



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

Terms of the Notes Issue

ISIN:	LV0000802536
Type of security:	Unsecured Notes
Nominal:	EUR 1,000
Nominal value of the issue:	EUR 10,000,000
Annual coupon rate:	8%
Maturity:	25 November 2023

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

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

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

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

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

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

MiFID II product governance - solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that (i) the target market for the Notes is eligible counterparties, professional clients, and retail clients, each as defined in Directive 2014/65/EU; and (ii) all channels for distribution of the Notes to eligible counterparties, professional clients and respective retail clients are appropriate. Any person subsequently offering, selling or recommending the Notes should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels. Before deciding to purchase the Notes, investors should carefully review and consider risk factors described herein. Should one or more of the risks materialize, this may have a material adverse effect on the cash flows, results of operations, and financial condition of the Issuer. Moreover, if any of these risks materialize, the market value of the Notes and the likelihood that the Issuer will be in a position to fulfil its payment obligations under the Notes may decrease, in which case the Investors could lose all or part of their investments.

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

Arranger:



22 November 2021

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Terms and abbreviations used

Agent	:	A person authorized to represent the Issuer and to perform certain tasks.
Accounting Principles	:	The international financial reporting standards ("IFRS") within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time).
AML	:	Anti-money laundering and counter terrorism and proliferation financing.
Arranger	:	Signet Bank AS (registration number: 40003076407, legal address: Antonijas iela 3, Riga, LV-1010, Latvia).
Bank Debt	:	A debt incurred by the Issuer or its Subsidiaries provided by the banks or other financial institutions to: (i) finance loan portfolio and secured with a pledge over assets, property, shares or receivables of the Issuer and/or its Subsidiaries: or (ii) finance repair, restructuring, development or improvement of property owned or leased by the Issuer or its Subsidiaries.
Bank Debt Security I	:	A security over receivables not exceeding 140% of outstanding principal amount provided in relation to Bank Debt.
Bank Debt Security II	:	A security over assets (except receivables), property and/or shares of outstanding principal amount provided in relation to Bank Debt.
Business Day(s)	:	The day when the Nasdaq CSD system is open and operational.
Capitalization Ratio	:	The result (expressed as a percentage) obtained by dividing Consolidated Net Worth of the Issuer (calculated as of the end of the Relevant Period covered by the most recent consolidated Financial Report) by consolidated Net Loan Portfolio as of such date of determination.
Cash and Cash Equivalents	:	Cash and cash equivalents in accordance with the Accounting Principles.
Change of Control	:	The occurrence of an event or series of events whereby, a person (natural person or legal entity) or group of persons acting in concert (directly or indirectly) gains power (whether by way of ownership of shares, contractual arrangement or otherwise) to: <ul style="list-style-type: none"> a) cast or control the casting of more than 50% (fifty per cent) of the maximum number of votes that might be cast at a general meeting of the shareholders of the Issuer; or b) appoint or remove or control the appointment or removal of a majority of the management board or supervisory board members or other equivalent officers of the Issuer.

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

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

Consolidated Net Worth	:	The sum of paid in capital, retained earnings, reserves and Subordinated debt of the Issuer as set forth in the consolidated balance sheet as of the Relevant Period covered by the most recent Financial Report, less (without duplication) amounts attributable to disqualified stock of the Issuer.
Coupon	:	Interest on Notes calculated in accordance with the Clause 3.2.7. “Coupon payments”.
Custodian	:	Credit institution or investment brokerage company that has obtained the FCMC license or is entitled to do business and to keep securities in accordance with its country of registration laws.
EBITDA	:	<p>Consolidated net profit of the Group from ordinary activities for the Relevant Period covered by the most recent Financial Report:</p> <ul style="list-style-type: none"> a) before deducting any amount of tax on profits, gains or income paid or payable by any Group company; b) before deducting any Net Finance Charges; c) before taking into account any exceptional items which are not in line with the ordinary course of business; d) before taking into account any gains or losses on any foreign exchange gains or losses; e) after adding back any amount attributable to the amortization, depreciation or depletion of assets. <p>The measurement period of EBITDA is the period of trailing 12 (twelve) months, calculated from the most recent Financial Reports of four consecutive calendar quarters.</p>
Equity Cure	:	Has the meaning set forth in condition under Clause 4.2.3. “Covenant cure”.
Existing Debt	:	All Financial Indebtedness of the Issuer and the Subsidiaries in existence on the Issue Date. For the sake of clarity, any debt to be released on or about the Issue Date shall not be deemed an “Existing Debt”.
EUR	:	Euro (single currency of the member states of the European Monetary System).
Existing Unsecured Notes	:	Unsecured debt securities with ISIN LV0000802429 due on 25 November 2022 and an outstanding amount of EUR 3,500,000 and debt securities with ISIN LV0000850048 due on 25 August 2023 and an outstanding amount of EUR 5,000,000.
Existing Security	:	All Security provided by the Issuer or its Subsidiaries in existence on the Issue Date. For the sake of clarity, any Security to be released on or about the Issue Date shall not be deemed to be an “Existing Security”.
Existing Secured Notes	:	Secured debt securities with ISIN LV0000802379 due on 25 November 2022 with an outstanding amount of EUR 5,000,000, which will be redeemed prematurely on 25 November 2021, based on Issuer’s public announcement on 22 October 2021
Existing Secured Notes Security	:	A security over assets, property and receivables provided in relation to Existing Secured Notes.
Existing Shareholders	:	Shareholders of the Issuer under Clause 9.7. “Existing Shareholders of the Issuer”, as well as direct and/or indirect shareholders of those shareholders, ultimate beneficial owners or legal entities of their control, successors who become shareholders because of an inheritance, a divorce, a trust agreement or similar arrangement.

Fair Market Value	:	With respect to any asset, the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by the management board of the Issuer.
FCMC	:	The Financial and Capital Market Commission (<i>Finanšu un kapitāla tirgus komisija</i>). An autonomous public institution of the Republic of Latvia, which carries out the supervision of Latvian banks, credit unions, insurance companies and insurance brokerage companies, participants of financial instruments market, as well as private pension funds, payment institutions and electronic money institutions.
Finance Charges	:	For the Relevant Period, the aggregate amount of the accrued interest, commission, fees, discounts, payment fees, premiums or charges and other finance payments in respect of Financial Indebtedness whether paid, payable or capitalized by any Group entity according to the latest Financial Report (calculated on a consolidated basis) without taking into account any: (a) costs related to the Notes issue; (b) unrealized gains or losses on any derivative instruments other than any derivative instruments which are accounted for on a hedge accounting basis; (c) losses arising on foreign currency revaluations of intercompany balances.
Financial Indebtedness	:	Any interest-bearing financial indebtedness for the Issuer or its Subsidiaries, including: <ul style="list-style-type: none"> a) monies borrowed and debt balances at banks or other financial institutions; b) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument, including the Notes, Existing Secured Notes and Existing Unsecured Notes; c) the amount of any liability in respect of any finance lease; d) any monies borrowed from any shareholder of the Issuer; e) any amount under any transaction having the commercial effect of a borrowing, including forward sale, purchase, assignment agreements with peer-to-peer marketplace lending platforms; f) any counter-indemnity obligation issued by a bank or a financial institution.
Financial Report	:	The annual audited consolidated financial statements of the Issuer and the quarterly interim unaudited consolidated reports of the Issuer prepared in accordance with the Accounting Principles.
First North	:	Multilateral Trading Facility (MTF) First North operated by Nasdaq Riga.
First Settlement Date (Issue Date)	:	The date when interest on the Notes start to accrue and is 24 November 2021.
Force Majeure Event	:	Has the meaning set forth in Clause 4.8.
Group	:	The group of the legal entities comprising of the Issuer and its direct or indirect Subsidiaries.
Interest Coverage Ratio (ICR)	:	The ratio of EBITDA to Net Finance Charges.
Investor(s)	:	A Note holder registered in the Nasdaq CSD or, where relevant, a private individual or legal entity that has, according to the terms and conditions set out in these Terms of the Issue, expressed

	:	interest or is planning to purchase one or more Notes for its own account.
IPO Event	:	Has the meaning set forth in Clause 9.10.
ISIN	:	LV0000802536 (International Securities Identification Number), which was allocated by Nasdaq CSD.
Issuer or DelfinGroup	:	AS “DelfinGroup” (registration number: 40103252854, legal entity identifier: 2138002PKHUJIMVMYB13, legal address: Skanstes 50A, Riga, Latvia, LV-1013).
Legal Acts	:	All legal acts including FCMC, Nasdaq Riga and Nasdaq CSD regulations, which are in force in the Republic of Latvia at the time of the Notes issue, as well as prior to the maturity date of the Notes.
Material Subsidiary(ies)	:	Any future Subsidiary of the Issuer, which constitutes (total assets) more than 20% of total Net Loan Portfolio of the Issuer and/or which constitutes (revenue) 10% of the total consolidated revenue of Issuer.
Maturity date	:	The date when the Notes shall be repaid in full at their nominal amount by the Issuer.
Minimum Settlement Unit	:	The minimum amount which can be held/traded, which is equal to EUR 1,000 (one thousand euro and 00 cents).
Mintos Finance	:	SIA Mintos Finance (registration number: 40203022549, legal address: Skanstes iela 50, Riga LV-1013, Latvia) or any other Mintos group entity, or similar peer-to-peer or marketplace lending platform, as the case may be.
Mintos Debt	:	A debt incurred by the Issuer or its Subsidiaries provided by Mintos Finance.
Mintos Debt Security	:	A security over assets, property, shares or receivables not exceeding 120% of the outstanding principal amount provided in relation to the Mintos Debt.
Nasdaq CSD	:	Nasdaq CSD SE (registration number: 40003242879, legal address Vaļņu iela 1, Riga, LV-1050, Latvia).
Nasdaq Riga	:	AS “Nasdaq Riga” (registration number: 40003167049, legal address: Vaļņu iela 1, Riga, LV-1050, Latvia).
Negative Pledge	:	The Notes will have the benefit of a negative pledge as described in Clause 4.6. of the Terms of the Issue.
Net Finance Charges	:	For the Relevant Period, the Finance Charges according to the latest consolidated Financial Report, after deducting any interest income relating to the Cash and Cash Equivalents of the Group which is generated outside Permitted Business.
Net Loan Portfolio	:	The sum of loans, securities, investments, receivables, inventories and reserves, minus allowances for losses of the Issuer and Subsidiaries as set forth in the consolidated balance sheet as of the Relevant Period ending on the last day of the period covered by the most recent Financial Report, prepared in accordance with the Accounting Principles.
Nominal	:	Face value of a single Note, which is EUR 1,000 (one thousand euro and 00 cents).
Note(s)	:	A debt security issued by the Issuer according to the Terms of the Issue with ISIN LV0000802536.
Permitted Business	:	Any businesses, services or activities that are the same as, or reasonably related, ancillary or complementary to, any of the

businesses, services or activities in which the Issuer and its Subsidiaries are engaged on the Issue Date, and reasonable extensions, developments or expansions of such businesses, services or activities.

- Permitted Debt :
- Any Financial Indebtedness:
 - a) incurred by the Issuer under the Terms of the Issue and including pursuant to any subsequent notes issue;
 - b) incurred by the Issuer or its Subsidiaries under any Existing Debt;
 - c) incurred by the Issuer or its Subsidiaries under any unsecured Financial Indebtedness;
 - d) incurred for the purpose of financing or refinancing all or any part of the purchase price or cost of design, development, construction, lease, installation or improvement of property, plant or equipment used in the business of the Issuer or any of the Subsidiaries and including any reasonable related fees or expenses incurred in connection with such acquisition or development, in an aggregate principal amount not to exceed EUR 1,000,000 (one million euro);
 - e) incurred by the Issuer or its Subsidiaries as intercompany Financial Indebtedness provided by the Issuer or a Subsidiary;
 - f) arising under a derivative transaction entered into by the Issuer or a Subsidiary in connection with protection against or benefit from fluctuation in any rate or price where such exposure arises in the ordinary course of business or in respect of payments to be made under these Terms of the Issue (excluding the avoidance of doubt any derivative transaction which in itself is entered into for investment or speculative purposes);
 - g) the guarantee by the Issuer or its Subsidiaries in an aggregate principal amount not exceeding EUR 100,000, excluding the principal amount of the guarantee provided in relation to Mintos Debt;
 - h) incurred as a result of the Issuer or a Subsidiary acquiring or merging with another entity and which is due to the fact that such entity holds Financial Indebtedness;
 - i) incurred by the Issuer or its Subsidiaries under a Shareholder Loan;
 - j) incurred by the Issuer under Existing Secured Notes;
 - k) incurred by the Issuer under Existing Unsecured Notes;
 - l) incurred by the Issuer or its Subsidiaries under Mintos Debt;
 - m) incurred by the Issuer or its Subsidiaries under Bank Debt.
- Permitted Security :
- Any Security:
 - a) which is an Existing Security;
 - b) provided in relation to any agreement under which the Issuer or a Subsidiary leases office space or other premises;
 - c) arising by operation according to the existing law or in the ordinary course of business (including, collateral or retention of title arrangements in connection with but, for the avoidance of doubt, excluding guarantees or security in respect of any monies borrowed or raised);

		<ul style="list-style-type: none"> d) provided in relation to a derivative transaction; e) incurred as a result of the Issuer or a Subsidiary acquiring another entity with existing encumbrances; f) over assets or property of the Issuer or any Subsidiary securing Financial Indebtedness or other obligations of the Issuer or such Subsidiary owing to the Issuer or another Subsidiary, or Security in favour of the Issuer or any Subsidiary; g) Existing Secured Notes Security, provided that the Issuer shall not novate the Existing Secured Notes Security and Existing Secured Notes Security shall cease to exist following maturity or redemption of the Existing Secured Notes. For the sake of clarity, Existing Secured Notes shall mature or be redeemed as described in the Existing Secured Notes terms and the Issuer and/or any Material Subsidiary shall not issue any subsequent secured notes; h) Mintos Debt Security, provided the Issuer shall not novate the Mintos Debt Security and, following maturity or redemption of the Existing Secured Notes, shall reduce and/or amend the Mintos Debt Security so it meets the requirements described under the term ‘Mintos Debt Security’ of the Terms of the Issue; i) Bank Debt Security I; j) Bank Debt Security II.
Prospectus Regulation	:	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, OJ L 168, 30.6.2017, at pp 12-82.
Related Parties	:	The shareholders (including Existing Shareholders), members of the management board and supervisory board (if relevant) of the Issuer, Subsidiaries and the Material Subsidiaries and legal entities of which they are majority shareholders or which are under their control.
Relevant Period	:	Each period of 12 (twelve) consecutive calendar months.
Sanctions	:	Restrictive measures, namely, restrictions or prohibitions imposed pursuant to international public law, including restrictive measures adopted by the United Nations Security Council (UN), the European Union (EU), Office for Foreign Assets Control (OFAC) and by the Republic of Latvia.
Security	:	Has the meaning set forth in Clause 4.6. “Negative pledge”.
Shareholder Loan	:	Any loan raised by the Issuer or its Subsidiaries from its current or previous direct or indirect shareholder (including Existing Shareholders).
Subsidiary(ies)	:	Both direct and indirect subsidiaries of the Issuer defined in accordance with the IFRS.
Subordinated debt	:	The debt of the Group in form of subordinated loans or any other form that is subordinated (<i>i.e.</i> , repayable only after settlement of all obligations under the Notes) to the Notes.
Taxes	:	Any present or future taxes, duties, assessments or governmental charges of whatever nature.
Terms of the Issue	:	This document, which entitles the Issuer to execute the Issue and the initial offering of the Notes.

BEFORE DECIDING TO PURCHASE THE NOTES, INVESTORS SHOULD CAREFULLY REVIEW AND CONSIDER THE FOLLOWING RISK FACTORS. SHOULD ONE OR MORE OF THE RISKS DESCRIBED BELOW MATERIALIZE, THIS MAY HAVE A MATERIAL ADVERSE EFFECT ON THE CASH FLOWS, RESULTS OF OPERATIONS, AND FINANCIAL CONDITION OF THE ISSUER. MOREOVER, IF ANY OF THESE RISKS MATERIALIZE, THE MARKET VALUE OF THE NOTES AND THE LIKELIHOOD THAT THE ISSUER WILL BE IN A POSITION TO FULFIL ITS PAYMENT OBLIGATIONS UNDER THE NOTES MAY DECREASE, IN WHICH CASE THE INVESTORS COULD LOSE ALL OR PART OF THEIR INVESTMENTS.

1. Risk Factors

1.1. Risk factors relating to the Issuer and its business

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

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

1.1.1 Changes in regulatory enactments and policies

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

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

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

1.1.2 Regulatory and licensing risk

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

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

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

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

The economic developments caused by Covid-19 spawned the risk of imposed moratoriums on loan payments, especially on principal and/or interest payments. Moratoriums give clients who are negatively impacted by a specific event, for example, Covid-19, and meet certain criteria, the opportunity to modify the credit repayment schedule and partly or fully defer payment obligations. During the Covid-19 pandemic multiple governments imposed or companies voluntarily signed moratoriums for consumer lending credit and/or bank credit payment deferrals, for example, in Latvia banks entered a moratorium for mortgage loan repayments. Imposed

moratoriums may restrict or forbid the Issuer to initiate the collection process from defaulted clients. This may have a material adverse effect on the Issuer’s business, financial condition, results of operations and cash flows.

1.1.3 Macroeconomic risk

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

At the moment of signing the Terms of the Issue Standard & Poor’s credit rating for Latvia stands at A+ with stable outlook, Moody’s credit rating for Latvia was last set at A3 with stable outlook, Fitch’s credit rating for Latvia was last reported at A- with stable outlook.¹

The Bank of Latvia has raised its gross domestic product (GDP) growth forecast for this year from the previously estimated 2.8% to 3.3%. The March forecasts are more optimistic than in December 2020, taking into account the supportive monetary policy and favourable financing conditions, as well as broad fiscal policy support to businesses and individuals to mitigate the negative effects of Covid-19. Assuming that vaccination remains on schedule, restrictions are expected to ease significantly from the second half of 2021, which will improve consumer and business sentiment. The Bank of Latvia forecasts that fiscal measures supporting household incomes and a more active use of consumption savings during the pandemic will lead to a rapid recovery in private consumption. The Bank of Latvia forecasts that the rapid recovery of GDP, especially private consumption, in the second half of 2021 will be sustainable and will continue in 2022, when 6.5% GDP growth could be achieved.²

However, the short-term risks to the GDP and inflation forecasts are on the downside and mainly hinge on the opportunities to contain the pandemic. If the vaccination does not proceed as planned and there are any delays in containing the spread of the coronavirus, including its mutations, the economic recovery is likely to decelerate and the upward effect of the postponed consumption on service prices could be smaller than estimated.³

If the disposable income of population declines due to these economic hardships, it can adversely affect clients’ ability to return the loans to the Issuer, which in turn may reduce its ability to meet Issuer’s obligations to Investors.

1.1.4 Competition risk

Issuer’s principal competitors include other consumer lending providers and banks. As of the Issue Date there are 50 licensed consumer finance companies which operated in the territory of Latvia, offering different credit services; more than 10 of them offered loans against pledge of movable property (pawn loan). Among the licensed consumer finance companies a large part of lenders operate in a virtual environment, or only in a small geographic area.⁴ The Issuer provides its services throughout the territory of Latvia - a total of 38 cities and rural areas, operating over 90 branches, as well as in the virtual environment. Taking into account the number of businesses that provide similar services, the Issuer’s existing branch network, the quality of services and barriers to entry in the market, the Issuer risks of competition is not considered to be significant.

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

1.1.5 Credit risk

The Issuer is exposed to the risk of loss through defaults on the loans granted. The default is contingent on the inability or unwillingness of the customer to make payments. This includes scenarios where the customer makes payments late, only partially, or not at all. Issuer’s lending decisions are based partly on information provided to

¹ <https://tradingeconomics.com/latvia/rating>

² <https://www.leta.lv/eng/home/important/13DAE7B1-D9B4-4742-990D-EB3DCA093CC0/>

³ <https://www.bank.lv/en/publications-r/news-and-articles/press-releases/12457-latvijas-banka-has-revised-its-gdp-and-inflation-forecasts-for-latvia>

⁴ <https://registri.ptac.gov.lv/lv/table/kapitalsabiedribas-kuras-sanemu-licenci-pateretaju-krediteanas-pakalpojumu-sniegsana>

the Issuer by loan applicants and/or delivered by third parties (credit bureaus, agencies, appraisers and other partners). Prospective customers may fraudulently provide the Issuer with inaccurate information or third parties might provide the Issuer with incomplete information which, if not alerted, may harm Issuer’s credit scoring and respective risk decisions.

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

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

1.1.6 Privacy and data protection breach risk

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

1.1.7 AML and Sanctions compliance risk

As the Issuer carries out its activity in Latvia, the Issuer is a subject to the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing and Law On International Sanctions and National Sanctions of the Republic of Latvia and complies with the international legal acts and legal acts of the Republic of Latvia which regulate prevention of legalization of proceeds derived from criminal activity and financing of terrorism and proliferation.

The Issuer takes all the measures necessary to reduce the probability of conducting business with customers involved in or allegedly involved in money laundering and terrorism and proliferation financing by adhering to all the legal requirements. Nevertheless, there is a risk that the measures adopted by the Issuer may be insufficient for prevention of money laundering and terrorism and proliferation financing, as a result of which the Issuer may incur losses, be subjected to legal Sanctions, or its reputation may deteriorate. This may have an adverse effect on the financial position and reputation of the Issuer.

1.1.8 Counterparty risk

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

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

Any inability to maintain existing business relationships with banks, local consumer credit agencies, IT service providers, collateral appraisers, debt-collection agencies and other third-party providers or the failure by these third-party providers to maintain the quality of their services or otherwise provide their services to the Issuer may

have a material adverse effect on the Issuer’s business, financial condition, results of operations, prospects and cash flows.

1.1.9 Liquidity risk

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

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

1.1.10 Key employee risk

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

1.1.11 Litigation risk

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

1.1.12 Interest rate risk

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

1.1.13 Risk of natural disasters and other business disruption

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

1.1.14 Taxation risk

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

1.2. Risks factors related to Notes

1.2.1 Notes repayment risk

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

1.2.2 Subordination risk

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

As of Issue Date, Issuer has an outstanding Existing Secured Notes:

- LV0000802379 with maturity date 25 November 2022 and remaining principal EUR 5,000,000.

As per Issuer’s public announcement on 22 October 2021, Issuer will prematurely redeem the outstanding Existing Secured Notes with LV0000802379 on 25 November 2021.

According to reported unaudited financial statements as of 30 September 2021, Issuer has an outstanding secured liabilities to Mintos Finance in the amount of EUR 14,912,974.

Existing Secured Notes together with outstanding financing from Mintos Finance are secured with the following collateral:

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

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

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

After the early redemption of Existing Secured Notes, Issuer plans to amend, register renewal of Mintos Debt Security or register new commercial pledge, as the case may be, on behalf of Mintos Finance for reduced amount.

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

1.2.3 Liquidity risk

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

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

1.2.4 Price risk

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

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

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

1.2.5 Foreign exchange risk

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

1.2.6 Repurchase or redemption risk

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

1.2.7 Tax risk

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

1.2.8 Resolutions of the Investors risk

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

2. Party responsible for the Terms of the Issue

2.1. Party responsible for the Terms of the Issue

Akciju sabiedrība “DelfinGroup”

Registration number: 40103252854

Legal entity identifier: 2138002PKHUJIMVMYB13

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

2.2. Representations and Warranties of the Issuer

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

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

The Issuer gives the following warranties to the Investors:

- (a) The Issuer is a duly registered limited liability company operating in compliance with the laws of Latvia;
- (b) All the Issuer’s obligations assumed under this issue of the Notes are valid and legally binding to the Issuer and performance of these obligations is not contrary to the Issuer’s Articles of Association, laws or any agreement concluded by the Issuer;
- (c) The Issuer has all the rights and sufficient authorizations to issue the Notes and fulfil obligations arising from issuing the Notes;
- (d) The Issuer has performed all the formalities required for issuing the Notes and fulfilling the obligations arising here from;
- (e) All information that is provided by the Issuer to the Investors is true, accurate, complete and correct as at the date of presenting the respective information and is not misleading in any respect;
- (f) The Issuer is solvent, able to pay its debts as they fall due, there are no liquidation or insolvency proceedings pending or initiated against the Issuer;
- (g) There are no legal or arbitration proceedings pending or initiated against the Issuer which may have, or have had significant effects on the Issuer’s financial position or profitability;
- (h) There are no criminal or misdemeanour proceedings pending or initiated against the Issuer.

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

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

Hereby we, members of the board of AS “DelfinGroup”, Didzis Ādmīdiņš, Kristaps Bergmanis and Ivars Lamberts, certify that, by paying sufficient attention to this purpose, the information included in the Terms of the Issue is true, in accordance with the facts, and no information which may affect its meaning is concealed therein.

Didzis Ādmīdiņš
Chairman of the Board

Kristaps Bergmanis
Member of the Board

Ivars Lamberts
Member of the Board

3. Information on Notes

3.1. The use of the proceeds

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

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

3.2. Information on the offered Notes

3.2.1 General Information

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

Notes issue ISIN is LV0000802536, which was allocated by Nasdaq CSD.

3.2.2 Legal acts that regulate the Notes issue

The Notes issue is a private placement arranged in compliance with the Financial Instrument Market Law and other Legal Acts of the Republic of Latvia that are in force including the FCMC, the Nasdaq CSD and the Nasdaq Riga regulations. Minimum subscription size for the Notes is EUR 100,000.00 (one hundred thousand Euro) with minimum step of EUR 1,000.00 (one thousand Euro).

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

3.2.3 Form and accounting of the Notes

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

3.2.4 Currency of the Notes

Currency of the Notes is EUR (euro).

3.2.5 Subordination of the Notes

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

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

As of Issue Date, Issuer has an outstanding Existing Secured Notes:

- LV0000802379 with maturity date 25 November 2022 and remaining principal EUR 5,000,000.

As per Issuer’s public announcement on 22 October 2021, Issuer will prematurely redeem the outstanding Existing Secured Notes with LV0000802379 on 25 November 2021.

According to reported unaudited financial statements as of 30 September 2021, Issuer has an outstanding secured liabilities to Mintos Finance in the amount of EUR 14,912,974.

Existing Secured Notes together with outstanding financing from Mintos Finance are secured with the following collateral:

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

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

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

After the early redemption of Existing Secured Notes, Issuer plans to amend, register renewal of Mintos Debt Security or register new commercial pledge, as the case may be, on behalf of Mintos Finance for reduced amount.

3.2.6 Rights and restrictions connected with the Notes issue

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

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

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

3.2.7 Coupon payments

The Coupon rate for the Notes is 8% (eight per cent) per annum and is fixed until the maturity of the Notes.

Coupon payments are made every calendar month – on the 25th date. The first Coupon payment will be made on 25 December 2021 and the last Coupon payment will be made on 25 November 2023.

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

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

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

The first coupon payment on 25 December 2021 is determined according to the following formula:

$CPN1 = F * C * 31/360$, where

CPN1 – the amount of Coupon payment in EUR per Note on 25 December 2021;

F – Nominal value of one Note;

C – annual Coupon rate (%).

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

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

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

F – Nominal value of one Note;

C – annual Coupon rate (%);

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

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

3.2.8 Procedure of the Notes repayment

The Nominal of one Note is EUR 1,000 (one thousand euro) and the Issuer will repay Nominal amount as a lump sum on the maturity date of the Notes, which is 25 November 2023.

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

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

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

3.2.9 Early redemption (call option)

The Issuer can carry out full early redemption (call option), on every Coupon payment date starting from 25 May 2023 by paying 101% (one hundred and one per cent) of the Nominal amount. The Issuer can carry out call option only in full amount of total outstanding Notes.

If the Issuer takes decision on the early redemption of Notes, the Issuer shall notify Investors at least 20 (twenty) Business Days prior to the redemption date of Notes, with intermediation of Nasdaq CSD was sent to Nasdaq CSD participants, who hold the Notes in financial securities' custody accounts or are Investors, and the announcement of the decision has been published via Issuer's website.

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

3.2.10 Early redemption at the option of Investors (put option)

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

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

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

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

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

3.2.11 Accrued interest calculation

The first Coupon starts to accrue on 24 November 2021, which is the First Settlement Date of the Notes issue. The accrued Coupon is calculated presuming that there are 360 days in one year (day count convention - “European 30/360”). Accrued interest between Coupon payment dates shall be calculated as follows:

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

AI – accrued interest of one Note;

F – Nominal value of one Note;

C – annual Coupon rate (%);

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

3.2.12 Representation of the Investors

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

3.2.13 Decisions of the Issuer on the Notes issue

On 25 August 2021, the Issuer’s supervisory board passed the decision (No.09/2021) to issue debt securities in the amount of up to and including EUR 10,000,000 (ten million euro). On 25 August 2021 the Issuer’s management board passed the decision (No. 02/2021-obl) to issue the Notes and to authorize any member of the management board to sign all the documents related to the execution of the supervisory board’s decision to issue debt securities.

3.2.14 The First Settlement Date of the Notes issue

The First Settlement Date (Issue Date) of the Notes issue is 24 November 2021, on which the Coupon starts to accrue.

3.2.15 Restrictions on free circulation of the Notes

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

4. Special Conditions

4.1. Disclosure of information

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

4.2. Event of default

If the Issuer receives a written notification from the Investors representing at least 10% (ten per cent) of the outstanding Notes issue that the immediate repayment deadline has set in for the Notes owned by the relevant Investor(s), at any time after the event of default has occurred (and as long as the event of default exists), the Issuer has to redeem or, at the Issuer's option, purchase (or procure the purchase of) the Nominal value of Notes along with the accrued Coupon and contractual penalty, in accordance with Clause 4.3. “Contractual penalty”, within 5 (five) Business Days after receipt of the notification.

If an event of default occurs and the Issuer is unable to redeem or purchase the Notes immediately, the Issuer is obliged to engage an authorized person (“Agent”) to organise an Investor written notification in accordance with this clause within a maximum of 20 (twenty) Business Days after the event of default has occurred. Each of the events or circumstances set out in below shall constitute an event of default:

4.2.1 Non-payment

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

4.2.2 Breach of covenants

The Issuer has violated the conditions of the Clause 4.4. “Financial covenants” and has failed to remedy such violation according to Clause 4.2.3. “Covenant cure”.

4.2.3 Covenant cure

The shareholders of the Issuer may cure or prevent a breach of the financial covenant in Clauses **Error! Reference source not found..1** (and any Event of Default arising as a result thereof) if, prior to or within 90 (ninety) calendar days of the earlier of: (i) the date on which the relevant financial report is to be published pursuant to the Terms of Issue; and (ii) the date the relevant financial report was in fact published pursuant to the Terms of the Issue for any measurement period in which such failure to comply was (or would have been) first evidenced, the Issuer received the cash proceeds of new shareholder injections from the shareholders of the Issuer (the “Equity Cure”), in an amount at least sufficient to ensure that the financial covenant set forth under Clauses **Error! Reference source not found..1** would be complied with if tested again as at the last date of the same measurement period on the basis any Equity Cure provided shall be included for the measurement period as if provided immediately prior to the last day of such measurement period.

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

If after the equity adjustment the requirement of the relevant financial covenant is met, then the requirement thereof shall be deemed to have been satisfied as at the relevant original date of determination of any default, Event of Default, occasioned thereby shall be deemed to have been remedied for the purposes of the Terms of the Issue.

4.2.4 Cross default

If for the Issuer or any Material Subsidiary:

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

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

4.2.5. Insolvency

The Issuer or any Material Subsidiary is considered insolvent if:

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

4.2.6. Security enforced

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

4.3. Contractual penalty

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

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

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

4.4. Financial covenants

- 4.4.1. From the Issue Date of the Notes to the date of repayment thereof, the Issuer and its Subsidiaries shall undertake the following financial covenants:
- 4.4.1.1. To maintain a Capitalization Ratio of at least 25% (twenty-five per cent);
 - 4.4.1.2. To maintain consolidated ICR (calculated on the trailing 12 (twelve) months (TTM) basis) of at least 1.25x (one point twenty-five times) and starting 31 December 2022 of at least 1.5x;
 - 4.4.1.3. To maintain Net Loan Portfolio, plus Cash and Cash Equivalents, net of value of outstanding Mintos Debt Security and Bank Debt Security I, at least 1.2x (one point two times) the outstanding principal amount of all unsecured interest-bearing debts* of the Issuer on consolidated basis (formula: (Net Loan Portfolio + Cash and Cash Equivalents – Mintos Debt Security – Bank Debt Security I) / (all unsecured interest-bearing debt*) > = 1.2x).
- 4.4.2. The financial covenants set forth in Clauses **Error! Reference source not found.** and 4.4.1.2 shall be tested on a consolidated basis as at the end of each quarter and covenants calculations and proof of compliance with covenants to be published in the consolidated quarterly financial reports of the Issuer.

4.5. General covenants

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

- 4.5.1. Not to start any business activity that is outside the scope of Permitted Business, except if revenue from such business activity shall not exceed 10% (ten per cent) of the total consolidated revenue of the Group;
- 4.5.2. Not to commence reorganization or liquidation of the Issuer and/ or reduce the share capital of the Issuer.
- 4.5.3. Not to commence reorganization or liquidation of Subsidiaries, except if reorganization or liquidation of the Subsidiary is necessary for the reasons of consolidating operations under the Issuer or any other Group entity;
- 4.5.4. To comply with all applicable laws, regulations and requirements that apply and/or may apply in the future in order to maintain and obtain the licenses and permits required for the operations of the Issuer and its Subsidiaries;
- 4.5.5. Not to sell, present, change, rent, invest, or otherwise transfer into utilisation the right to use the trademarks of the Issuer and/or its Subsidiaries;
- 4.5.6. Not to obtain participation in other companies by investing funds, except if over 51% (fifty one per cent) participation in this company shall be acquired by making an investment and the Issuer or its Subsidiaries retains full control of a company;
- 4.5.7. Not to sell or otherwise dispose of shares in any Material Subsidiary or any of the assets or operations of a Material Subsidiary to parties who are not Subsidiaries of the Group;
- 4.5.8. Not to lend (in the form of loans or otherwise) to the shareholders or Related Parties of the Issuer, except for a Fair Market Value and in total amount up to 10% of the Consolidated Net Worth;
- 4.5.9. Not to borrow (in form of loans or otherwise) from the shareholders of the Issuer or Related Parties, except for a Fair Market Value and such obligations shall be expressly subordinated in right of payment to the Notes;
- 4.5.10. Not to, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to any Financial Indebtedness, however, if a Financial Indebtedness is to be incurred such Financial Indebtedness shall rank *pari passu* with the Notes or is unsecured or is subordinated to the Notes. The foregoing shall not prohibit the incurrence of Permitted Debt;

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

- 4.5.11. Any transactions with Related Persons shall be at Fair Market Value;
- 4.5.12. To prepare and publish consolidated unaudited quarterly reports within 2 (two) months after the reporting period;
- 4.5.13. To publish consolidated condensed unaudited semi-annual report as per Accounting Principles within 2 (two) months after the reporting period;
- 4.5.14. To publish audited consolidated annual report as per Accounting Principles within 4 (four) months after the reporting period.

4.6. Negative pledge

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

4.7. Procedure for applying for the waiver

The Issuer has the right to ask for the consent (waiver) of Investors to amend the conditions included in the Terms of the Issue (apply for the waiver).

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

The Issuer can apply for the waiver itself or through the intermediary of an authorized person (“Agent”). To apply for the waiver, the Issuer or Issuer’s Agent shall notify Investors with by sending information via intermediation of Nasdaq CSD, who send this information to Nasdaq CSD participants, who hold the Notes in financial securities’ custody accounts or are Investors, and the announcement of the waiver has been published via Issuer’s website, specifying at the least the following information:

- a) a description of the changes applied for;
- b) a justification of the necessity of the changes applied for;
- c) the date when the list of Investors eligible to grant the waiver (vote) will be fixed;
- d) the term within which an Investor can support or reject the offered waiver;
- e) instructions concerning notification about the support or rejection of the waiver and the procedure for filling in the voting questionnaire;
- f) notification that an Investor willing to grant the waiver offered by the Issuer shall notify the Issuer and Issuer’s Agent within the term specified in the application, which is certified by a postal seal, signature on receipt or notification (letter or email) from Investor’s Custodian. If the Investor does not notify the Issuer or Issuer’s Agent about the approval to grant waiver within the term specified in the application, an Investor shall be deemed as not having granted the waiver;
- g) contact details of the Issuer and/ or the Issuer’s Agent to be used for notifications (telephone number for inquiries, email or address for sending filled in and signed questionnaires, list of representative offices and/ or branches of the Issuer and/ or Issuer’s Agent where Investors can submit the questionnaires in person);
- h) other information including a fee to Investors for approving the waiver needed by Investors for deciding upon granting the consent or refusal to grant the waiver to the Issuer.

The list of Investors shall be inquired from the Nasdaq CSD as of the date falling to the fifth Business Day after the information with intermediation of Nasdaq CSD was sent to Nasdaq CSD participants, who hold the Notes in financial securities’ custody accounts or are Investors, and the announcement of the waiver has been published via Issuer’s website.

The term allowed to Investors for deciding upon refusal to grant the waiver to the Issuer may not be shorter than 14 (fourteen) calendar days after the information with intermediation of Nasdaq CSD was sent to Nasdaq CSD participants, who hold the Notes in financial securities’ custody accounts or are Investors, and the announcement of the waiver has been published via Issuer’s website.

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

The Issuer or Issuer’s Agent shall sum up the received votes and notify Investors of the results of the voting within one Business Day after the deadline for submitting the questionnaires by publishing relevant announcement via Issuer’s website.

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

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

4.8. Force majeure and limitation of liability

- 4.8.1. The Issuer shall be entitled to postpone the fulfilment of its obligations under these Terms of the Issue in the event performance is not possible due to the continuous existence of any of the following circumstances (a “Force Majeure Event”).
- a) action of any authorities, war or threat of war, rebellion or civil unrest;
 - b) disturbances in postal, telephone, or electronic communications which are due to circumstances beyond the reasonable control of the Issuer and that materially affect the operations of the Issuer;
 - c) any interruption of or delay in any functions of measures of the Issuer as a result of a fire, extreme weather or other similar disaster;
 - d) any industrial action, such as a strike, lockout, boycott or blockade affecting materially the activities of the Issue; or
 - e) any other similar *force majeure* hindrance.
- 4.8.2. In case of occurrence of a Force Majeure Event, the Issuer’s fulfilment of the obligations may be postponed for the period of the existence of such respective circumstances and shall be resumed immediately after such circumstances cease to exist, provided the Issuer shall put all best efforts to limit the effect of the Force Majeure Event and to resume the fulfilment of its obligations as soon as possible.

5. Taxes

5.1. Notice

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

5.2. Definition of residents and non-residents

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

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

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

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

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

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

Source: Legal Acts of the Republic of Latvia

6. Terms of the Offering

6.1. Subscription to the Notes

6.1.1. Subscription period

The offering shall commence on 17 November 2021 at 10 am Riga time and shall end on the Maturity Date or when all Notes are sold, whichever is earlier.

6.1.2. Subscription terms

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

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

The minimal initial subscription size (the “Minimum Investment Amount”) is EUR 100,000.00 (one hundred thousand Euro). Subscription size should be equal to a multiple of the Settlement Unit Multiple.

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

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

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

The First Settlement Date of Notes is 24 November 2021.

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

6.1.3. Notes price

Notes purchase price for subscription orders with settlement dates from 24 November 2021 until 10 December 2021 will differ depending on the following:

- a) Notes purchase price can be equal to 98.50% (ninety-eight point fifty per cent) of the Nominal, plus accrued interest as per Clause 3.2.11 “Accrued interest calculation”, for investors who were noteholders of notes with ISIN LV0000802213;
- b) Notes purchase price can be equal to 99.00% (ninety-nine per cent) of the Nominal, plus accrued interest as per Clause 3.2.11 “Accrued interest calculation” for new investors;
- c) Notes purchase price can be equal to 99.50% (ninety-nine point fifty per cent) of the Nominal, plus accrued interest as per Clause 3.2.11 “Accrued interest calculation”, for investors which were noteholders of the Existing Secured Notes with ISIN LV0000802379;
- d) Notes purchase price can be higher or lower than the Nominal, meaning that Notes can be sold with discount or premium, accrued interest as per Clause 3.2.11 “Accrued interest calculation”, at sole discretion of the Issuer.

Decision to issue Notes at any price range indicated above is made at sole discretion of the Issuer.

Notes purchase price for subscription orders with settlement date starting from 13 December 2021 shall be 100.00% (one hundred per cent) of the Nominal, plus accrued interest as per Clause 3.2.11 “Accrued interest calculation”. However, Notes purchase price can be higher or lower than the Nominal, meaning that Notes can be sold with discount or premium, accrued interest as per Clause 3.2.11 “Accrued interest calculation”, at sole discretion of the Issuer.

All subscription orders that were aggregated during the subscription period with the First Settlement Date as of 24 November 2021 will be delivered without accrued interest.

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

6.1.4. Reduction of the Notes issue size

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

6.1.5. Allocation of the Notes to Investors

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

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

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

6.2. Settlement and delivery of the Notes

The First Settlement Date of Notes is 24 November 2021. All subscription orders that were aggregated during the subscription period with settlement date 24 November 2021 will be delivered without accrued interest.

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

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

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

6.3. Pre-emptive rights

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

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

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

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

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

8. Additional Information

8.1. Advisors involved in the Issue

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

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

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

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

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

8.4. Credit ratings

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

9. The Issuer

9.1. General Information on the Issuer

The Issuer is AS "DelfinGroup".

The Issuer's registration number is 40103252854 and legal entity identifier is 2138002PKHUJIMVMB13.

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

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

Country of location: Republic of Latvia.

The Issuer carries out its activities in accordance with the Legal Acts of the Republic of Latvia.

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

- a) The Commercial Law of the Republic of Latvia;
- b) Cabinet Regulation No. 245 of 29 March 2011, "Regulations Regarding a Special Permit (Licence) of Consumer Credit Services";
- c) Cabinet Regulation No. 691 of 25 October 2016, "Regulations On Consumer Credit" (these Regulations determine the requirements in relation to the content of consumer credit service advertisements, the procedures by which information shall be provided prior to entering into a consumer credit agreement, and the content of information, requirements for provisions of additional services, the requirements to be set out for the credit agreement and the information to be contained therein, the methodology for the calculation of the annual percentage rate of charge, foreign currency credit and variable interest rate credit provisions, the procedures for informing consumers during the duration of the credit agreement, the procedures for early repayment of credit and fair reduction of the total costs of the credit, the requirements applicable to individual types of credit agreements and the obligations of credit intermediaries, advisory requirements, as well as the legal framework for consumer credit for pledging movable property);
- d) Law On Out-Of-Court Consumer Dispute Resolution Bodies (the purpose of this law is to lay down uniform requirements for the out-of-court dispute resolution bodies, in order to enable consumers to exercise and protect their lawful rights through independent, impartial, transparent, efficient, fast, and fair out-of-court dispute resolution);
- e) Personal Data Processing Law (the purpose of this Law is to create legal preconditions for setting up of a system for the protection of personal data of a natural person at a national level by providing for the institutions necessary for such purpose, determining the competence and basic principles of operation) and Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation);
- f) Consumer Rights Protection Law (the purpose of this Law is to ensure that consumers are able to exercise and protect their lawful rights when entering into contracts with manufacturers, traders or service providers);
- g) Unfair Commercial Practice Prohibition Law (the purpose of this Law is to ensure the protection of the rights and economic interests of the consumers by prohibiting the performers of commercial practices from utilising unfair business-to-consumer commercial practices);
- h) Law On Extrajudicial Recovery of Debt (the purpose of this Law is to regulate the rights and duties of a creditor and a provider of debt recovery services in the field of debt recovery).

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

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

9.3. Auditor

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

9.4. Brief summary

AS “DelfinGroup” is a licensed consumer lending company, founded in 2009. The company represents such brands as Banknote, VIZIA and Riga City Pawnshop. DelfinGroup's core services are pawnbroking loans, consumer loans, as well as senior loans, the terms of which are specially adapted for senior consumers. The company operates in 38 Latvian cities and towns with a total of over 90 Banknote branches, and the company is also represented in the digital environment with remote service provision - in the field of consumer loans and an online store. The company employs more than 270 professionals.

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

9.5. Management Board of the Issuer

- **Didzis Admidins** (Chairman of the Management Board, CEO, owns 600,000 shares of the Issuer (1,32%))

Master’s degree in Economics and Business Administration from the Riga Technical University. Previous experience as Chief Operating Officer at several real estate companies (2008-2010); Retail credit specialist at Swedbank (2007-2008).

- **Kristaps Bergmanis** (Member of the Management Board, owns 400,000 shares of the Issuer (0,88%))

BSc in Economics and Business Administration from the Stockholm School of Economics in Riga. Master’s degree in Quality Management from the University of Latvia (pending); ACCA candidate (passed 12 of 14 examinations). Previous experience as board member and CFO at Vision Express Baltija (2005-2012). Responsible for supporting the CEO in developing and implementing the strategy. Responsible for finance strategy and reporting on the financial and operational performance of the business.

- **Ivars Lamberts** (Member of the Management Board, COO, owns 400,000 shares of the Issuer (0,88%))

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

9.6. Supervisory Board of the Issuer

The Supervisory Board of the Issuer consists of the following members:

- **Agris Evertovskis** (Chairperson of the Supervisory Board)

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

- **Gatis Kokins** (Deputy Chairman of the Supervisory Board)

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

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

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

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

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

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

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

9.7. Existing Shareholders of the Issuer

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

Table 3 – Issuer’s Existing Shareholders structure

Name, surname/ Legal name	Number of shares	Shareholder distribution, %
SIA “L24 Finance”	26,074,130	57.53%
SIA “AE Consulting”	4,000,000	8.83%
SIA “EC finance”	8,525,870	18.81%
Private individuals (Management Board under Clause 9.5.)	1,400,000	3.08%
Free float on Nasdaq Riga Baltic Main list	5,319,494	11.75%
Total:	45,319,594	100%

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

The sole shareholder of SIA “AE Consulting” and SIA “EC finance” is the chairman of the council, co-founder - Agris Evertovskis. Indirect shareholders of SIA “L24 Finance” are following – Linda Kesenfelde (38%), Aigars Kesenfelds (38%), Ivars Kesenfelds (24%).

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

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

9.8. Legal proceedings and arbitration

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

9.9. Substantial changes in financial situation of the Issuer

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

9.10. Important agreements

On 14 October 2021 a public equity offering of ordinary shares of the Issuer has been finalised and as of 20 October 2021 ordinary shares of the Issuer in such offering are listed in the official listing of a stock exchange registered in a Republic of Latvia Nasdaq Riga Baltic Main List (“IPO Event”). Current management and Existing Shareholders have not exited the Issuer during the IPO Event, thus strategy of the Issuer has remained the same.

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

9.11. Significant recent and known trends

The financial performance of the Issuer at the beginning of this year indicates stable growth, despite the Covid-19 pandemic and the restrictions imposed. Both pawn shops and the sales of pre-owned goods on the internet, as well as consumer loans, show good development trends. There is an anticipation that growth rates could increase with the easing or removal of restrictions. For detailed information on Covid-19 and other business risks see Clause 1.1. “Risk factors relating to the Issuer and its business”.

9.12. Documents available to the public

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

10. Financial information

The last reported and audited equity of the Issuer as of 31 December 2020 is EUR 9,251,462.

Issuer does not provide pro forma financial information.

The profit/loss forecast has not been carried out.

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

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

<https://nasdaqbaltic.com/statistics/en/instrument/LV0000101806/reports?date=2021-11-11>

10.1. Income Statement

Table 4 – Issuer’s consolidated income statements, 2019-2020, EUR

	2019 (audited)	2020 (audited)
Net sales	5 403 464	6 164 231
Cost of sales	(3 603 607)	(4 224 332)
Interest income and similar income	16 774 412	17 499 755
Interest expenses and similar expenses	(4 748 992)	(5 082 182)
Gross profit	13 825 277	14 357 472
Selling expenses	(5 425 937)	(5 425 844)
Administrative expenses	(3 487 530)	(3 539 758)
Other operating income	94 932	72 395
Other operating expenses	(743 449)	(812 259)
Profit before corporate income tax	4 263 293	4 652 006
Income tax expense	(349 957)	(754 536)
Profit after corporate income tax	3 913 336	3 897 470
Interim dividend	-	-
Profit for the reporting year	3 913 336	3 897 470

10.2. Balance sheet

Table 5 – Issuer’s consolidated balance sheet at the end of period 2019-2020, EUR

	31.12.2019 (audited)	31.12.2020 (audited)
Non-current assets:		
<u>Intangible assets:</u>		
Concessions, patents, licenses, trademarks and similar rights	184 201	124 256
Other intangible assets	35 733	54 077
Goodwill	127 616	127 616
Advances on intangible assets	6 748	-
TOTAL:	354 298	305 949
<u>Property, plant and equipment:</u>		
Land, buildings, structures and perennials		85 385
Investments in property, plant and equipment	54 515	196 607
Rights-of-use assets	2 048 981	3 194 412
Other fixtures and fittings, tools and equipment	282 678	248 214
TOTAL:	2 386 174	3 724 618
<u>Non-current financial assets:</u>		

Investments in related companies	-	-
Loans to related companies	117 620	-
Loans and receivables	8 859 789	17 711 758
Loans to shareholders and management	1 022 423	474 484
TOTAL:	9 999 832	18 186 242
TOTAL NON-CURRENT ASSETS:	12 740 304	22 216 809
Current assets:		
Finished goods and goods for sale	1 155 352	1 534 007
Loans and receivables	22 687 085	16 962 096
Receivables from affiliated companies	165 112	-
Debt to related companies	2 528	-
Other debtors	275 751	374 756
Deferred expenses	108 539	279 523
Cash and cash equivalents	1 135 644	4 591 954
TOTAL CURRENT ASSETS:	25 530 011	23 742 336
TOTAL ASSETS:	38 270 315	45 959 145
Equity:		
Share capital	1 500 000	4 000 000
Retained earnings	2 954 156	1 353 992
Profit for the reporting year	3 913 336	3 897 470
TOTAL EQUITY:	8 367 492	9 251 462
Liabilities:		
<u>Non-current liabilities:</u>		
Bonds issued	6 059 853	8 441 717
Other borrowings	5 576 378	6 816 925
Lease liabilities for right-of-use assets	1 536 762	2 732 136
TOTAL:	13 172 993	17 990 778
<u>Current liabilities:</u>		
Bonds issued	1 764 767	5 022 652
Other borrowings	13 037 185	10 869 932
Lease liabilities for right-of-use assets	590 531	703 715
Trade payables	501 355	676 305
Accounts payable to affiliated companies	179	-
Taxes and social insurance	243 989	815 952
Accrued liabilities	591 824	601 721
TOTAL:	16 729 830	18 716 905
TOTAL LIABILITIES:	29 902 823	36 707 683
TOTAL EQUITY AND LIABILITIES	38 270 315	45 959 145

10.3. Statement of cash flows

Table 6 – Issuer’s consolidated statement of cash flow for 2019-2020, EUR

	2019 (audited)	2020 (audited)
Cash flow from operating activities		
Profit before extraordinary items and taxes	4 263 293	4 652 006
<u>Adjustments for:</u>		
a) Fixed assets and intangible assets depreciation	212 340	281 964
b) Right-of-use assets depreciation	773 479	762 806
c) Accruals and provisions (except for bad debts)	1 677 719	182 365
d) Cessation results	543 671	620 101
e) Accrued interest income	38 843	(548 686)

f) Accrued interest and similar expense	(531 106)	(627 630)
g) Value adjustments of non-current and current financial assets	5 496	(78 256)
h) Other adjustments	-	(13 500)
Profit before adjustments of working capital and short-term liabilities	6 983 735	5 231 170
<u>Adjustments for:</u>		
a) Loans and receivables and other debtors (increase)	(11 584 992)	(2 858 972)
b) Inventories (increase)	(307 241)	(378 655)
c) Trade payable and accrued liabilities (decrease)/increase	(1 211 513)	(264 478)
Gross cash flow from operating activities	(6 120 011)	2 258 021
Corporate income tax payments	(78 879)	(349 957)
Net cash flows from operating activities	(6 198 890)	1 908 064
<u>Cash flow from investing activities</u>		
Acquisition of affiliated, associated or other companies shares	-	-
Acquisition of fixed assets and intangibles	(810 497)	(1 542 115)
Proceeds from sales of fixed assets and intangibles	63 774	10 689
Loans issued/repaid (other than core business) (net)	(31 074)	833 199
Net cash flow from investing activities	(777 797)	(698 227)
<u>Cash flow from financing activities</u>		
Loans received	12 586 871	10 415 870
Loans repaid	(7 235 205)	(11 546 966)
Bonds issued	1 693 000	(8 606 000)
Redemption of bonds	(1 750 000)	(2 975 000)
Repayment of lease liabilities	828 489	746 569
Dividends paid	(1 500 000)	(3 000 000)
Net cash flows from financing activities	4 623 155	2 246 473
Net cash flow of the reporting year	(2 353 532)	3 456 310
Cash and cash equivalents at the beginning of reporting year	3 489 176	1 135 644
Cash and cash equivalents at the end of reporting year	1 135 644	4 591 954