SUMMARY IN ENGLISH

1 SUMMARIES

1.1 Summary in English

1.1.1 Introduction and warnings

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

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

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

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

Identity and contact details of the competent authority approving the Prospectus

This Prospectus has been approved by the Latvian Financial and Capital Market Commission of Latvia, as the competent authority, with its address at Kungu iela 1, Rīga, LV-1050, e-mail: fktk@fktk.lv, telephone number: +371 67774800, in accordance with Regulation (EU) 2017/1129.

Date of approval of the Prospectus

This Prospectus was approved on 21 September 2021.

Warnings

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

1.1.2 Key information on the Company

Who is the issuer of securities?

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

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

Principal activities

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

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

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

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

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

Strengths

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

Focus on sustainability. The Management Board believes that operating the business in a sustainable manner will help in ensuring the longevity of the Company and maximise long-term returns for the shareholders. The Company has implemented robust corporate governance policies and procedures aligned to the best international practices, with the ultimate goal of operating the business in the best possible way. Commencing in 2021, it has begun publishing the Environmental, Social and Governance (the "**ESG**") report.

Digitally advanced. The Company takes pride in the advanced technology that it has implemented both throughout the range of its products and the provision of services to customers. The Group offers access to nearly all of its products and services online and continues adding to the existing array of digital products and services with the ultimate goal of enhancing customer experience.

Strategy

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

Major shareholders

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

Name of shareholder	Percentage of total share capital held	Number of Shares held	Ultimate beneficial owner(s) of the shareholder
SIA "AE Consulting"	10.00%	4,000,000	Agris Evertovskis
SIA EC finance	21.31%	8,525,870	Agris Evertovskis
SIA L24 Finance	65.19%	26,074,130	Aigars Kesenfelds Linda Kesenfelde

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

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

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

According to Latvian Financial Instruments Market Law Article 66(5)8) mandatory bid for the repurchase of shares shall not be expressed by qualifying person or persons if the shareholding stake which reaches or exceeds 30% of the total number of voting shares of the Company is acquired prior to listing of the Company shares on a regulated market. Consequently, the persons named above shall not be required to express mandatory bid for the repurchase of Company shares based on the shareholding stakes (and related voting rights) acquired prior to listing of the Company shares on the Baltic Main List of Nasdaq Riga.

Key managing directors

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

Name	Role	Appointment Date	Expiration of the Term in Office
Didzis Ādmīdiņš	CEO, Chairman of the Management Board	19 January 2021	18 January 2026
Kristaps Bergmanis	Member of the Management Board	19 January 2021	18 January 2026
Ivars Lamberts	COO, Member of the Management Board	19 January 2021	18 January 2026

Agris Evertovskis	Chairman of the Supervisory Board	30 March 2021	29 March 2026
Gatis Kokins	Deputy Chairman of the Supervisory Board	30 March 2021	29 March 2026
Edgars Voļskis	Member of the Supervisory Board	30 March 2021	29 March 2026
Mārtiņš Bičevskis	Member of the Supervisory Board	30 March 2021	29 March 2026
Jānis Pizičs	Member of the Supervisory Board	30 March 2021	29 March 2026
Aldis Umblejs	CFO	3 August 2021	-

Identity of statutory auditors

SIA "BDO ASSURANCE", registration number: 42403042353, registered address at Kaļķu iela 15 - 3B, Rīga, LV-1050, are the statutory auditors of the Group. Statutory auditors are elected by the General Meeting.

What is the key financial information regarding the issuer?

The Group's consolidated audited financial statements for the financial years ended 31 December 2020, 31 December 2019 and 31 December 2018 have been enclosed to the Prospectus. Also, the Group's reviewed consolidated interim financial statements for the 6-month period which ended on 30 June 2021 and the Group's unreviewed consolidated interim financial statements for the 6-month period which ended on 30 June 2020 have been enclosed to the Prospectus. The audited financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. The below tables present the consolidated financial information in accordance with Schedule I of Commission Delegated Regulation 2019/979/EU. The information is based on or derived from the Financial Statements and should be read together with the Financial Statements, including the explanations provided in the notes to the Financial Statements.

Selected consolidated statement of profit and loss and other income information, EUR'000

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

[1] Earning per shares as reported at the end of each respective period. Earnings per share for 2019 are not included in the Audited Financial Statements. They have been calculated and included in this table for comparison purposes.
[2] For comparability purposes, the number of shares outstanding have been adjusted for new share issues.

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

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

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

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

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

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

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

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

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

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

1.1.3 Information on the securities

What are the main features of the securities?

Type, class and ISIN

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

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

As of the date of the Prospectus, the share capital of the Company is EUR 4,000,000 divided into 40,000,000 dematerialised bearer shares. The nominal (face) par value of each outstanding Share is EUR 0.10. All of the Shares have been issued and fully paid up. The Shares are denominated in euro and governed by the law of Latvia and the currency of the Offer will be the Euro. All existing Shares grant equal rights (including one share, one vote) to the shareholders. After registration of the Company's share capital increase comprising the Offer Shares with the Commercial Register of Latvia, the Offer Shares shall bear the same rights as all of the existing Company's shares.

Rights attached to the Shares

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

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

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

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

Restrictions on free transferability of the Shares

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

Dividend Policy

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

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

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

The Company has fulfilled the shareholders' interests in gaining regular and predictable yield-based returns while maintaining the financial stability of the Company and focusing on long-term development goals. The Company distributed EUR 3 million in dividends in 2020 which amounts to EUR 0.08 per share.

Where will the Shares be traded?

In the event of a successful Offering the Shares will be traded on the Baltic Main List of Nasdaq Riga. No application has been or will be submitted to trading of the Shares on any other stock exchange. Trading with the Shares on the Baltic Main list of Nasdaq Riga is expected to commence on or about 15 October 2021.

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

<u>Share price and share liquidity risk.</u> The Nasdaq Riga stock market is considerably less liquid and more volatile compared to other established securities markets with a longer history. The fairly small market capitalisation and low liquidity of the Nasdaq Riga stock market may adversely affect shareholders' ability to sell the Shares in substantive amounts. Shares of the Company have not previously been publicly traded, and there is no guarantee that an active and liquid market for the Shares will develop. The failure to develop or maintain active trading may affect the liquidity of the Shares and the Company cannot assure that the market price of its Shares will not decline below the Offer Price. Consequently, investors may not be in a position to sell their Shares quickly at or above the Offer Price.

<u>Cancellation of Offering and undersubscription.</u> Best efforts will be made by the Company to ensure that the Offering is successful; however, there can be no assurances by the Company that the Offering will be successful and that the investors will receive the Offer Shares they subscribe for. The Company is entitled to cancel the Offering.

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

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

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

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

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

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

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

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

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

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

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

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

Why is this prospectus being produced?

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

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

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

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

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

The Offer is not subject to an underwriting agreement on a firm commitment basis.

There are no material conflicts of interest pertaining to the Offer or Admission to trading.