



FRIGATE
investment business service

www.frigate.eu



COMPANY DESCRIPTION

FOR SHARE ADMISSION ON
NASDAQ BALTIC FIRST NORTH MARKET

CERTIFIED ADVISOR:



Geneva | Luxembourg | Riga | Singapore

**YOUR GATE
TO SECURE INVESTMENT
WORLD**



CONTENTS



STATEMENT OF FRIGATE BOARD	4
IMPORTANT INFORMATION	5
Corporate Information	5
Company Description	5
First North	5
Certified Adviser	6
Independence of Certified Advisor	6
Liability Statement of the Certified Adviser	6
Important Information for Investors	6
Presentation of Information	6
Dating of Information	7
REASONS FOR ADMISSION TO TRADING ON FIRST NORTH	8
BUSINESS DESCRIPTION	9
Frigate Group	10
AS "Frigate" Latvia	10
Frigate Luxembourg S.A. Luxembourg	11
Frigate S.A. Switzerland	11
Frigate Pte. Ltd. Singapore	11
Disputes, legal and insolvency proceedings	12
Material Transactions	12
OUR SERVICES	13
OWNERSHIP STRUCTURE	16
BOARD	18
COUNCIL	21
MARKETS AND COMPETITORS	25
RISK FACTORS	28
FINANCIAL OVERVIEW	30
ANNEX	33

DISCLAIMER

This Company Description or any information contained herein does not constitute or form a part of any offer to sell or a solicitation of an offer or invitation to purchase or subscribe for the shares of the AS "Frigate". There is no public offering of the shares of the AS "Frigate".

This Company Description has been drawn up and made public solely for the purposes of admission to trading of the Company's shares on the Alternative market First North operated by the Nasdaq Riga and may not be used for any other purposes. This Company Description is not published with the aim of attracting clients for the provision of investment services. This Company Description may not be copied, reproduced (other than for private and non-commercial use) or distributed without the express written consent from the AS "Frigate".



STATEMENT OF FRIGATE BOARD



We, members of the Board of AS "Frigate", hereby confirm the information provided in this Company Description and represent that, according to the data available to us, the information provided in the Company Description is true and there are no concealed facts that might affect the meaning of the information provided herein.

Dmitry Solovyev

Chairman of the Board

AS "Frigate"

Alexander Letovaltsev

Member of the Board

AS "Frigate"

Riga, 25 June 2018



IMPORTANT INFORMATION



Corporate Information

AS “Frigate” (hereinafter – Frigate or the Company), a joint stock company incorporated in the Register of Enterprises of the Republic of Latvia on 11 December 2015 with unified registration number 40103953555, LEI number 2138008RGTU38IRCST03.

Legal address and address of its registered office: 18 Smilšu Street, Riga, LV-1050, Latvia.

Webpage: frigate.eu

Frigate is a holding company in a group of companies domiciled in various jurisdictions - Luxembourg, Switzerland and Singapore:

- Frigate Luxembourg S.A., registration number B 208 798; date of registration 23.08.2016; address Rue Jean Engling 4, Luxembourg, L-1466, Luxembourg, LEI number 213800QEZZHVP2T1AA17; ownership interest – 100%;
- Frigate S.A., registration number CHE-222.904.081; date of registration 10.01.2017; address Rue des Bains 33, Geneva, 1205, Switzerland, LEI number 213800YWSHFA2JOMNO03; ownership interest – 100%;
- Frigate Pte. Ltd., registration number 201806720W; date of registration 26.02.2018; address 491B River Valley Road, #15-01, Valley Point, Singapore, LEI number 213800EI6JIFAZM72V30; ownership interest – 100%.

References to the “Frigate Group” in this Company Description refer to AS “Frigate” and its subsidiaries.

Company Description

This Company Description has been prepared by the Management of AS “Frigate” (hereinafter – Frigate or the Company), a joint stock company with registration number 40103953555, legal address: 18 Smilšu Street, Riga, LV-1050, Latvia in relation to the admission to trading of the Company’s shares on the Alternative market First North operated by the Nasdaq Riga (hereinafter – First North). This Company Description has been drawn up in accordance with the Nasdaq Riga Alternative Market First North Rules (hereinafter – the Rules).

First North

First North is a Nordic-Baltic alternative marketplace for trading in shares. First North is an alternative market operated by the different exchanges within Nasdaq. It does not have the same legal status as a regulated market.

First North acts as a Multilateral Trading Facility (MTF), so the companies listed there are not subject to regulated market requirements, but the rules of First North, so companies on the alternative marketplace face less stringent requirements compared to those on the regulated market. Investments in this market segment may have a higher degree of risk than the regulated market.

First North provides the infrastructure for trading and distribution of share data. Surveillance of trading and companies is conducted jointly by the stock exchange and certified advisers. Each company that is admitted to trading must have an agreement with a certified adviser. The certified adviser, who also has an agreement with the stock exchange, ensures that the company meets the admission requirements and continuing obligations associated with having shares admitted to trading on First North. Furthermore, the certified adviser constantly monitors the company’s compliance with the rules and immediately reports to the stock exchange if there should be a breach of the rules.

First North suits companies in all industries and of all sizes, from small, young or growth companies to those that already well established. First North combines the benefits of being public with simplicity, and is often a first step



toward the main market. First North provides a large investor base since it operates on the same trading and settlement systems as the Baltic regulated market.

Certified Adviser



Commercial company of certified auditors **SIA “Nexia Audit Advice”** (registration No. in the Latvian Commercial Register 40003858822, legal address 9-3 Grecinieku Street, Riga, LV-1050, Latvia) (hereinafter – Nexia Audit Advice or the Certified Adviser), which has been awarded a status of a Certified Adviser and has signed an agreement with Nasdaq Riga, is the Certified Adviser for the Company.

Nexia Audit Advice is one of the largest certified audit firms in Latvia, comprising five offices located in Latvia's key economic cities (two in Riga and others in Liepaja, Ludza and Valmiera). The company provides audit, accountancy, tax, due diligence, valuation, as well as consulting services.

Nexia Audit Advice is a member firm of one of the biggest worldwide networks of independent accounting and consulting firms Nexia International.

The persons providing Certified Adviser services to the Company are:

- **Andrejs Ponomarjovs**, Dr.oec., Chairman of the Board, Director General of Nexia Audit Advice, and
- **Olga Molčanova**, ACCA, Mg.soc., Coordinating Partner of Nexia Audit Advice.

The agreement with the Certified Adviser has been concluded for shares' trading period until the last day of trading.

Independence of Certified Advisor

Certified advisor or persons providing Certified Adviser services to the Company do not hold any shares or voting rights of the Frigate.

Persons representing Nexia Audit Advice or its employees do not serve as members of the Board or Council, or sworn auditor of Frigate.

Liability Statement of the Certified Adviser

Nexia Audit Advice as the Certified Adviser to the Company, has advised the Board in the preparation of this Company Description and has reviewed the information provided, but is not responsible for the correctness or completeness of the information provided. Nexia Audit Advice shall not be liable for any decision made on the basis of this Company Description.

Important Information for Investors

Each investor should carefully review the information provided in the Company Description, paying particular attention to the specific conditions set forth in the Risk Factors section, which describes certain risks associated with an investment in Frigate. The Company Description was written in preparation for the planned listing of the Company's shares on First North. No new shares will be issued in connection with the listing and no prospectus will be registered with the Financial and Capital Market Commission with regard to the listing. The Company Description does not constitute an invitation to acquire, subscribe to, or in any way trade in shares or any other securities in Frigate.

Presentation of Information

Currency: In this Company Description, financial information is presented in euro (EUR), the official currency of the Republic of Latvia and the EU Member States in the Eurozone.

Third-party information: The Company Description contains certain market and industry information that has been obtained from third parties. Although the information has been accurately reproduced and the Company believes that the sources are reliable, the Company has not independently verified the information; therefore the accuracy and completeness of the information cannot be guaranteed. To the best of the Company's knowledge



and as far as Frigate can ascertain by comparing other information that has been published by these sources, no information has been omitted in such a way that would render the reproduced information inaccurate or misleading.

Dating of Information

This Company Description is based on information available at the time of its preparation, i.e. 25 June 2018, and where not expressly indicated otherwise, all information presented in this Company Description shall be interpreted accordingly.

The Company Description contains future-oriented statements and assumptions regarding future market conditions, activity and results. These statements are contained in several sections and include statements regarding the Company's present intentions, assessments and expectations. Words such as "project", "plan", "expect" or similar expressions indicate some of these statements. Other such statements are identified on the basis of the relevant context. Actual events and outcomes may vary considerably from that which is described in these statements as a result of risks and other factors that affect the Frigate's and Frigate Group's business.



REASONS FOR ADMISSION TO TRADING ON FIRST NORTH



Frigate Group operates in various jurisdictions with regulatory and supervisory environment and admission to trading of Company's shares on First North will be the next step in Frigate's and Frigate Group's development.

Frigate is a growing company with ambition to develop. Frigate plans to list existing ordinary shares on First North and no new shares will be issued, thus at the present moment the Company's aim is not to immediately raise capital by issuing new shares. Frigate's main reasons for admission to trading of its shares on First North are as follows:

- higher public profile;
- reputation and visibility for the Company's business, as well as services;
- a mark of quality, which facilitates international business, as well as attracting qualified staff;
- marketing and publicity.

Frigate will apply for admission to trading on First North 310 000 ordinary shares (category "A" – dematerialized bearer shares) with the par value of share € 1. These shares were registered in the Nasdaq CSD SE as of 25 May 2018 and ISIN LV0000101665 was allocated.

Rights Attached to Shares Applied for Admission to Trading on the First North

Ordinary shares entitle the holder to:

- participate in dividends in proportion to the total of the nominal value of the shares of all categories owned. Dividends shall be calculated and paid out for fully paid-up shares;
- voting rights (only a fully paid-up share);
- in the event of liquidation of the company, receiving liquidation quota in proportion to the number of and amounts paid on the shares held, taking into account benefits of the preference shares.

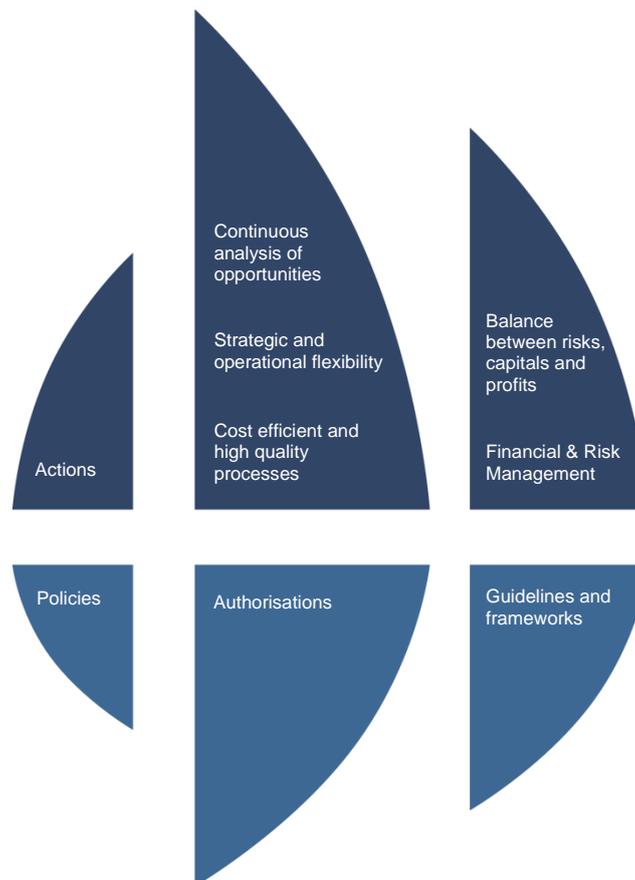


BUSINESS DESCRIPTION



Frigate's business concept is based on providing services in various investing areas according to client's needs. Frigate through its subsidiaries provides a wide range of services which give investors access to securities - investment advice, portfolio management, executing orders for clients, structured products for different kinds of clients, trading in financial instruments and helping companies raise funds on capital markets, but Company's specialization is institutional clients who would like to participate on a very fast growing market. Each of the Frigate Group companies is specializing in the provision of specific services - asset management, execution, securitization and operational support.

Frigate Group has experience working in different investment areas. The experience gained during years of tenure in leading investment companies and banks, complemented by cooperation with leading International financial institutions, allows the Company to navigate the financial industry and be fully aware of the modern market environment in order to service the needs and wants of the clients.



The figure above illustrates the Frigate Group's internal and external environments. Frigate is perpetually looking for opportunities to grow and expand its horizons. To do so, the management of Frigate is active in supporting the



business of Frigate Group with continuous analysis and assessment of opportunities in the investing market, as well as the Company closely cooperates with numerous independent consultants in order to roll out services in investment domains not yet tapped by the Company.

Mission – to serve the client’s interests

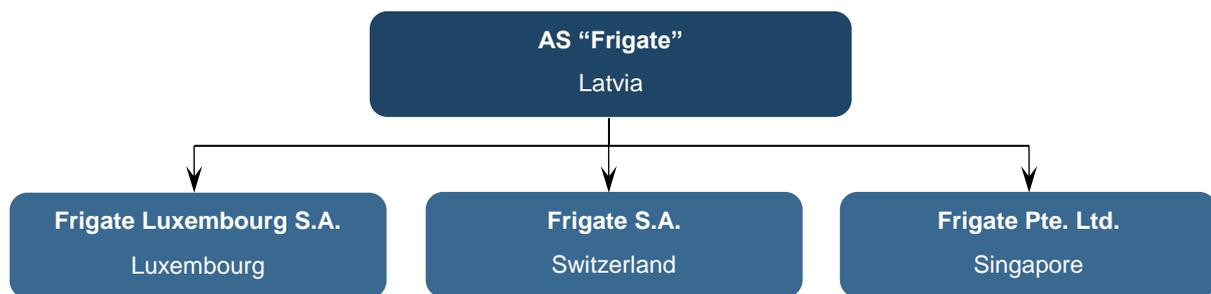
Investing implies allocating the capital entrusted to Frigate with the aim of achieving its clients’ investment objectives. In order to identify these objectives, Frigate pays particular attention when understanding and analysing their expectations. Frigate’s tailor-made investment products are designed to meet the clients’ diverse requirements.

Frigate provides its clients with the full scope of investment opportunities, together with reliable and flexible service to fulfil their ideas and strategies in the capital markets. Frigate builds strong relationships with its clients based on trust and interaction.

Frigate Group

Frigate Group adapts its services according to its clients’ needs, and provision of new unique services forces to look at best practices around the world and analyse the requirements set out by the jurisdictions for the provision of such services, as well as regulatory and supervisory environment.

This is the main reason of Frigate’s expansion of operations across Europe and Asia Pacific and careful choice of countries to operate in. At the present moment Frigate has subsidiaries incorporated in Luxembourg, Switzerland and Singapore:



Frigate’s subsidiaries organize their activities, taking into account the specific characteristics of their business operations and the guidance from the parent company Frigate relating to targets and group-wide principles. The stakeholders’ expectations and external regulations also have a direct effect on the subsidiaries’ activities. The executive management of the subsidiaries have extensive experience in the investing industry, as well as in financial and risk management.

Frigate Group was formed over the past few years and it continues to develop. Currently the Group and its companies are in its development stage. The clients of Frigate Group are primarily from the European Union countries.

AS “Frigate” | Latvia

The core business activity of Frigate is management of the Frigate Group and strategic development of subsidiaries. Frigate does not hold an investment service provider licence in Latvia, and this Company Description is not published with the aim of attracting clients for the provision of investment services.

Frigate reviews Frigate Group as a business portfolio and leads day-to-day management of investments, facilitates simultaneous effective execution of the subsidiaries’ investment policies and group-wide oversight of the investment portfolios. Frigate manages its subsidiaries directly from Latvia and Frigate staff works mainly in Latvia, thus the majority of Frigate Group’s operations are performed in Latvia, taking into account digital markets, in which Frigate Group’s companies operate. On behalf of its subsidiaries Frigate searches for new clients, closes the deals, prepares agreements, etc.

Frigate reviews the performance of Frigate Group both on a company level and on a group level based on the reporting provided by the subsidiaries. Based on both the company and group level information, the management of Frigate decides on Frigate Group’s operations, capital structure and liquidity in order to be able to arrange financing if needed.



In April 2018 the Company changed its legal form from limited liability company to joint stock company. This was one of the steps for the preparation for the admission to trading of the Company's shares on the First North.

Frigate Luxembourg S.A. | Luxembourg

In 2016, Frigate registered a 100% subsidiary in Luxembourg - Frigate Luxembourg S.A., Rue Jean Engling 4, Luxembourg, L-1466, Luxembourg. The subsidiary was registered according to Luxembourg Securitization Law of 22 March 2004 and Luxembourg Act of 10 August 1915 on commercial companies.

Frigate Luxembourg S.A. is a securitization vehicle. The company can execute transactions related to securitization of various kinds of assets into debt notes, which are assigned an ISIN and CFI codes and can be settled through the global custodians, such as Clearstream and Euroclear systems, and also through local depositories such as Russian NSD via bridge settlement.

Frigate considers Luxembourg to be one of the most attractive jurisdictions for investment activity, being amongst the world's capitals of asset management for hundreds of years. That is why Frigate chose to incorporate a designated subsidiary - a securitization company in Luxembourg. The Luxembourg law of 22 March 2004 on securitisation, as amended, together with the Luxembourg law of 10 August 1915 on commercial companies, as amended, govern Luxembourg securitisation vehicles. Together with several Luxembourg banks, Frigate can create tailored investment portfolios under the EU-regulated company. This way the company provides access to worldwide investments, both as physical financial instruments and as dematerialized securities via global depository's safekeeping.

According to Luxembourg law, a securitization company is prohibited from any operational activity other than securitization. The assets which are held inside a segregated compartment cannot be arrested, frozen or seized in relation to any liabilities of the securitization company, its owners, or other compartments. The company cannot transfer the funds from the account of a compartment to other accounts or use the funds in order to settle purchases of any assets unless it is allowed by the investment declaration. These restrictions are controlled by the bank.

For more information on operating in Luxembourg refer to Section "Markets and Competitors".

Frigate S.A. | Switzerland

In 2017, Frigate registered a 100% subsidiary in Switzerland with a registered office in Geneva - Frigate S.A., Rue des Bains 33, Geneva, 1205, Switzerland. As such, it operates and is regulated under Swiss law.

In Switzerland there are certain regulations that govern the registered office or domicile of a company. In the case of legal entities the location must be established within the statutes of the company and its address must be entered into the commercial register. A differentiation must be made as to whether the address is the own office of the company or simply a "c/o" ("care of") address. Own office would be a location which a legal entity owns or leases and where it conducts most of its administrative business where the receipt of any kind of correspondence is possible. As long as these requirements are not met, the address must be considered a c/o address. Frigate S.A. has successfully fulfilled all necessary requirements and has a registered office in Geneva.

The subsidiary is a regulated entity working on Global Debt Market.

Frigate S.A., Swiss-regulated financial intermediary, is regulated by SRO PolyReg (self-regulatory body according to the Swiss Federal Law Anti-Money Laundering Act - AMLA), an affiliated member of the [FINMA](#), Switzerland's independent financial-markets regulator.

For more information on operating in Switzerland refer to Section "Markets and Competitors".

Frigate Pte. Ltd. | Singapore

In 2018, Frigate registered a 100% subsidiary in Singapore - Frigate Pte. Ltd. Singapore was chosen as a place to start new business line, as Singapore is a reputable and stable jurisdiction with a sophisticated legal system and the 2nd freest economy in the world. In addition, Singapore has 80 ratified double taxation avoidance treaties, increasing the efficiency with which the company can invest its capital into its subsidiaries.

Frigate Pte. Ltd. will offer services and consulting in the following areas:

- payment in different currencies for clients of Holding company;
- additional services to provide clients expectations.

Frigate Pte. Ltd. plans to perform as a payment company and its payment services to be regarded as a Stored Value Facility (SVF) under Singapore law - a form of prepaid electronic cash or card that can be used within the



system of the SVF issuer. Therefore, Frigate Pte. Ltd. will be the holder of the stored value. The Singapore SVF is a business vehicle used for holding and managing online accounts, virtual currencies and/or prepaid debit cards. The SVF can be compared to E-Money institutions in other jurisdictions. Usage of SVFs usually does not require Personal Identification Numbers (PINs) or signatures. The foreign company, which sets up SVF in Singapore, is not allowed to use SWIFT and advertise its services in Singapore.

The Payment Systems (Oversight) Act (PS(O)A) and its related regulations governs the issuance and management of SVFs in the Singapore. In Singapore, the [MAS](#) (Monetary Authority of Singapore) has given an exemption to SVFs from the PS(O)A when the stored value outstanding are under a certain threshold and approval of MAS is not required. Currently the threshold limit stands at SGD 30 million (€ 18 832 391 as translated into euro at the foreign exchange reference rates set by the European Central Bank against the euro as at the date of preparation of this Company Description).

Initially, Frigate Pte. Ltd. plans to operate within this threshold, and this will not require the approval of the MAS for the continued operation of this type of SVF. But with further development of Frigate Pte. Ltd. and when the SVF exceeds the SGD 30 million mark, the Company may later change its status from SVF to WA SVF (Widely Accepted Stored Value Facility) and get the approval of MAS.

Frigate Pte. Ltd. aims to offer the best in class services, through superior financial and operational performance, to achieve highest benchmarks in the industry. The company commits with a missionary zeal to provide the best value to our clientele by delivering objectives, on time in an environmental friendly manner with precise quality. In Singapore, Frigate Pte. Ltd. will maintain working relationships with its existing international clients and approach new potential clients in Asia Pacific.

For more information on operating in Singapore refer to Section "Markets and Competitors".

Disputes, legal and insolvency proceedings

Frigate and Frigate Group companies are not parties to any of the following:

- disputes, legal proceedings or arbitration proceedings,
- legal proceedings in connection with fraud or other economic violations in which Board members or Council members or other officials of the Frigate have been involved;
- insolvency applications, insolvency proceedings or legal protection proceedings.

Material Transactions

Frigate does not have any material transactions with shareholders, Board members, Council members and other managers and also their closely associated persons.



OUR SERVICES



Frigate Group diversifies its operations and services provided. Companies of Frigate Group specialize in Asset Management, Execution, Securitization and Operational Support.

Asset Management, Investment Advice and Financial Intermediary

The company within Frigate Group that provides asset management, investment advice and financial intermediary services is:

Frigate S.A., Rue des Bains 33, Geneva, 1205, Switzerland.

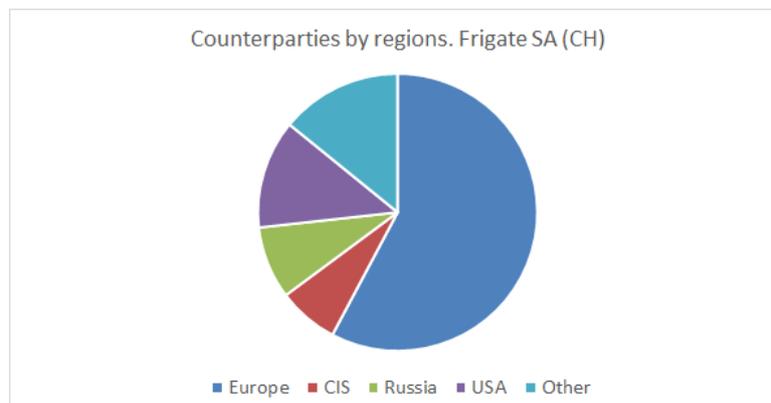
Company's core strength is to thoroughly screen the financial market for assets with most relative value. Frigate specializes in applying best practices of client-oriented approach to investment management: for every client, the team creates a customized investment strategy based on client's balance of risk appetite and return expectations.

Frigate team prides itself on profound investment and trading experience in debt instruments, as well as interest rate and credit derivatives. Actively managed bond portfolios have historically shown the ability to reward investors with higher yields, greater returns and lower risk than passive approaches, such as non-managed laddered maturity portfolios.

"Always Watch Out for the Downside"

– Frigate adheres to an old Wall Street saying: it is far easier to beat the averages by preserving capital in a down market than by trying to outperform in an up market. This more conservative approach to security selection results in out-performance in down markets in each of our strategies. The company feels that its investors value the avoidance of bear market pain more highly than a little extra return in bull markets – especially since the result has been better long term total return.

The business is based on a team of professionals and opened direct trading lines with well-known banks and brokerage companies. The Company operates since 2017 and at the moment is in its development stage. At the end of May 2018, Frigate S.A. has 2 clients for asset management (current amount of assets under the management is € 3 million) and has more than 70 counterparties from the following regions:





Multipurpose Investment Platform and Securitization

The company within Frigate Group that provides multipurpose investment platform and securitisation services is:

Frigate Luxembourg S.A., Rue Jean Engling 4, Luxembourg, L-1466, Luxembourg.

One of the key aspects of successful asset management, according to Frigate investment philosophy, is a cost-efficient platform, which is reliable and transparent to the client. A dual-control system, involving a bank and a regulated asset management company, ensures safety of client assets, while Frigate provides client reporting according to highest standards, as well as performance tracking.

Moreover, Frigate offers a qualitative execution platform for clients' orders in the financial market.

Securitisation is a financial technique that consists in transferring the risks pertaining to certain underlying assets, such as receivables or other eligible assets, to a special purpose vehicle, which will finance the acquisition of the underlying assets by the issue of transferable securities to investors.

Each note is issued in cooperation with [Elvinger Hoss Prussen](#) company, the largest Luxembourg law firm in the particular sector. The role of registrar and settlement agent is handled by a regulated entity Luxglobal Trust Services. All assets are safe kept in accounts of Luxembourg banks - Societe Generale Bank & Trust or East-West United Bank.

The Company was registered in 2016 and it also took some time to fulfil all requirements of the Luxembourg law. Currently Frigate Luxembourg S.A. is in its development stage and has 2 active projects.

For each business case, a distinct segregated portfolio - "compartment" - is created on the balance sheet of the company, which fully protects all assets and liabilities from those of other portfolios according to Luxembourg law. After securitizing the assets, the asset manager retains the rights to manage the assets within the scope of the investment declaration.

As a result of securitization, debt notes are issued, and ISIN and CFI codes are assigned.

ISIN code - an International Securities Identification Number uniquely identifies a security - its structure is defined in ISO 6166. Securities for which ISINs are issued include bonds, commercial paper, equities and warrants. The ISIN code is a 12-character alpha-numerical code.

CFI Code – a code for classifying financial instruments in order to identify the type and characteristics of each financial instrument in accordance with international standards. The International Standard Organization (ISO) has established and maintained the CFI Code.

The notes can be listed on one of the European exchanges (primarily the Luxembourg Stock Exchange (LuxSE)) and added to the Bloomberg database. The notes can also be safe kept in physical form for ease of safekeeping, as well as cost efficiency.

The notes are designed for professional clients, the minimal possible denomination is USD 150 000 equivalent. The securities may be used as collateral, be a part of a REPO deal, transferred or sold in secondary market without any limitations.

The Luxembourg tax code does not imply any taxes on the gains within the portfolio or coupon pay-outs to the holder. The taxes are paid based on tax residency of the holder, according to local tax code.

Main use cases of asset securitization are:

- creating a portfolio of assets under management, with a small number of investors (usually under 10), who hold the funds in different jurisdictions. This approach is convenient for both classic asset management and private equity. This structure can be viewed as a simplified alternative to a fund, which provides cost efficiency and ease of attracting investors;
- merging several assets in different foreign jurisdictions into one pool, which can be held and controlled through a local account.

The advantages of securitization and the potential client pool are of course far beyond the above list.



Payment services

The company within Frigate Group that will provide payment services is:

Frigate Pte. Ltd., 491B River Valley Road, #15-01, Valley Point, Singapore.

Currently Frigate develops a new direction of its business – payment services, therefore the company Frigate Pte. Ltd. has just been established.

When the payment system is established within Frigate Pte. Ltd., the clients will be able to open accounts in the payment system, use the Internet bank (Frigate will use special online banking software) and see the operations and balances on their accounts.

Documentary Maintenance of Financial and Investment Operations

The company within Frigate Group that provides documentary maintenance of financial and investment operations services is:

AS “Frigate”, 18 Smilšu Street, Riga, LV-1050, Latvia.

The environment a modern investment company operates in presents a distinct trend towards toughening of rules, requirements and standards of compliance, client and regulatory reporting, and record-keeping. Even with limited investment activity, companies incur considerable costs to maintain operational and support staff.

Especially heavy expenses are faced by companies domiciled in the UK, Western Europe and Cyprus, due to relatively high costs per employee.

Frigate staff possesses all necessary licenses to work in the securities market, as well as broad experience in documentary work and relations with regulatory bodies. The Company's specialists are certified by the regulator as AML officers.

Frigate offers to reduce client's expenses by outsourcing most workload related to paperwork, Know Your Customer (KYC) documents collection, client and regulator reporting, and other functions to us. For each client, Frigate is happy to craft a personalized cooperation offer, and to evaluate the feasibility of outsourcing a part of the functions.

Frigate plans to offer KYC services to credit institutions and other subjects of the Law on the Prevention of Money Laundering and Terrorism Financing, which face strict requirements under this law customer due diligence.



OWNERSHIP STRUCTURE

The share capital of the Company as at the date of preparation of this Company Description is composed of shareholder's capital investment of € 560 000, the total authorised number of ordinary shares is 310 000 with a par value of € 1 per share; the total authorised number of preference shares is 250 000 with a par value of € 1 per share. All issued shares are fully paid.

As at the date of preparation of this Company Description Frigate has the following shareholders:

Shareholder	Number of shares	Par value of share	Amount of share capital registered and paid	Ownership in %	Voting rights %
Ordinary shares "A"					
Pavel Dushin	139 500	€ 1	€ 139 500	24.91%	45%
Alexander Letovaltsev	46 500	€ 1	€ 46 500	8.30%	15%
Aleksandr Yarygin	46 500	€ 1	€ 46 500	8.30%	15%
Dmitry Solovyev	46 500	€ 1	€ 46 500	8.30%	15%
Armands Bušs	31 000	€ 1	€ 31 000	5.54%	10%
Subtotal	310 000	€ 1	€ 310 000	55.35%	100%
Preference shares "B"					
SIA "Baltic Credit Trading Group" ¹	250 000	€ 1	€ 250 000	44.65%	-
Subtotal	250 000	€ 1	€ 250 000	44.65%	-
Total	560 000	€ 1	€ 560 000	100%	100%

¹ The shareholders of SIA "Baltic Credit Trading Group", reg.No. 40103795415, legal address: 18 Smilšu Street, Riga, LV-1050, Latvia are: Pavel Dushin (52%), Alexander Letovaltsev (16%), Aleksandr Yarygin (16%), Dmitry Solovyev (16%), therefore direct, indirect and total effective shareholding in Frigate is as follows:

Shareholder	Direct shareholding	Indirect shareholding	Total effective shareholding
Pavel Dushin	24.91%	23.20%	48.11%
Alexander Letovaltsev	8.30%	7.15%	15.45%
Aleksandr Yarygin	8.30%	7.15%	15.45%
Dmitry Solovyev	8.30%	7.15%	15.45%
Armands Bušs	5.54%	-	5.54%
Total	55.35%	44.65%	100%



Categories of shares

Prior to listing at First North the Company increased its share capital from € 310 000 (310 000 ordinary shares) to € 560 000 with the shareholder decision as of 13 April 2018. The share capital was increased by issuing 250 000 preference shares with total nominal value of € 250 000. Therefore, now the Company has 2 categories of shares:

Ordinary shares "A" Dematerialized bearer shares	Preference shares "B" Dematerialized registered shares without conversion rights
<p>Ordinary shares entitle the holder to:</p> <ul style="list-style-type: none">▪ participate in dividends in proportion to the total of the nominal value of the shares of all categories owned. Dividends shall be calculated and paid out for fully paid-up shares;▪ voting rights (only a fully paid-up share);▪ in the event of liquidation of the company, receiving liquidation quota in proportion to the number of and amounts paid on the shares held, taking into account benefits of the preference shares.	<p>Preference shares entitle the holder to:</p> <ul style="list-style-type: none">▪ participate in dividends in proportion to the total of the nominal value of the shares of all categories owned. Dividends shall be calculated and paid out for fully paid-up shares;▪ no voting rights;▪ in the event of liquidation of the company, receiving liquidation quota in proportion to the number of and amounts paid on the shares held prior shareholders holding ordinary shares.



BOARD



The Board is the executive body of AS “Frigate”, which manages and represents the Company, as well as develops and implements the strategy of the Company. It supervises and manages the affairs of the Company and is responsible for the commercial activities of the Company, as well as for accounting in compliance with law. The Board administers the property of AS “Frigate” and acts with its means according to the requirements of law, the Statutes and decisions of shareholders and Council.

The Statutes of Frigate regulate the composition, election and representation of the Board. Frigate's Board comprises two members. The work of the Board is led by its Chairman. The Council appoints the Chairman of the Board and his deputy from among the members of the Board. Board members are elected for 5 years. The amount of remuneration for Board members is determined by the Council.

The Board of Frigate needs consent of the Council for the following important issues:

- acquisition of material participation in other companies, its increase or decrease;
- acquisition or disposal of a subsidiary;
- acquisition, disposal or encumbrance of property rights in real estate;
- opening and closing of branches and representative offices;
- approval of the Company's budget and operational plan for the current year;
- launching new activities and discontinuing existing activities.

The Council is entitled to approve the Company's Board regulations and otherwise establish the agenda of the Board.

The Board of Frigate is:

Person	Post	Rights to represent	Date of election
Dmitry Solovyev	Chairman of the Board	Right of sole representation	11.12.2015 Re-elected on 09.04.2018 ¹
Alexander Letovaltsev	Member of the Board	Right of sole representation	26.05.2016 Re-elected on 09.04.2018 ¹

¹ Due to the change of the Company's legal form from limited liability company to joint stock company in April 2018, re-elections of the members of the Board were made.

Other information regarding the members of the Board

None of the members of the Board has been involved in any bankruptcies or liquidations in their respective capacity as a member of the management in the past five years. None of the members of the Board during the last five years has been convicted of fraud or been subject to public allegations or sanctions by supervising or legislative authorities and none of them has been prohibited to act as a member of the Board or in any other way prohibited to be engaged in business activities in the last five years.



Dmitry Solovyev

Chairman of the Board

Education	1999: The Peoples' Friendship University of Russia (RUDN) - Master of economics
Certificates	2002: Certificate FFMS 1.0 - certificate of Federal commission of securities 1999: The Academy of National Economy under the Government of Russian Federation - professional certificate 1999: Moscow School of Economics – professional certificate
Awards	2007: Global Finance “Best Fixed Income Sales desk for 2006” 2006: Cbonds “Fixed Income Sales Desk” – 2nd place on RUR bond market 2006: Journal “Securities Market” - 3rd place between sales-managers for 2005
Work experience	25+ years of professional experience working as a FI trader, Deputy Head of domestic sales, Repo Trader, Interdealing broker in such companies and banks, as SIA “Baltic Credit Trading Group”, Schildershoven finance B.V. (Netherlands), Alfa bank, Unicredit Securities, Aton, National Bank of Development, Market Square Capital, MFBC, CB “Rezon-bank”
Place of residence	Latvia
Shareholding	Direct shareholding - 8.30% Indirect shareholding - 7.15% Total effective shareholding - 15.45%



Alexander Letovaltsev

Member of the Board

Education	2008: Degree in Master of Business Administration (MBA), majoring Banking courses. Swiss Business School Banking and Finance cooperation with, The Academy of National Economy under the Government of the Russian Federation 2005: Book keeping, analyzing and audit degree, The Russian Economic Academy named by GV Plekhanov
Certificates	International Moscow Banking Financial School - Trader Certificate FKCB "Securities expert" specialization in the field of a securities market: broker, dealer and trust management activity.
Work experience	12+ years of professional experience working as Fixed Income trader, Sales/trader, Interdealer broker of Eurobonds, local bonds and classical share market of RTS (blue chips and second-tier stocks), Clerk of global transactions service department in such companies and banks, as SIA "Baltic Credit Trading Group", Schildershoven finance B.V. (Netherlands), Investment and Financial Company "SOLID", IFK "Quick Line Aronskelk", ZAO "Citibank"
Place of residence	Latvia
Shareholding	Direct shareholding - 8.30% Indirect shareholding - 7.15% Total effective shareholding - 15.45%



COUNCIL



The Council is the supervisory institution of AS “Frigate”, which represents the interests of the shareholders during the time periods between the shareholders’ meetings and supervises the activities of the Board within the scope specified in the Commercial Law and the Statutes.

The Council of the Frigate was created, when Frigate changed its legal form from limited liability company to joint stock company in April 2018 and as one of the steps for the preparation for the admission to trading of the Company’s shares on the First North.

The Statutes of Frigate regulate the composition and election of the Council, its functions and decision making. Frigate’s Council comprises three members. The work of the Council is led by its Chairman. Members of the Council elect the Chairman of the Council and his deputy from among Council members. Council members are elected for 5 years. The amount of remuneration for Council members is determined by the meetings of shareholders.

The Council’s exclusive competence is determined by the Commercial law:

- to elect and recall members of the Board and to continually supervise the activities of the Board;
- to monitor that the business of the Company is conducted in accordance with the law, the Statutes and the decisions of shareholders;
- to examine the annual reports of the Company and the proposal of the Board for the use of the profits and draw up a report;
- to represent the Company in a court in all actions brought by the Company against members of the Board, as well as in actions brought by the Board against the Company and to represent the Company in other legal relations with members of the Board;
- to approve the concluding of a transaction or to give a consent for the concluding of a transaction between the Company and member of the Board or Council, or the related person, or the auditor;
- to examine in advance all issues which are within the competence of the meeting of shareholders or which, pursuant to the proposal of members of the Board or the Council, have been proposed for discussions at the meeting, and to provide its opinion on such issues;
- to give a consent for a decision of the Board to increase the equity capital in the case referred to in Section 249, Paragraph four of the Commercial Law and to make amendments to the Statutes of the Company in the case referred to in Section 249, Paragraph five of the Commercial Law.

The Council is also entitled to approve the Company’s Board regulations and otherwise establish the agenda of the Board.

The Council of Frigate is:

Person	Post	Date of election
Pavel Dushin	Chairman of the Council	09.04.2018
Aleksandr Yarygin	Member of the Council	09.04.2018
Armands Bušs	Member of the Council	09.04.2018



Other information regarding the members of the Council

None of the members of the Council has been involved in any bankruptcies or liquidations in the past five years. None of the members of the Council during the last five years has been convicted of fraud or been subject to public allegations or sanctions by supervising or legislative authorities.



Pavel Dushin

Chairman of the Council

Education	Ph.D. of economics, St. Petersburg State University of Economic and Finance MMBA course, Stockholm School of Economic
Additional education	Interest rates derivatives course of Goldman Sachs
Extra knowledge	Trading terminals: Reuters dealing, Bloomberg, MICEX. Fluent English Deep and wide knowledge of Russian and international financial market, emerging markets Work with global agreements: ISMA, ISDA, ISLA
Certificates	Certificate of Federal commission of securities(FKCB) 1.0 Certificate for currency operations of Central Bank Russia Certificate for Moscow exchange trading
Membership	Member of the FI committee of Moscow Exchange Member of the Fédération Européenne des Conseils et Intermédiaires Financiers (FECIF)
Work experience	20+ years of professional experience working as CEO / Chairman of the Board, Managing director, Partner, Head of Global Markets, Head of Fixed Income, Head of Debt trading, financing and structuring, Senior dealer/Assets manager, Head of treasury in such companies and banks, as SIA "Baltic Credit Trading Group", Schildershoven finance B.V. (Netherlands), Aton, UniCredit Securities, Industry and Construction Bank, CIT – finance Bank, as well as he worked in securities and fund departments of branches of largest Moscow banks
Place of residence	Latvia
Shareholding	Direct shareholding - 24.91% Indirect shareholding – 23.20% Total effective shareholding – 48.11%



Aleksandr Yarygin

Member of the Council

Education	2011: defended thesis for the degree of Candidate of Economic Sciences at the St. Petersburg State University of Economics and Finance 2008: Samara State University of Economics, Faculty of Management Systems
Additional education	2007: participation in the regional specialized seminar "Modern Methods of Organization and Financing of Business Projects: Closed-End Mutual Investment Funds"
Extra knowledge	Knowledge of the programs Quik, Bloomberg, Reuters, RS-bank, VDBills, Broller (Broker), 3-Card, 1C: Enterprise
Certificates	2010: Certificate on training under the program "Psychology and pedagogy of higher education" 2009: attested as a "specialist in the financial market for brokerage, dealer activities and securities management activities"
Work experience	15+ years of professional experience working as Director, Partner (Fixed Income Trading), Department director (Fixed Income Trading), Head of the Division for Operations with Debt Instruments of the Securities Division of the Department of Financial Operations, Leading Specialist in OTC Operations Development Department, Dealer of the debt market instruments, Specialist of the internal accounting of the operations in the stock market, Software Specialist in such companies and banks, as SIA "Baltic Credit Trading Group", Schildershoven finance B.V. (Netherlands), Finprombank, Gazbank
Place of residence	Russian Federation
Shareholding	Direct shareholding - 8.30% Indirect shareholding - 7.15% Total effective shareholding - 15.45%



Armands Bušs

Member of the Council

Education	2001: University of Latvia Master's degree in economics
Additional education	AML courses in Latvia and Switzerland Annually attending Clearstream "Global Securities Financing summits" in Luxembourg Regularly attending of different SWIFT courses Learned for "Chartered Financial Analyst" (CFA) Euroclear bank, securities conferences in London and Paris Commerce education centre, course "Project management" Bank of England, course "Advanced monetary operations" and "Financial stability" International Monetary Fund, seminar "Macroeconomic Analysis and Policy" in Vienna Seminar "Monetary Policy Strategy and Implementation in ESCB" in Deutsche Bundesbank Fontes R&I course "Effective communication" University "Carnegie Mellon" securities analysis and trading program's FAST courses International Monetary Fund's seminar "Monetary operations" in Vienna Latvian Central Depository – securities accounting course Riga Stock Exchange – technical course for brokers Courses "Securities market"
Work experience	25+ years of professional experience working as CFO, Expert in payments division, Market Operations department, Securities broker in such companies and banks, as SIA "Baltic Credit Trading Group", Latvijas Banka (15 years of experience), AS "Lateko banka", AS "Tallinna Pank Securities Latvia", AS "International Investment Fund".
Place of residence	Latvia
Shareholding	Direct shareholding - 5.54%



MARKETS AND COMPETITORS



Investment firms play an important role in facilitating savings and investment flows across the EU, forming a vital cog in a well-functioning Capital Markets Union. Alongside credit institutions (banks), they provide a range of services which give investors access to securities and derivatives markets. Such services include investment advice, portfolio management, executing orders for clients, trading in financial instruments and helping companies raise funds on capital markets.

The Frigate Group operates worldwide in a dynamic, fast-changing market without boundaries in a digital age. The business world has changed considerably in the past decades, and transformation of various industries is happening via technological advancements. With the rise of technology new investment opportunities have come that weren't available before.

The Frigate Group operates on a competitive market. However, due to the specifics of the business, it is extremely hard to compare Frigate with any other market participants in Latvia, which could have similar diversified structure of operations and services worldwide, and Frigate does not feel any sharp competition.

Frigate Group competes with credit institutions in providing investment services, which credit institutions can offer to their customers under their banking licence. Unlike credit institutions, investment firms do not accept deposits, nor do they provide loans on a significant scale. This means that they are a lot less exposed to the risk of depositors withdrawing their money at short notice and of borrowers failing to pay them back.

Frigate Group competes with investment companies. However, most investment companies only provide a limited range of investment services (e.g. investment advice, investing in securities, brokerage services, etc.). Conversely, Frigate tends to provide a broader range of services and possesses experience working in different investment areas and different jurisdictions.

Securitisation Market in Luxembourg

Luxembourg has since a long time been at the forefront of the financial markets' and the structured finance's trends and evolutions.

Over the years, it grew to become a hub for securitisation and structured finance transactions with one of the world's safest business environment, notably as a result of its financial, political and social stability and innovative approach towards the financial sector.

Issuers and investors in Luxembourg benefit from strong and stable regulatory and tax frameworks, in line with European Union directives and regulations.

After the publication of the "Simple Transparent and Standardised" (STS) securitisation Package in the Official Journal of the EU on 28 December 2017, the attention has turned now to the implementation and development of the related secondary legislation, including technical standards and guidelines.

In December 2017, the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) published consultations on key parts of the recently agreed STS Securitisation reform, including the draft technical standards on risk retention, homogeneity, disclosures and STS notifications. The consultation period closed in mid-March and the final proposals are expected to be published in the second half of 2018. According to the statement published by ESMA in April, it has re-organised its resources and priorities and will aim to deliver its final report on the technical standards in relation to disclosure obligations to the European Commission (EC) in mid-July 2018, i.e. six months in advance of the deadline under the Securitisation Regulation. This should allow the EC to prepare for speedy adoption of these technical standards and thus address concerns about the disclosure-related transitional provisions.



Luxembourg remains one of the most competitive jurisdictions in Europe to structure and locate securitisation transactions. Since the introduction of the Luxembourg Law of 22 March 2004 on securitisation, the Luxembourg securitisation market has been steadily growing, therefore any securitisation company in Luxembourg could be mentioned as Frigate Group competitor.

Asset management market in Switzerland

Provision of financial services is extremely popular in Switzerland. Switzerland is known as the financial centre and country of bankers, and the reasons are found in Switzerland's business-friendly legislation. Bank confidentiality and low taxes are of particular importance in this regard.

FINMA is Switzerland's independent financial-markets regulator. Its mandate is to supervise banks, insurance companies, exchanges, securities dealers, collective investment schemes, and their asset managers and fund management companies. It also regulates distributors and insurance intermediaries. It is charged with protecting creditors, investors and policyholders. FINMA is responsible for ensuring that Switzerland's financial markets function effectively.

FINMA is mandated to protect financial market clients – creditors, investors and policyholders – and is responsible for ensuring that Switzerland's financial markets function effectively. Its supervisory tasks - authorisation, supervision and, where necessary, the enforcement of supervisory law – are derived from that mandate. In addition, FINMA can also regulate activities where it is authorised to do so. In performing its supervisory activities, FINMA adopts a systematic risk-oriented approach and is mindful to ensure continuity and accountability. This strengthens confidence in the proper functioning, integrity and competitiveness of Switzerland's financial centre.

Many financial services in the Swiss market require authorisation, which in most cases, is granted by FINMA. Under certain circumstances, service providers can join a private self-regulatory organisation instead.

Any individual or company seeking to take money from investors, underwrite insurance policies, or set up and manage a collective investment scheme requires authorisation from FINMA. Only where statutory requirements have been met are licences issued. Financial institutions which do not fulfil the requirements, are inadequately organised, fail to disclose their ownership structure or have a dubious reputation will not be authorised. Once issued with a licence, companies can commence their business activities.

Authorised companies are then supervised. FINMA supervision varies in intensity. Depending on the legal provisions, it can range from intensive, ongoing supervision to a simple act of registration, after which FINMA will only step in if it receives reports of inappropriate conduct.

FINMA maintains a register, where everyone can check whether an individual, a company or a financial product has been authorised. FINMA also maintains and publishes a warning list of companies and individuals who may be carrying out unauthorised services and are not supervised by FINMA.

The following companies based in Europe, which provide asset management services, could be mentioned as competitors:

- Bank J. Safra Sarasin;
- EXANTE;
- Vontobel Asset Management.

Payment services market in Singapore

Over the years Singapore has developed the most mature payment infrastructure in Southeast Asia. The Singapore SVF is the perfect vehicle for offering online accounts and payment services to clients worldwide. The SVF is well suited for offering services to non-Singapore residents. As an example, PayPal offers services in the US through various entities licensed as Money Service Businesses (MSBs). In Europe PayPal operates its own bank licensed in Luxembourg. Most clients located outside these regions, are served by the PayPal multi-purpose SVF (outside the MAS approval requirement). Another example is TransferWise, which transfers money abroad easily and quickly with low cost money transfers.

The MAS' role in the oversight of payment and settlement systems is to promote the safety and efficiency of these infrastructures.

On 21 November 2017 the MAS released its proposed Payment Services Bill (hereinafter - Bill" and consultation paper. This follows the consultation in August 2016 on the proposed changes to Singapore's payments regulatory framework and the establishment of a National Payments Council. The MAS has acknowledged the rapid development and change in the payment services landscape, whereby new business models present emerging risks which are not addressed under the current regulatory regime. The objective of the proposals is to streamline the legislation and amend the scope of regulated activities to include certain new business models. The Bill would create a modular framework to address specific identified risks.



Specified activities under the Bill include:

- account issuance;
- domestic money transfer;
- cross-border money transfer;
- merchant acquisition;
- e-money issuance;
- virtual currency services (e.g. intermediation);
- money-changing.

The Bill proposes to consolidate and replace The Money-Changing and Remittance Business Act (Cap. 187) and the Payments Systems (Oversight) Act (Cap. 222A). The Bill provides for two parallel regulatory frameworks for retail payment services (payment services to consumers or merchants) and interbank payment services. The proposed retail payments framework represents a significant departure from the existing rules and is an evolution in both scope and principle. The framework for interbank services is largely retained from the existing regime for designation of “important payment systems”.

The proposed changes will impact businesses in different ways across the payments ecosystem. The proposed changes will act as a catalyst for the development and sophistication of Singapore’s payments industry and enhance its competitive edge.



RISK FACTORS



The following overview of risk factors, which may adversely affect the Frigate's or Frigate Group's future operations whether within or beyond the Company's control, is based on what the Frigate, at its own discretion, considers to be of importance in relation to its present and future operations, as well as present and future operations of Frigate Group. However, other risks and uncertainties that have not yet been identified by the Company or that at present are not regarded as being important may also negatively impact the Company's and Frigate Group's operations, financial position, earnings or share price. Share ownership is always associated with risk, and shareholders in Frigate are therefore urged to make their own assessments of the following risk factors, other potential risk factors and their significance on future operations.

Risks Related to the Business, Sectors and Markets

Frigate Group provides various investment services and operates in various jurisdictions in dynamic and fast-changing markets. Investing in securities is always associated with risk, as investors may lose all, or part, of their invested capital.

Macroeconomic, Political and Legal Risks

Frigate Group has operations in four countries. Consequently, Frigate Group is subject to various legislation, government and municipal regulations and standards in these countries, exposing its operations to various regulatory and legal risks.

Risk of losses relating to amendments in effective regulatory enactments (laws, regulations and other legal enactments) or resulting from the implementation of new legal enactments, which may require a change in or reorientation of the Company's or Frigate Group's activities, thus causing additional expenses or abandonment of particular lines of the Company's or Frigate Group's activities. Legal risk also covers possible losses that may result from higher tax rates or new taxes applied.

Limited operating history

Frigate and its subsidiary companies have recently been formed for the purpose of carrying out the business model contained in this Company Description. Although the management of the Company has many years' experience in the business sector, the Frigate is new and as such has limited operating history.

Operational risk

The Frigate Group has operations in several countries, including Latvia, Luxembourg, Switzerland and Singapore. Accordingly, legislation in all these countries can affect the Frigate Group. It is possible that the legislation in these countries regarding e.g. taxation and permits will be amended, potentially with a retrospective effect, in such a way that could have a negative impact on the Frigate Group's operations, profits and financial position.



Regulatory risks

The Frigate Group's operations are subject to extensive regulation and legislation. The Company cannot predict with any certainty whether, where, when and how these regulations will be amended and whether such changes will have an adverse impact on the Company. The Frigate Group's complies with the requirements of regulatory authorities. Applicable regulatory and supervisory authorities' requirements, however, may change in the future. To manage and mitigate the risk, Frigate follows the requirements of jurisdictions, in which it operates, and tries to be flexible.

Accounting principles

The financial statements of the Frigate Group are prepared in accordance with generally accepted accounting principles in Latvia, whilst financial statements of individual subsidiaries are prepared in accordance with local accounting principles. Any changes to any of these accounting principles could affect the reported financial results of the Frigate Group.

Tax regulation

The Frigate Group pays taxes in a number of countries where it has operations. Any changes in tax legislation in the various countries can influence financial results of the Frigate Group.

Currency Risk

The reporting currency of the Frigate Group is euros (EUR), therefore the Frigate Group has a currency risk related to the operation of subsidiaries in Switzerland and Singapore, which operate and report in a different currency – Swiss francs (CHF) and Singapore dollars (SGD).

Key Employees

The Frigate Group's operations are based on the knowledge, experience and the future vision of key employees. There is no guarantee that these individuals will continue to work for the Frigate Group. The loss of service of any such employee could have a detrimental effect on the Frigate Group. To manage and mitigate the risk, Frigate key employees are motivated to work for Frigate, as they are also the shareholders of the Company.

Risks Related to Listing and Shares

Share performance

An investment in Frigate is associated with risks. There are no guarantees that the share price will rise after listing. The stock market development in general as well as the development of Frigate share price depends upon various factors, such as rising interest rates, policy changes, and economic fluctuation, which are beyond the Company's control. Equity markets are significantly characterized by psychological factors. Shares like Frigate's may be affected by these factors in the same way as all others. Even if the Company experiences growth, there are risks that investors may suffer losses upon the divestment of their holdings.

Failure to issue dividends

To date, Frigate has not declared or paid any dividends. The Board will propose the timing and size of any future dividend distributions. With regard to future dividends, the Board will consider various factors, including demands that the nature, scope and risks of the business have on the size of the equity as well as the Company's consolidation requirements, liquidity and financial position. As long as no dividends are distributed, any return on investment must be generated by an increase in the share price.



FINANCIAL OVERVIEW



The summarised financial information presented below has been extracted from Frigate's financial statements for the period 11.12.2015 - 31.12.2016 (first financial year) and for the year ended 31 December 2017 (second financial year), which were prepared in accordance with the Latvian laws and regulations – Latvian generally accepted accounting principles (Latvian GAAP). The following summary of the selected financial information of the Frigate should be read in conjunction with the financial statements. The Company's financial statements for the year ended 31 December 2017 have been audited by the certified auditor (see in the Annex).

AS "Frigate" being a parent company of the group of companies does not prepare consolidated financial statements of the Frigate Group. According to Section 64 of the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia, the Company is exempted from the obligation to prepare consolidated financial statements, as it is a parent company of a small group of companies. According to the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia, a small group of companies is such group of companies, whose companies (as an aggregate) to be involved in the consolidation according to its annual financial statements do not exceed upon consolidation at least two of three limit values of the criteria on the balance sheet date of the parent company:

1. balance sheet total – € 4 million;
2. net turnover total - € 8 million;
3. average number of employees during the financial year - 50.

Income Statement of AS "Frigate"

	2017	11.12.2015- 31.12.2016
	Audited	Unaudited
Revenue	119 684	93 355
Cost of sales	(25 709)	(86 521)
Gross profit	93 975	6 834
Distribution costs	(105)	-
Administrative expenses	(48 966)	(53 275)
Other operating income	9 617	-
Other operating costs	(339)	(2 213)
Finance income	698	7 494
Finance costs	-	(8 789)
Profit or loss before tax	54 880	(49 949)
Corporate income tax	(2 048)	-
Profit or loss for the period	52 832	(49 949)

**Balance Sheet of AS "Frigate"**

	31.12.2017	31.12.2016
	Audited	Unaudited
Assets		
Non-current assets		
Property, plant and equipment		
Other fixed assets and inventory	425	-
Total property, plant and equipment	425	-
Long-term financial investments		
Participation in the capital of related companies	153 014	153 014
Loans to related companies	33 000	7 000
Total long-term financial investments	186 014	160 014
Total non-current assets	186 439	160 014
Current assets		
Receivables		
Other receivables	61 969	-
Prepaid expenses	674	322
Accrued income	717	46
Total receivables	63 360	368
Cash	71 137	72 529
Total current assets	134 497	72 897
Total assets	320 936	232 911
Equity and liabilities		
Equity		
Share capital	310 000	60 000
Retained profit or loss for the previous periods	(49 949)	-
Profit or loss for the period	52 832	(49 949)
Total equity	312 883	10 051
Current liabilities		
Other loans	-	132 815
Trade payables	-	86 847
Taxes and statutory social insurance contributions	2 143	1 462
Accrued liabilities	5 910	1 736
Total current liabilities	8 053	222 860
Total equity and liabilities	320 936	232 911



Analysis of financial position and results

Company's operations during 2017 were focused on the expansion of courses of action, improvement of work organization, which provides stable and consistent operations across all the Company's subsidiaries.

The analysis of the Company's income statement for the year 2017 shows, that the revenue of the Company is € 119 684; the revenue has increased by 28% comparing with the previous reporting period. The cost of sales is € 25 709, so that the gross profit amounts to € 93 975 and net profit amounts to € 52 832. The Company has fully covered losses of € 49 949 of the previous reporting period – its first financial year.

The analysis of the Company's balance sheet as at 31 December 2017 shows, that balance sheet total has increased by 38% comparing with the previous period. Non-current assets comprise 58% of the balance sheet total, of which 82% (€ 153 014) comprise investments in subsidiaries. Current assets comprise 42% of the balance sheet total, of which 47% comprise receivables and 53% comprise cash respectively. Equity comprises 97% (€ 312 883) of the balance sheet total and current liabilities comprise 3% (€ 8 053) respectively. During the year 2017 the Company funded its activities by its own funds.

Calculation of financial results

Financial performance indicators	2017	11.12.2015-31.12.2016
Total liquidity ratio (total current assets/total current liabilities)	16.70	0.33
Debt to assets ratio (total liabilities/total assets)	0.03	0.96
Debt to equity ratio (total liabilities/equity)	0.03	22.17
Return on revenues (net income/revenues)	0.44	(0.54)
Return on equity (net income/equity)	0.17	(4.97)

Financial performance indicators show that the Company is able to settle its obligations, as well as the fact that the Company has sufficient material provision for the further development of business.

The Company's management monitors the external factors affecting the Company's activities and takes the necessary measures to optimize the Company's operations and development.

Information on the planned further operation

In 2018 the Company will continue to develop Frigate Group and provide a wide range of investment services. The Company projects to make profit around € 100 000 in 2018. In 2018, the Company also plans to found a subsidiary company in Lithuania, which would provide payment services (E-Money Institution), as well as obtain the SVF licence in Singapore for subsidiary company Frigate Pte. Ltd.



ANNEX



AS “Frigate” financial statements for the year ended 31 December 2017 (together with Independent Auditor’s Report)

FRIGATE SIA
ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Translation from Latvian original*

* This version of financial statements is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

FRIGATE SIA
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017

TABLE OF CONTENTS

Information on the Company	3
Report of the Management	4
Financial statements:	
Profit and loss account	5
Balance sheet	6 – 7
Notes	8 – 13
Independent Auditor's Report	14 – 16

FRIGATE SIA
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017

Information on the Company

Name of the Company	Frigate SIA
Legal status of the Company	Limited liability company
Number, place and date of registration	40103953555 Riga, December 11, 2015
Address	Smilšu iela 18, Riga Riga, LV-1050 Latvia
Names of major shareholders	Ranokodo LTD (100%)
Names and positions of Board members	Dmitry Solovyev – Chairman of the Board Alexander Letovaltsev – Member of the Board
Financial year	1 January - 31 December 2017
Name and address of the certified audit company and certified auditor in charge	PricewaterhouseCoopers SIA Certified audit company Licence No. 5 Kr. Valdemāra iela 21-21 Riga, LV-1010 Latvia Certified auditor in charge: Terēze Labzova – Ceicāne Certificate No. 184

Report of the Management

Type of operations

The main business of Frigate SIA (hereinafter the Company) is the sale of financial instruments, portfolio investment and brokerage services (NACE 6612, NACE 6619, NACE 6630,). The company has a board consisting of chairman of the board - Dmitry Solovyev, and a member of the board - Alexander Letovaltsev, who carry out the company's operational management functions and ensure the company's operations.

Performance of the Company during the year

The Company's operations are subject to the following risks related to financial instruments: market risk, credit risk, liquidity risk, operational risk and foreign currency exchange rate risk. The Company's management seeks to minimize the negative impact of potential financial risks on the Company's financial position.

The Company continuously improves the risk management system, therefore, a risk management policy is designed to identify, analyse and manage the risks to which the Company is exposed and to establish appropriate risk limits and control mechanisms.

The company only cooperates with business partners with good reputation and appropriate credit history. All partners are regularly checked and set maximum business limits.

The Company follows the prudent management of liquidity risk by ensuring that adequate credit resources are available to meet its obligations within the deadlines set.

During the period from the last day of the accounting year to the date of signature of this financial report there were no events that would result in adjustments in this financial statement or which should be explained in this financial statement. The company was successful in 2017. SIA Frigate closed the reporting period with a profit of EUR 52,832.

In 2018, the company plans to continue its active business activities and cooperation with its partners and clients, to conclude new cooperation agreements with potential clients. In implementing these plans, the company intends to increase its turnover in the next accounting year.

Profit for the year 2017 will be directed to cover previous year losses and will not be distributed in dividends.

Own shares

In 2017, the share capital was raised to EUR 310 000.00

Foreign subsidiaries and representation offices

The company has two subsidiary companies - Frigate Luxembourg S.A. (Luxembourg) and Frigate SA, Geneve (Switzerland)



Dmitry Solovyev
Chairman of the Board



Alexander Letovaltsev
Member of the Board

Riga, 25 May 2018

FRIGATE SIA
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017

Profit and loss account for the year ended 31 December 2017

	Note	2017 EUR	11.12.2015. – 31.12.2016. EUR
Net sales		119 684	93 355
Cost of sales	1	(25 709)	(86 521)
Gross profit		93 975	6 834
Selling expenses		(105)	-
Administrative expenses	2	(48 966)	(53 275)
Other operating income	3	9 617	-
Other operating expenses		(339)	(2 213)
Other interest income and similar income		698	7 494
Interest expenses and similar expenses		-	(8 789)
Profit before corporate income tax		54 880	(49 949)
Corporate income tax for the reporting year	4	(2 048)	-
Profit after corporate income tax		52 832	(49 949)
Current year's profit or loss		52 832	(49 949)

Notes on pages 8 to 13 form an integral part of these financial statements.

FRIGATE SIA
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017

Balance sheet as at 31 December 2017

(1)

	Note	31.12.2017 EUR	31.12.2016 EUR
Assets			
Fixed assets:			
Other fixed assets		425	-
Total fixed assets:	5	<u>425</u>	<u>-</u>
Long-term financial investments:			
Fixed assets in affiliated companies	6	153 014	153 014
Loans to affiliated companies	7	33 000	7 000
Total long-term financial investments:		<u>186 014</u>	<u>160 014</u>
Total long-term investments:		<u>186 014</u>	<u>160 014</u>
Current assets			
Debtors:			
Other debtors	8	61 969	-
Deferred expenses		674	322
Accrued income		717	46
Total debtors:		<u>63 360</u>	<u>368</u>
Cash and bank:	9	<u>71 137</u>	<u>72 529</u>
Total current assets:		<u>134 497</u>	<u>72 897</u>
<u>Total assets</u>		<u><u>320 936</u></u>	<u><u>232 911</u></u>

Notes on pages 8 to 13 form an integral part of these financial statements.

FRIGATE SIA
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017

Balance sheet as at 31 December 2017

(2)

	Note	31.12.2017 EUR	31.12.2016 EUR
<u>Liabilities and shareholders' funds</u>			
Shareholders' funds:			
Share capital	10	310 000	60 000
Previous years' retained earnings		(49 949)	-
Current year's profit or loss		52 832	(49 949)
Total shareholders' funds:		312 883	10 051
Short-term creditors:			
Other borrowings	11	-	132 815
Trade creditors	12	-	86 847
Taxes and the state compulsory social insurance contributions	13	2 142	1 462
Accrued liabilities	14	5 910	1 736
Total short-term creditors:		8 052	222 859
Total creditors:		8 052	222 859
<u>Total liabilities and shareholders' funds</u>		<u>320 936</u>	<u>232 911</u>

Notes on pages 8 to 13 form an integral part of these financial statements.

FRIGATE SIA
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017

Notes

Accounting policies

(a) Information on the Company

The registered office of Frigate SIA is Smilšu iela 18, Riga. The Company is registered with the Commercial Register with the unified registration number 40103953555. The company member is its parent company Ranokodo LTD, which owns 100% of the Company's share capital. The members of the board of directors are Dmitry Solovyev (Chairman of the Board), Alexander Letovaltsev (Member of the Board). The Company's auditor is the certified audit company PricewaterhouseCoopers SIA and certified auditor in charge Terēze Labzova – Ceicāne.

(b) Financial statements preparation basis

The financial statements have been prepared in accordance with the Laws of the Republic of Latvia "On Accounting" and "Annual Report and Consolidated Financial Statements" on the basis of continuing assumptions. 31 December 2017 The Company meets the category of a small company.

The profit and loss account is classified by nature of expense.

(c) Going concern

The management of the Company has estimated that it will not have liquidity problems and that the Company will be able to settle its other liabilities as they fall due. Therefore the management of the Company considers that the going concern basis is applicable in the preparation of these financial statements.

(d) Net sales and income recognition

Net sales represent the total of securities sold and services rendered during the year. Sales of securities are recognised when the customer has accepted the transaction in accordance with the terms of sale. Sales of services are recognised in the accounting period in which the services are rendered.

(e) Currency unit and revaluation of foreign currency

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.

On the last day of the reporting period all monetary assets and liabilities were translated into euros in accordance with the rates (at the end of the day) published on the European Central Bank's website.

	31.12.2017.	31.12.2016.
	EUR	EUR
1 USD	1.1993	1.0541

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

(f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost of acquisition of fixed assets is included in the acquisition value.

FRIGATE SIA
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017

Notes (continued)

Accounting policies (continued)

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives using the following rates set by management:

	% per year
Other machinery and equipment	33.33%

Repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

(g) Investments in subsidiary undertakings

Investments in subsidiary undertakings and associated companies are accounted for at cost net of accumulated impairment loss. The Company recognises the income only to the extent the distribution of the profit accumulated after the acquisition date is received from the respective subsidiary or associated company. Received distributions in excess of such profit are regarded as recovery of the investment and are booked as a decrease of the cost of investment.

When there is objective evidence that the carrying amount of the investment in subsidiary undertaking or associated company has impaired, the impairment loss is calculated as a difference between the carrying amount of the investment and its recoverable amount. The recoverable amount is determined as the higher of its fair value less costs to sell and its value in use. An impairment loss recognised in prior periods can be reversed only if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised.

(h) Accounts receivable

Accounts receivable are stated in the balance sheet at amortized cost less provisions for impairment. Provisions for impairment are established when there is objective evidence that the Company will not be able to receive receivables at full value in accordance with the originally determined repayment terms.

(i) Borrowings

Initially, loans are recognized in the amount of cash received, minus the costs associated with borrowing. In subsequent periods, borrowings are presented at amortized cost, which is determined using the effective interest rate of the loan. The difference between the amount of cash received, net of borrowing costs and the redemption value, is gradually included in the profit or loss statement or in accordance with the policy of accounting for fixed assets in the capitalization of unfinished construction works during the period of the loan.

(j) Taxation

Corporate income tax expenses for the reporting year are included in the financial statements based on the calculations made by the management in accordance with the tax laws of the Republic of Latvia.

From taxation year 2018, corporate income tax will be calculated on the basis of distributed profit (20/80 of the net amount payable to shareholders [shareholders]). Company tax on distributed profits will be recognized when the shareholders of the Company make a decision on the distribution of profits.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances of current account with banks.

FRIGATE SIA
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017

Notes (continued)

(1) Cost of sales

	2017	11.12.2015. – 31.12.2016.
	EUR	EUR
Cost of services rendered	25 709	86 521
	<u>25 709</u>	<u>86 521</u>

(2) Administrative expenses

Legal expense fees	13 233	32 498
Other administrative costs	35 733	20 776
	<u>48 966</u>	<u>53 274</u>

(3) Other interest income and similar income

Net gains on foreign exchange	9 617	239
	<u>9 617</u>	<u>239</u>

(4) Corporate income tax for the reporting year and deferred income tax

	2017	2016
	EUR	EUR
Corporate income tax charge for the current year	2 048	
	<u>2 048</u>	

(5) Fixed assets

	Other fixed assets	EUR
Cost		
31.12.2016		-
Additions		450
31.12.2017		<u>450</u>
Amortisation		
31.12.2016		-
Charge for 2017		25
31.12.2017		<u>25</u>
Net book value 31.12.2017		<u>425</u>
Net book value 31.12.2016		<u>-</u>

FRIGATE SIA
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017

Notes (continued)

(6) Information on subsidiary undertakings

Name	Address	Share capital		Profit for the year / (losses)	
		31.12.2017. EUR	31.12.2016. EUR	2017 EUR	2016 EUR
Frigate S.A.	Rue du Conseil-Général 14 Geneva, 1205 Switzerland	308 062	250 000	58 062	-
Frigate Luxembourg S.A.	Rue Jean Engling 4, Luxembourg, L-1466 Luxembourg	(5 184)	(5 184)	-	(36 184)

Name	Carrying value of investments in associated companies		Participating interest in share capital of associated companies	
	31.12.2017. EUR	31.12.2016. EUR	31.12.2017. %	31.12.2016. %
Frigate S.A.	122 014	122 014	100	100
Frigate Luxembourg S.A.	31 000	31 000	100	100
	153014	153014		

Frigate S.A. SIA basic operations consist of asset management.
 Frigate Luxembourg S.A. basic operations consist of operations with securities.

(7) Loans to affiliated companies

	2017 EUR	11.12.2015. – 31.12.2016. EUR
At the beginning of reporting year	7 000	-
Loans issued during the year	27 500	7 000
Loans repaid during the year	(1 500)	-
	<u>-</u>	<u>-</u>

In 2016 the Company issued a loan to subsidiary Frigate Luxembourg S.A. In accordance with the loan agreement, the loan is issued for 3 years and repayable until 11 October 2019. Agreement signed on 29 May 2017 with Frigate Luxembourg S.A. is concluded for one year and repayable until 30 May 2018. The loan interest rate is 3% per annum, and the liability is repaid on the day of poaching.

(8) Trade debtors

	31.12.2017 EUR	31.12.2016 EUR
Trade debtors	61 969	-
	<u>61 969</u>	<u>-</u>

(9) Cash and bank

Cash at bank	71 137	72 529
	<u>71 137</u>	<u>72 529</u>

FRIGATE SIA
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017

Notes (continued)

(10) Share capital

On 11 December 2017 share capital was increased from EUR 60 000 to EUR 310 000 under the terms of cession agreement. As at 31 December 2017, registered and fully paid-up share capital consists of 310 000 ordinary shares with a nominal value of EUR 1.00 each.

(11) Other loans

	31.12.2017. EUR	31.12.2016. EUR
Loan from Delanius Limited	-	132 815
	<u>-</u>	<u>132 815</u>

On 6 October 2017, cession agreement was concluded between Delanius Limited and Ranakodo LTD. With this cession agreement Delanius Limited transfers the claim rights to Ranakodo LTD.

(12) Other creditors

Other creditors	-	86 847
	<u>-</u>	<u>86 847</u>

(13) Taxes and the state compulsory social insurance contributions

Corporate income tax	2 048	-
VAT	94	1 057
State social insurance contributions	-	252
Personal income tax	-	153
	<u>2 142</u>	<u>1 462</u>

(14) Accrued liabilities

Other accrued expenses (annual audit)	5 910	-
	<u>5 910</u>	<u>-</u>

(15) Average number of employees

	2017	11.12.2015. – 31.12.2016.
Average number of employees during the reporting year:	<u>2</u>	<u>-</u>

FRIGATE SIA
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017

Notes (continued)

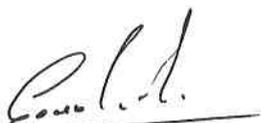
(16) Subsequent events

On April 9, 2018, the Company changed its legal form from a limited liability company to a joint-stock company. On April 9, 2018 the shareholders of the Company are Pavel Dushin (45% shares), Alexander Letovaltsev (15%), Aleksandr Iarygin (15%), Dmitry Solovyev (15%) and Armands Bush (10%).

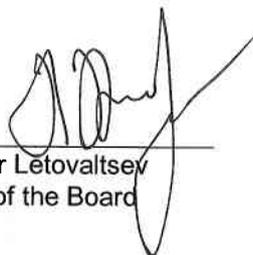
Except for the above, there are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2017.

The annual report has been prepared by the outsourcing accounting company SIA JV Capital.

The Financial statements of the Company set out on pages 5 to 13 were signed on 25 May 2018 by:



Dmitry Solovyev
Chairman of the Board



Alexander Letovaltsev
Member of the Board



Vera Lorence
SIA JV Capital accountant



Translation from Latvian original*

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SIA Frigate

Our Opinion

In our opinion, the accompanying financial statements set out on pages 5 to 13 of the accompanying annual report give a true and fair view of the financial position of SIA Frigate (Company) as at December 31, 2017, and of its financial performance for the year then ended in accordance with the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

What we have audited

The financial statements comprise:

- the balance sheet as at December 31, 2017,
- the profit and loss account for the year then ended, and
- the notes to the financial statements which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements and auditor's independence rules that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Reporting on Other Information Including the Management Report

Management is responsible for the other information. The other information comprises the Management Report as set out on page 4 of the accompanying annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, including the Management Report.



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

With respect to the Management Report, we also performed the procedures required by Law on Audit Services. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports.

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

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

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we are required to report if we have identified material misstatements in the Management Report and other information. We have nothing to report in this respect.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,



as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Ilandra Lejiņa
Member of the Board

Terēze Labzova - Ceicāne
Certified auditor in charge
Certificate No. 184

Riga, Latvia
25 May 2018

* This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.