



## DelfinGroup AS

Reg. No: 40103252854

LEI: 2138002PKHUJIMVMYB13

### Terms of the Notes Issue

ISIN:	LV0000850055
Type of security:	Unsecured Notes
Nominal:	EUR 1,000
Nominal value of the issue:	EUR 10,000,000
Annual coupon rate:	3M EURIBOR + 8.75%
Maturity:	25 September 2024

*These Terms of the Issue do not constitute an offer to sell or a solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.*

*These Terms of the Issue are not a prospectus for the purposes of the Prospectus Regulation. These Terms of the Issue have been prepared on the basis that all offers of the debt securities that are issued by the Issuer according to the Terms of the Issue will be made pursuant to an exemption from the obligation to publish a prospectus under the Prospectus Regulation.*

*Although the issue of the Notes is a private placement, however there is intention of the Issuer to request admission to trading of the Notes on Nasdaq First North.*

*The Issuer is a company incorporated and existing under Applicable Law of the Republic of Latvia and said Applicable Law allow for the Issuer to record the issue with Nasdaq CSD.*

*Decision of the Issuer to organize the issue of the Notes has been passed in compliance with the Applicable Laws of the Republic of Latvia. The issue of the Notes including the relationship between the Issuer and Investors (or Potential Investors) or any third parties, and their respective rights and duties attached to the Notes such as voting rights, dividends and corporate actions is governed by the Applicable Laws of the Republic of Latvia.*

*These Terms of the Issue do not constitute a public offer for the purposes of the Prospectus Regulation and no competent authority of any Member State has examined or approved the contents thereof.*

*MiFID II product governance - solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that (i) the target market for the Notes is eligible counterparties, professional clients, and retail clients, each as defined in Directive 2014/65/EU; and (ii) all channels for distribution of the Notes to eligible counterparties, professional clients and respective retail clients are appropriate. Any person subsequently offering, selling or recommending the Notes should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is*

*responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels. Before deciding to purchase the Notes, Potential Investors should carefully review and consider risk factors described herein. Should one or more of the risks materialize, this may have a material adverse effect on the cash flows, results of operations, and financial condition of the Issuer. Moreover, if any of these risks materialize, the market value of the Notes and the likelihood that the Issuer will be in a position to fulfil its payment obligations under the Notes may decrease, in which case the Investors could lose all or part of their investments.*

*Article 5f of Regulation (EU) No. 833/2014 (as amended by Council Regulation (EU) No. 2022/328) and Article 1f of Regulation (EC) No. 765/ 2006 (as amended by Council Regulation (EU) No 2022/398) prohibit the sale of euro denominated transferable securities issued after 12 April 2022 or units of undertakings for collective investment (UCIs) providing exposure to such transferable securities, to any Russian or Belarusian national, any natural person residing in Russia or Belarus or to any legal person, entity or body established in Russia or Belarus. This prohibition does not apply to nationals of a Member State or to natural persons holding a temporary or permanent residence permit in a Member State of the European Union.*

*Any previous discussions or presentations provided to Potential Investors were solely for information purposes and the Notes are issued in accordance with these Terms of the Issue. A Potential Investors should not make an investment decision relying solely upon the information provided in the Potential Investors presentation or otherwise.*

Arranger:



6 July 2022

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## Terms and abbreviations used

<b>Agent</b>	:	A person authorized to represent the Issuer and to perform certain tasks.
<b>Accounting Principles</b>	:	The international financial reporting standards (“IFRS”) within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time).
<b>AML</b>	:	Anti-money laundering and counter terrorism and proliferation financing.
<b>Applicable Laws</b>	:	Any applicable law, including without limitation: (a) the regulations of the FSA, Nasdaq Riga and Nasdaq CSD; (b) corporate, securities, tax or other laws, statutes, rules, requirements or regulations, whether state, local, foreign, or EU; and (c) the laws and regulations of the Republic of Latvia and any legal acts in each other country in which the Company operates.
<b>Arranger</b>	:	Signet Bank AS (registration number: 40003076407, legal address: Antonijas iela 3, Riga, LV-1010, Latvia).
<b>Bank Debt</b>	:	A debt incurred by the Issuer or its Subsidiaries provided by the banks or other financial institutions to: (i) finance loan portfolio and secured with a pledge over assets, property, shares or receivables of the Issuer and/or its Subsidiaries: or (ii) finance repair, restructuring, development or improvement of property owned or leased by the Issuer or its Subsidiaries.
<b>Bank Debt Security I</b>	:	A security over receivables not exceeding 140% of outstanding principal amount provided in relation to Bank Debt.
<b>Bank Debt Security II</b>	:	A security over assets (except receivables), property and/or shares of outstanding principal amount provided in relation to Bank Debt.
<b>Base Rate</b>	:	3-months EURIBOR reference rate (%) determined by the Calculation Agent on the Coupon Reset Date, and is fixed for the subsequent Base Rate Period. If on any Coupon Reset Date the 3-months EURIBOR rate is less than 0%, 3-months EURIBOR shall mean 0%.
<b>Base Rate Period</b>	:	The period of time between the First Settlement Date and the last date of the subsequent calendar quarter, which is 25 September 2022, or between the last dates of two calendar quarters.
<b>Business Day(s)</b>	:	The day when the Nasdaq CSD system is open and operational to effectuate T2S-eligible securities settlement transactions.
<b>Calculation Agent</b>	:	An expert with experience in corporate bonds appointed by the Issuer as the agent of the Issuer to determine amount of Base Rate and provide Base Rate amount instructions to the Issuer.
<b>Capitalization Ratio</b>	:	The result (expressed as a percentage) obtained by dividing Consolidated Net Worth of the Issuer (calculated as of the end of the Relevant Period covered by the most recent consolidated Financial Report) by consolidated Net Loan Portfolio as of such date of determination.
<b>Cash and Cash Equivalents</b>	:	Cash and cash equivalents according to the most recent Financial Report.
<b>Change of Control</b>	:	The occurrence of an event or series of events whereby, a person (natural person or legal entity) or group of persons acting in

concert (directly or indirectly) gains power (whether by way of ownership of shares, contractual arrangement or otherwise) to:

- a) cast or control the casting of more than 50% (fifty per cent) of the maximum number of votes that might be cast at a general meeting of the shareholders of the Issuer; or
- b) appoint or remove or control the appointment or removal of a majority of the management board or supervisory board members or other equivalent officers of the Issuer.

For the sake of clarity, Change of Control does not take place if:

- a) change of control takes place between Major Shareholders (including where any changes in the management board or supervisory board members or other equivalent officers of the Issuer takes place); or
- b) Major Shareholders each individually lose control over Issuer and no other person gains power to cast or control casting of more than 50% (fifty per cent) of the maximum number of votes that might be cast at a general meeting of the shareholders of the Issuer (including where any changes in the management board or supervisory board members or other equivalent officers of the Issuer takes place).

<b>Consolidated Net Worth</b>	:	The sum of paid in capital, retained earnings, reserves and Subordinated debt of the Issuer as set forth in the consolidated balance sheet as of the Relevant Period covered by the most recent Financial Report, less (without duplication) amounts attributable to disqualified stock of the Issuer.
<b>Coupon</b>	:	Interest on Notes calculated in accordance with the Clause 3.2.9. "Coupon payments".
<b>Coupon Reset Date</b>	:	The second Business Day before the start of the Base Rate Period on which the Calculation Agent determines the Coupon rate for the following Base Rate Period.
<b>Custodian</b>	:	A Nasdaq CSD participant directly, or licensed credit institution or investment brokerage company that has a financial securities' custody account with Nasdaq CSD participant.
<b>EBITDA</b>	:	<p>Consolidated net profit of the Group from ordinary activities for the Relevant Period covered by the most recent Financial Report:</p> <ol style="list-style-type: none"> <li>a) before deducting any amount of tax on profits, gains or income paid or payable by any Group company;</li> <li>b) before deducting any Net Finance Charges;</li> <li>c) before taking into account any exceptional items which are not in line with the ordinary course of business;</li> <li>d) before taking into account any gains or losses on any foreign exchange gains or losses;</li> <li>e) after adding back any amount attributable to the amortization, depreciation or depletion of assets.</li> </ol> <p>The measurement period of EBITDA is the period of trailing 12 (twelve) months, calculated from the most recent Financial Reports of four consecutive calendar quarters.</p>
<b>Equity Cure</b>	:	Has the meaning set forth in condition under Clause 4.2.3. "Covenant cure".

<b>EUR</b>	:	Euro (single currency of the member states of the European Monetary System).
<b>EURIBOR</b>	:	Means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Bloomberg) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor) and in case of negative rates, interest rate shall be zero.
<b>Event of Default</b>	:	Has the meaning set forth in Clause 4.2.
<b>Existing Debt</b>	:	All Financial Indebtedness of the Issuer and the Subsidiaries in existence on the Issue Date.
<b>Existing Unsecured Notes</b>	:	Means the following unsecured debt securities: <ul style="list-style-type: none"> <li>(i) ISIN LV0000850048 due on 25 August 2023 and an outstanding amount of EUR 5,000,000; and</li> <li>(ii) ISIN LV0000802536 due to 25 November 2023 and an outstanding amount of EUR 10,000,000.</li> </ul>
<b>Existing Security</b>	:	All Security provided by the Issuer or its Subsidiaries in existence on the Issue Date.
<b>Fair Market Value</b>	:	With respect to any asset, the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by the management board of the Issuer.
<b>FSA</b>	:	The Latvian Financial Supervision Authority ( <i>Finanšu un kapitāla tirgus komisija</i> ), is an autonomous public institution of the Republic of Latvia, which carries out, but not limited to, the supervision of Latvian banks, capital markets, payment institutions and electronic money institutions ( <a href="http://www.fktk.lv">www.fktk.lv</a> ).
<b>Finance Charges</b>	:	For the Relevant Period, the aggregate amount of the accrued interest, commission, fees, discounts, payment fees, premiums or charges and other finance payments in respect of Financial Indebtedness whether paid, payable or capitalized by any Group entity according to the latest Financial Report (calculated on a consolidated basis) without taking into account any: (a) costs related to the Notes issue; (b) unrealized gains or losses on any derivative instruments other than any derivative instruments which are accounted for on a hedge accounting basis; (c) losses arising on foreign currency revaluations of intercompany balances.
<b>Financial Indebtedness</b>	:	Any interest-bearing financial indebtedness for the Issuer or its Subsidiaries, including: <ul style="list-style-type: none"> <li>a) monies borrowed and debt balances at banks or other financial institutions;</li> <li>b) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument, including the Notes, and Existing Unsecured Notes;</li> <li>c) the amount of any liability in respect of any finance lease;</li> </ul>

	d)	any monies borrowed from any shareholder of the Issuer;
	e)	any amount under any transaction having the commercial effect of a borrowing, including forward sale, purchase, assignment agreements with peer-to-peer marketplace lending platforms, including any obligations of the Issuer and its Subsidiary under Mintos Finance No. 20 SIA (reg. No. 40203392233) Base Prospectus dated 26.04.2022 <sup>1</sup> (under the referred Base Prospectus the Issuer in accordance with the guarantee agreement signed with Mintos Finance No. 20 SIA guarantees DelfinGroup's Subsidiary's obligations towards the Mintos Finance No. 20 SIA. The Guarantor is not guaranteeing Mintos Finance No. 20 SIA obligations towards the investors);
	f)	any counter-indemnity obligation issued by a bank or a financial institution.
<b>Financial Report</b>	:	The annual audited consolidated financial statements of the Issuer and the quarterly interim unaudited consolidated reports of the Issuer prepared in accordance with the Accounting Principles.
<b>First North</b>	:	Multilateral Trading Facility (MTF) First North operated by Nasdaq Riga.
<b>Force Majeure Event</b>	:	Has the meaning set forth in Clause 4.8.
<b>Group</b>	:	The group of the legal entities comprising of the Issuer and its direct or indirect Subsidiaries.
<b>Interest Coverage Ratio</b>	:	The ratio of EBITDA to Net Finance Charges.
<b>Investor(s) or Noteholder(s)</b>	:	A private person or legal entity that is an owner of one or more Notes and has a claim against the Issuer as stipulated by the Applicable Laws.
<b>ISIN</b>	:	LV0000850055 (International Securities Identification Number), which was allocated by Nasdaq CSD.
<b>Issue Date or First Settlement Date</b>	:	The date when interest on the Notes start to accrue and is 8 July 2022.
<b>Issuer or DelfinGroup or Company</b>	:	DelfinGroup AS (registration number: 40103252854, legal entity identifier: 2138002PKHUJIMVMB13, legal address: Skanstes 50A, Riga, Latvia, LV-1013) and its current website address is <a href="http://www.delfingroup.lv">www.delfingroup.lv</a> .
<b>Major Shareholders</b>	:	Shareholders of the Issuer: L24 Finance SIA (reg. No. 40103718685), AE Consulting SIA (reg. No. 40003870736), and EC finance SIA (reg. No. 40103950614) (including direct and/or indirect shareholders of those shareholders, ultimate beneficial owners or legal entities of their control, successors who become shareholders because of an inheritance, a divorce, a trust agreement or similar arrangement).
<b>Material Subsidiary(ies)</b>	:	Any current and future Subsidiary of the Issuer, which constitutes (total assets) more than 20% of total Net Loan Portfolio of the Issuer and/or which constitutes (by revenue) 10% of the total consolidated revenue of the Issuer.
<b>Maturity date</b>	:	The date when the Notes shall be repaid in full at their Nominal amount by the Issuer, which is 25 September 2024.

<sup>1</sup> <https://www.fktk.lv/en/market/financial-instruments-market/issuers/sia-mintos-finance-no-20/>

<b>Minimum Settlement Unit</b>	:	The minimum amount which can be held/traded, which is equal to the Nominal.
<b>Mintos Finance</b>	:	Mintos Finance SIA (registration number: 40203022549, legal address: Skanstes iela 50, Riga LV-1013, Latvia) or any other Mintos group entity, or similar peer-to-peer or marketplace lending online platform, as the case may be including Mintos Marketplace AS, reg. No. 40103903643, and Mintos Finance No.20 SIA, reg. No. 40203392233.
<b>Mintos Debt</b>	:	A debt incurred by the Issuer or its Subsidiaries provided by Mintos Finance.
<b>Mintos Debt Security</b>	:	A security over assets, property, shares or receivables not exceeding 120% of the outstanding principal amount provided in relation to the Mintos Debt.
<b>Nasdaq CSD</b>	:	Nasdaq CSD SE (registration number: 40003242879, legal address Vaļņu iela 1, Riga, LV-1050, Latvia).
<b>Nasdaq Riga</b>	:	Nasdaq Riga AS (registration number: 40003167049, legal address: Vaļņu iela 1, Riga, LV-1050, Latvia) and its current website address is: <a href="http://www.nasdaqbaltic.com">www.nasdaqbaltic.com</a> .
<b>Negative Pledge</b>	:	The Notes will have the benefit of a negative pledge as described in Clause 4.6. of the Terms of the Issue.
<b>Net Finance Charges</b>	:	For the Relevant Period, the Finance Charges according to the latest consolidated Financial Report, after deducting any interest income relating to the Cash and Cash Equivalents of the Group which is generated outside Permitted Business.
<b>Net Loan Portfolio</b>	:	The sum of loans, securities, investments, receivables, inventories and reserves, minus allowances for losses of the Issuer and Subsidiaries as set forth in the consolidated balance sheet as of the Relevant Period ending on the last day of the period covered by the most recent Financial Report, prepared in accordance with the Accounting Principles.
<b>Nominal</b>	:	Face value of a single Note, which is EUR 1,000 (one thousand euro and 00 cents).
<b>Note(s)</b>	:	A debt security issued by the Issuer according to the Terms of the Issue with ISIN LV0000850055.
<b>Permitted Business</b>	:	Any businesses, services or activities that are the same as, or reasonably related, ancillary or complementary to, any of the businesses, services or activities in which the Issuer and its Subsidiaries are engaged on the Issue Date, and reasonable extensions, developments or expansions of such businesses, services or activities.
<b>Permitted Debt</b>	:	Any Financial Indebtedness: <ul style="list-style-type: none"> <li>a) incurred by the Issuer under the Terms of the Issue and including pursuant to any subsequent notes issue;</li> <li>b) incurred by the Issuer or its Subsidiaries under any Existing Debt;</li> <li>c) incurred by the Issuer or its Subsidiaries under any unsecured Financial Indebtedness;</li> <li>d) incurred for the purpose of financing or refinancing all or any part of the purchase price or cost of design, development, construction, lease, installation or</li> </ul>



- improvement of property, plant or equipment used in the business of the Issuer or any of the Subsidiaries and including any reasonable related fees or expenses incurred in connection with such acquisition or development, in an aggregate principal amount not to exceed EUR 1,000,000 (one million euro);
- e) incurred by the Issuer or its Subsidiaries as intercompany Financial Indebtedness provided by the Issuer or a Subsidiary;
- f) arising under a derivative transaction entered into by the Issuer or a Subsidiary in connection with protection against or benefit from fluctuation in any rate or price where such exposure arises in the ordinary course of business or in respect of payments to be made under these Terms of the Issue (excluding the avoidance of doubt any derivative transaction which in itself is entered into for investment or speculative purposes);
- g) the guarantee by the Issuer or its Subsidiaries in an aggregate principal amount not exceeding EUR 100,000, excluding the principal amount of the guarantee provided in relation to Mintos Debt;
- h) incurred as a result of the Issuer or a Subsidiary acquiring or merging with another entity and which is due to the fact that such entity holds Financial Indebtedness;
- i) incurred by the Issuer or its Subsidiaries under a Shareholder Loan;
- j) incurred by the Issuer under Existing Unsecured Notes;
- k) incurred by the Issuer or its Subsidiaries under Mintos Debt;
- l) incurred by the Issuer or its Subsidiaries under Bank Debt including any guarantees (*galvojums*) provided by the Issuer or its Subsidiaries under the Bank Debt.

**Permitted Security**

- : Any Security:
- a) which is an Existing Security;
  - b) provided in relation to any agreement under which the Issuer or a Subsidiary leases office space or other premises;
  - c) arising by operation according to the existing law or in the ordinary course of business (including, collateral or retention of title arrangements in connection with but, for the avoidance of doubt, excluding guarantees or security in respect of any monies borrowed or raised);
  - d) provided in relation to a derivative transaction;
  - e) incurred as a result of the Issuer or a Subsidiary acquiring another entity with existing encumbrances;
  - f) over assets or property of the Issuer or any Subsidiary securing Financial Indebtedness or other obligations of the Issuer or such Subsidiary owing to the Issuer or another Subsidiary, or Security in favour of the Issuer or any Subsidiary;
  - g) Mintos Debt Security, provided the Issuer shall not novate the Mintos Debt Security and shall reduce and/or amend the Mintos Debt Security so it meets the requirements

		described under the term ‘Mintos Debt Security’ of the Terms of the Issue;
		h) Bank Debt Security I;
		i) Bank Debt Security II.
<b>Potential Investor(s)</b>	:	A private person or legal entity that has, according to the terms stated in these Terms of the Notes Issue, expressed interest or is planning to purchase for its own account one or more Notes and considers becoming the Investor, or has accepted the offer to become Investor and by informing the Arranger declares its intention to become the Investor, but has not yet become the Investor.
<b>Prospectus Regulation</b>	:	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, OJ L 168, 30.6.2017, at pp 12-82.
<b>Related Parties</b>	:	Any person (natural person or legal entity) as defined as a “reporting entity” by the International Accounting Standards (IAS 24 - Related Party Disclosures).
<b>Relevant Period</b>	:	Each period of 12 (twelve) consecutive calendar months.
<b>Sanctions</b>	:	AML, Sanctions, embargoes, restrictions and similar legislative measures adopted by OFAC, EU, UN and any governmental authority that has direct or indirect influence over affairs of the Group or Arranger.
<b>Security</b>	:	Has the meaning set forth in Clause 4.6. “Negative pledge”.
<b>Shareholder Loan</b>	:	Any loan raised by the Issuer or its Subsidiaries from its current or previous direct or indirect shareholder (including Major Shareholders).
<b>Subsidiary(ies)</b>	:	Both direct and indirect subsidiaries of the Issuer defined in accordance with the IFRS.
<b>Subordinated debt</b>	:	The debt of the Group in form of subordinated loans or any other form that is subordinated ( <i>i.e.</i> , repayable only after settlement of all obligations under the Notes) to the Notes.
<b>Taxes</b>	:	Any present or future taxes, duties, assessments or governmental charges of whatever nature.
<b>Terms of the Issue</b>	:	This document, which entitles the Issuer to execute the Issue and the initial offering of the Notes.

BELOW IS A DESCRIPTION OF THE RISK FACTORS THAT ARE MATERIAL FOR THE ASSESSMENT OF THE MARKET RISK ASSOCIATED WITH THE NOTES AND RISK FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES. SHOULD ONE OR MORE OF THE RISKS DESCRIBED BELOW MATERIALISE, THIS MAY HAVE A MATERIAL ADVERSE EFFECT ON THE CASH FLOWS, RESULTS OF OPERATIONS, AND FINANCIAL CONDITION OF THE ISSUER AND THE GROUP. MOREOVER, IF ANY OF THESE RISKS MATERIALISE, THE MARKET VALUE OF THE NOTES AND THE LIKELIHOOD THAT THE ISSUER WILL BE IN A POSITION TO FULFIL ITS PAYMENT OBLIGATIONS UNDER THE NOTES MAY DECREASE, IN WHICH CASE THE POTENTIAL INVESTORS COULD LOSE ALL OR PART OF THEIR INVESTMENTS.

BEFORE DECIDING TO PURCHASE THE NOTES, POTENTIAL INVESTORS SHOULD CAREFULLY REVIEW AND CONSIDER THE FOLLOWING RISK FACTORS, IN ADDITION TO ALL OTHER INFORMATION PRESENTED IN THE TERMS OF THE NOTES ISSUE, AND CONSULT WITH THEIR OWN PROFESSIONAL ADVISORS IF NECESSARY. MOREOVER, POTENTIAL INVESTORS SHOULD BEAR IN MIND THAT SEVERAL OF THE DESCRIBED RISK FACTORS CAN OCCUR SIMULTANEOUSLY AND TOGETHER WITH OTHER CIRCUMSTANCES COULD HAVE A POTENTIALLY STRONGER IMPACT ON THE ISSUER OR THE GROUP. THIS IS NOT AN EXCLUSIVE LIST OF RISK FACTORS, AND ADDITIONAL RISKS, OF WHICH THE ISSUER IS NOT PRESENTLY AWARE, COULD ALSO HAVE A MATERIAL ADVERSE EFFECT ON THE ISSUER AND THE GROUP.

## **1. Risk Factors**

### **1.1. Risk factors relating to the Issuer and its business**

The risks indicated in this clause may reduce the Issuer's ability to fulfil its obligations and cause its insolvency in the worst-case scenario. Potential Investors and Investors have to take into account that Notes are unsecured. This clause may not feature all the potential risks, which may affect the Issuer.

The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Issuer. In addition, Potential Investors and Investors should be aware that the risks described therein might combine and thus intensify one another. Additional risks and uncertainties, which are currently not known to the Issuer or which the Issuer currently believes are immaterial, could also impair the business, cash flows, results of operations and their financial condition.

#### **1.1.1. Changes in regulatory enactments and policies**

The Issuer carries out its activity in Latvia and most of the risks, which affect it, are related to the economic situation, legal and regulatory framework of Latvia, where the Issuer carries out its business.

Currently, the activity of the Issuer and other non-bank credit companies in Latvia is regulated by Cabinet Regulation No. 245 of 29 March 2011, "Regulations Regarding a Special Permit (Licence) of Consumer Credit Services", which, among other things, determines the need for a licence, as well as annual prolongation of licence operation. Other examples of regulations applicable to the Issuer are Cabinet Regulation No. 691 of 25 October 2016, "Regulations On Consumer Credit", Law On Out-Of-Court Consumer Dispute Resolution Bodies, Personal Data Processing Law; Unfair Commercial Practice Prohibition Law; Law On Extrajudicial Recovery of Debt, and Consumer Rights Protection Law.

Any material changes in the existing Applicable Laws or implementation of any new Applicable Laws in the Republic of Latvia or EU might negatively affect the business and solvency of the Issuer.

#### **1.1.2. Regulatory and licensing risk**

Consumer Rights Protection Centre (Regulator, <https://www.ptac.gov.lv/lv>) carries out supervisory functions for consumer finance and debt collection companies in the Republic of Latvia. Regulator issues the aforementioned licenses for companies in these sectors.

The Issuer is licensed consumer finance company and has obtained a non-terminated license.

Regulator is entitled to withdraw licenses in case there are breach of regulations set forth by Applicable Laws of the Republic of Latvia. The Issuer believes that the risk of losing license is managed by following Regulator’s regulations and recommendations. Nevertheless, the risk that the regulator may interpret or enforce existing requirements in new ways that could restrict the Issuer’s ability to continue its current way of operation or impose significant additional compliance costs on the Issuer cannot be ruled out.

Furthermore, the government and the Regulator may seek to impose new laws, regulatory restrictions or licensing requirements that affect the products or services the Issuer offers, the terms on which the Issuer offers them, and the disclosure, compliance and reporting obligations the Issuer must fulfil in connection with the Issuer’s business.

The economic developments caused by Covid-19 spawned the risk of imposed moratoriums on loan payments, especially on principal and/or interest payments. Moratoriums give clients who are negatively impacted by a specific event, for example, Covid-19, and meet certain criteria, the opportunity to modify the credit repayment schedule and partly or fully defer payment obligations. During the Covid-19 pandemic multiple governments imposed or companies voluntarily signed moratoriums for consumer lending credit and/or bank credit payment deferrals, for example, in Latvia banks entered a moratorium for mortgage loan repayments. Imposed moratoriums may restrict or forbid the Issuer to initiate the collection process from defaulted clients. This may have a material adverse effect on the Issuer’s business, financial condition, results of operations and cash flows.

### 1.1.3. Macroeconomic risk

In 2021, 100% (one hundred per cent) of the Issuer’s revenue was generated in the Republic of Latvia. Therefore, the Issuer is currently largely dependent on the revenue streams generated in a single country and, by extension, dependent on the macroeconomic situation the country. As the Issuer’s plan is to continue operating in the Republic of Latvia for the foreseeable future, it puts the Issuer in a position of high geographic concentration, being exposed to a single market only.

The Latvian market, however, is not immune to regional and global macroeconomic fluctuations – it is closely linked with the economies of the EU and the Euro monetary union. A slowdown in the EU may negatively affect the economies of the Latvian market, causing an adverse effect on the Issuer’s business operations.

The global economy and most industries have seen strong headwinds since the beginning of 2020, driven by the outbreak of the global pandemic (COVID-19). Even though the Latvian market experienced an economic downturn as a result of the global pandemic, during 2021 the economy has already been recovering and the Republic of Latvia showed real GDP growth of 4.7% (four-point-seven per cent).

	Latvia		
Year	2021	2022F	2023F
Real GDP (% yoy)	4.7	2.1	3.2
CPI (% yoy)	3.2	9.5	3.6
Unemployment (%)	7.6	7.3	-

Source: Bloomberg consensus

While the economy has demonstrated faster than expected recovery during 2021 and in the beginning of 2022 the Republic of Latvia had solid GDP growth rates, the economists have revised downwards their GDP forecasts for 2022, as a result of rising inflationary pressures and negative effects from the war in Ukraine that leaves a proportionately bigger impact on the Baltic economies. Thus, overall uncertainty remains elevated and future economic growth rates could turn out to be lower and/or inflation could become higher, resulting in lower demand for the Issuer’s products and/or higher cost base, and thus lower business and financial performance of the Issuer.

#### 1.1.4. **Competition risk**

Issuer's principal competitors include other consumer lending providers and banks. As of the Issue Date there are 41 licensed consumer finance companies which operated in the territory of Latvia, offering different credit services; 7 of them offered loans against pledge of movable property (pawn loan). Among the licensed consumer finance companies a large part of lenders operate in a virtual environment, or only in a small geographic area.<sup>2</sup> The Issuer provides its services throughout the territory of Latvia - a total of 38 cities and rural areas, operating over 90 branches, as well as in the virtual environment. Taking into account the number of businesses that provide similar services, the Issuer's existing branch network, the quality of services and barriers to entry in the market, the Issuer risks of competition is not considered to be significant.

The Issuer's management has extensive experience in managing business, which is useful in adjusting to market changes and managing the company in changing conditions of external environment. Increased competition or more aggressive marketing and pricing practices on the part of the Issuer's competitors could result in lower revenues, margins and turnover rates in the Issuer's operations, which may have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and cash flows.

#### 1.1.5. **Credit risk**

The Issuer is exposed to the risk of loss through defaults on the loans granted. The default is contingent on the inability or unwillingness of the customer to make payments. This includes scenarios where the customer makes payments late, only partially, or not at all. Issuer's lending decisions are based partly on information provided to the Issuer by loan applicants and/or delivered by third parties (credit bureaus, agencies, appraisers and other partners). Prospective customers may fraudulently provide the Issuer with inaccurate information or third parties might provide the Issuer with incomplete information which, if not alerted, may harm Issuer's credit scoring and respective risk decisions.

Any failure to correctly assess the credit risk of potential customers or to correctly assess the value of the collateral may have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and cash flows and may even invoke regulatory sanctions (including imposition of fines and penalties, suspension of operations, or revocation of the Issuer's licenses).

The Issuer operates according to its established credit risk policies and principles. If these policies and principles prove insufficient, which may be caused by an internal failure of the Issuer's risk management procedures or an external change of conditions beyond the Issuer's control and the quality of the Issuer's total loan portfolio deteriorates or the Issuer's collateral valuation principles become inadequate, the Issuer may be required to increase its impairments for the loan portfolio, which may have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and cash flows.

#### 1.1.6. **Privacy and data protection breach risk**

The Issuer's business is subject to a variety of laws and regulations that involve user privacy issues, data protection, advertising, marketing, disclosures, distribution, electronic contracts and other communications, consumer protection and online payment services. The introduction of new products or the expansion of the Issuer's activities in certain jurisdictions may subject the Issuer to additional laws and regulations. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving fintech industry in which the Issuer operates, and may be interpreted and applied inconsistently and may also be inconsistent with the Issuer's current or past policies and practices. Existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products, result in negative publicity, increase the Issuer's operating costs, require significant management time and attention, and subject the Issuer to inquiries or investigations, claims or other remedies, including demands which may require the Issuer to modify or cease existing

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<sup>2</sup> <https://registri.ptac.gov.lv/table/kapitalsabiedribas-kuras-sanemu-licenci-pateretaju-krediteanas-pakalpojumu-sniegsanai>

business practices and/or pay fines, penalties or other damages. This may have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and cash flows.

#### 1.1.7. **AML and Sanctions compliance risk**

As the Issuer carries out its activity in Latvia, the Issuer is a subject to the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing (*Noziedzīgi iegūtu līdzekļu legalizācijas un terorisma un proliferācijas finansēšanas novēršanas likums, pieņemts 17.07.2008*) and Law On International Sanctions and National Sanctions of the Republic of Latvia (*Starptautisko un Latvijas Republikas nacionālo sankciju likums, pieņemts 04.02.2016*) and complies with the international and local Applicable Laws which regulate prevention of legalization of proceeds derived from criminal activity and financing of terrorism and proliferation.

The Issuer 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. Nevertheless, there is a risk that the measures adopted by the Issuer may be insufficient for prevention of money laundering and terrorism and proliferation financing, as a result of which the Issuer may incur losses, be subjected to legal Sanctions, or its reputation may deteriorate. This may have an adverse effect on the financial position and reputation of the Issuer.

#### 1.1.8. **Counterparty risk**

The Issuer may advance loans to customers and collect repayments from customers through local bank accounts and/or payment providers. The Issuer's continuing relationships with the banks and payment providers with which the Issuer maintains accounts and with which the Issuer may in the future establish accounts are critical to the Issuer's business.

There is a risk that the access to services the Issuer uses to verify the identity and creditworthiness of a potential customer, appraise pledged items and to provide marketing services may be restricted or prohibited, or the costs for these services may be significantly increased, which may affect Issuer's activity for an indefinite period of time.

Any inability to maintain existing business relationships with banks, local consumer credit agencies, IT service providers, collateral appraisers, debt-collection agencies and other third-party providers or the failure by these third-party providers to maintain the quality of their services or otherwise provide their services to the Issuer may have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and cash flows.

#### 1.1.9. **Liquidity risk**

The Issuer is exposed to liquidity risks arising out of the mismatches between the maturities of the Issuer's assets and liabilities, which may prevent the Issuer from meeting its obligations in a timely manner. Although such mismatch is well managed by the fact that significant proportion of the Issuer's assets has short-term maturity while part of its liabilities are long-term, the Issuer's growth depends, to a significant extent, on the its ability to obtain adequate funding from various sources. It is possible that these sources of financing may not be available in the future in the amounts the Issuer requires, or they may be prohibitively expensive and/or contain overly onerous terms. European and international credit markets have experienced, and may continue to experience, high volatility and severe liquidity disruptions, such as those that took place following the international financial and economic crisis in 2008-09. These and other related events have had a significant impact on the global financial system and capital markets and may make it increasingly expensive for the Issuer to diversify its funding sources, raise additional funds and refinance the Issuer's debt if necessary.

The Issuer may not be able to raise sufficient funds on terms that are favourable to it, if at all. If the Issuer fails to raise sufficient funds, its ability to fund operations, take advantage of strategic opportunities or otherwise respond to competitive pressures could be significantly limited, which may have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and cash flows.

1.1.10. **Key employee risk**

In the future, Issuer's duties will be affected by its ability to attract, preserve, and motivate highly qualified and experienced personnel. The market for qualified individuals in Latvia is highly competitive and labour costs for the hiring and training of new employees are increasing. Accordingly, the Issuer may not be able to attract and/or retain qualified executive officers or other specialists, which may have a material adverse effect on the Issuer's business, financial condition, and results of operations, prospects and cash flows.

1.1.11. **Litigation risk**

The Issuer may be adversely affected by contractual claims, complaints and litigation, resulting from relationships with counterparties, customers, competitors or regulatory authorities, as well as by any adverse publicity that the Issuer may attract. Any such litigation, complaints, contractual claims, or adverse publicity may have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and cash flows. Defence of any lawsuit, even if successful, could require substantial time and attention of the Issuer's management and could require the expenditure of significant amounts for legal fees and other related costs. The Issuer is also subject to a risk of regulatory proceedings, and the Issuer could suffer losses from the interpretation of applicable laws, rules and regulations in regulatory proceedings, including regulatory proceedings in which the Issuer is not a party. Any of these events could have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and cash flows.

1.1.12. **Interest rate risk**

The Issuer earns a substantial majority of its revenues from interest payments on the loans the Issuer issues to its customers (consumers). Financial institutions, peer-to-peer platforms, bond issues and other funding sources provide the Issuer with the capital to fund these loans and charge the Issuer interest on funds that the Issuer draws down. In the event that the spread between the rate at which the Issuer lends to its customers and the rate at which it borrows from its lenders decreases, the Issuer's financial results and operating performance will suffer. The interest rates the Issuer charges to its customers and pay to the Issuer's lenders could each be affected by a variety of factors, including access to capital based on the Issuer's business performance, the volume of loans the Issuer issues to its customers, competition and regulatory requirements. Interest rate changes may adversely affect the Issuer's business forecasts and expectations and are highly sensitive to many macroeconomic factors beyond the Issuer's control, such as inflation, the level of economic growth, the state of the credit markets, changes in market interest rates, global economic disruptions, unemployment and the fiscal and monetary policies of the Republic of Latvia and/or European Union. Any material reduction in the Issuer's interest rate spread could have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and cash flows.

1.1.13. **Risk of natural disasters and other business disruption**

The Issuer's services and operations are vulnerable to damage or interruption from tornadoes, earthquakes, fires, floods, power losses, telecommunication failures, terrorist attacks, acts of war, human errors and similar events. A significant natural disaster, such as a tornado, earthquake, fire or flood, could have a material adverse impact on the Issuer's ability to conduct business. Although the Issuer has implemented business continuity plans, acts of terrorism, war, civil unrest, violence or human error could cause disruptions to the Issuer's business or the economy as a whole. Any of these events could cause consumer confidence to decrease, which could decrease the number of loans the Issuer issues to customers. Any of these occurrences may have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and cash flows.

1.1.14. **Taxation risk**

Changes to local tax regime or challenges to the current tax structures of the Issuer's business could have material adverse effect on the Issuer's business, financial condition, or results of operations. Additionally, certain tax positions taken by the Issuer require the judgement of management and, thus, could turn to be inefficient or challenged by tax authorities due to possible erroneous interpretation of tax legislation.

## 1.2. Risks factors related to Notes

### 1.2.1. Notes repayment risk

At Maturity date, the entire principal amount of the Notes, together with accrued and unpaid interest, will become due and payable. The Issuer may not have the ability to repay or refinance these obligations. If the Maturity date occurs at a time when other arrangements prohibit the Issuer from repaying the Notes, the Issuer could try to obtain waivers of such prohibitions from the lenders and holders under those arrangements, or the Issuer could attempt to refinance the borrowings that contain the restrictions. If the Issuer fails to obtain the waivers or refinance these borrowings, the Issuer would be unable to repay the Notes.

### 1.2.2. Subordination risk

The Notes will not be secured. The Notes rank *pari passu* with other unsecured obligations of the Issuer. In case of the insolvency of the Issuer, the Investors will be entitled to recover their investment on the same terms as other creditors in the respective claims' group according to the relevant Applicable Laws, after the satisfaction of all claims of all secured creditors of the Issuer. There are no contracts or other transaction documents that would subordinate the claims of the Investors to other unsecured liabilities of the Issuer.

According to reported unaudited financial statements as of 31 March 2022, the Issuer and its Subsidiary (ViziaFinance SIA) have outstanding secured liabilities to Mintos Finance in the amount of EUR 19,653,265 (EUR 25,710,500 on 30 June 2022).

The Group in favour of Mintos Finance has registered four (4) groups of commercial pledges.

First group, DelfinGroup's debt to Mintos Finance SIA in the maximum amount of EUR 17,000,000 is secured by (i) commercial pledges over DelfinGroup's assets (pledge No. 100189112) and claims (pledge No. 100189117), and (ii) commercial pledges over ViziaFinance SIA's assets (pledge No. 100189139) and claims (pledge No. 100189134).

Second group, ViziaFinance SIA's debt to Mintos Finance SIA in the maximum amount of EUR 6,500,000 is secured by commercial pledges over ViziaFinance SIA's assets (pledge No. 100197716) and claims (pledge No. 100197717).

Third group, ViziaFinance SIA's debt to Mintos Marketplace SIA and Mintos Finance No. 20 SIA in the maximum amount of EUR 2,750,000 is secured by commercial pledges over ViziaFinance SIA's claims (as of 6 July 2022, undergoing registration procedure).

Fourth group, DelfinGroup's debt to Mintos Marketplace SIA and Mintos Finance No. 20 SIA in the maximum amount of EUR 6,750,000 is secured by commercial pledges over DelfinGroup's claims (as of 6 July 2022, undergoing registration procedure).

All in all the Group has pledged its assets (*manta*) and claim rights (*prasījuma tiesības*) for the maximum amount of EUR 33,000,000.

Outstanding financing from Mintos Finance is secured with the following collaterals:

Pledge act No. and asset type	Pledgor	Debtor	Rank	Pledgee	Maximum amount (EUR)
100189112 (assets)	DelfinGroup AS	DelfinGroup AS	1	Mintos Finance SIA <sup>3</sup>	17,000,000
100189117 (claims)	DelfinGroup AS	DelfinGroup AS	1	Mintos Finance SIA <sup>4</sup>	17,000,000
100189139 (assets) <sup>5</sup>	ViziaFinance SIA	DelfinGroup AS	1	Mintos Finance SIA <sup>6</sup>	17,000,000

<sup>3</sup> Registered in the name of the collateral agent ZAB Eversheds Sutherland Bitāns SIA (reg. No. 40203329751).

<sup>4</sup> Registered in the name of the collateral agent ZAB Eversheds Sutherland Bitāns SIA (reg. No. 40203329751).

<sup>5</sup> Pledge in support of debt owed by DelfinGroup to Mintos Finance SIA.

<sup>6</sup> Registered in the name of the collateral agent ZAB Eversheds Sutherland Bitāns SIA (reg. No. 40203329751).



100189134 (claims) <sup>7</sup>	ViziaFinance SIA	DelfinGroup AS	1	Mintos Finance SIA <sup>8</sup>	17,000,000
100197716 (assets)	ViziaFinance SIA	ViziaFinance SIA	1	Mintos Finance SIA	6,500,000
100197717 (claims)	ViziaFinance SIA	ViziaFinance SIA	1	Mintos Finance SIA	6,500,000
Claims <sup>9</sup>	ViziaFinance SIA	ViziaFinance SIA	1	Mintos Marketplace AS, Mintos Finance No.20 SIA	2,750,000
Claims <sup>10</sup>	DelfinGroup AS	DelfinGroup AS	1	Mintos Marketplace AS, Mintos Finance No.20 SIA	6,750,000

In the above table a commercial pledge over all assets (*manta*) means an aggregation of property (*lietu kopība*) at the moment of pledging as well as its future components. A commercial pledge over all right to claim (*prasījuma tiesības*) means an aggregation of property (*lietu kopība*) at the moment of pledging as well as its future components.

Notes will be unsecured and effectively subordinated to any secured Financial Indebtedness of the Issuer, to the extent of the value of the Permitted Security securing such secured Financial Indebtedness.

### 1.2.3. Liquidity risk

This is a private placement, however, the Issuer intends to request admission to trading of the Notes on Nasdaq First North, but it cannot provide further assurances that trading will be permitted. Thus, there is a risk that no liquid secondary market for the Notes will exist.

Neither the Issuer nor any other person guarantees the minimum liquidity of the Notes. Thus, the Potential Investors and Investors should take into account that they may not be able to sell or face difficulties in selling their Notes in secondary market at their fair market value or at all.

### 1.2.4. Price risk

The development of market prices of the Notes depends on various factors, such as changes of interest rates, central bank policies, overall economic development, or demand for the Notes.

The Notes bear a fixed interest rate. Thus, the Investors who seek to sell the Notes before their Maturity date may be exposed to interest rate risk: if the market interest rate increases, the price of fixed rate Notes typically declines.

Neither the Issuer, nor any other person undertakes to maintain a certain price level of the Notes. The Investors are, thus, exposed to the risk of an unfavourable price development of their Notes if they sell the Notes prior to the maturity date. If an Investor decides to hold the Notes until the maturity date, the Notes will be redeemed at their Nominal value.

### 1.2.5. Foreign exchange risk

The Notes will be denominated and payable in EUR. If Potential Investors and Investors measure their investment returns by reference to a currency other than EUR, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the EUR relative to the currency by reference to which Potential Investors and Investors measure the return on their investments because of economic, political and other factors over which the Issuer has no control. Depreciation of the EUR against the currency by reference to which Potential Investors and Investors measure the return on their investments could cause a decrease in the effective yield of the relevant Notes below their stated coupon rates and could result in a loss to Investors when the return on such Notes is translated into the currency by reference to which the Investors measure the return on their investments.

<sup>7</sup> Pledge in support of debt owed by DelfinGroup to Mintos Finance SIA.

<sup>8</sup> Registered in the name of the collateral agent ZAB Eversheds Sutherland Bitāns SIA (reg. No. 40203329751).

<sup>9</sup> The application for registration of the pledge has been submitted to the Commercial Pledge Register on 06.07.2022.

<sup>10</sup> The application for registration of the pledge has been submitted to the Commercial Pledge Register on 06.07.2022.

1.2.6. **Repurchase or redemption risk**

The Issuer may seek to repurchase or redeem the Notes, especially when prevailing interest rates are lower than the rate borne by such Notes. If prevailing rates are lower at the time of redemption, the Investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on such Notes being redeemed. The Issuer's redemption right also may adversely impact Investor's ability to sell such Notes. The Issuer may from repurchase the Notes in the secondary market, privately negotiated transactions, tender offers or otherwise. Any such repurchases or redemptions and the timing and amount thereof would depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. Such transactions could impact the market for such Notes and negatively affect the Notes' liquidity.

1.2.7. **Delisting risk**

After registration of the Notes the Issuer plans to request admission to trading of the Notes on First North within 12 (twelve) months from the Issue Date. There is a risk that Nasdaq Riga will not accept the Notes to be admitted to trading on First North or order that the Notes are delisted from First North before maturity after admission to trading has taken place due to changes in legal acts, including Nasdaq Riga regulations, or FSA recommendations.

1.2.8. **Tax risk**

Tax rates and tax payment procedure applicable at the moment of purchase of the Notes to the tax residents, non-residents of Latvia, and residents of other countries may change. The Issuer will not compensate the Investors for any increases in taxes. Therefore, the Investors may receive smaller payments related to the Notes.

1.2.9. **Resolutions of the Investors risk**

The majority resolution of the Investors is binding on all Investors. Thus, an Investor is subject to the risk of being outvoted by a majority resolution of the other Investors. As such, certain rights of such Investor against the Issuer may be amended or reduced, or even cancelled, without its consent.

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## 2. Party responsible for the Terms of the Issue

### 2.1. Party responsible for the Terms of the Issue

DelfinGroup AS

Registration number: 40103252854

Legal entity identifier: 2138002PKHUJIMVMYB13

Legal address: Skanstes iela 50A, Riga, Latvia, LV-1013

### 2.2. Representations and Warranties of the Issuer

The Issuer shall, in accordance with these Terms of the Issue, issue Notes and perform the obligations arising from the Notes to the Investors.

The Issuer shall be liable to the Investors for due and complete fulfilment of its obligations deriving from the Notes.

The Issuer gives the following warranties to the Investors:

- (a) The Issuer is a duly registered public limited liability company operating in compliance with the laws of Latvia;
- (b) All the Issuer's obligations assumed under this issue of the Notes are valid and legally binding to the Issuer and performance of these obligations is not contrary to the Issuer's Articles of Association, laws or any agreement concluded by the Issuer;
- (c) The Issuer has fully complied with the terms of the Existing Unsecured Notes;
- (d) The Issuer has all the rights and sufficient authorizations to issue the Notes and fulfil obligations arising from issuing the Notes;
- (e) The Issuer has performed all the formalities required for issuing the Notes and fulfilling the obligations arising here from;
- (f) All information that is provided by the Issuer to the Investors is true, accurate, complete and correct as at the date of presenting the respective information and is not misleading in any respect;
- (g) The Issuer is solvent, able to pay its debts as they fall due, there are no liquidation or insolvency proceedings pending or initiated against the Issuer;
- (h) There are no legal or arbitration proceedings pending or initiated against the Issuer which may have, or have had significant effects on the Issuer's financial position or profitability;
- (i) Directly or, to the Issuer's knowledge, indirectly, use the proceeds from the Notes, and shall procure that none of it or their directors, officers, employees or agents directly or, to the Company's knowledge, indirectly, use the proceeds from the Notes: (i) to fund, finance or facilitate any activities or business of or with any person that is, or is owned or controlled by persons that are, or in any country, region or territory, that, at the time of such funding, financing or facilitating is, or whose government is, the target of Sanctions; or (ii) in any other manner that would result in a violation of Sanctions by any person (including, any person participating in the subscription of Notes, whether as lender, underwriter, advisor, investor, or otherwise);
- (j) There are no criminal or misdemeanour proceedings pending or initiated against the Issuer.

### 2.3. Assurance of the information provided in the Terms of the Issue

The Issuer and its management board are responsible for the information contained in Terms of the Issue.

Hereby we, members of the management board (*valde*) of DelfinGroup AS, Didzis Ādmīdiņš, Aldis Umblejs and Sanita Zitmane, certify that, by paying sufficient attention to this purpose, the

information included in the Terms of the Issue is true, in accordance with the facts, and no information which may affect its meaning is concealed therein.

On behalf of DelfinGroup AS

/e-signed/

Didzis Ādmīdiņš  
Chairman of the Board

/e-signed/

Aldis Umblejs  
Member of the Board

/e-signed/

Sanita Zitmane  
Member of the Board

\* \* \*

### 3. Information on Notes

#### 3.1. The use of the proceeds

The total issue size is EUR 10,000,000 (ten million euro).

Funds that are raised as a result of the Notes issue will be used to further diversify the Issuer's funding structure, through refinancing the existing liabilities at better terms.

#### 3.2. Information on the offered Notes

##### 3.2.1. General Information

The Notes are bearer and any person or entity that holds the Notes in his securities account has the right to receive Coupon and the Nominal payments. It is planned to issue Notes with nominal value of EUR 1,000 (one thousand euro) for one Note and total nominal value of EUR 10,000,000 (ten million euro).

Notes issue ISIN is LV0000850055, which was allocated by Nasdaq CSD.

##### 3.2.2. Applicable Laws that regulate the Notes issue

The Notes issue is a private placement arranged in compliance with the Financial Instrument Market Law (*Finanšu instrumentu tirgus likums, pieņemts 20.11.2003*) and other Applicable Laws of the Republic of Latvia that are in force including the FSA, the Nasdaq CSD and the Nasdaq Riga regulations. Minimum subscription size for the Notes is EUR 100,000 (one hundred thousand Euro) with minimum step of EUR 1,000 (one thousand Euro).

All disputes between Potential Investors and Investors and the Issuer shall be settled in courts of the Republic of Latvia in accordance with Applicable Laws in force. Terms of the Issue are drafted and signed in English and any translations of the Terms of the Issue into another language are unofficial and made exceptionally for the Potential Investors and Investors' convenience. In case of any disputes' settlement, interpretation of the norms of the Terms of the Issue in English holds the priority against an interpretation in any other language.

##### 3.2.3. Form and accounting of the Notes

The Notes are issued in dematerialized form and will be recorded in the Latvian SSS (securities settlement system governed by Latvian law) operated by Nasdaq CSD, which will provide the maintaining function for the Notes. Investors may hold Notes through Nasdaq CSD participants participating in the Latvian SSS.

##### 3.2.4. Currency of the Notes

Currency of the Notes is EUR (euro).

##### 3.2.5. Subordination of the Notes

The Notes rank *pari passu* with other unsecured obligations of the Issuer. In case of the insolvency of the Issuer, the Investors will be entitled to recover their investment on the same terms as other unsecured creditors in the respective claims' group according to the relevant Applicable Laws. There are no contracts or other transaction documents that would subordinate the claims of the Investors to other unsecured liabilities of the Issuer.

The unsecured Notes will be effectively subordinated to any secured Financial Indebtedness of the Issuer, to the extent of the value of the Permitted Security securing such Financial Indebtedness.

According to reported unaudited financial statements as of 31 March 2022, the Issuer has outstanding secured liabilities to Mintos Finance in the amount of EUR 14,696,681 (EUR 18,797,361 on 30 June 2022).

Outstanding financing from Mintos Finance is secured with the following collaterals:

- (a) a commercial pledge over all assets of the Issuer, Subsidiaries and the Material Subsidiaries as an aggregation of property at the moment of pledging as well as its future components;

- (b) a commercial pledge over all receivables of the Issuer, Subsidiaries and the Material Subsidiaries as an aggregation of property at the moment of pledging as well as its future components.

At the moment of signing the Terms of the Issue, total maximum amount of all commercial pledges of the Issuer are EUR 23,750,000<sup>11</sup>.

In addition, Mintos Finance has also first rank pledge over all assets and all receivables of the Issuer's subsidiary VIZIA Finance SIA (registration number: 40003040217). The maximum amount of commercial pledges is EUR 9,250,000<sup>12</sup>.

### 3.2.6. **Rights and restrictions connected with the Notes issue**

Any Investor has the right to receive Coupon and Nominal payments in accordance with the Clause 3.2.7. "Coupon payments" and Clause 3.2.8. "Procedure of the Notes repayment", as well as exercise other rights fixed in the Terms of the Issue and legislation of the Republic of Latvia.

The Issuer has the rights to purchase Notes on the secondary market directly from Investors. Notes that are purchased by the Issuer are held in Issuer's financial instruments' custody account and the Issuer has the rights to sell purchased Notes to Potential Investors and Investors. The Issuer cannot cancel the purchased Notes held in the Issuer's financial instruments' custody account, therefore decreasing the size of Notes issue.

Notes owned by the Issuer, Subsidiaries and / or its Related Parties are not eligible to participate in the voting in accordance with Clause 4.7. "Procedure for applying for the waiver".

### 3.2.7. **Coupon payments**

#### *Coupon rate*

The Coupon rate for the Notes is 3M EURIBOR + 8.75% (eight point seventy-five per cent) per annum and is fixed until the maturity of the Notes.

#### *Coupon payments*

Coupon payments are made every calendar month – on the 25<sup>th</sup> date. The first Coupon payment will be made on 25 August 2022 and the last Coupon payment will be made on 25 September 2024.

The Coupon record date is the 5th (fifth) Business Day prior to the Coupon payment day. At the end of the Coupon record date Investors list, who will be eligible for the Coupon payments, will be fixed. Coupon payment shall be made to the Investors, as per Investors list, on each Coupon payment date for the preceding Coupon period.

The Issuer pays the Coupon through the intermediary of Nasdaq CSD and in accordance with applicable Nasdaq CSD regulations, which regulate the procedure for paying income from debt securities. Nasdaq CSD regulations applicable on the day of preparation of the Terms of the Issue are Nasdaq CSD Rulebook and Corporate Action Service description.

If the Coupon payment date is a holiday or a festive day, the Issuer will make the relevant Coupon payment on the first Business Day after the Coupon payment date.

If the Issuer has failed to make Coupon payments in accordance with the deadlines specified in the Terms of the Notes Issue, the Investors shall have the right to submit claims regarding the payment of the Coupon but not earlier than after 5 (five) Business Days following the payment date of the relevant Coupon.

#### *Coupon calculation*

The first coupon payment on 25 August 2022 is determined according to the following formula:

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<sup>11</sup> From the maximum amount of all commercial pledges – commercial pledges in the amount of EUR 6 750 000 are undergoing the registration procedure as of 6 July 2022.

<sup>12</sup> From the maximum amount of all commercial pledges – commercial pledges in the amount of EUR 2 750 000 are undergoing the registration procedure as of 6 July 2022.

$CPN1 = F * C * 47/360$ , where

CPN1 – the amount of Coupon payment in EUR per Note on 25 August 2022;

F – Nominal value of one Note;

C – annual Coupon rate (%) that is determined as Base Rate + 8.75%, where:

Base Rate is determined by the Calculation Agent on the Coupon Reset Date, which is the second Business Day prior the start of each Base Rate Period, using published data by a designated distributor (currently Bloomberg) and shall be fixed for the respective Base Rate Period. If for any Base Rate Period the Base Rate determined based on the procedure specified in this paragraph is less than 0%, Base Rate shall mean 0% for purposes of determining the Coupon rate.

Coupon payments starting from 25 September 2022 are determined according to the following formula:

$CPN = F * C / 12$ , where

CPN – the amount of Coupon payment in EUR per Note;

F – Nominal value of one Note;

C – annual Coupon rate (%) that is determined as Base Rate + 8.75%

Base Rate for Coupon payments until 25 September 2022 (including) shall be determined as 0%. Base Rate for Coupon payments starting from 25 October 2022, shall be determined by Calculation Agent.

#### *Calculation Agent*

The Issuer appoints the Calculation Agent to determine the amounts of monthly payments to Noteholders and provide payment instructions to the Issuer. All calculations by the Calculation Agent shall be made in good faith and through the exercise of the Calculation Agent's commercially reasonable judgment. Upon the request of the Issuer, Calculation Agent shall provide the Issuer with such information as is reasonably necessary to enable the Issuer to confirm the accuracy of such calculations.

The Issuer shall have the right to designate an independent nationally recognized third-party expert with experience in corporate bonds to replace the Calculation Agent, and the parties shall work in good faith to execute any appropriate documentation required by such replacement Calculation Agent. The Calculation Agent shall be informed of its replacement at least 10 (ten) Business Days in advance.

Any determination or calculation by the Calculation Agent in such capacity shall be made in good faith and in a commercially reasonable manner.

### 3.2.8. **Procedure of the Notes repayment**

The Nominal of one Note is EUR 1,000 (one thousand euro) and the Issuer will repay Nominal amount as a lump sum on the Maturity Date of the Notes.

The Issuer will repay the Nominal amount in accordance with Nasdaq CSD intermediary and applicable Nasdaq CSD regulations. Nasdaq CSD regulations applicable on the day of preparation of the Terms of the Issue are Nasdaq CSD Rulebook and Corporate Action Service Description. The Nominal amount will be paid on the maturity date. Investors eligible to receive the Nominal will be fixed at the end of the Nominal record date, which is the previous Business Day before the maturity date.

If the maturity date is a holiday or a festive day, the Issuer will make the relevant Coupon payment and Nominal amount payment on the first Business Day after the maturity date.

If the Issuer has failed to make Nominal amount payment in accordance with the deadlines specified in the Terms of the Issue, Investors shall have the right to submit claims regarding the repayment of the Nominal amount not earlier than after 5 (five) Business Days following the payment day of the Nominal amount.

### 3.2.9. **Early redemption (call option)**

The Issuer can carry out full early redemption (call option), on every Coupon payment date starting from 25 September 2023 by paying 101% (one hundred and one per cent) of the Nominal amount. If the payment date under the call option is a holiday or a festive day, the Issuer will make the relevant Coupon payment and Nominal amount payment on the first Business Day after the holiday or festive day. If the payment date under the call option is a holiday or a festive day, the Issuer will compensate the accrued interest for days between payment date which is a holiday or a festive day (including) and actual payment date (excluding).

If the Issuer takes decision on the early redemption of Notes, the Issuer shall notify Investors at least 20 (twenty) Business Days prior to the redemption date of Notes by publishing announcement of the decision via Issuer's website, and with intermediation of Nasdaq Riga (if the Notes are listed on Nasdaq Riga).

If the Issuer takes decision on the early redemption of Notes, the Issuer will pay redemption payment in accordance with Nasdaq CSD intermediary and applicable Nasdaq CSD regulations. Nasdaq CSD regulations applicable on the day of preparation of the Terms of the Issue are Nasdaq CSD Rulebook and Action Service Description. Investors eligible to receive the redemption payment will be fixed at the end of the record date, which will be the previous Business Day before the redemption payment date.

### 3.2.10. **Early redemption at the option of Investors (put option)**

If a Change of Control (except if a change of control takes place between the Major Shareholders of the Issuer) event occurs (a "Change of Control Put Event"), each Investor will have the option (a "Change of Control Put Option") to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) all or part of its holding of Notes on the Change of Control Put Date (as defined below) at a price equal to 101% (one hundred and one per cent) of Nominal amount together with interest accrued to (but excluding) the Change of Control Put Date.

Promptly upon the Issuer becoming aware a Change of Control Put Event has occurred, the Issuer shall publish a notice (a "Change of Control Put Notice") to the Investor via the Issuer's website and, if Notes are included in First North, via the Nasdaq Riga website specifying the nature of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option indicating the date of exercise of the Change of Control Put Option which is at least 40 (forty) Business Days after publication of Change of Control Put Notice (a "Change of Control Put Date"), and a period of at least 20 (twenty) Business Days after publication of Change of Control Put Notice for the Investors to submit their Change of Control Put Exercise Notice (as defined below).

To exercise the Change of Control Put Option, the Investor must submit to the Issuer a duly signed and completed notice of exercise in the form provided by the Issuer within the Change of Control Put Period (a "Change of Control Put Exercise Notice"). No option so exercised may be withdrawn without the prior consent of the Issuer.

The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Change of Control Put Date unless previously redeemed (or purchased and cancelled) in accordance with the Nasdaq CSD intermediary and applicable Nasdaq CSD regulations.

A Change of Control Put Exercise Notice, once given, shall be irrevocable without the prior consent of the Issuer.

### 3.2.11. **Accrued interest calculation**

The first Coupon starts to accrue on 8 July 2022, which is the First Settlement Date of the Notes issue. The accrued Coupon is calculated presuming that there are 360 days in one year (day count convention - "European 30/360"). Accrued interest between Coupon payment dates shall be calculated as follows:

$AI = F * C / 360 * D$ , where

AI – accrued interest of one Note;

F – Nominal value of one Note;



C – annual Coupon rate (%) that is determined as Base Rate + 8.75%;

D – the amount of days from the beginning of the Coupon accrual period according to European 30/360 day count method.

### 3.2.12. **Representation of the Investors**

Within the framework of the issue, it is not planned, yet not prohibited to create an organization of authorized persons which would represent Investors. In case of the insolvency of the Issuer, every Investor has the right to represent his own interests in creditors' meetings. The Investors will have equal rights for satisfaction of their claims with other unsecured creditors in the same claims' group.

### 3.2.13. **Decisions of the Issuer on the Notes issue**

On 10 December 2021 extra-ordinary general meeting of shareholders of the Issuer passed decision to issue bonds (Notes) with nominal value of the issue up to EUR 10,000,000 and maximum maturity (repayment) period of 4 years<sup>13</sup> and to authorize the management board to sign all the documents related to the execution of the decisions adopted by extra-ordinary meeting of shareholders to issue debt securities.

On 22 November 2021, the Issuer's supervisory board passed the decision (No. 13/2021) to issue debt securities in the amount of up to and including EUR 10,000,000 (ten million euro).

On 6 July 2022 the Issuer's management board passed the decision (No. 07/2022-obl) to issue the Notes.

### 3.2.14. **The First Settlement Date of the Notes issue**

The First Settlement Date (Issue Date) of the Notes issue is 8 July 2022, on which the Coupon starts to accrue.

### 3.2.15. **Restrictions on free circulation of the Notes**

The Notes are freely transferable securities and can be pledged. However, the Notes cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under the laws of the Republic of Latvia.

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<sup>13</sup> <https://view.news.eu.nasdaq.com/view?id=b1f32b5e459e8ce0fd13af7bfa69c7ef1&lang=en>

## 4. Special Conditions

### 4.1. Disclosure of information

Up to the maturity of Notes, the Issuer shall publish all the information required by covenants, rules of Nasdaq Riga and regulatory enactments.

### 4.2. Event of default

At any time if the Event of Default has occurred (and as long as the event of default exists) and at least 10% of the Investors notify the Issuer on immediate redemption of their Notes, then the Notes are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest and the Issuer has to redeem or, at the Issuer's option, purchase (or procure the purchase of) the Nominal value of Notes along with the accrued Coupon and contractual penalty, in accordance with Clause 4.3. "Contractual penalty", within 5 (five) Business Days after receipt of the notification.

If an event of default occurs and the Issuer is unable to redeem or purchase the Notes immediately, the Issuer is obliged to engage an authorized person ("Agent") to organise an Investor written notification in accordance with this clause within a maximum of 20 (twenty) Business Days after the event of default has occurred.

Each of the events or circumstances set out and included in below Clauses 4.2.1. - 4.2.7. shall constitute an Event of Default.

#### 4.2.1. Non-payment

The Issuer fails to pay out any amount payable by it under the Terms of the Issue when such an amount is due for payment, unless its failure to pay is caused by an administrative or technical error in payment systems or the Nasdaq CSD and payment is made within 5 (five) Business Days following the original due date. The Investor shall have the right to submit claims regarding a failure to pay an amount due not earlier than 5 (five) Business Days following the date of the relevant payment.

#### 4.2.2. Breach of covenants

The Issuer has violated the conditions of Clause 4.4. "Financial covenants" and fails to remedy such a violation according to Clause 4.2.3. "Covenant cure", or the Issuer does not perform or comply with any one or more of its other obligations set out in Clause 4.5. "General covenants", or Clause 4.6. "Negative pledge", and the Issuer fails to remedy such a breach within 30 (thirty) calendar days from the date of the breach, unless such default is incapable of being remedied.

#### 4.2.3. Covenant cure

The shareholders of the Issuer may cure or prevent a breach of the financial covenants in Clause 4.4.1.1. (and any Event of Default arising as a result therefrom) if, prior to or within 90 (ninety) calendar days of the earlier of: (i) the date on which the relevant financial report is to be published pursuant to the Terms of Issue; and (ii) the date the relevant financial report was in fact published pursuant to the Terms of the Issue for any measurement period in which such failure to comply was (or would have been) first evidenced, the Issuer received the cash proceeds of new shareholder injections from the shareholders of the Issuer (the "Equity Cure"), in an amount at least sufficient to ensure that the financial covenants set forth under Clause 4.4.1.1. would be complied with if tested again as at the last date of the same measurement period on the basis any Equity Cure provided shall be included for the measurement period as if provided immediately prior to the last day of such measurement period.

Any new equity and or Subordinated debt provided in respect of any relevant period shall be deemed to have been provided immediately prior to the last date of such relevant period and shall be included (without double counting) in all relevant covenant calculations until the date it was deemed provided falls outside any subsequent relevant period.

If after the equity adjustment the requirement of the relevant financial covenants are met, then the requirement thereof shall be deemed to have been satisfied as at the relevant original date of

determination of any default, Event of Default, occasioned thereby shall be deemed to have been remedied for the purposes of the Terms of the Issue.

#### 4.2.4. **Cross default**

If for the Issuer or any Material Subsidiary:

- (a) any Financial Indebtedness is neither paid when due nor within any applicable grace period; or
- (b) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); or
- (c) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described); or
- (d) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described);
- (e) any security that is subject to public registration securing Financial Indebtedness over any asset is enforced by secured creditor;
- (f) any tax debts to State Revenue Service of the Republic of Latvia or a state fee for the issuance of permission or license payment debt to supervising state authorities are neither paid when due nor within any applicable grace period;

provided, however, the aggregate amount of the relevant indebtedness or commitment for relevant indebtedness falling within paragraphs (a) to (f) above exceeds a total of EUR 400,000 (four hundred thousand euro) (or the equivalent thereof in any other currency) and provided it does not apply to any Financial Indebtedness owed to a Subsidiary or Related Parties.

#### 4.2.5. **Insolvency**

The Issuer or any Material Subsidiary is considered insolvent if:

- a) the Issuer or its Material Subsidiary is declared insolvent or bankrupt by a court of competent jurisdictions or admits inability to pay its debts in case of lawful claims save for claims by Related Parties or claims within Group; or
- b) an application to initiate insolvency or legal protection proceedings or similar proceedings of the Issuer or any Material Subsidiary or any other proceedings for the settlement of the debt of the Issuer is submitted to the court by the Issuer or the Material Subsidiary, unless such application is challenged in court.

#### 4.2.6. **Security enforced**

Security (as described in Clause 4.6. of the Terms of the Issue), present or future, created or assumed by the Issuer, or any Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person).

#### 4.2.7. **Non-compliance with put option**

The Issuer has not complied with its obligation as described in Clause 3.2.10. arising from Change of Control.

### 4.3. **Contractual penalty**

In the case of non-compliance or inadequate compliance with any payment obligation arising from the Notes, the Investor in question shall be entitled to require and the Issuer shall be obliged to pay contractual penalty (*ligumsods*) upon the request of any Investor to all the Investors from the date (excluding), when the deadline has set in, to the actual payment date (including) in the amount of 0.05% (zero point zero five per cent) per day from the relevant outstanding amount.

If the Issuer has failed to make Coupon payments in accordance with the deadlines specified in the Terms of the Issue, Investors shall have the right to submit claims regarding the payment of the

Coupon not earlier than after 5 (five) Business Days following the payment date of the relevant Coupon.

If the Issuer has failed to make Nominal amount payment in accordance with the deadlines specified in the Terms of the Issue, Investors shall have the right to submit claims regarding the repayment of the Nominal amount not earlier than after 5 (five) Business Days following the payment day of the Nominal amount.

#### 4.4. Financial covenants

4.4.1. From the Issue Date of the Notes to the date of repayment thereof, the Issuer and its Subsidiaries shall undertake the following financial covenants:

4.4.1.1. To maintain a Capitalization Ratio of at least 25% (twenty-five per cent);

4.4.1.2. To maintain consolidated Interest Coverage Ratio (calculated on the trailing 12 (twelve) months (TTM) basis) of at least 1.25x (one point twenty-five times) and starting 31 December 2022 of at least 1.5x;

4.4.1.3. To maintain Net Loan Portfolio, plus Cash and Cash Equivalents, net of value of outstanding Mintos Debt Security and Bank Debt Security I, at least 1.2x (one point two times) the outstanding principal amount of all unsecured interest-bearing debts\* of the Issuer on consolidated basis (formula: (Net Loan Portfolio + Cash and Cash Equivalents – Mintos Debt Security – Bank Debt Security I) / (all unsecured interest-bearing debt\*) > = 1.2x).

4.4.2. The financial covenants set forth in Clause 4.4.1. shall be tested on a consolidated basis as at the end of each quarter and covenants calculations and proof of compliance with covenants to be published in the consolidated quarterly financial reports of the Issuer.

#### 4.5. General covenants

From the Issue Date of Notes to the date of repayment thereof, the Issuer and its Subsidiaries shall undertake the following:

4.5.1. Not to start any business activity that is outside the scope of Permitted Business, except if revenue from such business activity shall not exceed 10% (ten per cent) of the total consolidated revenue of the Group;

4.5.2. Not to commence reorganization or liquidation of the Issuer and/ or reduce the share capital of the Issuer;

4.5.3. Not to commence reorganization or liquidation of Subsidiaries, except if reorganization or liquidation of the Subsidiary is necessary for the reasons of consolidating operations under the Issuer or any other Group entity;

4.5.4. To comply with all Applicable Laws, regulations and requirements that apply and/or may apply in the future in order to maintain and obtain the licenses and permits required for the operations of the Issuer and its Subsidiaries;

4.5.5. Not to sell, present, change, rent, invest, or otherwise transfer into utilisation the right to use the trademarks of the Issuer and/or its Subsidiaries;

4.5.6. Not to obtain participation in other companies by investing funds, except if over 51% (fifty one per cent) participation in this company shall be acquired by making an investment and the Issuer or its Subsidiaries retains full control of a company;

4.5.7. Not to sell or otherwise dispose of shares in any Material Subsidiary or any of the assets or operations of a Material Subsidiary to parties who are not Subsidiaries of the Group;

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\* For the sake of clarity, under all unsecured interest-bearing debts shall not be included rights of used assets lease liabilities.

- 4.5.8. Not to lend (in the form of loans or otherwise) to the shareholders or Related Parties of the Issuer, except for a Fair Market Value and in total amount up to 10% of the Consolidated Net Worth;
- 4.5.9. Not to borrow (in form of loans or otherwise) from the shareholders of the Issuer or Related Parties, except for a Fair Market Value and such obligations shall be expressly subordinated in right of payment to the Notes and Existing Unsecured Notes;
- 4.5.10. Not to, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to any Financial Indebtedness, however, if a Financial Indebtedness is to be incurred such Financial Indebtedness shall rank *pari passu* with the Notes or is unsecured or is subordinated to the Notes and the Existing Unsecured Notes. The foregoing shall not prohibit the incurrence of Permitted Debt;
- 4.5.11. Any transactions with Related Parties shall be at Fair Market Value;
- 4.5.12. To prepare and publish consolidated unaudited quarterly reports within 2 (two) months after the reporting period;
- 4.5.13. To publish consolidated condensed unaudited semi-annual report as per Accounting Principles within 2 (two) months after the reporting period;
- 4.5.14. To publish audited consolidated annual report as per Accounting Principles within 4 (four) months after the reporting period.

#### 4.6. Negative pledge

So long as any Note remains outstanding, the Issuer shall not, and shall procure that none of its Material Subsidiaries shall not create or allow to subsist, retain, provide, prolong or renew any security of any kind (including any mortgage, lien, pledge, charge, security interest or encumbrance) (“Security”) over any of their assets (present or future) to secure any Financial Indebtedness, other than any Permitted Security.

#### 4.7. Procedure for applying for the waiver

The Issuer has the right to ask for the consent (waiver) of Investors to amend the conditions included in the Terms of the Issue (apply for the waiver). However, the issuer shall have a right to amend the technical procedures relating to the Notes in respect of payments or other similar matters without the consent of the Investor, if such amendments are not prejudicial to the interests of the Investors.

The amendment of the Terms of the Issue may include the amendment of any conditions, which is not restricted by such characteristics of Notes as currency, Coupon rate, Coupon calculation method, Coupon and Nominal payments, inclusion of Note for trade in other regulated or alternative markets, the Maturity Date, and other conditions, unless they contradict Applicable Laws in force in the Republic of Latvia.

The Issuer can apply for the waiver itself or through the intermediary of an authorized person (“Agent”). To request a waiver, the Company or Agent shall notify the Noteholders by posting the information on the Company’s webpage and if Notes are included in First North, *via* the Nasdaq Riga website, specifying at the least the following:

- a) a description of the changes applied for;
- b) a justification of the necessity of the changes applied for;
- c) the date when the list of Investors eligible to grant the waiver (vote) will be fixed;
- d) the term within which an Investor can support or reject the offered waiver;
- e) instructions concerning notification about the support or rejection of the waiver and the procedure for filling in the voting questionnaire;
- f) notification that an Investor willing to grant the waiver offered by the Issuer shall notify the Issuer and Issuer’s Agent within the term specified in the application, which is certified by a postal seal, signature (including electronic signature valid and recognised

within European Union) on receipt or notification (letter or email) by Investor's Custodian. If the Investor does not notify the Issuer or Issuer's Agent about the approval to grant waiver within the term specified in the application, an Investor shall be deemed as not having granted the waiver;

- g) contact details of the Issuer and/ or the Issuer's Agent to be used for notifications (telephone number for inquiries, email or address for sending filled in and signed questionnaires, list of representative offices and/ or branches of the Issuer and/ or Issuer's Agent where Investors can submit the questionnaires in person);
- h) other information including a fee to Investors for approving the waiver needed by Investors for deciding upon granting the consent or refusal to grant the waiver to the Issuer.

The list of Investors shall be inquired from the Nasdaq CSD as of the date falling to the fifth Business Day after the information was published on Company's website and *via* the Nasdaq Riga website if Notes are included in First North.

The term allowed to Investors for deciding upon refusal to grant the waiver to the Issuer may not be shorter than 14 (fourteen) calendar days after the information was published on Company's website and *via* the Nasdaq Riga website if Notes are included in First North.

Investors shall submit signed questionnaires with their decision to the Issuer or Issuer's Agent by a deadline set in the application of the waiver. The waiver is deemed to be granted, if Investors owning at least 50% (fifty per cent) of the outstanding Notes (excluding Notes owned by the Issuer and / or its Related Parties) have voted for granting the waiver. The Notes owned by the Issuer and / or its Related Parties are excluded from the voting process.

The Issuer or Issuer's Agent shall count the received votes and notify Investors of the results of the voting within one Business Day after the deadline for submitting the questionnaires by publishing relevant announcement on Company's website and *via* the Nasdaq Riga website, if Notes are included in First North.

If the accepted changes refer to specifications of the Notes and/ or Coupon calculation method, as well as procedure of Coupon payments and/ or repayment of the Nominal, the Issuer shall inform Nasdaq CSD on the mentioned changes according to the regulation determined in the Nasdaq CSD rules.

If the Issuer offers Investors a fee for approving the waiver and the waiver is granted, the Issuer transfers the fee amount to the account stated by an Investor in the questionnaire not later than ten Business Days after the waiver comes into force.

## 4.8. Force majeure and limitation of liability

4.8.1. The Issuer shall be entitled to postpone the fulfilment of its obligations under these Terms of the Issue in the event performance is not possible due to the continuous existence of any of the following circumstances (a "Force Majeure Event").

- a) action of any authorities, war or threat of war, armed hostility or a serious threat of it, including but not limited to enemy attacks, blockades, military embargoes, actions by a foreign enemy, general military mobilisation, military actions, declared and undeclared war, actions by a public enemy, commotions, acts of terrorism, diversions, piracy, disorders, invasion, blockade, revolution, coup, insurrection, mass unrest, introduction of curfews, quarantine established by the Cabinet of Ministers of the Republic of Latvia, expropriation, enforced withdrawal, takeover of enterprises, requisition;
- b) disturbances in postal, telephone, or electronic communications which are due to circumstances beyond the reasonable control of the Issuer and that materially affect the operations of the Issuer;
- c) any interruption of or delay in any functions of measures of the Issuer as a result of a fire, extreme weather or other similar disaster;

- d) any industrial action, such as a strike, lockout, boycott or blockade affecting materially the activities of the Issuer; or
- e) any other similar *force majeure* hindrance.

4.8.2. In case of occurrence of a Force Majeure Event, the Issuer's fulfilment of the obligations may be postponed for the period of the existence of such respective circumstances and shall be resumed immediately after such circumstances cease to exist, provided the Issuer shall put all best efforts to limit the effect of the Force Majeure Event and to resume the fulfilment of its obligations as soon as possible.

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## 5. Taxes

### 5.1. Notice

This summary is of general nature and should not be considered a legal or tax advice. This clause does not contain full and complete information on all the taxes that relate to investment in the Notes. Tax rates and conditions for paying taxes may change during the life of the Notes. Potential Investors and Investors should consult with their own tax advisors with respect to their particular circumstances and the effects of the Latvian or foreign tax laws to which they may be subject to.

### 5.2. Definition of residents and non-residents

An individual is considered resident of Latvia for tax purposes if his or her permanent place of residence is Latvia; or he or she stays in Latvia for more than 183 days within any 12-month period; or he or she is a citizen of Latvia and is employed abroad by the government of Latvia. If an individual does not meet any of the above-mentioned criteria, he or she is considered a non-resident for tax purposes.

Any legal entity is considered resident of Latvia for tax purposes if it is or should be established and registered in Latvia according to the Latvian legislation. Other legal entities are considered non-residents for tax purposes.

To receive any reduction for tax rate applicable on interest (coupon) income according to the provisions of the Double Tax Treaty concluded between the Republic of Latvia and any other relevant country, the Investor should supply its tax residency certificate originals to the Issuer. The applicable reductions will be applied from the moment of receiving the certificate and for the period stipulated in the certificate. For the purposes of exchanging documents, the Investor should contact Issuer via information provided on Issuer's website and/or Nasdaq Riga website.

**Table 1 – Tax consequences in Latvia regarding the income derived from Notes that are issued by a legal entity registered in Latvia (not being a credit institution) effective as of 1 January 2021:**

Legal status of income beneficiary	Notes that are not in the Public Circulation		Conditions
	Interest tax rate	Capital gains tax rate	
Individual resident of Latvia	20%	20% <sup>1</sup>	20% tax from the interest (coupon) income is withheld and transferred to the State budget by an Issuer of Notes, if it is registered in Latvia.  <sup>1</sup> - Capital gains from a sale of Notes are considered equivalent to an interest income and taxed at 20% rate in Latvia. Self-assessment and payment of a tax on capital gains [i.e. profits] in Latvia is performed by a beneficiary of capital gains – a resident individual filing the Annual Income
Company resident of Latvia	deferred: 20/80 of the beneficiary's net profit distributed (equals to 20% of the gross profit)	deferred: 20/80 of the beneficiary's net profit distributed (equals to 20% of the gross profit)	Interest (coupon) income and a capital gain from the Notes not being in the Public Circulation constitute a part of the beneficiary - Latvian company's overall income.  The Corporate Income Tax obligation is deferred to the moment of profit distribution (dividends, interim dividends) or deemed profit distribution (deemed dividends, non-business expenditure, bad debts provisions/write-off, loans to the related persons, transfer pricing adjustments, liquidation quota) of the beneficiary - Latvian company. The tax is assessed and paid based on the Corporate Income Tax Return filed for a taxation period (a month or year)



Individual non-resident	20% <sup>2,4</sup>	20% <sup>3,4</sup>	<p>20% tax from the interest (coupon) income is withheld and transferred to the State budget by an Issuer of Notes, if it is registered in Latvia.</p> <p><sup>2</sup> - The reduced 10%, 7%, 5%, 2.5% or 0% tax rate on interest (coupon) income can be applicable in Latvia only, if provisions of the Double Tax Treaty concluded between Latvia and other relevant country stipulate it.</p> <p><sup>3</sup> - A capital gain from the Notes is considered equivalent to an interest income and taxed at 20% rate. The purchaser of the Notes, if it is registered in Latvia, performs calculation and withholding of a tax on capital gain [i.e. a profit]. If no profit is derived from a sale transaction, the 20% tax is not withheld/paid. The Double Tax Treaty provisions may stipulate a tax exemption in Latvia for a capital gain derived by a non-resident individual.</p> <p><sup>4</sup> - A non-resident individual being a beneficiary of interest (coupon) income or a capital gain could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia.</p>
Company non-resident	exempt <sup>5,6</sup>	exempt <sup>6</sup>	<p>Interest (coupon) income and a capital gain derived by a non-resident company (except a company from one of the “black- listed countries or territories”) are tax exempt in Latvia.</p> <p><sup>5</sup> - An issuer of Notes withholds 20% tax from interest (coupon) payments, if they are made to a company non-resident registered in one of the low tax or non-tax countries or territories specified by the Cabinet Regulations of Latvia (so called “the black-listed countries and territories”).</p> <p><sup>6</sup> - A non-resident company being a beneficiary of interest (coupon) income or a capital gain could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia.</p>

Source: Applicable Laws of the Republic of Latvia

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## 6. Terms of the Offering

### 6.1. Subscription to the Notes

#### 6.1.1. Subscription period

The offering shall commence on 4 July 2022 at 10 am Riga time and shall end on the Maturity Date or when all Notes are sold, whichever is earlier.

#### 6.1.2. Subscription terms

Subscription orders to the Notes can be submitted to the Arranger every Business Day during normal working hours. More detailed information on the submission of the subscription orders is available by phone +371 67 081 069.

Subscription orders can also be submitted to other Custodians, which in turn shall submit orders to the Arranger. The form of such subscription orders is regulated by contracts between Noteholders and Custodians and by the Applicable Laws.

The minimal initial subscription size (the “Minimum Investment Amount”) is EUR 100,000 (one hundred thousand Euro). Subscription size should be equal to a multiple of the Settlement Unit Multiple.

Total Nominal value of the Notes to be purchased and provided in each Subscription order shall be for at least Minimum Investment Amount. Potential Investors have the right to submit several orders during the offering.

All Subscription orders to the Notes shall be considered as binding and irrevocable commitment to acquire the allotted Notes.

By submitting the subscription order the Potential Investor confirms that it (i) has read and understands the Terms of the Issue, (ii) agrees and commits to adhere to the Terms of the Issue.

The First Settlement Date of Notes is 8 July 2022.

Article 5f of Regulation (EU) No. 833/2014 (as amended by Council Regulation (EU) No. 2022/328) and Article 1f of Regulation (EC) No. 765/ 2006 (as amended by Council Regulation (EU) No 2022/398) prohibit the sale of euro denominated transferable securities issued after 12 April 2022 or units of undertakings for collective investment (UCIs) providing exposure to such transferable securities, to any Russian or Belarusian national, any natural person residing in Russia or Belarus or to any legal person, entity or body established in Russia or Belarus. This prohibition does not apply to nationals of a Member State or to natural persons holding a temporary or permanent residence permit in a Member State of the European Union.

All the expenses related to the acquisition and custody of the Notes shall be borne by a Potential Investor in compliance with the pricelist of a credit institution or investment service provider, through which the Potential Investor purchases and keeps Notes. The Issuer is not obliged to compensate any such expenses incurred by the Potential Investor.

#### 6.1.3. Notes price

The Notes purchase price can be equal to 100% (one hundred per cent) of the Nominal value or purchase price could be lower or higher than the Nominal value, meaning that the Notes can be sold with discount or premium, plus accrued interest, at sole discretion of the Issuer.

All subscription orders that were aggregated during the subscription period with the First Settlement Date will be delivered without accrued interest.

All subscription orders that have been submitted after the First Settlement Date shall be executed with accrued interest, unless the settlement date for subscription orders is the 5 (five) Business Days before each Coupon payment date – from the Coupon record date and until the Coupon payment date, in which case the subscription orders shall be executed without accrued interest.

**6.1.4. Reduction of the Notes issue size**

At any time the Issuer may decide to discontinue offering of the Notes. The total issue size is equal to the actual issue size of the Notes before such decision.

**6.1.5. Allocation of the Notes to Investors**

The Notes are allocated to Potential Investors in the amount not larger than the amount specified in the subscription order and not less than the minimum size as described in the Clause 6.1.2. "Subscription terms".

The Arranger or the Issuer at its sole discretion has a right to refuse to allocate all or part of the subscribed Notes to any Potential Investors due to AML and Sanctions regulations compliance risk.

In case the total number of the Notes subscribed for during the subscription period is larger than the number of Notes available, the Issuer at its sole discretion has a right to refuse to allocate all or part of the subscribed Notes to any Potential Investor. The decision on the final allocation of Notes to Potential Investors is made by the Issuer.

**6.2. Settlement and delivery of the Notes**

The First Settlement Date of Notes is 8 July 2022. All subscription orders that were aggregated during the subscription period with settlement date 8 July 2022 will be delivered without accrued interest.

The settlement date for the Notes can be any Business Day which is not earlier than the second Business Day and not later than the 20th Business Day after subscription order is dully submitted to the Arranger.

Settlement of the Notes will be executed through the Nasdaq CSD as DVP (delivery versus payment) transactions according to the applicable Nasdaq CSD rules and Operating Manual. The Custodians execute payments for the Notes based on the results of the subscription provided by the Arranger. The Notes will be transferred to Investors' financial instrument accounts on the settlement date.

Settlement for the Notes can be executed according to other procedure, which is agreed to by the Arranger and Investor.

**6.3. Pre-emptive rights**

None of Investors has the rights of pre-emption in respect to acquisition of the Notes in the initial placement.

\* \* \*

## 7. Including of the Notes on the market and trading regulations

The Issuer plans to request the admission to trading of the Notes on First North within 12 (twelve) months after the Issue Date and submit Terms of the Issue. The Notes shall be listed on First North only in case Nasdaq Riga approves the Notes for listing. Each Investor acknowledges that the possible listing of the Notes on First North depends on the discretionary decision of the Nasdaq Riga. Therefore, the Issuer cannot ensure the listing of the Notes and, provided that the Issuer has taken all reasonable legal steps to ensure listing, shall not be deemed to be in breach of the Terms of the Issue in case the Notes are not listed.

The Issuer does not undertake to register the Notes prospectus with the FSA or list the Notes on any regulated market.

The Issuer has not signed any agreement with any person for Notes liquidity maintenance on the secondary market.

\* \* \*

## 8. Additional Information

### 8.1. Advisors involved in the Issue

The Issuer has concluded an agreement with the Arranger to organize the Notes Issue, to communicate with the Nasdaq CSD, market it to Potential Investors and conduct settlement during the subscription period. The Arranger may provide other services to the Issuer in the future and receive remuneration for it. The Arranger may invest its own funds in the Notes.

### 8.2. The external audit of the information included in the Terms of the Issue

The auditors have not verified the information included in the Terms of the Issue.

### 8.3. Statements or reports included in the Terms of the Issue

The securities description does not contain any expert statements or reports.

### 8.4. Credit ratings

There is no credit rating assigned to the Issuer or to the Notes issue.

\* \* \*

## 9. The Issuer

### 9.1. General Information on the Issuer

The Issuer is DelfinGroup AS.

The Issuer's registration number is 40103252854 and LEI code 2138002PKHUJIMVMB13 (i.e. legal entity identifier - a 20-character code that is based on the ISO 17442 standard developed by the International Organization for Standardization).

Legal address and location of management and production is Skanstes 50A, Riga, Latvia, LV-1013.

Legal form: public limited liability company (*akciju sabiedrība*), legal status — legal person.

Country of location: Republic of Latvia.

The Issuer carries out its activities in accordance with the Applicable Laws of the Republic of Latvia.

The main regulatory enactments which regulate Issuer's activities are:

- a) The Commercial Law of the Republic of Latvia;
- b) Cabinet Regulation No. 245 of 29 March 2011, "Regulations Regarding a Special Permit (Licence) of Consumer Credit Services";
- c) Cabinet Regulation No. 691 of 25 October 2016, "Regulations On Consumer Credit" (these Regulations determine the requirements in relation to the content of consumer credit service advertisements, the procedures by which information shall be provided prior to entering into a consumer credit agreement, and the content of information, requirements for provisions of additional services, the requirements to be set out for the credit agreement and the information to be contained therein, the methodology for the calculation of the annual percentage rate of charge, foreign currency credit and variable interest rate credit provisions, the procedures for informing consumers during the duration of the credit agreement, the procedures for early repayment of credit and fair reduction of the total costs of the credit, the requirements applicable to individual types of credit agreements and the obligations of credit intermediaries, advisory requirements, as well as the legal framework for consumer credit for pledging movable property);
- d) Law On Out-Of-Court Consumer Dispute Resolution Bodies (the purpose of this law is to lay down uniform requirements for the out-of-court dispute resolution bodies, in order to enable consumers to exercise and protect their lawful rights through independent, impartial, transparent, efficient, fast, and fair out-of-court dispute resolution);
- e) Personal Data Processing Law (the purpose of this Law is to create legal preconditions for setting up of a system for the protection of personal data of a natural person at a national level by providing for the institutions necessary for such purpose, determining the competence and basic principles of operation) 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);
- f) Consumer Rights Protection Law (the purpose of this Law is to ensure that consumers are able to exercise and protect their lawful rights when entering into contracts with manufacturers, traders or service providers);
- g) Unfair Commercial Practice Prohibition Law (the purpose of this Law is to ensure the protection of the rights and economic interests of the consumers by prohibiting the performers of commercial practices from utilising unfair business-to-consumer commercial practices);
- h) Law On Extrajudicial Recovery of Debt (the purpose of this Law is to regulate the rights and duties of a creditor and a provider of debt recovery services in the field of debt recovery).

## 9.2. A description of the Issuer's position within the group

At the moment of signing the Terms of the Issue, the Issuer is an operating company and holds interest in one Subsidiary.

## 9.3. Auditor

The Issuer's financial auditor of the latest audited annual report is BDO ASSURANCE SIA (registration number: 42403042353, legal address: Kaļķu iela 15 - 3B, Riga, Latvia, LV-1050, (commercial company licence No. 182)). The Issuer's shareholders' appointed KPMG Baltics SIA (commercial company licence No. 55) as the auditor of the Annual Report for the years 2022, 2023 and 2024.

## 9.4. Brief summary

DelfinGroup AS is a licensed consumer lending company, founded in 2009. The company represents such brands as Banknote, VIZIA and Riga City Pawnshop. DelfinGroup's core services are retail of pre-owned goods, pawn loans, consumer loans, as well as senior loans, the terms of which are specially adapted for senior consumers. The company operates in 38 Latvian cities and towns with a total of over 93 Banknote branches, and the company is also represented in the digital environment with remote service provision - in the field of consumer loans and an online store. The company employs more than 300 professionals.

Updated quarterly financial and business information about DelfinGroup is available on Nasdaq Riga website.

## 9.5. Management Board of the Issuer

The Management Board (*valde*) of the Issuer consists of the following members:

- **Didzis Ādmīdiņš** (Chairman of the Management Board, CEO, owns 600,000 shares of the Issuer (1.32%))  
  
Master's degree in Economics and Business Administration from the Riga Technical University. Previous experience as Chief Operating Officer at several real estate companies (2008-2010); Retail credit specialist at Swedbank (2007-2008).
- **Aldis Umblejs** (Member of the Management Board, owns 3,834 shares of the Issuer (0.01%))  
  
BSc in Business Administration from BA School of Business and Finance. CFA charterholder, member of the Association of Chartered Certified Accountants (FCCA). Previous experience as member of the management board and CFO at Finitera (2019-2021, CFO at DCE Solutions (2017-2020), Manager at EY (2016-2017), CFO at Scandagra Latvia (2014-2016). Responsible for supporting the CEO in developing and implementing the strategy. Responsible for finance strategy and reporting on the financial and operational performance of the business.
- **Sanita Zitmane** (Member of the Management Board, COO, owns 0 shares of the Issuer)  
  
BA in Philology from the University of Latvia. Leadership training from Consaltum AB (in association with Stockholm School of Economics in Riga). Previous experience as Country Manager at Twino Group (2018-2020), Product Manager of Consumer Lending in Retail Product Development Division at Citadele banka (2016-2018). Responsible for overseeing the day-to-day administrative and operational functions of the business.

## 9.6. Supervisory Board of the Issuer

The Supervisory Board (*padome*) of the Issuer consists of the following members:

- **Agris Evertovskis** (Chairperson of the Supervisory Board)  
  
Agris Evertovskis co-founded DelfinGroup in 2009. BSc in Economics and Business Administration from the Stockholm School of Economics in Riga. Previous experience in leading several commercial real estate development projects and companies (2006-2009).
- **Gatis Kokins** (Deputy Chairman of the Supervisory Board)

Gatis Kokins holds MBA from the Stockholm School of Economics in Riga and MSc in physics from the University of Latvia. Previous experience as the chairman of the supervisory board of technology and entertainment giant Tet, various positions in banking as member and chairman of the management board.

- **Mārtiņš Bičevskis** (Member of the Supervisory Board)

Mārtiņš Bičevskis studied law at the University of Latvia and has led a variety of state institutions and state companies. Previous experience includes serving in the position of state secretary of the Finance Ministry of the Republic of Latvia, various positions in supervisory boards (including Latvenergo) and formerly serving as the president of the Association of the Commercial Banks of Latvia.

- **Jānis Pizičs** (Member of the Supervisory Board)

BSc in Economics and Business Administration from the Stockholm School of Economics in Riga and an MBA from the Riga Business School. Holds position in IT startup Monio Group as member of the board. Experience includes serving as the Group CEO of Finko Group, head of Cluster Finance Partnering and Finance Improvement Lead in Nordic cluster at GlaxoSmithKline Latvia, Group head of Budgeting and Reporting at SPI Group sarl. Jānis Pizičs also holds a qualification from the Association of Certified Chartered Accountants.

- **Edgars Voļskis** (Member of the Supervisory Board)

Doctorate from the University of Latvia. He is currently management board member at Baltic International Bank. Edgars Voļskis previously served as director and partner of KPMG Baltics and Belarus, Deloitte & Touche Adriatics risk services manager, Deloitte & Touche Latvia senior auditor. Edgars Voļskis is also a member of the Economists' Association of Latvia.

## 9.7. Existing Shareholders of the Issuer

At the Issue Date, the current structure of the Issuer's shareholders is as follows:

**Table 3 – Issuer's Existing Shareholders structure**

Name, surname/ Legal name	Number of shares	Shares owned, %
L24 Finance SIA	26,074,130	57.53%
AE Consulting SIA	4,032,414	8.90%
EC finance SIA	8,525,870	18.81%
Private individuals (Management Board under Clause 9.5.)	603,834	1.33%
Free float on Nasdaq Riga Baltic Main list	6,083,346	13.42%
<b>Total:</b>	<b>45,319,594</b>	<b>100%</b>

Issuer's share capital is EUR 4,531,959.40 which consists of 45,319,594 shares, each of them with a nominal value of EUR 0.10.

The sole shareholder of AE Consulting SIA and EC finance SIA is the chairman of the supervisory board, co-founder - Agris Evertovskis. Indirect shareholders of L24 Finance SIA are following – Aigars Kesenfelds (49%), Linda Kesenfelde (38%), Ivars Kesenfelds (13%).

The beneficiary of the Issuer, controlling the Issuer, is Agris Evertovskis.

At the moment of signing the Terms of the Issue, the Issuer has no information at its disposal regarding any agreements, the fulfilment of which might cause Change of Control, except those indicated under Clause 9.10. "Important agreements".

## 9.8. Litigation and arbitration proceedings

At the moment of signing the Terms of the Issue, the Issuer is not involved in any government interventions, lawsuits or arbitration processes, which may significantly affect or have significantly affected the financial situation or profitability of the Issuer.



### **9.9. Substantial changes in financial situation of the Issuer**

As of the publication of the last financial statement, the financial situation or performance of the Issuer has not worsened. The Issuer is unaware of any factors, claims, obligations, or events which would negatively affect the financial situation or performance of the Issuer in future.

### **9.10. Important agreements**

Under the Company's IPO Prospectus in 2021 certain Shareholders of the Company have agreed to be subject to lock-up agreement for a period 12 (twelve) calendar months from the date of the lock-up agreement and this period will expire in 2022.

The Issuer has no knowledge of any other important agreements or internal decisions that could have been concluded within the Company or between the Issuer and any related company and that could affect the Issuer's capability to fulfil its liabilities due to Potential Investors regarding the securities to be issued.

### **9.11. Documents available to the public**

After the Notes will be included in the First North operated by Nasdaq Riga, Terms of the Issue and company description will be available to the public via Issuer's website and the Nasdaq Riga website.

\* \* \*

## 10. Financial information

The last reported and audited equity of the Issuer as of 31 December 2021 is EUR 17,377,321.

Issuer does not provide pro forma financial information.

The profit/loss forecast has not been carried out.

Information, which is disclosed in this clause of the Terms of the Issue, is taken from the Issuer's audited financial reports that are approved by the Issuer's management. The annual reports are prepared according to the International Financial Reporting Standards (IFRS).

Issuer's financial figures, including audited annual reports and unaudited quarterly reports are available on Nasdaq Riga website.

### 10.1. Income Statement

Table 4 – Issuer's consolidated income statements, 2020-2021, EUR

	2021 (audited)	2020 (audited)
Net sales	5 667 337	6 164 231
Cost of sales	(3 668 010)	(4 224 332)
Interest income and similar income	19 821 198	17 499 755
Interest expenses and similar expenses	(6 064 211)	(5 138 268)
<b>Gross profit</b>	<b>15 756 314</b>	<b>14 301 386</b>
Selling expenses	(6 124 650)	(5 446 243)
Administrative expenses	(4 212 808)	(3 261 026)
Other operating income	85 033	72 395
Other operating expenses	(300 865)	(812 259)
<b>Profit before corporate income tax</b>	<b>5 203 024</b>	<b>4 854 253</b>
Income tax expense	(979 191)	(754 536)
<b>Profit after corporate income tax</b>	<b>4 223 833</b>	<b>4 099 717</b>
<b>Profit for the reporting year</b>	<b>4 223 833</b>	<b>4 099 717</b>

### 10.2. Balance sheet

Table 5 – Issuer's consolidated balance sheet at the end of period 2020-2021, EUR

	31.12.2021 (audited)	31.12.2020 (audited)
<b>Non-current assets:</b>		
<u>Intangible assets:</u>		
Concessions, patents, licenses, trademarks and similar rights	64 037	124 256
Internally developed software	376 816	202 248
Other intangible assets	50 669	54 076
Goodwill	127 616	127 616
Advances on intangible assets	18 834	-
TOTAL:	<b>637 972</b>	<b>508 196</b>
<u>Property, plant and equipment:</u>		
Land, buildings, structures and perennials	169 906	85 385
Investments in property, plant and equipment	186 681	196 607
Rights-of-use assets	2 972 570	3 194 412
Other fixtures and fittings, tools and equipment	206 604	248 214
TOTAL:	<b>3 535 761</b>	<b>3 724 618</b>
<u>Non-current financial assets:</u>		
Loans and receivables	28 569 431	17 711 758
Loans to shareholders and management	-	474 484

TOTAL:	<b>28 569 431</b>	<b>18 186 242</b>
TOTAL NON-CURRENT ASSETS:	<b>32 743 164</b>	<b>22 216 809</b>
<b>Current assets:</b>		
Finished goods and goods for sale	1 949 490	1 534 007
Loans and receivables	14 392 319	16 962 096
Other debtors	352 269	374 756
Deferred expenses	167 436	279 523
Cash and cash equivalents	2 459 862	4 591 954
TOTAL CURRENT ASSETS:	<b>19 321 376</b>	<b>23 742 336</b>
<b>TOTAL ASSETS:</b>	<b>52 064 540</b>	<b>46 161 392</b>
<b>Equity:</b>		
Share capital	4 531 959	4 000 000
Share premium	6 890 958	-
Retained earnings	1 730 571	1 353 992
Profit for the reporting year	4 223 833	4 099 717
TOTAL EQUITY:	<b>17 377 321</b>	<b>9 453 709</b>
<b>Liabilities:</b>		
<u>Non-current liabilities:</u>		
Bonds issued	10 825 162	8 441 717
Other borrowings	8 086 468	6 816 925
Lease liabilities for right-of-use assets	2 652 498	2 732 136
TOTAL:	<b>21 564 128</b>	<b>17 990 778</b>
<u>Current liabilities:</u>		
Bonds issued	13 003	5 022 652
Other borrowings	10 487 168	10 869 932
Lease liabilities for right-of-use assets	652 699	703 715
Trade payables	805 784	702 933
Taxes and social insurance	398 268	815 952
Accrued liabilities	766 169	601 721
TOTAL:	<b>13 123 091</b>	<b>18 716 905</b>
TOTAL LIABILITIES:	<b>34 687 219</b>	<b>36 707 683</b>
TOTAL EQUITY AND LIABILITIES	<b>52 064 540</b>	<b>46 161 392</b>

### 10.3. Statement of cash flows

Table 6 – Issuer’s consolidated statement of cash flow for 2020-2021, EUR

	2021 (audited)	2020 (audited)
<b>Cash flow from operating activities</b>		
<b>Profit before extraordinary items and taxes</b>	<b>5 203 024</b>	<b>4 854 253</b>
<u>Adjustments for:</u>		
a) Depreciation of fixed assets and amortisation of intangible assets	362 325	302 364
b) Depreciation of right-of-use assets	775 932	762 806
c) Credit loss expenses	2 236 898	1 505 116
d) Cessation results	160 423	620 101
e) Interest income and similar income	(19 821 198)	(17 499 755)
f) Interest expenses and similar expenses	3 827 313	3 633 152
g) Other adjustments	-	(13 500)
<b>Profit before adjustments of working capital and short-term liabilities</b>	<b>(7 255 283)</b>	<b>(5 835 463)</b>

Change in operating assets/liabilities:

a) (Increase) on loans and receivables and other debtors	(10 236 384)	(4 431 656)
b) (Increase) on Inventories	(415 483)	(378 655)
c) (Decrease)/increase on trade payable and accrued liabilities	(64 256)	746 238
<b>Gross cash flow from operating activities</b>	<b>(17 971 406)</b>	<b>(9 899 536)</b>
Interest received	19 690 880	16 951 069
Interest paid	(4 271 452)	(4 260 782)
Corporate income tax	(754 536)	(349 957)
<b>Net cash flows from operating activities</b>	<b>(3 306 514)</b>	<b>2 440 794</b>
<b><u>Cash flow from investing activities</u></b>		
Acquisition of fixed assets, intangibles	(548 605)	(571 018)
Loans issued (other than core business of the Issuer)	(92 850)	(438 669)
Loans repaid (other than core business of the Issuer)	567 334	1 271 868
<b>Net cash flow from investing activities</b>	<b>(74 121)</b>	<b>262 181</b>
<b><u>Cash flow from financing activities</u></b>		
Share capital increase resulted from IPO (incl. share premium)	8 085 782	-
IPO transaction costs	(662 865)	-
Loans received	20 633 934	10 415 870
Loans repaid	(19 849 406)	(11 546 966)
Bonds issued	11 111 000	8 606 000
Redemption of bonds	(13 481 000)	(2 975 000)
Repayment of lease liabilities	(865 764)	(746 569)
Dividends paid	(3 723 138)	(3 000 000)
<b>Net cash flows from financing activities</b>	<b>1 248 543</b>	<b>753 335</b>
<b>Net cash flow of the reporting period</b>	<b>2 132 092</b>	<b>3 456 310</b>
Cash and cash equivalents at the beginning of reporting period	4 591 954	1 135 644
Cash and cash equivalents at the end of reporting period	2 459 862	4 591 954

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