	**4 411 443**

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

Notes (continued)

(9) Retained earnings

	For 3 months ended 31 March 2023 EUR	2022 EUR
Balance as at 1 January	**6 589 761**	**5 954 404**
Impact of correction of errors (Note 1)	-	98 661
Net profit for the period	1 613 086	1 391 368
Dividends declared:		
Interim dividends of 0.0185 EUR (2022: 0.0172 EUR) per share	(838 412)	(779 497)
Balance as at 31 March	**7 364 435**	**6 664 936**

(10) Bonds issued

	Group 31 March 2023 EUR	Group 31 December 2022 EUR
Total long-term part of bonds issued	**7 406 149**	**4 330 630**
Bonds issued	15 519 532	14 758 261
Interest accrued	28 720	24 849
Total short-term part of bonds issued	**15 548 252**	**14 783 110**
Bonds issued, total	**22 925 681**	**19 088 891**
Interest accrued, total	28 720	24 849
Bonds issued net	**22 954 401**	**19 113 740**

As of 31 March 2023, the Parent company of the Group has outstanding bonds (ISIN LV0000850048) in the amount of EUR 5 000 000, registered with the Latvia Central Depository and issued in a closed offer on 9 July 2021 on the following terms: number of bonds issued - 5 000, nominal value - EUR 1 000 per each bond, coupon rate – 9.75%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 August 2023. The bonds are not secured.

As of 31 March 2023, the Parent company of the Group has outstanding bonds (ISIN LV0000802536) in the amount of EUR 10 000 000, registered with the Latvia Central Depository on the following terms – number of financial instruments 10 000, with a nominal value 1 000 euro per each bond, coupon rate – 8.00%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 November 2023. The bond issue in full amount is traded on NASDAQ Baltic North Alternative market as of 21.06.2022. The bonds are not secured.

On 7 July 2022 the Parent company of the Group has started a closed bond offering (ISIN LV0000850055) in the amount of EUR 10 000 000. The offering has been registered with the Latvia Central Depository on the following terms – number of financial instruments is 10 000, with a nominal value 1 000 euro per each bond, coupon rate –3M EURIBOR + 8.75%, coupon is paid once a month on the 25th date. New bonds are issued periodically taking into account the need for financing. As of 31 March 2023, bonds in total of EUR 8 517 000 have been issued. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 September 2024. The bonds are not secured.

As at 31 March 2023 the Group is in compliance with covenants stated in all Terms of the Notes Issue. Please see covenants disclosed in Management report.

Notes (continued)

(11) Other borrowings

	Group 31 March 2023 EUR	Group 31 December 2022 EUR
Other long-term loans	16 325 516	15 004 505
Total other long-term loans	**16 325 516**	**15 004 505**
Other short-term loans	20 560 236	19 856 253
Total other short-term loans	**20 560 236**	**19 856 253**
Other loans, total	**36 885 752**	**34 860 758**

Amount of other borrowings is represented by loans received from crowdfunding platform Mintos, a platform registered in the European Union. The weighted average annual interest rate as of 31 March 2023 is 12.5%. According to the loan agreement with SIA Mintos Finance the loans matures according to the particular loan agreement terms concluded by the Group with its customers.
To ensure fulfilment of liabilities the Group has registered commercial pledge, see note 14. As at 31 March 2023 the Group is in compliance with covenants.

(12) Related party transactions

Group's transactions

	Transactions for 3 months 2023 EUR	Transactions in 2022 EUR
Shareholders		
Interest received	-	-
Services delivered	-	-
Goods sold	-	-
Interest paid	14 521	24 235
Key management personnel		
Goods sold	-	-
Interest paid	-	-
Other related companies		
Services delivered	-	-
Services received	-	3 900

Bonds issued to shareholders of the related companies

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

Notes (continued)

(13) Segment information

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

Pawn loan segment	Handling pawn loan issuance, sale of pawn shop items in the branches and online.
Retail of pre-owned goods	Sale of pre-owned goods in the branches and online purchased from customers.
Consumer loan segment	Handling consumer loans to customers, debt collection activities and debt sales to external debt collection companies.
Other operations segment	Providing loans for real estate development, general administrative services to the companies of the Group, transactions with related parties, dividends payable. 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 on consolidation basis. Management mainly focuses on net sales, interest income and similar income and profit before taxes of the segment. For the costs, for which direct allocation to a particular segment is not attributable, the judgement of the management is used to allocate general costs by segments, based on the following cost allocation drivers – loan issuance, segment income, segment employee count, segment employee costs, the amount of segment assets.

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

EUR	Consumer loans		Pawn loans		Retail of pre-owned goods		Other		Total	
	For 3 months period ended 31 March		For 3 months period ended 31 March		For 3 months period ended 31 March		For 3 months period ended 31 March		For 3 months period ended 31 March	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Assets	72 656 035	65 716 677	7 444 352	8 385 899	4 993 907	3 053 982	844	1 450	85 095 138	77 158 008
Liabilities of the segment	54 030 970	49 484 402	6 353 454	7 101 708	4 956 109	2 465 174	839 194	988	66 179 727	59 052 272
Net sales	-	-	-	-	2 302 806	1 245 761	-	-	2 302 806	1 245 761
Interest income and similar income	7 257 028	5 111 237	1 521 416	1 228 849	-	-	677	208	8 779 121	6 340 294
Net performance of the segment	2 840 157	1 815 115	520 072	328 443	252 502	120 462	4 545	3 915	3 617 276	2 267 935
Financial (expenses)	(1 523 433)	(586 308)	(141 344)	(66 644)	(127 183)	(35 959)	-	-	(1 791 960)	(688 911)
Profit/(loss) before taxes	1 316 724	1 228 807	378 728	261 799	125 319	84 503	4 545	3 915	1 825 316	1 579 024
Corporate income tax	(153 096)	(146 035)	(44 035)	(31 113)	(14 571)	(10 043)	(528)	(465)	(212 230)	(187 656)

(14) Guarantees issued, pledges

The Group has registered four groups of commercial pledges by pledging its assets and claim rights for a maximum amount of EUR 37.8 million as collateral registered to collateral agent SIA *Eversheds Sutherland Bitāns* (in favour of SIA *Mintos Finance*) and to SIA *Mintos Finance* No.20 and AS *Mintos Marketplace* to provide collateral for loans placed on the Mintos P2P platform.
As of 31 March 2023, the amount of secured liabilities constitutes EUR 36 885 752 (As of 31 December 2022 EUR 34 860 758).

(15) Subsequent events

After end of reporting period there were no significant events which would have impact to these interim reports.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Pudnika
Board Member

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delfin group

custom finance solutions

AS "DelfinGroup"
Unaudited interim condensed consolidated financial statements for the three-month period ended 31 March 2022

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 47.91 Retail sale via mail order houses or via Internet NACE2 47.79 Retail sale of second-hand goods in stores NACE 47.77 Retail sale of watches and jewellery in specialised stores
Address	50A Skanstes Street, Riga, LV-1013 Latvia
Names and addresses of shareholders	SIA L24 Finance (57.53%), 12 Juras Street, Liepaja, Latvia SIA AE Consulting (8.88%), 50A Skanstes Street, Riga, Latvia SIA EC finance (18.81%), 50A Skanstes Street, Riga, Latvia Other (14.78%)
Ultimate parent company	SIA L24 Finance Reg. No. 40103718685 12 Juras Street, Liepaja, Latvia
Names and positions of Board members	Didzis Ādmīdiņš – Chairman of the Board (from 19.01.2021) Aldis Umblejs – Member of the Board (from 15.12.2021) Sanita Zitmane – Member of the Board (from 01.03.2022) Agris Evertovskis – Chairman of the Board (from 12.10.2009 till 19.01.2021) Didzis Ādmīdiņš – Member of the Board (from 11.07.2014 till 19.01.2021) Kristaps Bergmanis – Member of the Board (from 11.07.2014 till 15.12.2021) Ivars Lamberts – Member of the Board (from 11.01.2018 till 28.02.2022)

Names and positions of Supervisory Board members	Agris Evertovskis – Chairperson of the Supervisory Board (from 19.01.2021 till 12.04.2021, from 13.04.2021) Gatis Kokins – Deputy Chairman of the Supervisory Board (from 13.04.2021) Mārtiņš Bičevskis – Member of the Supervisory Board (from 13.04.2021) Jānis Pizičs – Member of the Supervisory Board (from 13.04.2021) Edgars Voļskis – Member of the Supervisory Board (from 13.04.2021) Anete Ozoliņa – Deputy Chairman of the Supervisory Board (from 19.01.2021 till 13.04.2021) Uldis Judinskis – Member of the Supervisory Board (from 19.01.2021 till 13.04.2021) Uldis Judinskis – Chairperson of the Supervisory Board (from 16.05.2019 till 19.01.2021) Ramona Miglāne – Deputy Chairman of the Supervisory Board (from 16.05.2019 till 19.01.2021) Anete Ozoliņa – Member of the Supervisory Board (from 16.05.2019 till 19.01.2021)
Reporting period	1 January 2022 - 31 March 2022

Information on the Subsidiaries

Subsidiary	SIA ViziaFinance (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	23.02.2015
Number, place and date of registration of the subsidiary	40003040217; Riga, 06 December 1991
Address of the subsidiary	50A Skanstes Street, Riga, Latvia
Operations as classified by NACE classification code system of the subsidiary	64.92 Other financing services

Statement of management`s responsibility

The management of AS DelfinGroup (hereinafter – the Company) is responsible for the preparation of the Interim condensed consolidated financial statements for the three-month period ended 31 March 2022 (hereinafter – interim condensed consolidated financial statements) of the Company and its subsidiaries (hereinafter – the Group).

The interim condensed consolidated financial statements set out on pages 10 to 22 are prepared in accordance with the source documents and present the financial position of the Group as of 31 March 2022 and the results of its operations, changes in shareholders' equity and cash flows for the three-month period ended 31 March 2022. The management report set out on pages 7 to 9 presents fairly the financial results of the reporting period and future prospects of the Group.

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

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

Didzis Ādmīdiņš Chairman of the Board	**Aldis Umblejs** Board Member	**Sanita Zitmane** Board Member

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Management report

During the 1st quarter of 2022 Latvian financial services company AS DelfinGroup has reached a turnover of EUR 7.5 million which is 24% more compared to the same period in 2021. Over the first three months of 2022 EBITDA also showed a stable growth increasing by 8% while the Group achieved significant profitability improvements. Profit before taxes during the first three months of 2022 increased by 42% year-on-year and reached EUR 1.6 million, at the same time net profit increased by 76% and reached EUR 1.4 million. The increased revenue was mainly facilitated by the growth of activity in consumer lending, pawn lending and retail of pre-owned goods segments, while profitability was significantly improved by reduced costs of interest-bearing liabilities.

In the first quarter of 2022 AS *DelfinGroup* issued EUR 15.1 million EUR in new loans securing loan issuance growth of 60% year on year. Growth in loan issuance was mainly supported by significant consumer lending increase that grew by 73%. In addition, easing of Covid-19 restrictions during the first quarter gave a positive impact on pawn loan issuance which increased by 30% compared to the same period in 2021. Consequently, strong loan issuance resulted in a record high net loan portfolio amount reaching EUR 47.1 million which is 46% increase year-on-year.

On 1 March the composition of the Management Board of AS *DelfinGroup* was changed: Sanita Zitmane was appointed as a Member of the Management board. She replaced Chief Operations Officer Ivars Lamberts who decided to resign from his position as a Member of the Management Board and to undertake other activities outside the Group.

During the first three months of 2022 AS *DelfinGroup* completed the acquisition of the AS *Moda Kapitāls* pawn shop business, which was started in August 2021. AS *Moda Kapitāls* owned the fourth largest pawn shop network in Latvia and the acquisition of its business will strengthen the leading position of AS *DelfinGroup* in regions. After the conclusion of the deal, a new branch was opened in Daugavpils, while Banknote branches in Ludza and Preiļi was moved to better and larger premises.

Another major improvement during the last quarter was increasing the maximum available loan amount for VIZIA clients from EUR 7 000 up to EUR 10 000. Such step will allow VIZIA brand to adapt the growing customer demand for larger loan transactions that have been observed over the last periods.

Following the aggression of Russia in Ukraine, during the 1st quarter of 2022 AS *DelfinGroup* actively supported the war-affected people of Ukraine and donated in total EUR 100 000 to two initiatives: EUR 70 000 for the Entrepreneurs for Peace (*Uzņēmēji mieram*) movement and EUR 30 000 for the Ziedot.lv *Stand With Ukraine* initiative.

On 28 March AS *DelfinGroup* held an Extraordinary Meeting of Shareholders during which shareholders of AS *DelfinGroup* approved dividend distribution in the amount of EUR 780 thousand, namely EUR 0.0172 per share, from the profit of 4th quarter of 2021. Dividends were paid according to AS DelfinGroup dividend policy which anticipate quarterly dividend payments up to 50% from previous quarters' net profit. In addition, shareholders approved amendments to the Employee Stock Options Program allowing the company to grant up to 100 000 shares within the period of 4 years to strategic employees.

On 30 March AS *DelfinGroup* published its audited annual report and Corporate Governance Report for 2021. Reports are available at AS *DelfinGroup* webpage www.delfingroup.lv or on *Nasdaq Riga* stock exchange.

Management report (CONTINUED)

By implementing the business strategy and all planned activities, the following financial results of the Group were achieved in the first three months of 2022 (profit statement items are compared to the same period of the previous year, balance sheet items are compared to the data as at 31.12.2021):

Position	EUR, million	Change, %
Net loan portfolio	47.0	+9.6
Assets	55.7	+7.0
Revenue	7.5	+24.2
EBITDA	2.6	+8.3
Profit before taxes	1.6	+42.0
Net profit	1.4	+75.8

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

Position	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1
Total income, EUR million	6.0	5.9	6.5	7.1	7.5
EBITDA, EUR million	2.4	2.2	2.4	3.1	2.6
EBITDA margin, %	40%	37%	37%	44%	35%
EBIT, EUR million	2.1	2.0	2.1	2.8	2.3
EBIT margin, %	35%	34%	33%	39%	31%
Profit before taxes, EUR million	1.1	1.1	1.2	1.7	1.6
Net profit, EUR million	0.8	0.8	1.0	1.6	1.4
Net profit margin, %	13%	14%	16%	23%	19%
ROE (annualised), %	36%	38%	46%	47%	32%
Current ratio	1.0	0.9	1.4	1.5	1.4

EBITDA calculation, EUR million:

Item	2022 Q1	2021 Q1
Profit before tax	1.6	1.1
Interest expenses and similar expenses	0.7	1.0
Depreciation of fixed assets and amortisation	0.3	0.3
EBITDA, EUR million	**2.6**	**2.4**

Management report (CONTINUED)

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

Covenant	Value as of 31.03.2022	Compliance
to maintain a Capitalization Ratio at least 25%	38%	yes
to maintain consolidated ICR of at least 1.25 times, calculated on the trailing 12 month basis	2.6	yes
to maintain the Net Loan portfolio, plus Cash, net value of outstanding Mintos Debt Security and secured notes balance, at least 1.2 times the outstanding principal amount of all unsecured interest-bearing debt on a consolidated basis.	2.4	yes

Branches
As at 31 March 2022, the Group had 93 branches in 38 cities in Latvia (31.12.2021 - 93 branches in 38 cities).

Risk management
The Group is not exposed to foreign exchange rate risk because the basic transaction currency is the Euro. Majority of the funding of the Group consists of fixed coupon rate bonds and loans, so that the Group is not exposed to variable interest rate risk. Accurate application of the prudent strategies chosen has allowed the Group to successfully manage its financial risks, particularly the liquidity and credit risk. All Group transactions are performed in Latvia, the Group has no counterparties in Russia and Belarus thus the impact of the war in Ukraine and the associated sanctions has insignificant effect on the company's operations.

Distribution of the profit proposed by the Company
The Company's board recommends the distribution of Q1 2022 profit as dividends in accordance with the Company's dividend policy, which sets the target of 50% quarterly dividend payout.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

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Interim condensed consolidated Statement of profit or loss for the three-month period ended 31 March 2022

	Notes	For 3 months ended 31 March 2022 EUR	2021 EUR
Net sales	(2)	1 465 757	1 205 931
Cost of sales		(894 488)	(748 019)
Interest income and similar income	(3)	6 010 037	4 811 978
Interest expenses and similar expenses	(4)	(688 911)	(1 011 277)
Credit loss expenses		(1 083 489)	(732 371)
Gross profit		**4 808 906**	**3 526 242**
Selling expenses	(5)	(1 757 066)	(1 325 686)
Administrative expenses	(6)	(1 279 404)	(944 680)
Other operating income		24 275	16 297
Other operating expenses		(195 386)	(144 307)
Profit before corporate income tax		**1 601 325**	**1 127 866**
Income tax expenses		(187 656)	(323 656)
Net profit for the reporting period		**1 413 669**	**804 210**
Earnings per share	(7)	0.031	0.020

Notes on pages from 15 to 22 are an integral part of these interim condensed consolidated financial statements.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

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Interim condensed consolidated Balance sheet as at 31 March 2022

Assets		Group 31 March 2022	Group 31 December 2021
Non-current assets:	**Notes**	**EUR**	**EUR**
Intangible assets:			
Patents, licences, trademarks and similar rights		62 336	64 037
Internally developed software		420 530	376 816
Other intangible assets		112 074	50 669
Goodwill		127 616	127 616
Advances on intangible assets		21 365	18 834
Total intangible assets:		**743 921**	**637 972**
Property, plant and equipment:			
Land, buildings, structures and perennials		181 755	169 906
Investments in property, plant and equipment		183 074	186 681
Right-of-use assets		2 914 786	2 972 570
Other fixtures and fittings, tools and equipment		192 000	206 604
Total property, plant and equipment		**3 471 615**	**3 535 761**
Non-current financial assets:			
Loans and receivables	(8)	31 940 900	28 569 431
Total non-current financial assets:		**31 940 900**	**28 569 431**
Total non-current assets:		**36 156 436**	**32 743 164**
Current assets:			
Inventories:			
Finished goods and goods for sale		2 138 239	1 949 490
Total inventories:		**2 138 239**	**1 949 490**
Receivables:			
Loans and receivables	(8)	15 150 021	14 392 319
Other debtors		389 213	352 269
Deferred expenses		151 427	167 436
Total receivables:		**15 690 661**	**14 912 024**
Cash and cash equivalents		1 704 164	2 459 862
Total current assets:		**19 533 064**	**19 321 376**
Total assets		**55 689 500**	**52 064 540**

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Interim condensed consolidated Balance sheet as at 31 March 2022

Liabilities and equity		**Group 31 March 2022**	**Group 31 December 2021**
Equity:	**Notes**	**EUR**	**EUR**
Share capital		4 531 959	4 531 959
Share premium		6 890 958	6 890 958
Retained earnings:			
- brought forward		5 174 907	1 730 571
- for the reporting period		1 413 669	4 223 833
Total equity:		**18 011 493**	**17 377 321**
Liabilities:			
Long-term liabilities:			
Bonds issued	(9)	11 974 796	10 825 162
Other borrowings	(10)	9 158 404	8 086 468
Lease liabilities for right-of-use assets		2 558 331	2 652 498
Total long-term liabilities:		**23 691 531**	**21 564 128**
Short-term liabilities:			
Bonds issued	(9)	15 865	13 003
Other borrowings	(10)	10 494 861	10 487 168
Lease liabilities for right-of-use assets		687 659	652 699
Trade payables		782 049	805 784
Taxes and social insurance		490 665	398 268
Unpaid dividends	(11)	779 497	-
Accrued liabilities		735 880	766 169
Total short-term liabilities:		**13 986 476**	**13 123 091**
Total liabilities		**37 678 007**	**34 687 219**
Total liabilities and equity		**55 689 500**	**52 064 540**

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Interim condensed consolidated Statement of changes in equity for the three-month period ended 31 March

	Share capital	Share premium	Retained earnings	Total
	EUR	EUR	EUR	EUR
As at 01 January 2021	**4 000 000**	**-**	**5 453 709**	**9 453 709**
Dividends paid	-	-	(1 280 000)	(1 280 000)
Profit for the reporting period	-	-	804 210	804 210
As at 31 March 2021	**4 000 000**	**-**	**4 977 919**	**8 977 919**
As at 01 January 2022	**4 531 959**	**6 890 958**	**5 954 404**	**17 377 321**
Dividends paid (11)	-	-	(779 497)	(779 497)
Profit for the reporting period	-	-	1 413 669	1 413 669
As at 31 March 2022	**4 531 959**	**6 890 958**	**6 588 576**	**18 011 493**

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Interim condensed consolidated statement of cash flows for the three-month period ended 31 March 2022

	Notes	For 3 months ended 31 March 2022 EUR	For 3 months ended 31 March 2021 EUR
<u>Cash flow from operating activities</u>			
Profit before corporate income tax		**1 601 325**	**1 127 866**
<u>Adjustments for non-cash items:</u>			
a) depreciation of fixed assets and amortisation of intangible assets		103 344	54 988
b) depreciation of right-of-use assets		187 596	197 449
c) credit loss expenses		1 083 489	732 371
d) cessation results		79 469	133 353
e) interest income and similar income	(3)	(6 010 037)	(4 811 978)
f) interest expenses and similar expenses	(4)	688 911	1 011 277
Profit before adjustments of working capital and short-term liabilities		**(2 265 903)**	**(1 554 674)**
<u>Change in operating assets/liabilities:</u>			
a) (Increase) on loans and receivables and other debtors		(5 147 269)	1 880 860
b) (Increase) on inventories		(188 749)	(159 298)
c) (Decrease)/increase on trade payable and accrued liabilities		871 707	285 512
Gross cash flow from operating activities		**(6 730 214)**	**452 400**
Interest received		5 923 967	4 677 555
Interest paid		(1 025 857)	(1 152 737)
Corporate income tax payments		(979 191)	(754 536)
Net cash flow from operating activities		**(2 811 295)**	**3 222 682**
<u>Cash flow from investing activities</u>			
Acquisition of fixed assets, intangibles		(203 188)	(83 990)
Loans repaid (other than core business of the Company)		-	29 941
Net cash flow from investing activities		**(203 188)**	**(54 049)**
<u>Cash flow from financing activities</u>			
Loans received		3 394 579	2 246 431
Loans repaid		(2 044 977)	(6 644 224)
Bonds issued		1 142 347	19 000
Redemption of bonds		(2 347)	-
Repayment of lease liabilities		(230 817)	(194 493)
Dividends paid		-	(1 280 000)
Net cash flow from financing activities		**2 258 785**	**(5 853 286)**
Net cash flow of the reporting period		(755 698)	(2 684 653)
Cash and cash equivalents at the beginning of the reporting period		**2 459 862**	**4 591 954**
Cash and cash equivalents at the end of the reporting period		**1 704 164**	**1 907 301**

Notes on pages from 15 to 22 are an integral part of these interim condensed consolidated financial statements.

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Notes

(1) Accounting policies

Basis of preparation

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

The interim condensed consolidated financial statements for the three months ended 31 March 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Management considers that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021.

These interim condensed consolidated financial statements are prepared and disclosed on a consolidated basis. The following subsidiaries are included in the consolidation: SIA *ViziaFinance* (100%) for the period ended 31 March 2022.

Restatement in comparative figures

(a) The Management has identified a classification error on bond issuance commissions while preparing Group's financial statements. The error relates to incorrect classification of bond issuance commissions as bank commissions under Administrative costs. The error resulted in overstatement of amount of bank commission expenses and understatement of interest expenses;

(b) The Management has identified a classification error on accrued interest expenses. The error relates to incorrect classification of accrued interest expenses for other borrowings under Credit loss expense and resulted in understatemed amount of credit loss expenses and overstatement of interest expenses. To comply with presentation requitements of IFRS 9, the Group reclassified mentioned amount from Credit loss expense to Interest expenses and similar expenses;

(c) The Management has also identified a classification error on debt sale result. The error relates to incorrect classification of debt sale result under interest expenses and resulted in unstrstatement of Other operating expenses and overstatement of Interest expenses and similar expenses.

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

Statement of profit or loss

	Reference	Before restatement for 3 months ended 31 March 2021	Restatement	After restatement for 3 months ended 31 March 2021
Net sales		1 205 931	-	1 205 931
Cost of sales		(748 019)	-	(748 019)
Interest income and similar income		4 811 978	-	4 811 978
Interest expenses and similar expenses	(a), (b), (c)	(1 154 902)	143 625	(1 011 277)
Credit loss expense	(b)	(705 553)	(26 818)	(732 371)
Gross profit		**3 409 435**	**116 807**	**3 526 242**
Selling expenses		(1 325 686)	-	(1 325 686)
Administrative expenses	(a)	(964 511)	19 831	(944 680)
Other operating income		16 297	-	16 297
Other operating expenses	(c)	(7 669)	(136 638)	(144 307)
Profit before income tax		**1 127 866**	**-**	**1 127 866**
Income tax expenses		(323 656)	-	(323 656)
Net profit for the reporting period		**804 210**	**-**	**804 210**

Notes (continued)

(2) Net sales

Net revenue by type of revenue

	For 3 months ended 31 March	
	2022	**2021**
	EUR	**EUR**
Income from sales of goods	1 168 210	895 853
Income from sales of precious metals	142 283	149 762
Other income, loan and mortgage realisation and storage commission	155 264	160 316
	1 465 757	**1 205 931**

All net sales are generated in Latvia.

(3) Interest income and similar income

	For 3 months ended 31 March	
	2022	**2021**
	EUR	**EUR**
Interest revenue calculated using effective interest rate:		
Interest income on unsecured loans	4 886 211	3 736 586
Interest income on secured loans	1 123 619	1 073 620
Other interest income	207	1 772
	6 010 037	**4 811 978**

(4) Interest expenses and similar expenses

	For 3 months ended 31 March	
	2022	**2021 (restated, Note 1)**
	EUR	**EUR**
Interest expense on other borrowings	339 292	502 850
Bonds' coupon expense	303 176	454 886
Interest expense on lease liabilities for leased premises	45 880	52 759
Interest expense lease liabilities for leased vehicles	422	726
Net loss on foreign exchange	141	56
	688 911	**1 011 277**

(5) Selling expenses

	For 3 months ended 31 March	
	2022	**2021**
	EUR	**EUR**
Salary expenses	680 082	577 266
Advertising	206 037	132 362
Social insurance	159 828	135 513
Depreciation of right-of-use assets - premises	156 992	163 082
Non-deductible VAT	114 069	66 715
Depreciation of fixed assets and amortisation of intangible assets	103 344	54 988
Maintenance expenses	79 600	56 604
Utilities expenses	74 607	47 264
Provisions for unused annual leave	28 359	15 408
Transportation expenses	26 388	20 975
Depreciation of right-of-use assets - motor vehicles	5 577	8 506
Other expenses	122 183	47 003
	1 757 066	**1 325 686**

Notes (continued)

(6) Administrative expenses

	For 3 months ended 31 March	
	2022	2021 (restated, Note 1)
	EUR	EUR
Salary expenses	764 421	564 466
Social insurance	179 772	132 712
Bank commission	133 930	81 027
Provisions for unused annual leave	40 216	11 000
Communication expenses	38 092	36 110
State fees and duties, licence expenses	34 289	41 553
Depreciation of right-of-use assets - premises	23 479	23 479
Legal advice	21 749	28 005
Depreciation of right-of-use assets - motor vehicles	1 548	2 382
Other administrative expenses	41 908	23 946
	1 279 404	**944 680**

(7) Earnings per share

Earnings per share are calculated by dividing the net result for the year after taxation attributable to shareholders by the weighted average number of shares in issue during the year. The table below presents the income and share data used in the computations of basic earnings per share for the Group:

	For 3 months ended 31 March	
	2022 EUR	2021 EUR
Net profit attributed to shareholders	1 413 669	804 210
Weighted average number of share	45 319 594	40 000 000
Earnings per share	**0.031**	**0.020**

There is no dilution effect on weighted average number of shares for three months period ended 31 March 2022 and 2021.

Notes (continued)

(8) Loans and receivables

a) Loans and receivables by loan type

	Group 31 March 2022 EUR	Group 31 December 2021 EUR
Debtors for loans issued against pledge		
Long-term debtors for loans issued against pledge	122 593	95 058
Short-term debtors for loans issued against pledge	3 264 813	3 112 513
Interest accrued for loans issued against pledge	158 640	164 698
Debtors for loans issued against pledge, total	**3 546 046**	**3 372 269**
Debtors for loans issued without pledge		
Long-term debtors for loans issued without pledge	31 818 307	28 474 373
Short-term debtors for loans issued without pledge	13 788 262	13 078 077
Interest accrued for loans issued without pledge	1 287 990	1 195 863
Debtors for loans issued without pledge, total	**46 894 559**	**42 748 313**
Loans and receivables before allowance, total	**50 440 605**	**46 120 582**
ECL allowance on loans to customers	**(3 349 684)**	**(3 158 832)**
Loans and receivables	**47 090 921**	**42 961 750**

All loans are issued in euros. Weighted average term for consumer loans is 2.5 years and for pawn loans is one month.

The Group has signed a debt sale agreement that provides assigning of loans over 90 days in delay. Losses from these transactions were recognised in the current reporting period.

The claims in the amount of EUR 3 546 894 (31.12.2021: EUR 3 372 269) are secured by the value of the collateral. Claims against debtors for loans issued against pledge are secured by pledges, whose fair value is higher than the carrying value, therefore provisions for secured overdue loans are not made.

b) Allowance for impairment of loans to customers at amortised cost

An analysis of changes in the gross carrying value for loans issued and corresponding ECL during the three month period ended 31 March 2022 is as follows:

Group	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2022	**42 897 818**	**1 673 709**	**1 524 577**	**24 478**	**46 120 582**
New assets originated or purchased	15 922 619	-	-	-	15 922 619
Assets settled or partly settled	(8 727 056)	(725 010)	(229 581)	(24 478)	(9 706 125)
Assets written off	(21 116)	(1 283 110)	(608 017)	-	(1 912 243)
Effect of interest accruals	77 489	1 732	(63 449)	-	15 772
Transfers to Stage 1	223 105	(208 353)	(14 752)	-	-
Transfers to Stage 2	(3 006 396)	3 007 104	(708)	-	-
Transfers to Stage 3	(591 312)	(447 238)	1 038 550	-	-
At 31 March 2022	**46 775 151**	**2 018 834**	**1 646 620**	**-**	**50 440 605**

Group	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2022	**1 763 526**	**625 066**	**770 240**	**-**	**3 158 832**
New assets originated or purchased	684 641	-	-	-	684 641
Assets settled or partly settled	(256 297)	(116 462)	(134 553)	-	(507 312)
Assets written off	(1 306)	(307 583)	(306 065)	-	(614 954)
Effect of interest accruals	(950)	(125 818)	(5 493)	-	(132 261)
Transfers to Stage 1	86 054	(77 401)	(8 653)	-	-
Transfers to Stage 2	(179 957)	180 382	(425)	-	-
Transfers to Stage 3	(43 934)	(153 012)	196 946	-	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	(309 084)	680 034	389 788	-	760 738
At 31 March 2022	**1 742 693**	**705 206**	**901 785**	**-**	**3 349 684**

Notes (continued)

(8) Loans and receivables (continued)
Loans and receivables by loan type (continued)

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

	Group 31 March 2022 EUR	Group 31 December 2021 EUR
Receivables not yet due	43 083 234	39 713 633
Outstanding 1-30 days	3 691 916	3 338 771
Outstanding 31-90 days	2 018 834	1 673 709
Outstanding 91-180 days	506 751	315 061
Outstanding for 181-360 days	398 867	361 973
Outstanding for more than 360 days	741 003	717 435
Total claims against debtors for loans issued	**50 440 605**	**46 120 582**

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

	Group 31 March 2022 EUR	Group 31 December 2021 EUR
For trade debtors not yet due	1 239 107	1 271 700
Outstanding 1-30 days	449 347	437 588
Outstanding 31-90 days	705 208	625 066
Outstanding 91-180 days	264 877	150 816
Outstanding for 181-360 days	208 334	193 681
Outstanding for more than 360 days	482 811	479 981
Total provisions for bad and doubtful trade debtors	**3 349 684**	**3 158 832**

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

(9) Bonds issued

	Group 31 March 2022 EUR	Group 31 December 2021 EUR
Total long-term part of bonds issued	**11 974 796**	**10 825 162**
Bonds issued	-	-
Interest accrued	15 865	13 003
Total short-term part of bonds issued	**15 865**	**13 003**
Bonds issued, total	**11 974 796**	**10 825 162**
Interest accrued, total	15 865	13 003
Bonds issued net	**11 990 661**	**10 838 165**

As of 31 March 2022, the Parent company of the Group has outstanding bonds (ISIN LV0000850048) in the amount of EUR 5 000 000, registered with the Latvia Central Depository and issued in a closed offer on 9 July 2021 on the following terms – amount of emissions 5 000, amount of emissions recorded with nominal value 1 000 euro per each bond, coupon rate – 9.75%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 August 2023. The bonds are not secured.

On 26 November 2021 the Parent company of the Group has started a closed bond offering (ISIN LV0000802536) in the amount of EUR 10 000 000. The offering has been registered with the Latvia Central Depository on the following terms – amount of emissions 10 000, amount of emissions recorded with nominal value 1 000 euro per each bond, coupon rate – 8.00%, coupon is paid once a month on the 25th date. New bonds are issued periodically taking into account the need for financing. As of 31 March 2022 bonds in total of EUR 7 251 000 have been subscribed. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 November 2023. The bonds are not secured.

Notes (continued)

(10) Other borrowings

	Group 31 March 2022 EUR	Group 31 December 2021 EUR
Other long-term loans	9 158 404	8 086 468
Total other long-term loans	**9 158 404**	**8 086 468**
Other short-term loans	10 494 861	10 487 168
Total other short-term loans	**10 494 861**	**10 487 168**
Total other loans	**19 653 265**	**18 573 636**

The remaining amount on other borrowings is represented by loans received from crowdfunding platform SIA *Mintos Finance*, a company registered in the European Union. The weighted average annual interest rate as of 31 March 2022 is 9.5%. 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.

The Group has registered a commercial pledge by pledging its property and receivables, with a maximum claim amount of EUR 25 million as collateral in favour of SIA *Mintos Finance*.

(11) Unpaid dividends

On 28 March 2022 shareholders of the Group have approved distribution of the profit for the three-month period ended 31 December 2021 and to pay out extraordinary dividends of EUR 779 497.02 or EUR 0.0172 per share. Dividend payment date was 12 April 2022.

(12) Related party transactions

Unaudited interim condensed consolidated financial statements only show those related parties with whom there have been transactions during the reporting period or during the comparative period. All transactions with related parties are carried out in accordance with general market conditions.

	Transactions for 3 months 2022 EUR	Transactions in 2021 EUR
<u>**Group's transactions with**</u>:		
Owners of the parent company		
Interest received		
AE Consulting SIA	-	9 090
L24 Finance SIA	-	775
Services delivered		
AE Consulting SIA	-	75
Goods sold		
AE Consulting SIA	-	59
Board members	-	1 702
Companies and individuals under common control or significant influence		
Services delivered		
EA investments AS	-	153
Other related companies		
Services delivered		
EL Capital, SIA	-	6 527
EuroLombard Ltd.	-	1 545

Notes (continued)

(13) Segment information

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

Pawn loan segment	Handling pawn loan issuance.
Retail of pre-owned goods	Sale of pre-owned goods in the branches and online purchased from customers.
Consumer loan segment	Handling consumer loans to customers, debt collection activities and loan cessions to external debt collection companies.
Other operations segment	Providing loans for real estate development (only for three months period ending 31 March 2021. These loans are no longer issued and are fully recovered), general administrative services to the companies of the Group, transactions with related parties, dividends payable.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments. For the costs, for which direct allocation to a particular segment is not attributable, the judgement of the management is used to allocate general costs by segments, based on the following cost allocation drivers – loan issuance, segment income, segment employee count, segment employee costs, the amount of segment assets.

The following table presents income, profit, asset and liability information regarding the Group's operating segments.
Based on the nature of the services, the Group's operations can be divided as follows (statement of profit or loss provisions are compared for the same period of the previous year, balance sheet positions are compared to the data as at 31.12.2021):

EUR	Consumer loans		Pawn loans		Retail of pre-owned goods		Other		Total	
	For 3 months period ended 31 March		For 3 months period ended 31 March		For 3 months period ended 31 March		For 3 months period ended 31 March		For 3 months period ended 31 March	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Assets	47 345 457	44 047 262	5 282 521	5 102 128	3 060 744	2 890 334	778	24 816	55 689 500	52 064 540
Liabilities of the segment	30 274 955	28 196 358	4 365 871	4 286 975	2 257 036	2 182 444	780 145	21 442	37 678 007	34 687 219
Income	4 886 211	3 698 928	1 123 618	1 073 620	1 465 757	1 205 931	208	39 430	7 475 794	6 017 909
Net performance of the segment	1 849 763	1 529 561	290 540	401 372	146 054	168 968	3 879	39 981	2 290 236	2 139 882
Financial (expenses)	(586 308)	(809 575)	(64 903)	(96 183)	(37 700)	(57 601)	-	(47 918)	(688 911)	(1 011 277)
Profit/(loss) before taxes	1 263 455	719 247	225 637	305 189	108 354	111 367	3 879	(7 937)	1 601 325	1 127 866
Corporate income tax	(148 062)	(206 652)	(26 442)	(87 618)	(12 698)	(31 979)	(454)	2 593	(187 656)	(323 656)

(14) Guarantees issued, pledges

The Group has registered a commercial pledge by pledging its property and receivables, with the maximum claim amount of EUR 25 million as collateral in favour of SIA *Mintos Finance*. As of 31 March 2022, the amount of secured liabilities constitutes EUR 19 653 265 for AS *Mintos Finance* (As of 31 December 2021 EUR 18 573 636).

Notes (continued)

(15) Subsequent events

On 24 February 2022, Russian Federation has started a war at Ukraine. Countries round the world support Ukraine by announcing financial and economic sanctions against Russian Federation and its ally Republic of Belarus. The management of the Group has evaluated current situation and has concluded that the aforementioned sanctions have no direct impact on the Group's operations since all sales for the Group are generated in Latvia and the Group has no direct exposure to Russian, Belarusian and Ukrainian market. In addition, the management performed an overview and analysis of its counterparties and confirms that the Group does not have any relations with the sanctioned companies and sanctioned private individuals. There is still uncertainty related to final outcome of the situation, but the management regularly follows on the further developments, analyses a possible impact on the Group's business and is properly prepared to assess and implement any changes into business operations, risk management practices, policies and accounting estimates.

On 1 April 2022 most of the epidemiological safety measures related to COVID-19 pandemic were lifted, for instance, there are no more limited number of customers allowed in branches. Before and now all services provided by the Group are available to customers in full.

On 29 April 2022 shareholders of the Group have approved distribution of the profit for 2021 and previous periods and to pay out dividends of EUR 2 501 641.59 or EUR 0.0552 per share.

Didzis Ādmīdiņš Chairman of the Board	**Aldis Umblejs** Board Member	**Sanita Zitmane** Board Member

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