
IPAS INDEXO

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Board Report

on the need to cancel the pre-emptive rights of the Company's shareholders and the selling price of the new issue shares, amendments to the rules of the option programs

To IPAS "Indexo" shareholders' meeting

The Management Board of IPAS "Indexo" (hereinafter - the Company) prepared this report in order to provide the shareholders' meeting with the justification for the need to cancel the shareholders' pre-emptive rights and the sale price of the newly issued shares, in accordance with Article 253, Part 2 of the Commercial Law, as well as to provide clarifying information about the agenda items of the shareholders' meeting.

The Board of the Company has included in the agenda of the regular meeting of shareholders the issue of making amendments to the Company's Articles of Association and approving the new version of the Company's Articles of Association. The Board of the Company proposes to amend the Clause 3.6. of the Company's Articles of Association, expressing it in the following new wording:

"3.6 The Board of the Company for a period of up to 5 (five) years is authorized to increase the share capital of the Company for the amount up to 375 000 (three hundred seventy-five thousand) shares, which does not exceed 30% of the Company's share capital at the time of entry into force of this authorization."

The mentioned amendments are necessary in order to provide the Company with the opportunity to increase the Company's capital, if necessary, by making a public offer of shares, or by making a closed (private) offer of shares in order to attract capital investments based on investment commitment letters from investors. As previously reported, the Company has submitted investment commitment letters for the total amount of 4.02 million euros to the Bank of Latvia as part of the licensing process for the new INDEXO Bank, which, in addition to the 9.011 million euros raised during the share issue held in December 2023, provides all necessary capital for obtaining the new bank license and start of operations. These investment commitment letters will be used for raising capital only in the event that it is not possible to implement further capital raising on more favorable terms in the public capital market.

Thus, in order to provide the Company's Board with the opportunity to promptly decide on a public or closed share offering, to reduce the Company's costs related to the capital increase, as well as to reduce the time required for the capital increase, the Company's Board proposes to the shareholders to cancel the Company's shareholders' pre-emptive rights regarding the Company's newly issued shares, which will be issued based on the authorisation to be given to the Company's Board under new version of the Clause 3.6. of the Company's Articles of Association, within five years from the approval of the amendments to the Articles of Association to make a decision on the issue of new shares of the Company in the amount of up to 375,000 shares and will be sold at a price not less than EUR 12 (twelve euros) per share. The reason for setting a sale price of the shares at EUR 12 is that that the sale price of the shares specified in the investment commitment letters is EUR 12 per share.

In addition to the above, the Company's Management Board wishes to inform the shareholders' meeting about the purpose of the proposed amendments to the Company's terms of issue of personnel options. By making amendments to the Company's terms of issue of personnel options, the Company's Board wants to optimize the process of exercising personnel options and

reduce the Company's costs related to the exercise of personnel options. In accordance with the current regulations for the issue of personnel options, the exercise of personnel options may be carried out several times a year, which causes additional costs to the Company due to the frequent exercise of capital increase. The purpose of the amendments is to determine that every year Company's Board determines option exercise dates under the condition that there should be at least two option exercise dates per calendar year. The option holder has the right to exercise the options granted to him/her in accordance with the terms of the relevant option program, but no sooner than on the nearest option exercise date after the end of the option holding period.

Amendments to the Personnel Option Program 2022 also provide for making corrections in relation to the procedure for the issue of Phase II personnel options, excluding the rule that Phase II personnel options are issued after the completion of Phase I of the options program, as well as excluding the rule that options issued under Phase II shall be allocated to the option holders during 4 years' term, by allocating each year 1/4 of the total amount of the personnel options designated to it and issued under the Phase II. The original purpose of these conditions of this option program was to ensure the fulfillment of the provisions of Article 248. ¹ Part 4 of the Commercial Law, according to which the total amount of nominal value of shares that can be obtained by exercising personnel options may not exceed 10 percent of the company's share capital at the time when a decision is made to issue personnel options. In the opinion of the Board, these terms of the option program are no longer relevant, taking into account the remaining term until the end of the option program and the size of the Company's share capital, and may interfere with the effective implementation of the option program. In addition, the exercise procedure for Phase II options has been amended, determining that options issued within Phase II until the execution date can be exercised only in an amount proportional to the time the Option Holder has held the options.

Sincerely yours,

V. Siksnis
Chairman of the Board

Ieva Bauma
Member of the Board

Henrik Karmo
Member of the Board

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