



SIA “DelfinGroup” (Latvia)  
Reg. No: 40103252854  
LEI: 2138002PKHUJIMVMYB13

## Terms of the Notes Issue

|                             |                  |
|-----------------------------|------------------|
| Type of Security:           | Unsecured Notes  |
| Nominal:                    | EUR 1,000        |
| Nominal value of the issue: | EUR 3,500,000    |
| Annual coupon rate:         | 12.00%           |
| Maturity:                   | 25 November 2022 |

*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.*

*The issue of the Notes is a private placement and there is no intention of the Issuer to list the Notes on a regulated market.*

*The Issuer is a company incorporated and existing under the Legal Acts of the Republic of Latvia and said Legal Acts 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 Legal Acts of the Republic of Latvia. The issue of the Notes including the relationship between the Issuer and 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 Legal Acts of the Republic of Latvia.*

*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 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, 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.*

Arranger:



22 September 2020

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## Terms and abbreviations used

|                                    |   |  |
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| Agent                              | : | A person authorized to represent the Issuer and to perform certain tasks   |
| AML                                | : | Anti-money laundering and counter terrorism and proliferation financing  |
| Arranger                           | : | Signet Bank AS (registration number: 40003076407, legal address: Antonijas iela 3, Riga, LV-1010, Latvia)  |
| Business Day                       | : | The day when the Nasdaq CSD system is open and operational   |
| Coupon                             | : | Interest on Notes calculated in accordance with the Section 4.2.7. "Coupon payments"   |
| Custodian                          | : | Credit institution or investment brokerage company that has obtained the FCMC license or is entitled to do business and to keep securities in accordance with its country of registration laws   |
| EUR                                | : | Euro (single currency of the member states of the European Monetary System)  |
| FCMC                               | : | Financial and Capital Market Commission  |
| First Settlement Date (Issue Date) | : | The date when interest on the Notes start to accrue and is 25 September 2020   |
| Interest calculation period        | : | The period of time between the First Settlement Date and the date of the first payment or between two Coupon payment dates   |
| Investor                           | : | A Note holder registered in the Nasdaq CSD or, where relevant, a private individual or legal entity that has, according to the terms and conditions set out in these Terms of the Issue, expressed interest or is planning to purchase one or more Notes for its own account |
| ISIN                               | : | International Securities Identification Number, which will be allocated by Nasdaq CSD  |
| Issuer or DelfinGroup              | : | SIA "DelfinGroup" (registration number: 40103252854, legal entity identifier: 2138002PKHUJIMVMB13, legal address: Skanstes 50A, Riga, Latvia, LV-1013)   |
| Legal acts                         | : | All legal acts including FCMC, Nasdaq Riga and Nasdaq CSD regulations, which are in force in Latvia at the time of the Notes issue, as well as prior to the maturity date of the Notes   |
| Material Subsidiaries              | : | Any future subsidiary of the Issuer, which constitutes more than 20% of total consolidated loans and receivables of the Issuer and/or 10% of the total consolidated revenue of Issuer  |
| Minimum Settlement Unit            | : | The minimum amount which can be held/traded, which is equal to EUR 1,000   |
| Mintos Finance                     | : | SIA Mintos Finance (registration number: 40203022549, legal address: Skanstes iela 50, Riga LV-1013, Latvia)   |
| Nasdaq CSD                         | : | Nasdaq CSD SE (registration number: 40003242879, legal address: Valņu iela 1, Riga, LV-1050, Latvia)   |
| Nasdaq Riga                        | : | AS "Nasdaq Riga" (registration number: 40003167049, legal address: Valņu iela 1, Riga, LV-1050, Latvia)  |
| Nominal                            | : | Face value of a single Note, which is EUR 1,000 (one thousand euro and 00 cents)   |
| Note                               | : | Debt security that is issued by the Issuer according to the Terms of the Issue   |
| Prospectus Regulation              | : | Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published  |

|                          |   |  |
|--------------------------|---|--|
|                          |   | when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC   |
| Related Parties          | : | The shareholders, members of the management board and supervisory board (if relevant) of the Issuer, Subsidiaries and the Material Subsidiaries and legal entities of which they are majority shareholders or which are under their control  |
| Sanctions                | : | Restrictive measures, namely, restrictions or prohibitions imposed pursuant to international public law, including restrictive measures adopted by the United Nations Security Council (UN), the European Union (EU), Office for Foreign Assets Control (OFAC) and by the Republic of Latvia   |
| Settlement Unit Multiple | : | Multiple that defines that the settlement quantity or nominal must be a multiple of the defined value, which is EUR 1,000  |
| Subsidiaries             | : | The following subsidiaries of the Issuer: SIA “ExpressInkasso” (registration number: 40103211998; legal address: Skanstes 50A, Riga, LV-1013, Latvia), SIA “VIZIAFinance” (registration number: 40003040217; legal address: Skanstes 50A, Riga, LV-1013, Latvia) and SIA “REFIN” (registration number: 40203172517; legal address: Skanstes 50A, Riga, LV-1013, Latvia). |
| Terms of the Issue       | : | This document, which entitles the Issuer to execute the Issue and the initial offering of the Notes  |

# 1. Summary

| Part A. Introduction and Warnings                    |   |  |
|--|---|--|
| Element and Request for the Provision of Information |   | Information  |
| A.1  | Warning to investors  | <ul style="list-style-type: none"> <li>This summary should be read as introduction to the Terms of the Issue;</li> <li>Any decision to invest in the securities should be based on consideration of the Terms of the Issue as a whole by the Investor;</li> <li>Where a claim relating to the information contained in the Terms of the Issue is brought before a court, the plaintiff Investor might, under the national legislation of the Member States, have to bear the costs of translating the Terms of the Issue before the legal proceedings are initiated; and</li> <li>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Terms of the Issue, key information in order to aid Investors when considering whether to invest in such securities.</li> </ul>   |
| Part B. Issuer and any Guarantor                     |   |  |
| B.1  | Legal name and commercial name of the Issuer  | The Issuer's legal name is <i>sabiedrība ar ierobežotu atbildību</i> "DelfinGroup".  |
| B.2  | The domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorporation | <p>Country of location: Republic of Latvia.<br/>           Legal form: limited liability company, legal status — legal person.<br/>           Date and place of registration: in the Commercial Register of the Republic of Latvia on 12 October 2009<br/>           Registration number: 40103252854<br/>           Legal address: Skanstes 50A, Riga, Latvia, LV-1013<br/>           The company's country of foundation is the Republic of Latvia.<br/>           The main regulatory enactments which regulate Issuer's activities are</p> <ul style="list-style-type: none"> <li>The Commercial Law of the Republic of Latvia;</li> <li>Cabinet Regulation No. 245 of 29 March 2011, "Regulations Regarding a Special Permit (Licence) of Consumer Credit Services";</li> <li>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);</li> <li>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</li> </ul> |

|     |   |  |
|-----|---|--|
|     |   | <p>independent, impartial, transparent, efficient, fast, and fair out-of-court dispute resolution);</p> <ul style="list-style-type: none"> <li>• 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);</li> <li>• 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);</li> <li>• 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);</li> <li>• 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).</li> <li>• Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing (the purpose of this Law is to prevent money laundering and terrorism and proliferation financing).</li> <li>• Cabinet Regulation No. 705 of 13 November 2018, "Regulations Regarding the Requirements of the Prevention of Money Laundering and Terrorism Financing for the Providers of Consumer Crediting and Debt Recovery Services" (these regulations prescribes the requirements regarding the money laundering and terrorism financing risk assessment, internal control system and its establishment, customer due diligence and monitoring of the transactions carried out by customers for persons who are engaged in consumer crediting and to whom the Consumer Rights Protection Centre has issued a special permit (licence) for the provision of crediting services, and for the persons who are dealing with provision of debt recovery services and to whom the Consumer Rights Protection Centre has issued a special permit (licence) for the provision of debt recovery services.);</li> <li>• Law On International Sanctions and National Sanctions of the Republic of Latvia (the purpose of this Law is to ensure peace, security, and rule of law in accordance with the international obligations and national interests of Latvia, introducing international sanctions or imposing national sanctions or in cases specified in the Law, by applying the sanctions determined by a Member State of the European Union or of the North Atlantic Treaty Organisation.)</li> </ul> |
| B.3 | A description of, and key factors relating to, the nature of the Issuer's current operations and its principal activities | The main areas of Issuer's activity are consumer financing (pawn loans and consumer loans) and pawn shop services.   |

| B.4a   | A description of the most significant recent trends affecting the Issuer and the industries in which it operates | During 2020 consumer lending and pawn shop services along with other economic sectors were affected by Covid-19 virus outbreak. For detailed information on risks see Section 2 "Risk factors relating to the Issuer and its business".  |  |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
|--|--|--|--|-------------------|-----------------------|--|-----------|-----------|---------------------|-----------|---------------|------------------|-------------|-------------|--|------------|------------|---------------|--|-------------|-------------|-------------|---------------------|-------------------|-------------------|------------------|------------------|-------------|-------------|-------------|-------------------------|-------------|-------------|-------------|------------------------|--------|--------|--------|--------------------------|-----------|-----------|----------|---|------------------|------------------|------------------|--------------------|----------|-----------|----------|--|------------------|------------------|------------------|------------------|-----------|---|---|--------------------------------------|------------------|------------------|------------------|
| B.4b   | A description of any known trends affecting the Issuer and the industries in which it operates                   | At the moment of signing the Terms of the Issue, the Issuer has no information at its disposal regarding any known trends that have negatively affected the Issuer or the activity of the crediting industry, apart from the aforementioned Covid-19 impact.   |  |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| B.5  | A description of the group and 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 three Subsidiaries.  |  |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| B.6  | Main shareholders of the Issuer  | <p>At the moment of signing the Terms of the Issue, the current structure of the Issuer's shareholders is as follows:</p> <table border="1"> <thead> <tr> <th>Name, surname/ Legal name</th> <th>Number of shares</th> <th>% of the total number</th> </tr> </thead> <tbody> <tr> <td>SIA "Lombards24.lv"</td> <td>2,607,413</td> <td>65.18%</td> </tr> <tr> <td>SIA "AE Consulting"</td> <td>400,000</td> <td>10.00%</td> </tr> <tr> <td>SIA "EC finance"</td> <td>852,587</td> <td>21.32%</td> </tr> <tr> <td>Private individuals (management of the Issuer)</td> <td>140,000</td> <td>3.50%</td> </tr> <tr> <td><b>Total:</b></td> <td><b>4,000,000</b></td> <td><b>100%</b></td> </tr> </tbody> </table> <p>Issuer's share capital is EUR 4,000,000 which consists of 4,000,000 ordinary shares, each of them with a nominal value of EUR 1.00.</p> <p>The beneficiary of the Issuer, controlling the Issuer, is chairman of the board, Agris Evertovskis.</p> <p>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 changes in the Issuer's control.</p>  | Name, surname/ Legal name                | Number of shares  | % of the total number | SIA "Lombards24.lv"                      | 2,607,413 | 65.18%    | SIA "AE Consulting" | 400,000   | 10.00%        | SIA "EC finance" | 852,587     | 21.32%      | Private individuals (management of the Issuer) | 140,000    | 3.50%      | <b>Total:</b> | <b>4,000,000</b>                       | <b>100%</b> |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| Name, surname/ Legal name                      | Number of shares   | % of the total number  |  |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| SIA "Lombards24.lv"                            | 2,607,413  | 65.18%   |  |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| SIA "AE Consulting"                            | 400,000  | 10.00%   |  |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| SIA "EC finance"                               | 852,587  | 21.32%   |  |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| Private individuals (management of the Issuer) | 140,000  | 3.50%  |  |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| <b>Total:</b>                                  | <b>4,000,000</b>   | <b>100%</b>  |  |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| B.7  | Selected historical key financial information  | <p>Issuer's selected consolidated financial figures are as follows.</p> <p>Income statement (EUR):</p> <table border="1"> <thead> <tr> <th></th> <th>2018<br/>(audited)</th> <th>2019<br/>(audited)</th> <th>01.01.2020-<br/>30.06.2020<br/>(unaudited)</th> </tr> </thead> <tbody> <tr> <td>Net sales</td> <td>4 186 422</td> <td>5 403 464</td> <td>3 109 453</td> </tr> <tr> <td>Cost of sales</td> <td>(2 658 754)</td> <td>(3 603 607)</td> <td>(2 176 734)</td> </tr> <tr> <td>Interest income and similar income</td> <td>14 663 755</td> <td>16 382 466</td> <td>7 817 923</td> </tr> <tr> <td>Interest expenses and similar expenses</td> <td>(2 792 480)</td> <td>(4 352 226)</td> <td>(2 223 514)</td> </tr> <tr> <td><b>Gross profit</b></td> <td><b>13 398 943</b></td> <td><b>13 830 097</b></td> <td><b>6 527 128</b></td> </tr> <tr> <td>Selling expenses</td> <td>(5 931 648)</td> <td>(5 974 428)</td> <td>(2 759 441)</td> </tr> <tr> <td>Administrative expenses</td> <td>(2 770 859)</td> <td>(3 487 530)</td> <td>(1 630 821)</td> </tr> <tr> <td>Other operating income</td> <td>80 184</td> <td>94 932</td> <td>28 803</td> </tr> <tr> <td>Other operating expenses</td> <td>(151 419)</td> <td>(199 778)</td> <td>(99 067)</td> </tr> <tr> <td><b>Profit before corporate income tax</b></td> <td><b>4 625 201</b></td> <td><b>4 263 293</b></td> <td><b>2 066 602</b></td> </tr> <tr> <td>Income tax expense</td> <td>(78 879)</td> <td>(349 957)</td> <td>(32 912)</td> </tr> <tr> <td><b>Profit after corporate income tax</b></td> <td><b>4 546 322</b></td> <td><b>3 913 336</b></td> <td><b>2 033 690</b></td> </tr> <tr> <td>Interim dividend</td> <td>(490 000)</td> <td>-</td> <td>-</td> </tr> <tr> <td><b>Profit for the reporting year</b></td> <td><b>4 056 322</b></td> <td><b>3 913 336</b></td> <td><b>2 033 690</b></td> </tr> </tbody> </table> |  | 2018<br>(audited) | 2019<br>(audited)     | 01.01.2020-<br>30.06.2020<br>(unaudited) | Net sales | 4 186 422 | 5 403 464           | 3 109 453 | Cost of sales | (2 658 754)      | (3 603 607) | (2 176 734) | Interest income and similar income             | 14 663 755 | 16 382 466 | 7 817 923     | Interest expenses and similar expenses | (2 792 480) | (4 352 226) | (2 223 514) | <b>Gross profit</b> | <b>13 398 943</b> | <b>13 830 097</b> | <b>6 527 128</b> | Selling expenses | (5 931 648) | (5 974 428) | (2 759 441) | Administrative expenses | (2 770 859) | (3 487 530) | (1 630 821) | Other operating income | 80 184 | 94 932 | 28 803 | Other operating expenses | (151 419) | (199 778) | (99 067) | <b>Profit before corporate income tax</b> | <b>4 625 201</b> | <b>4 263 293</b> | <b>2 066 602</b> | Income tax expense | (78 879) | (349 957) | (32 912) | <b>Profit after corporate income tax</b> | <b>4 546 322</b> | <b>3 913 336</b> | <b>2 033 690</b> | Interim dividend | (490 000) | - | - | <b>Profit for the reporting year</b> | <b>4 056 322</b> | <b>3 913 336</b> | <b>2 033 690</b> |
|  | 2018<br>(audited)  | 2019<br>(audited)  | 01.01.2020-<br>30.06.2020<br>(unaudited) |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| Net sales                                      | 4 186 422  | 5 403 464  | 3 109 453                                |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| Cost of sales                                  | (2 658 754)  | (3 603 607)  | (2 176 734)                              |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| Interest income and similar income             | 14 663 755   | 16 382 466   | 7 817 923                                |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| Interest expenses and similar expenses         | (2 792 480)  | (4 352 226)  | (2 223 514)                              |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| <b>Gross profit</b>                            | <b>13 398 943</b>  | <b>13 830 097</b>  | <b>6 527 128</b>                         |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| Selling expenses                               | (5 931 648)  | (5 974 428)  | (2 759 441)                              |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| Administrative expenses                        | (2 770 859)  | (3 487 530)  | (1 630 821)                              |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| Other operating income                         | 80 184   | 94 932   | 28 803                                   |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| Other operating expenses                       | (151 419)  | (199 778)  | (99 067)                                 |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| <b>Profit before corporate income tax</b>      | <b>4 625 201</b>   | <b>4 263 293</b>   | <b>2 066 602</b>                         |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| Income tax expense                             | (78 879)   | (349 957)  | (32 912)                                 |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| <b>Profit after corporate income tax</b>       | <b>4 546 322</b>   | <b>3 913 336</b>   | <b>2 033 690</b>                         |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| Interim dividend                               | (490 000)  | -  | -  |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |
| <b>Profit for the reporting year</b>           | <b>4 056 322</b>   | <b>3 913 336</b>   | <b>2 033 690</b>                         |                   |                       |  |           |           |                     |           |               |                  |             |             |  |            |            |               |  |             |             |             |                     |                   |                   |                  |                  |             |             |             |                         |             |             |             |                        |        |        |        |                          |           |           |          |   |                  |                  |                  |                    |          |           |          |  |                  |                  |                  |                  |           |   |   |                                      |                  |                  |                  |

| Balance sheet (EUR):  |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
|   | 31.12.2018        | 31.12.2019        | 30.06.2020        |
|   | (audited)         | (audited)         | (unaudited)       |
| <b>Non-current assets:</b>                                    |                   |                   |                   |
| <u>Intangible assets:</u>                                     |                   |                   |                   |
| Concessions, patents, licenses, trademarks and similar rights | 204 024           | 184 201           | 154 534           |
| Other intangible assets                                       | 43 204            | 35 733            | 38 584            |
| Goodwill  | 127 616           | 127 616           | 127 616           |
| Advances on intangible assets                                 | 127 616           | 6 748             | 2 108             |
| TOTAL:  | <b>374 844</b>    | <b>354 298</b>    | <b>322 842</b>    |
| <u>Property, plant and equipment:</u>                         |                   |                   |                   |
| Investments in property, plant and equipment                  | 34 525            | 54 515            | 224 809           |
| Rights-of-use assets  | -                 | 1 980 106         | 3 056 137         |
| Other fixtures and fittings, tools and equipment              | 193 571           | 351 553           | 311 181           |
| TOTAL:  | <b>228 096</b>    | <b>2 386 174</b>  | <b>3 592 127</b>  |
| <u>Non-current financial assets:</u>                          |                   |                   |                   |
| Investments in related companies                              | -                 | -                 | -                 |
| Loans to related companies                                    | -                 | 117 620           | 130 420           |
| Loans and receivables   | 3 491 915         | 8 859 789         | 8 062 037         |
| Loans to shareholders and management                          | 1 072 274         | 1 022 423         | 1 080 869         |
| TOTAL:  | <b>4 564 189</b>  | <b>9 999 832</b>  | <b>9 273 326</b>  |
| TOTAL NON-CURRENT ASSETS:                                     | <b>5 167 129</b>  | <b>12 740 304</b> | <b>13 188 295</b> |
| <b>Current assets:</b>  |                   |                   |                   |
| Finished goods and goods for sale                             | 848 111           | 1 155 352         | 1 185 879         |
| Loans and receivables   | 16 658 940        | 22 687 085        | 24 193 687        |
| Receivables from affiliated companies                         | 204 335           | 165 112           | 161 439           |
| Debt to related companies                                     | -                 | 2 528             | 9 291             |
| Other debtors   | 230 989           | 275 751           | 451 953           |
| Deferred expenses   | 66 945            | 108 539           | 84 770            |
| Cash and cash equivalents                                     | 3 489 176         | 1 135 644         | 1 957 780         |
| TOTAL CURRENT ASSETS:   | <b>21 498 496</b> | <b>25 530 011</b> | <b>28 044 799</b> |
| <b>TOTAL ASSETS:</b>  | <b>26 665 625</b> | <b>38 270 315</b> | <b>41 233 094</b> |
| <b>Equity:</b>  |                   |                   |                   |
| Share capital   | 1 500 000         | 1 500 000         | 1 500 000         |
| Retained earnings   | 397 834           | 2 954 156         | 6 867 492         |
| Profit for the reporting year                                 | 4 056 322         | 3 913 336         | 2 033 690         |
| TOTAL EQUITY:   | <b>5 954 156</b>  | <b>8 367 492</b>  | <b>10 401 182</b> |
| <b>Liabilities:</b>   |                   |                   |                   |
| <u>Non-current liabilities:</u>                               |                   |                   |                   |
| Bonds issued  | 6 192 631         | 6 059 853         | 9 005 193         |
| Other borrowings  | 996 544           | 5 637 790         | 4 986 222         |
| Lease liabilities for right-of-use assets                     | -                 | 1 475 350         | 2 577 432         |
| TOTAL:  | <b>7 189 175</b>  | <b>13 172 993</b> | <b>16 568 847</b> |
| <u>Current liabilities:</u>                                   |                   |                   |                   |
| Bonds issued  | 1 722 136         | 1 764 767         | 1 329 116         |
| Other borrowings  | 10 643 864        | 13 078 131        | 10 266 344        |
| Lease liabilities for right-of-use assets                     | -                 | 549 585           | 622 105           |
| Trade payables  | 400 778           | 501 355           | 587 513           |
| Accounts payable to affiliated companies                      | 416               | 179               | 488               |
| Taxes and social insurance                                    | 199 137           | 243 989           | 970 503           |
| Accrued liabilities   | 555 963           | 591 824           | 486 996           |
| TOTAL:  | <b>13 522 294</b> | <b>16 729 830</b> | <b>14 263 065</b> |
| TOTAL LIABILITIES:  | <b>20 711 469</b> | <b>29 902 823</b> | <b>30 831 912</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                           | <b>26 665 625</b> | <b>38 270 315</b> | <b>41 233 094</b> |



|                           |  |  |
|---------------------------|--|--|
|                           |  | <p>The Issuer's financial auditor of the last audited annual report is SIA "BDO ASSURANCE" (registration number: 42403042353, legal address: Kaļķu iela 15 - 3B, Riga, Latvia, LV-1050).</p> <p>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.</p> |
| B.8                       | Selected pro forma financial information   | Issuer does not provide pro forma financial information.   |
| B.9                       | Profit forecast or evaluation  | The profit/loss forecast has not been carried out.   |
| B.10                      | Objections in the financial information of the audit report  | The audit reports for financial statements for 2018 and 2019 contained no objections.  |
| B.11                      | Issuer's equity  | The last consolidated audited total equity of the Issuer is EUR 8,367,492.   |
| B.12                      | Forecasts regarding the Issuer   | The forecasts regarding the Issuer contain no crucial negative changes after the publication of the last audited financial statements.   |
| B.13                      | A description of any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency | No events related to the Issuer, which are crucial for preventing Issuer's insolvency, have been established.  |
| B.14                      | Issuer's dependency  | The Issuer is an operational company and main company of Issuer's group, therefore it has no dependence on other entities.   |
| B.15                      | Description of the Issuer's principal activities   | The main areas of Issuer's activity are consumer financing and pawn shop services.   |
| B.16                      | Control over the Issuer  | The beneficiary of the Issuer, controlling the Issuer, is chairman of the board Agris Evertovskis.   |
| B.17                      | Credit ratings assigned to the Issuer or its debt securities   | There is no credit rating assigned neither to the Issuer nor to the Notes issue.   |
| B.18 – B.50               |  | Not applicable.  |
| <b>Part C. Securities</b> |  |  |
| C.1                       | Type and category of securities, ISIN  | Notes issue ISIN (International Security Identification Number) will be allocated by Nasdaq CSD.   |
| C.2                       | Currency of the issue of securities  | Currency of the Notes issue is euro (EUR).   |
| C.3 – C.4                 |  | Not applicable.  |
| C.5                       | Restrictions for free transferability of securities  | 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.                              |
| C.6 – C.7                 |  | Not applicable.  |

|                      |  |   |
|----------------------|--|---|
| C.8,<br>C.9          | Rights arising from the Notes  | <p>Investors have a right to receive Coupon and Nominal payments, exercise other rights as stipulated in the Terms of the Issue.</p> <p>The Coupon rate is 12.0% (twelve per cent) per annum. Coupon payments are made every month on 25th date, starting from 25 October 2020. The Issuer will withhold taxes according with applicable laws in the Republic of Latvia.</p> <p>The maturity date of Notes is 25 November 2022, Nominal amount is repaid as a lump sum on the maturity date.</p> <p>The Issuer can carry out full early redemption (call option), on every Coupon payment date starting from 25 October 2020 by paying 101% (one hundred and one per cent) of the Nominal amount. The Issuer can carry out call option only in full amount of total outstanding Notes.</p> <p>Investors have the rights to demand early redemption of Notes (put option) on 25 October 2021. In order to exercise the put option, the Investors have to submit an application to the Issuer or to its appointed Agent not earlier than 90 calendar days but not later than 60 calendar days prior the put option date.</p> <p>The Notes will not be secured. The Notes rank <i>pari passu</i> 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 Legal acts, 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.</p> <p>As of the date of signing Terms of the Issue, Issuer has an outstanding secured liabilities from Mintos Finance in amount of EUR 13,590,500 and secured notes issues with various maturities in total amount of EUR 10,875,000.</p> <p>Notes will be unsecured and effectively subordinated to any secured indebtedness of the Issuer, to the extent of the value of the collateral securing such indebtedness.</p> |
| C.10                 | Interest payment of securities based on derived financial instruments            | Not applicable. There is no derivative component embedded in the terms of the Notes.  |
| C.11                 | Inclusion of Notes in the regulated market                                       | Listing of Notes is not planned.  |
| C.12                 | Minimum denomination of the issue  | The Nominal value of one Note is EUR 1,000 (one thousand euro).   |
| C.13 – C.22          |  | Not applicable.   |
| <b>Part D. Risks</b> |  |   |
| D.1,<br>D.2          | Key information on the key risks that are specific to the Issuer or its industry | When making an investment in Notes, the Investor undertakes certain financial risks. The main risk factors that influence the Issuer are changes in regulatory enactments and policies, regulatory and licensing risk, macroeconomic risk, competition risk, credit risk, privacy and data protection breach risk, AML and Sanctions compliance risk, counterparty risk, liquidity risk, key employee risk, litigation risk, interest rate risk, risk of natural disasters and other business disruption and taxation risk.   |

|               |  |   |
|---------------|--|---|
| D.3           | Key information on the key risks that specific to the securities   | When investing funds in Notes, Investors undertake the following risks related to debt securities: Notes repayment risk, subordination risk, liquidity risk, price risk, foreign exchange risk, repurchase or redemption risk, tax risk and resolutions of Note holders risk.   |
| D.4 – D.6     |  | Not applicable.   |
| Part E. Offer |  |   |
| E.1 – E.2a    |  | Not applicable.   |
| E.2b          | Reasons for the offer and use of proceeds when different from making profit and/or hedging certain risks | 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 conditions.   |
| E.3           | A description of the terms and conditions of the offer   | Not applicable.   |
| E.4           | A description of any interest that is material to the issue/offer including conflicting interests        | Signet Bank AS (the Arranger) is organizing the Notes issue and may have other business transactions with the Issuer.   |
| E.5 – E.6     |  | Not applicable.   |
| E.7           | Estimated expenses charged to the investor by the issuer or the offeror                                  | All the expenses related to the acquisition and custody of Notes are borne by an investor in compliance with the price-list of a credit institution or investment service provider, through which the investor purchases and keeps Notes. The Issuer is not obliged to compensate for expenses incurred by the investor.<br>The investor may have additional tax payment obligations related to Notes depending on the investor's country of residence. The Issuer will deduct taxes from Coupon payments in compliance with the applicable legal acts of the Republic of Latvia. |

**BEFORE DECIDING TO PURCHASE THE NOTES, INVESTORS SHOULD CAREFULLY REVIEW AND CONSIDER THE FOLLOWING RISK FACTORS. SHOULD ONE OR MORE OF THE RISKS DESCRIBED BELOW 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.**

## **2. Risk Factors**

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

The risks indicated in this section may reduce the Issuer's ability to fulfil its obligations and cause its insolvency in the worst-case scenario. Investors have to take into account that Notes are unsecured. This section 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, 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.

#### **2.1.1. 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 Legal Acts or implementation of any new Legal Acts in the Republic of Latvia might negatively affect the business and solvency of the Issuer.

#### **2.1.2. Regulatory and licensing risk**

Consumer Rights Protection Centre (CRPC) carries out supervisory functions for consumer finance and debt collection companies in the Republic of Latvia. CRPC issues the aforementioned licenses for companies in these sectors.

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

CRPC is entitled to withdraw licenses in case there are breach of regulations set forth by Legal acts of the Republic of Latvia. The Issuer believes that the risk of losing license is managed by following CRPC'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 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.

### **2.1.3. Macroeconomic risk**

The economic situation in Latvia, where the Issuer carries out its entrepreneurial activity, is assessed as stable, which is supported by both macroeconomic data, such as GDP and employment indicators, and credit ratings assigned by international rating agencies — Moody's Investors Service, Standard & Poor's Financial Services, and Fitch Ratings.

At the moment of signing the Terms of the Issue Standard & Poor's credit rating for Latvia stands at A+ with stable outlook, Moody's credit rating for Latvia was last set at A3 with stable outlook, Fitch's credit rating for Latvia was last reported at A- with negative outlook.

However, Latvia and many other countries have announced coronavirus related restrictions that substantially deteriorate the economic development of the country and of the world. It is unpredictable how the situation would develop in the future, and therefore uncertainty regarding economic development remains. Bank of Latvia in its June 2020 forecast revised gross domestic product (GDP) and inflation forecasts for Latvia. In the light of the global economic developments, the central bank of Latvia revised their projections for Latvia's annualized GDP downwards to -7.5% mainly due to the imposed travel restrictions and slump in consumption. The central bank of Latvia and rating agencies expect that the Latvian economy will recover in 2021 and the Covid-19 induced contraction of economic output and rising expenditures will lessen, allowing the GDP to grow for more than 5%.

If the disposable income of population declines rapidly due to Covid-19 or other economic hardships, it can adversely affect clients' ability to return the loans to the Issuer, which in turn may reduce its ability to meet Issuer's obligations to Investors.

### **2.1.4. Competition risk**

Issuer's principal competitors include other consumer lending providers and banks. As of the date of signing Terms of the Issue, there are more than 55 licensed consumer finance companies which operated in the territory of Latvia, offering different credit services; more than 10 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. The Issuer provides its services throughout the territory of Latvia - a total of 38 cities and rural areas, operating 87 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 entrepreneurial activity, 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.

### **2.1.5. 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.

#### **2.1.6. 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 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.

#### **2.1.7. 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 and Law On International Sanctions and National Sanctions of the Republic of Latvia and complies with the international legal acts and legal acts of the Republic of Latvia 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.

#### **2.1.8. 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.

#### **2.1.9. 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.

#### **2.1.10. 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 labor 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.

#### **2.1.11. 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.

#### **2.1.12. Interest rate risk**

The Issuer earns a substantial majority of its revenues from interest payments on the loans the Issuer issues to its customers. 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.

#### **2.1.13. 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.

#### **2.1.14. 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.

## 2.2. Risks factors related to Notes

### 2.2.1. 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.

### 2.2.2. 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 Legal acts, 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.

As of the date of signing Terms of the Issue, Issuer has an outstanding secured liabilities from Mintos Finance in amount of EUR 13,590,500 and secured notes issues with various maturities in total amount of EUR 10,875,000.

Aforementioned notes issues together with outstanding financing from Mintos Finance are secured with the following collateral:

- (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.

Registered commercial pledge amount is EUR 40,500,000.

In addition, Mintos Finance has a second rank pledge over all assets and all receivables of the Issuer's subsidiary SIA "VIZIAFinance" (registration number: 40003040217). The amount of registered second rank commercial pledge is EUR 4,800,000.

Notes will be unsecured and effectively subordinated to any secured indebtedness of the Issuer, to the extent of the value of the collateral securing such indebtedness.

### 2.2.3. Liquidity risk

This is a private placement and there is no intention of the Issuer to list the Notes on a regulated market, thus, there is a risk that no liquid secondary market for the Notes will develop.

Neither the Issuer nor any other person guarantees the minimum liquidity of the Notes. Thus, the 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.

### 2.2.4. 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 are 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.

### 2.2.5. Foreign exchange risk

The Notes will be denominated and payable in EUR. If 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 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 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.

#### **2.2.6. 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.

#### **2.2.7. 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.

#### **2.2.8. Resolutions of Note holders 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.

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

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

Sabiedrība ar ierobežotu atbildību "DelfinGroup"

Registration number: 40103252854

Legal entity identifier: 2138002PKHUJIMVMYB13

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

#### 3.2. 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) 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;
- (b) The Issuer has all the rights and sufficient authorizations to issue the Notes and fulfil obligations arising from issuing the Notes;
- (c) The Issuer has performed all the formalities required for issuing the Notes and fulfilling the obligations arising here from;
- (d) 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.

#### 3.3. 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 board of SIA "DelfinGroup", Agris Evertovskis, Didzis Ādmīdiņš, Kristaps Bergmanis, Ivars Lamberts, 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.

\_\_\_\_\_  
Agris Evertovskis  
Chairman of the board

\_\_\_\_\_  
Didzis Ādmīdiņš  
Member of the board

\_\_\_\_\_  
Kristaps Bergmanis  
Member of the board

\_\_\_\_\_  
Ivars Lamberts  
Member of the board

## 4. Information on Notes

### 4.1. The use of the proceeds

The total issue size is EUR 3,500,000 (three million five hundred thousand 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 conditions.

### 4.2. Information on the offered Notes

#### 4.2.1. 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 3,500,000 (three million five hundred thousand euro).

Notes issue ISIN (International Security Identification Number) will be allocated by Nasdaq CSD.

#### 4.2.2. Legal acts that regulate the Notes issue

The Notes issue is a private placement arranged in compliance with the Financial Instrument Market Law and other Legal Acts of the Republic of Latvia that are in force including the FCMC, the Nasdaq CSD and the Nasdaq Riga regulations. The Notes will be offered to fewer than 150 of potential Investors.

All disputes between Investors and the Issuer shall be settled in courts of the Republic of Latvia in accordance to the Legal acts 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 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.

#### 4.2.3. 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.

#### 4.2.4. Currency of the Notes

Currency of the Notes is EUR (euro).

#### 4.2.5. 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 creditors in the respective claims' group according to the relevant Legal acts. 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 indebtedness of the Issuer, to the extent of the value of the collateral securing such indebtedness.

Issuer has an outstanding secured notes issues:

- LV0000801322 with maturity date 25 December 2020 and remaining principal EUR 875,000;
- LV0000802213 with maturity date 25 October 2021 and remaining principal EUR 5,000,000;
- LV0000802379 with maturity date 25 November 2022 and remaining principal EUR 5,000,000.

As of the date of signing Terms of the Issue, Issuer has an outstanding secured liabilities from Mintos Finance in amount of EUR 13,590,500.

Aforementioned notes issues together with outstanding financing from Mintos Finance are secured with the following collateral:

- (c) 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;

- (d) 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.

Registered commercial pledge amount is EUR 40,500,000.

In addition, Mintos Finance has a second rank pledge over all assets and all receivables of the Issuer's subsidiary SIA "VIZIAFinance" (registration number: 40003040217). The amount of registered commercial pledge is EUR 4,800,000.

Issuer has an unsecured outstanding loan in amount of EUR 400,000 from legal person with maturity of 30 April 2020 and interest rate of 14%. Notes will rank *pari passu* with this particular loan.

#### 4.2.6. Rights and restrictions connected with the Notes issue

Any Investor has the right to receive Coupon and Nominal payments in accordance with the Section 4.2.7. "Coupon payments" and 4.2.8. "Procedure of 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 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 and / or its affiliated persons (subsidiaries, shareholders, management or employees) are not eligible to participate in the voting in accordance with Section 5.5. "Procedure for applying of the waiver".

#### 4.2.7. Coupon payments

The Coupon rate for the Notes is 12% (twelve per cent) per annum and is fixed until the maturity of the Notes.

Coupon payments are made every calendar month – on the 25<sup>th</sup> date. The first Coupon payment will be made on 25 October 2020 and the last Coupon payment will be made on 25 November 2022.

The Coupon record date is the 5<sup>th</sup> (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 holiday or festive day.

Coupon payments starting from 25 October 2020 are determined according to the following formula:

$CPN = F * C / 12$  or  $CPN\% = C/12$ , where

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

F – Nominal value of one Note;

C – annual Coupon rate (%);

CPN% - the amount of Coupon payment % per Note.

The authority performing the calculation is not required to calculate the Coupon payment, since the annual rate of the Coupon for the relevant period is fixed in advance.

#### 4.2.8. 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, which is 25 November 2022.

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 holiday or festive day.

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.

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

The Issuer can carry out full early redemption (call option), on every Coupon payment date starting from 25 October 2020 by paying 101% (one hundred and one per cent) of the Nominal amount. The Issuer can carry out call option only in full amount of total outstanding Notes.

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, with intermediation of Nasdaq Riga information system.

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.

#### **4.2.10. Early redemption (put option)**

Investors have the rights to demand early redemption of Notes (put option) on 25 October 2021. In order to exercise the put option, the Investors have to submit an application to the Issuer or to its appointed Agent not earlier than 90 calendar days but not later than 60 calendar days prior the put option date.

Investors have the rights to demand early redemption of Notes (put option) in case of occurrence of the events of default in accordance with the Section 5.2. "Event of default".

In case of put option execution the Issuer will pay 100% (one hundred per cent) of 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 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.

#### **4.2.11. Accrued interest calculation**

The first Coupon starts to accrue on 25 September 2020, 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 (%);

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

#### **4.2.12. 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 creditors in the same claims' group.

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

On 18 September 2020, the Issuer's shareholders passed the decision (No. 1-obl/2020) to issue debt securities in the amount of up to and including EUR 3,500,000 (three million five hundred thousand euro). On 21 September 2020 the Issuer's board passed the decision (No. 01/1809/2020-obl) to issue the Notes and to authorize the members of the board to sign all the documents related to the execution of the shareholders' decision to issue debt securities.

**4.2.14.** The First Settlement Date of the Notes issue

The First Settlement Date (Issue Date) of the Notes issue is 25 September 2020, on which the Coupon starts to accrue.

**4.2.15.** 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.

## 5. Special Conditions

### 5.1. Disclosure of information

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

### 5.2. Event of default

The Issuer is in default if at least one of the following occurs and as long as it has not been rectified:

- The Issuer has failed to make a Coupon payment in full for more than 5 (five) Business Days following the planned payment date;
- The Issuer has failed to make a Nominal value payment in full for more than 5 (five) Business Days following the planned payment date;
- The Issuer has violated the conditions of the Section 5.4. "Covenants";
- The Issuer has failed to service other liabilities in the amount of over EUR 100,000 for more than 5 (five) Business Days;
- Insolvency proceedings have been initiated against the Issuer;
- The Issuer has submitted an application for liquidation in the relevant state authorities in Latvia.

The Investor can submit a written notification to the Issuer that the immediate repayment deadline has set in for the Notes owned by the relevant Investor, at any time after the event of default has occurred (and as long as the event of default exists). The Issuer has to pay the Nominal value of Notes along with the accrued Coupon and contractual penalty, in accordance with Section 5.3. "Contractual penalty", within 5 (five) Business Days after the receipt of the notification.

### 5.3. Contractual penalty

In the case of non-compliance or inadequate compliance with a 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 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.

### 5.4. Covenants

From the Issue Date of Notes to the date of repayment thereof, the Issuer and its subsidiary companies (if any) shall undertake the following:

- The Issuer and its subsidiaries shall continue business operations in the field of pawn shop services and consumer lending;
- Not to change the control of the Issuer (not to sell more than 50% of shares of the Issuer), unless the change of control takes place between the current shareholders;
- Not to commence Issuer's reorganization (excluding the reorganization of Issuer to the joint stock company (akciju sabiedrība)), liquidation or not to reduce the equity capital;
- 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 subsidiary companies;

- Not to sell, present, change, rent, invest, or otherwise transfer into utilisation the right to use the trademarks of the Issuer and/or its subsidiary companies;
- Not to obtain participation in other companies by investing funds, except if the Issuer or its subsidiary company acquires over 50% (fifty per cent) participation in this company by making an investment and the Issuer or its subsidiaries retains full control of a company;
- Dividend amount including any interim dividends shall not exceed 40% (forty per cent) of the last audited net profit. If only Net Debt/Net Equity (total consolidated interest bearing liabilities minus cash against equity, which is decreased by total consolidated outstanding loans and advance payments to Related Persons) indicator is not exceeding 3.5 to 1, dividend amount shall exceed 40% (forty per cent);
- Any transactions with Related Persons shall be at market prices;
- To not borrow funds with effective annual interest rate in excess of the 15% (fifteen per cent);
- To prepare and publish consolidated unaudited quarterly reports within 2 months after the reporting period;
- To publish consolidated condensed unaudited semi-annual report as per International Financial Reporting Standards (IFRS) within 2 months after the reporting period
- To publish audited consolidated annual report as per International Financial Reporting Standards (IFRS) within 4 months after the reporting period;
- To maintain Net Debt/Net Equity (total consolidated interest bearing liabilities minus cash against equity, which is decreased by total consolidated outstanding loans and advance payments to Related Persons) indicator not exceeding 4 to 1. Indicator should be calculated based on audited consolidated annual basis;
- The total consolidated value of inventories and loans and receivables of the Issuer, plus cash, shall exceed at least 1.15 times the sum of total consolidated secured liabilities at the end of each reporting period;
- Total consolidated loan amount to shareholders, management and other Related Persons shall not exceed EUR 1,400,000;
- Proof of compliance with the covenants to be included in the quarterly reports and annual report.

For the needs of this section, the term "Related Persons" shall mean any natural or legal person, which is (a) a shareholder or (b) a member of the board or council, or (c) an employee, or (d) a spouse of any persons referred to in (a) – (c) in relation to the Issuer.

## 5.5. 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).

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, repayment deadline of Notes, and other conditions, unless they contradict regulatory enactments 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 apply for the waiver, the Issuer or Issuer's Agent shall notify Investors with by sending information via intermediation of Nasdaq CSD, who send this information to Nasdaq CSD participants, who hold the Notes in financial securities' custody accounts or are Investors, and the announcement of the waiver has been published via Issuer's website, specifying at the least the following information:

- a description of the changes applied for;
- a justification of the necessity of the changes applied for;
- the date when the list of Investors eligible to grant the waiver (vote) will be fixed;
- the term within which an Investor can support or reject the offered waiver;
- instructions concerning notification about the support or rejection of the waiver and the procedure for filling in the voting questionnaire;



- 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 on receipt or notification (letter or email) from 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;
- 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);
- 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 with intermediation of Nasdaq CSD was sent to Nasdaq CSD participants, who hold the Notes in financial securities’ custody accounts or are Investors, and the announcement of the waiver has been published via Issuer’s website.

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 with intermediation of Nasdaq CSD was sent to Nasdaq CSD participants, who hold the Notes in financial securities’ custody accounts or are Investors, and the announcement of the waiver has been published via Issuer’s website.

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 2/3 (two thirds) of the outstanding Notes issue (excluding Notes owned by the Issuer and / or its affiliated persons (subsidiaries, shareholders, management or employees) from the total outstanding amount of Notes issue) have voted for granting the waiver. The Notes owned by the Issuer and / or its affiliated persons (subsidiaries, shareholders, management or employees) are not eligible to participate in the voting.

The Issuer or Issuer’s Agent shall sum up 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 via Issuer’s website.

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.

## 6. Taxes

### 6.1. Notice

This summary is of general nature and should not be considered a legal or tax advice. This section 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. Prospective 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.

### 6.2. 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.

**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 2020:**

| 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.<br><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 Statement.   |
| 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.<br>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). |

|                                |                             |                           |   |
|--------------------------------|-----------------------------|---------------------------|---|
| <p>Individual non-resident</p> | <p>20%<sup>2,4</sup></p>    | <p>20%<sup>3,4</sup></p>  | <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> |
| <p>Company non-resident</p>    | <p>exempt<sup>5,6</sup></p> | <p>exempt<sup>6</sup></p> | <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: Legal acts of the Republic of Latvia

## 7. Terms of the Offering

### 7.1. Subscription to the Notes

#### 7.1.1. Subscription period

The initial offering shall commence on 22 September 2020 and shall end on 20 September 2021 at 17:00.

#### 7.1.2. 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 order can also be submitted to other Custodians, which in turn shall submit orders to the Arranger. The form of such subscription orders are regulated by contracts between Investors and Custodians and by the applicable Legal acts.

The total Nominal value of subscribed Notes should be stated in the subscription order. Investors have the right to submit several subscription orders during the offering. Subscription orders to the Notes are irrevocable. The Arranger will register all submitted subscription orders of its clients according to legal requirements and internal procedures.

By submitting the subscription order the 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 minimal subscription size is EUR 10,000 (ten thousand euro). Subscription size should adhere Settlement Unit Multiple.

#### 7.1.3. Notes price

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 Nominal value, meaning that Notes can be sold with discount or premium, plus accrued interest as per Section 4.2.11 "Accrued interest calculation".

All subscription orders that were aggregated during the subscription period with the First Settlement Date as of 25 September 2020 will be delivered without accrued interest.

#### 7.1.4. 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.

#### 7.1.5. Allocation of the Notes to investors

The Notes are allocated to 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 Section 7.1.2. "Subscription terms".

The Arranger at its sole discretion has a right to refuse to allocate all or part of the subscribed Notes to any Investor.

### 7.2. Settlement and delivery of the Notes

The First Settlement Date of Notes is 25 September 2020. All subscription orders that were aggregated during the subscription period with settlement date 25 September 2020 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 fully 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.

### 7.3. Pre-emptive rights

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

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

There are no restrictions for including Notes on the regulated or alternative market, but the Issuer does not plan to request the admission to trading of the Notes on the regulated or alternative market and does not undertake to register the Notes prospectus with the FCMC.

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

## **9. Additional Information**

### **9.1. 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 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.

### **9.2. The external audit of the information included in the securities description**

The auditors have not verified the information included in the securities description.

### **9.3. Statements or reports included in the securities description**

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

### **9.4. Credit ratings**

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

## 10. The Issuer

### 10.1. General Information on the Issuer

The Issuer is sabiedrība ar ierobežotu atbildību "DelfinGroup".

The Issuer's registration number is 40103252854 and legal entity identifier is 2138002PKHUJIMVMYB13.

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

Legal form: limited liability company, legal status — legal person.

Country of location: Republic of Latvia.

The Issuer carries out its activities in accordance with the legal acts of the Republic of Latvia.

The main regulatory enactments which regulate Issuer's activities are

- The Commercial Law of the Republic of Latvia;
- Cabinet Regulation No. 245 of 29 March 2011, "Regulations Regarding a Special Permit (Licence) of Consumer Credit Services";
- 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);
- 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);
- 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);
- 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);
- 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);
- 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).

### 10.2. 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 three Subsidiaries.

### 10.3. Auditor

The Issuer's financial auditor of the last audited annual report is SIA "BDO ASSURANCE" (registration number: 42403042353, legal address: Kaļķu iela 15 - 3B, Riga, Latvia, LV-1050).



## 11. Business of the Issuer

### 11.1. Brief summary

SIA “DelfinGroup” 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 pawnbroking 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 87 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 270 professionals.

Additional information about the business of DelfinGroup is available in the Appendix 1.

### 11.2. Management of the Issuer

- **Agris Evertovskis** (Chairman of the Management Board, Co-founder)

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).

- **Kristaps Bergmanis** (Member of the Management Board, CFO)

BSc in Economics and Business Administration from the Stockholm School of Economics in Riga. Master's degree in Quality Management from the University of Latvia (pending); ACCA candidate (passed 12 of 14 examinations). Previous experience as board member and CFO at Vision Express Baltija (2005-2012).

- **Didzis Admidins** (Member of the Management Board, CEO)

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).

- **Ivars Lamberts** (Member of the Management Board, COO)

Master's degree in Economics from BA School of Business and Finance; Bachelor's degree in Finance Management from BA School of Business and Finance; Bachelor's degree in Law from University “Turība”. Previous experience as Managing Director in leading global loyalty program Lyoness (2012-2015); Member of the board at Lafiko.lv payday lender (2010-2012).

### 11.3. Council of the Issuer

The council of Issuer consists of three members:

- Uldis Judinskis, chairman
- Ramona Miglāne
- Anete Ozoliņa

### 11.4. Shareholders of the Issuer

At the moment of signing the Terms of the Issue, the current structure of the Issuer's shareholders is as follows:

**Table 3 – Issuer's shareholders structure**

| Name, surname/ Legal name                      | Number of shares | % of the total number |
|--|------------------|-----------------------|
| SIA “Lombards24.lv”                            | 2,607,413        | 65.18%                |
| SIA “AE Consulting”                            | 400,000          | 10.00%                |
| SIA “EC finance”                               | 852,587          | 21.32%                |
| Private individuals (management of the Issuer) | 140,000          | 3.50%                 |
| <b>Total:</b>                                  | <b>4,000,000</b> | <b>100%</b>           |

Issuer's share capital is EUR 4,000,000 which consists of 4,000,000 ordinary shares, each of them with a nominal value of EUR 1.00.

The beneficiary of the Issuer, controlling the Issuer, is chairman of the board, co-founder - 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 changes in the Issuer's control.

### **11.5. Legal proceedings and arbitration**

At the moment of signing the Terms of the Issue, the Issuer are 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.

### **11.6. 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.

### **11.7. Important agreements**

On 4 September 2020, Issuer has announced its official dividends policy, which sets a regular dividend policy with quarterly payments in the amount of 50% of the profits reported in the preceding quarter. Dividends are to be paid out by the end of each quarter. After publication of annual audited financial report, the remaining portion of dividends is to be paid out. However, the dividend policy is designed in compliance with clause 5.4, and the Issuer at no time should exceed the leverage ratio defined as net debt (interest bearing debt less cash and bank) / net equity (equity less loans to shareholders and related parties) of 3.5.

On 25 August 2020, the Issuer has prepared and supplied to Enterprise Register of the Republic of Latvia reorganization project to transform the company into a joint stock company. The transformation of the company into a joint stock company will be carried out in the form of reorganization and it is considered that the process will last for about 4 months, in accordance with the legislation, and relevant changes will be registered in the Enterprise Register of the Republic of Latvia.

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 Investors regarding the securities to be issued.

### **11.8. Significant recent and known trends**

During 2020 consumer lending and pawn shop services along with other economic sectors were affected by Covid-19 virus outbreak. For detailed information on risks see Section 2 "Risk factors relating to the Issuer and its business".

At the moment of signing the Terms of the Issue, the Issuer has no information at its disposal regarding any known trends that have negatively affected the Issuer or the activity of the crediting industry, apart from the aforementioned Covid-19 impact.

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

Terms of the Issue will be available to the public via Issuer's website and announcement on Nasdaq Riga website.

## 12. Financial information

The last reported and audited equity of the Issuer is EUR 8,367,492.

Issuer does not provide pro forma financial information.

The profit/loss forecast has not been carried out.

Information, which is disclosed in this section 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:

<https://nasdaqbaltic.com/statistics/en/instrument/LV0000802379/reports?date=2020-09-15>

### 12.1. Income Statement

Table 4 – Issuer's consolidated income statements, 2018-2019, 01.01.2020-30.06.2020, EUR

|   | 2018<br>(audited) | 2019<br>(audited) | 01.01.2020-<br>30.06.2020<br>(unaudited) |
|---|-------------------|-------------------|--|
| Net sales                                 | 4 186 422         | 5 403 464         | 3 109 453                                |
| Cost of sales                             | (2 658 754)       | (3 603 607)       | (2 176 734)                              |
| Interest income and similar income        | 14 663 755        | 16 382 466        | 7 817 923                                |
| Interest expenses and similar expenses    | (2 792 480)       | (4 352 226)       | (2 223 514)                              |
| <b>Gross profit</b>                       | <b>13 398 943</b> | <b>13 830 097</b> | <b>6 527 128</b>                         |
| Selling expenses                          | (5 931 648)       | (5 974 428)       | (2 759 441)                              |
| Administrative expenses                   | (2 770 859)       | (3 487 530)       | (1 630 821)                              |
| Other operating income                    | 80 184            | 94 932            | 28 803                                   |
| Other operating expenses                  | (151 419)         | (199 778)         | (99 067)                                 |
| <b>Profit before corporate income tax</b> | <b>4 625 201</b>  | <b>4 263 293</b>  | <b>2 066 602</b>                         |
| Income tax expense                        | (78 879)          | (349 957)         | (32 912)                                 |
| <b>Profit after corporate income tax</b>  | <b>4 546 322</b>  | <b>3 913 336</b>  | <b>2 033 690</b>                         |
| Interim dividend                          | (490 000)         | -                 | -  |
| <b>Profit for the reporting year</b>      | <b>4 056 322</b>  | <b>3 913 336</b>  | <b>2 033 690</b>                         |

### 12.2. Balance sheet

Table 5 – Issuer's consolidated balance sheet at the end of period 2018-2019, 30.06.2020, EUR

|   | 31.12.2018<br>(audited) | 31.12.2019<br>(audited) | 30.06.2020<br>(unaudited) |
|---|-------------------------|-------------------------|---------------------------|
| <b>Non-current assets:</b>                                    |                         |                         |                           |
| <u>Intangible assets:</u>                                     |                         |                         |                           |
| Concessions, patents, licenses, trademarks and similar rights | 204 024                 | 184 201                 | 154 534                   |
| Other intangible assets                                       | 43 204                  | 35 733                  | 38 584                    |
| Goodwill  | 127 616                 | 127 616                 | 127 616                   |
| Advances on intangible assets                                 | 127 616                 | 6 748                   | 2 108                     |
| TOTAL:  | <b>374 844</b>          | <b>354 298</b>          | <b>322 842</b>            |
| <u>Property, plant and equipment:</u>                         |                         |                         |                           |
| Investments in property, plant and equipment                  | 34 525                  | 54 515                  | 224 809                   |
| Rights-of-use assets  | -                       | 1 980 106               | 3 056 137                 |
| Other fixtures and fittings, tools and equipment              | 193 571                 | 351 553                 | 311 181                   |
| TOTAL:  | <b>228 096</b>          | <b>2 386 174</b>        | <b>3 592 127</b>          |
| <u>Non-current financial assets:</u>                          |                         |                         |                           |

|   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| Investments in related companies          | -                 | -                 | -                 |
| Loans to related companies                | -                 | 117 620           | 130 420           |
| Loans and receivables                     | 3 491 915         | 8 859 789         | 8 062 037         |
| Loans to shareholders and management      | 1 072 274         | 1 022 423         | 1 080 869         |
| <b>TOTAL:</b>                             | <b>4 564 189</b>  | <b>9 999 832</b>  | <b>9 273 326</b>  |
| <b>TOTAL NON-CURRENT ASSETS:</b>          | <b>5 167 129</b>  | <b>12 740 304</b> | <b>13 188 295</b> |
| <b>Current assets:</b>                    |                   |                   |                   |
| Finished goods and goods for sale         | 848 111           | 1 155 352         | 1 185 879         |
| Loans and receivables                     | 16 658 940        | 22 687 085        | 24 193 687        |
| Receivables from affiliated companies     | 204 335           | 165 112           | 161 439           |
| Debt to related companies                 | -                 | 2 528             | 9 291             |
| Other debtors                             | 230 989           | 275 751           | 451 953           |
| Deferred expenses                         | 66 945            | 108 539           | 84 770            |
| Cash and cash equivalents                 | 3 489 176         | 1 135 644         | 1 957 780         |
| <b>TOTAL CURRENT ASSETS:</b>              | <b>21 498 496</b> | <b>25 530 011</b> | <b>28 044 799</b> |
| <b>TOTAL ASSETS:</b>                      | <b>26 665 625</b> | <b>38 270 315</b> | <b>41 233 094</b> |
| <b>Equity:</b>                            |                   |                   |                   |
| Share capital                             | 1 500 000         | 1 500 000         | 1 500 000         |
| Retained earnings                         | 397 834           | 2 954 156         | 6 867 492         |
| Profit for the reporting year             | 4 056 322         | 3 913 336         | 2 033 690         |
| <b>TOTAL EQUITY:</b>                      | <b>5 954 156</b>  | <b>8 367 492</b>  | <b>10 401 182</b> |
| <b>Liabilities:</b>                       |                   |                   |                   |
| <u>Non-current liabilities:</u>           |                   |                   |                   |
| Bonds issued                              | 6 192 631         | 6 059 853         | 9 005 193         |
| Other borrowings                          | 996 544           | 5 637 790         | 4 986 222         |
| Lease liabilities for right-of-use assets | -                 | 1 475 350         | 2 577 432         |
| <b>TOTAL:</b>                             | <b>7 189 175</b>  | <b>13 172 993</b> | <b>16 568 847</b> |
| <u>Current liabilities:</u>               |                   |                   |                   |
| Bonds issued                              | 1 722 136         | 1 764 767         | 1 329 116         |
| Other borrowings                          | 10 643 864        | 13 078 131        | 10 266 344        |
| Lease liabilities for right-of-use assets | -                 | 549 585           | 622 105           |
| Trade payables                            | 400 778           | 501 355           | 587 513           |
| Accounts payable to affiliated companies  | 416               | 179               | 488               |
| Taxes and social insurance                | 199 137           | 243 989           | 970 503           |
| Accrued liabilities                       | 555 963           | 591 824           | 486 996           |
| <b>TOTAL:</b>                             | <b>13 522 294</b> | <b>16 729 830</b> | <b>14 263 065</b> |
| <b>TOTAL LIABILITIES:</b>                 | <b>20 711 469</b> | <b>29 902 823</b> | <b>30 831 912</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>       | <b>26 665 625</b> | <b>38 270 315</b> | <b>41 233 094</b> |

### 12.3. Statement of cash flows

Table 6 – Issuer's consolidated statement of cash flow for 2018-2019, 01.01.2020-30.06.2020, EUR

|  | 2018<br>(audited) | 2019<br>(audited) | 01.01.2020-<br>30.06.2020<br>(unaudited) |
|--|-------------------|-------------------|--|
| <b>Cash flow from operating activities</b>         |                   |                   |  |
| <b>Profit before extraordinary items and taxes</b> | <b>4 625 201</b>  | <b>4 263 293</b>  | <b>2 066 602</b>                         |
| <u>Adjustments for:</u>                            |                   |                   |  |
| a) Fixed assets and intangible assets depreciation | 250 463           | 243 863           | 130 577                                  |
| b) Right-of-use assets depreciation                | -                 | 741 956           | 363 963                                  |

|  |                     |                     |                    |
|--|---------------------|---------------------|--------------------|
| c) Accruals and provisions (except for bad debts)                            | 350 187             | 1 677 719           | 637 091            |
| d) Write-off of provisions   | 75 263              | -                   | -                  |
| e) Cessation results   | 494 170             | 1 499 243           | 516 273            |
| f) Interest income   | (14 663 755)        | (16 382 466)        | (7 817 923)        |
| g) Interest and similar expense  | 2 298 310           | 2 852 983           | 1 707 241          |
| h) Impairment of non-current and current financial assets                    | (13 151)            | (34 601)            | (8 865)            |
| i) Other adjustments   | (3 343)             | 15 527              | 1 144              |
| <b>Loss before adjustments of working capital and short-term liabilities</b> | <b>(6 586 655)</b>  | <b>(5 122 483)</b>  | <b>(2 403 897)</b> |
| <u>Adjustments for:</u>  |                     |                     |                    |
| a) Increase in consumer loans issued (core business) and other debtors       | (6 390 514)         | (13 094 722)        | (890 985)          |
| b) Stock (increase)/ decrease  | 10 041              | (307 241)           | (30 527)           |
| c) Trade creditors increase  | 104 378             | 1 106 837           | 1 858 534          |
| d) Acquisition of right-of-use assets  | 104 378             | (2 737 589)         | (1 441 138)        |
| <b>Gross cash flow from operating activities</b>                             | <b>(12 741 547)</b> | <b>(20 155 198)</b> | <b>(2 908 013)</b> |
| Corporate income tax payments  | (252 239)           | (78 879)            | (349 957)          |
| Interest income  | 13 873 822          | 16 421 309          | 7 832 774          |
| Interest paid  | (1 823 265)         | (2 766 157)         | (2 241 739)        |
| <b>Net cash flows from operating activities</b>                              | <b>(943 229)</b>    | <b>(6 578 925)</b>  | <b>2 333 065</b>   |
| <u>Cash flow from investing activities</u>                                   |                     |                     |                    |
| Acquisition of affiliated, associated or other companies shares              | -                   | -                   | -                  |
| Earnings from the disposal of shares in subsidiaries                         | 4 000               | -                   | -                  |
| Acquisition of fixed assets and intangibles                                  | (167 896)           | (430 462)           | (230 867)          |
| Proceeds from sales of fixed assets and intangibles                          | 28 459              | 63 774              | 10 689             |
| Loans issued/repaid (other than core business) (net)                         | 132 720             | (31 074)            | (74 336)           |
| <b>Net cash flow from investing activities</b>                               | <b>(2 717)</b>      | <b>(397 762)</b>    | <b>(294 514)</b>   |
| <u>Cash flow from financing activities</u>                                   |                     |                     |                    |
| Loans received and bonds issued (net)  | 14 062 738          | 14 279 871          | 10 778 591         |
| Redemption/purchase of bonds   | (2 851 000)         | (1 750 000)         | (1 225 000)        |
| Loans repaid   | (7 183 582)         | (7 130 811)         | (11 130 671)       |
| Finance lease payments   | (71 873)            | (104 394)           | 19 399             |
| Lease liabilities for right-of-use assets payments                           | -                   | 828 489             | 341 266            |
| Dividends paid   | (2 070 000)         | (1 500 000)         | 0                  |
| <b>Net cash flows from financing activities</b>                              | <b>1 886 283</b>    | <b>4 623 155</b>    | <b>(1 216 415)</b> |
| <b>Net cash flow of the reporting year</b>                                   | <b>1 269 429</b>    | <b>(2 353 532)</b>  | <b>(822 136)</b>   |
| Cash and cash equivalents at the beginning of reporting year                 | 2 219 747           | 3 489 176           | 1 135 644          |
| Cash and cash equivalents at the end of reporting year                       | 3 489 176           | 1 135 644           | 1 957 780          |

## 13. Annexes

### Annex 1 – Corporate Presentation