# Consolidated annual report for the year 2023

9th financial year

PREPARED IN ACCORDANCE WITH IFRS ACCOUNTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Riga — 2024

mintos

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# Management report

# General information

| | |
|---|---|
| **Name of the Parent company** | Mintos Holdings |
| **Legal status of the Parent company** | Joint stock company |
| **Unified registration number, place and date of registration** | 40103902690<br>Riga, 27 May 2015 |
| **Registered office** | Skanstes iela 50<br>Riga, Latvia, LV–1013 |
| **Major shareholders** | ALPPES Capital SIA (30.93% from voting shares)<br>MS CAP SIA (15.63% from voting shares)<br>Obelo Capital AS (10.31% from voting shares)<br>EMK Ventures SIA (10.31% from voting shares)<br>Novo Holdings AS (10.31% from voting shares) |
| **Board Members** | Martins Sulte — Chairman of the Management Board<br>Martins Valters — Member of the Management Board |
| **Supervisory Board Members** | Janis Abasins – Chairperson of the Supervisory Board<br>Mikus Janvars – Deputy of the Chairperson of the Supervisory Board<br>Reinis Viba – Member of the Supervisory Board |
| **Financial period** | 1 January – 31 December 2023 |
| **Auditors** | Rainers Vilans<br>Latvian Certified Auditor<br>Certificate No. 200<br><br>KPMG Baltics SIA<br>Roberta Hirsa iela 1, Riga<br>Latvia, LV – 1045<br>Licence No. 55 |

# Transforming into a multi-asset platform for long-term investing

Mintos is a multi-asset platform offering a unique mix of alternative and traditional financial assets. Our platform is designed to be easy to use, and to enable investors from all backgrounds to grow their wealth starting with as little as EUR 50. We're an authorized investment firm under The Markets in Financial Instruments Directive (hereinafter – MiFID II), a European regulation that provides additional layers of protection and transparency for investors. We've also been recognized for our innovation with multiple awards, including AltFi's People's Choice Award and AltFi's Alternative Finance Platform of the Year.

We set out as a platform for investing in loans in 2015 and grew into the market leader in Europe. While investments in loans remained our core business, 2023 marked the transformation into a multi-asset investment platform with the launch of Fractional Bonds and ETFs. In 2024, we aim to further expand our offering with the addition of new asset classes to the platform. This broad offering will enable us to become the one-stop solution for long-term investing as we scale our business to help retail investors across the EU reach their financial goals.

# Key events of 2023

## Investing in loans remains strong core business

We're by far the largest platform for investing in loans in Europe: Mintos is more than 5x the size of the closest competitors by assets under administration. While we launched new asset classes in 2023, investments in loans still accounted for the majority of our assets under administration. Over the course of the year, investors invested more than EUR 1 189 million, with automated loan portfolios accounting for EUR 954 million (80%) of the investments. On average, investors earned a net return[1] of 11.26% on investments in loans in 2023 (2022: 7.8%).

At the end of 2023, we worked with 54 lending companies from 25 countries (2022: 59 lending companies from 23 countries).

## Expanding our investment offering

As Mintos is an authorized investment firm under MiFID II, we can offer many asset classes beyond loans. With the introduction of Fractional Bonds in October and ETFs in December 2023, we successfully transformed Mintos into a multi-asset investment platform. These new additions provide retail investors with easy access to two traditional asset classes, opening up more opportunities for portfolio diversification on Mintos.

With the launch of high-yield Fractional Bonds, we opened up the world of corporate bonds. While historically bond investing had been out of reach for most retail investors due to substantial capital requirements, on Mintos investors can start from as little as EUR 50, with no fees for investing. This makes it accessible and easy for anyone to diversify their portfolio with bonds.

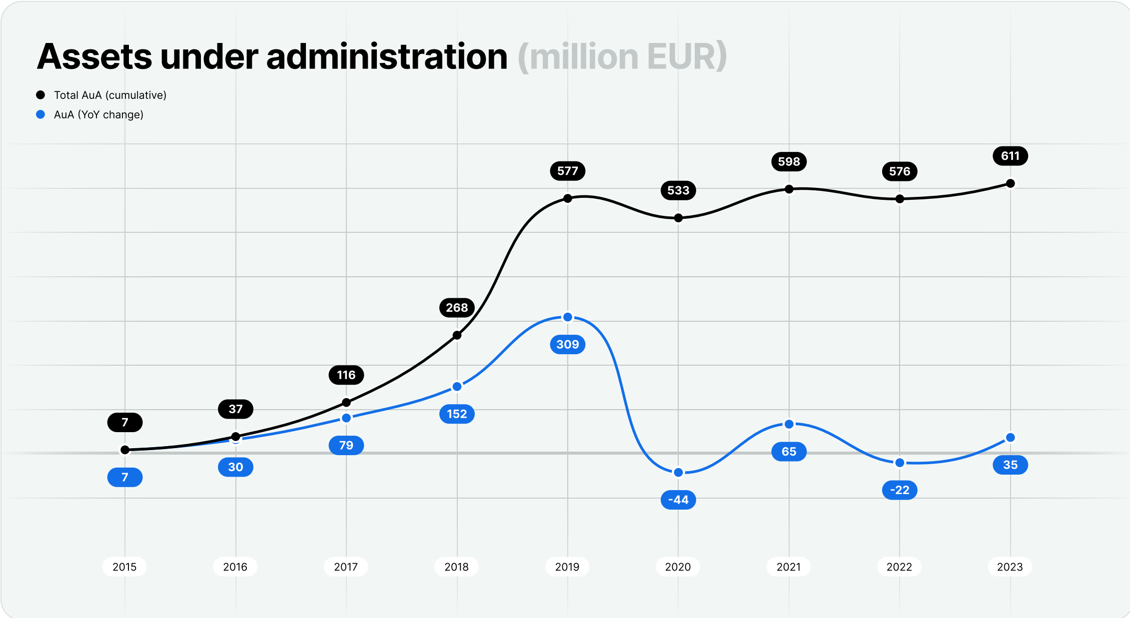
Our ETF offering, Mintos Core ETF, simplifies investing in ETFs and ensures accessibility for every type of investor. The offer consists of a curated selection of ETFs from industry leaders that provide a diversified exposure across various assets, industries, and regions in a single portfolio, starting from just EUR 50. Moreover, the exact portfolio composition is personalized to suit the investor's risk tolerance and objectives. This makes it very easy for investors to build a robust, long-term portfolio that can help them achieve their financial goals.

These new products were received positively by our investors. We'll continue to work on these products in 2024 to improve the user experience, expand the offering, and grow their contribution to the business.

In 2024, we plan to broaden our offering further. We started working on additional asset classes in 2023, which we plan to launch in 2024. This will enable Mintos to offer one of the most extensive collections of asset classes in the market, enabling us to become a one-stop solution for diversified long-term investing.

1 Net investment return is defined as the total annualized gross return, minus the annualized loss rate.
Write-offs have been applied to the loans issued by suspended lending companies based on our recovery estimates.

# Our assets under administration stood at EUR 611 million at the end of 2023, a EUR 35 million (6%) increase over 2022.

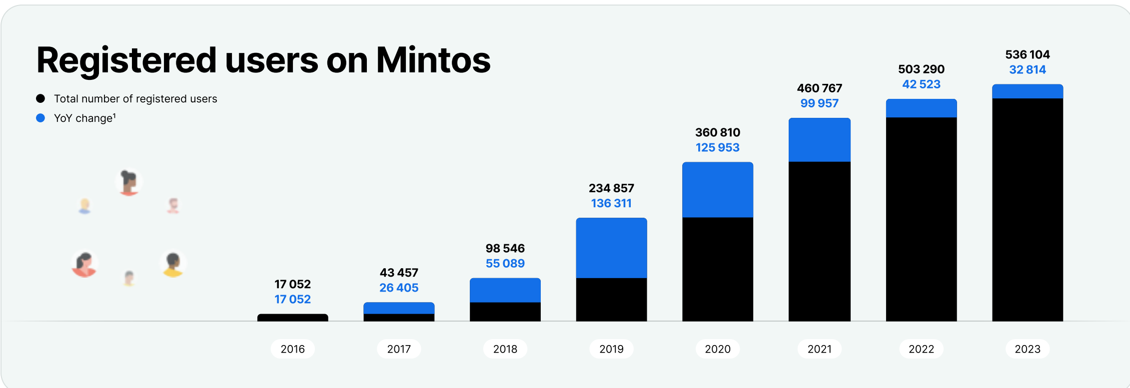



## Improving investor satisfaction and growing user base

In previous years, investor sentiment was heavily impacted by two global events – Covid-19 and the Russian Federation invasion of Ukraine. These events impacted some of the lending companies we partnered with, and consequently investors experienced delayed repayments and bad debt, leading to a drop in satisfaction and negative reviews. In 2023, we started several initiatives to improve investor satisfaction: On the one hand, we introduced a revised process for managing overdue payments from lending companies, and finalized two cases with a combined exposure of EUR 17.1 million and a 68% recovery rate. On the other hand, we doubled down on investor communication. These initiatives lead to an uptick in satisfaction.

We saw a moderate but steady growth of our investor base, as our marketing activities were still limited until we finished the regulatory process and we filed with our regulator (Latvijas Banka) notifications on provision of cross-border services for all EU countries (so-called passporting). This will enable us to strengthen our marketing efforts across the EU to accelerate growth. We started working on the official launch in Germany at the end of 2023, with more markets to follow throughout 2024.

Nevertheless, by the end of the year, 36 thousand new investors had joined Mintos (2022: 52 thousand), an average of 3 thousand per month (2022: 4.3 thousand).




1 New registrations minus closed accounts.

## Financial results

Our revenue increased by 30% in 2023 compared to the year before. We closed the year with EUR 11.4 million in revenue, up from EUR 8.8 million in 2022.

Our total comprehensive income in 2023 amounted to EUR 650 thousand, up from a loss of EUR 196 thousand in 2022.

The result includes EUR 136 thousand related to the fair value of share-based payment benefits which are being recognized over the vesting period. Excluding these payments, the result is an income of EUR 787 thousand compared to a loss of EUR 75 thousand in 2022 (adjustment for share-based payment benefits included).

In 2023, we continued to make significant investments in IT systems with a total investment of EUR 2.009 million, compared to EUR 1.717 million in 2022.

# Risks and uncertainties

Risk management is an integral part of our operations at Mintos and essential to ensure sustainable business development. Our risk management strategy is defined in our Disclosure on risk management practices, which is provided in accordance with the disclosure requirements set out in Regulation (EU) 2019/2033. We assess which risks are material to our operations on an annual basis, and have identified the following risks as material: compliance risk, concentration risk, counterparty and credit risk, liquidity risk, operational risk, and reputational risk. For each material risk, we create policies that outline how the risk is managed, controlled, and monitored. Risk management policies are approved by the Supervisory Board.

Our business operations are affected by market dynamics on the macroeconomic level. As investments in loans account for the majority of our assets under administration, Mintos performance is tied to the ability of borrowers across multiple geographies to make repayments on their loans, and on the business performance of the lending companies on the platform. Mintos' management and risk team monitor global developments, assess the potential risks, and evaluate responses where necessary. The management does not consider market risk as significant.

We're committed to maintaining a controlled environment that protects investors and enables us to effectively prevent or fight financial crime on the platform. To this end, we're monitoring all transactions according to a set of Know Your Customer (KYC), Anti-Money Laundering (AML), Counter-Terrorism Financing (CTF), counter-proliferation financing, and sanctions compliance procedures. Mintos follows privacy regulations and continually invests in resilient technologies for data security.

We're also dedicated to protecting investors on the platform from exposing themselves to unacceptable risk levels. To achieve this, investors need to complete a Suitability and Appropriateness assessment before investing, and we provide them with supporting tools for assessing the risk of an investment, such as the Mintos Risk Score. We are also working on initiatives to increase investors' awareness of the risks that come with investing.

# Events after the balance sheet date

In April 2024, Mintos Holdings AS raised equity investments via a crowdfunding campaign that will be finalized in June 2024. There have been no other significant events after the balance sheet date.

**Martins Sulte**
Chairman of the Management Board

**Martins Valters**
Member of the Management Board

30 May 2024

# Statement of management responsibilities

Mintos management will continue to assess the market developments to make decisions that serve the best interest of Mintos.

The conclusions and comments in this management report are based on information available at the time of completion of this report.

The future activities of Mintos may differ from what we've stated as management's opinion in this report. We will always act based on market changes, and significant threats and opportunities.

The Management is responsible for preparing Mintos Holdings AS Consolidated Annual Report for the year 2023 in accordance with applicable law and regulation.

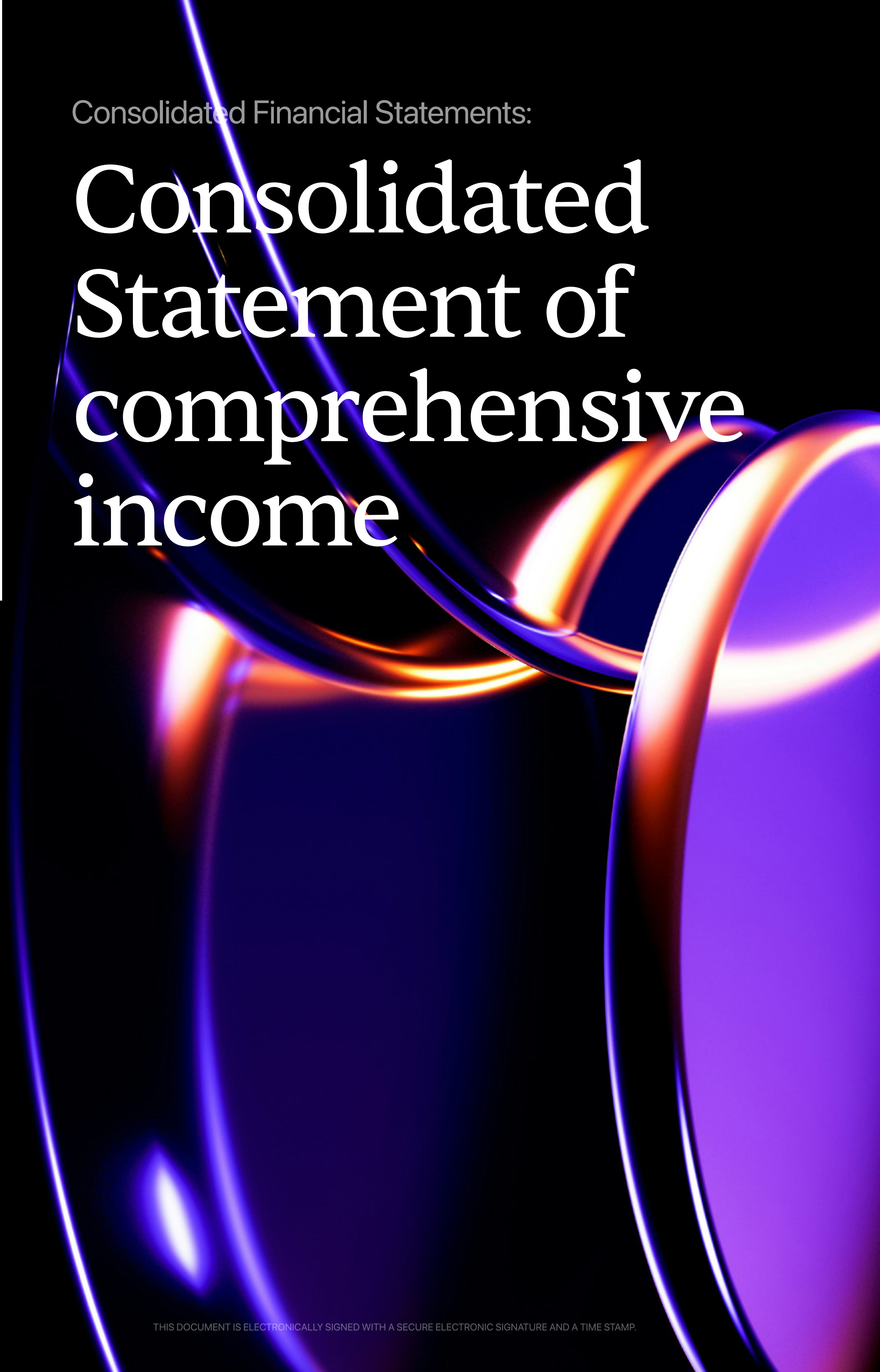
**Martins Sulte**
Chairman of the Management Board

**Martins Valters**
Member of the Management Board

30 May 2024

Consolidated Financial Statements:

# Consolidated Statement of comprehensive income



Consolidated Financial Statements:

# Consolidated Statement of comprehensive income

30 May 2024

| | Notes | 2023 EUR | 2022 (restated)* EUR |
|---|---|---|---|
| Commission and fee income | 5 | 11 445 022 | 8 831 766 |
| Commission and fee expenses | 6 | (57 101) | (116 900) |
| **Net commission income** | | **11 387 921** | **8 714 866** |
| Employee remuneration expenses | 7 | (5 273 318) | (4 828 167) |
| Depreciation and amortization | 12, 13 | (2 569 965) | (2 437 127) |
| Administrative and other general expenses | 8 | (4 629 413) | (3 825 129) |
| Other income | 9 | 1 847 794 | 2 388 662 |
| Impairment losses | 27a | (40 362) | (51 854) |
| Interest income | | 56 312 | 2 009 |
| Interest and similar expenses | 10 | (82 385) | (103 682) |
| **Income/ (loss) before tax** | | **696 584** | **(140 422)** |
| Corporate income tax | 11 | (31 296) | (791) |
| Deferred corporate income tax | 11 | (13 156) | (22 480) |
| **Income/ (loss) for the year** | | **652 132** | **(163 693)** |

| | | |
|---|---|---|
| **Other comprehensive income/(loss)** | | |
| *Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):* | | |
| Exchange differences on translation of foreign operations | (1 876) | (32 257) |
| Change in fair value of financial instruments | 163 | - |
| Other comprehensive (loss) for the year, net of tax | (1 713) | (32 257) |
| **Total comprehensive income/(loss)** | **650 419** | **(195 950)** |

* Information regarding the restatement made in the Financial Statements is disclosed in Note 2s.

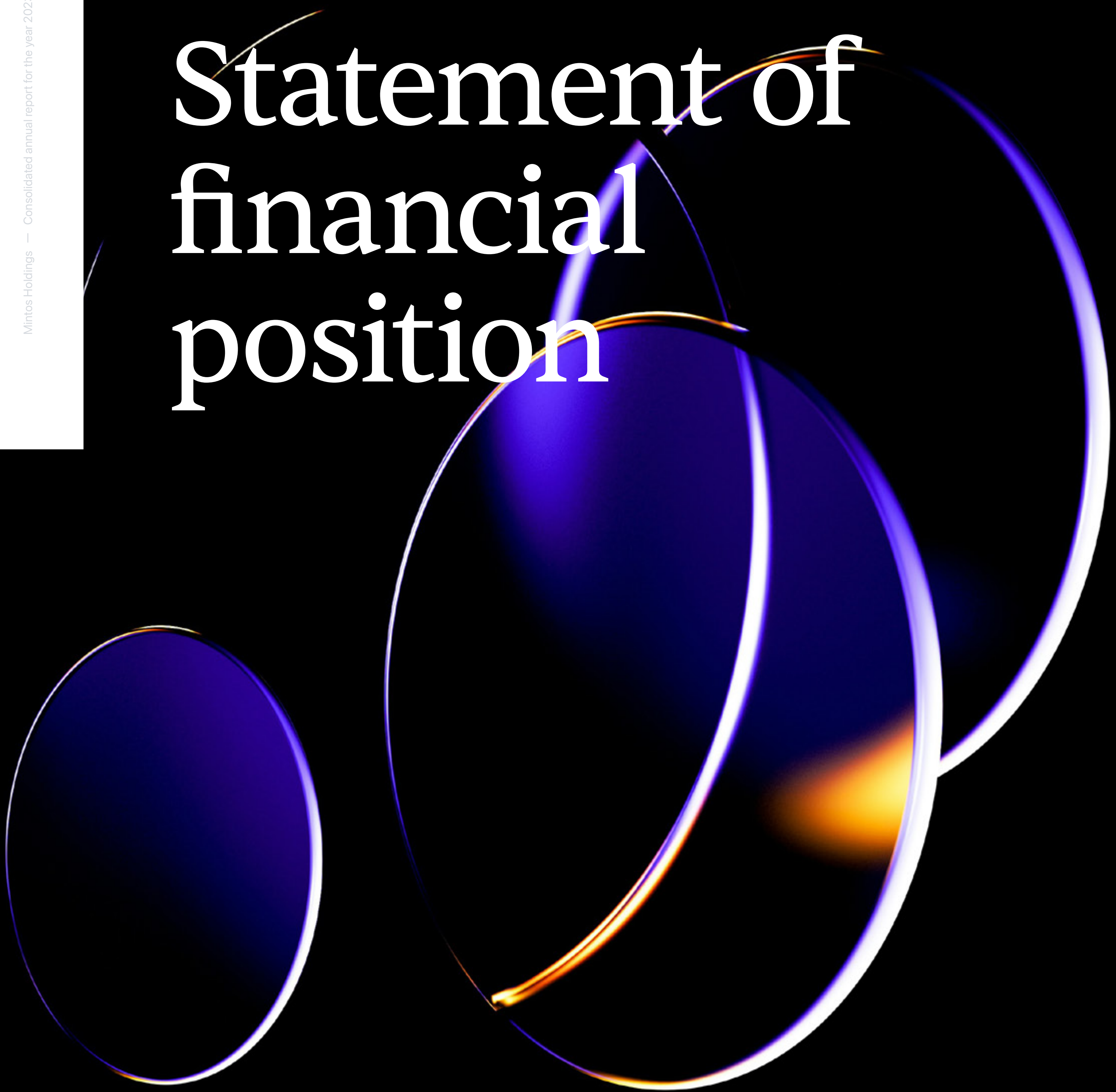
The accompanying notes on pages 17 to 43 form an integral part of these financial statements.

**Martins Sulte**
Chairman of the Management Board

**Martins Valters**
Member of the Management Board

Consolidated Financial Statements:

# Consolidated Statement of financial position



Consolidated Financial Statements:

# Consolidated Statement of financial position

30 May 2024

| Assets | Notes | 31.12.2023 EUR | 31.12.2022* EUR |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 12 | 3 313 936 | 3 354 248 |
| Fixed assets | 12 | 234 721 | 179 269 |
| Right-of-use leased assets | 13 | 865 299 | 814 052 |
| Other debtors and assets | 14 | 361 370 | 168 574 |
| **Total non-current assets** | | **4 775 326** | **4 516 143** |
| | | | |
| **Current assets** | | | |
| Trade receivables | 15 | 929 709 | 706 870 |
| Other debtors and assets | 14 | 1 863 345 | 543 504 |
| Cash and cash equivalents | 16 | 2 727 636 | 2 842 495 |
| **Total current assets** | | **5 520 690** | **4 092 869** |
| **TOTAL ASSETS** | | **10 296 016** | **8 609 012** |

**EQUITY AND LIABILITIES**

| Equity | Notes | 31.12.2023 EUR | 31.12.2022 (restated)** EUR |
|---|---|---|---|
| Share capital | 17 | 1 120 658 | 1 120 658 |
| Share premium | 17 | 9 701 879 | 9 701 879 |
| Other capital reserves | 17, 24 | 364 152 | 835 206 |
| Foreign currency exchange reserve | | (40 187) | (38 474) |
| Accumulated losses | | (5 297 488) | (6 556 816) |
| **Total Equity** | | **5 849 014** | **5 062 453** |
| | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 11 | 140 640 | 127 484 |
| Lease | 13 | 468 525 | 438 309 |
| Other loans | 18 | 438 836 | 260 562 |
| Contract liabilities | 19 | 184 263 | 187 215 |
| Other payables | | 6 252 | - |
| **Total Non-current liabilities** | | **1 238 516** | **1 013 570** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 20 | 807 788 | 635 689 |
| Other loans | 18 | 79 316 | 120 740 |
| Lease | 13 | 468 085 | 369 372 |
| Corporate income tax | | 46 955 | 648 |
| Taxes and State mandatory social insurance payments | 21 | 659 872 | 426 156 |
| Accrued liabilities | 22 | 707 168 | 529 574 |
| Contract liabilities | 19 | 439 302 | 450 810 |
| **Total Current liabilities** | | **3 208 486** | **2 532 989** |
| **TOTAL EQUITY AND LIABILITIES** | | **10 296 016** | **8 609 012** |

* Data of 2022 was reclassified to provide comparative information, no effect on prior year results and equity.

** Information regarding the restatement made in the Financial Statements is disclosed in Note 2s.

The accompanying notes on pages 17 to 43 form an integral part of these financial statements.

Consolidated Financial Statements:

# Consolidated Statement of cash flows

Consolidated Financial Statements:

# Consolidated Statement of cash flows

30 May 2024

| Cash flows to/from operating activities | Notes | 2023 EUR | 2022 (restated)* EUR |
|---|---|---|---|
| Profit/(loss) before tax | | 696 584 | (140 422) |
| Adjustments for: | | | |
| Amortization and depreciation | 12, 13 | 2 569 965 | 2 437 127 |
| Loss from fluctuations of currency exchange rates | | 9 546 | 41 527 |
| Other interest and similar income | | (56 312) | (2 009) |
| Interest and similar expense | 10 | 71 959 | 47 714 |
| Share-based payment expense | 7, 24 | 136 142 | 120 841 |
| Loss/ (gain) on disposal of property, plant and equipment | | 7 696 | (4 403) |
| (Increase) in receivables and other assets | | (667 533) | (363 900) |
| Increase in payables | | 611 324 | 778 335 |
| ***Cash generated from operations*** | | **3 379 371** | **2 914 810** |
| Corporate income tax paid | | (10 331) | (2 490) |
| **Net cash flows to/from operating activities** | | **3 369 040** | **2 912 320** |
| | | | |
| **Cash flows to/from investing activities** | | | |
| Purchase of equipment | 12 | (166 902) | (35 615) |
| Disposal of equipment | | 1 435 | 4 061 |
| Purchase of intangible assets | 12 | (2 011 941) | (1 716 787) |
| Deposit | 14 | (1 000 000) | - |
| Purchase of financial instruments | | (13 961) | - |
| Interest received | | 48 683 | - |
| **Net cash flows to/from investing activities** | | **(3 142 686)** | **(1 748 341)** |
| | | | |
| **Cash flows to/from financing activities** | | | |
| Issued share capital | 17 | - | 8 716 |
| Issued, paid share premium, net | 17 | - | 35 078 |
| Repayment of lease liabilities | 13 | (440 376) | (444 372) |
| Interest paid | 23, 27a | (1 341) | (45 562) |
| Received other loans | 23, 27a | 285 000 | 409 000 |
| Repayment of received other loans | 23, 27a | (174 950) | (29 850) |
| **Net cash flows to/from financing activities** | | **(331 667)** | **(66 990)** |
| | | | |
| Change in cash | | (105 313) | 1 096 989 |
| Net foreign exchange difference | | (9 546) | (41 527) |
| Cash and cash equivalents at the beginning of the year | | 2 842 495 | 1 787 033 |
| **Cash and cash equivalents at the end of the year** | 16 | **2 727 636** | **2 842 495** |

* Information regarding the restatement made in the Financial Statements is disclosed in Note 2s.

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**Martins Sulte**
Chairman of the Management Board

**Martins Valters**
Member of the Management Board

Consolidated Financial Statements:

# Consolidated Statement of changes in equity

Consolidated financial statements:

# Consolidated Statement of changes in equity

30 May 2024

| | Notes | Share capital EUR | Share premium EUR | Other capital reserves EUR | Accumulated losses EUR | Foreign currency translation reserve EUR | Total EUR |
|---|---|---|---|---|---|---|---|
| **Balance as of 31 December 2021** | | **1 111 942** | **9 666 801** | **714 365** | **(6 393 123)** | **(6 217)** | **5 093 768** |
| Issue of share capital | 17 | 8 716 | 35 078 | - | - | - | 43 794 |
| Share-based payments | 24 | - | - | 120 841 | - | - | 120 841 |
| **Transactions with shareholders** | | **8 716** | **35 078** | **120 841** | **-** | **-** | **164 635** |
| Loss for the reporting year | | - | - | - | (163 693) | - | (163 693) |
| Other comprehensive (loss) | | - | - | - | - | (32 257) | (32 257) |
| **Total comprehensive (loss)** | | **-** | **-** | **-** | **(163 693)** | **(32 257)** | **(195 950)** |
| **Balance as of 31 December 2022 (restated)*** | **17** | **1 120 658** | **9 701 879** | **835 206** | **(6 556 816)** | **(38 474)** | **5 062 453** |
| Share-based payments | 24 | - | - | 136 142 | - | - | 136 142 |
| Reduction of share-based payments reserve balance | 17 | - | - | (607 196) | 607 196 | - | - |
| **Transactions with shareholders** | | **-** | **-** | **(471 054)** | **607 196** | **-** | **136 142** |
| Income for the reporting year | | - | - | - | 652 132 | - | 652 132 |
| Other comprehensive (loss) | | - | - | - | - | (1 713) | (1 713) |
| **Total comprehensive income/ (loss)** | | **-** | **-** | **-** | **652 132** | **(1 713)** | **650 419** |
| **Balance as of 31 December 2023** | **17** | **1 120 658** | **9 701 879** | **364 152** | **(5 297 488)** | **(40 187)** | **5 849 014** |

* Information regarding the restatement made in the Financial Statements is disclosed in Note 2s.

The accompanying notes on pages 17 to 43 form an integral part of these financial statements.

**Martins Sulte**
Chairman of the Management Board

**Martins Valters**
Member of the Management Board

# Notes to the consolidated financial statements

## 1. Corporate information

The consolidated financial statements of Mintos Holdings AS (the Company) and its subsidiaries (collectively, the Group) for the year ended 31 December 2023 were authorized for issue in accordance with a resolution of the Board Members on 30 May 2024. In accordance with the Commercial Law of the Republic of Latvia, the shareholders' meeting has the right to make the decision on the approval of the financial statements. The registered office of the Group is at Skanstes iela 50, Riga.

The core business activity of the Group during the reporting year was to operate a global online investment platform providing investors with an easy and transparent way to invest in alternative and traditional financial assets.

Mintos Marketplace AS provides investment services. Mintos Payments SIA is a licensed electronic money institution. The activities of Mintos Marketplace AS are regulated by the Financial Instruments Market Law and activities of Mintos Payments SIA are regulated by the Law on Payment Services and Electronic Money and other normative documents of the Republic of Latvia.

Information on the Group's structure is provided in Note 4.

## 2. Summary of significant accounting policies

### *a. Basis of preparation*

These consolidated financial statements of the Group are based on the accounting records made pursuant to the legislative requirements and prepared in conformity with IFRS Accounting Standards as adopted by the European Union, on a going concern basis. These consolidated financial statements were authorized for issue by the Company's Board on 30 May 2024.

These consolidated financial statements are prepared on a historical cost basis except where noted otherwise.

The presentation currency used in the consolidated financial statement is euro (EUR), the presentation currency of the Republic of Latvia. The financial statements cover the period 1 January 2023 through 31 December 2023.

The consolidated financial statements provide comparative information in respect of the previous period. The comparative period is from 1 January 2022 through 31 December 2022.

### *b. Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest, and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in Consolidated Statement of comprehensive income under Exchange differences on translation of foreign operations.

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

### *c. New standards and amendments*

New accounting and financial reporting standards, interpretations and amendments which were not applicable to the previous annual financial statements since then have been issued. Some of the standards become effective in 2023, others become effective for later reporting periods. In this section those relevant for the Group are summarized. Where the implementation impact was or is expected to be reasonably material it is disclosed.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;
- Definition of Accounting Estimate (Amendments to IAS 8);
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes.

The Group applied Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) for the first time in 2023. The impact of the amendments assessed as insignificant as the Group already discloses entity-specific information with regard to materiality.

### *d. Standards issued but not yet effective and not early adopted*

A number of new standards are effective (some of which are not yet been endorsed by EU) for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new standards or amended standards in preparing these consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Non-current Liabilities with Covenants (Amendments to IAS 1).
- Lease liability in a Sale and Leaseback (Amendments to IFRS 16).
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).
- Lack of Exchangeability (Amendments to IAS 21).

***e. Financial instruments***

*(i) Classification*

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity; or a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial assets are classified as either financial assets subsequently measured at amortized cost, at fair value through profit or loss, or fair value through other comprehensive income (OCI). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. When financial assets are recognized initially, they are measured at fair value plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs. In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows result from collecting contractual cash flows, selling financial assets, or both. The Group determines the classification of its financial assets after initial recognition and, where allowed or prompted and appropriate, re-evaluates this designation at each financial year-end. Currently all the Group's financial assets are classified and measured at amortized cost.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Currently all the Group's financial liabilities are classified as amortized costs.

*(ii) Date of recognition*

Accounts receivable from another entity are recognized after services are provided to another entity. Other assets are recognized on the date when the Group enters into the contract, giving rise to the financial instruments.

*(iii) Initial and subsequent measurement of financial instruments*

All financial instruments are measured initially at their fair value and in case of financial assets not at fair value through profit or loss, loans and borrowings, and payables net of directly attributable transaction costs.

Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, financial assets measured at amortized cost are measured at amortized cost using the EIR, less allowance for impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in Interest and similar income in the Statement of Comprehensive Income. The losses arising from impairment are recognized in the Statement of Comprehensive Income in Credit loss expense. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired. The Group's financial assets at amortized cost include trade receivables, accrued income.

*(iv) Derecognition*

A financial asset is derecognized only when the contractual rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. A financial liability is derecognized only when the obligation under the liability is discharged according to the contract or cancelled or expires.

All purchases and sales of financial assets are recognized and derecognized on the settlement date.

*(v) Impairment of financial assets*

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms, if relevant.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial assets where the Group calculates ECL are:

- Trade receivables and other receivables
- Cash and cash equivalents.

*Impairment of other receivables from customers/contract assets (Trade receivables)*

For trade receivables and unbilled receivables, the Group applies a simplified approach to calculating ECLs. Therefore, the Group does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECLs on each reporting date. The Group is taking into consideration its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Due to the specifics of the Group's operations, whereby there is only a very limited number of counterparties and a very short payment cycle for trade receivables, the majority of the trade receivables outstanding as of year-end are paid according to the contractual payment due date which is shortly after the year end. As a result, in practice there can be limited need, if any, for forward-looking adjustments to be made.

*Impairment of cash and cash equivalents*

For cash and cash equivalents, default is considered as soon as balances are not cleared beyond the conventional banking settlement timeline, i.e., a few days. Therefore, the transition is straight from Stage 1 to Stage 3, given the low number of days that it would take the exposure to reach Stage 3 classification, meaning default. For cash and cash equivalents, no Stage 2 is applied, given that any past due days would result in default.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit engagements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

***f. Intangible assets***

Intangible assets comprise purchased licenses, internally developed software and purchased internet domain names. Intangible non-current assets are stated at cost and amortized over their estimated useful lives on a straight-line basis over a 3-year period, except purchased internet domain name which is not amortized and not tested as there were no indications. Internally developed software development costs include the costs related to software development, mainly consisting of internally capitalized salary expenses. The Group has made an estimation of the responsibilities for every development team member's duty, based on that salary expenses are capitalized.

### *g. Fixed assets*

Equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Equipment - over 3 to 5 years

Depreciation is calculated when the asset is available for use, i.e., when it is in the location and condition necessary for it operating in the manner intended by management or it is engaged in commercial activity.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the asset's continued use. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of comprehensive income in the year the item is derecognized.

### *h. Client acquisition costs*

The Group incurred various expenditures related to client (investor) acquisitions. Once the expenditure is incurred, the Group assesses if it can reliably measure expected future economic benefits related to the investment made. The future economic benefit arises from commission income that is earned as a direct result of incurred expenditure. If a reliable measure is possible, the smaller of the two – incurred expenditure or future economic benefit – is recognized as deferred client acquisition costs in the statement of financial position. In subsequent periods, the deferred client acquisition costs are recognized as expenses based on the estimated realization of the related economic benefit. If estimates in economic benefits related to previously recognized client acquisition costs change and the expected economic benefits are lower than previously assessed, a write-down is made. In cases when a reliable measure cannot be made, the incurred expenditure is expensed directly to profit and loss.

IFRS 15 requires incremental costs of obtaining a contract and certain costs to fulfil a contract to be recognized as an asset if certain criteria are met. Any capitalized contract costs assets are amortized on a systematic base consistent with the Group's transfer of the services to the customer.

The Group analyses the costs from contracts regarding IFRS 15, and these costs are recognized as the client acquisition costs only if certain criteria are met. Client acquisition costs are incurred to attract and acquire new clients and would not otherwise have occurred.

### *i. Impairment of non-financial assets*

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that there is an indication that a non-financial asset may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of equipment is the higher of an asset's net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the Statement of Comprehensive Income.

A previously recognized impairment loss is reversed only if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increased amount constitutes a reversal of impairment losses. In case of reversal of impairment, the carrying amount is increased up to its recoverable amount but only to an extent it doesn't exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Impairment of goodwill is never allowed to be reversed.

***j. Cash and cash equivalents***

Cash and cash equivalents include unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

***k. Income and expense recognition***

The Group applied IFRS 15 to all revenue arising from contracts with customers. The Group establishes a five-step model to account for the revenue arising from contracts with its customers. It requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group considers all the relevant facts and circumstances when applying each step of IFRS 15 five-step revenue recognition model to contracts with the customers. Accounting is specified for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group recognizes revenues using the input method on a straight-line basis.

The main source of income is Service fee – lending companies, which includes the Service fee calculated from the outstanding loans and Success fee for amount of long-term Notes financed during the period. Revenue from Service fee is recognized at a point in time and is variable amount. Performance obligation is to provide service of using a platform monthly.

Success fee is received from lending companies for completed sale of financial instruments. If Notes financed are repaid before the contractual maturity date, the fee should be returned proportionately. The Success fee received is partially recognized at a point in time and with the remaining proportion estimated to be returned being recognized as return liability as. The estimate is based on historical data analysis of what are the financial instruments' early repayment patterns, and it is reassessed on an annual basis.

Connection fees obtained by the Group are non-refundable upfront fees paid by the lending companies for the connection to the Mintos platform. Connection fees do not represent a separate performance obligation from the provision of service of using the platform. Therefore, revenue from connection fees is deferred and recognized as revenue over the estimated term of customer relationship (i.e., period of lending companies using the platform), which is 3 years based on current historical information and best estimate of the management. The fee is a fixed amount agreed in the contract. Connection fees received from customers deferred are accounted as contract liabilities in the statement of financial position. After launching Notes, instead of a connection fee, the Group is charging to lending companies annual prospectus renewal fees recognized as revenue within 12 months.

The Performance fee is paid by lending companies in case the interest paid to investors is below the benchmark rate agreed and is calculated as the spread between the actual interest rate and the benchmark rate and applied to the invested amount. This fee is not applied to investments in Notes.

The Group recognizes the bond placement fee for arranged sale of bonds for the purpose of issuance of the Fractional Bonds in the month for which the sale occurred.

The Group recognizes penalty income from contract penalties and late payments (related to only investments via claims). From the date when the Group has legal rights on such penalty the Group recognizes these when the Group is sure it will receive it; usually, it is income payment date.

The Group receives monitoring fees from lending companies for administration of payment delays related to Notes. The Group recognizes the revenue when the lending companies pay the fee, i.e., on the fee payment date.

Foreign currency exchange commissions and secondary market fees are recognized at a point in time and are variable amounts. Performance obligation is satisfied when service is provided to a customer.

The Group recognizes inactivity fee income in the month for which it was calculated and collected. The Group recognizes Net interest income fee earned on the value of clients' uninvested funds at a point in time in the month for which it was calculated, and net of payments made to clients.

All payments are typically due 7-14 days without having a financing component.

Expenses are recognized on an accrual basis.

**Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Unbilled receivables consist of commissions and fees that have not been billed yet as of the balance sheet date.

**Trade receivables**

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

**Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received payment (or payment is due) from the customer. If a customer pays before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or when the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. Contract liabilities are advances received. The Group recognizes the revenues as an average monthly amount over the estimated length of the customer relationship.

***l. Share-based payments***

All employees of the Group who select a remuneration package with employee stock options included receive remuneration for services provided in the form of share-based payments. All of the Group's share-based payments are equity-settled transactions.

The cost of equity-settled transactions is determined by the fair value when the grant is made using a Black-Scholes valuation model detailed in Note 24. That cost is recognized under employee remuneration expense (Note 7), together with the corresponding increase in equity (other capital reserves), over the period the service is provided. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the Statement of comprehensive income for a period represents the movement in cumulative expense recognized at the beginning and end of that period. The Group annually reassess the corresponding capital reserve to reflect only the outstanding share option agreements.

Service and non-market performance conditions are not considered when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Any other conditions attached to an award but without an associated service requirement are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as of the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or the counterparty, any remaining element of the award's fair value is expensed immediately through profit or loss.

***m. Fair value***

Fair value is the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

***n. Contingencies***

Contingent liabilities are not recognized in financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but is disclosed when an inflow of economic benefits is probable.

***o. Client funds and financial instruments***

Client funds and financial instruments consist of the clients' safeguarded funds that are not invested and financial instruments on the Mintos platform in which the clients have invested. One of the financial instruments offered to investors are Notes that, after pooling together 6-20 loans issued by lending companies, are emitted by a special purpose entity within the Mintos Group (refer to Note 4 for the Group information) that acts as the issuer. The Group also offers financial instruments called ETFs (exchange-traded funds) that can consist of various types of securities, most commonly stocks or bonds, which are traded on an exchange, which increases their liquidity. As the Group does not bear the credit risks and other finance risks related to client funds and financial instruments but only earns commission for servicing them, they are not recognized in the statement of financial position. Client funds and financial instruments are disclosed in Note 25 of these financial statements.

***p. Leases***

The Group (as a lessee) determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has a few contracts that include extension and termination options. The Group considers all relevant factors that create an economic incentive when evaluating whether it plans to renew or terminate a lease. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that are within its control and affect its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Refer to Note 13 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

**Right-of-use assets**

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease period.

**Lease liabilities**

At the commencement date of the lease, the Group recognizes lease liabilities at the present value of lease payments to be made over the lease term. The lease payments include fixed payments. The Group uses the borrowing rate determined in the agreement to calculate the present value of lease payments. If the borrowing rate is not mentioned, the Group uses its incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, or a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in the rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**Short-term lease and leases of low-value assets**

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognizes the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

**How the Group estimates the incremental borrowing rate for leases**

The Group uses the interest rate implicit in the old vehicle lease but cannot readily determine the interest rate implicit in the office rent and new vehicle lease. Hence, it uses its borrowing rate to measure lease liabilities. The Group's borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The rate, therefore, reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The average interest rate for vehicle leases in 2023 is 5.47% (2022: 4%), and for office rent – 4.5% (2022: 4.5%).

***q. Income taxes and deferred taxes***

The Groups tax for the period consists of current and deferred tax.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to or from tax authorities using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Based on Latvian Corporate income tax law, starting from year 2018, corporate income tax is calculated on the basis of distributed profit or in case of expenses treated as deemed profit distribution (20/80 of the net amount payable to shareholders). The current tax arising from distributed profit is recognized when the shareholder of the Group decides on profit distribution. Corporate income tax from deemed profit distributions is presented as "Administrative and other expenses" in the statement of comprehensive income.

The tax rates and tax laws used to compute the amount are those that are applicable during the taxation period in the countries where the Group and the Parent Company operate. The current corporate income tax rate for the Parent Company is applied at the statutory rate of 25% from distributed profit. Current corporate income tax rates for the foreign subsidiaries are:

| | | |
|---|---|---|
| Estonia | 0% | from undistributed profit and 20/80 from distribution of profit (0% from undistributed profit and 14/86 from regular dividend payments in the amount that is below or equal to the extent of taxed dividends paid during the 3 preceding years) |
| Poland | 19% | |
| United Kingdom | 19% | |
| Lithuania | 15% | |
| Germany | 15% | |
| Mexico | 30% | |
| Indonesia | 25% | |

Deferred tax in consolidated financial statements arises from temporary differences arising between the tax bases of assets and liabilities and their carrying value for accounting purposes in the countries where tax is not calculated at distribution (i.e., Latvia and Estonia), as well as from undistributed profits of subsidiaries, since it is expected that the earnings of subsidiaries will be distributed at some moment. To the extent that subsidiaries' profit distribution is assumed, the deferred tax liability is recognized in consolidated financial statements.

***r. Subsequent events***

Post-year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. No adjusting events are disclosed in the financial statements.

***s. Restatement of data in comparative indicators***

After launching the Notes product, a more significant revenue share comes from the Success fee. Upon review of the Group's accounting principles applicable to revenue recognition for the Success fee and data analysis it was identified that the Group should recognize Success fee partially at a point in time and the remaining part as return liability (see Note 2k for more details). As a result, the management has made a decision to correct an error in comparative indicators for 2022 arising from the incorrect application of accounting principles in relation to revenue recognition. As a result of the error correction, "Commission and fee income" in the Statement of Comprehensive Income for 2022 decreased and additional Contract of liabilities were recognized in the Statement of Financial Position as of 31 December 2022. As per management assessment, an impact on earlier periods is not significant given that the Notes product with more prevalent Success fee features was launched only in 2022.

*Correction made in the Financial Statements:*

Statement of Comprehensive Income:

| | Financial Statements 2022 2022 before restatement, EUR | Correction, EUR | Financial Statements 2023 2022 after restatement, EUR |
|---|---|---|---|
| Commission and fee income: | | | |
| Service fee – lending company | 8 219 996 | (383 781) | 7 836 215 |
| | **Total:** | **(383 781)** | |

Statement of Financial Position - Equity and liabilities:

| | Financial Statements 2022 31.12.2022 before restatement, EUR | Correction, EUR | Financial Statements 2023 31.12.2022 after restatement, EUR |
|---|---|---|---|
| Accumulated losses | (6 173 035) | (383 781) | (6 556 816) |
| Contract liabilities (Non-current) | 33 703 | 153 512 | 187 215 |
| Contract liabilities (Current) | 220 541 | 230 269 | 450 810 |
| **Total:** | **(5 918 791)** | **-** | **(5 918 791)** |

After signing the Report for the year 2022, it was discovered that an error occurred in the presentation of the "Other income" position in the Statement of Comprehensive Income in previously issued Financial Statements for the fiscal year ending 31 December 2022. The error resulted in an incorrect "Other income" amount being reported, although the Statement of Comprehensive Income totals' calculations were accurate. Also, Net interest income earned on the value of clients' uninvested funds was reclassified from "Other income" to "Commission and fee income", see Note 5 for details.

*Correction made in the Note "Other income":*

| | Financial Statements 2022 2022 before restatement, EUR | Correction, EUR | Financial Statements 2023 2022 after restatement, EUR |
|---|---|---|---|
| Penalty income | 2 115 259 | - | 2 115 259 |
| Other income: | 170 438 | 102 965 | 273 403 |
| Correction | | 126 787 | |
| Reclassification (Note 5) | | (23 822) | |
| **Total:** | **2 285 697** | **102 965** | **2 388 662** |

*Correction made in the Statement of Comprehensive Income:*

| | Financial Statements 2022 2022 before restatement, EUR | Correction, EUR | Financial Statements 2023 2022 after restatement, EUR |
|---|---|---|---|
| Other income | 2 285 697 | 102 965 | 2 388 662 |
| | **Total:** | **102 965** | |

## 3. Significant estimates and judgements

The preparation of financial statements in accordance with IFRS Accounting Standards requires the management to make estimates and judgements that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events occur which causes the judgements used in arriving at the estimates to change. Such estimates judgements are based on the most reliable information available to the management with respect to specific events and actions. The effect of any changes in estimates will be recorded in the financial statements when determinable.

The significant areas of estimation and judgements in preparation of these financial statements relate to the following areas (the same significant estimates and assumptions judgements as in last year):

- Share-based payments. See Note 24 for more details;
- Useful life of intangible assets. See Note 2f for more details;
- Judgement in relation to not recognizing any clients' funds and financial instruments in the Statement of Financial Position. See Note 2o for more details;
- Impairment of intangible assets. See Note 12 for more details;
- Success fee recognition as a fee return liability. See Note 2k and Note 19 for more details.

## 4. Group information

**Information about companies included in the Group**

The consolidated financial statements of the Group include:

| Name | Principal activities | Country of incorporation | 2023 % of ownership | 2022 % of ownership |
|---|---|---|---|---|
| Mintos Holdings AS | Holding company | Latvia | 100 | 100 |
| Mintos Marketplace AS | Global online multi-asset investment platform | Latvia | 100 | 100 |
| Mintos Finance Estonia OÜ | Support entity | Estonia | 100 | 100 |
| Mintos Polska Sp.z.o.o liquidated* | Support entity | Poland | 100 | 100 |
| Mintos Finance SIA | Support entity | Latvia | 100 | 100 |
| Mintos Marketplace Ltd | Support entity | United Kingdom | 100 | 100 |
| Mintos Finance II SIA | Support entity | Latvia | 100 | 100 |
| Mintos Finance Holding OÜ** | Support entity | Estonia | 100 | 100 |
| Mintos Finance No2 OÜ | Support entity | Estonia | 100 | 100 |
| Mintos Capital Management SIA | Support entity | Latvia | 100 | 100 |
| Mintos Payments UAB liquidated* | Support entity | Lithuania | 100 | 100 |
| Mintos Marketplace S.A.P.I. S.A. de C.V | Support entity | Mexico | 100 | 100 |
| Mintos Payments SIA | Electronic money institution | Latvia | 100 | 100 |
| Mintos Deutschland GmbH | Support entity | Germany | 100 | 100 |
| Mintos Development SIA | Support entity | Latvia | 100 | 100 |
| Mintos Debt Collection SIA | Support entity | Latvia | 100 | - |
| Mintos Fractional Investments SIA | Support entity | Latvia | 100 | 100 |
| Mintos Marketplace Indonesia PT | Support entity | Indonesia | 49 | 49 |
| Минтос Маркетплейс ООО liquidated* | Support entity | Russia | - | 100 |

Mintos Finance No2 OÜ was acquired by the Company from Mintos Finance Holding OÜ on 19 June 2023.

Mintos Capital Management SIA has 100% ownership of 52 Support entities in Latvia, which offer investments in the form of Notes: Mintos Finance No.1 SIA – Mintos Finance No.52 SIA (in 2022 45 Support entities: Mintos Finance No.1 SIA – Mintos Finance No.45 SIA).

* Includes
- data of Минтос Маркетплейс ООО till its liquidation date as of 2 August 2022;
- data of Mintos Payments UAB till its liquidation date as of 27 February 2023;
- data of Mintos Polska Sp.z.o.o till its liquidation date as of 21 December 2023.

** Mintos Finance Holding OÜ (on 3 July 2023 was merged with 35 Support entities in Estonia: Mintos Finance No1 OÜ, Mintos Finance No3 OÜ – Mintos Finance No39 OÜ) on 22 December 2023 was merged with Mintos Finance Estonia OÜ.

## 5. Commission and fee income

Set out below is the disaggregation of the Group's revenue from contracts with customers:

| Type of income | | 2023 EUR | 2022 (restated)* EUR |
|---|---|---|---|
| Service fee - lending companies | | 9 203 098 | 7 836 215 |
| Net interest income | | 1 187 880 | 23 822 |
| Connection fee | | 429 120 | 292 747 |
| Inactivity fee | | 329 629 | 336 323 |
| Foreign currency exchange commissions | | 139 637 | 191 431 |
| Secondary market fee | | 82 646 | 151 228 |
| Placement fee | | 73 012 | - |
| | **Total:** | **11 445 022** | **8 831 766** |
| **Geographical markets** | | | |
| Europe | | 8 707 763 | 6 270 846 |
| Asia | | 1 245 518 | 1 396 882 |
| America | | 898 226 | 535 571 |
| Africa | | 593 515 | 628 467 |
| | **Total:** | **11 445 022** | **8 831 766** |
| **Timing of revenue recognition** | | | |
| Services transferred at a point in time | | 11 015 902 | 8 539 019 |
| Services transferred over estimated term of customer relationship | | 429 120 | 292 747 |
| | **Total:** | **11 445 022** | **8 831 766** |

* Data for the year 2022 was restated to provide comparative information affecting the prior year's results and equity. Regarding change of Success fee part in Service fee – lending companies see Note 2s for more details in relation to restatement. As Net interest income earned on the value of clients' uninvested funds is ordinary income for the business, it was reclassified from "Other income" to "Commission and fee income".

Starting from November 2023, with the launching of Fractional Bonds, one of the Group's subsidiaries charges a bond placement fee to bonds issuers that is shown under "Placement fee".

## 6. Commission and fee expenses

Commission expenses consist of commissions charged to execute foreign currency conversions.

## 7. Employee remuneration expenses

| | | 2023 EUR | 2022 EUR |
|---|---|---|---|
| Salaries | | 5 748 255 | 5 226 840 |
| Social security contributions | | 1 301 005 | 1 156 475 |
| Share-based payment expenses (see Note 24) | | 136 142 | 120 841 |
| Business risk duty | | 647 | 634 |
| | | 7 186 049 | 6 504 790 |
| Less: Capitalized development costs | | (1 912 731) | (1 676 623) |
| | **Total:** | **5 273 318** | **4 828 167** |

Part of salaries and related taxes have been capitalized to IT development costs (see Note 12). The Group employed 153 employees at the end of the year 2023 (average 144 during the year) and 129 employees at the end of year 2022 (average 139 during the year).

The Management team consists of the Management Board and heads of functions that have a significant impact on the operations of the Group. At the end of year 2023 5 employees were in the Management team (average 4 during the year) and 6 employees as of 31 December 2022 (average 7 during the year). The Management team's salaries and social security contributions of the Group amounted to EUR 570 thousand in 2023 and EUR 796 thousand in 2022, while share-based payments amounted to EUR 23 thousand (EUR 8 thousand in 2022).

## 8. Administrative and other general expenses

| | 2023<br>EUR | 2022*<br>EUR |
|---|---|---|
| IT expenses | 1 192 150 | 1 227 056 |
| Compliance expenses | 599 495 | 418 891 |
| Bank commissions | 473 475 | 590 999 |
| Legal expenses | 403 988 | 426 827 |
| Non-deductible VAT | 401 150 | 356 074 |
| Other personnel related expenses | 372 599 | 180 685 |
| Office expenses | 250 431 | 149 639 |
| Audit and consultation expenses | 212 065 | 164 816 |
| Indirect client acquisition expenses | 188 105 | 66 116 |
| Direct client acquisition costs** | 164 688 | 45 270 |
| Office rent and related expenses | 108 105 | 97 995 |
| Business trips | 87 127 | 40 930 |
| Business development expenses in other countries | 58 121 | - |
| Other expenses | 117 914 | 59 831 |
| **Total:** | **4 629 413** | **3 825 129** |

* Data for 2022 was reclassified to provide comparative information without affecting prior year results and equity.

** Direct client acquisition costs consist of expenses related to affiliate, refer-a-friend, and investor bonus programs.

## 9. Other income

| | 2023<br>EUR | 2022*<br>EUR |
|---|---|---|
| Penalty income** | 1 611 296 | 2 115 259 |
| Monitoring fee income | 70 147 | - |
| Other income | 166 351 | 273 403 |
| **Total:** | **1 847 794** | **2 388 662** |

* Data for the year 2022 was restated without affecting the prior year's results and equity – see Note 2s for more details in relation to restatement.

** Penalty income is recognized based on contracts for not meeting contractual liabilities. See Note 2k.

## 10. Interest and similar expenses

| | 2023<br>EUR | 2022<br>EUR |
|---|---|---|
| Interest expenses calculated on leases (Note 13) | 43 818 | 42 359 |
| Interest expenses from received other loans (Note 23, 27) | 28 141 | 5 355 |
| Currency exchange losses | 9 546 | 41 527 |
| Penalty expenses | 880 | 14 441 |
| **Total:** | **82 385** | **103 682** |

## 11. Corporate income tax, deferred corporate income tax

| | 2023<br>EUR | 2022<br>EUR |
|---|---|---|
| Current corporate income tax/ (benefit) | 31 296 | 791 |
| Deferred corporate income tax | 13 156 | 22 480 |
| **Corporate income tax charged to the statement of comprehensive income:** | **44 452** | **23 271** |

Deferred corporate income tax liabilities:

| | 31.12.2023<br>EUR | 31.12.2022<br>EUR |
|---|---|---|
| Liabilities | | |
| From undistributed profits of the Group's subsidiaries | 140 640 | 127 484 |
| **Deferred corporate income tax liabilities:** | **140 640** | **127 484** |

Certain Group subsidiaries have undistributed profits, which will be taxed upon distribution. For the amount that has not been distributed and is likely to be distributed deferred tax liability is recognized.

Certain Group subsidiaries in their early stages of operations in other jurisdictions have tax losses, hence no deferred tax asset has been recognized due to recoverability assessment.

Corporate income tax reconciliation:

| | 2023<br>EUR | 2022 (restated)<br>EUR |
|---|---|---|
| **Income/ (loss) before corporate income tax** | **696 584** | **(140 422)** |
| Theoretical corporate income tax 0% | - | - |
| Effect from different tax rates | 366 262 | 159 431 |
| Unrecognized deferred tax effect | (394 502) | (159 431) |
| Non-deductible expense* | (9 388) | (2 172) |
| Change in undistributed profits of the Group's subsidiaries | (13 156) | (22 480) |
| Withholding tax from interest | (656) | (641) |
| Doubtful debts* | (15 954) | - |
| Minimal corporate income tax | (2 400) | (150) |
| **Total corporate income tax** | **(69 794)** | **(25 443)** |
| Out of this: | | |
| Corporate income tax and deferred corporate income tax | (44 452) | (23 271) |
| Administrative and other general expenses* | (25 342) | (2 172) |
| Effective income tax rate | 6.4% | 16.6% |

* These expenses recognized in Note 8 "Administrative and other general expenses" under "Other expenses".

## 12. Intangible and fixed assets

| | Trademarks, domains, licenses<br>EUR | Internal software<br>EUR | Internal software in progress<br>EUR | Total Intangible assets<br>EUR | Fixed assets<br>EUR |
|---|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | | |
| Carrying amount as of 1 January | 9 964 | 2 961 283 | 558 009 | **3 529 256** | **275 925** |
| Additions | - | 1 602 729 | 114 058 | **1 716 787** | **35 615** |
| Disposals | - | - | - | **-** | **(81 618)** |
| Reclassified to another category | - | 665 291 | (665 291) | **-** | **-** |
| Depreciation and amortization | (195) | (1 891 600) | - | **(1 891 795)** | **(121 279)** |
| Depreciation of disposals | - | - | - | **-** | **70 626** |
| **Carrying amount as of 31 December** | **9 769** | **3 337 703** | **6 776** | **3 354 248** | **179 269** |
| | | | | | |
| **As of 31 December 2022** | | | | | |
| Cost | 15 307 | 7 759 875 | 6 776 | **7 781 958** | **616 279** |
| Accumulated amortization, depreciation, and impairment | (5 538) | (4 422 172) | - | **(4 427 710)** | **(437 010)** |
| **Carrying amount as of 31 December** | **9 769** | **3 337 703** | **6 776** | **3 354 248** | **179 269** |
| | | | | | |
| **Year ended 31 December 2023** | | | | | |
| Carrying amount as of 1 January | 9 769 | 3 337 703 | 6 776 | **3 354 248** | **179 269** |
| Additions | 3 091 | 2 008 850 | - | **2 011 941** | **166 902** |
| Disposals | - | - | - | **-** | **(22 415)** |
| Reclassified to other debtors and assets | - | - | - | **-** | **(3 273)** |
| Depreciation and amortization | (532) | (2 051 721) | - | **(2 052 253)** | **(102 319)** |
| Depreciation of disposals | - | - | - | **-** | **16 557** |
| **Carrying amount as of 31 December** | **12 328** | **3 294 832** | **6 776** | **3 313 936** | **234 721** |
| | | | | | |
| **As of 31 December 2023** | | | | | |
| Cost | 18 398 | 9 768 725 | 6 776 | **9 793 899** | **757 493** |
| Accumulated amortization, depreciation, and impairment | (6 070) | (6 473 893) | - | **(6 479 963)** | **(522 772)** |
| **Carrying amount as of 31 December** | **12 328** | **3 294 832** | **6 776** | **3 313 936** | **234 721** |

The internal software is the core technical asset for operating the Mintos platform. It also includes Payment system, AML system and Mobile application development. Internal software costs included capitalized salary and related taxes in the amount of EUR 1 912 731 during 2023 (EUR 1 676 623 during 2022), see Note 7. No contractors' fees were capitalized in 2023 (2022: EUR 13 474). The costs incurred are recognized as an intangible asset. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and impairment. The estimated useful life of intangible assets is 3 years.

Some of the IT employees are involved in building a technical solution (Mintos systems), which is the backbone for operating the Mintos platform. The Mintos system is constantly updated to meet both external and internal needs, and it is continuously being developed and not expected to be finalized in the foreseeable future. As the IT department fully develops the system internally, the related payroll and tax payments are capitalized for those IT employees who were involved in the system's development. The list of capitalized salaries is reviewed every month, and capitalized amount can vary from 10 % to 90%.

Mintos Payments SIA Payment system's (carrying amount as of 31 December 2023 EUR 328 530 and EUR 504 991 as of 31 December 2022) operations were launched from March 2022 and help Mintos Group to offer virtual IBAN accounts. At this point the company is generating loss; however the company gradually will implement its business plan when Mintos Group expands its product offering. Given these aspects and future development projections, the Group's management foresee its initial financial projection to remain feasible and considers that there is no need to recognize impairment.

Capitalization costs for systems that are not being launched yet are shown in the position 'Internal software in progress'.

## 13. Lease

The Group has lease contracts for motor vehicles and office rent of 3 premises used in its operations in Latvia and Germany. Motor vehicle leases have a lease term of 5 years and an office rent term of 10 years with a non-cancellable period of 87 months and 2.6 years with a non-cancellable period of 13 months. Due to the dynamic environment and high growth expectations, management predicts that after January 2026, the Group might need another office. For this reason, the management is considering only period till January 2026 for office rent. The Group's obligations under its leases are secured by the lessor's title to the leased asset. Contracts include extension and termination options, which are further discussed below. The Group applies the 'current lease' recognition exemptions for some leases.

The Group has subleased one of the premises as these premises are not used by employees in Latvia. During the impairment test of the right-of-use leased assets, an impairment in the amount of EUR 76 790 (2022: EUR 92 520).

Recognition and movement of right-of-use assets in 2023 and 2022:

| | Motor vehicles EUR | Office rent EUR | Total EUR |
|---|---|---|---|
| **As of 1 January 2022** | **31 171** | **966 391** | **997 562** |
| Remeasurement of the lease | 77 | 105 737 | 105 814 |
| Impairment reverse of the asset | - | 227 249 | 227 249 |
| Impairment of the asset | - | (92 520) | (92 520) |
| Depreciation expenses | (12 486) | (411 567) | (424 053) |
| **As of 31 December 2022** | **18 762** | **795 290** | **814 052** |
| | | | |
| **As of 1 January 2023** | **18 762** | **795 290** | **814 052** |
| Additions | 92 458 | 89 760 | 182 218 |
| Termination | (50 046) | - | (50 046) |
| Remeasurement of the lease | (51) | 364 295 | 364 244 |
| Impairment of the asset | - | (76 790) | (76 790) |
| Depreciation expenses | (13 498) | (401 895) | (415 393) |
| Depreciation of terminated | 47 014 | - | 47 014 |
| **As of 31 December 2023** | **94 639** | **770 660** | **865 299** |

Recognition and movement of lease liabilities (included under interest-bearing loans and borrowings) during the period:

| | 2023<br>EUR | 2022<br>EUR |
|---|---|---|
| **As of 1 January** | **807 681** | **1 103 879** |
| Additions | 154 820 | - |
| End of lease | (20 660) | - |
| Accretion of interest (Note 10) | 43 818 | 42 359 |
| Remeasurement of the lease | 391 327 | 105 815 |
| Payments | (440 376) | (444 372) |
| **As of 31 December** | **936 610** | **807 681** |
| Current | 468 085 | 369 372 |
| Non-current | 468 525 | 438 309 |

The following are the amounts recognized in the Statement of Comprehensive Income:

| | 2023<br>EUR | 2022<br>EUR |
|---|---|---|
| Depreciation expense of right-of-use assets | (415 393) | (424 054) |
| Interest expense on lease liabilities (Note 10) | (43 818) | (42 359) |
| Income from termination of vehicle lease | 17 628 | - |
| Expenses from remeasurement of the right-of-use assets related to sublease | (27 081) | - |
| Impairment reverse of right-of-use assets | - | 134 729 |
| Expenses relating to short-term leases (included in "Administrative and other general expenses" Note 8) | (23 192) | (21 166) |
| **Total amount recognized in the Statement of Comprehensive Income** | **(491 856)** | **(352 850)** |

The Group has some lease contracts that include extension and termination options. These options are negotiated by the Management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. The Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments as of 31 December 2023 and as of 31 December 2022 relating to periods following the exercise date of extension and termination options that are not included in the lease term:

| | Within 5 years 31.12.2023 EUR | More than 5 years 31.12.2023 EUR | Total 31.12.2023 EUR | Within 5 years 31.12.2022 EUR | More than 5 years 31.12.2022 EUR | Total 31.12.2022 EUR |
|---|---|---|---|---|---|---|
| Cash flows should termination options not to be exercised | 1 295 045 | 340 176 | 1 635 221 | 1 138 248 | 698 046 | 1 836 294 |
| **TOTAL:** | **1 295 045** | **340 176** | **1 635 221** | **1 138 248** | **698 046** | **1 836 294** |

The Group had total cash outflows for leases of EUR 440 376 in 2023 (2022: EUR 444 372).

## 14. Other debtors and assets

| | 31.12.2023<br>EUR | 31.12.2022*<br>EUR |
|---|---|---|
| Prepaid expenses | 303 533 | 132 365 |
| Security deposits | 49 309 | 36 209 |
| Other financial instruments | 8 528 | - |
| **Total other debtors and assets non-current** | **361 370** | **168 574** |
| Current deposit (initial term more than 3 months) at bank** | 1 000 000 | - |
| Prepaid expenses | 527 912 | 230 022 |
| Accrued interest income | 175 179 | 12 686 |
| Security deposit for client cash*** | 24 475 | 132 689 |
| Security deposits | 19 743 | 88 632 |
| Other debtors and assets | 175 830 | 119 516 |
| Impairment allowance for other debtors and assets (Note 27a) | (59 794) | (40 041) |
| **Total other debtors and assets current** | **1 863 345** | **543 504** |
| **TOTAL:** | **2 224 715** | **712 078** |

* Data for 2022 was reclassified to provide comparative information without affecting prior year results and equity.

** The deposit is placed in the unrated commercial bank in the Republic of Latvia and is regularly assessed according to internal procedures. It was assessed as Stage 1 and ECL is in the amount of EUR 4 800.

*** Security deposit to ensure safeguarding of client funds in other currencies in accordance with Financial instrument Market Law requirements.

## 15. Trade receivables

| | 31.12.2023 EUR | 31.12.2022* EUR |
|---|---|---|
| Unbilled receivables | 793 233 | 674 072 |
| Trade receivables | 366 505 | 400 988 |
| Impairment allowance (Note 27a) | (230 029) | (368 190) |
| **TOTAL:** | **929 709** | **706 870** |

* Data for 2022 was reclassified to provide comparative information without affecting prior year results and equity.

## 16. Cash and cash equivalents

| | 31.12.2023 EUR | 31.12.2022* EUR |
|---|---|---|
| Current investments in highly liquid financial instruments | 930 000 | - |
| Current deposit (initial term less than 3 months) at bank | 741 529 | 1 000 000 |
| Cash equivalent at the cash holder | 299 427 | 207 160 |
| **Total cash equivalents** | **1 970 956** | **1 207 160** |
| Cash at banks | 592 038 | 1 412 415 |
| Cash at payment institutions | 164 642 | 222 920 |
| **Total cash** | **756 680** | **1 635 335** |
| **TOTAL:** | **2 727 636** | **2 842 495** |

* Data of 2022 was reclassified to provide comparative information, no effect on prior year results and equity.

These financial assets are not impaired as of 31 December 2023 (31.12.2022: EUR 0). Placements with Banks and highly liquid financial instruments, except for the deposit, are on-demand and have a low probability of default and loss, hence, no material ECL on these placements with Banks or those instruments arises.

## 17. Share capital and other equity reserves

| | | | 31.12.2023 |
|---|---|---|---|
| | Paid in Capital | Share premium | Number of shares |
| Class A shares | 1 107 029.90 | 9 654 723.06 | 11 070 299 |
| Class B shares | 13 627.90 | 47 155.84 | 136 279 |
| **TOTAL:** | **1 120 657.80** | **9 701 878.90** | **11 206 578** |

| | | | 31.12.2022 |
|---|---|---|---|
| | Paid in Capital | Share premium | Number of shares |
| Class A shares | 1 107 029.90 | 9 654 723.06 | 11 070 299 |
| Class B shares | 13 627.90 | 47 155.84 | 136 279 |
| **TOTAL:** | **1 120 657.80** | **9 701 878.90** | **11 206 578** |

*Share capital and share premium*

Class A shares are shares with voting rights and are entitled to dividends. Each share has a nominal value of EUR 0.10. During 2023 and 2022 there were no changes in Class A shares.

Class B shares are shares without voting rights but are entitled to dividends. Each share has a nominal value of EUR 0.10. These conditional share capital's shares are issued when employees exercise their share options (see Note 24). During 2023 no Class B shares were issued (87 160 in 2022 that resulted in increase in share capital by EUR 8 716 and share premium by EUR 35 078.38). As of 31 December 2023, the Company received payment for 6 489 Class B shares, that were registered in January 2024 as share capital increase in the amount of EUR 648.90 as Class B shares with share premium EUR 5 695.12.

*Other capital reserves*

For equity-settled share-based payment transactions, IFRS 2 requires entities to recognize an increase in equity when goods or services are received. However, IFRS 2 Share-based Payment does not specify where in equity this should be recognized. The Group has chosen to recognize the credit in other equity reserves. See Note 24 for more information.

The balance of other capital reserves regarding share-based payments was reduced by reserve amount associated with forfeited and exercised employee equity option agreements in the amount of EUR 607 196, which was reallocated from equity reserves to retained earnings.

Other capital reserves consist of loans taken over from the reorganization result with one of the shareholders, Grumpy Investments AS, in the amount of EUR 21 641.

Foreign currency translation reserve

A foreign currency translation reserve is used to record exchange differences arising from the translation of the net investment in foreign operations.

## 18. Other loans

| | 31.12.2023 EUR | 31.12.2022 EUR |
|---|---|---|
| **Non-current:** | **438 836** | **260 562** |
| Loans from related parties | 210 000 | 130 000 |
| Other loans | 209 550 | 129 750 |
| Interest from loans from related parties | 9 671 | 432 |
| Interest from other loans | 9 615 | 380 |
| **Current:** | **79 316** | **120 740** |
| Loans from related parties | 35 000 | 60 000 |
| Other loans | 34 650 | 59 400 |
| Interest from loans from related parties | 4 824 | 895 |
| Interest from other loans | 4 842 | 445 |

## 19. Contract liabilities

Contract liabilities consist of a connection fee recognized over 3 years, a prospectus renewal fee recognized over 1 year, and success fee return liability.

| | 01.01.2022 EUR | Revenue recognized during 2022 EUR | New contract liabilities during 2022* EUR | 31.12.2022 (restated) EUR | Revenue recognized during 2023 EUR | New contract liabilities during 2023** EUR | 31.12.2023 EUR |
|---|---|---|---|---|---|---|---|
| Contract liabilities | 181 992 | (292 747) | 748 780 | 638 025 | (426 620) | 412 160 | 623 565 |
| Non-current >12m | 74 271 | | | 187 215 | | | 184 263 |
| Current <12m | 107 721 | | | 450 810 | | | 439 302 |
| **TOTAL:** | **181 992** | | | **638 025** | | | **623 565** |

* As the Group decided to recognize the Success fee partly as a fee return liability applying an assumption regarding proportion, the effect of this an assumption resulted in Success fee return liability additions in 2022 in the total amount of EUR 383 781. See Note 2k and 2s for more details.

** Includes net change of Success fee return liability for the year 2023 in the amount of EUR 2 160.

## 20. Trade and other payables

| | 31.12.2023 EUR | 31.12.2022 EUR |
|---|---|---|
| Trade payables | 439 799 | 341 293 |
| Salary payables | 350 097 | 256 694 |
| Other payables | 17 892 | 37 702 |
| **TOTAL:** | **807 788** | **635 689** |

## 21. Taxes and State mandatory social insurance payments

| | 31.12.2023 EUR | 31.12.2022 EUR |
|---|---|---|
| Personal income tax | 404 342 | 278 418 |
| Statutory social insurance contributions | 185 731 | 126 062 |
| Value added tax | 69 743 | 21 629 |
| Business risk duty | 56 | 47 |
| **TOTAL:** | **659 872** | **426 156** |

## 22. Accrued liabilities

| | 31.12.2023 EUR | 31.12.2022 EUR |
|---|---|---|
| Accrued expense of unused vacation | 403 153 | 341 818 |
| Accrued expense of received services | 298 737 | 153 791 |
| Other accrued expenses | 5 278 | 33 965 |
| **TOTAL:** | **707 168** | **529 574** |

## 23. Related party disclosures

Related parties are defined as persons that can control the Group by making financial and operating decisions, members of the Management team of the Group or its parent company, and close members of the families of any individual referred to previously, and entities over which these persons exercise control.

Set out below movement table of transactions with related parties:

| | Transactions during: | | | Balances as of: |
|---|---|---|---|---|
| | 2023 EUR | 2022 EUR | 31.12.2023 EUR | 31.12.2022 EUR |
| ***Income*** | | | | |
| Income from the Management team | - | 1 119 | - | - |
| Income from other related parties | 145 | 610 | - | - |
| ***Expenses*** | | | | |
| Expenses from the Management team | 26 445 | 26 476 | - | - |
| Expenses from other related parties | 14 063 | 2 580 | - | - |
| ***Assets*** | | | | |
| Right-of-use leased assets from the Management team | - | - | 3 722 | 6 204 |
| ***Liabilities*** | | | | |
| Loans from other related parties (including interest) | - | - | 259 495 | 191 327 |
| Lease from the Management team | - | - | 4 019 | 6 552 |
| **TOTAL INCOME/ ASSETS:** | **145** | **1 729** | **3 722** | **6 204** |
| **TOTAL EXPENSES/ LIABILITIES:** | **40 508** | **29 056** | **263 514** | **197 879** |

Set out below movement table of transactions with related parties:

| | | | Received loans EUR | Interest EUR |
|---|---|---|---|---|
| Total balance from financing and investing activities as of: | | 31.12.2021 | - | 214 |
| 2022 | Received | | 205 000 | 2 580 |
| | Repaid | | (15 000) | (1 467) |
| Total balance from financing and investing activities as of: | | 31.12.2022 | 190 000 | 1 327 |
| 2023 | Received | | 225 000 | 14 063 |
| | Repaid | | (170 000) | (895) |
| Total balance from financing and investing activities as of: | | 31.12.2023 | 245 000 | 14 495 |

## 24. Share-based payments

Share option plan

According to the Group's share option plan, share options of the parent are granted to all Group employees who selected a compensation package with share options included. Until the end of 2017, the exercise price of the share options was equal to the best guess of the fair value estimate of the underlying shares on the date of the grant. Since the beginning of 2018, the exercise price of the share options is calculated with a discount on the best guess fair value estimate. The vesting of the options is dependent on the employee remaining in service for the Group. The standard vesting period is 4 years, with a 1-year cliff. The options can be exercised within 10 years from the grant date. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

In 2023, the Group introduced an additional share option plan for employees who have worked for the Group for two years or more. According to the plan, additional options are offered to each eligible employee once every two years. These options are granted from the existing share option pool. The grant conditions, including the vesting period, are similar to those of the initial stock option grant, except for a higher discount on the exercise price of the share options.

The Group recognized expenses for EUR 136 142 during the reporting year (EUR 120 841 in 2022) in relation to the respective share option plan.

Movement during the year in number and weighted average exercise price (WAEP) of options:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Number** | **WAEP** | **Number** | **WAEP** |
| Outstanding at 1 January | 375 927 | 0.90 | 619 029 | 0.70 |
| Granted | 124 034 | 1.90 | 34 441 | 2.46 |
| Exercised | (11 255) | 0.90 | (87 160) | 0.50 |
| Forfeited | (37 585) | 0.91 | (190 383) | 0.76 |
| Outstanding at 31 December | 451 121 | 1.17 | 375 927 | 0.90 |
| Exercisable as of 31 December | 306 083 | 0.78 | 307 941 | 0.61 |

36 912 share options were vested during 2023 (46 344 in 2022). Share-based payments to the Management team were EUR 22 616 (2022: EUR 7 653).

The range of exercise price is from EUR 0.10 to EUR 2.72. Below is summary of the range of exercise prices for options outstanding at the end of the year:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **Range of exercise price** | **Number** | **Contractual maturity** | **Number** | **Contractual maturity** |
| EUR 0.10 to EUR 0.64 | 162 877 | 3.00 | 182 565 | 4.02 |
| EUR 0.80 to EUR 1.60 | 172 578 | 7.00 | 119 523 | 6.08 |
| EUR 2.08 to EUR 2.72 | 115 666 | 8.51 | 73 839 | 8.98 |

The weighted average remaining contractual life for the share options outstanding was 5.96 years (5.19 years as of 31 December 2022).

Fair value calculations

The fair value of share options is estimated at the grant date by using a Black-Scholes option pricing model. The Group considers the terms and conditions on which the share options were granted and makes estimates on some of the assumptions to adjust for the Black-Scholes model's drawbacks when valuing American type of options. The inputs used in the model are market-observable whenever possible. Considering the rapid stage of development of the Group's operations, the management of the Group needs to make certain assumptions. The weighted average fair value of options granted at the measurement date was EUR 6.84 (EUR 4.96 in 2022).

The following table lists the key inputs used during 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Weighted average fair value of share price | 7.91 | 5.48 |
| Weighted average exercise price | 1.90 | 2.46 |
| Expected life of share options (years) | 4.00 | 5 |
| Expected volatility (%) | 70% | 95% |
| Dividend yield (%) | 0% | 0% |
| Risk-free interest rate (%) | 5.6% | 4.4% |

The two most significant inputs with the highest sensitivity to the calculations of share option value are the fair value of share price and the expected life of share options. Since 2018, the Group's policy has been to provide a strike price set at a discount from the best guess fair value, estimated by applying several valuation techniques. Before that, the strike price was equal to the estimated share price on each grant date. The expected life of share options was initially assumed to be on the end date on which the first option agreements granted (in 2015) could be exercised, considering the environment and how long it took other fintech companies to go public or get sold. However, as the business was impacted by the pandemic-caused downturn of 2020 and a prolonged licensing process, the assumption was changed in 2021 by extending the expected life by 2 years. The new expected exercise date for options granted is estimated to be around the end of 2027. Expected volatility is estimated by observing other companies that became listed in recent periods operating in similar industries. While the risk-free interest rate is calculated by looking at markets across the globe where the Group plans to operate. Dividends are expected to yield 0% at parent level during the calculation period, as all profit is intended to be reinvested to grow the value of Mintos Group further.

## 25. Client funds and financial instruments

The Group's core activity is to operate an easy-to-use online investment platform, providing long-term investors with a unique mix of alternative and traditional investments.

Clients are investing in financial instruments – loan-backed securities and fractional bonds called Notes, and ETFs.

The Group held and safeguarded the following clients' financial instruments, and safeguarded clients' funds in segregated bank accounts as of 31 December 2023 and 31 December 2022:

| By financial instrument type | 31.12.2023 EUR | 31.12.2022* EUR |
|---|---|---|
| Notes | 390 355 617 | 199 113 641 |
| Cash | 51 555 092 | 48 759 152 |
| ETF | 1 045 472 | - |
| **TOTAL:** | **442 956 181** | **247 872 793** |

* Data for 2022 was reclassified to provide comparative information without affecting prior year results and equity.

In accordance with the Financial Instrument Market Law, Mintos Marketplace AS is obligated to ensure an annual audit of practices of client funds and financial instrument safeguarding. The audit was conducted during the reporting year, and the report was submitted to the regulator. No shortcomings were reported.

Before investing in Notes and ETFs, the Group offered investments in loans originated by various alternative lending companies around the world. New investments directly in loans were discontinued on 30 June 2022. Clients had the following outstanding investments in loans and payments in process related to those investments (direct investments through assignment agreements):

| By loan type | 31.12.2023 EUR | 31.12.2022 EUR |
|---|---|---|
| Personal Loans | 88 607 327 | 192 679 992 |
| Short-Term Loans | 36 489 443 | 53 822 223 |
| Car Loans | 22 686 930 | 51 377 003 |
| Business Loans | 9 540 167 | 15 489 556 |
| Mortgage Loans | 2 631 010 | 4 030 072 |
| Agricultural Loans | 419 529 | 1 441 630 |
| Pawn broking Loans | - | 273 682 |
| Invoice Financing | - | 2 584 |
| **TOTAL:** | **160 374 406** | **319 116 742** |

Additionally, the Group's subsidiary, Mintos Debt Collection SIA, established specifically for legal proceedings related to client asset recovery, is holding investor funding totaling EUR 401 261 as of 31 December 2023.

## 26. Fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

All financial assets of the Group are measured at amortized cost and designated as such upon initial recognition. The Group assesses that all its financial assets and liabilities have the carrying amount as a reasonable approximation of fair value because of the short-term nature of the accounts receivable and payable and liabilities constituting lease contracts. Therefore, the Group has not disclosed the fair values separately.

*Valuation methods and assumptions*

The Group uses appropriate valuation techniques in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The management assessed that cash, trade receivables, other assets, trade payables, and other current liabilities approximate their carrying amounts primarily due to the current maturities of these instruments. The Group has no net gains or losses of financial instruments to report.

## 27. Risk management

### *a. Financial risks management*

The Group has assessed that its material financial risks arise from liquidity risk. The Group also has limited exposure to credit risk through the money held in bank accounts and other receivables. Interest rate and foreign exchange risk in the years 2023 and 2022 have been negligible as the Group's exposure to foreign currency changes for all currencies is not material.

*Liquidity risk*

The Group is exposed to liquidity risk in case it cannot meet its financial liabilities. The Group manages its liquidity risk primarily by maintaining an adequate level of cash and through intercompany borrowings.

The below table discloses undiscounted financial liabilities as of 31 December 2023:

| Liabilities | | 31.12.2023 EUR |
|---|---|---|
| Lease non-current | | 484 987 |
| Lease current | | 501 687 |
| Trade and other payables | | 807 788 |
| Accrued liabilities | | 707 168 |
| Other loans | | 518 152 |
| | **TOTAL:** | **3 019 782** |

The below table discloses undiscounted financial liabilities as of 31 December 2022:

| Liabilities | | 31.12.2022 EUR |
|---|---|---|
| Lease non-current | | 451 457 |
| Lease current | | 398 358 |
| Trade and other payables | | 635 689 |
| Accrued liabilities | | 529 574 |
| Other loans | | 381 302 |
| | **TOTAL:** | **2 396 380** |

The below table discloses discounted financial liabilities as of 31 December 2023:

| Liabilities | | 31.12.2023 EUR |
|---|---|---|
| Lease non-current | | 468 525 |
| Lease current | | 468 085 |
| | **TOTAL:** | **936 610** |

The below table discloses discounted financial liabilities as of 31 December 2022:

| Liabilities | | 31.12.2022 EUR |
|---|---|---|
| Lease non-current | | 438 309 |
| Lease current | | 369 372 |
| | **TOTAL:** | **807 681** |

Set out below received loans movement table of other loans transactions in 2023 and 2022:

| | | | Received loans EUR | Incoming interest EUR |
|---|---|---|---|---|
| Total balance from financing and investing activities as of: | | 31.12.2021 | - | - |
| 2022 | Received | | 204 000 | 2 775 |
| | Repaid | | (14 850) | (1 950) |
| Total balance from financing and investing activities as of: | | 31.12.2022 | 189 150 | 825 |
| 2023 | Received | | 60 000 | 14 078 |
| | Repaid | | (4 950) | (446) |
| Total balance from financing and investing activities as of: | | 31.12.2023 | 244 200 | 14 457 |

*Counterparty and credit risk*

Credit risk is when a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its financing activities, including balances with the banks, trade receivables, or unbilled receivables for which the invoices have not been issued at the end of the year. The main source of credit risk for the Group lies with its counterparties – banks and payment service providers which hold the Group's funds and investors' uninvested funds. Before starting a relationship with a counterparty, we assess the credit risk of the institution. We have set limits on the amount of funds that can be held with a counterparty depending on the risk level. We regularly monitor the risk of our counterparties and check compliance with the limits. To decrease the risk, we do not hold all funds with one counterparty but distribute the funds among several counterparties.

Given the short-term nature of the receivables, the Group is not incorporating forward-looking information into the determination of ECL.

*Concentration risk*

Concentration risk is the risk of the Group suffering losses due to excessive concentration of revenue sources. In order to have a sustainable business it's important to limit concentration to a single product, customer, or market, the loss of which could significantly impact the financial stability of the Group. While pursuing our business strategy, we strive to diversify our revenue sources across multiple geographies and customers in order not to have excessive concentrations that might substantially harm the business in case of negative scenarios.

Cash and cash equivalents

The Group holds the cash balances (see Note 16) with commercial banks and payment institutions in Latvia, Lithuania, Estonia, United Kingdom, Germany, Mexico, Indonesia and Poland, and in money market funds that are highly liquid and low-risk financial instruments. Balances with the banks are held with several banks, including balances held with institutions with credit ratings equal or above Ba2 (by Moody's, institution group's rating is applied if no rating is issued for standalone counterparty) of EUR 958 695 (2022: EUR 2 439 928) and institutions with no ratings issued of EUR 1 838 941 (2022: EUR 402 567). Apart from that, the money held in the European Union's banks in the amount of up to EUR 100 000 are guaranteed by the local state deposit insurance schemes except for Mintos Marketplace AS as an investment firm is not eligible to these guaranties, with total balance with the European Union's banks amounting to EUR 2 789 704 (2022: EUR 2 603 760). Given that significant balances are kept only with European Union banks with investment grade credit rating for deposits, the Group believes that there is very minimal credit risk associated with these balances.

Unbilled receivables and trade receivables

Customer credit risk is managed by the Group's established policy, procedures and controls relating to customer credit risk management. Outstanding customer receivables and unbilled receivables are regularly monitored. Accrued income for which the bills are not yet issued by the end of the period (see Note 15) is usually withheld directly from the settlements with the Group's clients, thus limiting credit risk exposure.

Based on the assessment of debtor payment discipline and other qualitive information about their financial standing, an impairment allowance was made in 2023 and in 2022. The Group's net trade receivables from the customers, unbilled receivables as of 31 December 2023 was EUR 929 682 (2022: EUR 706 870), including EUR 194 333 (2022: EUR 324 897) of provisions for doubtful debts and EUR 35 723 (2022: EUR 43 293) impairment based on Expected credit loss calculation below. As of 31 December 2023, other debtors and assets in the amount of EUR 59 794 (31 December 2022: EUR 40 041) were impaired.

An impairment analysis is performed on the 31 of December 2023 and on the 31 December 2022 using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available on the reporting date about past events and current conditions.

The carrying amounts of receivable represent the maximum credit exposure. There are trade receivables from debtors in the Russian Federation as of 31 December 2023 in the amount of EUR 58 571 (31.12.2022: EUR 82 053), from which EUR 56 052 were impaired as doubtful debts (31.12.2022: EUR 80 532). No trade receivables written off during 2023 (2022: 35).

Below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix as of 31 December 2023:

| | | ***Days past due*** | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Fully impaired doubtful debts** | **0 days EUR** | **<30 days EUR** | **31-60 days EUR** | **61-90 days EUR** | **>90 days EUR** | **Total EUR** | **Grand total EUR** |
| Expected credit loss rate | 100% | 0.48% | 6.84% | 37.43% | 49.01% | 26.66% | - | - |
| Estimated total gross carrying amount at default | 194 333 | 793 233 | 87 792 | 9 316 | 10 668 | 64 396 | 965 405 | 1 159 738 |
| Expected credit loss | 194 333 | 3 808 | 6 005 | 3 487 | 5 228 | 17 168 | 35 696 | 230 029 |

Below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix as of 31 December 2022:

| | | *Days past due* | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Fully impaired doubtful debts | 0 days EUR | <30 days EUR | 31-60 days EUR | 61-90 days EUR | >90 days EUR | Total EUR | Grand total EUR |
| Expected credit loss rate | 100% | 1.70% | 23.03% | 52.81% | 57.74% | 66.36% | - | - |
| Estimated total gross carrying amount at default | 324 897 | 677 010 | 33 766 | 3 756 | 19 563 | 16 166 | 750 261 | 1 075 158 |
| Expected credit loss | 324 897 | 11 509 | 7 776 | 1 984 | 11 296 | 10 728 | 43 293 | 368 190 |

Movement in the allowance for impairment in respect of trade receivables and other debtors, and assets during the year was as follows:

| By impairment allowance type | 2023 EUR | 2022 EUR |
|---|---|---|
| **From the Statement of comprehensive income:** | | |
| Impairment allowance for doubtful debts in trade receivables | - | 183 148 |
| Impairment allowance based on expected credit loss calculation | - | 1 930 |
| Impairment allowance for doubtful debts in other debts and assets | 19 783 | 1 618 |
| Impairment of right-to-use assets | 76 790 | 92 520 |
| Impairment allowance reverse based on expected credit loss calculation | (7 597) | - |
| Impairment allowance reverse in doubtful debts | (52 016) | (148) |
| Impairment allowance reverse in doubtful other debts and assets | (30) | - |
| Impairment reverse of right-to-use assets | - | (227 249) |
| **From the Statement of Comprehensive Income positions that were not included in the Statement of Financial Position:** | | |
| Written off trade receivables | 1 606 | 35 |
| Written off other trade receivables | 1 826 | - |
| **Total impairment losses in the Statement of Comprehensive Income** | **40 362** | **51 854** |
| **From the Statement of Financial Position positions that were not included in the Statement of Comprehensive Income:** | | |
| Written off trade receivables that were impaired in the previous periods | (75 777) | - |
| Loss from fluctuations of currency exchange rates | (2 771) | - |
| **Total in balance as of 31 December, including:** | **289 823** | **408 231** |
| Impairment allowance in trade receivables, including (Note 15): | 230 029 | 368 190 |
| Trade receivable impairment allowance | 194 333 | 324 897 |
| Impairment based on Expected credit loss calculations | 35 696 | 43 293 |
| Impairment allowance for other debtors (Note 14) | 59 794 | 40 041 |

### *b. Capital management*

The Group considers its capital to comprise its equity share capital, share premium, equity reserves related to share-based payments, and accumulated retained results. The Group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern and benefit other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. Starting in 2021, the Group includes two subsidiaries – Mintos Marketplace AS and Mintos Payments SIA that adhere to regulatory capital requirements monitored by Latvijas Banka, the central bank of the Republic of Latvia. Both subsidiaries complied with the requirements at the end of the year. The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. The management of the Group believes that the current level of capital is sufficient for further operations. There have been no changes in how the Group manages its capital during the reporting year.

### *c. Compliance risk management*

Compliance risk is the risk that the Group suffers losses due to noncompliance with the applicable regulations. Several companies within the Group must comply with several regulations in different areas. Our risk management process is built to ensure that we run our business in compliance with all applicable regulations. We have dedicated teams that control the compliance with internal policies and external regulations.

***d. Operational risk management***

Operational risk is the risk that the Group might suffer losses due to flaws in processes, IT failure, human error, or external fraud. In a rapid growth environment, it's essential to ensure that the processes are adjusted promptly to keep up with the growth. We assess operational risk to identify processes where the risk is material. We apply risk-mitigating tools to ensure that the residual risk is not above our risk appetite.

***e. Reputational risk management***

Reputational risk is the risk that the Group suffers losses due to a damaged reputation. Reputation is a cornerstone for successful operations to every financial institution. Loss of reputation might also lead to slower growth than otherwise possible due to fewer investors joining the Group as a result of the damaged reputation. When making strategic decisions, we continuously evaluate the reputational aspect of such decisions. Moreover, before starting a relationship with a new partner or customer, we assess whether the cooperation negatively affect our reputation.

## 28. Events after the balance sheet date

In April 2024, the Company raised equity investments via a crowdfunding campaign that will be finalized in June 2024. There have been no other significant events after the balance sheet date.

**Martins Sulte**
Chairman of the Management Board

**Martins Valters**
Member of the Management Board

30 May 2024

# Independent auditors' report

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# Independent Auditors' Report

# To the shareholders of AS Mintos Holdings

## Report on the Audit of the Consolidated Financial Statements

*Our Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of AS Mintos Holdings ("the Company") and its subsidiaries ("the Group") set out on pages 9 to 43 of the accompanying consolidated Annual Report, which comprise:

- the consolidated statement of financial position as at 31 December 2023,
- the consolidated statement of comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- the notes to the consolidated financial statements, which include a summary of material accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of AS Mintos Holdings and its subsidiaries as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

*Basis for Opinion*

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) developed by the International Ethics Standards Board for Accountants (IESBA Code) and the independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Reporting on Other Information*

The Group's management is responsible for the other information. The other information comprises:

- the Management Report, as set out on pages from 3 to 7 of the accompanying consolidated Annual Report,
- the Statement on Management Responsibilities, as set out on page 8 of the accompanying consolidated Annual Report.

Our opinion on the consolidated financial statements does not cover the other information included in the consolidated Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information* section of our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information*

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the Management Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

*Auditors' Responsibility for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Baltics SIA
Licence No. 55

Rainers Vilāns
Member of the Board
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia
30 May 2024

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND IT HAS A TIME-STAMP