IPAS “Indexo“ 2020 Annual Report and an Independent Auditor’s Report

(Financial Year 4)

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INFORMATION ABOUT THE COMPANY

Name	IPAS "Indexo"
Registered office and office address	Elizabetes 13- 1A, Rīga, LV-1010, Latvija
Registration number	40203042988
Date of incorporation	10.01.2017
Licence number	06.03.07.567/478
Date of licence issue	16.05.2017, re-registered 31.05.2017
Shareholders	Natural and legal persons with equity share of up to 10% Qualifying holding: SIA DVH (Latvia) – 18.3%
Council	Valdis Vancovičs – Council Chairman (from 16.08.2018) Normunds Bergs – Council Member (from 10.01.2017 to 29.10.2020) Edgars Zālītis - Council Member (from 10.01.2017) Svens Dinsdorfs - Council Member (from 24.08.2017) Renāts Lokomets - Council Member (from 24.08.2017) Pāvels Šnejersons - Council Member (from 24.08.2017 to 21.09.2020) Ieva Jansone-Buka – Council Member (from 25.04.2019) Toms Kreicbergs - Council Member (from 21.09.2020)
Board	Valdis Siksnis – Chairman of the Board (from 10.01.2017) Henrik Karmo – Board Member (from 16.08.2018) Ilja Arefjevs – Board Member (from 26.06.2020) Toms Kreicbergs – Board Member (till 25.06.2020)
Reporting period	1 January 2020 – 31 December 2020
Auditors	"PricewaterhouseCoopers" SIA Krišjāņa Valdemāra iela 21-21, Riga, Licence No 5 Ilandra Lejiņa Certificate of a certified auditor No 168

MANAGEMENT REPORT

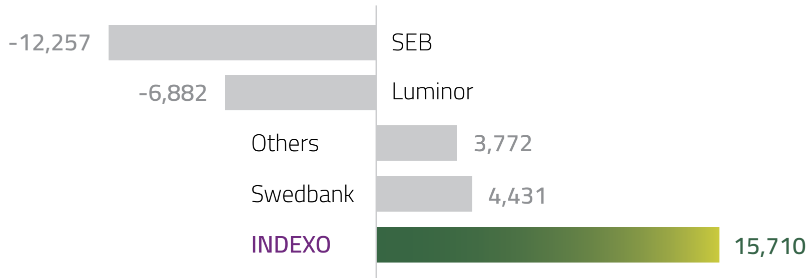
Part 1 – The Mission of the Company and Achievements in 2020

The mission of Investment Management Joint Stock Company "Indexo" (IPAS "Indexo", hereinafter referred to as the Company) remains unchanged – to offer modern, transparent low-cost investment products, as well as to improve competition and transparency in the investment sector in Latvia.

The number of participants in the investment plans managed by the Company has already reached 48.5 thousand (increase by 16 thousand participants compared to the beginning of the year), whereby the scope of managed assets at the close of the year was 279 million euro (increase by 100 million euro compared to the beginning of the year).

With the number of the Company's customers increasing the investment plan charges were repeatedly decreased. The Company has with conviction kept the title of the most rapidly growing pension manager. However, the spread of COVID-19 during the reporting year has had a negative impact on the customer attraction results.

Net change in the number of investment plan participants in 2020

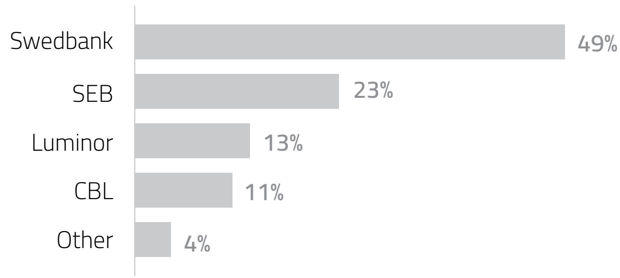


Source: manapensija.lv

We continued to actively protect the interests of Latvian investors in the Parliament. Among others, we have achieved inclusion of new provisions in the State Funded Pension Law, which now allows investing of up to 25% of a plan's assets in a single index fund, we have actively supported the proposal of development of pension plans with the stock proportion of up to 100% of the total assets of the plan, as well as expand the options of investing up to 25% of a pension plan's assets in alternative investment funds.

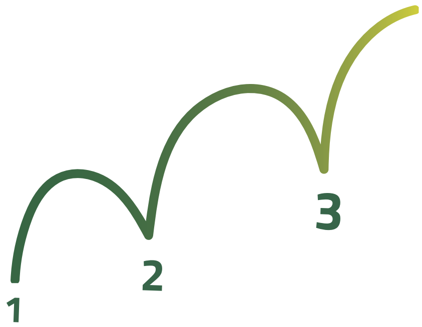
Our carefully trained, friendly advisors have helped thousands of people to understand how the Latvian pension system works. We have also published informative blog articles and radio jingles aimed at improving finance literacy among the Latvian population.

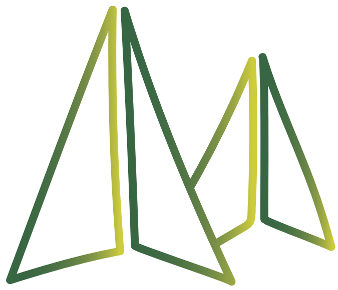
Which bank customers choose INDEXO?



Source: SSIA reports on the movement of investment plan participants 2017-2020

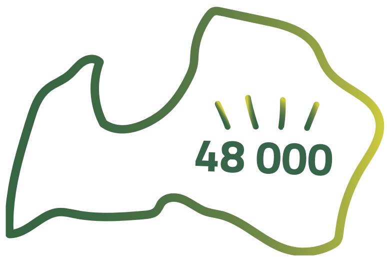
In 2020 all investment plans managed by the Company showed strong positive results. However, already during the reporting year we reminded customers that short-term results are of minor importance, as financial markets tend to fluctuate. The pension plan returns must be assessed over a longer period.





We continued to work with activation of competition in the pension sector by launching Indexo 3rd level pension licensing procedure and an informative campaign. The license was obtained on 20 January 2021 (after the close of the reporting period).

In the reporting year the Company was joined by new investors, experienced entrepreneurs and managers from different industries – telecommunications, energy, construction, finance and other industries. The transaction with the Company's shares won the annual award of the Latvian Venture Capital Association and Latvian Business Angel Network in the nomination "The Most Profitable Investment of the Year".



We wish to thank our more than 48 thousand customers who have entrusted their pensions to the Company. We can optimistically assume that the changes we have initiated will continue to gain strength in 2021 and will bring benefits both for our customers and other investors in Latvia!

Part 2 – Mandatory Information

The Company was founded on 10 January 2017. Registered office of the Company: Elizabetes iela 13-1A, Riga, LV-1010, Latvia. Uniform registration number in the Commercial Register of the Republic of Latvia: 40203042988. On 16 May 2017 the Financial and Capital Market Commission (hereinafter referred to as the FCMC) issued a license of provision of investment management services to the Company, which was re-registered on 31 May 2017 with number 06.03.07.567/478.

State-funded pension scheme investment plan	Registration date	Net value of the plan's assets
INDEXO Jauda 16–50 (Power)	18.01.2018.	178 544 650
INDEXO Izaugsme 47-57 (Growth)	21.06.2017.	85 542 285
INDEXO Konservatīvais 55+ (Conservative)	04.04.2018.	15 267 562
Total		**279 354 497**

The Company started the management of assets in July 2017. At the beginning of the reporting period the Company was managing 4.0% of all assets of the State-Funded pension scheme, but at the close of the period – 5.5% of all assets of the State-Funded pension scheme. During the reporting period the Company was the fastest growing manager of State-Funded pension scheme assets as to the number of customers.

The Company's revenue in the reporting period amounted to EUR 972 thousand (in comparison to EUR 583 thousand in 2019). The growth in revenue reflects the Company's success in attracting customers during the year. The Company's revenue of the reporting period was more than enough to cover the administrative costs, without considering the expenses related to customer attraction. The Company is capable to start working with profit at any time by means of slightly reducing its expenses in relation to customer attraction.

The Company's costs of the reporting period were EUR 983 thousand (in comparison to EUR 1239 in 2019). The degree of expenses reflects the Company Management's strategic decision to continue active attraction of customers in order to strengthen the Company's foothold in the State-Funded pension scheme asset management market and achieve maximum increase of the Company's long-term value. Taking into account the considerable contribution to the growth of the Company and customer attraction during the year the Company closed the reporting period with a loss of EUR 11 thousand (in comparison to the loss of EUR 654 thousand in 2019).

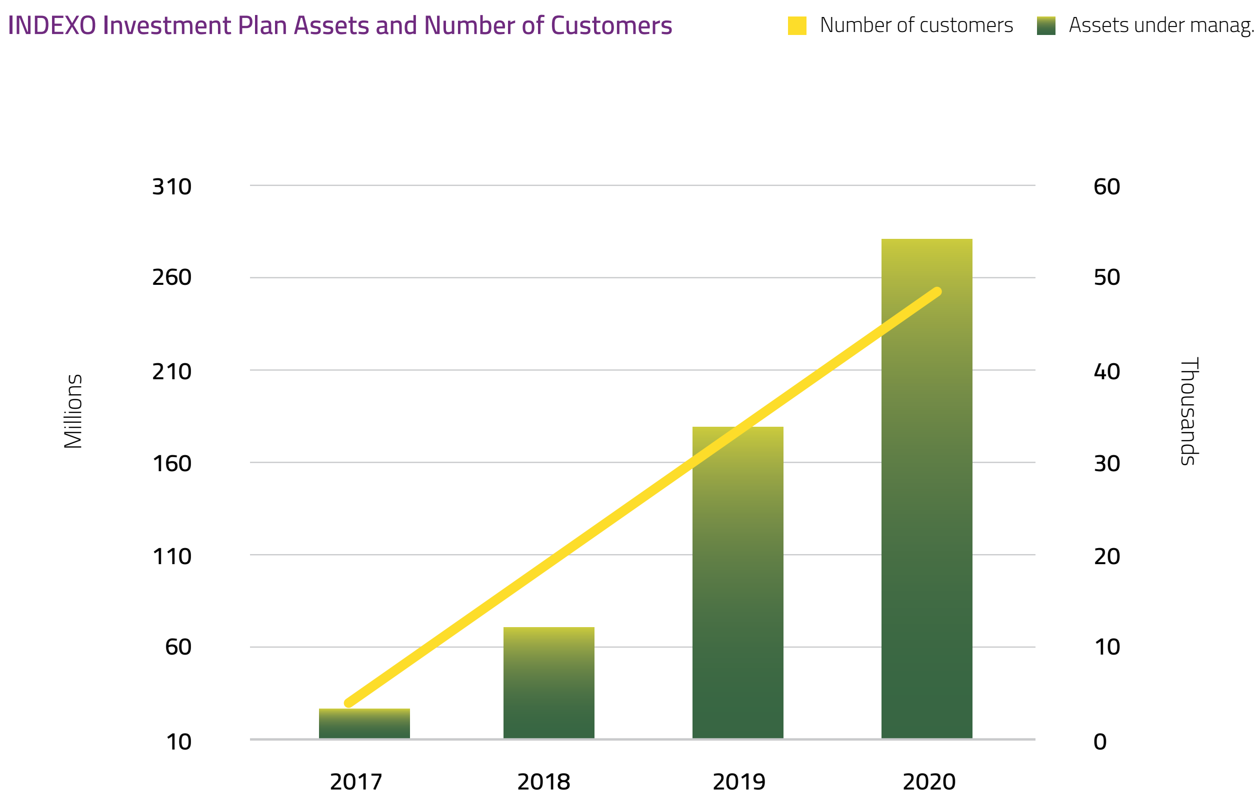
In the reporting period the Company implemented a cautious risk management policy in line with the Company's currently effective Financial Risk Management Policy, Operational Risk Management Policy and Business Compliance Risk Management Policy. The main risks characteristic to the Company's business in the reporting period were the operational risk, credit risk, business compliance risk, delegation risk, as well as strategic and business risk.

Since the scope of the State-Funded pension scheme assets managed by the Company rapidly exceeded EUR 200 million, which is the threshold stipulated in the State-Funded Pension Law the exceeding of which requires increase of equity capital the Company successfully completed a share capital increase process in February 2020. On the date of signing of this report the Company's subscribed and paid-up equity capital is EUR 3 016 987.

The Company is satisfied with its rapid growth and the customer trust gained during the year. Growth will continue to be the Company's priority. It is expected that in 2021 the Company will continue devoting much of its attention to intensive explanatory work with customers. The risks related to spreading of COVID-19 will remain, which may negatively affect the Company's business. In 2021 the Company plans to launch management of the private pension plan (3rd level pensions) assets administered by Indexo Atklātais Pensiju Fonds AS.

Part 3 – A Comment by the Council

During the first half of the year new effective, yet remote and digital customer attraction mechanisms were found. Succession of the Company's management was ensured with a new Executive Director I. Arefjevs starting to work for the Company. In the second half of the year the Management successfully dealt with large-scale development issues in relation to introduction of 3rd level pension management products compliant with the Company's values and ideology.



Source: manapensija.lv

Despite the challenges not only INDEXO was able to retain the position of the fastest growing pension manager in the market, but also delighted its shareholders with excellent yield by winning the Latvian Venture Capital Association and Latvian Business Angel Network annual award in the nomination "The Most Profitable Investment of 2020".

Chairman of the Council Valdis Vancovičs

Signed on behalf of the Board of the Company:

Valdis Siksnis, Chairman of the Board

Ilja Arefjevs, Member of the Board

26 February 2021

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STATEMENT OF THE RESPONSIBILITY

The Board of IPAS "Indexo" is responsible for preparation of the Company's financial statements, which clearly and fairly reflect the Company's financial standing at the close of the reporting period, as well as overall income and cash flows of the reporting period, in accordance with applicable laws and regulations and the International Financial Reporting Standards applicable in the European Union.

When preparing the financial statements on pages 9 to 28 for the period from 1 January 2020 to 31 December 2020 the Management applied relevant accounting principles, which are based on reasonable judgment and estimates. In the opinion of the Management all relevant accounting standards (including the International Financial Reporting Standards applicable in the European Union and regulations of the Financial and Capital Market Commission) have been constantly applied.

The Company's Management is responsible for relevant management of accounts, as well as for compliance of financial statements with regulations of the Financial and Capital Market Commission regarding annual reports of investment management companies. It is the duty of the Management to take all necessary measures to protect the Company's assets and prevent fraud and other unfair conduct. The decisions and assumptions of the Management regarding preparation of financial statements have been cautious and reasonable.

Signed on behalf of the Board of the Company:

Valdis Siksnis, Chairman of the Board

Ilja Arefjevs, Member of the Board

26 February 2021

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FINANCIAL STATEMENTS

Comprehensive income statement

	Annexes	01.01.2020.-31.12.2020.	01.01.2019.-31.12.2019.
Fees and similar income	2	972 467	583 474
Other income		-	1 984
Administration costs	3	(979 002)	(1 232 458)
Interest costs		(643)	(643)
Other costs	4	(3 557)	(6 259)
Loss before calculation of corporate income tax		**(10 735)**	**(653 902)**
Loss of the reporting period		**(10 735)**	**(653 902)**
COMPREHENSIVE LOSS		**(10 735)**	**(653 902)**

Annexes on pages 9 to 33 are an integral part of these financial statements.
On 26 February 2021 financial statements were approved and signed on behalf of the Company by:

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Valdis Siksnis
Chairman of the Board

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Ilja Arefjevs
Member of the Board

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Statement of financial position

	Annexes	31.12.2020. EUR	31.12.2019. EUR
ASSETS			
Fixed assets and the right-of-use assets	6	19 615	22 926
Investments in related companies	7	400 000	-
Accrued income	8	200 044	70 465
Deferred costs	9	2 511	15 015
Other assets	10	257 108	185
On-call claims to credit institutions	5	941 010	983 648
ASSETS TOTAL		**1 820 288**	**1 092 239**

	Annexes	31.12.2020. EUR	31.12.2019. EUR
EQUITY AND LIABILITIES			
Accruals	11	25 007	103 461
Accruals total:		**25 007**	**103 461**
Accrued liabilities	12	35 536	45 754
Trade payables	13	18 353	29 535
Taxes and state mandatory social insurance contributions	14	36 223	25 599
Other payables	15	31 590	32 738
Payables total:		**121 702**	**133 626**

	Annexes	31.12.2020. EUR	31.12.2019. EUR
EQUITY			
Share capital	16	3 016 987	2 265 000
Stock option reserve		5 436	5 436
Share issue premium		77 175	-
Loss carried forward from previous periods		(1 415 284)	(761 382)
Loss of the reporting period		(10 735)	(653 902)
Equity total:		**1 673 579**	**855 152**
EQUITY AND LIABILITIES TOTAL		**1 820 288**	**1 092 239**

Annexes on pages 9 to 33 are an integral part of these financial statements.

On 26 February 2021 financial statements were approved and signed on behalf of the Company by:

_______________________ _______________________

Valdis Siksnis
Chairman of the Board

Ilja Arefjevs
Member of the Board

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Statement on changes in equity

Loss of the reporting period	Annexes	Share capital	Stock option reserve	Share issue premium	Loss carried forward from previous periods	TOTAL
		EUR	EUR	EUR	EUR	EUR
01.01.2018		**2 265 000**	-	-	**(761 382)**	**1 503 618**
Share payment transactions where shares are used for payment		-	5 436	-	-	5 436
Loss of the reporting period		-	-	-	(653 902)	(653 902)
31.12.2019		**2 265 000**	**5 436**	-	**(1 415 284)**	**855 152**
Share issue premium	16	-	-	77 175	-	77 175
Increase of equity capital	16	751 987	-	-	-	751 987
Loss of the reporting period		-	-	-	(10 735)	(10 735)
31.12.2020		**3 016 987**	**5 436**	**77 175**	**(1 426 019)**	**1 673 579**

Annexes on pages 9 to 33 are an integral part of these financial statements.

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Valdis Siksnis

Chairman of the Board

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Ilja Arefjevs

Member of the Board

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Cash flow statement

	Annexes	01.01.2020.-31.12.2020. EUR	01.01.2019.-31.12.2019. EUR
Cash flow from operating activities			
Loss before corporate income tax		(10 735)	(653 902)
Depreciation of fixed assets and amortisation of leased assets	6	17 450	15 350
Interest expenses	6	643	643
Loss from written-off fixed assets		-	290
Costs of share payments		-	5 436
Increase/(decrease) of cash and equivalents from operating activities before changes in assets and liabilities:		**7 358**	**(632 183)**
Increase of deferred costs, accrued income and other assets		(373 998)	(35 291)
(Increase)/decrease of accruals		(78 454)	71 941
(Increase)/(decrease) of accrued liabilities		(10 218)	30 265
Increase/(decrease) of trade payables and other payables		(512)	11 690
(Decrease) of cash and equivalents from operating activities		**(455 825)**	**(18 668)**
Cash flow from investment activities			
Purchase of fixed assets	6	(1 525)	(18 668)
Investments in related companies	7	(400 000)	-
(Decrease) of cash and equivalents from investment activities		**(401 525)**	**(18 668)**
Cash flow from financing activities			
Lease obligations payment		(14 450)	-
Share issue		829 162	-
Increase of cash and equivalents from financing activities		**814 712**	-
(Decrease) of cash and equivalents		**(42 638)**	**(572 246)**
Cash and equivalents at the beginning of the reporting period		983 648	1 555 894
Cash and equivalents at the end of the reporting period	5	**941 010**	**983 648**

Annexes on pages 9 to 33 are an integral part of these financial statements.

On 26 February 2021 financial statements were approved and signed on behalf of the Company by:

Valdis Siksnis	Ilja Arefjevs
Chairman of the Board	Member of the Board

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ANNEX TO FINANCIAL STATEMENTS

1. Accounting Policies

Background information

Investment Management Joint Stock Company “Indexo“ (IPAS “Indexo“, hereinafter referred to as the Company) was registered on 10 January 2017. On 16 May 2017 the Company obtained a license for management of State-Funded Pension Scheme assets and a licence for provision of investment management services.

Statutory Requirements Regulating the Business of Investment Management Companies

The Company’s business is regulated by the Law on Investment Management Companies (hereinafter referred to as IMC), the Commercial Code and other laws and regulations. The business of IMC is supervised by the Financial and Capital Market Commission (hereinafter referred to as the FCMC).

Statement of Compliance

The procedure of preparation of the Company’s financial statements is compliant with the International Financial Reporting Standards applicable in the European Union (hereinafter referred to as the IFRS) and the FCMC’s “Regulations Regarding Preparation of Annual Reports and Consolidated Annual Reports of Credit Institutions, Investment Broker Companies and Investment Management Companies“. The Company’s shareholders are authorised to refuse the financial statements prepared and submitted by the Management and require preparation of new financial statements.

Main Principles of Report Preparation

Financial statements have been prepared according to the International Accounting Standards issued by the International Accounting Standards Council, International Financial Reporting Standards and standard interpretations by the IFRS Interpretations Committee, as approved by the European Union (hereinafter referred to as the EU). Certain annexes have been prepared according to requirements laid down by the FCMC. The Company’s financial statements are prepared on the basis of initial cost accounting principle.

Unless indicated otherwise, financial statements are presented in the functional currency of the Company, the official currency of the Republic of Latvia – euro (EUR).

The accounting guidelines include ongoing concern, caution, consistency of applied accounting methods and accounts according to accruals method:

- An ongoing concern, that is, when preparing the financial statements, it is assumed that the Company will continue its business in the near future. It is an obligation of the Company’s Management to assess the Company’s capability to continue its business.
- Caution, that is, assessment it at all times with due caution.
- Consistency of applied accounting methods, that is, classification of items and reflection thereof in financial statements must be maintained from one period to another, that is, the Company uses constant accounting methods.
- Accruals method in accounting – that is, for the purpose of financial statements claims, liabilities, equity, income and expenditure are recognised upon their meeting of relevant criteria of recognition, which in fact means that transactions are recognised upon the occurrence thereof (not when cash or equivalents are received or paid) and they are recorded in accounts and indicated in financial statements for the periods to which their refer.

New Standards and Interpretations

New standards and interpretations, which came into force in the reporting period.

The Company has adopted new standards and supplementations thereof as described hereunder, including supplementations to other standards following from such new standards, which must be initially applied to the reporting year, which started on 1 January 2020.

- Amendments to Conceptual Framework for Financial Statements (valid for the reporting periods starting on 1 January 2020 or later). The reviewed Conceptual Framework includes a new chapter on assessment; guidelines for reporting financial results; improved definitions and explanations, especially with regard to the definition of liability; as well as explanations regarding such very important areas as the role of governance, caution and uncertainty of assessment related to financial reporting.

- Changes in IFRS 3 – the definition of business (valid for the reporting periods starting on 1 January 2020 or later). Amendments refer to reviewing of the business definition. A business should consist of incoming resources and important processes, which together taken considerably facilitate a possibility to create outgoing resources. The new guidelines provide a framework for assessing existence of incoming resources and important processes in companies which undergo development and have not yet created outgoing resources. If a business has not created outgoing resources yet a precondition for recognising it as a business is presence of organised workforce. The definition of outgoing resources has been narrowed by focussing on goods and services delivered or provided to buyers whereby creating return on investment or other revenue, and excludes return related to lower costs or other economic benefits. It is no longer necessary to evaluate whether market participants are able to replace any missing parts or integrate purchased activities and assets. A company may apply a "concentration test". Acquired assets whose fair value is almost entirely concentrated in a single asset (or a group of similar assets) cannot be regarded as a business.

- Changes in IAS 1 and IAS 8 – the definition of relevance (valid for the reporting periods starting on 1 January 2020 or later). The amendments explain the definition of relevance and application thereof by comprising the guidelines scattered over different standards in the very definition. In addition, the explanations which were earlier available together with the definition have been supplemented. Also, the amendments ensure a uniform definition of relevance everywhere within the IFRS framework. Information is relevant if failure to present it or erroneous or false presentation thereof may feasibly affect decisions, which, based on these financial statements providing information on a certain reporting unit, are made by principal users of the general purpose financial statements.

- Changes in IFRS 9, IAS 39 and IFRS 7 – interest rate benchmark definition (valid for the reporting periods starting on 1 January 2020 or later). Amendments provide preferences in relation to the interest rate benchmark reform. Preferences are related to hedge accounting and purports that the IBOR reform would not mean suspension of hedge accounting. However, any inefficiencies resulting from this reform and related to hedge accounting must be recognised in the income statement.

- Amendments to IFRS 16 – lease agreement concessions in relation to Covid-19 (valid for the reporting periods starting on 1 January 2020 or later). The amendments envisage an opportunity for lessees (but not lessors) to use exemption from the standard requirement of assessing whether the concessions related to Covid-19 are a modification of the lease agreement.

The impact of the newly implemented standards on the Company's financial statements is not significant.

Standards and amendments, which come into force in the reporting years starting on 1 January 2021 or later, or have not been approved for use in the EU:

- Amendments to IFRS 10 and IAS 28 – Sales or asset transfer transactions between an investor and its associated company or joint venture (the date of coming into force has not been set yet, have not been approved for application in the EU).
- IFRS 17 Insurance Contracts (applicable to reporting periods starting on 1 January 2021 or later, have not been approved for application in the EU).
- Amendments to IAS 1 – Classification of short-term and long-term liabilities (applicable to reporting periods starting on 1 January 2023 or later, have not been approved for application in the EU).
- Amendments to IAS 16, IAS 37 and IFRS 3 and Annual Improvements to IFRS 2018-2020 Cycle (applicable to reporting periods starting on 1 January 2022 or later, have not been approved for application in the EU).
- Amendments to IFRS 17 and IFRS 4 (applicable to reporting periods starting on 1 January 2023 or later, have not been approved for application in the EU).
- Phase II of Interbank Offered Rate (IBOR) reform – amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 (applicable to reporting periods starting on 1 January 2021 or later, have not been approved for application in the EU).

The Company's Management passed a decision not to implement the new standards and interpretations before their coming into force date. The Company's Management believes that implementation of the new standards, amendments and interpretations will not have considerable effect on the Company's financial statements in the year of implementation thereof.

Estimates and Judgments

In order to prepare financial reports according to IFRS it is necessary for the Management to make judgments, estimates and assumptions, which affect the application of policies and the indicated amounts of assets and liabilities, income and expenditure. Estimates and related assumptions are based on the historical experience and different other factors, which are considered reasonable in the particular circumstances and which together taken provide a basis for decision-making with regard to book value of assets and liabilities, which is not possible to determine by using other sources. The actual results may differ from such estimates.

Estimates and related assumptions are verified on regular basis. Changes in accounting estimates are recognised in the period within which the respective estimates are reviewed if the changes affect only the respective period, or in the period within which the estimates are reviewed and the following periods if the changes affect both the particular period and the following periods.

The most significant financial items for which assumptions and estimates have been used.

Accruals for employee bonuses

At the end of the reporting year accruals were created for employee bonuses in line with the Company's Remuneration Policy.

Application of IFRS 16 to lease agreements

The Company has made judgments and estimates with regard to application of the standard's requirements to its agreement on lease of premises.

Customer acquisition costs

In the reporting period the Company started to partly capitalise customer acquisition costs. The Company capitalises the variable remuneration of sales specialists related to the customer acquisition by depreciating it over a period of seven years. According to the data of the State Social Insurance Agency regarding the reporting year on average 9% of the participants of the investment plans managed by the Company chose other investment plans registered in Latvia while 91% of participants remained with the plans managed by INDEXO. This means that, if this indicator continues to remain unchanged in the next years, on average one participant of investment plans managed by the Company will remain INDEXO customer for approximately 10-11 years. Therefore, the Company believes that depreciation of the variable remuneration of sales specialists related to the customer acquisition over a period of seven years is adequate.

The Company did not adjust the customer acquisition costs of 2019. This is because 2019 was the first year when INDEXO launched intensive attraction of customers in shopping malls. Out of all customers attracted in 2019, a considerable part (up to 40%) of customers continue to be participants who chose to joint INDEXO investment plans as a result of advertising in the digital environment and informative seminars. Considering that in 2019 both the customer acquisition process and customer acquisition commissions were several times adjusted to circumstances and made more specific, the Company's Management believes that adjustment of customer acquisition costs in 2019 is not feasible.

Records of share-based payments

The Company's meeting of shareholders has granted the Company's Management the right to acquire the Company's shares. The respective purchase right is classified in the Company's financial statements as a share-based payment – an equity-related transaction according to IFRS 2 requirements.

When determining the fair value of a share purchase at the time of acquisition of the benefit the Company's Management takes into account information regarding actual direct and indirect transactions with the Company's shares at the disposal of the Company's Management. At the end of each reporting period the Company's Management estimates the possibility of exercising the share purchase right by individually assessing the condition of the Management warranty period, including with regard to continuing employment for the Company and the expected performance, and recognises accruals for the expected personal tax payments accordingly.

Management of Assets

The Company manages and administers assets in securities and cash accounts of custodian banks as instructed by its customers (investment plans). The financial information of such assets is not included in these financial statements as the risks and benefits of such assets are fully related to the Company's customers. Hence such assets are not considered the Company's assets.

Intangible Investments and Fixed Assets

Intangible investments and fixed assets are indicated at their purchase or reassessment value, less accrued depreciation and accrued impairment. Acquisition value includes the costs directly related to the purchasing of an intangible investment or a fixed asset.

The applied fixed asset depreciation rates

	Annual %
Intangible investments	33.33
Other fixed assets	33.33

In cases where the book value of an intangible investment or fixed asset is higher than its recoverable value, the value of the respective intangible investment or fixed asset is immediately written off to its recoverable value. The recoverable value is the higher of either the fair value of the respective intangible investment or fixed asset, less sales cost, or the use value.

The fixed asset regular repairing and maintenance costs are included in the income statement of the period within which they occurred.

Profit or loss from discharge of fixed assets is calculated as a difference between the fixed asset's book value and the revenue from the sale thereof [and the revenue from writing-off the revaluation reserve of the fixed asset] and included in the income statement of the period within which it occurred.

Investments in Subsidiaries

Investments in equity of subsidiaries are recorded at their acquisition value less loss from impairment. The Company recognizes income only if it receives a part of the profit earned after the date of acquisition. The received amounts exceeding such profit are deemed to be recovery of investments and are recorded as impairment of the investment acquisition value.

If objective evidence exists that the book value of an investment in a subsidiary has decreased, loss from such impairment is calculated as a difference between the investment's book value and its recoverable value. The recoverable value is determined to be the highest of the following two indicators – the fair value of the investment less sales costs or the use value. Loss from investment impairment may be reversed if estimates used to determine the impairment changed after the last instance of recognition of the loss from impairment.

Records of Income and Expenditure

All significant income and expenditure is recorded according to the accruals principle. Costs are recognised after the receipt of the respective service.

The Company's main source of revenue is charges for pension fund management. The Company has entered into an agreement with the State Social Insurance Agency (hereinafter referred to as SSIA) on management of its 2nd pillar pension plans. The Company recognises revenue over the course of time because of implementation of particular performance obligations, and no substantive judgment has been involved in determining the transaction price or implementation of performance obligations. Revenue covered by IFRS 15 is included under the Comprehensive Income Statement item "Charges and similar income". The Company has assessed that IFRS 15 does not have a significant impact on financial statements and therefore it does not provide additional information according to the requirements of IFRS 15.

Income from fees is calculated as a fixed percent of the managed assets of the State-Funded pension scheme investment plan. The variable fee as defined in the prospectuses is set to zero.

Transactions in Foreign Currencies

Transactions in foreign currencies are exchanged to the functional currency (euro) according to the euro reference rate published by the European Central Bank (hereinafter referred to as the ECB) on the date of the transaction. On the reporting date the monetary assets and liabilities recorded in foreign currencies are translated to the functional currency according to the euro reference rate published by the ECB on the reporting date.

The foreign currency profit or loss from monetary items is the difference between the depreciated prime cost of the items in the functional currency at the beginning of the period, which has been adjusted according to the interest income/expenditure recognised during the reporting period according to the effective interest rate and received/made payments, and the depreciated prime cost of the items in a foreign currency at the end of the period, which has been translated according to the euro reference rate published by the ECB at the end of the period.

Any profit or loss gained as a result of foreign currency rate fluctuations is included in the Comprehensive Income Statement. The Company has monetary assets and liabilities nominated in USD. At the end of the reporting period they were translated to EUR by using the USD rate 1.22710 (as at 31.12.2020) and 1.1234 (as at 31.12.2019).

Financial Instruments

Financial assets are classified according to three assessment categories: assets to be assessed at their depreciated acquisition value; assets to be assessed at their fair value and reassessed within other comprehensive income (FVOCI); and assets to be assessed at their fair value and reassessed within the income statement. The Company classifies its financial assets, including trade receivables, at their depreciated acquisition value.

The Company considers the loss from impairment of assets contained within the scope of operation of the foreseeable credit loss model insignificant. This is substantiated by the fact that the accrued income is intended for the three managed pension plans with settlement shortly after the end of the reporting period, while other financial assets are mostly on-call claims to credit institutions and hence the shortness of the deadline of such claims means an insignificant credit risk.

Fair Value of Financial Assets and Liabilities

The fair value of assets and liabilities is the price, which would be received from selling an asset or paid upon performance of obligations under a normal transaction between market participants on the date of assessment of the respective asset or liability. In the opinion of the Company's Management the fair value of financial assets and liabilities does not significantly differ from their book value.

Cash and Cash Equivalents

Cash and cash equivalents consist of the cash in bank and high liquidity assets with the initial maturity not exceeding three months, which the Company uses for discharge of short-term liabilities.

Accruals and Accrued Liabilities

Accruals are recognised under the respective item in the Statement of Financial Standing if the Company has valid legal or constructive liabilities, which have arisen from a past event, and it is expected that settlement of such liabilities will require outflow of economic benefits and credible assessment of such liabilities is possible. Where the impact of the time aspect is significant the scope of accruals or accrued liabilities is determined by discounting the foreseen future cash flow by the pre-tax rate, which reflects the current market assessment of the time value of money, and where necessary, the risks related to the respective asset.

Under the item "Accrued liabilities" certainly known amounts of liabilities to suppliers and service providers are indicated with regard to goods or services received during the reporting year, for which a relevant source document intended for payment (invoice) has not yet been received before the balance sheet date due to delivery, purchase or contract provisions or other reasons.

Share-Based Payments

Equity transactions

Costs are recognised as a part of personnel remuneration together with a relevant increase in equity (share option reserve) in a period of time within which the service is provided and work performance provisions are completed (guarantee period). Cumulative costs, which are in relation to equity transactions recognised at the end of the reporting period reflect the time of the preceding guarantee period and the Company's best estimate regarding the same number of instruments, which will be finally guaranteed. Costs or revenue in the Comprehensive Income Statement of the respective period reflect changes in the cumulative costs recognised at the beginning and at the end of the period.

Costs are not recognised for share-based payments, which are finally not guaranteed because the relevant off-market obligations and/or work performance provisions are not fulfilled within the guarantee period. If share-based payments comprise market or non-guaranteed provisions, the transactions are recorded as guaranteed regardless of whether the non-guaranteed provisions have been fulfilled, provided all other obligations and/or work performance provisions have been fulfilled.

If conditions are changed for share-based payments performed as equity transactions, the minimum recognizable amount of costs is the fair value of the unmodified remuneration on the date of allocation, provided the initial provisions for share-based payments have been complied with. Additional costs determined on the date of changes are recognised for any changes that increase the total fair value of share-based payments or otherwise bring certain benefits for the employee. If the Company or employee annuls the share-based payment, the remaining fair value of share-based payments is not further recognised in the Comprehensive Income Statement.

Income Tax

Income tax consists of the calculated tax. Income tax in indicated in the Comprehensive Income Statement except where it refers to items recognised specifically under the equity or other comprehensive income. The payable tax amount comprises the foreseen tax payment on the taxable annual income calculated on the basis of tax rates applicable on the date of the financial statement, and adjustment to payable taxes referring to previous years.

The Corporate Income Tax Law of the Republic of Latvia imposes 20% tax rate only to distributed profit, providing 0% for retained earnings. IAS 12 "Income Tax" specifies that where differences exist between tax rates applicable to distributed and retained earnings the deferred tax assets and liabilities must be recognised by applying such rate as is specified for retained earnings. Hence the deferred tax assets and liabilities are recognisable as zero.

The Corporate Income Tax Law also stipulates imposition of tax on the taxable base consisting of conditionally distributed profits (costs other than related to operating activities, etc.). According to IAS 12 "Income Tax", income taxes include only such taxes, which are based on taxable profit, hence in theses financial statements the tax calculated on the taxable base consisting of conditionally distributed profits is indicated under the item "Other costs".

Classification

At the time of concluding the agreement, the Company assesses whether the agreement is a lease or includes a lease. A contract is a lease or includes a lease if it gives the right to control the use of an identifiable asset for a specified period in exchange for consideration. To assess whether the agreement is a lease or includes a lease, the Company assesses whether:

- The contract provides for the use of an identifiable asset - the asset may be specified directly or indirectly and must be physically separable or reflect the full capacity of the asset from the physically separable asset. If the supplier has a significant right to replace the asset, the asset is not identifiable;

- The Company has the right to obtain all economic benefits from the use of an identifiable asset throughout its useful life;

- The Company has the right to determine the use of an identifiable asset. The Company has the right to determine the type of use when it can decide how and for what purpose the asset will be used. Where appropriate decisions about how and for what purpose an asset is used are determined in advance, the Company should assess whether it has the right to operate the asset or to designate the asset in a particular way, or whether the Company intends to use the asset in a manner previously determines how and for what purpose the asset will be used. In the case of an initial measurement or reassessment of a contract that includes a lease component or several lease components, the Company attributes to each lease component its relative separate price.

Risk Management

The aim of the Company's risk management processes is to identify and manage the significant operational risks of the Company, as well as to ensure control thereof. The main objectives of the Company in the area of risk management are:

a. to protect the assets of the management service recipients (investment plans).

b. to ensure compliance of the management of the assets of the management service recipients (investment plans) with the laws and regulations of the Republic of Latvia.

c. to ensure that the Company's activities are compliant with the laws and regulations of the Republic of Latvia.

d. to protects the Company's assets and facilitate stability of cash flows.

e. to regularly assess what risks may adversely affect the achievement of the Company's business aims, including achievement of planned financial results.

In these financial statements we consider the management of exactly those risks, which are attributable to the Company's assets, cash flows and business goals.

The Company identifies specific risk factors it faces during the course of its business. For the purpose of implementing and maintaining relevant risk management guidelines the Company has developed and has in place relevant policies.

Market risk

Market risk is a possibility to suffer loss due to revaluation of the value of assets and managed assets, which is related to changes in market prices of financial instruments, commodities and derivatives thereof, which arise due to exchange rate changes, interest rate changes or effects from other factors.

Foreign currency risk

Foreign currency risk is a risk of potential loss arising from revaluation of the Company's open currency items (difference between assets and liabilities) for each of the foreign currencies, when the foreign currency exchange rate changes in relation to the currency used in the statement. During the reporting period the Company did not have and as at the end of the reporting period there is no open significant currency item in any foreign currency, which would materially affect the Company's assets or liabilities. The Company considers the foreign currency risk insignificant and has not prepared a sensitivity analysis.

Operational risk

Operational risk is a possibility to suffer loss due to incompliant or incomplete internal processes, human or system actions, or impact of external circumstances, including legal risk, but excluding strategic and reputation risks. Operational risk is one of the most significant risks characterising the Company's business and the Company manages it according to the Operational Risk Management Policy developed by the Company.

Reputation risk

Reputation risk is a risk that the participants of investment plans managed by the Company, business partners, shareholders, supervisory authorities and other persons interested in the Company's business may develop a negative opinion about the Company and it may have a negative impact on the Company's ability to maintain its current or develop new business relations with its customers and other business partners, as well as negatively affect the investment plans managed by the Company. The Company's Board carefully monitors the Company's reputation and risk factors.

Business compliance risk

Business compliance risk is a risk of that the Company may incur loss or may be imposed legal obligations or become subject to sanctions or its reputation may worsen because the Company does not comply with or violates compliance laws, regulations and standards. The Company's Board carefully follows amendments to laws and regulations, as well as operation of the Company's internal control processes in order to ensure business compliance with the applicable laws and regulations and to timely prepare for necessary changes in operation in the future.

Information technology and system risk

This risk is a possible inability of the Company related to functioning of information systems to ensure full and quality performance of any of its obligations or functions and the related risk that the Company may incur loss/additional expenses as a result of insufficient information technologies or improper processing of information. The Company manages this risk according to the Information System and Personal Data Protection Rules developed by the Company.

Interest rate risk

The most important risk with regard to financial instruments, which are not assessed at their fair value, is a risk that changing of market interest rates will result in changes in the future cash flows or fair value of financial instruments. To mitigate the interest rate risk the Company carefully considers its investing activities. Since the Company did not have any assets or liabilities subjected to interest rate risk during the reporting period, the interest rate risk did not have any direct impact upon it in the reporting period.

Liquidity risk

Liquidity risk is a risk that the Company will be unable to timely satisfy statutory requirements without considerable loss and will be unable to overcome unplanned changes in the Company's resources and/or market situations due to not having at its disposal sufficient amount of liquid assets. Taking into account the scope of Company's free cash assets, no cases of liquidity risk were established during the reporting period.

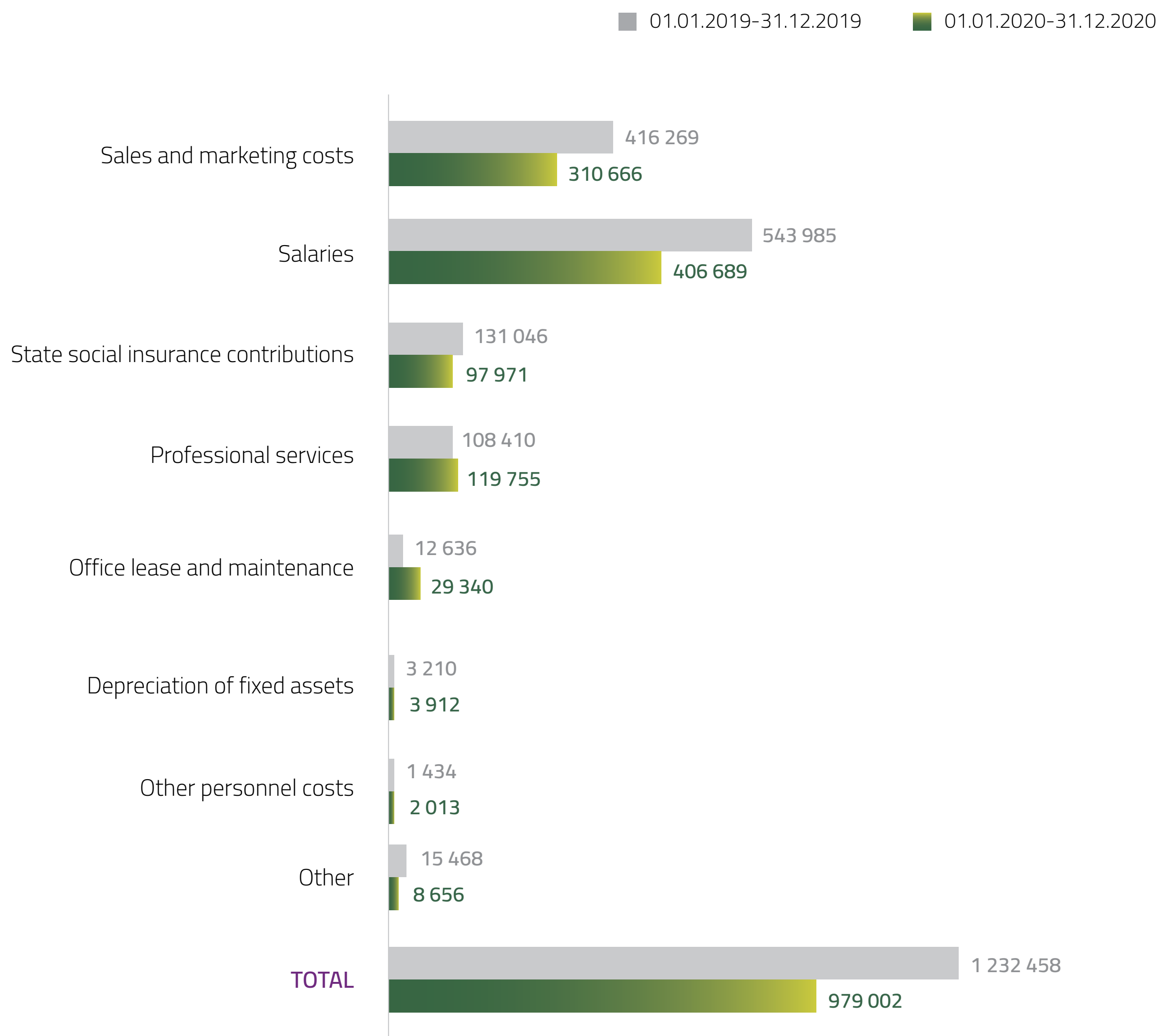
Strategic and business risk

Strategic and business risk is a possibility to suffer loss arising from mistakes in passing decisions, which determine the Company's strategic activities and development (strategic, business management). The Management manages this risk by avoiding individual making of significant strategic decisions, instead practicing such decision-making through consultancy at Board meetings and consulting the Company's Council where necessary.

2. Fees and similar income

	01.01.2020-31.12.2020 EUR	01.01.2019-31.12.2019 EUR
Fees for management of the assets of the State-Funded Pension Scheme investment plan "INDEXO Izaugsme 47-57"	324 495	247 855
Fees for management of the assets of the State-Funded Pension Scheme investment plan "INDEXO Jauda 16-50"	605 781	316 591
Fees for management of the assets of the State-Funded Pension Scheme investment plan "INDEXO Konservatīvais 55+"	42 191	19 028
Total	**972 467**	**583 474**

3. Administration costs



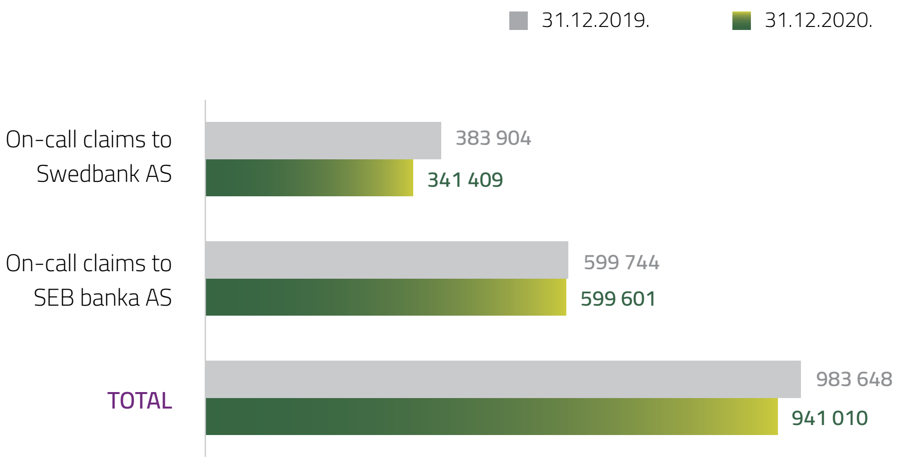
In the reporting year gross remuneration of Members of the Board, including the variable part of remuneration, was EUR 143 688 (EUR 100 647 in 2019) and the allocated share benefit EUR 85 184. No salary is calculated for Members of the Council.

The average number of employees who received remuneration during the reporting period was 31.

4. Other costs

	01.01.2020-31.12.2020	01.01.2019-31.12.2019
	EUR	EUR
FCMC financing duty	3 557	3 557
Other	-	2 702
TOTAL	**3 557**	**6 259**

5. On-call claims to credit institutions



The level of necessary accruals was assessed for the claims to credit institutions according to IFRS 9 "Financial Instruments". The Company keeps its cash assets at AS Swedbank and AS SEB bank. The rating of those banks with S&P, Moodys, Fitch is high and, having assessed the necessary level of accruals it was concluded that the necessary accrual was insignificant and therefore was not created.

6. Fixed assets and right-of-use assets

	Other fixed assets
	EUR
Initial value	
As at 31.12.2018	7 900
Purchased	4 812
Disposed	(386)
As at 31.12.2019.	12 326
Purchased	1 525
As at 31.12.2020	13 851

	Other fixed assets
	EUR
Accrued depreciation	
As at 31.12.2018.	1 876
Calculated	3 210
Disposed	(96)
As at 31.12.2019.	4 990
Calculated	3 912
As at 31.12.2020	8 902

Net book value 31.12.2019	**7 336**
Net book value 31.12.2020	**4 949**

The Company applies IFRS 16 to lease transactions. The Company leases office premises. The lease agreement is valid for unlimited time, but the Management of the Company expects the premises to be used until 31.12.2021. The asset is depreciated over a period of 24 months and lease obligations are calculated at a 3.6% discount rate.

Right-of-use asset	EUR
As at 31.12.2018	-
Adoption of IFRS 16 as of 01.01.2019	13 874
Effect from changes under the lease agreement	13 856
Amortisation	(12 140)
As at 31.12.2019	**15 590**
Effect from changes under the lease agreement	12 614
Amortisation	(13 538)
As at 31.12.2020	**14 666**

Lease obligations	EUR
As at 31.12.2018	-
Adoption of IFRS 16 as of 01.01.2019	13 874
Calculated interest	643
Effect from changes under the lease agreement	13 856
Rent	(12 485)
As at 31.12.2019	**15 888**
Calculated interest	643
Effect from changes under the lease agreement	12 615
Rent	(14 450)
As at 31.12.2019	**14 696**

Right-of-use asset	31.12.2020 EUR	31.12.2019 EUR
Lease right-of-use asset	14 666	15 590
Lease obligations (see Annex 13)	14 696	15 888

7. Investments in related companies

	31.12.2020 EUR	31.12.2019 EUR
AS "Indexo Atklātais Pensiju Fonds"	400 000	-
TOTAL	**400 000**	-

On 5 June 2020 a decision was passed on founding AS "Indexo Atklātais Pensiju Fonds" with an aim to offer 3rd pillar pension service to customers. The company's capital consists of 400 000 shares with nominal value of EUR 1 per share.

8. Accrued income

	31.12.2020 EUR	31.12.2019 EUR
Fees for management of the assets of the State-Funded Pension Scheme investment plan "INDEXO Izaugsme 47-57"	31 720	26 053
Fees for management of the assets of the State-Funded Pension Scheme investment plan "INDEXO Jauda 16-50"	65 799	41 915
Fees for management of the assets of the State-Funded Pension Scheme investment plan "INDEXO Konservatīvais 55+"	4 489	2 497
Recalculated costs of "Indexo Atklātais Pensiju Fonds"	98 036	-
TOTAL	**200 044**	**70 465**

9. Deferred costs

	31.12.2020 EUR	31.12.2019 EUR
Advance rent for premises	1 813	14 883
Other	698	132
TOTAL	**2 511**	**15 015**

10. Other assets

	31.12.2020 EUR	31.12.2019 EUR
Customer acquisition costs	246 402	-
Security deposits	1 181	150
Advance payments	9 525	-
Other	-	35
TOTAL	**257 108**	**185**

11. Accurals

	31.12.2020 EUR	31.12.2019 EUR
Accruals for variable part of employee remunerations and related tax payments	25 007	103 461
TOTAL	**25 007**	**103 461**

12. Accrued liabilities

	31.12.2020 EUR	31.12.2019 EUR
Accrued liabilities for unused vacations	30 685	25 134
Accrued liabilities for trade payables	4 851	20 620
TOTAL	**35 536**	**45 754**

13. Trade payables

	31.12.2020 EUR	31.12.2019 EUR
Trade payables for goods and services	3 657	13 647
Lease obligations	14 696	15 888
TOTAL	**18 353**	**29 535**

14. Taxes and mandatory state social insurance contributions

	31.12.2020 EUR	31.12.2019 EUR
Value added tax	15 045	511
Mandatory state social insurance contributions	13 047	16 417
Personal income tax	8 127	8 671
Business risk duty	4	-
TOTAL	**36 223**	**25 599**

15. Other payables

	31.12.2020	31.12.2019
	EUR	EUR
Salary settlements	31 590	32 585
Other	-	153
TOTAL	**31 590**	**32 738**

16. Share capital

The authorised and fully paid-up share capital of IPAS "Indexo" was EUR 3 016 987 as of 31 December 2020 (EUR 2 265 000 as of 31 December 2019) and it consists of registered shares. The Company's share capital consists of 2 281 987 Class A registered shares with nominal value of one share EUR 1 (one euro) and 183 750 (one hundred eighty-three thousand seven hundred fifty) Class B registered shares with nominal value of one share EUR 4 EUR.

In the reporting period the Company's share capital was increased by EUR 751 987 through issue of 183 750 Class B registered shares (nominal value of EUR 735 000) and 16 987 Class A registered shares (nominal value of EUR 16 987). Both Class A and Class B shares grant equal rights to receiving dividends and liquidation quotas, as well as equal priority rights to acquire newly issued shares in the event of increasing of the equity capital.

Increase of the share capital was necessary in order to comply with statutory requirements since the value of investment plan assets managed by the Company exceeded EUR 200 million.

	Subscribed equity capital	Proportion	Paid-up equity capital
Shareholder	EUR	%	EUR
DVH SIA, Registration No 50203040781	553 000	18.33%	553 000
Legal persons – residents with equity of up to 10%	769 286	25.50%	769 286
Legal persons – non-residents with equity of up to 10%	472 628	15.67%	427 628
Natural persons – residents with equity of up to 10%	860 373	28.52%	860 373
Natural persons – non-residents with equity of up to 10%	361 700	11.99%	361 700

17. Transactions with related parties

Related parties are considered to be shareholders who have controlling interest in the Company, companies, council and board members under their control, and other related parties, i.e., senior employees, their close relatives and companies under their control, as well as related companies. During the period from 1 January 2020 to 31 December 2020 all transactions with related parties were performed according to the principles of free market.

	01.01.2020- 31.12.2020 EUR	01.01.2019- 31.12.2019 EUR
Investment plan "INDEXO Izaugsme 47-57"		
Income from fees for management of investment plan assets	324 495	247 855
Accrued income from fees for management of investment plan assets (balance)	31 720	26 053
Investment plan " INDEXO Jauda 16-50"		
Income from fees	605 781	316 591
Accrued income from fees for management of investment plan assets (balance)	65 799	41 915
Investment plan " INDEXO Konservatīvais 55+"		
Income from fees	42 191	19 028
Accrued income from fees for management of investment plan assets (balance)	4 489	2 497
AS "Indexo Atklātais Pensiju Fonds"		
Provided services	81 021	-
Receivables claims (balance)	98 035	-
SIA "Callidus Capital"		
Lease of premises and utilities costs	9 801	15 107
Advisory services	10 769	18 029
Trade payables (balance)	-	1 634

18. Analysis of financial asset and liability deadlines

The table reflects analysis of the Company's financial asset and liability deadlines performed with consideration of the remaining period of time from the last date of the reporting period to the discharge date indicated in the agreement. Undiscounted cash flows of financial liabilities correspond to deadlines and amounts reflected in term structure tables.

As at 31.12.2020, EUR	Total	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years
On-call claims to credit institutions	941 010	941 010	-	-	-	-
Financial assets total	**941 010**	**941 010**	**-**	**-**	**-**	**-**
Accruals	(25 007)	-	-	-	(25 007)	-
Accrued liabilities	(35 536)	-	-	(4 851)	(30 684)	-
Trade payables	(3 656)	-	(3 656)	-	-	-
Liabilities related to IFRS 16 lease assets	(14 696)	-	-	-	-	(14 696)
Other creditors	(31 590)	-	(31 590)	-	-	-
Financial liabilities total	**(110 485)**	**-**	**(35 246)**	**(4 851)**	**(55 691)**	**(14 696)**
Net position	**830 525**	**941 010**	**(35 246)**	**(4 851)**	**(55 691)**	**(14 696)**

As at 31.12.2019, EUR						
On-call claims to credit institutions	983 648	983 648	-	-	-	-
Financial assets total	**983 648**	**983 648**	**-**	**-**	**-**	**-**
Accruals	(103 461)	-	-	(47 100)	(47 637)	(8 724)
Accrued liabilities	(45 754)	-	(45 754)	-	-	-
Trade payables	(13 647)	-	(13 647)	-	-	-
Liabilities related to IFRS 16 lease assets	(15 888)	-	-	-	-	(15 888)
Other creditors	(32 738)	-	(32 738)	-	-	-
Financial liabilities total	**(211 488)**	**-**	**(92 139)**	**(47 100)**	**(47 637)**	**(24 612)**
Net position	**772 160**	**983 648**	**(92 139)**	**(47 100)**	**(47 637)**	**(24 612)**

19. Remuneration to a company of certified auditors

	01.01.2020.-31.12.2020	01.01.2019.-31.12.2019
	EUR	EUR
Auditing of financial statements	14 500	10 527
TOTAL	**14 500**	**10 527**

20. Events following the end of the reporting period

On 20 January 2021 the Company's subsidiary Indexo Atklātais Pensiju Fonds AS received a license for private pension fund operations by registering pension plans "INDEXO Akciju plāns" and "INDEXO obligāciju plāns" with the Financial and Capital Market Commission. It is planned to launch INDEXO pension plans for customers in the 1st quarter of 2021.

In the reporting year the Company was joined by new investors, experienced entrepreneurs and managers from different industries – telecommunications, energy, construction, finance and other industries. The transaction with the Company's shares won the annual award of the Latvian Venture Capital Association and Latvian Business Angel Network in the nomination "The Most Profitable Investment of the Year" on 11 February 2021.

The restrictions related to reduction of the spread of COVID-19 in general had a mildly negative impact on the Company's customer attraction results. At the same time the Company's Management believes that the restrictions do not reduce the Company's chances to keep to its long-term business plan.

Within the period of time from the last day of the reporting period to the date of signing of these financial statements there were no significant events with considerable impact on the result of the reporting period, the occurrence of which would call for adjustments to financial statements or which would have to be included in the annex to financial statements.

On 26 February 2021 financial statements were approved and signed on behalf of the Company by:

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Valdis Siksnis
Chairman of the Board

____

Ilja Arefjevs
Member of the Board

THIS DOCUMENT IS SIGNED WITH SECURE ELECTRONIC SIGNATURE AND BEARS A TIMESTAMP

Independent Auditor’s Report

To the shareholders of the investment management company “Indexo”

Report on the Financial Statements

Our Opinion

In our opinion, the financial statements set out on pages 10 to 33 give a true and fair view of the financial position of IPAS “Indexo” (the Company) as at 31 December 2020 and of its financial performance and cash flows for the year ended 31 December 2020, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

What we have audited

The financial statements of the Company comprise:

- statement of comprehensive income for the year ended 31 December 2020,
- statement of financial position as at 31 December 2020,
- statement of changes in equity for the year ended 31 December 2020,
- cash flow statement for the year ended 31 December 2020, and
- notes to the financial statements, which include a summary of significant accounting principles and other explanatory information.

Grounds for the Opinion

We have conducted our audit in accordance with the International Standards on Auditing (ISA) recognized by the Republic of Latvia. Our responsibilities under these Standards are described below in Section of our Report *Auditors’ Responsibility for the Audit of Financial Statements*.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Company in accordance with the requirements of the International Code of Ethics for Professional Accountants (including the International Independence Standards) (the Code) developed by the International Accounting Standards Board and the independence requirements of LR Law on Audit Services, which are applicable to our audit of financial statements in the Republic of Latvia. We have also complied with other principles of professional ethics specified in the Code and the ethics requirements specified in the Law on Audit Services of the Republic of Latvia.
We have not provided any non-audit services to the Company during the period from 1 January 2020 to 31 December 2020.

Our Audit Approach

Key Audit Issues

The key audit issues are those that, in our professional judgment, were the most significant in the audit of the financial statements for the reporting period. These issues have been addressed in the overall context of our audit of the financial statements and in the preparation of our audit opinion. We do not provide a separate opinion on these issues.

Key audit issues	What audit procedures we used on key audit issues
Commission income from the management of investment plans of the State Funded Pension Scheme See Note 2 to the financial statements *"Commissions and similar income"*. Commission income is the most important source of external income for the Company, therefore an important area of our audit was to check whether there has been commission income and whether it is accurately reflected in the financial statements. Commission income consists of a fixed part, which is calculated as a certain percentage of the net assets of the managed investment plans of the State Funded Pension Scheme. The variable commission rate specified in the prospectus of the State funded pension plans managed by the Company is zero.	We have assessed whether the Company's accounting policies for the recognition of commission income are in accordance with IFRS. We have performed a random check on the accuracy of the calculations: we calculated the income from individual commissions by multiplying the daily net asset value of the plan by the commission rate for a particular plan and compared the results with the results of the Company's calculations. We have also performed substantive procedures regarding the completeness and accuracy of the net assets of the plans in order to ensure that the information used to calculate commission income is reliable. We have also reviewed the supporting documents in order to ensure that there has been commission income and that the commission income was recognized in the correct period. We have verified that the variable commission rate specified in the prospectus of the investment plans of the State Funded Pension Scheme managed by the Company is zero. We have reviewed the information on commission income disclosed in the financial statements.

Reporting of Other Information, including the Management Report

Other information is the responsibility of the Company's management. Other information includes:

- The Management Report provided on pages 4 to 8 of the appended annual report;
- Statement on the Responsibility of the Management Board of the Investment Management Company provided on page 9 of the appended annual report;

but does not include the financial statements and our Auditor's Report on them.

Our Opinion on the financial statements does not relate to other information contained in the annual report, including the Management Report and the Statement of Liability of the Management Board of the Investment Management Company.

In connection with the audit of the financial statements, we are required to review other information described above and, in doing so, to assess whether that other information differs materially from the information in the financial statements or from the knowledge we have obtained in the course of the audit and whether it contains any other material inconsistencies.

Regarding the Management Report, we have also performed procedures in accordance with the requirements of the Law on Audit Services. These procedures include an assessment of whether the Management Report has been prepared in accordance with applicable law.

Based on our audit procedures, we believe that in all material respects:

- The information provided in the Management Report and the Statement of Liability of the Management Board of the Investment Management Company for the financial year for which the financial statements have been prepared is consistent with the financial statements,
- The Management Report has been prepared in accordance with the requirements of Regulation No. 113 of the Financial and Capital Market Commission "Regulations for the Preparation of Annual Accounts and Consolidated Accounts of Credit Institutions, Investment Brokerage Firms and Investment Management Companies",

In addition, based on our knowledge and understanding of the Company and its operating environment obtained during the audit, we are required to report if we have identified material inconsistencies in the Management Report or other information we received prior to the date of this Auditor's Report. Nothing that needs to be reported in this regard has come to our attention.

Responsibility for the Financial Statements of the Management and Persons in Charge of the Company Governance

The management is responsible for the preparation of these financial statements, which give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for conducting such internal controls as the management deems necessary in order to ensure that the financial statements are free from significant irregularities due to fraud or error.

In preparing the financial statements, the management is required to assess the Company's ability to continue as a going concern, where necessary providing explanation about the circumstances related to the Company's ability to continue as a going concern and to the application of the going concern principle, unless the management plans to liquidate or wind up the Company, or if it has no realistic alternative but to liquidate or wind up the Company.

The persons in charge of governance of the Company are responsible for supervision of the preparation of the Company's financial statements.

Auditors' Responsibility for the Audit of Financial Statements

Our objective is to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and to provide an audit report with our opinion. Sufficient assurance is a high level of assurance, but it does not guarantee that an audit performed in accordance with the ISA will always reveal a material misstatement, if any.

Misstatements may 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 its users taken on the basis of these financial statements.
When conducting an audit in accordance with ISA, we make professional judgments and maintain professional scepticism throughout the audit process. We also:

- identify and evaluate the risks of material misstatement of the financial statements, whether due to fraud or error, develop and perform audit procedures in order to mitigate those risks and obtain audit evidence that provides a reasonable and appropriate basis for our opinion. The risk of failure to identify material misstatements due to fraud is higher than the risk of failure to identify misstatements due to error, as fraud may involve collusion, forgery of documents, intentional non-disclosure of information, misrepresentation of information or breaches of internal control;
- gain an understanding of internal control relevant to the audit in order to develop audit procedures that are appropriate in the particular circumstances, but not in order to express an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and disclosures of relevant information made by the management;
- make conclusion on the appropriateness of the going concern principle applied by the management and, based on the audit evidence obtained as to whether there is significant uncertainty about events or circumstances that may cast material uncertainty over the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, the auditors' report shall draw attention to the information provided in the financial statements regarding those circumstances or, if no such information is provided, we issue a modified opinion. Our conclusions are based on audit evidence obtained up to the date of the Auditors' Report. However, the Company may discontinue operations due to future events or circumstances;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures of information, and whether the financial statements fairly present the transactions and events underlying the financial statements.

We communicate with the persons charged with governance of the Company and provide, inter alia, information about the planned scope and timing of the audit and significant audit findings, including significant deficiencies in internal control that we identify during the audit.
We also provide to the persons charged with the governance of the Company a statement that we have complied with binding ethical requirements regarding independence, and also provide information about any relationship and other circumstances that could reasonably be expected to affect our independence, and, if necessary, about safeguards to limit such effects.

From all the issues that we have reported to the persons charged with the governance of the Company, we determine those issues that we consider to be the most significant for the audit of the financial statements of this reporting period and which are therefore considered to be the main audit issues. We set out these issues in the auditors' report, unless the disclosure of such information is prohibited by law, and except the very rare cases where we believe that the issue should not be disclosed in our report because it is reasonably expected that the public interest would not outweigh the negative consequences of such disclosure.

Report on Other Regulatory Requirements

Appointment

We have been appointed as the Company's auditors for the first time by the shareholders' decision of 15 July 2020. This is the first year we have performed the audit.

PricewaterhouseCoopers SIA
Commercial company of sworn auditors
Licence No. 5

Ilandra Lejiņa
Responsible sworn auditor
Certificate No. 168

Member of the Management Board

Riga, Latvia
22 March 2021

The independent auditor's report is electronically signed with a secure electronic signature and contains a time stamp.