

**C-QUADRAT AMPEGA
ASSET MANAGEMENT ARMENIA
LIMITED LIABILITY COMPANY**

Financial Statements and
Independent Auditor's Report
for the Year Ended December 31, 2021

C-QUADRAT Ampega Asset Management Armenia LLC

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C-QUADRAT Ampega Asset Management Armenia LLC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Management is responsible for the preparation of the financial statements that present fairly the financial position of C-QUADRAT Ampega Asset Management Armenia LLC (the "Company" or "C-QUADRAT") as of December 31, 2021, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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.

In preparing the financial statements, management is responsible for:

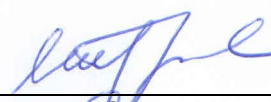
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- Making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

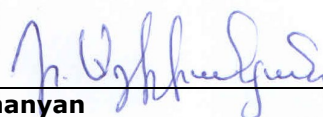
- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with Country legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

The financial statements of the Company for the year ended December 31, 2021 were approved by management on April 29, 2022.

On behalf of the Management:



Arman Vardanyan
Chief Executive Officer



Isabella Adilkhanyan
Chief Financial & Operating Officer

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of C-QUADRAT Ampega Asset Management Armenia LLC:

Opinion

We have audited the financial statements of C-QUADRAT Ampega Asset Management Armenia LLC, which comprise the statement of financial position as at December 31, 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of C-QUADRAT Ampega Asset Management Armenia LLC as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

Arpine Ghevondyan
Audit Partner

On behalf of Executive Director S. Hakobyan
(by power of attorney N 24022022 dated 24.02.2022)

April 29, 2022
Yerevan, Republic of Armenia
Deloitte Armenia cjsc



C-QUADRAT Ampega Asset Management Armenia LLC

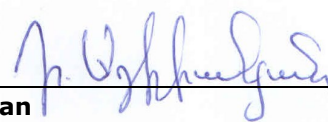
STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2021

in AMD thousands	Notes	December 31, 2021	December 31, 2020
Assets			
Cash and cash equivalents	6	16,526	8,231
Financial assets at fair value through profit or loss	7	1,982,393	1,562,522
Property, equipment and intangible assets	8	47,857	46,211
Right-of-use asset	9	76,013	94,628
Deferred tax assets	10	16,368	13,485
Other assets	11	229,329	175,843
Total assets		2,368,486	1,900,920
Equity and liabilities			
Capital and reserves			
Share capital	12	650,000	650,000
Retained earnings	12	1,302,508	918,863
Total equity		1,952,508	1,568,863
Liabilities			
Lease liability	9	82,110	97,610
Income tax payables		163,633	90,875
Payables and accrued expenses	13	170,235	143,572
Total liabilities		415,978	332,057
Total equity and liabilities		2,368,486	1,900,920

The financial statements were authorized for issue on April 29, 2022 by the Management.



Arman Vardanyan
Chief Executive Officer

Isabella Adikhanyan
Chief Financial & Operating Officer

The notes on pages 8-29 form an integral part of these financial statements.

C-QUADRAT Ampega Asset Management Armenia LLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2021

in AMD thousands	Notes	2021	2020
Income from management fees	14	2,328,714	1,690,257
Interest income		3,504	3,298
Other income		9	17
Net gain on financial assets at fair value through profit or loss	15	39,872	155,102
Fee and commission income		1,051	262
Fee and commission expense	16	(261,986)	(234,556)
Net loss from trading in foreign currencies		(3,671)	(5,334)
Foreign exchange translation gain		4,321	4,297
Finance cost		(8,667)	(10,105)
Administrative and other expenses	17	(939,170)	(763,546)
Profit before tax		1,163,977	839,692
Income tax expense	10	(204,332)	(128,175)
Profit for the year		959,645	711,517
Total comprehensive income for the year		959,645	711,517

The notes on pages 8-29 form an integral part of these financial statements.

C-QUADRAT Ampega Asset Management Armenia LLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021

in AMD thousands	Notes	Share Capital	Retained earnings	Total Shareholders equity
Balance at December 31, 2019		650,000	647,346	1,297,346
Total comprehensive income for the year		-	711,517	711,517
Dividends declared		-	(440,000)	(440,000)
Balance at December 31, 2020		650,000	918,863	1,568,863
Total comprehensive income for the year		-	959,645	959,645
Dividends declared	12	-	(576,000)	(576,000)
Balance at December 31, 2021		650,000	1,302,508	1,952,508

The notes on pages 8-29 form an integral part of these financial statements.

C-QUADRAT Ampega Asset Management Armenia LLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

in AMD thousands	Notes	<u>2021</u>	<u>2020</u>
Cash flows from operating activities			
Management fees received		2,273,529	1,635,167
Interest income received		3,504	3,298
Salaries and related expenses paid		(272,133)	(273,704)
Commission expenses paid		(258,477)	(222,791)
Operations with foreign currencies		(3,671)	(5,334)
Prepayments, operating and administrative expenses paid		(607,674)	(461,642)
Income taxes paid		(134,457)	(93,728)
Net cash from operating activities		<u>1,000,621</u>	<u>581,266</u>
Cash flows from investing activities			
Investments in financial assets at fair value through profit or loss		(630,000)	(320,000)
Purchase of property and equipment	8	(12,022)	(3,926)
Proceeds from sale of financial assets at fair value through profit or loss		250,001	175,221
Net cash used in investing activities		<u>(392,021)</u>	<u>(148,705)</u>
Cash flows from financing activities			
Lease liability	23	(24,167)	(24,167)
Dividends paid	12	(576,000)	(440,106)
Net cash used in financing activities		<u>(600,167)</u>	<u>(464,273)</u>
Net increase/(decrease) in cash and cash equivalents			
		8,433	(31,752)
Cash and cash equivalents at beginning of the year		8,231	33,625
Effect of exchange rate fluctuations on cash and cash equivalents		(138)	6,358
Cash and cash equivalents at end of the year	6	<u>16,526</u>	<u>8,231</u>

The notes on pages 8-29 form an integral part of these financial statements.

C-QUADRAT Ampega Asset Management Armenia LLC

Notes to Financial Statements for the Year Ended December 31, 2021

(In thousands of Armenian Drams unless otherwise stated)

1. REPORTING ENTITY

C-QUADRAT Ampega Asset Management Armenia LLC (“Company”) was established on November 29, 2013 under the laws of the Republic of Armenia. The Company is registered in the Central Bank of the Republic of Armenia as Investment funds manager and was given License N3. The Company’s registered office is 37 Hanrapetutyan Street, Yerevan, Republic of Armenia.

Regulating bodies of “C-QUADRAT Ampega Asset Management Armenia” LLC are Shareholders’ General Assembly, Supervisory Board and Chief Executive Officer Arman Vardanyan. As at December 31, 2021 the company had 10 employees (2020: 9 employees).

The Company conducts investment and pension funds’ management activities based on the RA legislation and CBA license.

The management’s remuneration is assigned by the decision of the corresponding governing body. The Company has a Board, which conducts the overall governance of the company’s operations, except for questions that are the sole responsibility of the General Meeting of Shareholders’ according to RA law on Limited Liability Companies.

The shareholders of the Company are “C-QUADRAT Investment AG” (74.9%), office located at Stubenring 2, 1070 Vienna, Austria, (registration number FN 55148a), and “Ampega Asset Management GmbH” (25.1%), registered in Charles de Gaulle Platz 1, Germany 50679, Köln, (registration number HRB 61047). More information disclosed in Note 12.

The shares of “C-QUADRAT Investment AG” belong to Cubic (London) Limited (United Kingdom) (100,00%). Shares of Cubic (London) Limited (United Kingdom) belong to MVJ GmbH & Co KG (74.9 %) and other four minor shareholders. The ultimate controlling parties of the Company, which has more than 20% effective shareholding, is Gerd Alexander Schutz (AUT) (40%) and Cristobal Mendez de Vigo zu Loewenstein (40%).

The Company is a fund manager and operates the following mandatory pension and investment funds:

- C-QUADRAT Ampega Fixed Income Pension Fund
- C-QUADRAT Ampega Conservative Pension Fund
- C-QUADRAT Ampega Balanced Pension Fund
- CQ Armenia Growth Investment Fund

Regulatory environment

Central Bank of Armenia oversees the conduct of the Company’s business in many ways, and may perform regular examinations to monitor compliance with applicable statutes, regulations and rules. These statutes, regulations and rules cover all aspects of the business, including sales and marketing activities, trading practices, treatment of customer assets, continuing education requirements for employees, anti-money laundering practices, know your client policies, recordkeeping and reporting, and supervision regarding the conduct of directors, officers and employees.

Armenian business environment

The Company’s operations are conducted in the Republic of Armenia (RA). Consequently, the Company and its assets are exposed to the economic and financial markets of the Armenian Republic which display characteristics of an emerging market. The legal, currency, tax and regulatory frameworks continue development and are subject to varying interpretations and frequent changes, which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Armenia.

As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Armenia and its economy in general. The Company’s assets can be adversely affected by the general environment – economic, corporate, securities market, regulatory, and geopolitical developments all play a role in asset valuations, trading activity, interest rates and overall investor engagement, and are outside of the Company’s control.

C-QUADRAT Ampega Asset Management Armenia LLC

Notes to Financial Statements for the Year Ended December 31, 2021 (continued)

(In thousands of Armenian Drams unless otherwise stated)

Deterioration in credit markets, reductions in short-term interest rates, and decreases in securities valuations negatively impact the equity of the Company.

The future economic direction of Armenia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Management is unable to predict all developments, which could have an impact on the financial sector and wider economy, and consequently what effect, if any, they could have on the future earnings of the Company. Management believes it is taking all the necessary measures to support the sustainability and development of the Company. The accompanying financial statements reflect management's estimates of the potential effect of the current operating and business environment on the results and financial position. The future business environment may differ from management's estimates.

As investment manager the Company is also subject to regulatory requirements relating to fiduciary duties to clients, performance fees, maintaining an effective compliance program, solicitation arrangements, conflicts of interest, advertising, limitations on agency cross and principal transactions between the advisor and advisory clients, recordkeeping and reporting requirements, disclosure requirements and general anti-fraud provisions.

Financial institutions generally must have anti-money laundering procedures in place, implement specialized employee training programs and designate an anti-money laundering compliance officer. Further, regulatory activity in the areas of privacy and data protection continues to grow worldwide and is generally being driven by the growth of technology and related concerns about the rapid and widespread dissemination and use of information. To the extent they are applicable to the Company, it must comply with these global, federal, and local information-related laws and regulations. Management has established policies, procedures and systems designed to comply with these regulations.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements have been prepared assuming that the Company is a going concern and will continue in operation for the foreseeable future.

These financial statements are presented in Armenian Drams ("AMD"), unless otherwise indicated.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

New and amended IFRS Standards that are effective for the current year

The following amendments and interpretations are effective for the Company effective 1 January 2021:

Amendments to IFRS 9, IAS 39, Interest Rate Benchmark IFRS 7, IFRS 4 and IFRS 16	<i>Reform — Phase 2 Covid-19-Related Rent Concessions beyond 30 June 2021</i>	<i>Effective to the periods beginning on or after 1 January 2021. Effective for annual reporting periods beginning on or after 1 April 2021</i>
Amendments to IFRS 16		

The above standards and interpretations were reviewed by the Company's management, but did not have a significant effect on the financial statements of the Company.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

The impact of the application of the new and revised IFRS Standards below is for illustrative purposes only. Entities should analyse the impact of these new or revised IFRS Standards on their financial statements based on their specific facts and circumstances and make appropriate

C-QUADRAT Ampega Asset Management Armenia LLC

Notes to Financial Statements for the Year Ended December 31, 2021 (continued)

(In thousands of Armenian Drams unless otherwise stated)

disclosures.

Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	<i>Effective for annual reporting periods beginning on or after 1 January 2023</i>
Amendments to IAS 1 (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles)	<i>Classification of Liabilities as Short-Term or Long-Term</i>	<i>Effective for annual reporting periods beginning on or after 1 January 2022</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>	<i>Effective to the periods beginning on or after 1 January 2023</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>	<i>Effective to the periods beginning on or after 1 January 2023</i>
Amendments to IFRS 17, IFRS 4 and IAS 16	<i>Property and equipment - Proceeds before Intended Use</i>	<i>Effective for annual reporting periods beginning on or after 1 January 2022</i>
Amendments to IAS 37	<i>Provisions, contingent liabilities and contingent assets - Onerous Contracts - Cost of Fulfilling a Contract</i>	<i>Effective for annual reporting periods beginning on or after 1 January 2022</i>
Amendments to IFRS 1, IFRS 9, IAS 41; and illustrative examples accompanying IFRS 16	<i>Annual Improvements to IFRS 2018-2020 cycles</i>	<i>Effective for annual reporting periods beginning on or after 1 January 2022</i>
IFRS 17 (including the June 2020 Amendments to IFRS 17)	<i>Insurance Contracts</i>	<i>Effective for annual reporting periods beginning on or after 1 January 2023</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>	<i>Effective for annual reporting periods beginning on or after 1 January 2022</i>

The management of the Company does not expect that the application of these amendments could have an impact on the Company's financial statements in future periods should such transactions occur.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

These financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use for IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level

C-QUADRAT Ampega Asset Management Armenia LLC

Notes to Financial Statements for the Year Ended December 31, 2021 (continued)

(In thousands of Armenian Drams unless otherwise stated)

1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company maintains its accounting records in accordance with the law of Armenia. These financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Armenian dram is the currency of the Republic of Armenia and the Company's functional and presentation currency. All financial information is presented rounded to the nearest thousands of dram, except when otherwise indicated.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when there is a legal enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

The principal accounting policies are set out below.

4.2 Revenue recognition

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income and expense, except for interest on non-derivative financial assets and liabilities at fair value through P/L, are recognized in the statement of profit or loss as interest income or interest expense respectively.

Interest earned on assets at fair value is classified within interest income.

Asset management activities

C-QUADRAT Ampega Asset Management Armenia LLC

Notes to Financial Statements for the Year Ended December 31, 2021 (continued)

(In thousands of Armenian Drams unless otherwise stated)

Portfolio and other management fees are recognized based on the service agreements, as a rule proportionally to time. Asset management fees related to investment foundations are accounted proportionally throughout the time of service provision.

Assets' management and administration fees relate to fiduciary operation payments, in case of which the company keeps or in the name of its customers invests assets and provides other asset-based services. Those payments are based on daily balances of customer assets invested in those funds. The company also earns asset management fees from suggesting consulting solutions including consulting and accounts management services. The fair value of customer assets included in the fund are based on market prices and other observable market conditions.

Asset management fees are based upon daily balances of net asset value of the funds under the Company's management.

Assets under management and under custody of the Company are not assets of the Company and therefore are not recognized in the statement of financial position. The Company is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

Income from investments at fair value through profit or loss

The Company has investments in the units of the funds under its management. The units are recognized at either quoted prices in active markets or at net asset value per unit acquired and subsequently measured at fair value through profit or loss. In the statement of profit or loss and other comprehensive income net gain from financial assets at fair value through profit or loss includes all realized and unrealized fair value changes and foreign exchange differences, but excludes interest and dividend income.

4.3 Foreign currency

Transactions in foreign currencies are translated into the functional currency at the appropriate exchange closing rate at the dates of the transactions. In the absence of exchange closing rates, average daily exchange rate published by Central Bank of RA is used. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss as net foreign exchange gain (loss), except for those arising on financial instruments at fair value through profit or loss, which are recognized as a component of net gain or loss from financial instruments at fair value through profit or loss.

Below are the relevant exchange rates, which were used by the Company for the purpose of these financial statements:

	Average Rate		Spot Rate	
	2021	2020	December 31, 2021	December 31, 2020
AMD/1 US Dollar	503.20	489.31	480.14	522.59
AMD/1 Euro	595.18	559.30	542.61	641.11

Other financial liabilities. Other financial liabilities (including depository instruments, deposits by banks and customers, repurchase agreements, debt securities issued, other borrowed funds, subordinated debt and other financial liabilities) are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other

C-QUADRAT Ampega Asset Management Armenia LLC

Notes to Financial Statements for the Year Ended December 31, 2021 (continued)

(In thousands of Armenian Drams unless otherwise stated)

premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities. The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

4.5 Cash and cash equivalents

Cash and bank balances in the statement of financial position comprise cash at banks with a maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of, as defined above, net of outstanding bank overdrafts.

4.6 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is calculated based on the following annual rates:

Office equipment	1-10 years
Computer equipment	1-3 years

Depreciation of leasehold improvements depends on lease contract terms. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.7 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset and, are recognised in profit or loss when the asset is derecognized.

Estimated useful lives of intangible assets is 5 years.

4.8 Impairment of non-current assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable

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and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.9 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

4.10 Provisions

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Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.11. Financial instruments

Financial assets and financial liabilities are recognised when a Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and amounts paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Fee and commission expense. Fee and commission expense include fees other than those that are an integral part of EIR (see above).

Fee and commission expenses with regards to services are accounted for as the services are received.

Financial assets. All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

Financial assets measured at fair value through profit or loss (FVTPL). A financial asset is

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measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell or
- At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Company considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Company does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios.

At initial recognition of a financial asset, the Company determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model.

Impairment. The Company recognizes loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

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

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

Financial assets are not material to financial statements and the Company has not estimated ECL on Cash and cash equivalents and Trade and other receivables.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

Modification and derecognition of financial assets. A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

Presentation of allowance for ECL in the statement of financial position. Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the assets;

Financial liabilities. Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities. Other financial liabilities, including loans and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability

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and of allocating interest expense over the relevant period. For details on EIR see the "net interest income section" above.

Derecognition of financial liabilities. The Company derecognizes financial liabilities when, and only when, the Company obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

5. USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies.

Judgments and estimates that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year relate to accounting for financial instruments, particularly fair value measurements. The best evidence of fair value is price quotations in an active market. In the absence of quoted prices in an active market, the management uses other evaluation techniques, such as the comparative approach with similar instruments both in the internal and external markets. Information about the valuation techniques and inputs used in determining the fair value of financial instruments are disclosed in Note 19.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the amounts of AMD 16,526 thousand and AMD 8,231 thousand as at December 31, 2021 and 2020, respectively, are held in banks operating in the Republic of Armenia and other countries. For the purpose of ECL measurement cash and cash equivalents balances are included in stage 1. The loss allowance for ECL is immaterial as at December 31, 2021 and 2020.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Units held in funds managed by the Company:		
C-QUADRAT Ampega Conservative Pension Fund	1,862,491	1,444,795
C-QUADRAT Ampega Balanced Pension Fund	58,857	57,157
C-QUADRAT Ampega Fixed Income Pension Fund	31,670	31,659
CQ Armenia Growth Investment Fund	29,375	28,911
Total financial assets at fair value through profit or loss	<u>1,982,393</u>	<u>1,562,522</u>

See also note 19.

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8. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

Cost	Office equipment	Computer equipment	Other office equipment	Leasehold Improvements	Vehicles	Computer software	Total
At December 31, 2019	29,491	9,318	212	4,792	28,100	1,545	73,458
Additions	901	1,139	1,886	-	-	-	3,926
At December 31, 2020	30,392	10,457	2,098	4,792	28,100	1,545	77,384
Additions	915	8,618	1,953	-	-	536	12,022
Disposals	(421)	-	-	-	-	-	(421)
At December 31, 2021	30,886	19,075	4,051	4,792	28,100	2,081	88,985
Depreciation and Amortization							
At December 31, 2019	12,869	4,801	211	1,712	527	1,545	21,665
Depreciation and amortisation charge	3,430	1,529	10	1,027	3,512	-	9,508
At December 31, 2020	16,299	6,330	221	2,739	4,039	1,545	31,173
Depreciation and amortisation charge	3,139	2,214	346	1,027	3,512	63	10,301
Disposals	(346)	-	-	-	-	-	(346)
At December 31, 2021	19,092	8,544	567	3,766	7,551	1,608	41,128
Carrying amount							
At December 31, 2019	16,622	4,517	1	3,080	27,573	-	51,793
At December 31, 2020	14,093	4,127	1,877	2,053	24,061	-	46,211
At December 31, 2021	11,794	10,531	3,484	1,026	20,549	473	47,857

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Notes to Financial Statements for the Year Ended December 31, 2021 (continued)

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9. RIGHT OF USE ASSETS AND LEASE LIABILITIES

	<u>Buildings</u>
Cost	
At January 1, 2020	134,427
Additions	-
At December 31, 2020	<u>134,427</u>
Additions	-
At December 31, 2021	<u>134,427</u>
Accumulated depreciation	
At January 1, 2020	(21,183)
Charge for the year	(18,616)
At December 31, 2020	<u>(39,799)</u>
Charge for the year	(18,615)
At December 31, 2021	<u>(58,414)</u>
Carrying amount	
At December 31, 2020	<u>94,628</u>
At December 31, 2021	<u>76,013</u>

Amounts recognized in profit and loss

	<u>2021</u>	<u>2020</u>
Depreciation expense on right-of-use assets	18,615	18,616
Interest expense on lease liabilities	8,667	10,105
Total	<u>27,282</u>	<u>28,721</u>

Lease Liability

	<u>December 31, 2021</u>
	Amounts payable under finance leases
Maturity analysis	
Year 1	24,167
Year 2	24,167
Year 3	24,167
Year 4 and beyond	27,190
Total lease Liability	<u>99,691</u>
Unearned interest	(17,581)
Carrying amount of lease liability at December 31, 2021	<u>82,110</u>
Carrying amount of lease liability at December 31, 2020	<u>97,610</u>

10. INCOME TAXES

The Company measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the RA where the Company operates, which may differ from IFRS.

The Company is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2021 and 2020 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

	<u>2021</u>	<u>2020</u>
Current income tax recognized in profit or loss	207,215	126,995
Deferred tax (benefit)/expense due to origination of temporary differences recognized in profit or loss	(2,883)	1,180
Income tax expense	<u>204,332</u>	<u>128,175</u>
Reconciliation of income tax is as follows:		
Profit before income tax	1,163,977	839,692
Income tax at statutory income tax rate of 18%	209,516	151,145
Non-taxable income from net gain on financial assets at fair value through profit or loss	(7,177)	(27,918)
Non-deductible income from net foreign exchange translation	(777)	(773)
Non-deductible expenses	2,770	5,721
Income tax expense at the effective income tax rate of 17.55% (2020: 15.26%)	<u>204,332</u>	<u>128,175</u>

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Calculation of deferred tax on temporary differences is as follows:

Deferred tax assets/(liabilities), including:	December 31, 2021	December 31, 2020
Right-of-use asset	(13,682)	(17,570)
Unused vacation reserve	7,874	9,076
Bonus reserve	5,334	2,240
Payables for professional services	2,376	2,480
Property and equipment	(314)	227
Lease liability	14,780	17,032
Total deferred tax assets	16,368	13,485

Change in deferred tax assets for the year ended December 31, 2021 and December 31, 2020 of AMD 2,883 thousand and AMD (1,180) thousand, respectively, were recognized in profit or loss.

11. OTHER ASSETS

	December 31, 2021	December 31, 2020
Other financial assets		
Management fees receivable	221,688	166,505
Other non-financial assets		
Prepayments given for goods and services	1,160	5,708
Other	6,481	3,630
Total other assets	229,329	175,843

For the purpose of ECL measurement other financial assets balances are included in stage 1. The loss allowance for ECL is immaterial as at December 31, 2021 and 2020.

12. SHARE CAPITAL

Company's share capital equals AMD 650,000 thousands, which consists of 650,000 shares. Nominal amount of each share equals 1,000 AMD. Company's share capital is fully paid by its shareholders.

The shareholders of the Company are "C-QUADRAT Investment AG", registered at Schottenfeldgasse 20, 1070 Vienna, Austria, registration number FN 55148a and "Talanx Asset Management" GmbH, registered at Charles-de-Gaulle-Platz 1, Germany, 50679 Cologne, registration number HRB 61047.

Share of each shareholder in Company's share capital is as following:

Shareholder	Shareholding	
"C-Quadrat Investment AG"	486,850	74.90%
"Talanx Asset Management" GmbH	163,150	25.10%
Total share capital	650,000	100%

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

The Company's distributable reserves among participants are limited to the amount of its accumulated retained earnings as disclosed in its statutory accounts in accordance with the legislation of the RA.

As at December 31, 2021 the Company had accumulated earnings in the amount of AMD 1,302,508 thousand (December 31, 2020: accumulated earnings AMD 918,863 thousand). On 30 April 2021, the Company declared dividends in the amount of AMD 576,000 thousand gross of withholding tax (on April 30, 2020 the Company declared dividends in the amount of AMD 440,000 thousand gross of withholding tax). The dividends were paid in two tranches on 25 June 2021 and on 25 October 2021 for total amount of AMD 547,200 (EUR 943 thousand) thousand and the withholding taxes were paid in amount of AMD 28,800 thousand.

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Notes to Financial Statements for the Year Ended December 31, 2021 (continued)

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13. PAYABLES AND ACCRUED EXPENSES

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other financial liabilities:		
Payables for professional services	51,479	41,890
Depository fees payable	20,737	22,683
Other payables	922	278
	<u>73,138</u>	<u>64,851</u>
Other non-financial liabilities:		
Unused vacation reserve	43,744	50,424
Staff related reserve	29,633	12,444
Other reserves	23,720	15,853
	<u>97,097</u>	<u>78,721</u>
Total payables and accrued expenses	<u>170,235</u>	<u>143,572</u>

14. INCOME FROM MANAGEMENT FEES

The Company receives management fees from the funds under its management. The management fee is accrued daily at a specified annual rate on the net asset value of the funds. The rates for management fees are specified in the respective fund rules.

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Funds under management		
C-QUADRAT Ampega Conservative Pension Fund	2,210,924	1,624,598
CQ Armenia Growth Investment Fund	83,319	39,423
C-QUADRAT Ampega Balanced Pension Fund	21,590	16,454
C-QUADRAT Ampega Fixed Income Pension Fund	12,881	9,782
Total income from management fees	<u>2,328,714</u>	<u>1,690,257</u>

15. NET GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Unrealized net gains on fair value change of units held in funds	39,872	155,102
Total net gain on financial assets at fair value through profit or loss	<u>39,872</u>	<u>155,102</u>

16. FEES AND COMMISSION EXPENSE

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
State Depository fees	256,513	230,291
Fees and commission to international banks	4,026	3,170
Fees and commission to local banks and others	1,447	1,095
Total fees and commission expenses	<u>261,986</u>	<u>234,556</u>

17. ADMINISTRATIVE AND OTHER EXPENSES

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Professional Services	434,992	324,690
Salaries	238,558	221,990
Taxes other than on income	98,814	68,152
Communication, marketing and related services	64,014	30,931
Depreciation and amortization	28,916	28,124
Business trips and other personnel expenses	7,569	5,314
Donations	1,203	34,417
Other	65,104	49,928
Total administrative and other expenses	<u>939,170</u>	<u>763,546</u>

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Notes to Financial Statements for the Year Ended December 31, 2021 (continued)

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18. COMMITMENTS AND CONTINGENCIES

Tax risks

Laws and regulations affecting business in the Republic of Armenia continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Company may be challenged by the relevant authorities. Tax authorities have historically taken a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant.

Operating environment. Emerging markets such as Armenia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Armenia continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Armenia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Armenia continues to undergo political and economic changes. As an emerging market, Armenia does not possess developed business and regulatory infrastructure that generally exists in a more mature free market economy. In addition, economic conditions continue to limit the volume of activity in the financial markets, which may not be reflective of the values for financial instruments. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base, regional instability.

Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment could slow or disrupt the Armenian economy, adversely affect the Company's operations, results of operations, financial conditions and prospects. In times of more severe market stress the Armenian economy and the Company's performance may be exposed to deterioration.

COVID-19

Further, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in the announcement of the pandemic status by the World Health Organization in March 2020. Measures put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. As a result, the Company may face increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets.

The significance of the effect of COVID-19 on the Company's business largely depends on the duration and the incidence of the pandemic effects on the world and Armenian economy. Towards the mid to end of 2020, the government relaxed certain economic restrictions and business environment limitations given the path of the pandemic, however their scope may be subject to change in response to the uncertain future pandemic developments.

Political instability and military actions in the region

In September 2020, the long-standing Nagorno-Karabakh conflict was escalated with the break of ceasefire regime, which was restored by a statement signed by the parties involved on 9 November 2020. Since then, Armenia has been in a political and economic turmoil. A number of protests against the results of the treaty have led to extraordinary parliamentary elections being announced, which were held in June 2021.

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Further, subsequent to the special military operation in Ukraine commenced on 24 February 2022, the US, UK, EU and other countries announced an extension of sanctions on certain Russian officials, businessmen and companies. These developments may result in reduced access of the Russian businesses to international capital and export markets, weakening of the Russian Ruble, decline in capitals markets and other negative economic consequences.

Further development of the situation in the region may have significant effect on the Company's business, its financial position and performance in the future, which is difficult to predict given the degree of uncertainties related to political instability in the region.

Operational risk. Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

Legal matters and risks

In the ordinary course of business, the Company is subject to legal actions and complaints, as well as adverse changes in the legislative environment it operates in. Management believes that the ultimate liability, if any, arising from claims and complaints, both presented and potential, will not have a material adverse effect on the Company's financial position or the results of its future operations and is less than probable, accordingly no corresponding accrual was provided in these financial statements.

Commitments for co-investment in funds under management

The Company is subject to regulatory requirement to hold 1% co-investment in funds under its management, unless fund net assets value exceed AMD 1,000,000 thousand. This and other statutory and normative requirements are subject to monitoring by the Central Bank of Armenia.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

This note provides information on Company's determination techniques on fair values of various financial assets and financial liabilities.

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	December 31, 2021	December 31, 2020				
Financial assets at fair value through profit or loss:						
Units in Funds	1,982,393	1,562,522	Level 2	Latest published net asset value per unit as at reporting date	N/A	N/A
	1,982,393	1,562,522				

Management applies judgment in categorizing financial instruments using the fair value hierarchy. The significance of a valuation input is assessed against the fair value measurement in its entirety.

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Notes to Financial Statements for the Year Ended December 31, 2021 (continued)

(In thousands of Armenian Drams unless otherwise stated)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Financial assets and financial liabilities that are not measured at fair value on a recurring basis, management believes that their carrying amounts approximate their fair values. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability, however given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or settlement of liabilities.

20. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern, while maximizing the return to its stakeholders. The capital structure of the Company consists of equity, comprising issued capital, and retained earnings as disclosed in statement of changes in equity. The Company's overall capital risk management policy remained unchanged during 2021 and 2020.

The adequacy of the Company's capital is monitored using, among other measures, the prudential standards established by the Central Bank of Armenia. According to the Central Bank of Armenia regulation 10/02 the minimum size of the total regulatory capital of the Company should be no less than AMD 650,000 thousand, calculated on an average daily basis per calendar month.

21. FINANCIAL RISK MANAGEMENT

The Company's overall risk management program focuses on the unpredictability and inefficiency of the Armenian financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company's senior management oversees the management of these risks and financial risk-taking activities are governed by appropriate policies and procedures so that financial risks are identified, measured and managed in accordance with the Company's policies.

The Company is exposed to credit risk, liquidity risk and market risk. The policies for managing each of these risks are summarized below.

Credit risk

Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. The Company bears credit risk primarily on investing activities and bank balances. Currently the investments of the company are in the units of the funds under its management and no separate monitoring of these investments is performed.

The Company has responsibility for the oversight of credit risk and is responsible for management of the Company's credit risk, including formulating credit policies, covering collateral requirements, credit assessment, reviewing and assessing credit risk, limiting concentrations of exposure to counterparties, and by issuer, credit rating band, market liquidity and country. Management regularly reviews asset quality.

As at December 31, 2021 and 2020, credit risk exposure of assets is presented in the table below:

	December 31, 2021	December 31, 2020	Country	Credit rating
Cash and cash equivalents	16,526	8,231	Armenia/Austria	Unrated
Financial assets at fair value through profit or loss	1,982,393	1,562,522	Armenia	Unrated
Other financial assets	221,688	166,505	Armenia	Unrated
	<u>2,220,607</u>	<u>1,737,258</u>		

As at reporting date, none of the financial assets are past due or impaired.

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Notes to Financial Statements for the Year Ended December 31, 2021 (continued)

(In thousands of Armenian Drams unless otherwise stated)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company maintains excess liquidity in the form of current account in banks to cover daily funding needs.

Factors, which affect the cash position and cash flows, include activities of the funds under management from which the Company receives management fees. The Company has been profitable in the previous 3 consecutive years and it is estimated that the main source of liquidity of the Company in the next years will be the shareholder capital and accumulated retained earnings.

The Company's policy to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions.

In the table below the financial assets and liabilities, as recognized in the statement of financial position as at December 31, 2021 and 2020, are presented on a discounted basis and are based on their expected cash flows. Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms.

Management estimates that undiscounted cash flows for financial liabilities approximates the information presented in the below table and is not separately presented. Lease liabilities are presented in note 9.

	December 31, 2021					No maturity
	Carrying amount	Up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	
Financial assets						
Cash and cash equivalents	16,526	16,526	-	-	-	-
Financial assets at fair value through profit or loss	1,982,393	-	-	-	-	1,982,393
Other financial assets	221,688	221,688	-	-	-	-
Total financial assets	2,220,607	238,214	-	-	-	1,982,393
Financial liabilities						
Other financial liabilities	73,138	73,138	-	-	-	-
Total financial liabilities	73,138	73,138	-	-	-	-
Net position	2,147,469	165,076	-	-	-	1,982,393

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Notes to Financial Statements for the Year Ended December 31, 2021 (continued)

(In thousands of Armenian Drams unless otherwise stated)

	December 31, 2020					
	Carrying amount	Up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	No maturity
Financial assets						
Cash and cash equivalents	8,231	8,231	-	-	-	-
Financial assets at fair value through profit or loss	1,562,522	-	-	-	-	1,562,522
Other financial assets	166,505	166,505	-	-	-	-
Total financial assets	1,737,258	174,736	-	-	-	1,562,522
Financial liabilities						
Other financial liabilities	64,851	64,851	-	-	-	-
Total financial liabilities	64,851	64,851	-	-	-	-
Net position	1,672,407	109,885	-	-	-	1,562,522

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Company's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company manages its investment inventory by product type and on a daily basis.

Interest rate risk

The Company is exposed to the risk that the fair value or income / future cash flows of its financial instruments portfolio will fluctuate as a result of fluctuations in market interest rates. In respect of the Company's interest-bearing financial instruments, the Company's policy is to transact in financial instruments that mature such that they best correspond to the maturity of financial liabilities. Nevertheless, the impact of interest rate risk can be high due to fluctuations in the prevailing levels of market interest rates.

Interest income is affected by changes in the volume and mix of these assets as well as by fluctuations in interest rates and portfolio management strategies. When interest rates fall, the Company may attempt to mitigate some of this negative impact by extending the maturities of assets in investment portfolios to lock in asset yields. At December 31, 2021 and 2020 all interest bearing financial instruments were fixed interest rate bearing instruments, as presented below:

	December 31, 2021						
	Fixed interest bearing						Non-interest bearing
Carrying amount	Up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years		
Financial assets							
Cash and cash equivalents	16,526	13,783	-	-	-	-	2,743
Financial assets at fair value through profit or loss	1,982,393	-	-	-	-	-	1,982,393
Other financial assets	221,688	-	-	-	-	-	221,688
Total financial assets	2,220,607	13,783	-	-	-	-	2,206,824
Financial liabilities							
Other financial liabilities	73,138	-	-	-	-	-	73,138
Total financial liabilities	73,138	-	-	-	-	-	73,138
Net position	2,147,469	13,783	-	-	-	-	2,133,686

C-QUADRAT Ampega Asset Management Armenia LLC

Notes to Financial Statements for the Year Ended December 31, 2021 (continued)

(In thousands of Armenian Drams unless otherwise stated)

	December 31, 2020						
	Carrying amount	Up to 1 month	Fixed interest bearing				Non-interest bearing
			From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	
Financial assets							
Cash and cash equivalents	8,231	3,886	-	-	-	-	4,345
Financial assets at fair value through profit or loss	1,562,522	-	-	-	-	-	1,562,522
Other financial assets	166,505	-	-	-	-	-	166,505
Total financial assets	1,737,258	3,886	-	-	-	-	1,733,372
Financial liabilities							
Other financial liabilities	64,851	-	-	-	-	-	64,851
Total financial liabilities	64,851	-	-	-	-	-	64,851
Net position	1,672,407	3,886					1,668,521

As none of the cash flows from Company's financial instruments as at December 31, 2021 and 2020 are linked to floating interest rates, the Company does not prepare and present interest rate risk sensitivity analysis due to no impact on profit or loss or equity in this respect.

The table below presents weighted average effective interest rates on interest bearing instruments based on reports reviewed by the Company. These effective interest rates are an approximation of the yields to maturity of these assets.

In % p.a.	December 31, 2021	December 31, 2020
	AMD	AMD
Interest bearing assets	4.5 %	4.5 %

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Company's exposure to foreign currency exchange rate risk is presented in the table below:

	December 31, 2021		
	AMD	EUR	Total
Non-derivative financial assets			
Cash and cash equivalents	14,911	1,615	16,526
Financial assets at fair value through profit or loss	1,982,393	-	1,982,393
Other financial assets	221,688	-	221,688
Total non-derivative financial assets	2,218,992	1,615	2,220,607
Non-derivative financial liabilities			
Other financial liabilities	21,559	51,479	73,138
Total non-derivative financial liabilities	21,559	51,479	73,138
Net position	2,197,333	(49,864)	2,147,469
	December 31, 2020		
	AMD	EUR	Total
Non-derivative financial assets			
Cash and cash equivalents	5,486	2,745	8,231
Financial assets at fair value through profit or loss	1,562,522	-	1,562,522
Other financial assets	166,505	-	166,505
Total non-derivative financial assets	1,734,513	2,745	1,737,258
Non-derivative financial liabilities			
Other financial liabilities	22,961	41,890	64,851
Total non-derivative financial liabilities	22,961	41,890	64,851
Net position	1,711,552	(39,145)	1,672,407

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(In thousands of Armenian Drams unless otherwise stated)

An analysis of sensitivity of profit or loss and equity to changes in fair value of monetary assets and liabilities held at December 31, 2021 and 2020 due to reasonably possible changes in corresponding exchange rates, with all other variables held constant, is presented below:

	2021		2020	
	Profit or loss /equity		Profit or loss /equity	
	AMD Weakening	AMD Strengthening	AMD Weakening	AMD Strengthening
EUR 20% movement (2020: 20%)	(9,973)	9,973	(7,829)	7,829

Other price risks

The Company is exposed to unit price risks arising from units held in funds. Unitholdings in funds are held for statutory, strategic and investment purposes rather than for trading purposes. The Company does not actively trade these unitholdings.

The sensitivity analyses below have been determined based on the exposure to unit price risks at the end of the reporting period.

If unit prices had been 5% higher/lower, profit for 2021 year would increase/decrease by AMD 99,120 thousand as a result of the changes in fair value of financial assets at fair value through profit or loss (2020: profit increase/decrease by AMD 78,126 thousands).

22. RELATED PARTY DISCLOSURES

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of the present financial statements, related parties include the parent company, ultimate shareholders, the Company's management as well as other persons and enterprises related with and controlled by them respectively.

The Company's immediate and ultimate parents are disclosed in Notes 1 and 12. The Company's major shareholder is "C-QUADRAT Investment AG" (74.9%). The shares of "C-QUADRAT Investment AG" belong to Cubic (London) Limited (United Kingdom) (100,00%). Shares of Cubic (London) Limited (United Kingdom) belong to MVJ GmbH & Co KG (74.9 %) and other four minor shareholders. The ultimate controlling parties of the Company, which has more than 20% effective shareholding, is San Gabriel Privatstiftung (40%) and Cristobal Mendez de Vigo zu Loewenstein (40%).

	December 31, 2021	December 31, 2020
Statement of financial position		
Units held in funds managed by the Company	1,982,393	1,562,522
Management fee receivable	221,688	166,505
Payables to C-Quadrat Group entities for professional services	(34,684)	(28,468)
Statement of profit or loss and other comprehensive income	For the year ended December 31, 2021	For the year ended December 31, 2020
Income from management fees	2,328,714	1,690,257
Net gain on financial assets at fair value through profit or loss	39,872	155,102
Professional services fees to C-Quadrat Group entities	(383,867)	(266,798)
Salary and reimbursement to the Board Chairman	46,625	39,600

Management compensation comprising of short term benefits amounted to AMD 177,103 thousand (2020: AMD 188,878 thousand) and were included in administrative and other expenses for the year.

C-QUADRAT Ampega Asset Management Armenia LLC

Notes to Financial Statements for the Year Ended December 31, 2021 (continued)

(In thousands of Armenian Drams unless otherwise stated)

23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	January 1, 2021	Proceeds /(repayments - cash flows	Interest payment	Foreign exchange rate effect	Non-cash changes		December 31, 2021
					Interest expense	Additions	
Lease liabilities	97,610	(24,167)	-	-	8,667	-	82,110
	97,610	(24,167)	-	-	8,667	-	82,110

	January 1, 2020	Proceeds /(repayments - cash flows	Interest payment	Foreign exchange rate effect	Non-cash changes		December 31, 2020
					Interest expense	Additions	
Lease liabilities	111,672	(24,167)	-	-	10,105	-	97,610
	111,672	(24,167)	-	-	10,105	-	97,610