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JSC “DelfinGroup”

Unaudited interim
condensed
consolidated
financial statements
for the six-month
period ended
30 June 2022

Translation from Latvian

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Information on the Company and Subsidiaries

Name of the Company	DelfinGroup
Legal status of the Company	Joint stock company (till 19.01.2021, Limited liability company)
Number, place and date of registration	40103252854 Commercial Registry Riga, 12 October 2009
Operations as classified by NACE classification code system	NACE2 64.92 Other credit granting NACE2 47.91 Retail sale via mail order houses or via Internet NACE2 47.79 Retail sale of second-hand goods in stores NACE 47.77 Retail sale of watches and jewellery in specialised stores
Address	50A Skanstes Street, Riga, LV-1013 Latvia
Names and addresses of shareholders	<p>LLC L24 Finance (57.53%), 12 Juras Street, Liepaja, Latvia</p> <p>LLC AE Consulting (8.90%), 50A Skanstes Street, Riga, Latvia</p> <p>LLC EC finance (18.81%), 50A Skanstes Street, Riga, Latvia</p> <p>Other (14.76%)</p>
Ultimate parent company	<p>LLC L24 Finance Reg. No. 40103718685 12 Juras Street, Liepaja, Latvia</p>
Names and positions of Board members	<p>Didzis Ādmīdiņš – Chairman of the Board (from 19.01.2021)</p> <p>Aldis Umblejs – Member of the Board (from 15.12.2021)</p> <p>Sanita Zitmane – Member of the Board (from 01.03.2022)</p> <p>Agris Evertovskis – Chairman of the Board (from 12.10.2009 till 19.01.2021)</p> <p>Didzis Ādmīdiņš – Member of the Board (from 11.07.2014 till 19.01.2021)</p> <p>Kristaps Bergmanis – Member of the Board (from 11.07.2014 till 15.12.2021)</p> <p>Ivars Lamberts – Member of the Board (from 11.01.2018 till 28.02.2022)</p>

**Names and positions of Supervisory Board
members**

Agris Evertovskis – Chairperson of the Supervisory Board (from
19.01.2021 till 12.04.2021, from 13.04.2021)

Gatis Kokins – Deputy Chairman of the Supervisory Board
(from 13.04.2021)

Mārtiņš Bičevskis – Member of the Supervisory Board (from
13.04.2021)

Jānis Pizičs – Member of the Supervisory Board (from
13.04.2021)

Edgars Voļskis – Member of the Supervisory Board (from
13.04.2021)

Anete Ozoliņa – Deputy Chairman of the Supervisory Board
(from 19.01.2021 till 13.04.2021)

Uldis Judinskis – Member of the Supervisory Board (from
19.01.2021 till 13.04.2021)

Uldis Judinskis – Chairperson of the Supervisory Board (from
16.05.2019 till 19.01.2021)

Ramona Miglāne – Deputy Chairman of the Supervisory Board
(from 16.05.2019 till 19.01.2021)

Anete Ozoliņa – Member of the Supervisory Board (from
16.05.2019 till 19.01.2021)

Reporting period

1 January 2022 – 30 June 2022

Information on the Subsidiaries

Subsidiary	LLC ViziaFinance (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	23.02.2015
Number, place and date of registration of the subsidiary	40003040217; Riga, 06 December 1991
Address of the subsidiary	50A Skanstes Street, Riga, Latvia
Operations as classified by NACE classification code system of the subsidiary	64.92 Other financing services

Statement of management`s responsibility

The management of JSC *DelfinGroup* (hereinafter – the Company) is responsible for the preparation of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2022 (hereinafter – interim condensed consolidated financial statements) of the Company and its subsidiaries (hereinafter – the Group).

The interim condensed consolidated financial statements set out on pages 10 to 23 are prepared in accordance with the source documents and present the financial position of the Group as of 30 June 2022 and the results of its operations, changes in shareholders' equity and cash flows for the six-month period ended 30 March 2022. The management report set out on pages 7 to 9 presents fairly the financial results of the reporting period and future prospects of the Group.

The interim condensed consolidated financial statements are prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the European Union. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

The Management of JSC *DelfinGroup* is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group. The Management is also responsible for compliance with requirements of legal acts of the countries where Group companies and the Parent company operate.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

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Management report

During the first half of 2022, Latvian financial services Group JSC *DelfinGroup* reached a turnover of EUR 16.1 million, which is 35% more compared to the same period in 2021. Also, EBITDA showed stable growth in the 2nd quarter with a 43% increase over last year's corresponding period, reaching EUR 3.2 million. The significant increase in turnover was also reflected in profitability. Profit before taxes during the first six months of 2022 increased by 58% year-on-year and reached EUR 3.6 million, and net profit showed a 47% increase in the 2nd quarter reaching EUR 1.22 million. Growth in business and profitability volumes was facilitated by all the main segments of JSD *DelfinGroup*, such as consumer lending, pawn lending, and retail of pre-owned goods. As a result, the 2nd quarter of 2022 itself has been the most successful in the history of the Group, with record-high revenue and profit before tax.

Also, record-high numbers have been reached in new loan issuance in the 2nd quarter. The Group issued EUR 15.4 million in new consumer loans, an increase of 90% yearly. Also, the lifting of Covid-19 restrictions in Latvia in the 2nd quarter positively impacted the pawn lending segment in which the Group issued EUR 5 million, an increase of 65% compared to last year. As a result, pawn loan issuance has surpassed pre-Covid-19 levels, which is a vital sign for future growth. Consequently, the strong loan issuance resulted in a record-high net loan portfolio amount reaching EUR 53.8 million, which has already exceeded the Group's strategic goal of reaching a net loan portfolio of EUR 51 million at the end of 2022.

In the second quarter of 2022, the Group continued to adhere to the promise of regular dividend distribution. As a result, shareholders of JSC *DelfinGroup* during the 2nd quarter received three dividend payments in total of EUR 2.73 million, namely EUR 0.0603 per share. As per the Group's dividend policy, quarterly dividends are paid up to 50% of the previous quarter's net profit. Since the IPO in October 2021, the Group has paid quarterly dividends from profits for all the periods starting from the 3rd quarter of 2021. It is expected that it will be proposed to the Shareholders' meeting to approve dividend payment from the profits of the 2nd quarter of 2022.

In June 2022, JSC *DelfinGroup* concluded a bond issue of EUR 10 million on the *Nasdaq Riga* alternative market, *Nasdaq First North*, with the historically lowest annual coupon rate of 8% and with a maturity date of November 25, 2023. In addition, the Group has registered a new private placement bond issue for EUR 10 million with an annual coupon rate of 8.75% + 3M EURIBOR rate and a maturity date of September 25, 2024.

In the 2nd quarter, the Group continued to modernize *Banknote* branch network by opening a new branch in Olaine. Modern and convenient branch embodies the plans to develop the Banknote chain this year, to continue with the creation of a new concept, and the modernization of a number of branches.

JSC *DelfinGroup* has published its second sustainable corporate governance or ESG report showing that the Group has prevented the origination of 10 793 tons of additional carbon emissions by rendering circular economy services. As a result, the Group has covered the carbon emissions of 2955 individuals in Latvia. The total carbon gas emissions in Latvia are 3,59 tons per capita. The full ESG report is available at JSC *DelfinGroup* website www.delfingroup.lv.

In April 2022, the Society Integration Foundation commended JSC *DelfinGroup* and announced it as a Family-Friendly Workplace that prioritizes people and their needs. These values represent a long-term focus in all areas of the Group's business: from staff development to business development and social responsibility.

Also, in April 2022, the Group continued to support Ukraine with another EUR 100 thousand donation. *Children's Hospital Foundation* and *Entrepreneurs for Peace* received the donation to continue helping refugee children with healthcare services in Latvia and to send essential goods to people in Ukraine.

Management report (CONTINUED)

By implementing the business strategy and all planned activities, the following financial results of the Group were achieved in the first six months of 2022 (profit statement items are compared to the same period of the previous year, balance sheet items are compared to the data as at 31.12.2021):

Position	EUR, million	Change, %
Net loan portfolio	53.8	+25.2
Assets	62.9	+20.8
Revenue	16.1	+34.8
EBITDA	5.8	+24.8
Profit before taxes	3.6	+58.1
Net profit	2.6	+61.4

And following the Group's key financial figures for the last 5 financial quarters:

Position	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2
Total income, EUR million	5.9	6.5	7.1	7.5	8.6
EBITDA, EUR million	2.2	2.4	3.1	2.6	3.2
EBITDA margin, %	37%	37%	44%	35%	37%
EBIT, EUR million	2.0	2.1	2.8	2.3	2.9
EBIT margin, %	34%	33%	39%	31%	34%
Profit before taxes, EUR million	1.1	1.2	1.7	1.6	2.0
Net profit, EUR million	0.8	1.0	1.6	1.4	1.2
Net profit margin, %	14%	16%	23%	19%	14%
ROE (annualised), %	38%	46%	47%	32%	29%
Current ratio	0.9	1.4	1.5	1.4	1.3

EBITDA calculation, EUR million:

	2022 Q2	2021 Q2
Item		
Profit before tax	2.0	1.1
Interest expenses and similar expenses	0.9	0.8
Depreciation of fixed assets and amortisation	0.3	0.3
EBITDA, EUR million	3.2	2.2

Management report (CONTINUED)

As for compliance with the Issue Terms of notes issue ISIN LV0000850048 and ISIN LV0000802536 the financial covenant computation is as follows:

Covenant	Value as of 30.06.2022	Compliance
to maintain a Capitalization Ratio at least 25%	30%	yes
to maintain consolidated ICR of at least 1.25 times, calculated on the trailing 12 month basis	2.8	yes
to maintain the Net Loan portfolio, plus Cash, net value of outstanding Mintos Debt Security and secured notes balance, at least 1.2 times the outstanding principal amount of all unsecured interest-bearing debt on a consolidated basis.	2.0	yes

Branches

As at 30 June 2022, the Group had 93 branches in 38 cities in Latvia (31.12.2021 - 93 branches in 38 cities).

Risk management

The Group is not exposed to foreign exchange rate risk because the basic transaction currency is the Euro. Majority of the funding of the Group consists of fixed coupon rate bonds and loans, so that the Group is not exposed to variable interest rate risk. Accurate application of the prudent strategies chosen has allowed the Group to successfully manage its financial risks, particularly the liquidity and credit risk. All Group transactions are performed in Latvia, the Group has no counterparties in Russia and Belarus thus the impact of the war in Ukraine and the associated sanctions has insignificant effect on the company's operations.

Distribution of the profit proposed by the Company

The Company's board recommends the distribution of Q2 2022 profit as dividends in accordance with the Company's dividend policy, which sets the target of 50% quarterly dividend payout.

Didzis Ādmīdiņš

Chairman of the Board

Aldis Umblejs

Board Member

Sanita Zitmane

Board Member

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Interim condensed consolidated Statement of profit or loss for the six-month period ended 30 June 2022

	Notes	For 6 months ended 30 June		For 3 months ended 30 June	
		2022	2021	2022	2021
		EUR	EUR	EUR	EUR
Net sales	(2)	3 395 115	2 691 195	1 929 358	1 485 264
Cost of sales		(2 153 596)	(1 762 614)	(1 259 108)	(1 014 595)
Interest income and similar income	(3)	12 700 054	9 245 032	6 690 017	4 433 054
Interest expenses and similar expenses	(4)	(1 647 163)	(1 863 495)	(958 252)	(852 218)
Credit loss expenses		(2 337 911)	(987 816)	(1 254 422)	(255 445)
Gross profit		9 956 499	7 322 302	5 147 593	3 796 060
Selling expenses	(5)	(3 443 038)	(2 768 017)	(1 685 972)	(1 442 331)
Administrative expenses	(6)	(2 625 706)	(1 994 781)	(1 346 302)	(1 050 101)
Other operating income		46 651	27 263	22 376	10 966
Other operating expenses		(372 911)	(333 690)	(177 525)	(189 383)
Profit before corporate income tax		3 561 495	2 253 077	1 960 170	1 125 211
Income tax expenses		(930 074)	(623 009)	(742 418)	(299 353)
Net profit for the reporting period		2 631 421	1 630 068	1 217 752	825 858
Earnings per share	(7)	0.058	0.041	0.027	0.021

Notes on pages from 15 to 23 are an integral part of these interim condensed consolidated financial statements.

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Interim condensed consolidated Balance sheet as at 30 June 2022

Assets		Group 30 June 2022	Group 31 December 2021
	Notes	EUR	EUR
Non-current assets:			
Intangible assets:			
Patents, licences, trademarks and similar rights		46 976	64 037
Internally developed software		469 210	376 816
Other intangible assets		103 823	50 669
Goodwill		127 616	127 616
Advances on intangible assets		38 581	18 834
Total intangible assets:		786 206	637 972
Property, plant and equipment:			
Land, buildings, structures and perennials		186 268	169 906
Investments in property, plant and equipment		186 021	186 681
Right-of-use assets		2 772 807	2 972 570
Other fixtures and fittings, tools and equipment		192 436	206 604
Total property, plant and equipment		3 337 532	3 535 761
Non-current financial assets:			
Loans and receivables	(8)	35 362 693	28 569 431
Total non-current financial assets:		35 362 693	28 569 431
Total non-current assets:		39 486 431	32 743 164
Current assets:			
Inventories:			
Finished goods and goods for sale		2 328 788	1 949 490
Total inventories:		2 328 788	1 949 490
Receivables:			
Loans and receivables	(8)	18 411 833	14 392 319
Other debtors		112 494	352 269
Deferred expenses		251 756	167 436
Total receivables:		18 776 083	14 912 024
Cash and cash equivalents		2 314 369	2 459 862
Total current assets:		23 419 240	19 321 376
Total assets		62 905 671	52 064 540

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Interim condensed consolidated Balance sheet as at 30 June 2022

Liabilities and equity		Group 30 June 2022	Group 31 December 2021
Equity:	Notes	EUR	EUR
Share capital		4 531 959	4 531 959
Share premium		6 890 958	6 890 958
Retained earnings	(9)	4 602 231	5 954 404
Total equity:		16 025 148	17 377 321
Liabilities:			
Long-term liabilities:			
Bonds issued	(10)	14 633 213	10 825 162
Other borrowings	(11)	11 880 360	8 086 468
Lease liabilities for right-of-use assets		2 463 160	2 652 498
Total long-term liabilities:		28 976 733	21 564 128
Short-term liabilities:			
Bonds issued	(10)	16 603	13 003
Other borrowings	(11)	13 946 901	10 487 168
Lease liabilities for right-of-use assets		633 190	652 699
Trade payables		848 864	805 784
Taxes and social insurance		462 554	398 268
Unpaid dividends	(12)	1 250 821	-
Accrued liabilities		744 857	766 169
Total short-term liabilities:		17 903 790	13 123 091
Total liabilities		46 880 523	34 687 219
Total liabilities and equity		62 905 671	52 064 540

Notes on pages from 15 to 23 are an integral part of these interim condensed consolidated financial statements.

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Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

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Interim condensed consolidated Statement of changes in equity for the six-month period ended 30 June

	Share capital	Share premium	Retained earnings	Total
	EUR	EUR	EUR	EUR
As at 01 January 2021	4 000 000	-	5 453 709	9 453 709
Dividends paid (9)	-	-	(2 780 000)	(2 780 000)
Liquidation of subsidiary	-	-	7 036	7 036
Profit for the reporting period	-	-	1 630 068	1 630 068
As at 30 June 2021	4 000 000	-	4 310 813	8 310 813
As at 01 January 2022	4 531 959	6 890 958	5 954 404	17 377 321
Dividends paid (9, 12)	-	-	(3 983 594)	(3 983 594)
Profit for the reporting period	-	-	2 631 421	2 631 421
As at 30 June 2022	4 531 959	6 890 958	4 602 231	16 025 148

Notes on pages from 15 to 23 are an integral part of these interim condensed consolidated financial statements.

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Interim condensed consolidated statement of cash flows for the six-month period ended 30 June 2022

	Notes	For 6 months ended 30 June 2022 EUR	For 6 months ended 30 June 2021 EUR
Cash flow from operating activities			
Profit before corporate income tax		3 561 495	2 253 077
<u>Adjustments for non-cash items:</u>			
a) depreciation of fixed assets and amortisation of intangible assets		209 115	130 940
b) depreciation of right-of-use assets		373 082	392 908
c) credit loss expenses		2 337 911	987 816
d) cessation results		133 504	270 274
e) interest income and similar income	(3)	(12 700 054)	(9 245 032)
f) interest expenses and similar expenses	(4)	1 647 163	1 863 495
Profit before adjustments of working capital and short-term liabilities		(4 437 784)	(3346522)
<u>Change in operating assets/liabilities:</u>			
a) (Increase) on loans and receivables and other debtors		(12 859 820)	828 416
b) (Increase) on inventories		(379 298)	988
c) (Decrease)/increase on trade payable and accrued liabilities		216 464	(4 162)
Gross cash flow from operating activities		(17 460 438)	(2 521280)
Interest received		12 547 170	9 167 044
Interest paid		(2 127 251)	(2 136 528)
Corporate income tax payments		(979 191)	(754 536)
Net cash flow from operating activities		(8 019 710)	3 754 700
<u>Cash flow from investing activities</u>			
Acquisition of fixed assets, intangibles		(341 412)	(112 138)
Loans repaid (other than core business of the Company)		-	474 484
Net cash flow from investing activities		(341 412)	362 346
<u>Cash flow from financing activities</u>			
Loans received		13 605 328	5 653 183
Loans repaid		(5 957 248)	(10 460 357)
Bonds issued		3 763 780	19 000
Redemption of bonds		-	(130 000)
Repayment of lease liabilities		(463 459)	(417 132)
Dividends paid		(2 732 772)	(2 780 000)
Net cash flow from financing activities		8 215 629	(8 115 306)
Net cash flow of the reporting period		(145 493)	(3 998 260)
Cash and cash equivalents at the beginning of the reporting period		2 459 862	4 591 954
Cash and cash equivalents at the end of the reporting period		2 314 369	593 694

Notes on pages from 15 to 23 are an integral part of these interim condensed consolidated financial statements.

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Chairman of the Board

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Notes

(1) Accounting policies

Basis of preparation

These financial statements have been prepared based on the accounting policies and measurement principles as set out below.

The interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Management considers that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021.

These interim condensed consolidated financial statements are prepared and disclosed on a consolidated basis. The following subsidiaries are included in the consolidation: LLC *ViziaFinance* (100%) for the period ended 30 June 2022.

Restatement in comparative figures

- (a) The Management has identified a classification error on bond issuance commissions while preparing Group's financial statements. The error relates to incorrect classification of bond issuance commissions as bank commissions under Administrative costs. The error resulted in overstatement of amount of bank commission expenses and understatement of interest expenses;
- (b) The Management has identified a classification error on accrued interest expenses. The error relates to incorrect classification of accrued interest expenses for other borrowings under Credit loss expense and resulted in understated amount of credit loss expenses and overstatement of interest expenses. To comply with presentation requirements of IFRS 9, the Group reclassified mentioned amount from Credit loss expense to Interest expenses and similar expenses;
- (c) After period end the management has identified that additional credit loss expense should be recognised for portfolio of former subsidiary LLC *ExpressInkasso*.

The aforementioned corrections were performed by restating each of the affected financial statements line items for the prior 6 months ended 30 June period, as follows:

Statement of profit or loss

	Reference	Before restatement for 6 months ended 30 June 2021	Restatement	After restatement for 6 months ended 30 June 2021
Net sales		2 691 195	-	2 691 195
Cost of sales		(1 762 614)	-	(1 762 614)
Interest income and similar income		9 245 032	-	9 245 032
Interest expenses and similar expenses	(a), (b)	(1 861 126)	(2 369)	(1 863 495)
Credit loss expense	(b)	(950 497)	(37 319)	(987 816)
Gross profit		7 361 990	(39 688)	7 322 302
Selling expenses		(2 768 017)	-	(2 768 017)
Administrative expenses	(a)	(2 034 469)	39 688	(1 994 781)
Other operating income		27 263	-	27 263
Other operating expenses		(333 690)	-	(333 690)
Profit before income tax		2 253 077	-	2 253 077
Income tax expenses		(623 009)	-	(623 009)
Net profit for the reporting period		1 630 068	-	1 630 068

Notes (continued)

(1) Accounting policies (continued)

The aforementioned corrections were performed by restating each of the affected financial statements line items for the prior 3 months ended 30 June period, as follows:

Statement of profit or loss

	Reference	Before restatement for 3 months ended 30 June 2021	Restatement	After restatement for 3 months ended 30 June 2021
Net sales		1 485 264	-	1 485 264
Cost of sales		(1 014 595)	-	(1 014 595)
Interest income and similar income		4 433 054	-	4 433 054
Interest expenses and similar expenses	(a), (b)	(842 862)	(9 356)	(852 218)
Credit loss expense	(b), (c)	(208 749)	(46 696)	(255 445)
Gross profit		3 852 112	(56 052)	3 796 060
Selling expenses		(1 442 331)	-	(1 442 331)
Administrative expenses	(a)	(1 069 958)	19 857	(1 050 101)
Other operating income		10 966	-	10 966
Other operating expenses		(189 383)	-	(189 383)
Profit before income tax	(c)	1 161 406	(36 195)	1 125 211
Income tax expenses		(299 353)	-	(299 353)
Net profit for the reporting period	(c)	862 053	(36 195)	825 858

Notes (continued)

(2) Net sales

Net revenue by type of revenue

	For 6 months ended 30 June		For 3 months ended 30 June	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Income from sales of goods	2 615 444	1 975 631	1 447 234	1 079 778
Income from sales of precious metals	460 761	425 542	318 478	275 780
Other income, loan and collateral realisation and storage commission	318 910	290 022	163 646	129 706
	3 395 115	2 691 195	1 929 358	1 485 264

All net sales are generated in Latvia.

(3) Interest income and similar income

	For 6 months ended 30 June		For 3 months ended 30 June	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Interest revenue calculated using effective interest rate:				
Interest income on unsecured loans	10 294 086	7 294 901	5 407 875	3 558 315
Interest income on secured loans	2 405 761	1 945 970	1 282 142	872 350
Interest income on loans to vehicle pledges	207	4 161	-	2 389
	12 700 054	9 245 032	6 690 017	4 433 054

(4) Interest expenses and similar expenses

	For 6 months ended 30 June		For 3 months ended 30 June	
	2022	2021	2022	2021
	EUR	EUR	EUR	(restated, Note 1) EUR
Interest expense on other borrowings	886 354	807 460	547 062	324 741
Bonds' coupon expense	670 000	950 994	366 824	475 977
Interest expense on lease liabilities for leased premises	89 810	103 546	43 930	50 787
Interest expense lease liabilities for leased vehicles	777	589	355	276
Net loss on foreign exchange	222	906	81	437
	1 647 163	1 863 495	958 252	852 218

(5) Selling expenses

	For 6 months ended 30 June		For 3 months ended 30 June	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Salary expenses	1 384 904	1 184 188	704 822	606 922
Advertising	369 019	320 551	162 982	188 189
Social insurance	325 335	277 831	165 507	142 318
Depreciation of right-of-use assets - premises	313 151	325 043	156 159	161 961
Depreciation of fixed assets	209 115	130 940	105 771	75 952
Non-deductible VAT	206 734	149 984	92 665	83 269
Maintenance expenses	168 443	130 171	88 843	66 047
Utilities expenses	131 091	117 591	56 484	46 797
Transportation expenses	54 197	40 740	27 809	21 202
Provisions for unused annual leave	43 990	23 774	15 631	8 366
Depreciation of right-of-use assets - motor vehicles	11 049	16 144	5 472	7 637
Other expenses	226 010	51 060	103 827	33 671
	3 443 038	2 768 017	1 685 972	1 442 331

Notes (continued)

(6) Administrative expenses

	For 6 months ended 30 June		For 3 months ended 30 June	
	2022	2021	2022	2021 (restated, Note 1)
	EUR	EUR	EUR	EUR
Salary expenses	1 557 850	1 160 520	793 429	595 300
Social insurance	366 664	272 854	186 892	139 964
Bank commission	301 140	188 641	167 210	106 897
Communication expenses	83 463	50 895	45 371	35 101
Legal advice	69 728	53 100	47 979	25 678
State fees and duties, licence expenses	67 795	58 158	33 506	28 161
Depreciation of right-of-use assets - premises	46 957	46 957	23 478	23 478
Provisions for unused annual leave	42 806	33 921	2 590	23 856
Audit expenses	7 000	16 250	7 000	16 250
Depreciation of right-of-use assets - motor vehicles	1 925	4 764	377	2 382
Other administrative expenses	80 378	108 721	38 470	53 034
	2 625 706	1 994 781	1 346 302	1 050 101

(7) Earnings per share

Earnings per share are calculated by dividing the net result for the year after taxation attributable to shareholders by the weighted average number of shares in issue during the year. The table below presents the income and share data used in the computations of basic earnings per share for the Group:

	For 6 months ended 30 June		For 3 months ended 30 June	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Net profit attributed to shareholders	2 631 421	1 630 068	1 217 752	825 858
Weighted average number of shares	45 319 594	40 000 000	45 319 594	40 000 000
Earnings per share	0.058	0.041	0.027	0.021

There is no dilution effect on weighted average number of shares for six months period ended 30 June 2022 and 2021.

(8) Loans and receivables

a) Loans and receivables by loan type

	Group 30 June 2022	Group 31 December 2021
	EUR	EUR
Debtors for loans issued against pledge		
Long-term debtors for loans issued against pledge	143 299	95 058
Short-term debtors for loans issued against pledge	4 183 500	3 112 513
Interest accrued for loans issued against pledge	183 081	164 698
Debtors for loans issued against pledge, total	4 509 880	3 372 269
Debtors for loans issued without pledge		
Long-term debtors for loans issued without pledge	35 219 394	28 474 373
Short-term debtors for loans issued without pledge	16 055 693	13 078 077
Interest accrued for loans issued without pledge	1 330 363	1 195 863
Debtors for loans issued without pledge, total	52 605 450	42 748 313
Loans and receivables before allowance, total	57 115 330	46 120 582
ECL allowance on loans to customers	(3 340 804)	(3 158 832)
Loans and receivables	53 774 526	42 961 750

Notes (continued)

(8) Loans and receivables

Loans and receivables by loan type (continued)

All loans are issued in euros. Weighted average term for consumer loans is 2.6 years and for pawn loans is one month.

The Group has signed a debt sale agreement that provides assigning of loans over 90 days in delay. Losses from these transactions were recognised in the current reporting period.

The claims in the amount of EUR 4 509 880 (31.12.2021: EUR 3 372 269) are secured by the value of the collateral. Claims against debtors for loans issued against pledge are secured by pledges, whose fair value is higher than the carrying value, therefore provisions for secured overdue loans are not made.

b) Allowance for impairment of loans to customers at amortised cost

An analysis of changes in the gross carrying value for loans issued and corresponding ECL during the six month period ended 30 June 2022 is as follows:

Group	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2022	42 897 818	1 673 709	1 524 577	24 478	46 120 582
New assets originated or purchased	37 514 563	-	-	-	37 514 563
Assets settled or partly settled	(21 395 831)	(1 876 491)	(611 308)	(24 478)	(23 908 108)
Assets written off	(14 163)	(1 441 880)	(1 189 369)	-	(2 645 412)
Effect of interest accruals	149 176	8 091	(123 562)	-	33 705
Transfers to Stage 1	150 632	(142 767)	(7 865)	-	-
Transfers to Stage 2	(4 404 771)	4 412 780	(8 009)	-	-
Transfers to Stage 3	(1 953 098)	(131 889)	2 084 987	-	-
At 30 June 2022	52 944 326	2 501 553	1 669 451	-	57 115 330

Group	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2022	1 763 526	625 066	770 240	-	3 158 832
New assets originated or purchased	1 525 796	-	-	-	1 525 796
Assets settled or partly settled	(652 966)	(285 496)	(367 917)	-	(1 306 379)
Assets written off	(864)	(321 540)	(553 694)	-	(876 098)
Effect of interest accruals	1 431	(10 473)	(123 562)	-	(132 604)
Transfers to Stage 1	55 123	(50 392)	(4 731)	-	-
Transfers to Stage 2	(233 333)	238 159	(4 826)	-	-
Transfers to Stage 3	(105 522)	(36 478)	142 000	-	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	(464 479)	531 881	903 855	-	971 257
At 30 June 2022	1 888 712	690 727	761 365	-	3 340 804

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

	Group 30 June 2022 EUR	Group 31 December 2021 EUR
Receivables not yet due	47 498 126	39 713 633
Outstanding 1-30 days	5 446 203	3 338 771
Outstanding 31-90 days	2 501 553	1 673 709
Outstanding 91-180 days	530 667	315 061
Outstanding for 181-360 days	580 301	361 973
Outstanding for more than 360 days	558 480	717 435
Total claims against debtors for loans issued	57 115 330	46 120 582

Notes (continued)

(8) Loans and receivables (continued)

d) Age analysis of ECL allowance on loans to customers:

	Group 30 June 2022 EUR	Group 31 December 2021 EUR
For trade debtors not yet due	1 314 792	1 271 700
Outstanding 1-30 days	519 902	437 588
Outstanding 31-90 days	690 727	625 066
Outstanding 91-180 days	182 402	150 816
Outstanding for 181-360 days	253 134	193 681
Outstanding for more than 360 days	379 847	479 981
Total provisions for bad and doubtful trade debtors	3 340 804	3 158 832

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

(9) Retained earnings

	For 6 months ended 30 June 2022 EUR	2021 EUR
Balance as at 1 January	5 954 404	5 453 709
Net profit for the period	2 631 421	1 630 068
Liquidation of subsidiary	-	7 036
Dividends declared and paid:		
Interim dividends of 0.0327 EUR (2021: 0.0320 EUR) per share	(1 481 952)	(1 280 000)
Annual dividend of 0.0276 EUR (2021: 0.0375 EUR) per share	(1 250 821)	(1 500 000)
Declared dividends:		
Annual dividend of 0.0276 EUR per share	(1 250 821)	-
Balance as at 30 June	4 602 231	4 310 813

(10) Bonds issued

	Group 30 June 2022 EUR	Group 31 December 2021 EUR
Total long-term part of bonds issued	14 633 213	10 825 162
Bonds issued	-	-
Interest accrued	16 603	13 003
Total short-term part of bonds issued	16 603	13 003
Bonds issued, total	14 633 213	10 825 162
Interest accrued, total	16 603	13 003
Bonds issued net	14 649 816	10 838 165

As of 30 June 2022, the Parent company of the Group has outstanding bonds (ISIN LV0000850048) in the amount of EUR 5 000 000, registered with the Latvia Central Depository and issued in a closed offer on 9 July 2021 on the following terms – amount of emissions 5 000, amount of emissions recorded with nominal value 1 000 euro per each bond, coupon rate – 9.75%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 August 2023. The bonds are not secured.

On 26 November 2021 the Parent company of the Group has started a closed bond offering (ISIN LV0000802536) in the amount of EUR 10 000 000. The offering has been registered with the Latvia Central Depository on the following terms – amount of emissions 10 000, amount of emissions recorded with nominal value 1 000 euro per each bond, coupon rate – 8.00%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 November 2023. The bonds are not secured.

Notes (continued)

(11) Other borrowings

	Group 30 June 2022 EUR	Group 31 December 2021 EUR
Other long-term loans	11 880 360	8 086 468
Total other long-term loans	11 880 360	8 086 468
Other short-term loans	13 946 901	10 487 168
Total other short-term loans	13 946 901	10 487 168
Total other loans	25 827 261	18 573 636

Amount of other borrowings is represented by loans received from crowdfunding platform LLC *Mintos Finance*, a company registered in the European Union. The weighted average annual interest rate as of 30 June 2022 is 10.9%. According to the loan agreement with LLC *Mintos finance* the loan matures according to the particular loan agreement terms concluded by the Company with its customers. To ensure fulfilment of liabilities the Group has registered commercial pledge, see note 16.

(12) Unpaid dividends

On 29 April 2022 shareholders of the Group have approved distribution of the profit for 2021 and previous periods and to pay out dividends in amount of EUR 2 501 641.59 or EUR 0.0552 per share. Dividend pay-out was executed in two payments, namely EUR 1 250 820.80 or EUR 0.0276 per share paid on 17 May 2022 and EUR 1 250 820.79 or EUR 0.0276 per share on 15 July 2022.

(13) Related party transactions

Unaudited interim condensed consolidated financial statements only show those related parties with whom there have been transactions during the reporting period or during the comparative period. All transactions with related parties are carried out in accordance with general market conditions.

	Transactions for 6 months 2022 EUR	Transactions in 2021 EUR
Group's transactions with:		
Owners of the parent company		
Interest received		
AE Consulting LLC	-	9 090
L24 Finance LLC	-	775
Services delivered		
AE Consulting LLC	-	75
Goods sold		
AE Consulting LLC	-	59
Board members	-	1 702
Companies and individuals under common control or significant influence		
Services delivered		
EA investments JSC	-	153
Other related companies		
Services delivered		
EL Capital, LLC	-	6 527
EuroLombard Ltd.	-	1 545

Notes (continued)

(14) Shares held by members of Management Board and Supervisory Board

a) Shares held by members of Management Board

	30 June 2022 Shares	31 December 2021 Shares
Didzis Ādmīdiņš	600 000	600 000
Aldis Umblejs	3 860	2 814
Sanita Zitmane	-	-
Ivars Lamberts*	n/a	400 000

* Member of the Board till 28.02.2022

b) Shares held by members of Supervisory Board

	30 June 2022 Shares	31 December 2021 Shares
Agris Evertovskis (through ownership of LLC <i>EC finance</i> and LLC <i>AE Consulting</i>)	12 558 284	12 525 870
Jānis Pizičs	6 666	6 666
Gatis Kokins	-	-
Mārtiņš Bičevskis	-	-
Edgars Voļskis	-	-

(15) Segment information

For management purposes, the Company is organised into three operating segments based on products and services as follows:

Pawn loan segment	Handling pawn loan issuance.
Retail of pre-owned goods	Sale of pre-owned goods in the branches and online purchased from customers.
Consumer loan segment	Handling consumer loans to customers, debt collection activities and loan cessions to external debt collection companies.
Other operations segment	Providing loans for real estate development (only for six months period ending 30 June 2021. These loans are no longer issued and are fully recovered), general administrative services to the companies of the Group, transactions with related parties, dividends payable.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments. For the costs, for which direct allocation to a particular segment is not attributable, the judgement of the management is used to allocate general costs by segments, based on the following cost allocation drivers – loan issuance, segment income, segment employee count, segment employee costs, the amount of segment assets.

The following table presents income, profit, asset, and liability information regarding the Group's operating segments.

Based on the nature of the services, the Group's operations can be divided as follows (statement of profit or loss provisions are compared for the same period of the previous year, balance sheet positions are compared to the data as at 31.12.2021):

EUR	Consumer loans		Pawn loans		Retail of pre-owned goods		Other		Total	
	For 6 months period ended 30 June		For 6 months period ended 30 June		For 6 months period ended 30 June		For 6 months period ended 30 June		For 6 months period ended 30 June	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Assets	53 394 245	44 047 262	6 253 193	5 102 128	3 257 595	2 890 334	638	24 816	62 905 671	52 064 540
Liabilities of the segment	37 732 066	28 196 358	5 331 908	4 286 975	2 565 182	2 182 444	1 251 367	21 442	46 880 523	34 687 219
Income	10 294 086	7 208 227	2 405 761	1 945 970	3 395 115	2 691 195	207	90 835	16 095 169	11 936 227
Net performance of the segment	4 127 936	3 196 333	710 396	603 834	363 357	242 915	6 969	73 490	5 208 658	4 116 572
Financial (expenses)	(1 401 531)	(1 520 248)	(161 540)	(181 009)	(84 092)	(97 833)	-	(64 405)	(1 647 163)	(1 863 495)
Profit/(loss) before taxes	2 726 405	1 676 085	548 856	422 825	279 265	145 082	6 969	9 085	3 561 495	2 253 077
Corporate income tax	(706 550)	(459 074)	(146 906)	(115 811)	(74 737)	(39 738)	(1 881)	(8 386)	(930 074)	(623 009)

Notes (continued)

(16) Guarantees issued, pledges

The Group has registered four groups of commercial pledges by pledging its assets and claim rights for a maximum amount of EUR 33 million as collateral registered to collateral agent LLC *Eversheds Sutherland Bītāns* (in favour of LLC *Mintos Finance*) and to LLC *Mintos Finance No.20* and JSC *Mintos Marketplace*.

As of 30 June 2022, the amount of secured liabilities constitutes EUR 25 827 261 (As of 31 December 2021 EUR 18 573 636).

(17) Subsequent events

On 7 July 2022 the Parent company of the Group has started a closed bond offering (ISIN LV0000850055) in the amount of EUR 10 000 000. The offering has been registered with the Latvia Central Depository on the following terms – amount of emissions 10 000, amount of emissions recorded with nominal value 1 000 euro per each bond, coupon rate – 3M EURIBOR + 8.75%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 September 2024. The bonds are not secured.

On 24 February 2022, Russian Federation has started a war at Ukraine. Countries round the world support Ukraine by announcing financial and economic sanctions against Russian Federation and its ally Republic of Belarus. The management of the Group has evaluated current situation and has concluded that the aforementioned sanctions have no direct impact on the Group's operations since all sales for the Group are generated in Latvia and the Group has no direct exposure to Russian, Belarusian and Ukrainian market. In addition, the management performed an overview and analysis of its counterparties and confirms that the Group does not have any relations with the sanctioned companies and sanctioned private individuals. There is still uncertainty related to final outcome of the situation, but the management regularly follows on the further developments, analyses a possible impact on the Group's business and is properly prepared to assess and implement any changes into business operations, risk management practices, policies and accounting estimates.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

This document is electronically signed with safe electronical signature and contains time stamp.