ERSTE ASSET MANAGEMENT Ltd., ZAGREB

Annual Report

for the year ending 31 December 2019

Independent auditor's report

To the Owner of Erste Asset Management d.o.o.

Report on the audit of the financial statements

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Erste Asset management d.o.o. (the "Company") as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the 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:

- Statement of comprehensive income for the year ended 31 December 2019;
- Statement of financial position as at 31 December 2019;
- Statement of changes in equity for the year then ended;
- Statement of cash flows for the year then ended; and
- notes to the financial statements for the year, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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 2019 to 31 December 2019.

PricewaterhouseCoopers d.o.o., Heinzelova 70, 10000 Zagreb, Croatia
T: +385 (1) 6328 888, F:+385 (1)6111 556, www.pwc.hr

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, note 5 under heading Portfolio management fee and note 2 under heading Summary of significant accounting policies for further information The Company has recognized revenue of HRK 45.7 million for the period ended 31 December 2019, including revenue from funds management (HRK 41.8 million) and portfolio management (HRK 3.9 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 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 confirm the fees were paid.

Other information

Management is responsible for the other information. The other information comprises the Management Report but does not include financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 Republic of Croatia. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of 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;
- the Management Report has been prepared in accordance with the requirements of Article 21 of the Accounting Act.

If based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report and in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we conclude that there is a material misstatement in other information, we are required to report that fact. We have nothing to report in this regard.

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 and 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 appointment has been renewed annually by shareholder resolution with the most recent reappointment on 30 January 2019, representing a total period of uninterrupted engagement appointment of 3 years.

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: 13/9)("Ordinances"), the Company's Management Board prepared statements shown on pages 36 to 40 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 35 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
24 January 2020

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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.

The Management Board is also responsible for the preparation and content of the management report, in accordance with the Croatian Accounting Act and the rest of the other information.

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

ERSTE Asset Management d.o.o.
Ivana Lučića 2a, Zagreb

24 January 2020

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:

- eight UCITS funds: Erste Conservative, Erste E-Conservative, Erste Adriatic Bond, Erste Adriatic Equity, You Invest Solid, You Invest Balanced, You Invest Active, Erste Adriatic Multi Asset
- two alternative funds: Erste PB1, Erste Exclusive
- larger number of discretionary managed portfolios of the clients.

The Company`s business results in year 2019

Assets under management grew in 2019, compared to the previous year. Total asset under management of the Company at the year-end was HRK 6,717 million from which HRK 4,987 million refers to UCITS funds, HRK 685 million refers to discretionary portfolio management and HRK 1,045 million to alternative investment funds.

Company's market share in the total assets of UCITS and alternative investment funds at the end of 2019 was 21,72%. Company took the second position in the market of investment funds. During year 2019 the Company had an increase of asset under management in amount of HRK 253 million or 23%. In UCITS fund segment asset increased for HRK 667 million, in discretionary portfolio segment asset increased for HRK 80 million while in alternative investment funds segment asset raise for HRK 498 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 18% since the end of 2018 when total UCITS fund market was 19,12 billion HRK and the market share of the Company was 22,60%. At the end of 2019 total UCITS market was 22,58 billion HRK and the market share of the Company was 22,09%. In the segment of alternative investment funds there was a total market growth of 41,55%, while the market share of the Company in this segment at the end of 2019 was 20,14%.

1. BUSINESS AND DEVELOPMENT ACTIVITIES OF THE COMPANY (CONTINUED)

The Company`s business results in year 2019 (continued)

Macro-wise, the past 2019 had decent success and positive performance had also been fuelled by a positive global momentum in low yield environment, despite expectations by most analysts at the start of the year. As it turned out mid-year, the Fed gave way to the market and took a breather in its cycle of raising interest rates, thus deviating quite a bit from its previous rhetoric in terms of the booming American economy that needs to be cooled down. Cutting the rate three times last year, they lowered their base interest rate from 2.50% to 1.75% and called the action "mid-cycle adjustment". The ECB, however, changed its president and Mario Draghi said his goodbyes by recognizing rather unequivocally that monetary policy is not omnipotent and that sometimes a more engaged fiscal policy is needed. His successor, Christine Lagarde, in her first session, reiterated everything we already know in principle: the reduced base interest rate of -0.50% remains in force with the introduction of the so-called tiering system that exempts most of the banks' excess liquidity from the negative interest rate application, restarting a monthly € 20bn bond purchase program (for an indefinite period of time) and continuing to reinvest matured bonds on the ECB's balance sheet well after first raising the base interest rate.

Domestic economic growth continues with solid dynamics and is stronger than the European average, but relatively lagging the results of the region. The growth achieved in the third quarter of 2.90% is still lower than the first quarter result (+ 3.90%), but still represents the twenty-first consecutive positive growth figure, which keeps Croatia in an upward trend. Domestic consumption grew by a steady 2.90%, investment growth slowed from 8% to 5%, but altogether this year had great results, which suggests that the first quarter record (11.50% growth) may not be an exception, but part of a new and positive story. This is the result of improved absorption of EU funds and inflows of contracted projects. Obtaining an investment rating in March last year expectedly lowered the risk premium on Croatian debt, but we can say beyond reasonable doubt that the size of the yield shift surprised the entire investment community. It should be mentioned that the spread on the Croatian debt at the beginning of the year was over 200 basis points, while it is currently trading at only 90 basis points.

The Croatian National Bank continues to pursue an expansionary monetary policy. Foreign trade surpluses and excess supply of EUR on the market are successfully offset by foreign exchange auctions to prevent the domestic currency from strengthening too much. Through 2019, the central bank bought back less euros than a year ago, totalling 1.09 billion EUR and simultaneously placing 8 billion HRK on the market. The high liquidity of the banking sector (current excess liquidity exceeds HRK 40bn) supports the continuation of the period of historically lowest interest rates in the money market. Throughout 2019, the Ministry of Finance borrowed in HRK at one-year treasury bill auctions at an interest rate of 0.06%, while the euro treasury bills achieved an all-time low result i.e. the first ever negative yield of (-0.05%). The yields on the bond markets have also felt the consequences of the high liquidity of the global financial system. Thus, the yield on a ten-year HRK-denominated bond has been reduced by a remarkably high 180 bps to near 0.60%. The 10-year denominated euro-denominated bond opened the year at a yield of 2.4% and ended the year at a yield of 0.60%. In such circumstances, refinancing government liabilities with lower interest costs provides an additional tailwind to the state budget.

1. BUSINESS AND DEVELOPMENT ACTIVITIES OF THE COMPANY (CONTINUED)

The Company`s business results in year 2019 (continued)

Despite economic growth and expansive monetary policy, inflationary trends remain below 1%, and no significant acceleration is expected in 2020.

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. Erste Conservative and Erste E-Conservative short-term bond funds created through the merger of cash and short-term bond funds managed to preserve client assets despite low levels of return (0.29% and 0.21%) due to low market interest rates. In mid-2019, the company offered a new product, the Erste Multi Asset open-end investment fund, which with its investment strategy complements the product mix of mixed investment strategies.

The Erste Adriatic Bond Fund remains the largest investment fund in the Republic of Croatia, with assets exceeding 3.5 billion HRK. In 2019, the performance was 3.97%.

The Erste Adriatic Equity Equity Fund posted a 14.92% growth performance, with stagnant assets under management. We consider the latter a stabilization before it resumes an upward trend in 2020, provided that the stock markets perform positively.

Balanced and equity funds reported positive returns in 2019, given the positive performance of most equity markets, both domestically and in the region and in developed economies. Despite the positive economic development of the domestic economy and the annual growth of the CROBEX share index of 15.36%, the main characteristic of the domestic stock market unfortunately remains illiquidity. On the other hand, in the developed stock markets, the topics that dominated the previous year also dominated the past year without clear indications of concrete results or possible duration (US-China trade war, Brexit, etc.), and we expect that the same situation will continue with possible new triggers for volatility (election campaign in America, conflict escalation in Iran ...).

The portfolio management service records a stable interest based on an individualized approach tailored to the needs of each individual client. In 2020 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 46% of all assets of open-end investment funds with public offering, while 54% 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 2019 the Company has 20 full-time employees (31st December 2018: 20).

2. 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.

- Business risks

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.

3. FINANCIAL RESULTS OF THE COMPANY

Statement of comprehensive income

The Company had HRK 6.74 million of net profit in 2019

Total revenues of the Company are HRK 55 million. The total revenue from the management fee in the amount of HRK 54 million primarily comes from bond funds 75%, followed by individual portfolio management service 7%, then from money market funds 6%, from the equity funds 5%, alternative investment funds 6% and the rest is distributed through other products. Income from financial activities amounted HRK 0.2 million, entrance and exit fee and other income amounted HRK 0.3 million.

Total expenses of the Company are HRK 47 million out of which HRK 24 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 2019

The Company's assets at the end of 2019 amounted HRK 33 million, and consists of a HRK 2 million of fixed intangible and tangible assets, HRK 7 million of long-term financial asset and HRK 24 million of current assets. Current assets consist of placements at banks HRK 19 million and short-term receivables HRK 5 million.

The Company's capital at the end of 2019 consists of the registered capital in the amount of HRK 5 million, undistributed profit in the amount of HRK 11 million and profit in 2019 of HRK 6.74 million.

The Company's liability in the amount of HRK 11 million are related to short-term liabilities for distribution 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 1,35 million spread through the next five years.

4. OTHER INFORMATION

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are expressed in thousands of Kuna)

	Notes	2019	2018
Income			
Management fee for funds	4	41,850	35,016
Portfolio management fee	5	3,859	7,280
Other operating income		3	42
		45,712	**42,338**
Expenses			
Service expenses	6	(25,851)	(30,406)
Staff expenses	7	(8,721)	(8,325)
Other operating expenses	8	(1,751)	(1,825)
Depreciation		(1,003)	(221)
Cost of materials		(107)	(80)
		(37,433)	**(40,857)**
Net financial (expenses)/income			
Financial income		215	539
Financial expenses		(269)	-
		(54)	**539**
Profit before tax		**8,225**	**2,020**
Income tax	9	(1,489)	(394)
Profit for the year		**6,736**	**1,626**
Other comprehensive income for the year		-	**-**
Total comprehensive income for the year		**6,736**	**1,626**

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

(all amounts are expressed in thousands of Kuna)

	Notes	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Equipment		47	75
Right to use asset	10	1,303	-
Intangible assets	11	879	999
Financial asset at amortized cost	12	6,986	6,980
Deferred tax assets		396	454
Total non-current assets		**9,611**	**8,508**
Current assets			
Receivables	13	5,220	5,012
Cash and bank balances	14	19,059	13,036
Total current assets		**24,279**	**18,048**
Total assets		**33,890**	**26,102**
EQUITY AND LIABILITIES			
Equity	15	5,000	5,000
Issued capital	15	6,736	1,626
Retained earnings	15	10,959	10,959
Total equity		**22,695**	**17,585**
Liabilities			
Long term liabilities			
Lease liabilities	18	723	-
Total long term liabilities		**723**	**-**
Short term liabilities			
Reservations	16	2,727	2,770
Lease liabilities	18	632	-
Other current liabilities	17	7,113	5,747
Total short term liabilities		**10,472**	8,517
Total liabilities		**11,195**	8,517
Total equity and liabilities		**33,890**	**26,102**

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

(all amounts are expressed in thousands of Kuna)

	Issued capital	Retained earnings	Total
Balance as at 1 January 2018	**5,000**	**12,820**	**17,820**
Effect of IFRS 9 adoption	-	(4)	(4)
Total comprehensive income	-	1,626	1,626
Total comprehensive income for period		**1,622**	**1,622**
Dividend payout	-	(1,857)	(1,857)
Shareholder transactions recognized directly in equity	-	**(1,857)**	**(1,857)**
Balance as at 31 December 2018	**5,000**	**12,585**	**17,585**
Balance as at 1 January 2019	**5,000**	**12,585**	**17,585**
Total comprehensive income	-	6,736	6,736
Total comprehensive income for period		**6,736**	**6,736**
Dividend payout	-	(1,626)	(1,626)
Shareholder transactions recognized directly in equity	-	**(1,626)**	**(1,626)**
Balance as at 31 December 2019	**5,000**	**17,695**	**22,695**

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

(all amounts are expressed in thousands of Kuna)

	2019	2018
Cash flows from operating activities		
Profit before tax	8,225	2,020
Adjustments for:		
Interest income	(203)	(211)
Depreciation	1,003	221
Realized gains on sale of securities	-	(325)
Interest expense	122	-
Other non-cash items	3	-
	9,150	*1,705*
Movements in working capital		
(Increase) in other receivables	(593)	(286)
(Decrease)/Increase in current liabilities	(123)	578
(Decrease) in accrued expenses	(43)	(196)
Net cash used by operating activities	**8,391**	**1,801**
Income tax paid	-	(624)
Net cash realized by operating activities	**8,391**	**1,177**
Cash flows from investing activities		
Interest received	192	211
Purchase of equipment	(14)	(47)
Purchase of intangible assets	(218)	(761)
Net cash receipts from sale of securities	-	4,124
Net cash from investing activities	**(40)**	**3,527**
Cash flows from financing activities		
Payments for lease – principal	(572)	-
Payments for lease – interest	(121)	-
Dividend payout	(1,626)	(1,857)
Net cash used in financial activities	**(2,319)**	**(1,857)**
Net increase in cash and bank balances	**6,032**	**2,847**
Net effect in currency difference on cash and bank balances	**(9)**	**-**
Cash and bank balances at beginning of the year	**13,036**	**10,189**
Cash and bank balances at end of the year	**19,059**	**13,036**

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

(all amounts are expressed in thousands of Kuna)

1. GENERAL

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.

On 28 January 2010, the Croatian Financial Services Supervision Agency passed a decision granting to Company 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.

List of funds managed by the Company:

Erste Conservative, Erste E-Conservative, Erste Adriatic Bond, Erste Adriatic Equity, Erste PB1, Erste Exclusive, You Invest Solid; You Invest Balanced, You Invest Active, Erste Adriatic Multi Asset.

Management Board:

Company's bodies are consisting of General Assembly, Supervisory board and 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
Ivica Smiljan	Member	from 21 October 2016
Adrianus Janmaat	Vice president	from 19 May 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. The basic accounting policies applied in the preparation of these financial statements are set out below.

Apart from the accounting policy changes resulting from the adoption IFRS 16 effective from 1 January 2019 these policies have been consistently applied to all the periods presented, unless otherwise stated. The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2018 are presented in Note 2.

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 2019 was HRK 7.442580 EUR 1 (2018: HRK 7.417575).

(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 on 31 December 2019 by the Company to Erste open-end investment funds is presented below:

Erste open end investment fund	Management fee (%)
Erste Conservative	0,25
Erste Adriatic Equity	2,00
Erste E-Conservative	0,20
Erste Adriatic Bond	1,30
You Invest Solid	1,25
You Invest Balanced	1,50
You Invest Active	1,75
Erste Adriatic Multi Asset	1,50

In 2019 for under mention funds, management fee was changed through the following periods:

Erste open end investment fund	Period from	Period to	Rate %
Erste E-Conservative	01.01.19	31.07.19	0,35
	01.08.19	31.12.19	0,20

(all amounts are expressed in thousands of Kuna)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Portfolio management revenue

The Company charges a portfolio management fee and an incentive fee for the portfolio management in accordance with the following price list.

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

The Company charges a portion of the portfolio management fee to Erste Bank for the portfolios that Erste Bank has contracted with its clients and has given to the Company for management as a delegated business.

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 – in implementation till 01 January 2019

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.

Leases –in implementation after 01 January 2019

The new IFRS 16 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.

The Company recognize: (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases –in implementation after 01 January 2019 (continued)

The Company decided to 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).

At the commencement date, lease liabilities are measured at an amount equal to the present value of the following lease payments for the underlying right-of-use assets during the lease term:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Company's incremental borrowing rate.

Each lease payment is allocated between the liability and finance cost. Lease liabilities are subsequently measured using the effective interest method. The carrying amount of liability is remeasured to reflect any reassessment, lease modification or revised in-substance fixed payments.

The lease term is a non-cancellable period of a lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs;
- restoration costs.

Subsequently, the right-of-use assets,are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for remeasurement of the lease liability due to reassessment or lease modifications.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases –in implementation after 01 January 2019 (continued)

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The amortization periods for the right-of-use assets are as follows:

- right of use for real estate up to 5 years
- right of use for the equipment 3-5 years

Payments associated with all short-term leases and certain leases of all low-value assets are recognised on a straight-line basis as an expense in profit or loss. The Company applies the exemption for low-value assets on a lease-by-lease basis i.e. for the leases where the asset is sub-leased, a right-of-use asset is recognised with corresponding lease liability; for all other leases of low value asset, the lease payments associated with those leases will be recognised as an expense on a straight-line basis over the lease term.

Short-term leases are leases with a lease term of 12 months or less.

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tangible assets

Tangible assets are 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 tangible asset. The gain or loss arising on the disposal or retirement of tangible asset 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.
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 tangible 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 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 in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash and cash equivalents
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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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.

On each reporting period The company measures and recognizes, on a forward-looking basis, the ECL for debt instruments measured at AC. Credit loss allowance is based on ECL model measurement that 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.

In statement of financial position 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)

Financial instruments (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.

(all amounts are expressed in thousands of Kuna)

3. ACCOUNTING STANDARDS

(a) Adoption of New or Revised Standards and interpretations:

IFRS 16, Leases (published on 13 January 2016, effective for annual periods beginning on or after 1 January 2019).

For all leases, except for short-term leases and leases of low-value assets other than those which are subleased, previously classified as operating leases:

- as at 1/1/2019 the Company has recognised a lease liability measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at 1/1/2019;
- for all leases the Company has elected to recognise a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments relating to those leases recognised in the statement of financial position immediately before the date of initial application.

Low-value assets which are sub-leased are accounted for as a right-of-use asset with the corresponding lease liability.

The Company elected the following practical expedients:

- has applied a single discount rate to a portfolio of leases with reasonably similar characterisctics;
- relied on its assessment of whether leases are onerous applying IAS37 immediately before 1/1/2019 as an alternative to peforming an impairment analysis. The analysis of the onerous contracts as at 31/12/2018 has not resulted in a need to recognise an impairment allowance. The right-of-use assets as at 1/1/2019 were therefore not adjusted for any impairment;
- not to apply the new lessee accounting model to leases for which the lease term ends within 12 months after the date of initial application.

Instead, it has accounted for those leases as short-term leases.
Low-value assets in year 2019 comprise of personal computers, routers and telephones, which amounts to 47 thousand HRK for the Company.

The explanation of the difference between operating lease commitments disclosed as at 31/12/2018 when applying IAS17 to the lease liabilities recognised as at 1/1/2019 is presented in the table below:

(in thousand HRK)	1/1/2019
Operating lease commitments as at 31/12/2018 under IAS17	**2,728**
Excluded low value assets	(47)
The effect of discounting using the incremental borrowing rate at 1/1/2019	(755)
Lease liability as at 1/1/2019	**1,926**
Short-term portion	612
Long-term portion	1,314

3. ACCOUNTING STANDARDS

(b) New standards and interpretations not yet adopted:

The following amended standards became effective from 1 January 2019, but did not have any material impact on the Company:

- *IFRIC 23 "Uncertainty over Income Tax Treatments"* (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- *Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23* (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company:

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.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements.

(all amounts are expressed in thousands of Kuna)

4. FUNDS MANAGEMENT FEE

	2019	2018
Erste Adriatic Bond	32,479	26,222
Erste Conservative	1,813	1,892
Erste E-Conservative	986	1,106
Erste Adriatic Equity	2,308	2,563
Erste PB1	3,347	1,843
You Invest Solid	177	255
You Invest Active	117	147
Erste Exclusive	77	93
You Invest Balanced	155	215
Erste Local Short Term Bond	154	296
Erste Adriatic Short Term Bond	171	384
Erste Adriatic Multi Asset	66	-
	41,850	**35,016**

5. PORTFOLIO MANAGEMENT FEE

The Company calculates and charges fee to clients for the portfolio management service. The Company realized revenue from this activity in the amount of HRK 3,859 thousand (2018: HRK 7,280 thousand).

6. SERVICE EXPENSES

	2019	2018
Exit and trailer fee	23,356	22,575
Trailer fee – portfolio management	326	4,628
Cost of maintenance	1,175	966
Rental expenses	10	850
Providers of financial information	429	389
Lease expenses	1	128
Post and phone expense	104	85
Audit services	132	105
Marketing expense	62	82
Other cost of services	256	598
	25,851	**30,406**

(all amounts are expressed in thousands of Kuna)

6. SERVICE EXPENSES (continued)

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

7. STAFF EXPENSES

	2019	2018
Net salaries	3,315	3,282
Taxes and contributions from and on salaries	2,775	2,883
Bonuses	2,631	2,160
	8,721	**8,325**

Payroll costs include HRK 254 thousand (in 2018: HRK 250 thousand) 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 2019 was 20 (21 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 2019 are related to the three board member in the amount of HRK 1.618 thousand (2018: HRK 1.359 thousand) and 14 full-time employees in the amount of HRK 880 thousand (2018: HRK 869 thousand).

8. OTHER OPERATING EXPENSES

	2019	2018
Representation and promotion	308	344
Cost of business trips (inland and abroad)	301	330
Fees to regulatory bodies	256	136
Custody fee	91	276
Employees	318	275
Cost of energy utilities	212	196
Fund for the protection of investors contribution	20	111
Professional training	70	72
Donations and sponsorships	40	17
Insurance premium	21	21
Other	114	47
	1,751	**1,825**

(all amounts are expressed in thousands of Kuna)

9. INCOME TAX

Domestic income tax in 2019 is calculated as 18% of the taxable profit for the year. The Company had no tax losses available to be carried forward to next fiscal periods as at 31 December 2019.

The following table compares the profit tax shown in the Profit and Loss Account with profit/loss before tax for 2019 and 2018

	2019	**2018**
Profit before tax	8,225	2,020
Income tax at the statutory tax rate 18%	1,480	364
Impact of tax relief and other items that affect the tax base decrease	(19)	(128)
Increase in taxes due to tax nondeductible costs	193	174
Current income tax	**1,654**	**410**
Deferred tax from temporary differences	(165)	(16)
Total tax expenses in the profit and loss	**1,489**	**394**
Effective tax rate	**18.10 %**	**20.30%**
(Income tax liability)/ receivables for advances paid	(1,169)	259

(all amounts are expressed in thousands of Kuna)

10. RIGHT OF USE ASSET

The statement of financial position discloses a separate item for right of use asset which includes the following:

	31 December 2019	1 January 2019
Office space	1,100	1,622
Cars	203	304
	1,303	**1,926**

	Office space	Cars	Total
Balance as at 31 December 2018	**-**	**-**	**-**
IFRS 16 adjustment	1,622	304	1,926
Balance as at 1 January 2019	**1,622**	**304**	**1,926**
Annual depreciation expense	(522)	(101)	(623)
Balance as at 31 December 2019	**1,100**	**203**	**1,303**

(all amounts are expressed in thousands of Kuna)

11. INTANGIBLE ASSETS

	Total
COST	
As at 31 December 2017	**4,139**
Additions	761
As at 31 December 2018	**4,900**
Additions	218
As at 31 December 2019	**5,118**
DEPRECIATION	
As at 31 December 2017	**3,718**
Charge for the year	183
As at 31 December 2018	**3,901**
Charge for the year	338
As at 31 December 2019	**4,239**
CARRYING AMOUNT	
As at 31 December 2018	**999**
As at 31 December 2019	**879**

Other intangible assets relate to software and leasehold improvement.

As at 31 December 2019 and as at 31 December 2018 the Company has performed impairment testing of assets and concluded that no value adjustments are necessary.

No assets have been pledged as security as at 31 December 2019 and as at 31 December 2018.

(all amounts are expressed in thousands of Kuna)

12. FINANCIAL ASSETS

Series	Currency	Interest rate %	Maturity date	Accrued interest	Cost	Amortization premiums	Interest income	Value
31 December 2019 – Financial assets at amortized cost								
RHMF-O-217A8	HRK	2,75	08.07.2021.	92	6,968	6	192	6,986
								6,986
31 December 2018 – Financial assets at amortized scost								
RHMF-O-217A8	HRK	2,75	08.07.2021.	92	6,968	6	199	6,980
								6,980

13. RECEIVABLES

	31 December 2019	**31 December 2018**
Receivables for funds management fee	4,716	3,689
Receivables for portfolio management fee	299	771
Other receivables	205	98
	5,220	**4,558**

Receivables are not older than 30 days and considered fully recoverable.

14. CASH IN BANK

	31 December 2019	**31 December 2018**
Bank account balance- domestic currency		
Erste & Steiermaerkische Bank d.d.	19,032	2,060
Other banks	4	3
Bank account balance- foreign currency		
Erste & Steiermaerkische Bank d.d.	20	10,971
Other banks	1	-
Petty cash balance	2	2
	19,059	**13,036**

Interest rates in domestic currency on cash accounts was 0.01%. Interest rates on foreign currency are 0.00%.

(all amounts are expressed in thousands of Kuna)

15. ISSUED CAPITAL

Capital as at 31 December 2019 consists of subscribed capital in amount of HRK 5,000 thousand (2018: HRK 5,000 thousand), retained earnings in amount of HRK 10,963 thousand (2018: HRK 10,963 thousand) and profit for the year in amount of HRK 6,736 thousand (2018: HRK 1,627 thousand). Sole owner of the Company is Erste Asset Management Management G.m.b.H., Vienna. During 2019 the Company has disbursed total of HRK 1,627 thousand to the sole owner from retained earnings (2018: HRK 1,857 thousand).

16. PROVISONS

	31 December 2019	31 December 2018
Accrued bonuses	2,728	2,770
	2,728	**2,770**

17. OTHER CURRENT LIABILITIES

	31 December 2019	31 December 2018
Agent commission payable towards the Bank	2,167	2,065
Due to employees	1,940	1,838
Other liabilities to State	1,437	22
Liabilities for distributors	1,167	771
Other liabilities	402	1,051
	7,113	**5,747**

18. LEASE LIABILITIES

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

	Car lease	Office space lease	Total
Short term part			
Up to one year	102	530	632
Long term part			
From two to five years	104	619	723
	206	**1,149**	**1,355**

18. LEASE LIABILITIES (continued)

The following table shows the analysis of debt movements for each period shown.

	Lease liabilities	Total debt	Cash and cash equivalent	Net debt
Balance as at 1 January 2018	**-**	**-**	**10,189**	**10,189**
Cash flows	-	-	2,847	2,847
Balance as at 31 December 2018	-	-	13,036	13,036
IFRS 16 adjustment	(1,926)	(1,926)	-	(1,926)
Balance as at 1 January 2018	**(1,926)**	**(1,926)**	**13,036**	**11,110**
Cash flows	693	693	6,032	6,725
Accrued interest	(122)	(122)	-	(122)
Exchange rate differences	-	-	(9)	(9)
Balance as at 31 December 2019	**(1,355)**	**(1,355)**	**19,059**	**17,704**

19. 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

Currency risk is the risk of decrease in the value of the Company's assets due to changes in the exchange rate. The Company's assets may be invested in financial instruments denominated in currencies other than HRK, and changes in the exchange rate against the HRK may cause decrease in value of that portion of the assets.

Exposure to the Company's currency risk is presented in the following currencies, expressed in thousands of HRK

	31 December 2019	**31 December 2018**
	EUR	EUR
Assets		
Cash amount	20	10,971
Total asset exposed to currency risk	**20**	**10,971**
Liability		
Rental liability	1,355	-
Total liability exposed to currency risk	**1,355**	-
Net assets of company exposed to currency risk	**(1,335)**	**10,971**

If the EUR exchange rate changes to 1% higher / lower for HRK at 31 December 2019, assuming other unchanged variables, the pre-tax profit would be lower / higher by HRK 13 thousand (2018: pre-tax profit would be higher / lower by HRK 110 thousand).

(all amounts are expressed in thousands of Kuna)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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, 2019, 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 2018: A)

As at 31 December 2019, the Company has no outstanding and unpaid claims (as at 31 December 2018 the Company had no due and unpaid claims).

The Company's financial assets exposed to credit risk are presented in the following categories and represent the maximum exposure to credit risk:

	31 December 2019	31 December 2018
Cash account	19,057	13,034
Financial asset at amortized costs	6,986	6,980
Receivables – management fee	5,015	4,460
Maximum credit risk exposure	**31,058**	**24,474**
Other assets not exposed to credit risk	**2,832**	**1,628**
Total assets	**33,890**	**26,102**

The following table shows the financial assets of the Company according to the agency's rating:

	S&P Rating	31 December 2019	31 December 2018
Financial asset at amortized costs	BBB-	60,19%	52,07%
Cash and receivables	No rating	39,81%	47,92%
	Total	**100,00%**	**100,00%**

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.

(all amounts are expressed in thousands of Kuna)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

As at December 31, 2019, the Company conducted a financial liabilities maturity analysis showing the remaining period to contractual maturity.

2019. year	**Up to 1 month**	**1 to 3 month**	**3 to 12 month**	**1 to 5 years**	**Over 5 years**	**Total**
Lease liability	53	105	474	723	-	1,355
Other short-term liabilities	-	3,334	-	-	-	3,334

2018. year	**Up to 1 month**	**1 to 3 month**	**3 to 12 month**	**1 to 5 years**	**Over 5 years**	**Total**
Other short-term liabilities	-	2,836	-	-	-	2,836

The following table shows the maturity of undiscounted cash flows of assets and liabilities in HRK:

31 December 2019 year	On call	Up to 3 month	3-12 month	1-5 years	Total
Liabilities					
Lease liability	58	117	527	804	1,506
Other short-term liabilities	-	3,334	-	-	3,334
Total liabilities	58	3,451	527	804	4,840

31 December 2018 year	On call	Up to 3 month	3-12 month	1-5 years	Total
Liabilities					
Other short-term liabilities	-	2,836	-	-	2,836
Total liabilities	-	2,836	-	-	2,836

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 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 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 2,806 thousand (minimal amount of the share capital required by the Investment Funds Act) and 2) HRK 2,890 thousand (one quarter of general costs from the previous business year).There were no changes in goals, policies or procedures during 2019 and 2018.

Asset fair value

The fair value of receivables and cash is approximately equal to the fair value due to the immediate or short-term maturity of these financial assets. The fair value of financial assets measured at amortized cost is HRK 7,285 thousand (2018: HRK 7,399 thousand)

(all amounts are expressed in thousands of Kuna)

20. RELATED PARTIES

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

	Revenues		Expenses		Receivables		Liabilities	
	2019	**2018**	**2019**	**2018**	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
Erste Conservative	2,413	2,306	-	-	154	212	-	-
Erste E-Conservative	1,286	1,229	-	-	63	117	-	-
Erste Adriatic Equity	2,548	2,815	-	-	213	217	-	-
Erste Exclusive	77	93	-	-	6	8	-	-
Erste PB1	3,348	1,842	-	-	302	196	-	-
Erste Adriatic Bond	40,439	30,779	-	-	3,927	2,824	-	-
You invest Solid	177	255	-	-	13	19	-	-
You invest Balanced	155	215	-	-	12	16	-	-
You invest Active	117	147	-	-	9	11	-	-
Erste Local Short Term Bond	0	309	-	-	0	28	-	-
Erste Adriatic Short Term Bond	0	394	-	-	0	41	-	-
Erste Adriatic Multi Asset	66	-	-	-	23	-	-	-
Erste Group IT HR d.o.o.	-	-	329	299	-	-	-	-
Erste banka Crna Gora	-	-	81	-	-	-	4	
Erste Asset Management GmbH	202	197	124	67	49	53	-	-
Erste & Steiermaerkische bank d.d., Zagreb	1,969	-	23,828	27,531	-	-	2,174	2,604
	52,797	**40,581**	**24,362**	**27,897**	**4,771**	**3,742**	**2,178**	**2,604**

20. RELATED PARTIES (CONTINUED)

During 2019, the Company had transactions with related parties: with the funds it manages transactions related to the collection of management fee, as well as transactions of investment the assets of the fund in other funds under the management of the Company.

The Depository Bank of the Company is Erste & Steiermarkische Bank with which the Company has had transactions related to the collection of the depository bank's fee, the payment of trailer fee for the sale of fund unites, the payment of the fee for the asset management services for the clients of the bank, and related to the trading of the assets of the funds. The Company holds funds in an account with the bank.

The aforementioned related parties are legal entities that are interconnected through their ownership relations and are thus also linked to the Company. These legal entities directly or indirectly through one or more intermediaries control or are controlled or are under common control with the Company.

When considering each possible related party transaction, attention is focused on the essence of the relationship, not just the legal form.

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 2019 was HRK 4,188 thousand (2018: HRK 4,192 thousand) out of that HRK 160 thousand was paid for pension fund (2018.: HRK 161 thousand).

During 2019 the Company has disbursed total of HRK 1,627 thousand to the sole owner from retained earnings (2018: HRK 1,857 thousand).

Form IFP

Statement of financial position
Company name: Erste Asset Management d.o.o.
VATIN: HR68572873963
Date: 31.12.2019.

(in HRK)

	31.12.2018.	31.12.2019.
1. asset		
2. cash	13.036.381,07	19.058.672,58
3. financial assets at fair value	0,00	0,00
4. financial assets at amortized cost	6.979.927,12	6.986.265,58
5. receivables in respect of fund and portfolio management	4.460.881,80	5.016.446,25
6. other receivables	154.494,58	146.248,28
7. property, plant and equipment	75.268,86	47.485,18
8. intangible assets	999.059,45	2.181.702,32
9. deferred tax assets	396.119,19	453.520,02
10. other assets	0,00	0,00
11. total assets (sum of edp2 to edp10)	26.102.132,07	33.890.340,21
12. off-balance sheet items	604.498.145,49	684.571.317,23
13. equity and liabilities	0,00	0,00
14. capital and reserves (sum of edp15 to edp20)	17.586.167,89	22.695.455,93
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	10.959.464,04	10.959.464,04
20. Profit or loss for the current year	1.626.703,85	6.735.991,89
21. liabilities (sum of edp22 to edp25)	8.515.964,18	11.194.884,28
22. liabilities in respect of fund and portfolio management	3.520.023,22	3.053.831,34
23. financial liabilities	0,00	0,00
24. other liabilities	4.995.940,96	8.141.052,94
25. deferred tax liabilities	0,00	0,00
26. total capital and liabilities (edp14 + edp21)	26.102.132,07	33.890.340,21
27. off-balance sheet items	604.498.145,49	684.571.317,23

REGULATORY FINANCIAL STATEMENTS

STATEMENT OF COMPREHANSIVE INCOME

FO THE YEAR ENDED 31 DECEMBER 2019

(all amounts are expressed Kuna)

Form ISD

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

VATIN: HR68572873963

Period: 01.01.2019.-31.12.2019.

(in HRK)

	31.12.2018.	31.12.2019.
28. income from management funds (edp29 + edp32 + edp35 + edp38)	40.395.159,74	50.626.196,31
29. management fee (edp30 + edp31)	40.384.287,08	50.625.725,15
30. UCITS fund	38.448.810,37	47.201.489,91
31. alternative investment fund	1.935.476,71	3.424.235,24
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)	10.872,66	471,16
36. UCITS is founded	10.872,66	471,16
37. alternative investment fund	0,00	0,00
38. other income	0,00	0,00
39. expenses from management funds (adp40 + edp41)	-27.917.444,09	-32.102.687,75
40. Costs of unit sales charges	-27.917.444,09	-32.102.687,75
41. other expenses	0,00	0,00
42. net investment fund management result (edp28 + edp39)	12.477.715,65	18.523.508,56
43. net portfolio management income	2.258.473,36	3.386.531,40
44. investment advisory service income	0,00	0,00
45. oeneral and administrative costs of business	-13.851.832,41	-14.078.812,27
46. net financial result (sum of edp47 to edp50)	520.781,93	92.623,90
47. net interest income	210.457,65	81.423,42
48. net exchange differences	-4.469,87	4.862,02
49. net result from impairment for expected credit losses	687,04	-3,55
50. other income and expenses from financial instruments	314.107,11	6.342,01
51. other income and expenses	615.294,78	301.127,14
52. total income	49.077.073,73	55.008.061,14
53. total expenses	-47.056.640,42	-46.783.082,41
54. Profit / Loss before taxation (edp42 + edp43 + edp44 + edp45 + edp46 + edp51)	2.020.433,31	8.224.978,73
55. income tax	393.729,46	1.488.986,84
56. profit / loss (edp54-edp55)	1.626.703,85	6.735.991,89
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)	1.626.703,85	6.735.991,89

Company name: Erste Asset Management d.o.o.
VATIN: HR68572873963
Period: 01.01.2019.-31.12.2019.
(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**	**10.963.240,99**	**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
Prior-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 / 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 prior-year (period) income and expenses	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 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	-2.144.123,58	-2.144.123,58
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**	**10.963.240,99**	**3.767.050,48**	**-2.144.123,58**	**17.586.167,89**
Current-year opening balance	**5.000.000,00**	**0,00**	**0,00**	**0,00**	**10.959.464,04**	**1.626.703,85**	**0,00**	**17.586.167,89**
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**	**10.959.464,04**	**1.626.703,85**	**0,00**	**17.586.167,89**
Profit or loss for the period	0,00	0,00	0,00	0,00	0,00	6.735.991,89	0,00	6.735.991,89
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 income and expenses of the current year (period)	0,00	0,00	0,00	0,00	0,00	6.735.991,89	0,00	6.735.991,89
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	-1.626.703,85	-1.626.703,85
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**	**10.959.464,04**	**8.362.695,74**	**-1.626.703,85**	**22.695.455,93**

Form INTi

Statement of cash flow (indirect method)
Company name: Erste Asset Management d.o.o.
VATIN: HR68572873963
Period: 01.01.2019.-31.12.2019.

(in HRK)

	31.12.2018.	31.12.2019.
108. net cash flows from operating activities (sum of edp109 to edp123)	1.534.647,59	9.610.234,60
109. profit / loss before tax for the current year or the current period	2.020.433,31	8.224.978,73
110. amortization of property, plant, equipment and intangible assets	221.127,48	1.003.428,86
111. correction of the value claim and the like write-off	0,00	0,00
112. reservations	0,00	0,00
113. interest income	-210.508,59	-203.387,27
114. interest expense	0,00	0,00
115. gains / losses on investments in financial instruments	0,00	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	-446.755,40	-555.564,45
118. increase / decrease in other receivables	160.371,94	-49.154,53
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	360.909,85	-466.191,88
122. increase / decrease in other liabilities	-570.931,00	1.656.125,14
123. paid income tax	0,00	0,00
124. net cash from investing activities (sum of edp 125 to edp134)	3.173.644,49	-1.961.239,24
125. peceipts from sale of financial instruments	0,00	0,00
126. payments for purchase of financial instruments	0,00	0,00
127. interest receipts	210.508,59	203.387,27
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	-808.639,56	-2.158.288,05
132. receipts from the sale of property, plant, equipment and intangible assets	0,00	0,00
133. other receipts from investment activities	3.771.775,46	-6.338,46
134. other payments from investment activities	0,00	0,00
135. net cash flows from financing activities (sum of edp136 to edp144)	-1.861.230,10	-1.626.703,85
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	-1.857.453,15	-1.626.703,85
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	-3.776,95	0,00
144. other payments from financial activities	0,00	0,00
145. net increase/decrease in cash and cash equivalents (edp108+edp124+edp135)	2.847.061,98	6.022.291,51
146. cash and cash equivalents at beginning of period	10.189.319,09	13.036.381,07
147. cash and cash equivalents at end of period (edp145+edp146)	13.036.381,07	19.058.672,58

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: 13/2019; 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
- Intangible assets in the financial statements in accordance with the Ordinance are summarized, while in the financial statements prepared in accordance with IFRS they are presented analytically, distinguishing the right to use property related to operating leases, as required by IFRS-16
- Other short-term liabilities in the financial statements in accordance with the Regulation are presented analytically in three items by type of occurrence, while in the financial statements prepared in accordance with IFRS they are shown in terms of maturity and lease items are separated according to the requirements of IFRS 16
- 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 126/19) and the Law on alternative investment funds (Official Gazette 21/18 and 126/19) 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 13/19).