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AS “DelfinGroup”
Unaudited
consolidated interim
report
January –
September
2023

Translation from Latvian

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Information on the Company

Name of the Company	DelfinGroup
Legal status of the Company	Joint stock company (till 19.01.2021, Limited liability company)
Number, place and date of registration	40103252854 Commercial Registry Riga, 12 October 2009
Operations as classified by NACE classification code system	NACE2 64.92 Other credit granting NACE2 47.91 Retail sale via mail order houses or via Internet NACE2 47.79 Retail sale of second-hand goods in stores NACE 47.77 Retail sale of watches and jewellery in specialised stores
Address	50A Skanstes Street, Riga, LV-1013 Latvia
Names and addresses of shareholders	SIA L24 Finance (47.58%), 12 Jūras Street, Liepaja, Latvia SIA AE Consulting (8.59%), 50A Skanstes Street, Riga, Latvia SIA EC finance (14.95%), 50A Skanstes Street, Riga, Latvia Other (28.88%)
Ultimate parent company	SIA L24 Finance Reg. No. 40103718685 12 Jūras Street, Liepaja, Latvia
Names and positions of Board members	Didzis Ādmīdiņš – Chairman of the Board (from 19.01.2021) Aldis Umblejs – Member of the Board (from 15.12.2021) Sanita Pudnika – Member of the Board (from 01.03.2022) Nauris Bloks – Member of the Board (from 08.06.2023)

Names and positions of Supervisory Board members

Agris Evertovskis – Chairperson of the Supervisory Board (from 13.04.2021)

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

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

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

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

Reporting period

1 January 2023 – 30 September 2023

Statement of management`s responsibility

The management of AS *DelfinGroup* (hereinafter – the Company) is responsible for the preparation of the Consolidated interim report January – September 2023 (hereinafter – interim report) of the Company and its subsidiaries (hereinafter – the Group or DelfinGroup).

The interim report set out on pages 11 to 24 are prepared in accordance with the source documents and present the financial position of the Group as of 30 September 2023 and the results of its operations, changes in shareholders' equity and cash flows for the nine-month period ended 30 September 2023. The management report set out on pages 6 to 10 presents fairly the financial results of the reporting period and future prospects of the Group.

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

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

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Pudnika
Board Member

Nauris Bloks
Board Member

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Management report

During the first nine months of 2023, Latvian financial services Group AS *DelfinGroup* reached an income of EUR 36.9 million, a 46% increase compared to the same period in 2022. The Group has shown eminent growth on the EBITDA level, which increased by 41% and reached EUR 13.1 million. During the reporting period, the Group continued to show stable growth in profitability. Accordingly, profit before taxes reached EUR 6.0 million, an 11% increase yearly, and net profit increased by 25%, reaching EUR 5.3 million.

Constant growth in the 3rd quarter continued in all the main segments of *DelfinGroup*, such as consumer lending, pawn lending, and retail of pre-owned goods. Income during the 3rd quarter grew by 38%, reaching 13.3 million euros. EBITDA in the 3rd quarter increased by 32% while profit before taxes reached 2.2 million euros, a 12% increase. Net profit of the period was EUR 1.9 million, an increase of 9%.

Segment-wise demand for all the main *DelfinGroup* products remained stable during the 3rd quarter of 2023. The Group secured solid loan issuance amounts in consumer and pawn lending segments. During the first nine months of 2023, the Group issued consumer loans of 51.6 million euros, an 18% increase compared to the previous year, while in the 3rd quarter, the consumer loan issuance grew by 4%, which is a result of improvements in customer evaluations thus focusing on lower-risk clients thus ensuring balanced growth and a lower-risk portfolio in the long-term. Also, the pawn lending segment improved by providing loan issuance of 17.6 million euros, a 26% growth compared to last year's first nine months and an 11% increase in the 3rd quarter of 2023. As the loan issuance and average loan term have increased, the loan portfolio has significantly improved during the year. Already in the second quarter of 2023, the net loan portfolio amount surpassed the 2023 target. As of 30 September 2023, the net loan portfolio of the Group was 84.6 million euros, which was a 25% increase compared to the beginning of the year.

During the first nine months and the 3rd quarter of 2023, *DelfinGroup* reached the most successful results in the Group's history in the segment of retail of pre-owned goods, which has been a focus for the Group to promote circular economy principles in Latvia. As a result, in the 3rd quarter, *DelfinGroup* sold goods for 3.9 million euros, a 38% increase compared to the same period last year. During the nine months, the Group sold goods for 10.8 million euros, a 32% increase.

The Group has worked on branch improvements to continue promoting *Banknote* circular economy retail network. In August, a new concept store was opened in Jēkabpils, moving to new and more spacious premises. The premises' improvement and expansion are part of the *Banknote* branch development project, offering customers new stores with a circular economy concept in various locations in Latvia. The store premises differ significantly in design, decoration and furnishing. The new *Banknote* store is located in the town center next to the Old Town Square. Also, the oldest pawnshop in Latvia, *Riga City Pawnshop*, operating since 1802, has moved to new premises at Audēju Street 6. The new premises offer a more comprehensive range of goods, including historical items, exclusive jewellery and precious metals, thus attracting those looking for valuable items with unique stories. The oldest pawnshop in Riga offers paintings by well-known Latvian artists, various types of porcelain tableware and objects, antique literature, wristwatches, and unique jewellery with and without gemstones, the most popular category of goods. In addition to the opportunity to buy goods and precious metals, *Riga City Pawnshop* also offers pawn loans, consumer loans, gemologist services and purchases with split payments.

In the third quarter, *DelfinGroup* did several bond-related transactions. On 3 July, *DelfinGroup* started listing 10 million euros bonds (ISIN LV0000850055) on *Nasdaq First North* alternative market on *Nasdaq Riga*. The bonds have an interest rate of 8.75% + 3M EURIBOR. The par value of one bond is EUR 1,000, with a maturity date of 25 September 2024.

In July, *DelfinGroup* registered a new subordinated bond issue (ISIN LV0000802700) for 5 million euros. The bond issue is a private placement with a coupon rate of 11.50% + 3M EURIBOR and a maturity date of 25 July 2028. The subordinated bonds will strengthen the Group's capital structure and finance further business development.

In August, *DelfinGroup* successfully refinanced bonds (ISIN LV0000850048) for 5 million euros and registered new unsecured bonds (ISIN LV0000802718) in the amount of 15 million euros with a coupon rate of 9.00% + 3M EURIBOR. The bond's nominal value is EUR 1,000, and the maturity of the bonds is 25 February 2026. The new bonds were fully subscribed in a month, and on 3 October 2023, they were listed on *Nasdaq First North* alternative market on *Nasdaq Riga*.

In the 3rd quarter of 2023, the Group continued to adhere to the promise of regular dividend distribution. Consequently, shareholders of *DelfinGroup* during the quarter received another dividend payment. *DelfinGroup* distributed EUR 883,732 in dividends from the net profit of the 2nd quarter of 2023. The shareholders received EUR 0.0195 per share.

Management report (CONTINUED)

By implementing the business strategy and all planned activities, the following financial results of the Group were achieved in the first nine months of 2023 (profit statement items are compared to the same period of the previous year, balance sheet items are compared to the data as at 31.12.2022):

Position	EUR, million	Change, %
Net loan portfolio	84.6	+25.2
Assets	97.2	+26.0
Revenue	36.9	+46.2
EBITDA	13.1	+40.7
Profit before taxes	6.0	+11.5
Net profit	5.3	+24.7

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

Position	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3
Revenue, EUR million	9.6	10.5	11.4	12.3	13.3
EBITDA, EUR million	3.6	3.8	3.9	4.3	4.8
EBITDA margin, %	38%	37%	37%	36%	36%
EBIT, EUR million	3.3	3.5	3.6	4.0	4.5
EBIT margin, %	35%	34%	32%	33%	34%
Profit before taxes, EUR million	1.9	1.9	1.8	2.0	2.2
Net profit, EUR million	1.8	1.7	1.6	1.8	1.9
Net profit margin, %	19%	16%	14%	14%	15%
ROE (annualised), %	41%	38%	35%	37%	40%
Current ratio	1.3	0.7	0.7	0.7	0.9

In some cases, quantitative values have been rounded up to the nearest decimal place or whole number to avoid an excessive level of detail. As a result, certain values may not necessarily add up to the respective totals due to the effects of the approximation. 2022 Q3 are corrected by restatements in Note 1. 2022 Q4 is corrected by restatements in Note 1 of Group's annual consolidated financial statements as at 31 December 2022.

EBITDA calculation, EUR million:

Item	2023 Q3	2022 Q3
Profit before tax	2.2	1.9
Interest expenses and similar expenses	2.3	1.4
Depreciation of fixed assets and amortisation	0.3	0.3
EBITDA, EUR million	4.8	3.6

Management report (CONTINUED)

As for compliance with the Issue Terms of notes issue ISIN LV0000802536, ISIN LV0000850055, ISIN LV0000802718 and ISIN LV0000802700 the financial covenant computation is as follows:

Covenant	Value as of 30.09.2023	Compliance
to maintain a Capitalization Ratio at least 25% (at least 17.5% for notes issue ISIN LV0000802700)	26%	yes
to maintain consolidated Interest Coverage Ratio of at least 1.5 times, calculated on the trailing 12-month basis (at least 1.25 times for notes issue ISIN LV0000802700)	2.2	yes
to maintain the Net Loan portfolio, plus Cash, net value of outstanding Mintos Debt Security and secured notes balance, at least 1.2 times the outstanding principal amount of all unsecured interest-bearing debt on a consolidated basis.	1.4	yes

Principles of alternative performance measures

Dividend yield = dividends paid per share / share price at the end of the period * 100.

Net loan portfolio = non-current loans and receivables + current loans and receivables.

Revenue = net sales + interest income and similar income.

EBITDA margin = (profit before tax + interest expenses and similar expenses + depreciation of property, plant and equipment and amortization of intangible assets + depreciation of right-of-use assets) / (net sales + interest income and similar income) * 100.

EBIT margin = (profit before tax + interest expenses and similar expenses) / (net sales + interest income and similar income) * 100.

Net profit margin = net profit / (net sales + interest income and similar income) * 100.

ROE = net profit / ((total equity as at start of the period + total equity as at period end) / 2) * 100.

Current ratio = total current assets / total short-term liabilities * 100.

Capitalization ratio = total equity / (non-current loans and receivables + current loans and receivables) * 100.

Interest coverage ratio = (profit before tax + interest expenses and similar expenses) / interest expenses and similar expenses

Equity ratio = total equity / total assets * 100.

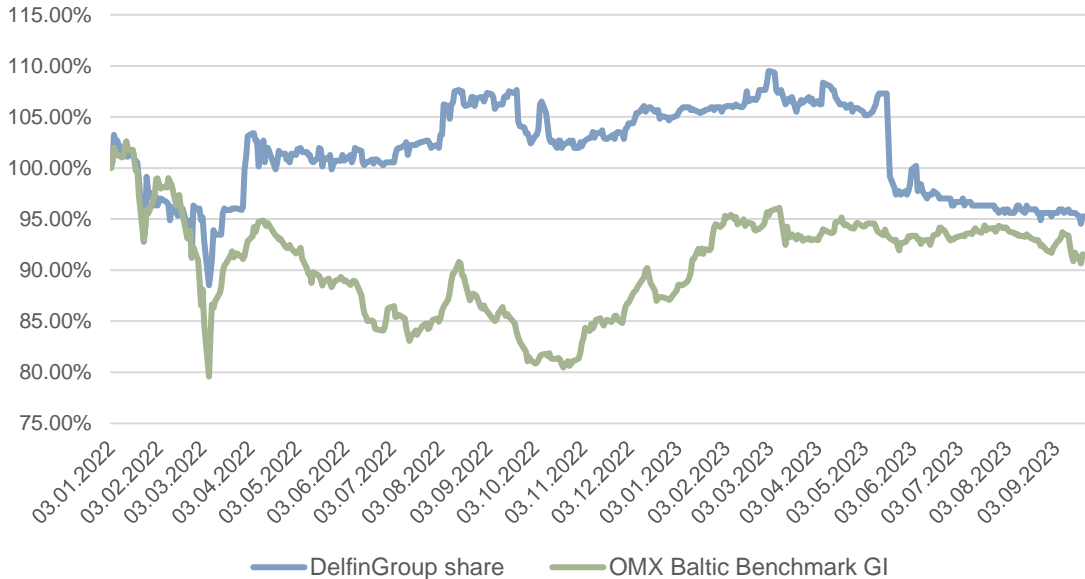
Cost to income ratio = (selling expenses + administrative expenses + other operating expenses – debt sale results) / (net sales – cost of sales + interest income and similar income – interest expenses and similar expenses + other operating income) * 100.

Investor information

DelfinGroup shares are listed on the *Baltic Main List* on the *Nasdaq Riga* stock exchange with the ISIN code LV0000101806. As of 30 September 2023, a total of 45,319,594 shares had been issued. The share price was EUR 1.32, making a total market capitalization of EUR 60 million. During the 9-month period of 2023, the trading of *DelfinGroup* shares reached EUR 4.2 million euros. In nine months, the share price decreased by 11%. The lowest price at which the Company's shares were traded was 1.25 euros, and the highest was 1.55 euros.

Management report (CONTINUED)

Price changes since the beginning of 2022, %



Branches

As at 30 September 2023, the Group had 91 branches in 38 cities in Latvia (31.12.2022 - 91 branches in 38 cities).

Risk management

The Group is not exposed to foreign exchange rate risk because the basic transaction currency is the Euro. The funding of the Group consists of both fixed rate and floating rate borrowings, so the Group is 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 Q3 2023 profit as dividends in accordance with the Company's dividend policy, which sets the target of up to 50% quarterly dividend pay out.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Pudnika
Board Member

Nauris Bloks
Board Member

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Interim consolidated Statement of profit or loss January – September 2023

	Notes	For 9 months ended 30 September		For 3 months ended 30 September	
		2023	2022 (restated, note 1)	2023	2022 (restated, note 1)
		EUR	EUR	EUR	EUR
Net sales	(2)	7 187 000	4 665 656	2 637 236	1 802 175
Cost of sales		(4 531 232)	(3 039 179)	(1 686 627)	(1 179 480)
Interest income and similar income	(3)	29 746 138	20 603 043	10 616 946	7 784 993
Interest expenses and similar expenses	(4)	(6 129 345)	(3 037 207)	(2 285 062)	(1 390 044)
Credit loss expenses		(8 078 663)	(4 120 391)	(2 843 075)	(1 628 105)
Gross profit		18 193 898	15 071 922	6 439 418	5 389 539
Selling expenses	(5)	(6 359 330)	(5 381 741)	(2 243 540)	(1 938 703)
Administrative expenses	(6)	(5 664 146)	(4 102 487)	(1 941 544)	(1 476 781)
Other operating income		37 951	67 495	11 040	20 844
Other operating expenses		(238 082)	(298 932)	(91 749)	(59 524)
Profit before corporate income tax		5 970 291	5 356 257	2 173 625	1 935 375
Income tax expenses		(640 430)	(1 083 695)	(226 002)	(153 621)
Net profit		5 329 861	4 272 562	1 947 623	1 781 754
Basic earnings per share	(7)	0.118	0.094	0.043	0.039
Diluted earnings per share	(7)	0.117	0.094	0.043	0.039

Notes on pages from 16 to 24 are an integral part of these interim reports.

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Interim consolidated Balance sheet as at 30 September 2023

Assets		Group	Group
		30 September 2023	31 December 2022
	Notes	EUR	EUR
Non-current assets:			
Intangible assets:			
Patents, licences, trademarks and similar rights		15 107	26 906
Internally developed software		753 526	575 458
Other intangible assets		349 928	121 162
Goodwill		127 616	127 616
Advances for intangible assets		230 747	43 801
Total intangible assets:		1 476 924	894 943
Property, plant and equipment:			
Land, buildings and structures		176 542	182 378
Leasehold improvements		255 662	189 340
Right-of-use assets		2 655 214	2 636 223
Other fixtures and fittings, tools and equipment		241 354	203 192
Total property, plant and equipment		3 328 772	3 211 133
Non-current financial assets:			
Loans and receivables	(8)	62 226 398	46 150 128
Total non-current financial assets:		62 226 398	46 150 128
Total non-current assets:		67 032 094	50 256 204
Current assets:			
Inventories:			
Finished goods and goods for sale		3 571 474	2 289 780
Total inventories:		3 571 474	2 289 780
Receivables:			
Loans and receivables	(8)	22 326 019	21 367 679
Other debtors		929 691	574 646
Deferred expenses		151 009	300 670
Total receivables:		23 406 719	22 242 995
Cash and cash equivalents		3 222 006	2 369 029
Total current assets:		30 200 199	26 901 804
Total assets		97 232 293	77 158 008

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Interim consolidated Balance sheet as at 30 September 2023

Liabilities and equity		Group	Group
		30 September 2023	31 December 2022
Equity:	Notes	EUR	EUR
Share capital		4 531 959	4 531 959
Share premium		6 890 958	6 890 958
Other capital reserves		198 061	93 058
Retained earnings	(9)	9 395 322	6 589 761
Total equity:		21 016 300	18 105 736
Liabilities:			
Long-term liabilities:			
Bonds issued	(10)	22 461 092	4 330 630
Loans from credit institutions		2 047 162	-
Other borrowings	(11)	15 505 987	15 004 505
Lease liabilities for right-of-use assets		2 162 118	2 353 309
Total long-term liabilities:		42 176 359	21 688 444
Short-term liabilities:			
Bonds issued	(10)	12 042 195	14 783 110
Loans from credit institutions		297 838	-
Other borrowings	(11)	18 982 067	19 856 253
Lease liabilities for right-of-use assets		783 771	565 131
Trade payables		592 125	856 429
Taxes and social insurance		607 405	560 492
Accrued liabilities		734 233	742 413
Total short-term liabilities:		34 039 634	37 363 828
Total liabilities		76 215 993	59 052 272
Total liabilities and equity		97 232 293	77 158 008

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Interim consolidated Statement of changes in equity January - September 2023

	Notes	Share capital EUR	Share premium EUR	Other capital reserves EUR	Retained earnings EUR	Total EUR
As at 01 January 2022, as previously		4 531 959	6 890 958	-	5 954 404	17 377 321
Impact of correction of errors (Note 1)		-	-	-	98 661	98 661
Restated as at 01 January 2022		4 531 959	6 890 958	-	6 053 065	17 475 982
Profit for the reporting period (Note 1)		-	-	-	4 272 563	4 272 563
Dividends paid	(9)	-	-	-	(4 590 877)	(4 590 877)
As at 30 September 2022		4 531 959	6 890 958	-	5 734 751	17 157 668
As at 01 January 2023		4 531 959	6 890 958	93 058	6 589 761	18 105 736
Profit for the reporting period		-	-	-	5 329 861	5 329 861
Dividends paid	(9)	-	-	-	(2 524 301)	(2 524 301)
Share-based payments		-	-	105 003	-	105 003
As at 30 September 2023		4 531 959	6 890 958	198 061	9 395 322	21 016 300

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Interim consolidated statement of cash flows January - September 2023

Notes	For 9 months ended 30 September 2023 EUR	For 9 months ended 30 September 2022 EUR
<u>Cash flow from operating activities</u>		
Profit before corporate income tax	5 970 291	5 356 257
Adjustments for non-cash items:		
a) depreciation and amortisation	352 994	321 682
b) depreciation of right-of-use assets	600 967	563 499
c) credit loss expenses	8 078 663	4 120 391
d) share-based payment expense	105 003	-
e) interest income and similar income	(3) (29 746 138)	(20 603 043)
f) interest expenses and similar expenses	(4) 6 129 345	3 037 207
Profit before adjustments of working capital and short-term liabilities	(8 508 875)	(7 204 007)
Change in operating assets/liabilities:		
a) (Increase) on loans and receivables and other debtors	(24 396 986)	(20 684 183)
b) (Increase)/ decrease on inventories	(1 281 694)	(1 444 290)
c) (Decrease)/ increase on trade payable and accrued liabilities	553 561	40 407
Gross cash flow from operating activities	(33 633 994)	(29 292 073)
Interest received	28 730 753	20 364 032
Interest paid	(6 963 588)	(3 487 069)
Corporate income tax payments	(1 296 108)	(979 191)
Net cash flow from operating activities	(13 162 937)	(13 394 301)
<u>Cash flow from investing activities</u>		
Acquisition of property, plant and equipment	(790 055)	(143 242)
Acquisition of intangible assets	(149 854)	(364 179)
Net cash flow from investing activities	(939 909)	(507 421)
<u>Cash flow from financing activities</u>		
Loans received	20 193 905	26 969 610
Loans repaid	(17 899 819)	(13 689 078)
Bonds issued	22 261 000	7 561 205
Redemption of bonds	(6 359 000)	(100 000)
Repayment of lease liabilities	(715 962)	(699 091)
Dividends paid	(2 524 301)	(4 590 877)
Net cash flow from financing activities	14 955 823	15 451 769
Net cash flow of the reporting period	852 977	1 550 047
Cash and cash equivalents at the beginning of the reporting period	2 369 029	2 459 862
Cash and cash equivalents at the end of the reporting period	3 222 006	4 009 909

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Notes

(1) Accounting policies

Basis of preparation

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

The interim reports for the nine-months ended 30 September 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Management considers that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim reports do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022.

These interim reports are prepared and disclosed on a consolidated basis. The following subsidiaries are included in the consolidation: SIA *ViziaFinance* (100%), UAB DelfinGroup LT (100%) for the period ended 30 September 2023.

Restatement in comparative figures due to correction of errors

- (a) The Management has identified a classification error on pawn loans while preparing Group's financial statements. The error relates to incorrect classification of collateral as Net sales. The error resulted in overstatement of the Group's Net sales by EUR 1 172 377, Cost of sales by EUR 809 117 in statement of profit or loss for the prior 9 months ended 30 September 2022 and understatement of Interest income and similar income by EUR 363 260 in statement of profit and loss for the prior 9 months ended 30 September 2022.
The Management has identified a classification error on pawn loans while preparing Group's financial statements. The error relates to incorrect classification of collateral as Net sales. The error resulted in overstatement of the Group's Net sales by EUR 407 352, Cost of sales by EUR 281 829 in statement of profit or loss for the prior 3 months ended 30 September 2022 and understatement of Interest income and similar income by EUR 125 523 in statement of profit and loss for the prior 3 months ended 30 September 2022.
- (b) In these financial statements, the Group has improved ECL calculation model. The Group have included defaults from debt sale before payments are past due for more than 90 days in probability of default calculation. Model improvement resulted in an identified understatement of Credit loss expenses by EUR 65 427 in statement of profit or loss for the prior 9 months ended 30 September 2022.
In these financial statements, the Group has improved ECL calculation model. The Group have included defaults from debt sale before payments are past due for more than 90 days in probability of default calculation. Model improvement resulted in an identified overstatement of Credit loss expenses by EUR 44 555 in statement of profit or loss for the prior 3 months ended 30 September 2022.
- (c) The Management has reconsidered the judgment in respect of pawn loan accounting and come to conclusion that pawn loans do not meet solely payment of principal and interest (SPPI) requirements, thus prior period pawn loan measurement according to amortized cost were erroneous. The Group recognizes and subsequently measures pawn loans at fair value. There is no difference in comparative figures of Loans and receivables, and Interest income and similar income due to this error.
- (d) The Management has identified an error on interest revenue calculation on debt financial assets by applying effective interest rate method while preparing Group's financial statements. The error resulted in overstatement of Interest income and similar income by EUR 35 596 in statement of profit and for the prior 9 months ended 30 September 2022. To comply with requirements of IFRS 9, the Group have recalculated interest income and similar income.
The Management has identified an error on interest revenue calculation on debt financial assets by applying effective interest rate method while preparing Group's financial statements. The error resulted in overstatement of Interest income and similar income by EUR 155 337 in statement of profit and for the prior 3 months ended 30 September 2022. To comply with requirements of IFRS 9, the Group have recalculated interest income and similar income.
- (e) The Management has identified a classification error on accounting of e-shop sales while preparing Group's financial statements. The error relates to incorrect recognition of e-shop markup in net sales. The error resulted in understatement of the Group's Net sales by EUR 383 021, Cost of sales by EUR 383 021 in statement of profit or loss for the prior 9 months ended 30 September 2022.
The Management has identified a classification error on accounting of e-shop sales while preparing Group's financial statements. The error relates to incorrect recognition of e-shop markup in net sales. The error resulted in understatement of the Group's Net sales by EUR 149 630, Cost of sales by EUR 149 630 in statement of profit or loss for the prior 3 months ended 30 September 2022.
- (f) In these financial statements, the Group have changed the presentation of losses from debt sales. In statement of profit or loss for the prior 9 months ended 30 September 2022 losses from debt sales was presented under Other operating expenses. In these financial statements, for better presentation of financial information, losses from debt sales were reclassified to Credit loss expenses. The reclassification resulted in understatement of Credit loss expenses and overstatement of Other operating expenses by EUR 44 452 in statement of profit and loss for the prior 9 months ended 30 September 2022.
In these financial statements, the Group have changed the presentation of losses from debt sales. In statement of profit or loss for the prior 3 months ended 30 September 2022 losses from debt sales was presented under Other operating expenses. In these financial statements, for better presentation of financial information, losses from debt sales were reclassified to Credit loss expenses. The reclassification resulted in understatement of Credit loss expenses and overstatement of Other operating expenses by EUR 89 051 in statement of profit and loss for the prior 3 months ended 30 September 2022.
- (g) Abovementioned corrections resulted in understatement of retained earnings by EUR 98 661 as at 30 September 2022.

Notes (continued)

(1) Accounting policies (continued)

The aforementioned corrections were performed by restating each of the affected financial statements line items for the prior 9 months ended 30 September period, as follows:

Statement of profit or loss

	Reference	Before restatement for 9 months ended 30 September 2022	Restatement	After restatement for 9 months ended 30 September 2022
Net sales	(a), (e)	5 455 012	(789 356)	4 665 656
Cost of sales	(a), (e)	(3 465 276)	426 097	(3 039 179)
Interest income and similar income	(a), (d)	20 204 187	398 856	20 603 043
Interest expenses and similar expenses		(3 037 207)	-	(3 037 207)
Credit loss expense	(b); (f)	(4 010 512)	(109 879)	(4 120 391)
Gross profit		15 146 204	(74 282)	15 071 922
Selling expenses		(5 381 741)	-	(5 381 741)
Administrative expenses		(4 102 487)	-	(4 102 487)
Other operating income		67 495	-	67 495
Other operating expenses	(f)	(343 384)	44 452	(298 932)
Profit before corporate income tax		5 386 087	(29 830)	5 356 257
Income tax expenses		(1 083 695)	-	(1 083 695)
Net profit		4 302 392	(29 830)	4 272 562
Basic earnings per share		0.095	(0.001)	0.094

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

Statement of profit or loss

	Reference	Before restatement for 3 months ended 30 September 2022	Restatement	After restatement for 3 months ended 30 September 2022
Net sales	(a), (e)	2 059 897	(257 722)	1 802 175
Cost of sales	(a), (e)	(1 311 680)	132 200	(1 179 480)
Interest income and similar income	(a), (d)	7 504 133	280 860	7 784 993
Interest expenses and similar expenses		(1 390 044)	-	(1 390 044)
Credit loss expense	(b); (f)	(1 672 601)	44 496	(1 628 105)
Gross profit		5 189 705	199 834	5 389 539
Selling expenses		(1 938 703)	-	(1 938 703)
Administrative expenses		(1 476 781)	-	(1 476 781)
Other operating income		20 844	-	20 844
Other operating expenses	(f)	29 527	(89 051)	(59 524)
Profit before corporate income tax		1 824 592	110 783	1 935 375
Income tax expenses		(153 621)	-	(153 621)
Net profit		1 670 971	110 783	1 781 754
Basic earnings per share		0.037	0.002	0.039

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

Statement of changes in equity

	Share capital EUR	Share premium EUR	Retained earnings EUR	Total EUR
As at 01 January 2022, as previously	4 531 959	6 890 958	5 954 404	17 377 321
Restatement, reference (g)	-	-	98 661	98 661
Restated as at 01 January 2022	4 531 959	6 890 958	6 053 065	17 475 982
Profit for the reporting period, reference (a), (b), (d), (e), (f)	-	-	4 272 563	4 272 563
Dividends paid	-	-	(4 590 877)	(4 590 877)
As at 30 September 2022	4 531 959	6 890 958	5 734 751	17 157 668

Notes (continued)

(2) Net sales

Net revenue by type of revenue

	For 9 months ended 30 September		For 3 months ended 30 September	
	2023	2022 (restated, Note 1)	2023	2022 (restated, Note 1)
	EUR	EUR	EUR	EUR
Income from sales of goods	6 082 428	3 484 020	2 181 214	1 400 210
Income from sales of precious metals	302 579	646 815	161 643	186 054
Other income, loan and mortgage realisation and storage commission	801 993	534 821	294 379	215 911
	7 187 000	4 665 656	2 637 236	1 802 175

All net sales are generated in Latvia.

(3) Interest income and similar income

	For 9 months ended 30 September		For 3 months ended 30 September	
	2023	2022 (restated, Note 1)	2023	2022 (restated, Note 1)
	EUR	EUR	EUR	EUR
Interest income on unsecured loans according to effective interest rate method	24 866 093	16 327 168	8 903 326	6 020 317
Interest income on pawn loans	4 877 210	4 275 576	1 713 403	1 764 584
Other interest income according to effective interest rate method	2 835	299	217	92
	29 746 138	20 603 043	10 616 946	7 784 993

(4) Interest expenses and similar expenses

	For 9 months ended 30 September		For 3 months ended 30 September	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Interest expense on other borrowings	3 659 997	1 797 170	1 212 186	910 816
Bonds' interest expense	2 257 535	1 105 880	930 656	435 880
Interest expense on lease liabilities for leased premises	138 171	132 772	91 214	42 962
Interest expense on loans from credit institutions	71 546	-	50 277	-
Interest expense lease liabilities for leased vehicles	2 078	1 054	729	277
Net loss on foreign exchange	18	331	-	109
	6 129 345	3 037 207	2 285 062	1 390 044

Notes (continued)

(5) Selling expenses

	For 9 months ended 30 September		For 3 months ended 30 September	
	2023 EUR	2022 EUR	2023 EUR	2022 EUR
Salary expenses	2 568 557	2 176 439	915 163	791 535
Advertising	752 935	570 499	304 532	201 480
Social insurance	603 196	511 061	212 838	185 726
Depreciation of right-of-use assets - premises	522 797	476 136	178 068	162 985
Non-deductible VAT	399 385	345 652	140 624	138 918
Depreciation of property, plant and equipment and amortisation of intangible assets	352 994	321 682	122 532	112 567
Maintenance expenses	352 055	277 171	124 530	108 728
Utilities expenses	223 379	207 185	47 796	76 094
Transportation expenses	61 722	84 008	21 969	29 811
Provisions for unused annual leave	24 449	29 924	(29 081)	(14 066)
Depreciation of right-of-use assets - motor vehicles	7 734	15 002	2 787	3 953
Other expenses	490 127	366 982	201 782	140 972
	6 359 330	5 381 741	2 243 540	1 938 703

(6) Administrative expenses

	For 9 months ended 30 September		For 3 months ended 30 September	
	2023 EUR	2022 EUR	2023 EUR	2022 EUR
Salary expenses	3 142 263	2 451 398	1 081 705	893 548
Social insurance	798 394	560 428	275 228	193 764
Bank commission	746 954	486 762	262 824	185 622
Communication expenses	420 521	122 312	136 458	38 849
State fees and duties, licence expenses	100 763	102 446	33 316	34 651
Legal advice	95 197	105 620	58 267	35 892
Depreciation of right-of-use assets - premises	70 436	70 436	23 479	23 479
Provisions for unused annual leave	32 171	51 050	(43 724)	8 244
Audit expenses	52 510	20 920	45 000	13 920
Depreciation of right-of-use assets - motor vehicles	-	1 925	-	-
Other administrative expenses	204 937	129 190	68 991	48 812
	5 664 146	4 102 487	1 941 544	1 476 781

(7) Basic earnings and Diluted earnings per share

Earnings per share are calculated by dividing the net result for the year after taxation attributable to shareholders by the weighted average number of shares in issue during the year. The dilution effect when calculation the Diluted earnings per share comes from share options granted on 1 December 2022 and on 30 June 2023 to employees of the Group. The table below presents the income and share data used in the computations of basic earnings and Diluted earnings per share for the Group:

	For 9 months ended 30 September		For 3 months ended 30 September	
	2023 EUR	2022 EUR	2023 EUR	2022 EUR
Net profit attributed to shareholders	5 329 861	4 272 562	1 947 623	1 781 754
Weighted average number of shares	45 319 594	45 319 594	45 319 594	45 319 594
Earnings per share	0.118	0.094	0.043	0.039
Weighted average number of shares used for calculating the diluted earnings per shares	45 371 627	45 319 594	45 371 627	45 319 594
Diluted earnings per share	0.117	0.094	0.043	0.039

Notes (continued)

(7) Basic earnings and Diluted earnings per share (continued)

The table below presents the income and share data used in the computations of earnings per share for the Group:

	Change EUR	Actual number of shares after transaction EUR	Actual number of shares after transaction EUR
For 9 months ended 30 September 2022			
Number of shares at the beginning of the period		45 319 594	45 319 594
Number of shares at the end of the period		45 319 594	45 319 594
Weighted average number of shares:			45 319 594
Weighted average number of share options for DelfinGroup AS employees granted in January - September 2022			-
Weighted average potential number of shares			45 319 594
For 9 months ended 30 September 2022			
Number of shares at the beginning of the period		45 319 594	45 319 594
Number of shares at the end of the period		45 319 594	45 319 594
Weighted average number of shares:			45 319 594
Weighted average number of share options for DelfinGroup AS employees granted in January - September 2023*			52 033
Weighted average potential number of shares			45 371 627

*.Number of shares granted on 1 December 2022 73 968 with FV at grant date 1.258 EUR and option exercise price 0.100 EUR. 7 006 of these shares were cancelled because employees to whom the shares were granted left the Group before the term of share options could be exercised. Number of shares granted on 30 June 2022 39 916 with FV at grant date 1.177 EUR and option exercise price 0.100 EUR.

(8) Loans and receivables

a) Loans and receivables by loan type

	Group 30 September 2023 EUR	Group 31 December 2022 EUR
Pawn loans measured at fair value		
Long-term pawn loans	230 181	220 216
Short-term pawn loans	7 211 625	5 880 246
Interest accrued for pawn loans	255 057	221 906
Pawn loans measured at fair value, total	7 696 863	6 322 368
Debtors for loans issued without pledge		
Long-term debtors for loans issued without pledge	61 996 217	45 929 912
Short-term debtors for loans issued without pledge	18 633 883	17 487 363
Interest accrued for loans issued without pledge	2 661 013	2 189 607
Debtors for loans issued without pledge, total	83 291 113	65 606 882
Loans and receivables before allowance, total	90 987 976	71 929 250
ECL allowance on loans issued without pledge	(6 435 559)	(4 411 443)
Loans and receivables	84 552 417	67 517 807

All loans are issued in euros. Weighted average term for consumer loans is 2.9 years and for pawn loans is one month.

The Group signed a contract with a third party for the receivable amounts regular debt sale to assign debtors for loans issued which are outstanding for more than 60 days. Losses from these transactions were recognised in the current period.

Pawn loans in the amount of EUR 7 696 863 (31.12.2022: EUR 6 322 368) are secured by the value of the collateral and measured at fair value.

Notes (continued)

(8) Loans and receivables (continued)

b) Allowance for impairment of loans issued without pledge at amortised cost

An analysis of changes in the gross carrying value for loans issued and corresponding ECL during the three-month period ended 30 September 2023 is as follows:

Group	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	60 306 047	4 160 505	1 140 330	65 606 882
New assets originated or purchased	51 590 844	-	-	51 590 844
Assets settled or partly settled	(24 851 312)	(3 722 063)	(1 087 932)	(29 661 307)
Assets derecognised due to debt sales	-	(3 808 676)	(866 777)	(4 675 453)
Assets written off	-	-	(397 132)	(397 132)
Effect of interest accruals	871 193	(102 065)	58 151	827 279
Transfers to Stage 1	168 171	(159 051)	(9 120)	-
Transfers to Stage 2	(8 360 179)	8 361 359	(1 180)	-
Transfers to Stage 3	(734 434)	(2 156 882)	2 891 316	-
At 30 September 2023	78 990 330	2 573 127	1 727 656	83 291 113

Group	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	2 794 161	834 239	783 043	4 411 443
New assets originated or purchased	3 461 257	-	-	3 461 257
Assets settled or partly settled	(1 669 411)	(1 354 310)	(517 121)	(3 540 842)
Assets derecognised due to debt sales	-	(1 428 509)	(409 532)	(1 838 041)
Assets written off	-	-	(185 956)	(185 956)
Effect of interest accruals	66 506	11 901	210 663	289 070
Transfers to Stage 1	63 437	(60 007)	(3 430)	-
Transfers to Stage 2	(619 428)	619 992	(564)	-
Transfers to Stage 3	(20 504)	(813 322)	833 826	-
Impact on period end ECL changes in credit risk and inputs used for ECL calculation	(247 562)	3 131 075	955 115	3 838 628
At 30 September 2023	3 828 456	941 059	1 666 044	6 435 559

c) Age analysis of loans issued without pledge at amortised cost:

	Group 30 September 2023 EUR	Group 31 December 2022 EUR
Receivables not yet due	72 592 837	57 445 337
Outstanding 1-30 days	6 391 674	4 555 603
Outstanding 31-90 days	2 577 423	2 465 106
Outstanding 91-180 days	435 563	328 818
Outstanding for 181-360 days	622 946	383 242
Outstanding for more than 360 days	670 670	428 776
Total claims against debtors for loans issued	83 291 113	65 606 882

d) Age analysis of provision for bad and doubtful trade debtors:

	Group 30 September 2023 EUR	Group 31 December 2022 EUR
For trade debtors not yet due	2 872 613	2 252 622
Outstanding 1-30 days	1 012 246	661 969
Outstanding 31-90 days	1 011 320	789 067
Outstanding 91-180 days	326 025	184 076
Outstanding for 181-360 days	594 591	245 456
Outstanding for more than 360 days	618 764	278 253
Total provisions for bad and doubtful trade debtors	6 435 559	4 411 443

Loan loss allowance has been defined based on collectively assessed impairment. For ECL calculation purposes debtors for loans issued without pledge were grouped by brands – Banknote and VIZIA.

Notes (continued)

(9) Retained earnings

	For 9 months ended 30 September	
	2023	2022
	EUR	EUR
		(restated, Note 1)
Balance as at 1 January	6 589 761	5 954 404
Impact of correction of errors (Note 1)	-	98 661
Net profit for the period	5 329 861	4 272 563
Dividends declared and paid:		
Interim dividends of 0.0557 EUR (2022: 0.0461 EUR) per share	(2 524 301)	(2 089 234)
Annual dividend of 0.0552 EUR per share declared in 2022	-	(2 501 643)
Balance as at 30 September	9 395 322	5 734 751

(10) Bonds issued

	Group	Group
	30 September 2023	31 December 2022
	EUR	EUR
Total long-term part of bonds issued	22 461 092	4 330 630
Bonds issued	11 975 876	14 758 261
Interest accrued	66 319	24 849
Total short-term part of bonds issued	12 042 195	14 783 110
Bonds issued, total	34 436 968	19 088 891
Interest accrued, total	66 319	24 849
Bonds issued net	34 503 287	19 113 740

The Company of the Group as of 31 December 2022 had outstanding bonds (ISIN LV0000850048) in the amount of EUR 5 000 000, registered with the Latvia Central Depository and issued in a closed offer on 9 July 2021 on the following terms: number of bonds issued - 5 000, nominal value - EUR 1 000 per each bond, coupon rate – 9.75%, coupon was paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) was repaid by 25 August 2023. The bonds were not secured.

As of 30 September 2023, the Company of the Group has outstanding bonds (ISIN LV0000802536) in the amount of EUR 10 000 000, registered with the Latvia Central Depository and issued in a closed offer on 24 November 2021 on the following terms – number of financial instruments 10 000, with a nominal value 1 000 euro per each bond, coupon rate – 8.00%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 November 2023 and the Group have announced that it is preparing to issue new bonds to refinance these bonds obligations. The bond issue in full amount is traded on NASDAQ Baltic First North Alternative market as of 21.06.2022. The bonds are not secured.

As of 30 September 2023, the Company of the Group has outstanding bonds (ISIN LV0000850055) in the amount of EUR 10 000 000, registered with the Latvia Central Depository and issued in a closed offer on 7 July 2022 on the following terms – number of financial instruments is 10 000, with a nominal value 1 000 euro per each bond, coupon rate – 3M EURIBOR + 8.75%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 September 2024. The bond issue in full amount is traded on NASDAQ Baltic First North Alternative market as of 3.07.2023. The bonds are not secured.

As of 30 September 2023, the Company of the Group has outstanding bonds (ISIN LV0000802718) in the amount of EUR 15 000 000, registered with the Latvia Central Depository and issued in a closed offer on 1 August 2023 on the following terms – number of financial instruments is 15 000, with a nominal value 1 000 euro per each bond, coupon rate –3M EURIBOR + 9.00%, 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 February 2026. The bond issue in full amount is traded on NASDAQ Baltic First North Alternative market as of 3.10.2023. The bonds are not secured.

As of 30 September 2023, the Company of the Group has outstanding subordinated bonds (ISIN LV0000802700) in the amount of EUR 5 000 000, registered with the Latvia Central Depository and issued in a closed offer on 24 July 2023 on the following terms – number of financial instruments is 5 000, with a nominal value 1 000 euro per each bond, coupon rate –3M EURIBOR + 11.50%, 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 July 2028. The bonds are not secured.

As at 30 September 2023 the Group is in compliance with covenants stated in all Terms of the Notes Issue. Please see covenants disclosed in Management report.

Notes (continued)

(11) Other borrowings

	Group 30 September 2023 EUR	Group 31 December 2022 EUR
Other long-term loans	15 505 987	15 004 505
Total other long-term loans	15 505 987	15 004 505
Other short-term loans	18 982 067	19 856 253
Total other short-term loans	18 982 067	19 856 253
Other loans, total	34 488 054	34 860 758

Amount of other borrowings is represented by loans received from crowdfunding platform Mintos, a platform registered in the European Union. The weighted average annual interest rate as of 30 September 2023 is 12.2%. The loan matures according to the particular loan agreement terms concluded by the Group with its customers.

To ensure fulfilment of liabilities the Group has registered commercial pledge, see note 14. As at 30 September 2023 the Group is in compliance with covenants.

(12) Related party transactions

Group's transactions

	Transactions for 9 months 2023 EUR	Transactions in 2022 EUR
Shareholders		
Interest received	-	-
Services delivered	-	-
Goods sold	-	-
Interest paid	38 786	24 235
Key management personnel		
Goods sold	-	-
Interest paid	36	-
Other related companies		
Services delivered	-	-
Services received	1 500	3 900

Bonds issued to related parties

	Group 30 September 2023 EUR	Group 31 December 2022 EUR
Key management personnel	20 000	-
Shareholders	200 000	200 000
Long-term part of bonds issued to related parties, total	220 000	200 000
Shareholders	307 000	307 000
Short-term part of bonds issued to related parties, total	307 000	307 000
Bonds issued to related companies, total	527 000	507 000

Notes (continued)

(13) Segment information

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

Pawn loan segment	Handling pawn loan issuance, sale of pawn shop items in the branches and online.
Retail of pre-owned goods	Sale of pre-owned goods in the branches and online purchased from customers.
Consumer loan segment	Handling consumer loans to customers, debt collection activities and debt sales to external debt collection companies.
Other operations segment	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 on consolidation basis. Management mainly focuses on net sales, interest income and similar income and profit before taxes of the segment. For the costs, for which direct allocation to a particular segment is not attributable, the judgement of the management is used to allocate general costs by segments, based on the following cost allocation drivers – loan issuance, segment income, segment employee count, segment employee costs, the amount of segment assets.

Based on the nature of the services, the Group's operations can be divided as follows (statement of profit or loss is compared for the same period of the previous year, balance sheet positions are compared to the data as at 31.12.2022):

EUR	Consumer loans		Pawn loans		Retail of pre-owned goods		Other		Total	
	For 9 months period ended 30 September		For 9 months period ended 30 September		For 9 months period ended 30 September		For 9 months period ended 30 September		For 9 months period ended 30 September	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Assets	82 873 258	65 716 677	9 708 367	8 385 899	4 649 655	3 053 982	1 013	1 450	97 232 293	77 158 008
Liabilities of the segment	64 239 762	49 484 402	8 242 741	7 101 708	3 732 928	2 465 174	562	988	76 215 993	59 052 272
Net sales	-	-	-	-	7 187 000	4 665 656	-	-	7 187 000	4 665 656
Interest income and similar income	24 866 094	16 327 168	4 877 210	4 275 576	-	-	2 834	299	29 746 138	20 603 043
Net performance of the segment	9 524 120	6 528 493	1 714 307	1 354 652	848 506	496 928	12 703	13 391	12 099 636	8 393 464
Financial (expenses)	(5 274 562)	(2 603 617)	(580 511)	(284 261)	(274 272)	(149 329)	-	-	(6 129 345)	(3 037 207)
Profit/(loss) before taxes	4 249 558	3 924 876	1 133 796	1 070 391	574 234	347 599	12 703	13 391	5 970 291	5 356 257
Corporate income tax	(455 848)	(794 094)	(121 622)	(216 565)	(61 598)	(70 327)	(1 362)	(2 709)	(640 430)	(1 083 695)

(14) Guarantees issued, pledges

The Group has registered four groups of commercial pledges by pledging its assets and claim rights for a maximum amount of EUR 44.4 million as collateral registered to collateral agent SIA *Eversheds Sutherland Bitāns* (in favour of SIA *Mintos Finance*) and to SIA *Mintos Finance* No.20 and AS *Mintos Marketplace* to provide collateral for loans placed on the Mintos P2P platform.

On 25 May 2023, the Company registered a 2nd rank commercial pledge by pledging its assets for a maximum amount of EUR 1.4 million as collateral registered to AS *Signet Bank*.

On 25 September 2023, the Company registered a 2nd rank commercial pledge by pledging its assets for a maximum amount of EUR 1.883 million as collateral registered to AS *Signet Bank*.

As of 30 September 2023, the amount of secured liabilities constitutes EUR 36 833 054 (As of 31 December 2022 EUR 34 860 758).

(15) Subsequent events

After end of reporting period there were no significant events which have impact to these interim reports.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Pudnika
Board Member

Nauris Bloks
Board Member

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