TRIGON ASSET MANAGEMENT

TRIGON ASSET MANAGEMENT AS

2018 ANNUAL REPORT
(Translation of the Estonian original)

Beginning of the financial year	01.01.2018
End of the financial year	31.12.2018
Business name	Trigon Asset Management AS
Commercial Registry no	11339670
Address	Pärnu mnt 18, Tallinn, 10141, Estonia
Phone	(372) 6679 200
Fax	(372) 6679 201
E-mail	legal@trigoncapital.com
Web page	www.trigoncapital.com
Main activities	- Investment fund management - Providing fund management services for funds that it does not manage
Auditor	PricewaterhouseCoopers AS
Included in the Annual Report documents	Independent auditor's report Proposal for profit distribution Distribution of sales revenue according to EMTAK classification

Table of contents

MANAGEMENT REPORT

General information about the company

AS Trigon Asset Management was founded in 2007 and as of 31 December 2017 it manages three common equity funds: Trigon New Europe Fund, Trigon Baltic Fund and Trigon Russia Top Picks Fund. In addition, AS Trigon Asset Management manages common investment fund Luka Adriatic Property Real Estate Fund I, which was formed in 2008, as well as provides investment management services under mandate agreements to other client portfolios.

The net asset value of the equity funds under management at the end of 2018 amounted to 120.1 million euros (at the end of 2017: 160.4 million euros).
The net asset value of the real estate fund under management at the end of 2018 amounted to 13.5 million euros (at the end of 2017: 14.0 million euros).
The total assets under management at the end of the year 2018 totalled 427.5 million euros (at the end of 2017: 433.2 million euros).

Net profit for the reporting period was 813 thousand euros (2017: 665 thousand euros).

AS Trigon Asset Management is engaged in following business activities:
- investment funds management,
- fund management related services for funds whose assets it does not manage.

2018 was a very volatile after the strong and stable year 2017. In 2018 majority of the equity markets across the world were negative for most of the year. The bond markets did not offer much comfort either because the increase in United States (US) bond yields (the bond price falls when bond yields increases) put pressure on bond prices across the world especially in the developing world. Decreased dollar liquidity was extremely acute in the weakest developing countries like Argentina and Turkey, leading to a sharp weakening of the currency and a rapid rise in interest rates. In such environment, compared to the major markets the US equity market showed the best performance, where the S&P 500 index that tracks the stocks of 500 large-cap U.S. companies dropped 1.6% in euros. The Stoxx 600 TR index, representing Western European equities, fell by 13.2% in 2018 and the MSCI EM TR index representing the devoloping world fell by 10.3%. Trigon New Europe Fund fell by 5.7% in 2018 close to the new benchmark index of MSCI EFM CEEC ex Russia TR index, which fell by 5.8%, but still less than the 7.5% decline of the Fund's previous broader benchmark index (Stoxx EU Enlarged TR). Over the past 10 years, the Fund has outperformed its previous benchmark index by 142.4%. In 2018, Trigon Russia Fund and Trigon Baltic Fund fell 12.0% and 22.0% respectively remaining both below their benchmark index return, which offered 4.3% and -6.4% return accordingly.

In April 2018, we transfered Trigon New Europe Fund under the jurisdiction of Estonia to Luxembourg. The transfer took place through cross-border mergers of funds (UCITS cross-border merger). The purpose of transferring the fund was to improve the accessibility of the fund and the whole region investment to more investors, which has already been successful since the first months.

Owners of the Company and staff salaries

The members of the Management Board of AS Trigon Asset Management in 2018 were Karola Sisask and Mehis Raud. The members of the Supervisory Board are Joakim Johan Helenius, Torfinn Losvik and Kairi Ratas. Hendrik Reimand stepped down from the Supervisory Board in 2018. AS Trigon Capital is the majority shareholder (61%) of AS Trigon Asset Management, Mehis Raud through OÜ Fero Invest owns 27%, Veiko Visnapuu owns 7% and Jelena Rozenfeld 5% stake. As at the year-end 2018, AS Trigon Asset Management had 13 employees (2017: 12). The Company’s overall staff salaries and bonuses including social tax and unemployment insurance expense in 2018 amounted to 535 thousand euros (2017: 556

thousand euros), of which salaries and bonuses paid to Management Board members including social tax and unemployment insurance expense accounted for 103 thousand euros (2017: 95 thousand euros). The company did not pay separate additional compensation for participation in governing bodies to Management and Supervisory Board members. The Management Board of AS Trigon Asset Management makes dividend distribution proposal to shareholders for 2019 in amount of 832 thousand euros. Corporate income tax arising from the dividends amounts to 186 thousand euros.

Future developments

AS Trigon Asset Management will continue to manage the existing funds in 2019. AS Trigon Asset Management will remain focused on managing mandates directed on Central and Eastern Europe and sees opportunities of growing the client base in this business segment.

/signed/

Mehis Raud
Member of the Management Board

BALANCE SHEET

In EUR	Note	31.12.2018	31.12.2017
ASSETS			
Cash and cash equivalents	**2**	574 001	750 414
Receivables and prepayments	**3**	1 095 990	1 071 262
TOTAL ASSETS		**1 669 991**	**1 821 676**
LIABILITIES AND EQUITY			
Payables and prepayments	**4**	615 517	811 973
Total liabilities		**615 517**	**811 973**
EQUITY			
Share capital	**7**	159 780	159 780
Statutory reserve capital		15 978	15 978
Retained earnings (losses)		65 261	169 106
Profit (loss) for the period		813 455	664 839
Total equity		**1 054 474**	**1 009 703**
TOTAL LIABILITIES AND EQUITY		**1 669 991**	**1 821 676**

INCOME STATEMENT

In EUR

	Note	2018	2017
Fee income	**8**	**2 498 398**	**2 303 329**
Fee expense		**-390 794**	**-414 985**
OPERATING EXPENSES			
Miscellaneous operating expenses	**9**	-358 541	-329 540
Labour costs	**10**	-737 916	-768 984
Significant impairment of current assets	**12**	-5 321	-7 734
Other operating expenses		-3 617	-842
TOTAL OPERATING EXPENSES		**-1 105 395**	**-1 107 100**
Other financial income and expense	**11**	3 417	-67 225
Total financial income and expenses		**3 417**	**-67 225**
Profit before tax		**1 005 626**	**714 019**
Income tax	**7**	-192 171	-49 180
Profit for the period		**813 455**	**664 839**

Notes to the financial statements

NOTE 1 Accounting principles

The financial statements of AS Trigon Asset Management have been prepared in accordance with Estonian financial reporting standard. The financial statements have been prepared also in accordance with the accounting principles of the group's parent company AS Trigon Capital (address Pärnu road 18, 10141 Tallinn).

The financial statements have been prepared as abridged financial statements in accordance with the Accounting Standards Board's guideline 15 clause 62a.
These financial statements have been prepared under the historical cost convention, except for the cases when described otherwise in the following accounting policies.
The amounts shown in the financial statements are presented in euros.

Financial assets

The company has the following financial assets: cash and cash equivalents (see also accounting principle cash and cash equivalents), trade receivables (see also accounting principle receivables and prepayments) and other receivables.
Purchases and sales of financial assets are recognised on settlement date (ie is the date that an asset is delivered to or by the company)..
Fair value of financial assets recognized in the purchase and sale of acquired assets and transactions occurred between the balance sheet value of the change in the income or loss, by analogy with the other financial assets owned by the company.
Cash and cash equivalents, trade receivable and other receivables (accrued income, loans given and other short and long term receivables), excluding receivables which were acquired for resale, are recognized in adjusted acquired amount.
Short-term receivables adjusted acquired value is usually equalling to nominal value (minus repayment and possible write downs), therefore short-term receivables are recognized in Balance Sheet in collectible amount.
To calculate adjusted long-term receivables amount, first collectible amount is taken, considering future periods interest using inside interest method. Receivables acquired for resale are recognized at fair value.
At each Balance Sheet date, management evaluates if there are any events indicating potential impairment of receivables.. If such events occur, financial assets are assessed as follows:
(a) Financial assets carried at amortized cost (such as receivables and bonds held to maturity) are written down to their probable future recoverable value (discounted at the financial asset on initial recognition, with the effective interest rate)
(b) Financial assets carried at acquisition cost (shares and other equity instruments whose fair value cannot be reliably measured) are written down to their probable future recoverable value (discounted at the market rate of return for similar financial assets);
(c) Financial assets at fair value are written down to their fair value.Fair value losses are recognized in the Income Statement as losses. Financial assets are recognized at fair value through equity revaluation reserve. If the value asset has decreased, then the negative amount reserve is recognized in Income Statement as loss.

Reversals of impairment:
(a) If the previously discounted and adjusted financial asset value will in the future periods increase, the previous discount is being voided to the sum which is the lowest (1) financial asset future price is lower than current value (2) Balance Sheet residual value if previously no discounts were applied to the asset. Cancellation of discounts are recognized in the Income Statement.

(b) For those financial assets which are recognized in the amount of their acquisition value, because of their fair value cannot be reliably measured, discounts are not voided.
(c) For changes in fair value of asset through equity reserve revaluation the cancellation of discount is being measured as follows: stocks and other equity instruments discount cancellation is recognized as increase in equity reserve capital; bonds and other debt instrument discount cancellation is recognized in the Income Statement.

Cash

In the balance sheet on line demand deposits and cash flow statement, cash and cash equivalents include cash in hand, bank account balances and overnight deposits.

Recognition of foreign currency transactions

All other currencies except for the functional currency (the functional currency of the company is Euro) constitute as foreign currencies.
Foreign currency transactions are recorded at the official currency exchange rates quoted by the European Central Bank prevailing on the transaction date.
Monetary assets and liabilities denominated in foreign currencies (receivables and loans payable in cash) are translated into euros at the official foreign currency exchange rates quoted by the European Central Bank prevailing at the balance sheet date. Gains and losses from conversion of foreign currencies are recorded in the income statement of the reporting period.
Non-monetary financial assets and liabilities in foreign currency which are being measured at fair value (in case of fair value method recognized real estate investments; biological assets; short and long-term financial investments in stocks and other equity financial instruments, which fair value can be reliably measured),are measured based on the foreign currency exchange rates of the European Central Bank prevailing at the transaction date. . Non-monetary financial assets and liabilities in foreign currency which are not measured in fair value method (for example: prepayments, inventory at acquisition cost, tangible and intangible assets), are not subject to revaluation on the date of Balance Sheet, but are recognized on European Central Bank rate of the date of acquisition of the asset or liability.

Receivables and prepayments

Short-term receivables generated in the ordinary course of business are classified as trade receivables. Trade receivables are carried at amortized cost (original invoice amount less provisions made for impairment of these receivables).
The impairment of the receivables that are individually significant (a need for a write-down) is assessed individually for each customer, using the present value of expected future collectible amounts as the basis. For receivables which are individually not important and for which knowledge of discount does not exist, their discount is being valued in aggregate, using the previous year experience. The impairment of receivables is recognized in other operating expenses line item.
The collection of the receivables that were previously been written down are accounted for as a reversal of the loss from doubtful receivables.

Financial liability

All financial liabilities (supplier payables, accrued expenses and other short-term borrowings) are initially recorded at cost, net of transaction costs incurred.They are subsequently measured at amortized.
The amortized cost of current financial liabilities generally equals their nominal value; therefore current financial liabilities are carried in the balance sheet in their net redemption value. A financial liability is classified as short-term when it is due to be settled within 12 months after the balance sheet date or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.
Liabilities which payment date is longer than a year are recognized as long-term liabilities. For measurement of long-term financial liability adjusted acquisition value the acquisition cost is taken in fair

value amount (reduced by the amount of transaction costs) and considering future periods interest using the inside interest method.

Provisions and contingent liabilities

Present obligations arising from past events whose timing or amounts are uncertain are recognized as provisions. The provisions are recognised based on the management's estimates regarding the amount and timing of the expected outflows. A provision is recognised in the balance sheet in the amount which according to the management is necessary as at the balance sheet date for the meeting of the obligation arising from the provision or transfer to the third party. Other contingent liabilities where the realisation is less probable than non-realisation or related costs cannot be determined reliably, that in certain circumstances may become obligations, are disclosed in the notes to the financial statements as contingent liabilities.

Revenue

Revenue is recognized on an accrual basis, if revenue and transactions cost are determined reliably. Fee and commission income are recognised during the period of service. Revenue reflects the fees received from investments funds, fees for providing fund management services for funds that it does not manage and fees from other provided services.
The management fee charged from the funds that are managed is calculated on the basis of the terms and conditions of the respective fund prospectus.

Investment funds maximum fees are outlined in the funds terms and conditions, which are registered by Financial Supervision Authority. According to management decision AS Trigon Asset Management may charge lower fees than indicated in the terms and conditions. . Aforementioned fees are disclosed in funds' prospectuses and are following:

Fees from investment funds

Luka Adriatic Property Real Estate Fund I: Management fee is 25 thousand euros per annum and is paid out during the subsequent month of the accounting month. In case of the share subscription the fund manager charges subscription fee. The maximum amount of the subscription fee is 1% from net value of the share. Fund management company may reduce or amend subscription fees.

Trigon - New Europe Fund. The management fee is calculated daily at a rate of 0.75%-2% (depending on the class of the unit) on the market value of the Fund´s assets on an annual basis and is paid to the fund management company once a month.

The Management Company has the right to receive a performance fee from Trigon New Europe Fund Class B unit based on the return of fund. The Management Company has the right to receive a performance fee if the return on the net asset value of the Class B Unit from the beginning of the year exceeds the return of MSCI EFM CEEC ex Russia Net Return from the beginning of the year. The performance fee rate is 15% from the increase of net asset value. The performance fee is calculated and paid once a month.

Trigon Baltic Fund. The management fee is calculated daily at rate of 0.75%-2% (depending on the class of the unit) on the market value of the Fund´s assets on an annual basis and paid to the fund management company once a month. The Management Company has the right to receive a performance fee based on the performance of Trigon Baltic Fund Class 2 and Class 3 unit. In the case of Class 2 Units, the Management Company is entitled to a performance fee if the net asset value of the unit exceeds the highest end-of-month level of history plus the required minimum return (3.5% on an annual basis).
. The rate of performance fee is 15% of the net asset value increase of the unit, which exceeds the highest end-of-month net asset value of the unit, plus the required minimum return. The performance fee is calculated and paid once a month. The performance fee for Class 3 unit is 20% of the net asset value

increase of the Class 3 unit, which exceeds the highest end-of-month net asset value of the unit, plus the required minimum return. The performance fee is calculated and paid once a month.

Trigon Russia Top Picks Fund. The management fee is calculated daily at a rate of 0.75-2% of the market value of the Fund´s assets on an annual basis, management fee is paid to the Management Company once a month. The Management Company is entiteled to receive a performance fee based on the performance of fund. The Fund Management Company is entitled to the performance fee if the net asset value of a Class 2 unit exceeds its highest month-end net asset value plus the required minimum return (3.5% on an annual basis). The Fund Management Company is entitled to the performance fee if the rate of return of a Class 5 unit based on its net asset value exceeds the MSCI Russia Daily Net TR EUR rate of return starting from the beginning of the year. The rate of the performance fee for Class 2 unit is 15% and for Class 5 unit 20% of the increase in the net asset value, which exceeds the highest historical month-end net asset value plus the required minimum return.. The performance fee is calculated and paid once a month.

Taxation

According to Estonian the Income Tax Act, the annual profit of the company is not taxed in Estonia. Income tax is paid on dividends, fringe benefits, gifts, donations, reception costs, non-business related disbursements and adjustments of the transfer price. As of 01.01.2015 the tax rate on the net dividends paid out of retained earnings is 20/80. As of 2019, tax rate of 14/86 can be applied to dividend payments. This more favorable tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three preceding financial years, 2018 will be the first year to be considered. Under certain circumstances, it is possible to redistribute received dividends without additional income tax expense. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period in which dividends are declared, regardless of the period for which they are declared or when they are actually paid. Income tax is due at the 10th day of the month following the payment of dividends. Due to the nature of the taxation system, the companies registered in Estonia do not have any differences between the tax bases of assets and their carrying amounts and hence, no deferred income tax assets and liabilities arise. A contingent income tax liability which would arise due the payment of dividends is not recognized in the balance sheet. The maximum income tax liability which would accompany the distribution of Company's retained earnings is disclosed in Note 6 of the financial statements.

Related parties

Related parties are parties that have significant control over the company or significant influence over the other party's business decisions in accordance with the Accounting Standard Board guideline 2 "Requirements for Presentation in the Financial Statements" definition. Related parties are not only defined by the legal form of transactions and relationships but their actual substance.

NOTE 2. Cash and Equivalents

EUR	31.12.2018	31.12.2017
Bank account	573 797	750 210
Cash	204	204
Cash and Equivalents in total	**574 001**	**750 414**

NOTE 3. Receivables and prepayments

EUR	Note	31.12.2018	31.12.2017
Trade receivables	12	771 789	831 430
Other receivables	12	290 965	189 730
Prepaid and deferred taxes		6 438	2 499
Prepayments		26 798	47 603
Total receivables and prepayments		**1 095 990**	**1 071 262**

NOTE 4. Payables and prepayments

EUR	Note	31.12.2018	31.12.2017
Payables to suppliers		262 815	544 291
Payables to contractors	10	274 528	207 470
Tax liabilities	5	17 624	18 583
Other payables		60 550	41 629
Total payables and prepayments		**615 517**	**811 973**

NOTE 5. Tax liabilities

EUR	31.12.2018	31.12.2017
Personal income tax	5 711	6 124
Special Income Tax	546	0
Social tax	10 166	11 099
Unemployment insurance tax	738	807
Retirement pension payment	463	553
Total tax liabilities	**17 624**	**18 583**

See note 4.

NOTE 6. Contingent liabilities

EUR	31.12.2018	31.12.2017
Contingent liabilities		
Possible dividends	831 658	614 948
Income tax payables on possible dividends	185 569	153 737
Contingent liabilities in total	**1 017 227**	**768 685**

In accordance with the actual Income Tax Act, a company registered in Estonia does not pay the income tax on the earned profit, but on the distributed dividends or on the income distributed in any other form. Income tax is also to be paid on any payments made from the equity, which exceed the monetary and non-monetary deposits into the equity. According to the above-mentioned law, the tax rate on the net dividends or profit distributed in any other form is 20/80 in 2018.
A contingent income tax liability which would arise due to the payments from the equity is not recognized in the balance sheet. Income tax expenses arisen from distributed dividends or other equity reduction-related payments are at the moment recognized in the income statement as an expense.

In accordance with the additional equity requirements established on the fund managers by the Financial Supervision Authority of the Republic of Estonia, at the balance sheet date it is possible to pay out dividends to the owners from retained earnings in the amount of 831 658 euros (31.12.2017: 614 948 euros). The corresponding income tax would amount to 185 569 euros (31.12.2017: 153 737 euros).

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. No tax control was carried out in the Company in 2018 and 2017. The Company's Management is not aware of any circumstances which may give rise to a potential material liability in this respect.

For the reporting period, AS Trigon Asset Management has two cases pending with Olympic Entertainment Group AS:

1) The claim of AS Olympic Entertainment Group (hereinafter OEG) against Trigon Asset Management to compensate EUR 16.3 million. It is OEG's counterclaim for a legal action brought by Trigon Asset Management to annul the decision of the General Meeting of Shareholders. If the court should partially or fully satisfy the OEG's claim, Trigon Asset Management AS would be obliged to pay a 14.08% share in accordance with the cooperation agreement signed with other institutional investors of OEG. However, AS Trigon Asset Management does not consider the satisfaction of OEG's claim probable.
   Taking also into account the assessment by an external legal adviser in connection to the OEG counterclaim, the Management Board of the Trigon Asset Management estimates that the counterclaim submitted by OEG does not result in significant future costs for AS Trigon Asset Management and considers that the counterclaim will be dismissed by the court.
   As a result, Trigon Asset Management has not reflected the provision arising from the claim in this financial statement because it considers the probability of the claim to materialize very low.

Contingent assets

2) Petition for determining amount of fair compensation petition to the shareholders of AS Olympic Entertainment Group. This is a class action in which the court involves all minority OEG shareholders whose shares were acquired as a result of a mandatory takeover offer in October 2018. AS Trigon Asset Management represents also the funds it manages. From now on this legal proceeding does not have any negative impact on the Trigon Asset Management's financial statements.

The general meeting of AS Olympic Entertainment Group approved the takeover of OEG shares belonging to minority shareholders by AS Odyssey Europe for financial compensation of EUR 1.40 per share. The petition sent to the court on 11.01.2019 has been submitted for the protection of minority shareholders' rights and to receive fair compensation for the OEG shares. Petitioners, including AS Trigon Asset Management, believe that a value of EUR 1.40 per share is clearly unjustified and too low. The financial impact on Trigon Asset Management consists of a total of approximately EUR 20,000 in law firm costs, which are largely borne by Trigon New Europe Fund. However, if the application is ultimately satisfied and the court decides to determine higher compensation, OEG will presumably be obligated to reimburse all the procedural expenses of the petitioners.

NOTE 7. Share capital

EUR	31.12.2018	31.12.2017
Share capital	159 780	159 780
Number of shares (pcs)	25	25
Nominal value of shares	6 391	6 391

The parent company of the group of AS Trigon Asset Management is AS Trigon Capital. As of 31.12.2017 the share capital consisted of 25 shares with nominal value of 6 391.20 euros and the total amount of registered share capital was 159 780 euros. There were no changes of registered share capital in 2018 and the amount of registered share capital was 159 780 euros as of 31.12.2018.

In accordance with the articles of association of AS Trigon Asset Management the minimum size of share capital is 159 780 euros and the maximum size of share capital is 639 120 euros. Dividends in total amount of 768 685 euros were paid out in 2018. Income tax paid in connection with dividends amounted to 192 171 euros. As of 31.12.2018, the Company’s retained earnings amounted to 878 716 euros (31.12.2018: 833 945 euros). For further details, see note 6.

NOTE 8. Fee income

EUR	2018	2017
Fee income by geographical location		
Estonia	695 908	1 633 955
Other European countries	1 802 490	669 374
Total fee income	**2 498 398**	**2 303 329**
Fee income by operating activities		
Management fee	693 809	1 594 330
Portfolio Management fee	2 099	23 732
Investment fund share emission and reclaim fee	0	15 893
Security portfolio management fee	1 802 490	669 374
Total fee income	**2 498 398**	**2 303 329**

NOTE 9. Miscellaneous operating expenses

EUR	2018	2017
Other sales expenses	115 357	123 549
Business trip expenses	36 399	36 700
Legal and other consultations	15 955	33 842
Advertising and representation costs	7 254	9 427
Rental fees	57 600	45 388
Insurance expenses	10 267	10 000
Other purchased goods and services	115 709	70 634
Total miscellaneous operating expenses	**358 541**	**329 540**

Other sales expenses in amount of 115 357 (2017: 123 549) comprise of contractual equity shares funds marketing costs outside Estonia. Other purchased goods and services expenses in amount of 115 709 (2017: 70 634) euros include several operating expenses such as security account service fees, office space-related expenses, postal services, membership costs, telecom costs, fees to Financial Supervisory Authority, audit costs, IT-services.

Following lines of the income statement are used for the calculation of the minimal general expenses of the fund manager: Miscellaneous operating expenses, Labour Costs, Significant impairment of current assets, Other expenses and Other financial expense. From these lines following items are subtracted: Bonus in Labour costs (Note 10), one-off Premium together with social tax in amount of 16 724 euros, which is included in the wage expenses, and interest income from bank account in Other financial expenses and income (Note 11).

NOTE 10. Labour costs

EUR	2018	2017
Wage and salary expense	409 364	435 771
Social security taxes	125 808	120 510
Bonus (together with social tax)	197 743	206 916
Vacation reserve	3 935	1 086
Fringe benefits	1 066	4 701
Total labour expense	**737 916**	**768 984**

Remuneration principles

Management and employees of Trigon Asset Management get monthly fixed basic salary. Employees, which directly deal with obtainment of new clients, get additionally a result-based performance pay. The fixed salary is the main part of the salaries of all employees and is based on the fixed salary agreement. Fixed salary is determined individually for each employee, taking into account his or her role and responsibilities, position, achievements and conditions of the labour market. Variable salary depends on employee's individual results as well as the result of the whole company. Variable salaries are paid out in form of sales bonuses. Such performance pays are in line with the results, are assessed every time separately and are not determined as a fixed sum. Fund manager follows the proportionality concept in the remuneration principles.

Fund manager has not defined any severance pays or non-monetary compensations.

Average number of employees during 2018 (including Management Board) was 13 (2017: 11). Total wage and salary expenses (including social tax expenses) amounted to 535 172 euros (2017: 556 281 euros). Salaries for the Management Board members in 2018 (including social taxes) amounted to 102 848 euros (2017: 94 710 euros). Supervisory Board members did not get any remuneration for participations in the Board meetings in 2018. Performance pays were paid for employees, who deal directly with obtaining new clients. Performance pays in 2018 (including taxes) amounted to 16 724 euros (2017: 4 507 euros).

NOTE 11. Other financial income and expenses

EUR	2018	2017
Gain/losses from changes in the Exchange rates	-177	3 294
Interest expenses from loans	0	-3 604
Interest income from loans	3 688	0
Other interest expenses	0	-66 948
Loss on the sale of securities	-155	0
Interest income from bank account	61	33
Total other expenses	**3 417**	**-67 225**

NOTE 12. Related parties

Following companies are considered as related parties:

- Parent company AS Trigon Capital as well as other companies belonging to the parent company consolidation group;
- Owners with significant influence;
- Members of the Management and Supervisory Board as well as the companies controlled by them;
- Members of Management and Supervisory Board of AS Trigon Capital;
- Close family members of the abovementioned persons as well as their affiliated companies;
- Funds under management of AS Trigon Asset Management: Luka Adriatic Property Real Estate Fund I, Trigon New Europe Fund, Trigon Baltic Fund, Trigon Russia Top Picks Fund.

As of 31.12.2018 the owners of the Trigon Assets Management AS were AS Trigon Capital which 61%, OÜ Fero Invest owns 27%, Veiko Visnapuu owns 7% and Jelena Rozenfeld owns 5%.

Related party balances:

EUR	2018	2017
Receivables and prepayments		
Parent company	152 578	189 730
Managed funds	602 736	688 211
Total receivables and prepayments	**755 314**	**877 941**

The volumes of transactions with related parties in 2018 and 2017 are as follows:

EUR	2018	2017
Operating expenses		
Mother company	59 472	46 216
Total	**59 472**	**46 216**

As of 31.12.2016, AS Trigon Asset Management current account was included with AS Trigon Capital group current account. In the first quarter of 2017, the current account of Trigon Asset Management was excluded from the Trigon Capital group current account and the respective amount was offset with the purchase price of a transaction under common control in the total amount of 2 966 480 euros. As of 31.12.2018, AS Trigon Asset Management accounted for interest in amount of 152 578 euros as a receivable from the parent company of the consolidation group.

AS Trigon Asset Management acquired management, performance, subscription and redemption fees from the funds managed by the entity in total amount of 2 534 935 euros (2017: 2 826 197 euros). As at 31 December 2018 the amount owed to Fund Management Company for the fees mentioned above, which is accounted in the balance sheet under Trade receivables, amounted to 602 736 euros (2017: 688 211 euros).

Management remuneration

The salaries and bonuses paid to the management amounted to 102 848 euros (2017: 94 710 euros). No additional considerations were paid to members of the Management Board and Supervisory Board for participation in the governing bodies. In accordance with the employment contract, there are no termination benefits for members of the Management Board and Supervisory Board. For further information, see note 10.

Impairments

In 2018, outstanding management fees from Luka Adriatic Property Real Estate Fund were discounted in the net amount of 5 321 euros (2017: 7 734 euros) which is recorded in the income statement line item "Significant impairment of current assets". Impairment net amount includes interest income in amount of 36 446 euros, which is written down at a 10% discount rate amounting to 41 767 euros. An assumption that the management fee receivables will be collected in one year was taken into consideration when calculating the discount.

As at 31.12.2018 AS Trigon Asset Management receivables from Luka Adriatic Property Real Estate Fund had a discounted value in total amount of 437 347 euros (2017: 417 669 euros). For further information, see note 3.

Signatures of the Management board

The Management Board of AS Trigon Asset Management has prepared annual report 2018, which consists of the management report and financial statements, including independent auditor's report and profit allocation proposal, and presented these to the shareholders for approval. By signing the annual report, the members of the Management Board confirm its responsibility for the data represented therein.

/signed/

Mehis Raud
AS Trigon Asset Management
Member of the Management Board

/signed/

Karola Sisask
AS Trigon Asset Management
Member of the Management Board

Tallinn, 30 January 2019

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of AS Trigon Asset Management

Our opinion

In our opinion, the abridged financial statements present fairly, in all material respects, the financial position of AS Trigon Asset Management (the Company) as at 31 December 2018, and its financial performance for the year then ended in accordance with the Estonian financial reporting standard.

We audited the Company's abridged financial statements that comprise:
- the balance sheet as at 31 December 2018;
- the income statement for the year then ended; and
- the notes to the abridged financial statements, which include a summary of significant accounting policies and other explanatory information.

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 abridged 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.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Auditors Activities Act of the Republic of Estonia.

Other information

The Management Board is responsible for the other information contained in the annual report in addition to the abridged financial statements and our auditor's report thereon.

Our opinion on the abridged financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the abridged 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 abridged financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the abridged financial statements

The Management Board is responsible for the preparation and fair presentation of the abridged financial statements in the Estonian financial reporting standard and for such internal control as the Management Board determines is necessary to enable the preparation of abridged financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the abridged financial statements, the Management Board 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 the Management Board 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 abridged financial statements

Our objectives are to obtain reasonable assurance about whether the abridged 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 abridged financial statements.

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

- Identify and assess the risks of material misstatement of the abridged 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 the Management Board.
- Conclude on the appropriateness of the Management Board'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 abridged 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 abridged financial statements, including the disclosures, and whether the abridged 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.

AS PricewaterhouseCoopers

/signed/

Verner Uibo
Auditor's certificate no.568

30 January 2019

[*] *This version of our report is a translation from the original, which was prepared in Estonian. 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.*

Profit allocation proposal

The Management Board of Trigon Asset Management AS proposes to the General Meeting of Shareholders to distribute the 2018 profit as follows:

EUR	31.12.2018
Dividend	831 658

Distribution of sales revenue according to EMTAK classification

Revenue of AS Trigon Asset Management according to EMTAK classification:

EMTAK	Activity	2018	2017
66301	Funds management	2 498 398	2 303 329
Total		**2 498 398**	**2 303 329**