TRIGON ASSET MANAGEMENT

TRIGON ASSET MANAGEMENT AS

ANNUAL REPORT 2019
(Translation of the Estonian original)

Beginning of the financial year	01.01.2019
End of the financial year	31.12.2019
Business name	Trigon Asset Management AS
Commercial Registry no	11339670
Address	Pärnu mnt 18, Tallinn, 10141, Estonia
Phone number	(372) 6679 200
Fax number	(372) 6679 201
E-mail address	legal@trigoncapital.com
Company website	www.trigoncapital.com
Main business activities	- Investment fund management - Providing fund management services for funds that it does not manage itsself
Auditor	PricewaterhouseCoopers AS
Documentation included in the Annual Report	
	Independent auditor’s report
	Proposal for profit distribution
	Distribution of sales revenue according to EMTAK classification

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MANAGEMENT REPORT

General information about the company

AS Trigon Asset Management was established in 2007 and as of 31 December 2019 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 established 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 2019 amounted to 219.9 million euros (at the end of 2018: 120.1 million euros).
The net asset value of the real estate fund under management at the end of 2019 amounted to 12.9 million euros (at the end of 2018: 13.5 million euros).
The total assets under management at the end of the year 2019 totalled 567.5 million euros (at the end of 2018: 427.5 million euros).

Net profit for the reporting period was 1 235 thousand euros (2018: 813 thousand euros).

Business activities of AS Trigon Asset Management are as follows:
- investment funds management,
- fund management related services for funds it does not manage itsself.

2019 was a very good year for stock markets worldwide. The main contributors to the rally were US stocks, which, despite almost no growth in profits, soared 33,3% (in euros). The jump in stock prices were largely driven by the rapid change in the FED's interest policy. Instead of raising interest rates three times, as initially planned at end of 2018, the FED actaually cut them three times. Even the best make mistakes. Positive sentiment and the lack of alternatives led to an increase of the Western Europe Stoxx 600 TR index by 26.8% and of the MSCI EM TR index, with the latter representing developing markets, by 20.6%. Within this environment, the Eastern European MSCI EFM CEEC ex Russia TR index increased only by 5.2%. Trigon New Europe Fund outperformed its becnchmark index, as it increased by 17.3%. Over the past 5 and 10 years, the Fund has outperformed its benchmark index by 34.4% and by 141.9% respectively. The volume of Trigon New Europe Fund almost doubled within a year, from 112 million euros to 215 million euros.

Trigon Russia Top Picks Fund offered the best yield in 2019 out of all company's funds. Supported by the overall rise of the Russian market, the Fund's shares' value increased by 43.6%, staying just below the MSCI Russia 10/40 index, which increased by 45% in a year. The MSCI Russia TR index increased even more - by 54.2% in a year. The latter index does not comply with UCITS fund requirements and the share of oil companies is significantly larger compared to common indexes. Volume of Trigon Russia Top Picks Fund was 4.3 million euros by the end of 2019.

Share value of Trigon Baltic Fund dropped by 0.3% in 2019, staying below its benchmark for index return of 12.4%. As of year end, the fund volume was 318 thousand euros.

Owners of the Company and staff salaries

The members of the Management Board of AS Trigon Asset Management in 2019 were Karola Sisask and Mehis Raud. The members of the Supervisory Board are Joakim Johan Helenius, Torfinn Losvik and Kairi Ratas. 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 2019, AS Trigon Asset Management had 12 employees (2018: 13). The Company's overall staff salaries and bonuses including social tax and unemployment insurance expense amounted to 540 thousand euros in 2019 (2018: 535 thousand euros), of which salaries and bonuses paid to Management Board members including social tax and unemployment insurance expense accounted for 110 thousand euros (2018: 103 thousand euros). The company did not pay for 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 2020 in amount of 1 161 thousand euros. Corporate income tax arising from the dividends amounts to 244 thousand euros.

Social responsibility and sustainability

AS Trigon Asset Management is a member of the United Nations Principles for Responsible Investment (UNPRI) programme from 2018. AS Trigon Asset Management follows the principles and practices of responsible investment during fund management processes.

Taking into account presence of sustainability in investment analysis and in decision making is essential in order to facilitate long-term fund investments returns.

When evaluating companies and the potential of their stocks, both financial and sustainability factors are taken into consideration. In its evaluation of sustainability criteria, AS Trigon Asset Management applies method of negative screening. The entity's investments exclude stocks of companies in several fields of activity and also the companies that do not comply with international standards. AS Trigon Asset Management investment team continuously monitors and analyses the existing stock portfolio and companies of potential interest to evaluate their fit in the portfolio, where decisions are based on principles of sustainable investment.

When managing funds and mandates as well as making investments, the following factors are taken into consideration, among others:

- environmental aspects (e.g. environmental and climate impact)
- social aspects (e.g. human rights, workers' rights, equal opportunities, work practices)
- corporate governance aspects (e.g. shareholders' rights, management compensation payments and anti-corruption policies)

In order to obtain full understanding of companies' social responsibility and sustainability aspects, the investments' team has been focusing on more face-to-face meetings with companies' representatives in the previous year.

Future developments

AS Trigon Asset Management will continue managing the existing funds in 2020. AS Trigon Asset Management will remain focused on managing Central and Eastern Europe mandates, where growth of the client base can be seen in this business segment.

Mehis Raud
Member of the Management Board

FINANCIAL STATEMENTS

BALANCE SHEET

In EUR	Note	31.12.2019	31.12.2018
ASSETS			
Cash and cash equivalents	**2**	720 141	574 001
Receivables and prepayments	**3**	1 651 524	1 095 990
TOTAL ASSETS		**2 371 665**	**1 669 991**
LIABILITIES AND EQUITY			
Payables and prepayments	**4**	914 075	615 517
Total liabilities		**914 075**	**615 517**
EQUITY			
Share capital	**7**	159 780	159 780
Statutory reserve capital		15 978	15 978
Retained earnings (losses)		47 057	65 261
Profit (loss) for the period		1 234 775	813 455
Total equity		**1 457 590**	**1 054 474**
TOTAL LIABILITIES AND EQUITY		**2 371 665**	**1 669 991**

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Initials I.S. Date 3.02.2020

INCOME STATEMENT

In EUR	Note	2019	2018
Fee income	**8**	**2 973 700**	**2 498 398**
Fee expense		**-436 403**	**-390 794**
OPERATING EXPENSES			
Miscellaneous operating expenses	**9**	-250 436	-358 541
Staff costs	**10**	-858 065	-737 916
Significant impairment of current assets	**12**	-11 084	-5 321
Other operating expenses		-4 006	-3 617
TOTAL OPERATING EXPENSES		**-1 123 591**	**-1 105 395**
Other financial income and expense	**11**	6 638	3 417
Total financial income and expenses		**6 638**	**3 417**
Profit before tax		**1 420 344**	**1 005 626**
Income tax	**7**	-185 569	-192 171
Profit for the period		**1 234 775**	**813 455**

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 also been prepared 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 59.
These financial statements have been prepared under the historical cost convention, except for the cases described in the following accounting policies.
Financial statements are presented in euros.

Financial assets

The company has the following financial assets: cash and cash equivalents (see also Cash and cash equivalents accounting principle), trade receivables (see also Receivables and prepayments accounting principle) and other receivables.
Purchases and sales of financial assets are recognised on the settlement date (i.e. on the day when company becomes owner of the financial asset purchased, or when claim of ownership of the financial asset sold has been lost).
When recognising financial assets at the time of purchase or sale at their fair value, the change in value is recognised between the transaction day and balance sheet day time-frame as profit or loss, with similar process applied to other financial assets owned by the company.
Cash and cash equivalents, trade receivable and other receivables (accrued income, issued loans and other short and long-term receivables), excluding receivables which were acquired for re-sale, are recognized at amortised cost.
Amortised cost of short-term receivables is usually equal to nominal value (minus repayments and possible write downs). Hence, short-term receivables are recognized in the balance sheet in expected settlement value.
To calculate amortised cost of long-term receivables, they are initially recorded at the fair value of expected cash flows, calculating interest income using internal 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's initially fixed internal interest rate)
(b) Financial assets carried at acquisition cost (shares and other equity instruments fair value of which 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 expense. 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 the income statement as loss.

Reversals of impairment:
(a) If the previously discounted and adjusted financial asset value shall increase in the future, the previous discount is being voided to the sum which is the lowest or when (1) financial asset future price is lower than current value and (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 and cash equivalents

Cash and cash equivalents presented on the balance sheet line item include demand deposits and in the cash flow statement, 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, fair value of which 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 balance sheet date, but are recognized at the 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 (i.e. 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 have 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 internal 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 on the balance sheet in the amount, which according to the management is necessary at the balance sheet date for meeting 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's 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 on the following 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 out once a year.

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 in the 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 the Estonian 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 out. 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	31.12.2019	31.12.2018
Bank account	719 937	573 797
Cash	204	204
Cash and cash equivalents in total	**720 141**	**574 001**

NOTE 3. Receivables and prepayments

EUR	Note	31.12.2019	31.12.2018
Trade receivables	12	1 503 169	771 789
Other receivables	12	115 516	290 965
Prepaid and deferred taxes		8 075	6 438
Prepayments		24 764	26 798
Total receivables and prepayments		**1 651 524**	**1 095 990**

NOTE 4. Payables and prepayments

EUR	Note	31.12.2019	31.12.2018
Payables to suppliers		436 790	262 815
Payables to contractors	10	396 281	274 528
Tax liabilities	5	18 562	17 624
Other payables		62 442	60 550
Total payables and prepayments		**914 075**	**615 517**

NOTE 5. Tax liabilities

EUR	31.12.2019	31.12.2018
Personal income tax	5 894	5 711
Special Income Tax	614	546
Social tax	10 836	10 166
Unemployment insurance tax	749	738
Retirement pension payment	469	463
Total tax liabilities	**18 562**	**17 624**

See note 4.

NOTE 6. Contingent liabilities

EUR	31.12.2019	31.12.2018
Contingent liabilities		
Possible dividends	1 260 825	831 658
Income tax payables on possible dividends	268 685	185 569
Contingent liabilities in total	**1 529 510**	**1 017 227**

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, as of 2019, a more favorable tax rate can be applied to regularly paid dividend payments. The general tax rate on net dividends or profit distributed in any other form is 20%. If the amount of profit distributed in a calendar year is smaller than or equal to the average profit distributed in the three preceding calendar years, it is taxed with a rate of 14%. When calculating the average dividend payment of three preceding financial years, 2018 will be the first year to be considered. In 2019, 1/3 of the profit distributed in 2018 was taxed with the lower rate.

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 1 260 825 euros (31.12.2018: 831 658 euros). The corresponding income tax would amount to 268 685 euros (31.12.2018: 185 569 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 2019 and 2018. 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 admitted by the court on 05.02.2019 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	31.12.2019	31.12.2018
Share capital	159 780	159 780
Number of shares (pcs)	798 900	798 900
Nominal value of shares	0,20	0,20

The parent company of the group of AS Trigon Asset Management is AS Trigon Capital. As of 31.12.2018 the share capital consisted of 798 900 shares with nominal value of 0,20 euros and the total amount of registered share capital was 159 780 euros. There were no changes of registered share capital in 2019 and as of 31.12.2019 the amount of registered share capital was 159 780 euros.

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 831 658 euros were paid out in 2019. Income tax paid in connection with dividends amounted to 185 569 euros. As of 31.12.2019, the Company's retained earnings amounted to 1 281 832 euros (31.12.2018: 878 716 euros). For further details on payment of probable dividends, see note 6.

NOTE 8. Fee income

EUR	2019	2018
Fee income by geographical location		
Estonia	86 558	695 908
Other European countries	2 887 142	1 802 490
Total fee income	**2 973 700**	**2 498 398**
Fee income by operating activities		
Management fee	86 558	693 809
Sucess fee	546 827	2 099
Management fee for mandate-based other investment funds	2 340 315	1 802 490
Total fee income	**2 973 700**	**2 498 398**

NOTE 9. Miscellaneous operating expenses

EUR	2019	2018
Other sales expenses	39 150	115 357
Business trip expenses	44 676	36 399
Legal and other consultations	6 713	15 955
Advertising and representation costs	4 075	7 254
Rental fees	57 600	57 600
Insurance expenses	13 200	10 267
Other purchased goods and services	85 022	115 709
Total miscellaneous operating expenses	**250 436**	**358 541**

Other sales expenses in amount of 39 150 (2018: 115 357) comprise of contractual equity shares funds marketing costs outside Estonia. Other purchased goods and services expenses in amount of 85 022 (2018: 115 709) euros include several operating expenses such as security account service fees, office space-related expenses, postal services, membership fees, 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 15 734 euros, which is included in the wage expenses, and interest income from bank account in Other financial expenses and income (Note 11).

NOTE 10. Staff costs

EUR	2019	2018
Wage and salary expense	412 311	409 364
Social security taxes	127 779	125 808
Bonus (together with social tax)	320 039	197 743
Vacation reserve	-5 172	3 935
Fringe benefits	3 108	1 066
Total labour expense	**858 065**	**737 916**

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.

In its remuneration policy, the fund manager takes into account the principle of proportionality. Fund manager has not defined any severance pays or non-monetary compensations.

Average number of employees during 2019 (including Management Board) was 12 (2018: 13). Total wage and salary expenses (including social tax expenses) amounted to 540 090 euros (2018: 535 172 euros). Salaries for the Management Board members in 2019 (including social taxes) amounted to 110 106 euros (2018: 102 848 euros). Supervisory Board members did not get any remuneration for participations in the Board meetings in 2019. Performance pays were paid for employees, who deal directly with obtaining new clients. Performance pays in 2019 (including taxes) amounted to 15 734 euros (2017: 16 724 euros).

NOTE 11. Other financial income and expenses

EUR	2019	2018
Gain/losses from changes in the Exchange rates	757	-177
Interest income from loans	5 852	3 688
Loss on the sale of securities	0	-155
Interest income from bank account	29	61
Total other financial expenses	**6 638**	**3 417**

NOTE 12. Related parties

Following entities 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 31.12.2019, the owners of the Trigon Assets Management AS was AS Trigon Capital who owns 61%, OÜ Fero Invest owning 27%-stake, Veiko Visnapuu - 7% and Jelena Rozenfeld - 5%.

Related party balances:

EUR	2019	2018
Receivables and prepayments		
Parent company	115 426	152 578
Managed investment funds	1 314 085	602 736
Total receivables and prepayments	**1 429 511**	**755 314**

The volumes of transactions with related parties in 2019 and 2018 are as follows:

EUR	2019	2018
Operating expenses		
Parent company	59 472	59 472
Total	**59 472**	**59 472**

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 31.12.2019, AS Trigon Asset Management accounted for interest in amount of 115 426 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 2 643 660 euros (2018: 2 534 935 euros). As of 31 December 2019, the amount owed to Fund Management Company for the fees mentioned above, which is accounted in the balance sheet under Trade receivables, amounted to 1 314 085 euros (2018: 602 736 euros).

Management remuneration

The salaries and bonuses paid to the management (including taxes) amounted to 110 106 euros (2018: 102 848 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 2019, outstanding management fees from Luka Adriatic Property Real Estate Fund were discounted, with net amount of 11 084 euros (2017: 5 321 euros) which is recorded in the income statement line item "Significant impairment of current assets". Impairment net amount includes interest income in amount of 37 378 euros, which is written down at a 10% discount rate amounting to 48 462 euros. An assumption that the management fee receivables will be collected in one year was taken into consideration when calculating the discount.

As of 31.12.2019 AS Trigon Asset Management receivables from Luka Adriatic Property Real Estate Fund had a discounted value in total amount of 451 263 euros (2017: 437 347 euros). For further information, see note 3.

Signatures of the Management board for Trigon Asset Management AS annual report 2019

The Management Board of AS Trigon Asset Management has prepared annual report 2019, 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, 3rd of February 2020

INDEPENDENT AUDITOR'S REPORT

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 2019, 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 2019;
- the income statement for the year then ended; and
- the notes to the abridged financial statements, which include 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.

Translation note

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.

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.

Translation note

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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

3 February 2020

Translation note

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Profit allocation proposal

The Management Board of Trigon Asset Management AS proposes to the General Meeting of Shareholders to distribute 2019 profit as follows:

EUR	31.12.2019
Dividends	1 160 825
Add to retained earnings	73 950

Distribution of sales revenue according to EMTAK classification

Revenue of AS Trigon Asset Management according to EMTAK classification:

EMTAK	Activity	2019	2018
66301	Funds management	2 973 700	2 498 398
Total		**2 973 700**	**2 498 398**