

Limited Partnership

AIF “ALTUM KAPITĀLA FONDS”

Reg. No 40203252367

Annual report

for the year ended 31 December 2022

(the 3rd reporting period)

Contents

Information on the Fund	3
Report of the Alternative Investment Fund’s Manager.....	4
Statement of the Responsibility of the Alternative Investment Fund’s Manager	6
Custodian bank report.....	7
Financial Statements	
Balance Sheet	8
Statement of Profit or Loss	9
Statement of Cash Flows	10
Statement of Changes in Equity.....	11
Notes to the financial statements	12
Independent Auditor’s Report	288

Information on the Fund

Name of the company	AIF "Altum kapitāla fonds" (hereinafter – the Fund)
Type of fund	Closed-end alternative investment fund
Legal status of the fund	Limited partnership
Address	Dome Square 4, Riga, LV-1050
Registration number, place and date of registration	40203252367, Riga, 31 July 2020
FCMC registration number	AF257
Management company	JSC Development Finance Institution Altum (hereinafter – Manager), registered with the Financial and Capital Market Commission (hereinafter – FCMC) on 26 May 2020
Address	Dome Square 4, Riga, LV-1050
Registration number	50103744891
FCMC registration number	574
Key personnel	Mikus Janvars Investment Director until 14.10.2022 Atis Zvidriņš Investment Director Armands Ločmelis Investment Director until 30.12.2022
Board Members	Reinis Bērziņš Chairman of the Board Jēkabs Krieviņš Board Member Inese Zīle Board Member Juris Jansons Board Member from 09.01.2023 Ieva Jansone-Buka Board Member
Custodian Bank	AS Swedbank, 40003074764, Balasta dambis 15, Riga, LV-1048
Reporting period	1 January 2022 – 31 December 2022
Auditor	PricewaterhouseCoopers SIA License No 5 Kr. Valdemāra iela 21-21 Riga, LV-1010 Latvia Responsible Certified Auditor: Ilandra Lejiņa Certificate No 168

Report of the Alternative Investment Fund's Manager

Unchangeably the Fund's aim has been to provide meaningful financing to large companies that use the Covid-19 crisis as a time of opportunity, developing their operations and strengthening both their existing positions and their entry into new markets, while diversifying their sources of funding. The Fund invests in medium-sized and large Latvian companies that within the group meet at least one of the following criteria: 1) 150 employees or 2) turnover of EUR 50 million and total assets of EUR 43 million. The Fund was able to invest in companies in a number of ways: 1) investments in private or public equity with or without co-funding by other private investors; 2) mezzanine, subordinated or other loans with or without conversion; 3) bonds listed on a regulated market or First North. The Fund's funding can be used for both investments and working capital needs.

The Fund was registered on 31 July 2020. The first closing took place on 3 September 2020, whereas the final closing of the total Fund's subscribed capital equal to EUR 100 million was accomplished on 16 September 2020. The Fund's lifetime is 7 years until 3 September 2027, with the option to prolong it for one more year i.e., until 3 September 2028. The majority of the Fund (EUR 51.1 million or 51.1%) comes from private investors while EUR 48.6 million is public funding provided by JSC Development Finance Institution Altum. Partners are investment companies that invested on behalf of the investment plans of the state-funded pension scheme they manage and an open pension fund that made an investment from pension scheme 3rd pillar assets.

The Fund receives custodian banking services from Swedbank AS. The Investment Committee of the Fund evaluates the Fund's investments and takes relevant decisions. The Fund Manager uses best practices of the venture capital and private equity sector, i.e., the Investment Committee engages independent experts, reports to the Fund investors according to the Invest Europe guidelines, while the valuation of investments is carried out in accordance with an established internal procedure based on the valuation guidelines approved by the IPEV Board.

During the reporting year, the spreading of Covid-19 continued to affect the Fund's portfolio and target companies, as well as the overall Latvian economy, but to a lesser extent than in the previous reporting period. Although there were no restrictions imposed, the volatility of raw material prices, value chain disruptions, remote work and other factors continue to have an effect. In addition to the effects of the Covid-19 pandemic, the portfolio companies, and the economy as a whole, was significantly disrupted by the sudden Russian invasion in the territory of Ukraine as of 24 February 2022. As a result of this companies terminated or significantly decreased operations in the Russian and Belorussian markets, as well as the operations in Ukraine were seriously affected. Due to the war, there was an additional inflationary pressure, mainly due to high price volatility of energy sector, but not only. Central banks raised interest rates several times during the year to limit the inflation, which resulted in significant spike in the cost of debt and made debt servicing more expensive for the companies. In the result of all these external events economic growth forecasts and customer sentiment have significantly deteriorated.

There has been a significant impact on the performance of the Fund's portfolio companies due to effects of the ongoing war. The direct impact or termination of operations in Russia and Belarus, as well as reduced level of operations in the Ukraine has impacted two of the portfolio companies. Countries involved in the war comprised a significant part of the markets of those companies. Despite this, the companies timely initiated activities to terminate cooperation with the aggressor countries and currently the lost market share in Russia has been replaced with new markets, as well as the companies has adapted to increasing prices of raw materials. On a quarterly basis the initial decrease of value was higher, while during the reporting year with improving financial results, losses from revaluation were reduced respectively. The rest of the Fund's portfolio companies, depending on the industry, have also had at least some indirect effects of the war, either through disruption in the value chain, high inflation rate, the increase in the costs of debt or due to the changes in the consumer sentiment. Due to these effects the Fund's portfolio companies have reevaluated their development plans. The Fund's portfolio value decreased by EUR 0.47 million in the 12 months 2022 in the result of revaluation performed in response to effects of the Russian invasion in Ukraine.

The Fund's staff pays increased attention to the changing economic situation and monitors companies that have already observed or are expected to have some additional impact.

The Fund's investment period ended on 30 June 2022. In the first half of the reporting period there were active negotiations on funding deals with several tens of different companies. These negotiations were significantly affected by the start of the war in Ukraine. As a result, the companies decided to put the fundraising on hold and to review their investment plans. Irrespective of this during the investment period there were 4 investment decisions made, 3 of which were about companies outside of the Fund's portfolio and 1 about the existing portfolio company. Two of those investment deals were finalized, while the other two did not reach the close. A portion of the funding was already issued to the companies during the reporting period, while the remainder is to be issued as a follow-on investment in the next reporting periods, based on the performance of those companies. During the reporting period the Fund invested in the following companies- SIA Mogotel development holding (follow-on investment) and AS Hestio.

Report of the Alternative Investment Fund's Manager (cont'd)

Since the inception date of the Fund, the amount of capital contributions requested from and paid in by the Partners of the Fund (hereinafter collectively referred to as Partners) amounted to EUR 36.2 million or 36.2% of the total committed capital, of which EUR 34.4 million were investments, while EUR 1.8 million - management fees and operating expenses. The amount of capital repayment to the Partners was EUR 2.5 million. In comparison with the previous reporting period the amount of Fund's total investment has increased by EUR 1.6 million and it is expected that the additional EUR 7.4 million will be issued as follow-on investments increasing the Fund's total investment amount to EUR 41.8 million.

At the end of the reporting year, the net asset value of the Fund was EUR 34.5 million, including capitalised interest of EUR 0.3 million and the result of revaluation of EUR -0.5 million. In the reporting year, the Fund earned a profit of EUR 1.2 million (2021: a profit of EUR 11 thousand) as interest income exceeded the drop of investment value and the Fund's expenses.

In accordance with the article 4 of the Sustainable Finance Disclosure Regulation at the end of 2022 a Fund's Principal Adverse Impact report was published.

Subsequent events

As of the last day of the reporting year, there have been no events that would have a significant effect on the financial position of the Fund as of 31 December 2022.

Reinis Bērziņš

Limited partnership's
AIF "Altum kapitāla fonds"
General partner
JSC Development Finance
Institution Altum,
represented by its Chairman
of the Management Board

27 February 2023

Atis Zvidriņš

AIF "Altum kapitāla fonds"
Investment Director

THE DOCUMENT IS ELECTRONICALLY SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND
CONTAINS A TIME STAMP

Statement of the Responsibility of the Alternative Investment Fund's Manager

The Board of the Fund's Manager is responsible for the preparation of financial statements that give a true and fair view of the financial position of the Fund as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with the existing legislation.

The Board of the Fund's Manager confirms that suitable accounting policies have been used and applied consistently in the preparation of the financial statements presented on pages 8 to 27 for the year ended 31 December 2022 according to Regulation No 217 of the Financial and Capital Market Commission 'Regulations on Preparation of Annual Reports and Consolidated Annual Reports of Closed-End Alternative Investment Fund' as well as that the judgments and assumptions used in the preparation of these financial statements have been prudent and reasonable. The Board of the Fund's Manager also confirms that the financial statements have been prepared on a going concern basis.

The Board of the Fund's Manager is also responsible for the maintenance of proper accounting records, taking reasonable efforts to safeguard the Fund's resources and to prevent and detect fraud and other irregularities.

Reinis Bērziņš

Limited partnership's
AIF "Altum kapitāla fonds" General partner
JSC Development Finance Institution Altum,
represented by its Chairman of the
Management Board

27 February 2023

THE DOCUMENT IS ELECTRONICALLY SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND
CONTAINS A TIME STAMP



"Swedbank" AS
Reg. Nr. 40003074764
Balasta dambis 15
Rīga, LV-1048, Latvija
Tālr. +371 67 444 444
Fakss +371 67 444 344
www.swedbank.lv

**Custodian bank report
for the period 1 January 2022 through 31 December 2022**

See the date on the timestamp.

Nr. A08.04-03/2023/SWBL-863

Swedbank AS, registration No 40003074764, address: Balasta dambis 15, Riga (hereinafter – the Custodian Bank) performs the functions of a custodian bank for the limited partnership AIF Altum kapitāla fonds (hereinafter - the Fund) managed by JSC Development Finance Institution Altum (hereinafter - the Company) in accordance with the Law on Alternative Investment Funds and their Managers of the Republic of Latvia, the Limited Partnership Agreement on the foundation of the limited partnership AIF Altum kapitāla fonds signed on 23 July 2020 (hereinafter – Limited Partnership Agreement) and the Custodian Agreement signed on 1 October 2020.

The main responsibilities of Swedbank AS under the above agreement are as follows:

- opening a current account, where to all the funds of the Fund's investors received as committed capital are transferred and from which all payments related to the Fund's transactions are made and to which the income from the Fund's assets is transferred;
- opening a securities account for the securities recorded in the Fund's transferable financial instruments accounts;
- controlling whether the Company manages the Fund in accordance with the regulatory requirements, the Limited Partnership Agreement and the Custodian Agreement;
- settling of transactions with the Fund's assets, ensuring the safekeeping of the Fund's assets in accordance with the Custodian Agreement;
- ensuring that the Fund's value is calculated in accordance with the regulatory requirements and the Limited Partnership Agreement.

The Custodian is fully liable to the investors of the Fund and the Company for losses incurred if the Custodian has intentionally or through negligence violated the law, the Custodian Agreement or negligently performed its obligations.

Given the information at the disposal of Swedbank AS and the information provided by the Company, Swedbank AS considers that:

- the Fund's assets are held in accordance with the requirements of the laws and regulations and the Custodian Agreement;
- Swedbank AS has followed the calculation of the Fund's net asset value and confirms its compliance with the regulatory requirements and the Limited Partnership Agreement;
- the Company's orders submitted during the period 1 January 2022 through 31 December 2022 regarding transactions with the Fund's assets comply with the regulatory requirements, the Limited Partnership Agreement and the Custodian Agreement.

Lauris Mencis
Chairman of the Board
"Swedbank" AS

THE DOCUMENT IS ELECTRONICALLY SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND
CONTAINS A TIME STAMP

Balance Sheet

		31.12.2022	31.12.2021.
Assets	Notes	EUR	EUR
Placements with financial institutions	4	788	34 178
Investments			
Debt securities and other fixed - income securities	16	3 683 100	2 936 625
Shares and other variable - income securities	16	3 348 780	1 840 993
Total investments		<u>7 031 880</u>	<u>4 777 618</u>
Loans and receivables			
Loans issued	16	27 299 227	25 789 247
Receivables	5	28 968	99 346
Total loans and receivables		<u>27 328 195</u>	<u>25 888 593</u>
Accrued income and deferred expenses	6	268 539	71 502
Total assets		<u>34 629 402</u>	<u>30 771 891</u>
Liabilities			
Accrued expenses and deferred income	7	15 003	25 503
Other liabilities	8	85 629	82 553
Total liabilities		<u>100 632</u>	<u>108 056</u>
Net Assets		<u><u>34 528 770</u></u>	<u><u>30 663 835</u></u>
Equity			
Paid-in capital		33 679 914	31 031 876
Previous years' profit/(loss)		(368 041)	(379 205)
Profit for the reporting year		1 216 897	11 164
Total equity	14	<u>34 528 770</u>	<u>30 663 835</u>
Off – balance sheet items			
Contingent assets	9	63 810 392	68 390 860
Off - balance sheet liabilities	10	7 410 000	2 400 000

The accompanying notes on pages 12 through 27 form an integral part of these financial statements.

Reinis Bērziņš

Limited partnership's
AIF “Altum kapitāla fonds” General partner
JSC Development Finance Institution Altum,
represented by its Chairman of the
Management Board

27 February 2023

THE DOCUMENT IS ELECTRONICALLY SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND
CONTAINS A TIME STAMP

Statement of Profit or Loss

	Notes	2022 EUR	2021 EUR
Income for the reporting period			
Interest income	11	<u>2 287 210</u>	<u>799 897</u>
Total income		2 287 210	799 897
Expenses for the reporting period			
Management fee		(485 013)	(619 998)
Custodian bank fee		(12 781)	(13 000)
Other Fund management expenses	12	<u>(94 886)</u>	<u>(260 276)</u>
Total expenses		(592 680)	(893 274)
Increase / (decrease) of investment value	16	(477 633)	104 541
Profit before corporate income tax		<u>1 216 897</u>	<u>11 164</u>
Profit for the year		<u><u>1 216 897</u></u>	<u><u>11 164</u></u>

The accompanying notes on pages 12 through 27 form an integral part of these financial statements.

Reinis Bērziņš

Limited partnership's
AIF "Altum kapitāla fonds" General partner
JSC Development Finance Institution Altum,
represented by its Chairman of the
Management Board

27 February 2023

THE DOCUMENT IS ELECTRONICALLY SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND
CONTAINS A TIME STAMP

Statement of Cash Flows

	2022	2021
	EUR	EUR
Cash flows from operating activities		
Interest income received	1 932 430	577 264
Investment management expenses	(623 858)	(898 817)
Net cash flows generated from/ (used in) operating activities	1 308 572	(321 553)
Cash flows from investment activities		
Investments made	(2 490 000)	(4 665 000)
Loans issued	(1 500 000)	(25 739 932)
Net cash flows (used in) investment activities	(3 990 000)	(30 404 932)
Cash flow from financing activities		
Paid-in capital	4 580 468	31 327 163
Interest income distributed to Partners	(1 932 430)	(577 264)
Net cash flows generated from financing activities	2 648 038	30 749 899
Change in cash and cash equivalents	(33 390)	23 415
Cash and cash equivalents at the beginning of the reporting year	34 178	10 763
Cash and cash equivalents at the end of the reporting year	788	34 178

13

The accompanying notes on pages 12 through 27 form an integral part of these financial statements.

Reinis Bērziņš

Limited partnership's
AIF "Altum kapitāla fonds" General partner
JSC Development Finance Institution Altum,
represented by its Chairman of the
Management Board

27 February 2023

THE DOCUMENT IS ELECTRONICALLY SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND
CONTAINS A TIME STAMP

Statement of Changes in Equity

	Paid-in capital EUR	Previous years' profit / (loss) EUR	Profit / (loss) for the reporting year EUR	Total equity EUR
As at 1 January 2021	281 977	-	(379 205)	(97 228)
Paid-in capital	31 327 163	-	-	31 327 163
Interest income distributed to Partners 2020 loss moved to previous years' profit/(loss)	(577 264)	-	-	(577 264)
Profit for the year	-	(379 205)	379 205	-
As at 31 December 2021	31 031 876	(379 205)	11 164	30 663 835
Paid-in capital	4 580 468	-	-	4 580 468
Interest income distributed to Partners 2021 profit moved to previous years' profit/(loss)	(1 932 430)	-	-	(1 932 430)
Profit for the year	-	11 164	(11 164)	-
As at 31 December 2022	33 679 914	(368 041)	1 216 897	34 528 770

The accompanying notes on pages 12 through 27 form an integral part of these financial statements.

Reinis Bērziņš

Limited partnership's
AIF “Altum kapitāla fonds” General partner
JSC Development Finance Institution Altum,
represented by its Chairman of the
Management Board

27 February 2023

THE DOCUMENT IS ELECTRONICALLY SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND
CONTAINS A TIME STAMP

Notes to the financial statements

1. Corporate information

AIF Altum Capital Fund (hereinafter - the Fund) was registered with the Enterprises Register on 31 July 2020 with its operations expiry date 3 September 2027, including the possibility of extending it for another year, namely, until 3 September 2028. The investment period of the Fund ended on 30 June 2022.

The Fund's aim is to render support in overcoming the impact of Covid-19 to well-managed and promising medium un large companies, which to cope with the situation are willing to adapt their current operations by transforming their business model, adapting product development, introducing new technologies, entering new export markets, thus promoting their growth.

The full amount of the Fund's subscribed capital contribution, namely, EUR 100 million, was reached on 16 September 2020, of which the majority (EUR 51.1 million or 51.1%) were contributions made by private investors and EUR 48.9 million represented the public funding invested by JSC Development Finance Institution Altum.

Partners		Commitment EUR	Ownership %
General partner	JSC Development Finance Institution Altum	48 910 000	48.91
Limited Partners	"Swedbank Investment Management Company" AS	20 800 000	20.80
	IPAS "SEB Investment Management"	13 700 000	13.70
	Luminor Asset Management IPAS	7 300 000	7.30
	"CBL Asset Management" investment management joint stock company	7 100 000	7.10
	IPAS "INVL Asset Management"	1 100 000	1.10
	AS "SEB open pension fund"	1 090 000	1.09
Total		100 000 000	100.00

The Fund could make the following investments or a combination of the latter for meeting the company's financing needs up to EUR 10 million per company:

- equity investments;
- mezzanine loans;
- acquisition of corporate bonds on Nasdaq alternative First North Bond market or Baltic Regulated market.

The Fund Manager is JSC Development Finance Institution Altum, registered with the Financial and Capital Market Commission as an alternative investment fund manager on 26 May 2020.

The key personnel (hereinafter - KP) takes the necessary actions in accordance with the decisions of the Investment Committee, control the development of investments and sell investments to ensure the best return on capital contributions made by the Fund's Partners.

2. Accounting policies and valuation principles

The Fund organizes its accounting and prepares financial statements in accordance with the Law on Alternative Investment Funds and Fund's Managers, the law "On Accounting" and the FCMC Regulations No 217 "Regulations on Preparation of Annual Reports and Consolidated Annual Reports of Closed-End Alternative Investment Fund" on a going concern basis. The accounting and measurement methods used by the Fund remain unchanged from the previous year.

The statement of cash flows is prepared using direct method. The financial statements are prepared on the historical cost basis, except for investments and loans that are measured at fair value.

Notes to the financial statements (cont'd)

2. Accounting policies and valuation principles (cont'd)

The Fund has used possibility provided for in Section 91 of the FCMC Regulations No 217 "Regulations on Preparation of Annual Reports and Consolidated Annual Reports of Closed-End Alternative Investment Fund" to derogate from the measurement provisions provided in those rules and, pursuant to Article 40 of the Law on Annual Reports and Consolidated Annual Reports, recognises, measures, reports and discloses financial instruments (investments and loans issued) according to IFRS 9 "Financial Instruments".

Significant estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events may impact the assumptions used as the basis for estimates. Such estimates and assumptions are based on most reliable information available to the management in respect of specific events and actions. The effect of any changes in estimates are recorded in the financial statements when determinable.

Preparing of the financial statements is based on the assumption that the Fund operates as an investment entity. The Fund has the following investments in equity instruments:

Legal Title	Legal Address	Investment % in share capital
Mogotel development holding SIA	Maskavas iela 240-3, Riga, Latvia, LV-1063	81.48

In determining whether the Fund meets a definition of an investment entity the following criteria set out in IFRS 10 "Consolidated Financial Statements" were considered: 1) the Fund obtains funds for investments from several investors for the purpose of providing those investors with investment management services; 2) the Fund commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; 3) the Fund measures and evaluates investments at fair value.

Currency unit and foreign currency revaluation

All amounts in these financial statements are expressed in the Latvian official currency - euro (EUR).

Foreign currency transactions have been translated into euro applying the exchange rate valid at the beginning of the day of transaction determined by the conversion procedure between central banks of the European System of Central Banks and other central banks and which is published on the European Central Bank's website.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the revaluation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Financial instruments

Classification

The Fund's financial instruments consist of financial assets and financial liabilities.

The Fund's investment objective was to optimise investment yields by making long-term investments in financial instruments, while maintaining flexibility in the holding period and exit strategy of these instruments.

The Fund has elected to irrevocably designate financial assets as at fair value through profit or loss (FVTPL) at initial recognition. This classification provides meaningful information to users of the financial statements because the management of financial assets and the performance measurement are based on the fair values of the assets; the information for the Partners about the Fund's performance is prepared by applying fair value accounting, too.

Notes to the financial statements (cont'd)

2. Accounting policies and valuation principles (cont'd)

Financial instruments (cont'd)

Classification (cont'd)

Debt instruments, such as corporate bonds, are those that meet the definition of a financial liability from the perspective of the issuer. The Fund classifies them as financial instruments at fair value through profit or loss. Debt instruments are included in the balance sheet item “Debt securities and other fixed income securities”.

Equity instruments are those that meet the definition of equity from the perspective of the issuer, such instruments are contracts that include no contractual obligation to pay and evidences a residual interest in the net assets of the issuer. Examples of equity instruments are ordinary shares. The Fund measures all investments in equity instruments at fair value through profit or loss. Dividends are recognised in profit or loss when they represent a return on such investments and the Fund's right to receive payment of the dividend is established. Equity instruments are included in the balance sheet item “Shares and other non-fixed income securities”.

Financial assets at fair value through profit or loss are as follows:

- debt securities and other fixed income securities: in this category, the Fund includes investments in securities issued by commercial companies;
- shares and other non-fixed income securities: in this category, the Fund includes investments in the share capital of commercial companies;
- loans: this category includes mezzanine funding, i.e., loans issued.

Financial liabilities are measured at amortised cost.

Other liabilities: this category includes liabilities with a maturity of less than one year, such as fees payable to the Fund's Manager.

Initial recognition and measurement

Financial assets and financial liabilities are initially recognised by the Fund when incurred. Purchases and sales of financial assets are recognized on the settlement date.

Financial assets or financial liabilities are initially measured at fair value plus transaction costs directly attributable to the acquisition of the financial asset or financial liability unless the financial asset or financial liability is at fair value through profit or loss. Transaction costs of financial assets or liabilities at fair value through profit or loss are recognised in the statement of profit or loss.

Fair value measurement

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence, the most advantageous market to which the Fund has access at that date. The fair value of liabilities shows the default risk.

The fair value of financial instruments is determined by applying various valuation techniques, or a combination thereof depending on the specific nature of the investment and the information available to support the underlying assumptions.

Notes to the financial statements (cont'd)

2. Accounting policies and valuation principles (cont'd)

Financial instruments (cont'd)

Fair value measurement (cont'd)

The choice of methods is prioritized as follows:

- a) the fair value of financial instruments publicly quoted on regulated market is always determined by reference to their market bid price at the reporting date;
- b) third party quoted market prices in active markets;
- c) transactions in comparable financial instruments of comparable entities on or outside regulated markets;
- d) discounted cash flow.

The fair value of debt securities is determined by reference to the market bid price on NASDAQ Riga First North.

The fair value of both the loans and the equity instruments is determined using the discounted cash flow method.

Fair value measurements are categorised into a three-level hierarchy, based on the type of inputs to the valuation techniques used, as follows:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: inputs other than the quoted prices included within Level 1 that are directly (i.e., prices) or indirectly (i.e., derived from prices) observable for that asset or liability;
- Level 3: inputs not based on observable market data (unobservable data).

The valuation process and the necessary data gathering and their analysis are carried out by the Investment Director who is responsible for managing the specific investment. In addition, each assessment is evaluated and approved by Head of the Planning and Financial Management Department who is not directly involved in specific investment management. The results of the analysis are presented in an Investment Valuation Report and submitted quarterly to the Fund's Investment Committee for review.

Unless the Investment Committee of the Fund requires changes or additions to a valuation report, it is submitted to the Accounting Department of the Fund to record the changes in the investment value.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial asset have expired or when the Fund has transferred substantially all the risks and rewards of the asset to the counterparty.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits with credit institutions and high-liquidity assets with an original maturity of three months or less.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported on the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Notes to the financial statements (cont'd)

2. Accounting policies and valuation principles (cont'd)

Accrued expenses

Accrued expenses comprise balances known with certainty that are due to suppliers for goods and services received in the reporting year but for which supporting documents (invoices) were not received at the balance sheet date because of the respective purchase or contract terms or otherwise.

Provisions

Provisions are recognized when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required from the Fund to settle the obligation, and the amount of obligation can be measured reasonably. The amount of expected provisions is based on the best possible assessment by the management at the end of the reporting year and the assumption about the economic benefits required for settling the current liability, taking into account the outflow of resources and their recovery probability from related sources.

Recognition of income and expenses

All income and expense are recognised on an accrual basis. Interest income is recognised in the statement of profit or loss using the effective interest rate method.

Off-balance sheet items

Contingent assets

This item shows the amount of the Fund's capital defined in the Limited Partnership Agreement and not recognised in the balance sheet line item "Paid-in capital", i.e., uncalled capital.

Off - balance sheet liabilities

This item includes the amount of the Fund's contractual investment commitments to clients for which the latter have not yet submitted a request for a disbursement of a loan tranche or equity contribution.

Fund management expenses

In accordance with the Limited Partnership Agreement, the following expenses are covered from the contributions made by the Fund's Partners:

- a. Set-up expenses;
- b. management fee;
- c. operational expenses (in the amount not covered by the management fee);
- d. other expenses, the coverage of which has been approved by the Partners within the framework of the Partners' consent procedure.

If the said expenses of the Fund exceed the amount of the management fee and if together with the management fee, they do not exceed 2% p.a. of the commitment to Fund during the investment period or the paid-in capital after the end of the investment period, the General Partner covers them from the Fund's assets and the relevant fact is disclosed in the Fund's quarterly reports.

The said expenses of the Fund are financed from the capital contributions made by the Partners in proportion to the amount of the registered contributions of each Partner.

The management fee is specified in the Limited Partnership Agreement. In the period from the first closing date to the end of the investment period, the management fee is 0.65% p.a. of the commitment to Fund at the relevant contribution request date. In the period after the end of the investment period until the termination of the Fund's operations, the management fee is 0.60% p.a. of the paid-in capital.

Notes to the financial statements (cont'd)

2. Accounting policies and valuation principles (cont'd)

Fund management expenses (cont'd)

As the Fund is managed by a registered manager, in accordance with Article 57(11) of the Law on Alternative Investment Funds and Fund's Managers, the annual report of the Fund does not include information on the remuneration of AIFM officials and employees.

The Fund's expenses include a payment to the FCMC, the amount of which is specified in FCMC Regulation.

Related parties

Related parties are defined as Company's shareholders, members of the Executive Board and Supervisory Board, their close relatives and companies in which they have a significant influence or control.

3. Risk management

In carrying out its activities, the Fund is exposed to various types of financial and other risks. To mitigate their impact on the Fund's operations and financial performance, the Fund has established a comprehensive Risk Management Framework that comprises principles and methods for managing risks, including, but not limited to, risk monitoring measures, actions in case of increased risks and risk mitigation measures, and defines responsibilities for ensuring risk management.

The Fund's principal financial instruments are long-term investments and cash. Before making such an investment, all risks associated with it are carefully assessed in accordance with the Fund's procedures.

Credit risk

Credit risk is the possibility of a financial loss resulting from a counterparty failure to meet their contractual obligations.

When acquiring a financial instrument, the Fund assesses credit risk by conducting financial, tax, legal and business due diligence. As part of its credit risk management, the Fund regularly assesses credit risk of both individual investments and investment portfolio, assessing the conformity of the investments with the limits and/or key performance indicators set by the Fund.

The Fund decides that a forced sale of the investment is to be made in cases where the level of credit risk is determined as material and/or material deviations in the performance are detected.

Exposure of the Fund's balance sheet and off-balance sheet items to credit risk (excluding available collateral or other types of security):

	31.12.2022	31.12.2021.
Balance sheet items exposed to credit risk		
Placements with financial institutions	788	34 178
Investments		
Debt securities and other fixed - income securities	3 683 100	2 936 625
Shares and other variable - income securities	3 348 780	1 840 993
Loans and receivables		
Loans issued	27 299 227	25 789 247
Receivables	28 968	99 346
Total assets	34 360 863	30 700 389
Off – balance sheet items exposed to credit risk		
Contingent assets	63 810 392	68 390 860
Off - balance sheet liabilities	7 410 000	2 400 000
Total off – balance sheet items	71 220 392	70 790 860

Notes to the financial statements (cont'd)

3. Risk management (cont'd)

Concentration risk

Concentration risk is the possibility of losses arising from large transactions with a single investee or investees whose creditworthiness is determined by one common risk factor (e.g., the sector of economy).

As part of its concentration risk management, the Fund complies with the size limit of investments in transactions with a single investee and takes measures to diversify its investments by economic sectors.

Liquidity risk is the risk that the Fund will be unable to meet its financial obligations as they fall due. The Fund timely submits requests for contributions to the Partners to ensure making investments under the concluded agreements and management fees in accordance with the Limited Partnership Agreement.

The following table summarises the maturity profile of the assets and liabilities as at 31 December 2022.

	Up to 1 month EUR	1 to 6 months EUR	6 to 12 months EUR	1 to 5 years EUR	Total EUR
Assets					
Placements with financial institutions	788	-	-	-	788
Investments					
Debt securities and other fixed - income securities	-	-	-	3 683 100	3 683 100
Shares and other variable income securities	-	-	-	3 348 780	3 348 780
Total investments	-	-	-	7 031 880	7 031 880
Loans and receivables					
Loans issued	-	400 000	460 000	26 439 227	27 299 227
Receivables	28 968	-	-	-	28 968
Total loans and receivables	28 968	400 000	460 000	26 439 227	27 328 195
Accrued income and deferred expenses	200 600	67 545	394	-	268 539
Total assets	230 356	467 545	460 394	33 471 107	34 629 402
Liabilities					
Deferred income and accrued expense	1 112	13 891	-	-	15 003
Other liabilities	-	85 629	-	-	85 629
Total liabilities	1 112	99 520	-	-	100 632
Net Assets	229 244	368 025	460 394	33 471 107	34 528 770

Notes to the financial statements (cont'd)

3. Risk management (cont'd)

Liquidity risk (cont'd)

The following table summarises the maturity profile of the assets and liabilities as at 31 December 2021.

	Up to 1 month EUR	1 to 6 months EUR	6 to 12 months EUR	1 to 5 years EUR	Total EUR
Assets					
Placements with financial institutions	34 178	-	-	-	34 178
Investments					
Debt securities and other fixed - income securities	-	-	-	2 936 625	2 936 625
Shares and other variable income securities	-	-	-	1 840 993	1 840 993
Total investments	-	-	-	4 777 618	4 777 618
Loans and receivables					
Loans issued	-	-	160 000	25 629 247	25 789 247
Receivables	99 346	-	-	-	99 346
Total loans and receivables	99 346	-	160 000	25 629 247	25 888 593
Accrued income and deferred expenses	623	69 010	1 869	-	71 502
Total assets	134 147	69 010	161 869	30 406 865	30 771 891
Liabilities					
Deferred income and accrued expense	6 506	18 997	-	-	25 503
Other liabilities	-	82 553	-	-	82 553
Total liabilities	6 506	101 550	-	-	108 056
Net Assets	127 641	(32 540)	161 869	30 406 865	30 663 835

Market risk is the possibility of incurring losses from changes in market conditions that affect a category of assets or the market as a whole. Market risk includes interest rate risk, price risk and currency risk. The Fund is not exposed to significant market risk. Market risk is assessed through the relevant analysis of market and financial instruments.

Currency risk is the possibility of unexpected losses due to fluctuations in foreign exchange rates. The Fund is not exposed to significant currency risk. It does not make investments in foreign currencies and in the reporting year it had no assets and liabilities denominated in foreign currencies.

Interest rate risk is the risk that the value of the Fund's assets and interest income may change as market interest rates change, affecting the Fund's performance. The value of debt securities can change depending on changes in interest rates: if they rise, the prices of these securities fall, and vice versa. The Fund Manager monitors interest rate trends and decides on the maturity structure of the portfolio based on forecasts of future interest rate developments.

Operational risk arises from intentional or unintentional deviations from the standards in the daily operation of the Fund, for example, human error or fraud, disturbances in the operation of the information systems, insufficient control procedures or ignoring them, etc.

The Fund manages operational risk by identifying its main causes and taking timely preventive and corrective measures to address them. The main causes relate to potential conflicts of interest, fraud and information systems failures.

Notes to the financial statements (cont'd)

3. Risk management (cont'd)

Money laundering and financing of terrorism and proliferation risk and sanctions risk

In its activities, the Fund strictly complies with the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing (AML/CFTP Law) and the requirements of the laws and regulations issued on the basis thereof, as well as ensures compliance with international and national sanctions.

Prior to each investment, the Fund assesses the compliance of the investees and their related parties with the AML/CFTP requirements. The Fund refrains from making investments and takes all necessary measures in accordance with the AML/CFTP/sanctions laws and regulations if the investee or its related parties are found to be involved in money laundering or the financing of terrorism or proliferation, or are subject to sanctions.

Notes to the financial statements (cont'd)

4. Placements with financial institutions	31.12.2022 EUR	31.12.2021 EUR
Demand placement with AS Swedbank	788	34 178
Total	788	34 178

5. Receivables	31.12.2022 EUR	31.12.2021 EUR
Expenses covered by the fund manager's fee	28 968	-
Settlement for cash interest income	-	99 346
Total	28 968	99 346

6. Accrued income and deferred expenses	31.12.2022 EUR	31.12.2021 EUR
Accrued income	268 145	65 895
Deferred expenses	394	5 607
Total	268 539	71 502

7. Accrued expenses and deferred income	31.12.2022 EUR	31.12.2021 EUR
Accrued audit fee	13 891	18 997
Consulting services fees	-	5 506
Custodian bank fee	1 112	1 000
Total	15 003	25 503

8. Other liabilities	31.12.2022 EUR	31.12.2021 EUR
Management fees for the 4th quarter	85 247	81 868
Health insurance	382	685
Total	85 629	82 553

9. Contingent assets	31.12.2022 EUR	31.12.2021 EUR
Uncalled capital (Note 15)	63 810 392	68 390 860
Total	63 810 392	68 390 860

Notes to the financial statements (cont'd)

10. Off - balance sheet liabilities

	31.12.2022	31.12.2021
	EUR	EUR
Equity investments	2 200 000	1 200 000
Loans	5 210 000	1 200 000
Total	7 410 000	2 400 000

11. Interest income

	2022	2021
	EUR	EUR
Interest income on debt securities and other fixed - income securities	173 550	151 845
Interest income on loans issued, including capitalized interest (see Note 16)	2 113 660	648 052
Total	2 287 210	799 897

12. Other Fund management expenses

	2022	2021
	EUR	EUR
Remuneration of an independent member of the Investment Committee	57 808	66 066
Annual audit fee	23 293	18 755
Investment consulting services fees	11 033	130 011
Payments to finance FCMC and to the Credit Register of the Bank of Latvia	2 160	854
Bank fees	592	871
Operational expenses not covered by the Management fee	-	43 719
Total	94 886	260 276

13. Cash and cash equivalents at the end of the reporting year

	2022	2021
	EUR	EUR
Demand deposits with credit institutions	788	34 178
Total	788	34 178

Notes to the financial statements (cont'd)

14. Capital account

Profit or loss are distributed to the Investors in proportion to their investment in the Fund.

a) Capital account as at 31.12.2022

Fund Investor	Capital account at fair value 01.01.2021	Paid in capital from investors	Distribution to investors	Realised portfolio gains/(losses)	Unrealised portfolio gains/(losses)	Non portfolio income/(expense)	Capital account at fair value 31.12.2021
Swedbank investment plan "Dynamics"	3 803 077	567 978	(239 621)	-	(59 227)	210 122	4 282 329
Swedbank investment plan "1970+"	1 012 109	151 155	(63 770)	-	(15 762)	55 919	1 139 652
Swedbank investment plan "1980+"	950 769	141 995	(59 905)	-	(14 807)	52 530	1 070 582
Swedbank investment plan "1990+"	613 399	91 609	(38 649)	-	(9 553)	33 891	690 698
SEB active plan	3 205 012	478 659	(201 939)	-	(49 913)	177 078	3 608 898
SEB balanced plan	996 774	148 865	(62 804)	-	(15 523)	55 072	1 122 385
Pension plan SEB-Balanced	208 399	31 147	(13 141)	-	(3 248)	11 523	234 680
Pension plan SEB-Active	125 652	18 780	(7 923)	-	(1 958)	6 948	141 498
INVL Ekstra 47+	245 360	36 644	(15 459)	-	(3 821)	13 556	276 279
INVL Komforts 53+	92 010	13 741	(5 797)	-	(1 433)	5 084	103 605
CBL Active investment plan	2 176 055	325 213	(137 203)	-	(33 912)	120 312	2 450 465
Luminor Balanced investment plan	429 081	64 127	(27 054)	-	(6 687)	23 723	483 190
Luminor Active investment plan	1 808 271	270 248	(114 013)	-	(28 180)	99 977	2 036 302
JSC Development Finance Institution Altum	14 997 866	2 240 307	(945 152)	-	(233 610)	828 795	16 888 206
Total	30 663 835	4 580 468	(1 932 430)	-	(477 633)	1 694 530	34 528 770

See Note 15 for more information.

Notes to the financial statements (cont'd)

b) Capital account as at 31.12.2021

Fund Investor	Capital account at fair value 01.01.2021	Paid in capital from investors	Distribution to investors	Realised portfolio gains/ (losses)	Unrealised portfolio gains/ (losses)	Non portfolio income/ (expense)	Capital account at fair value 31.12.2021
Swedbank investment plan "Dynamics"	(11 295)	3 884 568	(71 581)	-	12 963	(11 579)	3 803 077
Swedbank investment plan "1970+"	(3 006)	1 033 796	(19 050)	-	3 450	(3 081)	1 012 109
Swedbank investment plan "1980+"	(2 824)	971 142	(17 895)	-	3 241	(2 895)	950 769
Swedbank investment plan "1990+"	(1 822)	626 543	(11 545)	-	2 091	(1 868)	613 399
SEB active plan	(9 519)	3 273 689	(60 324)	-	10 925	(9 758)	3 205 012
SEB balanced plan	(2 960)	1 018 133	(18 761)	-	3 398	(3 035)	996 774
Pension plan SEB-Balanced	(776)	213 025	(3 925)	-	711	(635)	208 399
Pension plan SEB-Active	(468)	128 441	(2 367)	-	429	(383)	125 652
INVL Ekstra 47+	(729)	250 617	(4 618)	-	836	(747)	245 360
INVL Komforts 53+	(273)	93 981	(1 732)	-	314	(280)	92 010
CBL Active investment plan	(7 981)	2 224 229	(40 986)	-	7 422	(6 630)	2 176 055
Luminor Balanced investment plan	(1 574)	438 580	(8 082)	-	1 464	(1 307)	429 081
Luminor Active investment plan	(6 632)	1 848 303	(34 059)	-	6 168	(5 509)	1 808 271
JSC Development Finance Institution Altum	(47 370)	15 322 115	(282 340)	-	51 131	(45 671)	14 997 866
Total	(97 228)	31 327 163	(577 264)	-	104 541	(93 377)	30 663 835

15. Uncalled capital and Paid-in capital

a) Uncalled capital and Paid-in capital since inception till 31.12.2022.

Fund Investor	% Ownership	Commitment	Called capital	Paid in capital from investors	Uncalled capital
Swedbank investment plan "Dynamics"	12.40%	12 400 000	4 488 272	4 488 272	7 911 728
Swedbank investment plan "1970+"	3.30%	3 300 000	1 194 460	1 194 460	2 105 540
Swedbank investment plan "1980+"	3.10%	3 100 000	1 122 068	1 122 068	1 977 932
Swedbank investment plan "1990+"	2.00%	2 000 000	723 915	723 915	1 276 085
SEB active plan	10.45%	10 450 000	3 782 455	3 782 455	6 667 545
SEB balanced plan	3.25%	3 250 000	1 176 362	1 176 362	2 073 638
Pension plan SEB-Balanced	0.68%	680 000	245 974	245 974	434 026
Pension plan SEB-Active	0.41%	410 000	148 308	148 308	261 692
INVL Ekstra 47+	0.80%	800 000	289 566	289 566	510 434
INVL Komforts 53+	0.30%	300 000	108 587	108 587	191 413
CBL Active investment plan	7.10%	7 100 000	2 568 385	2 568 385	4 531 615
Luminor Balanced investment plan	1.40%	1 400 000	506 442	506 442	893 558
Luminor Active investment plan	5.90%	5 900 000	2 134 292	2 134 292	3 765 708
JSC Development Finance Institution Altum	48.91%	48 910 000	17 700 522	17 700 522	31 209 478
Total	100.00%	100 000 000	36 189 608	36 189 608	63 810 392

Notes to the financial statements (cont'd)

b) Uncalled capital and Paid-in capital since inception till 31.12.2021.

Fund Investor	% Ownership	Commitment	Called capital	Paid in capital from investors	Uncalled capital
Swedbank investment plan "Dynamics"	12.40%	12 400 000	3 920 294	3 920 294	8 479 706
Swedbank investment plan "1970+"	3.30%	3 300 000	1 043 304	1 043 304	2 256 696
Swedbank investment plan "1980+"	3.10%	3 100 000	980 074	980 074	2 119 926
Swedbank investment plan "1990+"	2.00%	2 000 000	632 306	632 306	1 367 694
SEB active plan	10.45%	10 450 000	3 303 797	3 303 797	7 146 203
SEB balanced plan	3.25%	3 250 000	1 027 497	1 027 497	2 222 503
Pension plan SEB-Balanced	0.68%	680 000	214 827	214 827	465 173
Pension plan SEB-Active	0.41%	410 000	129 528	129 528	280 472
INVL Ekstra 47+	0.80%	800 000	252 922	252 922	547 078
INVL Komforts 53+	0.30%	300 000	94 846	94 846	205 154
CBL Active investment plan	7.10%	7 100 000	2 243 172	2 243 172	4 856 828
Luminor Balanced investment plan	1.40%	1 400 000	442 316	442 316	957 684
Luminor Active investment plan	5.90%	5 900 000	1 864 044	1 864 044	4 035 956
JSC Development Finance Institution Altum	48.91%	48 910 000	15 460 215	15 460 215	33 449 785
Total	100.00%	100 000 000	31 609 140	31 609 140	68 390 860

16. Investment movement

a) Investment movement in 2022

	Fair value 01.01.2022	Increase / purchase	Capitalized interest	Reduction / disposal	Revaluation	Fair value 31.12.2022
Debt securities and other fixed - income securities	2 936 625	990 000	-	-	(243 525)	3 683 100
Shares and other variable - income securities	1 840 993	1 500 000	-	-	7 787	3 348 780
Loans issued	25 789 247	1 500 000	251 875	-	(241 895)	27 299 227
Total	30 566 865	3 990 000	251 875	-	(477 633)	34 331 107

b) Investment movement in 2021

	Fair value 01.01.2021	Increase / purchase	Capitalized interest	Reduction / disposal	Revaluation	Fair value 31.12.2021
Debt securities and other fixed - income securities	-	2 865 000	-	-	71 625	2 936 625
Shares and other variable - income securities	-	1 800 000	-	-	40 993	1 840 993
Loans issued	-	25 739 932	57 392	-	(8 077)	25 789 247
Total	-	30 404 932	57 392	-	104 541	30 566 865

Notes to the financial statements (cont'd)

17. Fair value hierarchy of financial assets and liabilities

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the data used in the measurement. There are 3 levels in the Fund's fair value hierarchy:

- the first level includes listed financial instruments for which there is an active market, if the Fund uses unadjusted quoted market prices obtained from the stock exchange to determine their fair value;
- the second level includes cash in credit institutions;
- The third level includes financial instruments for which a significant part of the fair value measurement is based on data that are not observable in an active market and are based on the assumptions of the Fund.

a) Levels of the hierarchy of the Fund's financial assets and liabilities that are measured at fair value 31.12.2022:

	1. level	2. level	3. level	Total
Financial assets at fair value through profit or loss:				
Debt securities and other fixed - income securities	3 683 100	-	-	3 683 100
Shares and other variable - income securities	-	-	3 348 780	3 348 780
Loans issued	-	-	27 299 227	27 299 227
Assets whose fair value is disclosed:				
Placements with financial institutions	-	788	-	788
Receivables	-	-	28 968	28 968
Accrued income and deferred expenses	-	-	268 539	268 539
Total assets	3 683 100	788	30 945 514	34 629 402
Liabilities whose fair value is disclosed:				
Deferred income and accrued expense	-	-	15 003	15 003
Other liabilities	-	-	85 629	85 629
Total liabilities	-	-	100 632	100 632

b) Levels of the hierarchy of the Fund's financial assets and liabilities that are measured at fair value 31.12.2021:

	1. level	2. level	3. level	Total
Financial assets at fair value through profit or loss:				
Debt securities and other fixed - income securities	2 936 625	-	-	2 936 625
Shares and other variable - income securities	-	-	1 840 993	1 840 993
Loans issued	-	-	25 789 247	25 789 247
Assets whose fair value is disclosed:				
Placements with financial institutions	-	34 178	-	34 178
Receivables	-	-	99 346	99 346
Accrued income and deferred expenses	-	-	71 502	71 502
Total assets	2 936 625	34 178	27 801 088	30 771 891
Liabilities whose fair value is disclosed:				
Deferred income and accrued expense	-	-	25 503	25 503
Other liabilities	-	-	82 553	82 553
Total liabilities	-	-	108 056	108 056

18. Pledge and encumbrances of the Fund's assets

The Fund's assets are not pledged or otherwise encumbered.

Notes to the financial statements (cont'd)

19. Information on restrictions on disposal of assets

There are no significant restrictions on the disposal of the Fund's financial assets at the end of the reporting period.

20. Subsequent events

As of the last day of the reporting year until the date of signing these financial statements there have been no events that could significantly affect the Fund's financial position as at 31 December 2022.

Independent Auditor’s Report