ERSTE ASSET MANAGEMENT Ltd., ZAGREB

Annual Report

for the year ending 31 December 2018

1. BUSINESS AND DEVELOPMENT ACTIVITIES OF THE COMPANY

Company activities

Erste asset management d.o.o., Zagreb, Ivana Lučića 2a (the „Company“) is registered for the activities:

- management of the open-ended funds
- management of alternative investment funds
- portfolio management
- investment advisory.

The Company currently manages:

- nine UCITS funds: Erste Local Conservative, Erste Adriatic Conservative, Erste Adriatic Bond, Erste Adriatic Equity, You Invest Solid, You Invest Balanced, You invest Active, Erste Local Short Term Bond and Erste Adriatic Short Term Bond
- two alternative funds: Erste PB1, Erste Exclusive
- larger number of discretionary managed portfolios of the clients.

The Company`s business results in year 2018

Assets under management grew in 2018, compared to the previous year. Total asset under management of the Company at the year-end was HRK 5,472 million from which HRK 4,320 million refers to UCITS funds, HRK 605 million refers to discretionary portfolio management and HRK 547 million to alternative investment funds.

Company's market share in the total assets of UCITS and alternative investment funds at the end of 2018 was 20,68%. Company took the second position in the market of investment funds. During year 2018 the Company had an increase of asset under management in amount of HRK 253 million. In UCITS fund segment asset decreased for HRK 39 million, in discretionary portfolio segment asset decreased for HRK 11 million while in alternative investment funds segment asset raise for HRK 302 million.

If we consider the total value of open-end investment funds assets with a public offering on the whole market there was increase by 3.34% since the end of 2017 when total UCITS fund market was 18.49 billion HRK and the market share of the Company was 23.56%. At the end of 2018 total UCITS market was 19,12 billion HRK and the market share of the Company was 22,60%. In the segment of alternative investment funds there was a total market growth of 0,41%, while the market share of the Company in this segment was 12,36%

Stable macroeconomic situation contributed to the continued growth and development of investment funds in the Republic of Croatia. Economic growth for the third year is close to 3.0%, and according to most estimates we can expect similar levels in 2019. The number of working-active households has been rapidly decreasing over the last few years, primarily as a result of the opening up of the European Union market after Croatia’s accession. In the same way, the recovery of domestic demand allowed a significant reduction in the unemployment rate, which proved to be one of the few indicators that put Croatia among EU’s lead.

Such a development worked in favor of workers and trade unions whose appetites and negotiating power increased rapidly, and supported by three tax breaks, the average growth in gross earnings exceeded 5.0%. In such circumstances, it is not surprising that personal consumption growth remains the main generator of economic growth with a growth rate of almost 4%. Domestic demand aside, above-average growth in our export markets has enabled strong export contribution to total growth, primarily based on the tourism sector. However, the faster growth in imports as a result of the increase in disposable income in the import-dependent economy and its negative effects on economic growth ultimately resulted in the negative contribution of the foreign sector to the growth of the domestic economy.

In addition to the foreign trade surplus and steady economic growth, a balanced budget (in 2017, for the first time also the budget surplus) is the basis for improving the credit rating of the Republic of Croatia. Given the strong trend in public debt to GDP reduction (currently at around 74.5%), the consensus of market players is that we can expect an investment grade level in 2019.

The Croatian National Bank continues to implement an expansive monetary policy. The foreign trade surplus and consequent surplus euros on the FX market are successfully neutralized by foreign exchange auctions in order to prevent the excessive strengthening of the domestic currency. Throughout 2018, the central bank redeemed a total of EUR 1.8 bn., releasing HRK 13.4 bn. to the market. The high liquidity of the banking sector (current surplus liquidity exceeds HRK 30bn.) supports the continuation of the historically low interest rates on the money market. Throughout 2018, the Ministry of Finance borrowed in Kuna on one-year tenor at an interest rate of 0.09%, and in euro by 0.00%. Neither could yields on the bond market remain unaffected by high liquidity of the financial system. The yield of ten-year bonds denominated in Kunas on an annual basis decreased by 44 bps to close to 2.0%. In such circumstances, refinancing of government liabilities with lower interest costs provides an additional positive tail wind to the state budget.
Despite economic growth and expansive monetary policy, inflationary trends remain below 2%, and no significant acceleration is expected in 2019.

Looking at the funds that the Company has under management, we can state that this year was very successful for our investors as well. Positive return of most funds, in the context of low interest rates, retained the existing and attracted new customers.

Current money market funds (Erste Local Conservative and Erste Adriatic Conservative), which are in the process of transformation due to the application of European regulation on money market funds, have succeeded in preserving client assets despite the zero levels of interest rates on the money market. The bond fund Erste Adriatic Bond continues to be the largest investment fund in the Republic of Croatia with assets of more than HRK 2.5bn. Its FY18 return of 1.17% puts it at the very top of its peer group. Relatively new products in our offer, short-term bond funds, achieved a somewhat smaller return of 0.51% (Erste Adriatic Short Term Bond) and 0.45% (Erste Local Short Term Bond), as a direct consequence of a somewhat stricter limit on taking interest rate risk. Balanced and equity funds recorded a negative return in 2018 due to the negative performance of most equity markets, both in the region and in developed economies. Despite the positive economic development of the domestic economy, the basic characteristic of the stock market remains the illiquidity, so the CROBEX share index fell by 5.1% year-on-year. On the other hand, developed stock markets marked an increase in volatility and were dominated by geopolitical themes (US-China trade war, Brexit, etc.), particularly intense in the last month of the year.

The portfolio management service records a stable interest based on an individualized approach tailored to the needs of each individual client.
In 2019 we expect the continued growth of assets under management with a slightly different structure in-between asset classes with an emphasis on bond and balanced products.
Client wise, institutional and corporate investors hold 49% of all assets of open-end investment funds with public offering, while 51% are retail investors.

Expected development of the Company

The Company will continue to be dedicated to provide high quality asset management through a variety of products in order to achieve growth in the value of the assets under management. The Company shall continue with dedicated work on organizational measures of improving the business, on professional personnel trainings, on technological improvements of operational processes, on development of new products in order to ensure business growth and development.

Human resources

Human resources (employees) are, alongside the assets, the Company's most valuable resource. On 31st December 2018 the Company has 20 full-time employees (31st December 2017: 18).

2. CORPORATE MANAGEMENT

The Company develops and operates in accordance with good corporate governance practice.
Responsible corporate management is a prerequisite to create an added value and is an essential element of a stable and safe business. The Company`s business strategy, business policy, and various internal procedures and business practices are create to contribute the efficiency of the business and good relations with the business environment in which it operates.

Corporate management is established through the Company`s organs, the Assembly, the Supervisory Board and the Management Board.

In accordance with the deed of establishment, Assembly consists of only one member and founder of the Company, Erste Asset Management GmbH, Vienna. The Supervisory Board consists of three members elected by the Assembly of the Company. The Supervisory Board gives consent to the Management Board to determine the Company's business policy, the financial plan of the Company, to the organization of internal control systems of the Company and the risk management system, the annual plan of the Company and other.
Management board of the Company carries out the activities of the Company, defining and implementing business policies, management of the business operations and representing the Company towards the third parties. The Management consists of three (3) members of whom one (1) is appointed as the President. Members of the Board shall conduct the business of the Company using their best effort and in the best interests of the Company, shareholders, customers, employees, and generally the whole community. The Company's Management board is responsible to the Assembly.

Management board members shall not make any decisions based on their personal interests and the interests of the persons with whom they have a close relationship, which is regulated by internal procedures and regulations. The Company has adopted an internal policy on the prevention of conflicts of interest relating not only to the Management board members, but also to all employees. In order to protect the assets of the Company an internal control system has been established. In this way the Company controls the efficiency of operations, reliability of financial reporting and compliance with laws and regulations. Through the system of internal controls the Company monitors and detects operational risks to which the Company is exposed.

3. RISKS EXPOSURE

For the purpose of prudent risk management, the Company has set up a risk management system that is based on the size of the Company, its core business activities and the risk profile, which consists of organizational requirements, strategies, procedures and risk management measures that the Company is exposed or could be exposed in its business.

The Company identified several risk groups which could affect the Company's business:

Operational risk

The Company is exposed to operational risk through its regular operations. Operational risk is the risk of loss due to inadequate or unsuccessful internal procedures or systems due to human error, fraud or external influences (such as natural disasters), and due to a lack of compliance with the applicable legal regulations. Human errors refer to the possibility of errors occurring during business processes, such as errors in dealing with transaction and / or settlement of transactions or errors in the process of asset valuation. Fraud and theft are related to the possibility of intentional illegal conduct.

The basis for operational risk management is the process analysis within the Company and the identification of potential operational risks to certain categories. Based on the analysis, the Company determines whether some measures to reduce the level of risk in certain processes need to be implemented or not.

At quarterly level, the Company's Management Board receives reports on events that can be qualify as operational risk. The base of losses due to operational risk is monitored, in which all realized losses and possible losses due to operational risk are monitored according to guidelines and terminology of the Basle Committee and the CNB regarding classification of events in the database.

Risks Affecting the Management of Financial Assets of the Company

- Credit risk
- Liquidity risk
- Risk of changing the price of financial instrument

Certain portion of the profit is realized by the Company through investments in financial assets. In accordance with legal limits and with internally agreed strategy, the Company invested financial assets solely in low-risk instruments such as government bonds, deposits at domestic banks, money market funds, and the REPO operations, agreed with domestic financial institutions. The Company actively monitors all these risks, and according to all of these risks defines its investment policy.

Company specially monitors events that could affect strategic risk, reputation risk and the conflict of interest risk.

Concerning all these risks, the Company accepts a low level of risk

4. FINANCIAL RESULTS OF THE COMPANY

Statement of comprehensive income

The Company had HRK 1.63 million of net profit in 2018

Total revenues of the Company are HRK 49.08 million. The total revenue from the management fee in the amount of HRK 40.38 million primarily comes from bond funds 66%, followed by individual portfolio management service 15%, then from money market funds 7%, from the equity funds 6% and the rest is distributed through other products. Income from financial activities amounted HRK 0.56 million, entrance and exit fee and other income amounted HRK 0.42 million.

Total expenses of the Company are HRK 47.06 million out of which HRK 22.54 million are the costs for distribution channels while other expenses are related to asset management and administrative costs.

Report on financial position on 31th December 2018

The Company's assets at the end of 2018 amounted HRK 26.10 million, and consists of a HRK 1.07 million of fixed intangible and tangible assets, HRK 6.98 million of long-term financial asset and HRK 18.05 million of current assets. Current assets consist of placements at banks and short-term receivables.

The Company's capital at the end of 2018 consists of the registered capital in the amount of HRK 5 million, undistributed profit in the amount of HRK 10.96 million and profit in 2018 of HRK 1.63 million.

The Company's liability in the amount of HRK 8.52 million are related to short-term liabilities for distributions fees, accounts payable, employee benefit liabilities and other liabilities.

The Company has liabilities for contracted leases of business space and cars in the amount of HRK 2.68 million spread through the next five years.

5. OTHER INFORMATIONS

There were no business events that significantly influenced the operations of the Company after year end.

Josip Glavaš	Snježana Šalković Dasović	Miroslav Jurišić
President of the Management board	Management board member	Management board member

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that the financial statements are prepared for each financial year in accordance with International Financial Reporting Standards as adopted in the EU ("the IFRS"), which give a true and fair view of the financial position and results of Erste Asset Management Ltd., Zagreb (the "Company") for that period.

The Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board of the Company continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Management Board of the Company, include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Management Board of the Company is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and must also ensure that the financial statements comply with the IFRS. The Management Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Moreover, in accordance with the Accounting Act, the Management Board is obliged to prepare an Annual Report comprising the financial statements and the Management Report. The Management Report was prepared in line with the requirements of Article 21 of the Accounting Act.

Signed on behalf of the Management Board:

Josip Glavaš	**Snježana Šalković Dasović**	**Miroslav Jurišić**
President of the Management board	**Management board member**	**Management board member**

Erste Asset Management Ltd.
Ivana Lučića 2a
10000 Zagreb
Republic of Croatia

25 January 2019

Independent Auditor's Report

To the Owner and Management Board of Erste Asset Management d.o.o.:

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Erste Asset Management d.o.o. (the "Company") as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in European Union ("IFRS").

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

The Company's financial statements comprise:

- the statement of comprehensive income for the year ended 31 December 2018;
- the statement of financial position as at 31 December 2018;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the 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 Financial Statements* section of our report.

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

Independence

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

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014, and furthermore, we have not provided any non-audit services to the Company in the period from 1 January 2018 through 31 December 2018.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Recognition of fee revenue *See note 4 to the financial statements under heading Funds management fee and note 2 under heading Summary of significant accounting policies for further information* The Company has recognised revenue of HRK 42.3 million for the period ended 31 December 2018, including revenue from funds management (HRK 35.0 million) and portfolio management (HRK 7.3 million). Although the transactions within the revenue streams are unified and revenue recognition is not complex, we focused on this area due to the significance of these items to the Company's financial statements.	Our audit approach to revenue was based on substantive audit testing of transactions as described below. For the total population of transactions each day, we recalculated the funds management fee by multiplying each fund's net asset value ("NAV") with the management fee percentage at a given date. We compared the management fee percentage used in the calculation for each fund with the fund's prospectus. We also traced the revenue transactions to the bank statements to confirm the fees were paid by the funds. We found no material differences arising from our work. We tested portfolio management fees on a sample basis by recalculating monthly fees the Company charges its clients. We compared the management fee percentage for individual investors with their respective contracts with the Company. We also traced the selected sample of revenue transactions to the bank statements to confirmed the fees were paid. We found no material differences arising from our work.

Other information

Management is responsible for the other information. The other information comprises the Annual Report of the Company, which includes the Management Report, but does not include the financial statements and our independent auditor's report thereon.

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

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

With respect to the Management Report, we also performed procedures required by the Accounting Act in Croatia. Those procedures include considering whether the Management Report includes the disclosures required by Article 21 of the Accounting Act.

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

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of Article 21 of the Accounting Act.

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

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted in the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our independent auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company on 18 May 2017. Our engagement appointment for 2018 is our second year as the auditors of the Company. The General Assembly appointed us as of 30 January 2018.

Other legal and regulatory requirements

Pursuant to Ordinance on structure and contents of financial statements and other reports of companies managing UCITS funds (Official Gazette: 105/2017) and Ordinance on structure and content of annual and semi-annual financial reports and other reports of alternative investment fund management companies (Official Gazette: 105/2017; further "Ordinances"), the Company's Management Board prepared statements shown on pages 35 to 39 under headings Statement of financial position, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year ended 31 December 2018. Preparation of these statements is responsibility of the Company's Management Board and the statements are not integral part of these financial statements, but contain information in accordance to Ordinances. Financial information in the statements are derived from the financial statements of the Company prepared in accordance with International Financial Reporting Standards as adopted in European Union presented on pages 7 to 34 and adjusted in accordance with the Ordinances.

The certified auditor engaged as partner on the audit resulting in this independent auditor's report is Marija Mihaljević.

PricewaterhouseCoopers d.o.o.

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
25 January 2019

Siniša Dušić	Marija Mihaljević
Member of the Board	Certified auditor

This version of our report is a translation from the original, which was prepared in Croatian language. 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.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(all amounts are expressed in thousands of Kuna)

	Notes	2018.	2017.
Income			
Management fee for funds	4	35,016	33,512
Portfolio management fee		7,280	6,570
Other financial income		539	455
Entrance and Exit fee		11	133
Other operating income		31	7
		42,877	**40,677**
Expenses			
Service expenses	5	(30,406)	(27,130)
Staff expenses	6	(8,325)	(9,149)
Other operating expenses	7	(1,825)	(1,771)
Depreciation	-	(221)	(207)
Cost of materials		(80)	(110)
		(40.857)	**(38,367)**
Profit before tax		**2,020**	**2,310**
Income tax	8	(394)	(453)
Profit for the year		**1,626**	**1,857**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**1,626**	**1,857**

The accompanying accounting policies and notes are an integral part of these financial statements.

Signed on behalf of the Company on 25 January 2019:

Josip Glavaš	**Snježana Šalković Dasović**	**Miroslav Jurišić**
President of the Management board	**Management board member**	**Management board member**

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(all amounts are expressed in thousands of Kuna)

	Notes	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Equipment		75	66
Intangible assets	9	999	421
Financial asset held to maturity	10	-	10,752
Financial asset at amortized cost	10	6,980	-
Total non-current assets		**8,054**	**11,239**
Current assets			
Receivables	11	5,012	4,725
Cash and bank balances	12	13,036	10,189
Total current assets		**18,048**	**14,914**
Total assets		**26,102**	**26,153**
EQUITY AND LIABILITIES			
Equity	13	5,000	5,000
Issued capital	13	1,626	1,857
Retained earnings	13	10,959	10,963
Total equity		**17,585**	**17,820**
Liabilities			
Accrued expenses	14	2,770	3,092
Other current liabilities	15	5,747	5,241
Total liabilities		**8,517**	**8,333**
Total equity and liabilities		**26,102**	**26,153**

The accompanying accounting policies and notes are an integral part of these financial statements.

Signed on behalf of the Company on 25 January 2019:

Josip Glavaš	**Snježana Šalković Dasović**	**Miroslav Jurišić**
President of the Management board	**Management board member**	**Management board member**

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(all amounts are expressed in thousands of Kuna)

	Issued capital	Retained earnings	Total
Balance as at 31 December 2016	**5,000**	**13,107**	**18,107**
Total comprehensive income	-	1,857	1,857
Profit distribution to the equity holder	-	(2,144)	(2,144)
Balance as at 31 December 2017	**5,000**	**12,820**	**17,820**
Effect of IFRS 9 adoption (Note 3a)	-	**(4)**	**(4)**
Total comprehensive income	-	1,626	1,626
Profit distribution to the equity holder	-	(1,857)	(1,857)
Balance as at 31 December 2018	**5,000**	**12,585**	**17,585**

The accompanying accounting policies and notes are an integral part of these financial statements.

Signed on behalf of the Company on 25 January 2019:

Šalković

Josip Glavaš

President of the Management board

Snježana Šalković Dasović

Management board member

Miroslav Jurišić

Management board member

(all amounts are expressed in thousands of Kuna)

	2018.	2017.
Cash flows from operating activities		
Profit before tax	2,020	2,310
Adjustments for:		
Interest income	(211)	(402)
Depreciation	221	207
Realized gains on sale of securities	(325)	-
	1,705	*2,115*
Movements in working capital		
(Increase)/ Decrease in other receivables	(286)	(409)
Increase/(Decrease) in current liabilities	578	1,328
Increase/(Decrease) in accrued expenses	(196)	504
Income tax paid	(624)	(618)
Net cash used by operating activities	**1,177**	**2,920**
Cash flows from investing activities		
Interest received	211	402
Payments for equipment	(47)	(26)
Payments/(Receipts) for investments in Government bonds	-	24
Payments for intangible assets	(761)	(280)
Net cash receipts from sale of securities	4,124	-
Net cash from investing activities	**3,527**	**120**
Cash flows from financing activities		
Profit distribution to the owners	(1,857)	(2,144)
Net cash used in financial activities	**(1,857)**	**(2,144)**
Net increase in cash and bank balances	**2,847**	**896**
Cash and bank balances at beginning of the year	**10,189**	**9,293**
Cash and bank balances at end of the year	**13,036**	**10,189**

The accompanying accounting policies and notes are an integral part of these financial statements.

Signed on behalf of the Company on 25 January 2019:

Josip Glavaš	**Snježana Šalković Dasović**	**Miroslav Jurišić**
President of the Management board	**Management board member**	**Management board member**

1. GENERAL

Activity

Erste Asset Management Ltd., registered in Zagreb, Ivana Lučića 2a (the "Company"), is an investment fund management company. The Company was registered at the Commercial Court in Zagreb on 31 July 1998. The Croatian Securities Exchange Commission issued the operating license to the Company on 19 October 2000.

The Croatian Securities Exchange Commission issued an approval to the Company to establish and manage the open-end investment fund; Erste International on 18 January 2001. The Croatian Financial Services Supervisory Agency approved a change in name from Erste International to Erste Balanced on 24 March 2006.

The Croatian Securities Exchange Commission issued an approval to the Company to establish and manage the open-end investment funds; Erste Money and Erste Bond on 10 April 2003.

The Company was designated as the management company of the Croatian Homeland War Veterans Fund and their Family Members by decision of the Steering Committee of the Croatian Homeland War Veterans Fund and their Family Members on 14 December 2004. The Fund started to operate 12 April 2005.

The Croatian Securities Exchange Commission issued an approval to the Company to establish and manage the open-end investment fund Erste Adriatic Equity on 8 September 2005.

The Croatian Financial Services Supervisory Agency issued an approval to the Company to establish and manage the open-end investment fund Erste Total East on 20 September 2007.

The Croatian Financial Services Supervisory Agency issued an approval to the Company to establish and manage the open-end investment fund with private placement Erste Elite and Erste Exclusive on 19 June 2008.

On 13 September 2007, the Croatian Financial Services Supervision Agency passed a decision permitting the establishment and management of the investment fund Erste Conservative, which started up on 22 September 2009. Pursuant to the decision of the Croatian Financial Services Supervision Agency of 1 October 2009, the Fund changed its strategic orientation from a bond to a cash fund, as well as its name to Erste Euro-Money.

On 28 January 2010, the Croatian Financial Services Supervision Agency passed a decision granting to Erste-invest the authorization to perform the activities specified in Article 5 Paragraphs 1.4 and 1.5 of the Capital Market Act concerning the provision of investment services:

- portfolio management
- investment advisory services.

Thus, the Company is licensed to perform the above-mentioned investment services involving the financial instruments referred to in Article 3 Paragraph 1.2 of the Capital Market Act

1. GENERAL (CONTINUED)

Activity (continued)

On 28 December 2012 the Croatian Financial Services Supervisory Agency issued a decision approving the merger of open-end investment funds with public offer Erste Total East and Erste Balanced with open-end investment fund with public offer Erste Adriatic Equity. According to the decision of the Company's management, the merger will be carried out on 11 January 2013.

On 20 June 2013, the Croatian Financial Services Supervision Agency passed a decision permitting the establishment and management of the investment fund Erste Adriatic Bond, which started up on 28 June 2013.
Following the business policy of the Group to be present on all markets under the same name, in November 2013, the company changed its name from Erste – Invest Ltd. to Erste Asset Management Ltd.

On 31 January 2014 the Croatian Financial Services Supervisory Agency issued a decision permitting the merger of two open-end investment fund with public offering Erste Bond and Erste Adriatic Bond. According to the decision of the Company's management, the merger was carried out on 14 March 2014.

On 05 November 2014, the Croatian Financial Services Supervision Agency passed a decision permitting the establishment and management of the three new open-end investment funds with public offering You invest Solid; You invest Balanced and You invest Active. These funds started to operate on 24th December 2014.

The Company signed an agreed termination of the asset management contract for War Veterans Fund with the Steering Committee of the War Veterans Fund. The Steering Committee of the War Veterans Fund by the decision on 17 September 2015, elected a new Fund Management Company Hypo Alpe-Adria-Invest dd
On 14 October.2015 Company transferred asset management of the War Veterans Fund to the Hypo Alpe-Adria-Invest dd.

Management board of the Company adopted a decision on 15 December.2015 about changing the rules of Erste Elite and changing the Fund`s name to Erste PB1 and sets a new value of the fund`s unite at 100 euros.
The decision came into force on 18 December 2015.

On 16. December 2016, The Company got approval from HANFA to launch two new funds Erste Adriatic Short Term Bond and Erste Local Short Term Bond. Funds started up on 09. January 2017.

In July 2018, the Company changed the names of the Erste Money open-end investment fund to the Erste Conservative and the name of the open-end investment fund Erste Euro-Money to the Erste Adriatic Conservative.

1. GENERAL (CONTINUED)

List of funds managed by the Company:

Erste Local Conservative, Erste Adriatic Conservative, Erste Adriatic Bond, Erste Adriatic Equity, Erste PB1, Erste Exclusive, You invest Solid, You invest Balanced, You invest Active, Erste Local Short Term Bond and Erste Adriatic Short Term Bond.

Management Board:

Josip Glavaš	President	from 3 February 2003
Snježana Šalković Dasović	Member	from 5 November 2004
Miroslav Jurišić	Member	from 17 December 2007

Supervisory Board:

Heinz Bednar	President	from 1 October 2013
Adrianus Janmaat	Vice president	from 19 May 2016
Ivica Smiljan	Member	from 21 October 2016

General Assembly is consisted of one member Erste Asset Management GmbH Vienna.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Company maintains its books and accounts in the Croatian kuna (HRK) and in accordance with the Croatian Accounting Act as well as the accounting principles and practices adopted by enterprises in Croatia.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in the EU (the "IFRS").

Basis of preparation.

These financial statements have been prepared under the historical cost convention. Apart from the accounting policy changes resulting from the adoption of IFRS 9 effective from 1 January 2018, these policies have been consistently applied to all the periods presented, unless otherwise stated (Note 3a). The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in Note 3 c).

Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses as well as disclosures of off-balance sheet items at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements of significant uncertainty and critical judgements in the application of accounting policies that significantly affect the financial statements are provided under the summary of significant accounting policies.

Functional and presentation currency

The financial statements are presented in Croatian kuna (''HRK''), which is the Company's functional currency. All financial information presented in Croatian kuna has been rounded to the nearest thousand. The effective exchange rate at 31 December 2018 was HRK 7.417575 EUR 1 (2017: HRK 7.513648).

(all amounts are expressed in thousands of Kuna)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue arising in the course of the Company's ordinary activities is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control over promised services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognised net of discounts and value added taxes. Revenue from service is recognized in the period in which the services are delivered.

Revenue from managing of open end investment funds

The Company recognizes management fees as revenue on a daily basis over the period earned. The exit fee revenues are recognized when units are sold as percentage of sold unit value.

The Company charges a management fee to the Erste open end investment calculated on the total fund assets decreased for the value of liabilities from securities transactions. The exit fee is charged in accordance with fund's Prospectus. The breakdown of the fees charged in 2018 by the Company to Erste open-end investment funds is presented below:

Erste open end investment fund	**Management fee (%)**	**Exit fee (%)**	**Entrance fee (%)**
Erste Local Conservative	0,60	-	-
Erste Adriatic Equity	2,00	0,00 - 2,00	-
Erste Adriatic Conservative	0,50	0,00 - 2,00	-
Erste Adriatic Bond	1,30	0,00 - 1,00	-
You Invest Solid	1,25	-	0,50
You Invest Balanced	1,50	-	1,00
You Invest Active	1,75	-	1,50
Erste Adriatic Short Term Bond	0,50	0,00 – 1,00	-
Erste Local Short Term Bond	0,70	0,00 – 0,50	-

In 2018 for under mention funds, management fee was changed through the following periods:

Erste open end investment fund	**Period**		**Rate**
	from	**to**	**%**
	01.01.18	31.01.18	0,50
Erste Money – Erste Local Conservative	01.02.18	31.08.18	0,15
	01.09.18	31.12.18	0,25
Erste Euro-Money – Erste Adriatic Conservative	01.01.18	31.08.18	0,25
	01.09.18	31.12.18	0,35
	01.01.18	31.01.18	0,50
	01.02.18	31.08.18	0,30
Erste Adriatic Short Term Bond	01.09.18	31.12.18	0,40
	01.01.18	31.01.18	0,70
Erste Local Short Term Bond	01.02.18	31.08.18	0,30
	01.09.18	31.12.18	0,40

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from portfolio management

The Company charges a portfolio management fee and an incentive fee for the portfolio management in accordance with the following price list, which are increased by appropriate taxes.

Type of fee	**Abbreviation used in the General Terms and**	**Aggressive strategy**	**Moderate Strategy**	**Conservative strategy**	**Ultra-conservative strategy**
Type of fee in %		**A**	**B**	**C**	**D**
Portfolio management fee	(P1)	2	1,3	1	1
Incentive fee	(P2)	10	10	5	5
Front-end fee	(P3)	-	-	-	-
Exit fee in the first year	(P4)	1	1	1	1

Interest income

Interest is recognized in the statement of comprehensive income by reference to the principal outstanding and on accrual basis using the interest method. Interest income includes interest income from sight deposits, term deposits and interests from bonds securities.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated to Croatian Kuna by applying the mid exchange rate of the Croatian Central Bank effective on the statement of financial position date. Income and expenditure in foreign currencies are translated at rates effective on the transaction date. Realized gains and losses on translation of foreign currency statement of financial position items are included in the statement of comprehensive income. Foreign currency gains and losses related to securities at fair value through profit and loss are included in the statement of comprehensive income as part of realized and unrealized gain/losses.

Income tax

The Company's current tax liability is calculated by applying the 18% tax rate to the taxable profit. Taxable result differs from accounting result as reported in the statement of comprehensive income because it excludes items of income or

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Deferred taxes, if any, are provided for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using the liability method. Provisions are determined for the entire amount of deferred tax liabilities. Deferred tax assets are recorded to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilized. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Equipment

Equipment is stated at cost less accumulated depreciation.
Depreciation is provided under the straight-line method over the estimated useful life from 4 to 5 years based on the type of the equipment. The gain or loss arising on the disposal or retirement of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in statement of comprehensive income.

Intangible assets

Intangible assets with finite useful life are stated at purchase cost less accumulated amortization. Amortization is provided under the straight-line method over the estimated useful life.
It has been determined that the customer list has indefinite useful life so there is no amortization of the customer list. Therefore customer list is subject to annual impairment test.
The gain or loss arising on the disposal or retirement of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in statement of comprehensive income.

Impairment of equipment and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists and in any case for intangible assets with infinite useful life, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.
If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit and loss, unless the relevant asset is carried at a revalue amount, in which case the impairment loss is treated as a revaluation

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash and bank balances

Cash and cash equivalents include cash in bank and in hand. It consists of cash in current accounts denominated in Croatian kuna and foreign currency and is carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent solely payment of principal and interest, and (ii) they are not designated at fair value through profit or loss.

Receivables

Receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

Financial instruments

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC resulting in an immediate accounting loss.

The Company classifies financial assets in the measurement category at amortized cost (AC). The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Where the business model is to hold assets to collect contractual cash flows, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or (c) o the Company does not transfer substantially all the risks and rewards of ownership of the assets but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets impairment – credit loss allowance for ECL.
The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC..The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes,
- time value of money and
- all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL.

The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at 12 Months ECL". If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Company makes payments to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Company does not have any other pension scheme and consequently, has no other obligations in respect of employee pensions. In addition, the Company is not obliged to provide any other post-employment benefits.

Bonus plans

A liability for employee bonuses is recognized in provisions based on the Company's formal plan and when past practice has created a valid expectation by the Management Board that they will receive a bonus and the amount can be determined before the time of issuing the financial statements. Liabilities for bonus plans are expected to be settled within 12 months of the balance sheet date and are measured at the amounts expected to be paid when they are settled.

Retirement allowances and jubilee awards

The obligation and costs of retirement benefits and jubilee awards are determined using a projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Certain actuarial assumptions were made by the Management in this assessment.

3. ACCOUNTING STANDARDS

(a) New and amended standards adopted by the Company:

The Company has adopted the following new and amended standards for their annual reporting period commencing 1 January 2018 which were endorsed by the European Union and which are relevant for the Company's financial statements:

- *IFRS 9 Financial instruments and associated amendments to various other standards (effective for annual periods beginning on o rafter 1 January 2018)*

By adopting the standard, financial assets held to maturity are reclassified to financial assets at amortized cost and continued to be measured at amortized cost. Furthermore, by adopting the standard, cash and cash equivalents and receivables continued to be measured at amortized cost using the effective interest rate method. The implementation of the standard resulted in the recognition of impairment losses on financial assets at amortized cost (investment in bonds) in the amount of HRK 4 thousand, which is recognised in equity and reserves of the Company. By adopting the standard, financial liabilities measured at amortized cost before 1 January 2018, continued to measure in the same way.

- *IFRS 15 Revenue from contracts with customer and associated amendments to various other standards (effective for annual periods beginning on or after 1 January 2018)*

The adoption of the standard did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards and interpretations not yet adopted:

Certain new standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

- *IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019, early adoption is permitted only if IFRS 15 is adopted at the same time)*

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company decided that it will apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives. Right-of-use assets for property leases are measured on transition as if the new rules had always applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued expenses).

3. ACCOUNTING STANDARDS (continued)

During 2018, the Company has reviewed all of the leasing arrangements in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Company's operating leases.

As at the reporting date, the Company has non-cancellable operating lease commitments of HRK 2,704 thousand. Of these commitments, approximately HRK 663 thousand relate to short-term leases and HRK 24 thousand to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

The Company expects to recognise right-of-use assets and lease liability of approximately HRK 2,681 thousand on 1 January 2019,

The Company does not expect significant impact on the net profit after tax will as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows decrease by approximately HRK 663 thousand as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Company's activities as a lessor are not material and hence the Company does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

- *IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).*

IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty.

An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Company is currently assessing the impact of the interpretation on its consolidated financial statements.

3. ACCOUNTING STANDARDS (continued)

- *Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).*

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

- *Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).*

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Company is currently assessing the impact of the amendments on its financial statements.

(c) Standards and interpretations that were effective on 31 December 2017:

The Company classifies its financial assets into the following categories: loans and receivables and held-to-maturity financial assets. Classification depends on the purpose for which the financial asset has been acquired. Management classifies financial assets at initial recognition and estimates that classification at each reporting date.

Loans and receivables

Loans and receivables represent non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. It is stated in the context of short-term assets, except for assets with maturities of more than 12 months after the balance sheet date. Such assets are classified as non-current assets. Loans and receivables include receivables from customers, deposits, loans other receivables and cash and cash equivalents.

Financial instruments held to maturity

These financial instruments are introduced in the balance sheet at fair value plus transaction.

Re-measurements of financial instruments in the portfolio held to maturity are doing at amortized cost using the effective interest method. The effects of the subsequent measurement are reflected in the income statement.

3. ACCOUNTING STANDARDS (continued)

Interest earned on instruments in the portfolio held to maturity is calculated on a daily basis and reported in the income statement as part of interest income.

Trade date accounting

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date the Company commits to purchase the asset.

Trade date accounting refers to (a) the recognition of an asset to be received and the liability to be settled on the trade date and (b) the derecognition of an asset that is sold and the recognition of a receivable from the buyer for the payment on the trade date. Generally, interest is not accrued until the settlement date.

Derecognition of the financial instruments

Derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold.

Impairment

At each balance sheet date, the Company assesses whether there is objective evidence of impairment of the financial asset or group of financial assets. The value of a financial asset or group of financial assets is impaired and impairment losses arise if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ('loss event') and if that the event (or events) of the loss occurs has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Impairment is carried out when there is objective evidence that the Company will not be able to collect all its receivables or realize debt securities in accordance with agreed terms. The amount of the allowance is determined as the difference between the carrying amount and the recoverable amount of the receivable and represents the present value of the expected cash inflows discounted using the effective interest rate. Amounts to allowance are stated in the statement of comprehensive income.

(all amounts are expressed in thousands of Kuna)

4. MANAGEMENT FEE FOR FUNDS

	2018.	2017.
Erste Adriatic Bond	26,222	18.851
Erste Local Conservative	1,892	6.092
Erste Adriatic Conservative	1,106	1.909
Erste Adriatic Equity	2,563	4.203
Erste PB1	1,843	1.023
You Invest Solid	255	250
You Invest Active	147	167
Erste Exclusive	93	171
You Invest Balanced	215	176
Erste Local Short Term Bond	296	203
Erste Adriatic Short Term Bond	384	467
	35,016	**33.512**

5. SERVICE EXPENSES

	2018.	2017.
Exit and trailer fee		
Trailer fee – portfolio management	22,575	20.176
Cost of maintenance	4,628	4.182
Rental expenses	966	913
Providers of financial information	850	731
Lease expenses	389	330
Post and phone expense	128	122
Audit services	85	91
Marketing expense	105	77
Consultancy services	82	166
Other cost of services	598	341
	30,406	**27.130**

The Company pays to Erste & Steiermaerkische Bank (the “Bank”) an exit and trailer fee for the intermediation in the sale of units in Erste open-end investment funds. The Bank charges an exit fee and a trailer fee on units sold through the Bank.

(all amounts are expressed in thousands of Kuna)

6. STAFF EXPENSES

	2018.	2017.
Net salaries	3.282	3.187
Taxes and contributions from and on salaries	2.883	2.932
Bonuses	2.160	3.030
	8.325	**9.149**

Payroll costs include HRK 250 (in 2017: HRK 244) of defined pension insurance benefits paid or calculated for payment to mandatory pension funds. The number of staff employed by the Company as at 31 December 2018 was 21 (18 as at 31 December 2017). Management Board's compensations are also included in payroll costs. Costs of bonuses are variable rewards for success. Bonuses paid during 2018 are related to the three board member in the amount of HRK 1.359 (2017: HRK 1.226) and 18 full-time employees in the amount of HRK 869 (2017: HRK 601).

7. OTHER OPERATING EXPENSES

	2018.	2017.
Representation and promotion	344	362
Cost of business trips (inland and abroad)	330	339
Fees to regulatory bodies	136	146
Fee for referring clients to Discretionary Portfolio Management services	276	207
Employees	275	193
Cost of energy utilities	196	193
The contribution to the Fund for the protection of investors	111	106
Professional training	72	89
Donations and sponsorships	17	46
Insurance premium	21	21
Other operative expenses	47	69
	1,825	**1,771**

(all amounts are expressed in thousands of Kuna)

8. CORPORATE INCOME TAX

Domestic income tax in 2018 is calculated as 18% of the taxable profit for the year. The Company had no tax losses available to be carried forward as at 31 December 2018. For the year ended 31 December 2018 the Company has estimated a current tax liability of HRK 410 per initial draft of the tax return. For 2017, the Company reported current tax expense of HRK 652 thousand in its financial statements, and deferred tax from 2016 in the amount of HRK 205. In 2018 current tax expense per initial draft of the tax return is HRK 410, with deferred tax HRK 16. Deferred tax costs refers to amounts of temporary differences in tax return. Deferred tax asset in 2017 was adjusted for HRK 6 as effect of changes in income tax rates from 20% to 18% for next period and in final tax return, amount of HRK 6 as effect of changes in income tax rates affected result.

The following table compares the profit tax shown in the Profit and Loss Account with profit/loss before tax multiplied by the nominal tax rate applicable in the Republic of Croatia.

	2018.	**2017.**
Profit before tax	2,020	2,310
Income tax at the statutory tax rate 18%	364	416
Impact of tax relief and other items that affect the tax base decrease	(128)	(2)
Increase in taxes due to tax nondeductible costs	174	238
Current income tax	**410**	**652**
Deferred tax from temporary differences	(16)	(205)
Impact of tax rate change (from 20% to 18% on deferred tax)	-	6
Total tax expenses in the profit and loss	**394**	**453**
Effective tax rate	**20,30%**	**28,25%**
Paid annual income tax allowance	669	618

(all amounts are expressed in thousands of Kuna)

9. INTANGIBLE ASSETS

	Total
COST	
As at 31 December 2016	**3,858**
Additions	281
As at 31 December 2017	**4,139**
Additions	**761**
As at 31 December 2018	**4,900**
DEPRECIATION	
As at 31 December 2016	**3,551**
Charge for the year	167
As at 31 December 2017	**3,718**
Charge for the year	183
As at 31 December 2018	**3.901**
CARRYING AMOUNT	
As at 31 December 2017	**421**
As at 31 December 2018	**999**

Other intangible assets relate to software and leasehold improvement.

As at 31 December 2018 and as at 31 December 2018 the Company has performed impairment testing of assets.

No assets have been pledged as security as at 31 December 2018 and as at 31 December 2017.

(all amounts are expressed in thousands of Kuna)

10. FINANCIAL ASSETS

Series	Currency	Interest rate %	Maturity date	Accrued interest	Cost	Amortization premiums	Interest income	Value
31 December 2018 – Financial assets at amortized cost								
RHMF-O-217A8	HRK	2,75	08.07.2021.	92	6,968	6	199	6.980
								6,980
31 December 2017 – Financial asset held to maturity								
RHMF-O-217A8	HRK	2,75	08.07.2021.	92	6,968	6	192	6,978
RHMF-O-19BA	EUR	5,375	29.11.2019.	18	3,873	-31	201	3,774
								10,752

11. RECEIVABLES

	31 December 2018	**31 December 2017**
Receivables for management fee for funds	3,689	3,240
Receivables for management fee for portfolios	771	773
Other receivables	552	712
	5,012	**4,725**

Receivables are not older than 30 days. The Management Board assessed all of receivables and have not estimated any impairment.

12. CASH IN BANK

	31 December 2018	**31 December 2017**
Bank account balance- domestic currency		
Erste & Steiermaerkische Bank d.d.	2.060	10,137
Other banks	3	3
Bank account balance- foreign currency		
Erste & Steiermaerkische Bank d.d.	10.971	47
Petty cash balance	2	2
	13.036	**10,189**

Interest rates in domestic currency on cash accounts was 0.10% till October, from October it is 0.01%. Interest rates on foreign currency accounts are 0%.

(all amounts are expressed in thousands of Kuna)

13. ISSUED CAPITAL

Capital as at 31 December 2018 consists of subscribed capital in amount of HRK 5,000 (2017: HRK 5,000), retained earnings in amount of HRK 10,963 (2017: HRK 10,963) and profit for the year in amount of HRK 1,627 (2016: HRK 1,857). Sole owner of the Company is Erste Asset Management Management G.m.b.H., Vienna. During 2018 the Company has disbursed total of HRK 1,857 to the sole owner from retained earnings (2017: HRK 2,144).

14. ACCRUED EXPENSES

	31 December 2018	**31 December 2017**
Accrued bonuses	2,770	3,092
	2,770	**3,092**

15. OTHER CURRENT LIABILITIES

	31 December 2018	**31 December 2017**
Agent commission payable towards the Bank	2,065	1,807
Due to employees	1,838	1,567
Liabilities to State	22	329
Liabilities for distributors	771	667
Other liabilities	1,051	871
	5,747	**5,241**

16. OPERATING LEASE

The Company as lessee:	**31 December 2018**	**31 December 2017**
Minimum lease payments recognized in expense for the year	**128**	**122**

At the reporting date, the Company had outstanding commitments under non-cancellable leases, which fall due as follows:

	Within one year	**In the second to fifth years inclusive**
Cars	95	217
Business space	568	1,801
	663	**2,018**

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has different kinds of financial assets such as receivables from the Fund, bonds, cash and short term deposits. The main risks to the Company are interest rate risk, liquidity risk, foreign exchange risk, credit risk and operational risk. The Management reviews and determines management policies for governance of all mentioned risks as presented below:

- Risks Affecting the Management of Financial Assets of the Company
  - Credit risk
  - Liquidity risk
  - Risk of changing the price of financial instrument

Credit risk

Credit risk is the risk to loss assets value which is invested in debt securities, money market instruments or deposits due to default of a debt securities issuer or a bank. Credit risk also includes the risk of decreasing in the value of a debt instrument due to decreasing in the rating of the issuer's credit rating. The Management believes that exposure to this type of risk is not significant as it is about government bonds and deposits with reputable banks. At December 31, 2018, the bank with which the Company has a current account has no credit rating, but the rating of the parent bank is A according to Standards & Poor (as at 31 December 2017: A)

As at 31 December 2018, the Company has no outstanding and unpaid claims (as at 31 December 2017 the Company had no due and unpaid claims).

Liquidity risk

Liquidity risk is the risk of loss due to the inability to sell a certain amount of financial instrument at a market price caused by a market disturbance or insufficient depth of market. For the purpose of liquidity risk management, the Company applies an active asset management / liquidity management policy, including financial and cash flows, in order to align cash inflows and outflows. Given that the Company has no financial obligation and has a significant amount of money and short-term investments, the Management believes that the risk is insignificant.

Risk of changing the price of financial instrument

The risk of changing the price of financial instrument represents the risk of falling market value of the individual financial instrument in which the Company's assets are invested. By limiting investment in debt securities of Croatia’s state, deposits and short-term bond funds, i.e. low-volatility-class assets, and inactive trading, the Company secured a low risk.

Operational risk

The Company is exposed to operational risk through its regular operations. Operational risk is the risk of loss due to inadequate or unsuccessful internal procedures or systems due to human error, fraud or external influences (such as natural disasters), and due to a lack of compliance with the applicable legal regulations. Human errors refer to

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

the possibility of errors occurring during business processes, such as errors in dealing with transaction and / or settlement of transactions or errors in the process of asset valuation. Fraud and theft are related to the possibility of intentional illegal conduct.

The basis for operational risk management is the process analysis within the Company and the identification of potential operational risks to certain categories. Based on the analysis, the Company determines whether some measures to reduce the level of risk in certain processes need to be implemented or not.

At quarterly level, the Company's Management Board receives reports on events that can be qualify as operational risk. The base of losses due to operational risk is monitored, in which all realized losses and possible losses due to operational risk are monitored according to guidelines and terminology of the Basle Committee and the CNB regarding classification of events in the database.

Capital management

The Company manages its capital to be able to pay out dividends to its owners. There were no changes in goals, policies or procedures during 2018 and 2017.

The Company maintains an actively managed capital base to cover risks in the business. The maintenance of the Company’s capital is monitored also by rules established by the Croatian Financial Services Supervisory Agency which require that capital of the investment fund management company shall at any time be equal to or higher than the higher of the following two amounts: 1) HRK 2,573 (minimal amount of the share capital required by the Investment Funds Act) and 2) HRK 2,774 (one quarter of general costs from the previous business year).

There were no changes in goals, policies or procedures during 2018 and 2017.

(all amounts are expressed in thousands of Kuna)

18. RELATED PARTIES

Company related parties are members of the Erste group and fund that are managed by the Company.

	Revenues		Expenses		Receivables		Liabilities	
	2018.	2017.	2018.	2017.	31. December 2018.	31. December 2017.	31. December 2018.	31. December 2017.
Erste Adriatic Bond	30,779	21,835	-	-	2,824	2,025	-	-
Erste Local Conservative	2,306	7,604	-	-	212	551	-	-
Erste Adriatic Conservative	1,229	2,261	-	-	117	150	-	-
Erste Adriatic Equity	2,815	4,580	-	-	217	291	-	-
Erste PB1	1,842	1,023	-	-	196	88	-	-
You Invest Solid	255	250	-	-	19	24	-	-
You Invest Active	147	166	-	-	11	11	-	-
Erste Exclusive	93	171	-	-	8	15	-	-
You Invest Balanced	215	176	-	-	16	18	-	-
Erste Local Short Term Bond	309	283	-	-	28	21	-	-
Erste Adriatic Short Term Bond	394	479	-	-	41	45	-	-
Erste Asset Management GmbH	197	217	67	7	53	109	-	-
Erste & Steiermaerkische bank d.d., Zagreb	-	-	27,531	24,512	-	-	2,604	2,381
	40,581	**39,045**	**27,598**	**24,519**	**3,742**	**3,348**	**2,604**	**2,381**

(all amounts are expressed in thousands of Kuna)

18. RELATED PARTIES (CONTINUED)

The Company considers the Management Board to be the key management. Total expenses for the members of Management board, that refer to gross salaries, contribution expenses and bonuses, for the year ended 31 December 2018 was HRK 4,192 (2017: HRK 4,732).

During 2018 the Company has disbursed total of HRK 1,857 to the sole owner from retained earnings (2017: HRK 2,144).

19. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements are signed and authorized for issue on 25 January 2019.

Josip Glavaš	**Snježana Šalković Dasović**	**Miroslav Jurišić**
President of the Management board	**Management board member**	**Management board member**

Form IFP

Statement of financial position
Company name: Erste Asset Management d.o.o.
VATIN: HR68572873963
Date: 31.12.2018.

(in HRK)

	31.12.2017.	**31.12.2018.**
1. asset		
2. cash	10.189.319,09	13.036.381,07
3. financial assets at fair value	0,00	0,00
4. financial assets at amortized cost	10.751.702,58	6.979.927,12
5. receivables in respect of fund and portfolio management	4.014.126,40	4.460.881,80
6. other receivables	268.612,89	154.494,58
7. property, plant and equipment	65.932,43	75.268,86
8. intangible assets	420.883,80	999.059,45
9. deferred tax assets	442.372,82	396.119,19
10. other assets	0,00	0,00
11. total assets (sum of edp2 to edp10)	26.152.950,01	26.102.132,07
12. off-balance sheet items	616.161.585,56	604.498.145,49
13. equity and liabilities	0,00	0,00
14. capital and reserves (sum of edp15 to edp20)	17.820.694,14	17.586.167,89
15. subscribed capital	5.000.000,00	5.000.000,00
16. capital reserves	0,00	0,00
17. fair value reserve	0,00	0,00
18. other revaluation reserves	0,00	0,00
19. retained profit or accumulated losses	10.963.240,99	10.959.464,04
20. Profit or loss for the current year	1.857.453,15	1.626.703,85
21. liabilities (sum of edp22 to edp25)	8.332.255,87	8.515.964,18
22. liabilities in respect of fund and portfolio management	3.159.113,37	3.520.023,22
23. financial liabilities	0,00	0,00
24. other liabilities	5.173.142,50	4.995.940,96
25. deferred tax liabilities	0,00	0,00
26. total capital and liabilities (edp14 + edp21)	26.152.950,01	26.102.132,07
27. off-balance sheet items	616.161.585,56	604.498.145,49

Form ISD

Statement of comprehensive income
Company name: Erste Asset Management d.o.o.

VATIN: HR68572873963

Period: 01.01.2018.-31.12.2018.

(in HRK)

	31.12.2017.	31.12.2018.
28. income from management funds (edp29 + edp32 + edp35 + edp38)	38.962.326,91	40.395.159,74
29. management fee (edp30 + edp31)	38.829.463,13	40.384.287,08
30. UCITS fund	37.635.276,58	38.448.810,37
31. alternative investment fund	1.194.186,55	1.935.476,71
32. income from entrance charges (edp33 + edp34)	0,00	0,00
33. UCITS funds	0,00	0,00
34. alternative investment fund	0,00	0,00
35. income from exit charges (edp36 + edp37)	132.863,78	10.872,66
36. UCITS is founded	132.863,78	10.872,66
37. alternative investment fund	0,00	0,00
38. other income	0,00	0,00
39. expenses from management funds (adp40 + edp41)	-25.469.726,43	-27.917.444,09
40. Costs of unit sales charges	-25.469.726,43	-27.917.444,09
41. other expenses	0,00	0,00
42. net investment fund management result (edp28 + edp39)	13.492.600,48	12.477.715,65
43. net portfolio management income	2.388.474,98	2.258.473,36
44. investment advisory service income	0,00	0,00
45. oeneral and administrative costs of business	-14.071.513,98	-13.851.832,41
46. net financial result (sum of edp47 to edp50)	430.512,95	520.781,93
47. net interest income	377.331,79	210.457,65
48. net exchange differences	53.181,16	-4.469,87
49. net result from impairment for expected credit losses	0,00	687,04
50. other income and expenses from financial instruments	0,00	314.107,11
51. other income and expenses	69.531,24	615.294,78
52. total income	46.281.623,81	49.077.073,73
53. total expenses	-43.972.018,14	-47.056.640,42
54. Profit / Loss before taxation (edp42 + edp43 + edp44 + edp45 + edp46 + edp51)	2.309.605,67	2.020.433,31
55. income tax	452.152,52	393.729,46
56. profit / loss (edp54-edp55)	1.857.453,15	1.626.703,85
57. other comprehensive income (edp58 + edp63)	0,00	0,00
58. items that will not be reclassified to the income statement (sum of edp59 to edp62)	0,00	0,00
59. change in revaluation reserves: property, plant, equipment and intangible assets	0,00	0,00
60. change in fair value of equity instruments	0,00	0,00
61. changes to other items that will not be reclassified to the income statement	0,00	0,00
62. income tax relating to items that will not be reclassified	0,00	0,00
63. items that can be reclassified to the income statement (edp64 + edp67 + edp70)	0,00	0,00
64. change in revaluation reserves: debt securities (edp65 + edp66)	0,00	0,00
65. unrealized gains / losses	0,00	0,00
66. transferred to the income statement (reclassification adjustments)	0,00	0,00
67. changes to other items that can be reclassified to the income statement (edp68 + edp69)	0,00	0,00
68. gains / losses	0,00	0,00
69. transferred to the income statement (reclassification adjustments)	0,00	0,00
70. income tax relating to items that can be reclassified to profit or loss	0,00	0,00
71. total comprehensive income (edp56 + edp57)	1.857.453,15	1.626.703,85

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

(all amounts are expressed in Kuna)

Company name: Erste Asset Management d.o.o.
VAT IN: HR68572873963
Period: 01.01.2018.-31.12.2018.
(in HRK)

	Attributable to the equity holders of the parent						Distributable to owners of non-controlling interests	Total equity and reserves
	Subscribed capital	Capital reserves	Reserves of fer value	Other revaluation reserves	Retained profit or accumulated losses	Profit or loss for the year (period)		
Prior-year opening balance	**5.000.000,00**	**0,00**	**0,00**	**0,00**	**10.952.679,29**	**1.992.734,03**	**0,00**	**17.945.413,32**
Changes in accounting policies	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Correction of prior-period error	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Prior-year opening balance (as restated)	**5.000.000,00**	**0,00**	**0,00**	**0,00**	**10.952.679,29**	**1.992.734,03**	**0,00**	**17.945.413,32**
Profit / Loss for the period	0,00	0,00	0,00	0,00	0,00	2.144.123,58	0,00	2.144.123,58
changes in fair value of financial instruments	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
other gains and losses on investments in financial instruments	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
changes in other revaluation reserves (property, plant, equipment and intangible assets)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
other non-proprietary changes in capital	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
tax on items directly recognized or transferred from equity and reserves	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Total directly recognised prior-year (period) income and expenses	0,00	0,00	0,00	0,00	0,00	2.144.123,58	0,00	2.144.123,58
Increase/Decrease in subscribed capital	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Other payments made by the owners	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Dividends (profit) paid	0,00	0,00	0,00	0,00	0,00	0,00	-1.982.172,33	-1.982.172,33
Other distributions to owners	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Prior-year closing balance	**5.000.000,00**	**0,00**	**0,00**	**0,00**	**10.952.679,29**	**4.136.857,61**	**-1.982.172,33**	**18.107.364,57**
Current-year opening balance	**5.000.000,00**	**0,00**	**0,00**	**0,00**	**10.963.240,99**	**2.144.123,58**	**0,00**	**18.107.364,57**
Changes in accounting policies	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Correction of prior-period error	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Current-year opening balance (as restated)	**5.000.000,00**	**0,00**	**0,00**	**0,00**	**10.963.240,99**	**2.144.123,58**	**0,00**	**18.107.364,57**
Profit or loss for the period	0,00	0,00	0,00	0,00	0,00	1.626.703,85	0,00	1.626.703,85
Changes in fair value of financial instruments	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Other gains and losses on investments in financial instruments	0,00	0,00	0,00	0,00	0,00	-3.776,95	0,00	-3.776,95
Changes in other revaluation reserves (property, plant, equipment and intangible assets)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Other non-proprietary changes in capital	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Tax on items directly recognized or transferred from equity and reserves	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Total directly recognised income and expenses of the current year (period)	0,00	0,00	0,00	0,00	0,00	1.622.926,90	0,00	1.622.926,90
Increase / decrease in subscribed capital	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Other payment by the owner	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Dividends (profit) paid	0,00	0,00	0,00	0,00	0,00	0,00	-2.144.123,58	-2.144.123,58
Ostale raspodjele vlasnicima	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Current-year closing balance	**5.000.000,00**	**0,00**	**0,00**	**0,00**	**10.963.240,99**	**3.767.050,48**	**-2.144.123,58**	**17.586.167,89**

Form INTi

Statement of cash flow (indirect method)
Company name: Erste Asset Management d.o.o.
VATIN: HR68572873963
Period: 01.01.2018.-31.12.2018.

(in HRK)

	31.12.2017.	31.12.2018.
108. net cash flows from operating activities (sum of edp109 to edp123)	2.945.756,86	1.534.647,59
109. profit / loss before tax for the current year or the current period	1.857.453,15	1.626.703,85
110. amortization of property, plant, equipment and intangible assets	206.997,60	221.127,48
111. correction of the value claim and the like write-off	0,00	0,00
112. reservations	0,00	0,00
113. interest income	-402.074,69	-210.508,59
114. interest expense	0,00	0,00
115. gains / losses on investments in financial instruments	24.739,70	0,00
116. net result from impairment for expected credit losses	0,00	0,00
117. increase / decrease in receivables from fund and portfolio management	-116.744,92	-446.755,40
118. increase / decrease in other receivables	-292.392,97	160.371,94
119. expenses on interest	0,00	0,00
120. increase / decrease in other asset items	0,00	0,00
121. increase / decrease in liabilities arising from fund and portfolio management	422.050,73	360.909,85
122. increase / decrease in other liabilities	1.245.728,26	-177.201,54
123. paid income tax	0,00	0,00
124. net cash from investing activities (sum of edp 125 to edp134)	94.274,60	3.173.644,49
125. peceipts from sale of financial instruments	0,00	325.674,96
126. payments for purchase of financial instruments	0,00	0,00
127. interest receipts	402.074,69	210.508,59
128. dividends receipts	0,00	0,00
129. payments on placements in loans and other financial instruments	0,00	0,00
130. receipts from the collection of loans and other financial instruments	0,00	0,00
131. payments for purchase of property, plant, equipment and intangible assets	-307.800,09	-808.639,56
132. receipts from the sale of property, plant, equipment and intangible assets	0,00	0,00
133. other receipts from investment activities	0,00	3.446.100,50
134. other payments from investment activities	0,00	0,00
135. net cash flows from financing activities (sum of edp136 to edp144)	-2.144.123,58	-1.861.230,10
136. payments made by the owner of the management company	0,00	0,00
137.payments for purchase of own shares / redemption of shares	0,00	0,00
138. payment of dividends or profit share	-2.144.123,58	-1.857.453,15
139. credits receipts	0,00	0,00
140. payments for repayment of loans received	0,00	0,00
141. receipts by issued financial instruments	0,00	0,00
142. payments of issued financial instruments	0,00	0,00
143. other receipts from financial activities	0,00	-3.776,95
144. other payments from financial activities	0,00	0,00
145. net increase/decrease in cash and cash equivalents (edp108+edp124+edp135)	895.907,88	2.847.061,98
146. cash and cash equivalents at beginning of period	9.293.411,21	10.189.319,09
147. cash and cash equivalents at end of period (edp145+edp146)	10.189.319,09	13.036.381,07

Accounting framework of HANFA`s regulation is based on International Financial Reporting Standards adopted by the European Union.

The main differences between the HANFA`s accounting regulations and IFRS requests for the recognition, measurement and disclosures refers to the publication of the financial statements that International Accounting Standard 1 requires:" Presentation of Financial Statements " (" IAS 1") and the disclosures that are required by the Ordinance on structure and contents of financial statements and other reports of companies managing UCITS funds (Official Gazette: 105/2017) and Ordinance on structure and content of annual and semi-annual financial reports and other reports of alternative investment fund management companies (Official Gazette: 105/2017; further “Ordinances”), Basis differences are:

- Receivables in financial statements in accordance with the Regulation are presented analytically in three items while financial statements prepared in accordance with IFRSs are shown in one aggregate item
- Other short-term liabilities in the financial statements in accordance with the Regulation are presented analytically in three items whereas financial statements prepared in accordance with IFRSs are shown in one aggregate item
- Income and expenses in the financial statements in accordance with the Regulation are presented in such a way that the items belonging to this position in the report are netted as well as in the financial statements prepared in accordance with the IFRS, with a slightly different layout of the items. Items that participate in largest portion of revenue and expenses are shown separately in both reports.

The Company's management believes that there is no need for additional notes to the financial statements, and that is possible based on the above reconciliation make a link to the notes of financial statements prepared under IFRS and financial statements prepared under the provisions of Law on Investment Funds with Public Offering (Official Gazette 44/16) and the Law on alternative investment funds (Official Gazette 21/18) that regulates the financial reporting and the Ordinance on the structure and content of financial statements and other statements of investment fund management company of UCITS funds (Official Gazette 105/17) and the Ordinance on the structure and content of annual and semi-annual financial statements and other statements of investment fund management company of alternative investment funds (Official Gazette 105/17).