Translation from Bulgarian

ОББ
Част от КВС Груп
Асет мениджмънт

INDEPENDENT AUDITOR'S REPORT
MANAGEMENT REPORT
AND ANNUAL FINANCIAL STATEMENTS
As at 31 December 2018.

of UBB ASSET MANAGEMENT JOINT STOCK COMPANY

Contents **Page**

MANAGEMENT REPORT
UBB ASSET MANAGEMENT AD
31 December 2018

I. OVERVIEW OF COMPANY DEVELOPMENT AND PERFORMANCE. MAIN RISKS RELATED TO ACTIVITIES.

1. Company history

UBB Asset Management AD was established on the basis of Licence No 1 dated 23.04.2004, issued by Sofia City Court, entered into the file of Commercial Companies under File No 83704, company case No 4098/2004, volume 1021, Reg. I, page 44 and reregistered with the Commercial Register of the Registry Agency under UIC 131239768.

UBB Asset Management AD received its activity licence from the Financial Supervision Commission on the basis of Decision No 171-УД/04.03.2004, supplemented by Decision No 66-УД/25.01.2006.

The capital of the company is in the amount of BGN 700,000 (seven hundred thousand), divided into 700 (seven hundred) ordinary, dematerialised voting shares with par value of BGN 1,000 (one thousand) each. The main shareholder of UBB Asset Management AD is United Bulgarian Bank AD, holding 90.86% of the capital. As of June 2017 a change was effected in the shareholder holding 9.14% of company capital and this share was acquired by KBC Bank, Belgium. Thus the managing company is now fully part of KBC Group.

2018 also saw a change in the composition of the Board of Directors. At the date of the present financial statements, the Board of Directors was composed by the following natural persons: Mr Johan Marcel Roger Lema - Chairman, Mr Jan Joseph Evrard Swinnen – Deputy Chairman, Mr Christof Marcel Elsa De Mil – Member, Mr Teodor Valentinov Marinov – Member, Ms Katina Slavkova Peycheva – Executive Member.

The main activities of UBB Asset Management AD are as follows:
1. Management of the activities of collective investment schemes, including:

a) investments management;

b) share administration, including legal and accounting services concerning asset management, information requests from investors, asset valuation and calculation of share prices, control over observance of statutory requirements, risk management, keeping the ledger of share owners in cases of management activities for collective investment schemes originating from another member state, allocation of dividend and other payments, share issuance, sale and repurchase, contract performance, record maintaining;

c) marketing services.

2. Management services under client contracts management of individual portfolios, including portfolios of collective investment undertakings comprising securities, at own discretion, without special instructions from client.

3. Provision of investment consultations regarding securities.

As at the end of 2018 UBB Asset Management AD organises and manages the activities of 9 mutual funds: UBB Premium Equity, UBB Platinum Bond, UBB Balanced Fund, UBB Patrimonium Land, UBB Global Pharm Invest, UBB Platinum Euro Bonds (previous designation: UBB Euro Money, amended in 2018), UBB Global Child Fund, UBB Global Dividend and UBB Global Growth.

I. OVERVIEW OF COMPANY DEVELOPMENT AND PERFORMANCE. MAIN RISKS RELATED TO ACTIVITIES (CONTINUED)

1. Company history (continued)

3. Provision of investment consultations regarding securities (continued)

MF UBB Premium Equity is a mutual fund with an aggressive portfolio of financial instruments. It invests primarily in shares at the Bulgarian Stock Exchange. The Fund holds Activity Licence No9-ДФ / 24.11.2005, issued by the Financial Supervision Commission. The public offering of shares commenced on 30.01.2006.

MF UBB Platinum Bonds is a mutual fund with a low-risk portfolio of financial instruments investing primarily in fixed-income securities. The Fund holds Activity Licence No 10-ДФ / 24.11.2005 issued by the Financial Supervision Commission. The public offering of shares commenced on 30.01.2006.

MF UBB Balanced Fund was established as an open-ended investment undertaking (UBB Balanced Fund AD Investment Undertaking) with a balanced portfolio of financial instruments. It maintains a low- to moderate-risk mixed portfolio. The Fund holds Activity Licence No 747-ИД / 13.10.2004 issued by the Financial Supervision Commission. Public offering of shares commenced on 31.01.2005. In 2013 the undertaking was transformed into a mutual fund, and, by means of Decision No 711-ДФ / 24.09.2013 of the Financial Supervision Commission UBB Balanced Fund Mutual Fund was registered as an issuer and UBB Balanced Fund Investment Undertaking was deregistered from the register maintained by the FSC.

MF UBB Patrimonium Land is a mutual fund investing primarily in shares in special investment purpose companies (SPIC), which invest predominantly in agricultural land, office and logistical premises and in shares issued by issuers from the Agricultural sector and food processing companies accepted for trading on regulated markets in the country and abroad and having a high growth potential. The Fund holds Activity Licence No 72-ДФ / 26.01.2009, issued by the Financial Supervision Commission. Public offering of shares commenced on 30.01.2009.

MF UBB Global Pharm Invest is a mutual fund investing mainly in share securities in companies operating in the health sector, mainly the pharmaceutics, biotechnologies and medical devices sectors. The previous name of the Fund is UBB Premium Euro Shares – a mutual fund investing mainly in shares denominated in euro, accepted for trading on regulated markets in EU member states, having a high growth potential and high price volatility, portfolio variability, thus tending to increase risk and respectively – the opportunities for higher profitability. The Fund holds Activity Licence No 89-ДФ / 18.05.2010, issued by the Financial Supervision Commission. Public offering of shares commenced on 31.05.2010. The new name of the Fund and the change in its focus were adopted by means of Decision No 1123-ДФ of the Financial Supervision Commission dated 05.12.2012.

The previous name of MF UBB Euro Money was UBB Platinum Euro Bonds.

The Fund invests mainly in debt securities denominated in euro (long-term and mid-term government bonds, municipal bonds, corporate bonds, mortgage bonds, etc.), accepted for trading on regulated markets in EU member states and cash market instruments denominated in euro (short-term government bonds, bank deposits, etc.), and, to a lesser degree, share securities denominated in euro, accepted for trading on regulated markets in EU member states, investment undertakings and shares in mutual funds, the assets and investments of which are denominated in euro, with the purpose of diversifying portfolio assets.

I. OVERVIEW OF COMPANY DEVELOPMENT AND PERFORMANCE. MAIN RISKS RELATED TO ACTIVITIES (CONTINUED)

1. Company history (continued)

3. Provision of investment consultations regarding securities (continued)

The Fund holds Activity Licence No 91-ДФ / 25.05.2010, issued by the Financial Supervision Commission. Public offering of shares commenced on 31.05.2010. The new name of the Fund was adopted on the basis of Decision No 586-ДФ issued by the Financial Supervision Commission on 12.06.2018, whereby there is no change in the investment strategy.

MF UBB Global Child Fund is a mutual fund with an aggressive portfolio of financial instruments. The funds of the Fund are invested on a global scale, primarily in shares in companies the activity of which is oriented toward the production of child care products and services. The Fund holds Activity Licence No 145-ДФ / 12.03.2016, issued by the Financial Supervision Commission. Public offering of shares commenced on 31.03.2016.

MF UBB Global Dividend is a mutual fund with an aggressive portfolio of financial instruments. The funds of the Fund are invested mainly in shares in companies with an established dividend policy and the potential for high dividend yield in the long term, approved for trading on regulated markets in the country and abroad. The Fund holds Activity Licence No 153-ДФ / 17.03.2016, issued by the Financial Supervision Commission. Public offering of shares commenced on 11.04.2016.

MF UBB Global Growth is a mutual fund with an aggressive portfolio of financial instruments. The funds of the Fund are invested mainly in shares in companies the income and profit of which are expected to grow at rates exceeding the market average and are approved for trading on regulated markets in the country and abroad. The Fund holds Activity Licence No 154-ДФ / 17.03.2016, issued by the Financial Supervision Commission. Public offering of shares commenced on 11.04.2016.

UBB Asset Management AD also performs individual portfolio management.

2. Company development in 2018

The earliest warning of global slowdown or even recession emerged in the first half of the year. The most notable of these – PMI indices in Europe brought about a drop in developed markets, causing apprehensions of impending recession. One of the largest European economies – that of Italy – was also the weakest, registering a technical recession. On the other hand, Germany - the European leader – also suffered from the global slowdown. Issues related to Chinese export, along with other factors, contributed to a slower growth rate.

The local stock exchange went through a year that is hard to remember. The adjustment which commenced in August 2017, continued, and prices remained under pressure over the entire year. The poor Sofix performance however does not correspond directly to the fundamental basis of the market and with the operating results of components, many of which registered excellent operating results.

Despite the overall unconvincing picture there were certain events that can be regarded as positive. The most significant of these – the first public offering of Gradus AD – was successful, with interest in company shares demonstrated mainly by institutional investors (predominantly pension funds).

I. OVERVIEW OF COMPANY DEVELOPMENT AND PERFORMANCE. MAIN RISKS RELATED TO ACTIVITIES (CONTINUED)

2. Company development in 2018 (continued)

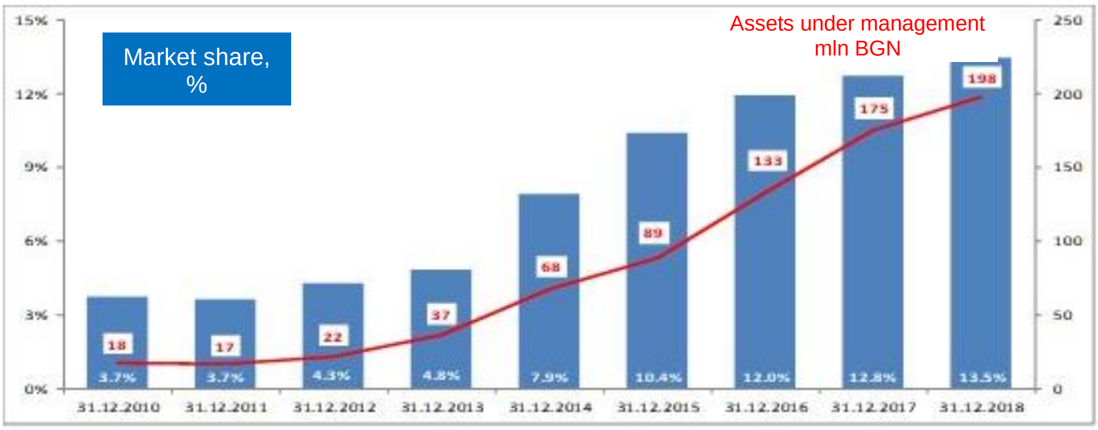
An unsuccessful IPO was also carried out in the course of the year. The proposal of Sirma Group Holding was rejected by the investment community, possibly because of the unclear strategy for utilisation of new capital and the expectation for reduced operating results post-IPO.

In this setting, the main Bulgarian and global exchange indices reached the following values as at 31.12.2018:

	Sofix	BG BX40	BG TR30	BG REIT	DJIA	S&P500	NIKKEI	Hang Seng	FTSE 100	DAX
Return in 2018	-12.25%	-12.19%	-10.76%	4.28%	-5.63%	-6.24%	-12.08%	-16.01%	-12.48%	-18.26%

Fund	Currency	Return YTD 31.12.2018	Return TTM	Net Assets as of 31.12.2018 (BGN)	Net Assets as of 31.12.2018 (EUR)
UBB Platinum Euro Bonds	EUR	-0.10%	-0.10%	37 271 209	19 056 467
UBB Platinum Bonds	BGN	-0.30%	-0.30%	90 752 558	46 401 046
UBB Balanced Fund	BGN	-8.60%	-8.60%	10 417 662	5 326 466
UBB Premium Equity	BGN	-15.30%	-15.30%	21 910 912	11 202 871
UBB Patrimonium Land	BGN	-11.30%	-11.30%	20 594 679	10 529 892
UBB Global Pharm Invest	BGN	3.90%	3.90%	11 109 000	5 679 942
UBB Global Child Fund	BGN	-7.50%	-7.50%	1 650 292	843 781
UBB Global Growth	BGN	-8.50%	-8.50%	2 388 273	1 221 104
UBB Global Dividend	BGN	-5.50%	-5.50%	2 284 949	1 168 276
Total				**198 379 534**	**101 429 845 €**

In 2018 the market share of UBB AM in the stock exchange industry (funds registered in Bulgaria) reached 13.45% - a 0.68% increase compared to 31.12.2017.



The company managed to move up from third to second place in the ranking of management companies in Bulgaria. As at 31.12.2018, the overall amount of assets in collective investment schemes managed by UBB AM is BGN 198,390 thousand.
At the end of 2018, UBB Asset Management AD manages individual portfolios in the amount of BGN 9,712 thousand.

I. OVERVIEW OF COMPANY DEVELOPMENT AND PERFORMANCE. MAIN RISKS RELATED TO ACTIVITIES (CONTINUED)

3. Operating results in 2018

Portfolios 2018	Net assets in 000’BGN, 2018	Net assets in 000’BGN, 2017	Commencement of public offering
UBB Platinum Bonds	90,752	68,715	30.01.2006
UBB Balanced Fund	10,418	11,496	31.01.2005
UBB Premium Equity	21,911	28,722	30.01.2006
UBB Patrimonium Land	20,595	23,056	30.01.2009
UBB Global Pharm Invest	11,109	12,451	31.05.2010
UBB Platinum Euro Bonds	37,271	26,139	31.05.2010
UBB Global Child Fund	1,650	1,775	31.03.2016
UBB Global Growth	2,388	1,311	11.04.2016
UBB Global Dividend	2,285	1,698	11.04.2016
Individual portfolios	9,712	11,181	
Total:	**208,091**	**186,544**	

The profitability achieved by the managed collective investment schemes at the end of 2018 is as follows:

Profitability performance of managed CIS

UBB Mutual Funds 2018	Profitability		Commencement of public offering
	For 2018	Since commencement of public offering	
UBB Platinum Bonds	-0.31%	2.96%	30.01.2006
UBB Balanced Fund	-8.58%	3.40%	31.01.2005
UBB Premium Equity	-15.26%	0.81%	30.01.2006
UBB Patrimonium Land	-11.35%	4.57%	30.01.2009
UBB Global Pharm Invest	3.86%	0.82%	31.05.2010
UBB Platinum Euro Bonds	-0.13%	1.01%	31.05.2010
UBB Global Child Fund	-7.50%	-5.72%	31.03.2016
UBB Global Growth	-8.48%	-3.67%	11.04.2016
UBB Global Dividend	-5.51%	-2.87%	11.04.2016

4. Main risks associated with company activities

The risks associated with company activities and risk management procedures are as follows:

Credit risk – the possibility of loss due to counterparty default. The exposition of the Company to credit risk is limited due to the quality of its financial assets – cash and cash equivalents, interest receivables and receivables from CIS.

Market risk – the main components of market risk are interest risk, currency risk and price risk.
Interest risk – the risk of decline in the value of an investment in a financial instrument due to change in the interest rate affecting the value of such instrument. The main currency risk to which the Company is exposed is related to the possibility that future changes in interest rates may bring about a decrease in the fair value of interest-bearing financial assets. Fixed-term deposits have a fixed interest rate and are not exposed to interest risk.

I. OVERVIEW OF COMPANY DEVELOPMENT AND PERFORMANCE. MAIN RISKS RELATED TO ACTIVITIES (CONTINUED)

4. Main risks associated with company activities (continued)

Currency risk is the risk of decline in the value of an investment in a financial instrument denominated in a currency other than BGN or EUR due to changes in the exchange rate of such currency and BGN or BGN/EUR. The company does not hold significant assets denominated in a currency other than BGN or EUR.

Price risk – the risk of decline in the value of an investment in a financial instrument due to unfavourable changes in market price levels, whereby the Company may incur losses. The Company is not exposed to any significant price risk given the nature and quality of its assets and liabilities.

Operational risk is the likelihood to incur losses related to errors or faults in the organization system, insufficiently qualified staff, adverse external events of non-financial nature including legal risk. Operational risks may be:
1. Internal – related to the organization of operations within the Management Company.
2. External – related to macroeconomic, political and other factors which affect and/or may affect the activities of the Management Company.

Liquidity risk – inability to meet short-term obligations. Liquidity risk may arise for the Company if generated income (mainly from the mutual funds managed by the Company) is not enough to cover the costs of the Management Company which would result in the inability to meet current obligations. UBB Asset Management AD strives to maintain such asset structure as to allow unobstructed performance of activities.

II. COMPANY POSITION, ANNUAL FINANCIAL STATEMENTS

1. Non-current non-financial assets

The non-current assets of the Company comprise software and software licences, office equipment and website with carrying amount as of 31.12.2018 equal to BGN 36 thousand.

2. Current non-financial assets

The management company UBB Asset Management AD has no long-term receivables; all receivables are current.

As of 31.12.2018 the Company receivables are receivables from the managed collective investment schemes and individual portfolios – BGN 230 thousand.

3. Cash

As of 31.12.2018 the value of cash is in the amount of BGN 2,633 thousand, allocated in demand deposits and cash on hand.

4. Equity

The equity of UBB Asset Management AD is in the amount of BGN 700,000 allocated in 700 dematerialised shares granting voting rights at the General Assembly and having a par value of BGN 1,000 each. 90.86% of the capital of the company is owned by UBB AD, and 9.14% - by KBC BANK, Belgium.
The current net profit for 2018 is in the amount of BGN 1,297 thousand.

II. COMPANY POSITION, ANNUAL FINANCIAL STATEMENTS (CONTINUED)

5. Current liabilities

As of 31.12.2018, the liabilities of the Company amount to BGN 133 thousand and comprise the following items: suppliers in BGN, personnel liabilities in connection with unpaid bonuses and social security contributions, as well as corporate tax liabilities, VAT liabilities and representative expenses tax.

6. Income

In 2018 UBB Asset Management AD realised income mainly from the management of collective investment schemes and individual portfolios, in the amount of BGN 2,814 thousand.

7. Expenses

The main expenses of the Company comprise remuneration and social security contributions at the total value of BGN 1,006 thousand with the total amount of expenses at 31.12.2018 being in the amount of BGN 1,374 thousand.

UBB Asset Management AD maintains its liquidity and capital adequacy in full compliance with statutory requirements.

III. SIGNIFICANT EVENTS ARISING AFTER THE DATE OF THE ANNUAL FINANCIAL STATEMENTS.

No significant events have occurred after the date of the annual financial statements.

IV. FUTURE DEVELOPMENT OF THE COMPANY.

The expected development of UBB Asset Management AD in 2019 comprises the following directions:

- Expansion of individual portfolio management activities;
- Increase of the net value of managed assets;
- Increase in market share;
- Introduction of new products;
- Full cooperation with UBB Branch network, including training of employees engaged in the sale of UBB Mutual Funds.

V. RESEARCH AND DEVELOPMENT ACTIVITIES.

UBB Asset Management AD does not engage in research and development activities.

VI. COMPANY BRANCHES.

UBB Asset Management AD does not have branches in the country and abroad.

VII. FINANCIAL INSTRUMENTS USED BY THE COMPANY. FINANCIAL RISK OBJECTIVES AND COMPANY POLICY, INCLUDING HEDGING POLICIES FOR EACH MAIN TYPE OF HEDGED ITEM TO WHICH HEDGING REPORTING IS APPLIED; COMPANY EXPOSURE TO PRICE, CREDIT, LIQUIDITY AND CASH FLOW RISKS.

In 2018 UBB Asset Management AD has not held or used any financial instruments.

VIII. NUMBER AND PAR VALUE OF OWN SHARES ACQUIRED AND TRANSFERRED IN THE COURSE OF THE YEAR AS PORTION OF THE EQUITY THEY REPRESENT, AND THE PRICE OF SUCH ACQUISITION OR TRANSER. GROUNDS FOR ACQUISITIONS MADE DURING THE YEAR. NUMBER AND PAR VALUE OF OWN SHARES HELD AND THE PORTION OF EQUITY THEY REPRESENT.

UBB Asset Management AD has not acquired or transferred own shares in 2018.

IX. REMUNERATION RECEIVED FOR THE YEAR BY MEMBERS OF THE BOARD OF DIRECTORS.

In 2018 the Members of the Board of Directors of UBB Asset Management AD did not receive remuneration.

XVI. EXPECTED INVESTMENTS AND PERSONNEL DEVELOPMENT.

No increase in the number of company employees is expected in 2019. Development of existing personnel will be effected through allocation of training expenses, enhancement of qualifications and experience exchange with KBC Asset Management.

28.03.2019
Sofia

____________________	____________________
Katina Peycheva,	**Stefan Tamnev**
Executive Director	**Procurator**

In 000'BGN unless otherwise noted

	Notes	2018	2017
Operating income	3	2,814	2,746
Interest income	4	1	21
Total income		**2,815**	**2,767**
Operating expenses	6.1 and 6.2	(266)	(256)
Personnel expenses	7	(1,009)	(936)
Depreciation	10 and 11	(21)	(18)
Other expenses (incl. financial expenses)	5 and 6.3	(78)	(55)
Total expenses		**(1,374)**	**(1,265)**
Net profit for the period before taxes		**1,441**	**1,502**
Tax expenses	8	**(144)**	**(150)**
Net profit for the period after taxes		**1,297**	**1,352**
Net earnings per share	9	1,85	1,93
Other comprehensive income		-	-
Comprehensive income for the period		**1,297**	**1,352**

The present Financial Statements were approved by the Board of Directors on 28 March 2019.

Prepared by: Elena Kyoseva Chief Accountant	Katina Peycheva Executive Director	Stefan Tamnev Procurator

Certified as per auditor's report:

Rositsa Boteva Registered auditor	Jock Nunan PricewaterhouseCoopers Audit OOD

UBB ASSET MANAGEMENT AD
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
In 000'BGN unless otherwise noted

	Notes	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	10	33	41
Intangible assets	11	3	48
Total non-current assets		**36**	**89**
Current assets			
Cash and cash equivalents	12	2,633	4,276
Receivables	13	223	243
Deferred tax assets	8	7	7
Deferred expenses	14	9	8
Total current assets		**2,872**	**4,534**
Total assets		**2,908**	**4,623**
Liabilities and equity			
Equity	15		
Registered capital		700	700
Total reserves		778	2,426
Retained earnings		1,297	1,352
Total equity		**2,775**	**4,478**
Current liabilities			
Personnel related liabilities	16	76	75
Trade payables	17	41	62
Tax liabilities	18	16	8
Total current liabilities		**133**	**145**
Total liabilities and equity		**2,908**	**4,623**
Managed foreign assets	19	**208,091**	**186,544**

The present Financial Statements were approved by the Board of Directors on 28 March 2019.

Prepared by: Elena Kyoseva Chief Accountant	Katina Peycheva Executive Director	Stefan Tamnev Procurator

Certified as per auditor's report:

Rositsa Boteva Registered auditor	Jock Nunan PricewaterhouseCoopers Audit OOD

In 000'BGN unless otherwise noted

	Notes	2018	2017
Cash flows from operating activities			
Cash receipts related to holders of shares in CIS		94,793	97,717
Cash payments related to holders of shares in CIS		(94,793)	(97,717)
Cash receipts related to CIS management		2,755	2,770
Cash receipts related to the management of individual investment portfolios		94	92
Cash payments related to the management of CIS and individual investment portfolios		(374)	(402)
Cash payments related to remuneration and social security contributions		(989)	(849)
Cash receipts from fees as per tariff		1	2
Bank fees		(7)	(6)
Income tax paid		(137)	(156)
Other taxes paid /on representative expenses, rent/		(3)	(3)
Other cash payments, related to personnel		(15)	(18)
Net cash flows from operating activities		**1,325**	**1,430**
Cash flows from investment activities			
Cash receipts, related to fixed-term deposits		-	2,500
Cash receipts related to non-current assets		33	-
Cash payments, related to non-current assets		(2)	(44)
Interest related cash receipts		1	31
Net cash flows from investment activities		**32**	**2,487**
Cash flows from financial activities			
Cash payments related to dividends		(3,000)	-
Net cash flows from financial activities		**(3,000)**	**-**
Net change in cash and cash equivalents		**(1,643)**	**3,917**
Cash and cash equivalents at the beginning of period	**12**	**4,276**	**359**
Cash and cash equivalents at the end of period	**12**	**2,633**	**4,276**

The present Financial Statements were approved by the Board of Directors on 28 March 2019.

Prepared by: Elena Kyoseva Chief Accountant	Katina Peycheva Executive Director	Stefan Tamnev Procurator

Certified as per auditor's report:

Rositsa Boteva Registered auditor	Jock Nunan PricewaterhouseCoopers Audit OOD

	Registered capital	Reserves	Retained earnings	Total
31 December 2016	**700**	**552**	**1,874**	**3,126**
Retained profit brought forward	**-**	**1,874**	(1,874)	**-**
Profit for the period	**-**	**-**	1,352	**1,352**
31 December 2017	**700**	**2,426**	**1,352**	**4,478**
Profit distribution for dividend	**-**	**(1,648)**	(1,352)	**(3,000)**
Profit for the period	**-**	**-**	1,297	**1,297**
31 December 2018	**700**	**778**	**1,297**	**2,775**

The present Financial Statements were approved by the Board of Directors on 28 March 2019.

Prepared by: Elena Kyoseva Chief Accountant	Katina Peycheva Executive Director	Stefan Tamnev Procurator

Certified as per auditor's report:

Rositsa Boteva Registered auditor	Jock Nunan PricewaterhouseCoopers Audit OOD

1. Organisation and activities

The Management Company (MC) UBB Asset Management AD (The Company, the Management Company), Sofia, was established in 2003 and is registered in the Commercial Register under company file No 4098 / 23.04.2004 of Sofia City Court as a single-member joint-stock company, UIC 131239768. On the basis of Decision dated 29.06.2006 issued by Sofia City Court, the Company was transformed into a joint-stock company with the designation UBB Asset Management AD. The same Decision also increased the share capital of the Company from BGN 300,000 to BGN 330,000 through the issuance of 30 new registered dematerialised voting shares with par value of BGN 1,000 each. Through Decision No 9 issued by Sofia City Court on 05.07.2007 the capital of the Company was increased from BGN 330,000 to BGN 700,000.

Shareholders in UBB Asset Management AD are United Bulgarian Bank AD, holding 90.86% of the capital and KBC Bank, Belgium, holding 9.14% of the capital following transfer of the shares held by NBG Asset Management, Greece, on 15.06.2017.

UBB Asset Management AD does not hold interests in subsidiaries or associated undertakings.

UBB Asset Management AD has its seat and registered Office in the city of Sofia, Vazrazhdane municipality, 5, Sveta Sofia Street, mailing address: Sofia, 89B, Vitosha Blvd., Millennium Centre, tel.: + 359 2 / 811 37 63, e-mail ubbam@ubb.bg, website: www.ubbam.bg.

The main scope of Company activities is as follows:

1. Management of the activities of collective investment schemes, including:

a) Investments management;

b) share administration, including legal and accounting services concerning asset management, information requests from investors, asset valuation and calculation of share prices, control over observance of statutory requirements, risk management, keeping the ledger of share owners in cases of management activities for collective investment schemes originating from another member state, allocation of dividend and other payments, share issuance, sale and repurchase, contract performance, record maintaining;

c) marketing services.

2. Managing the activities of national investment funds;

3. Management services per portfolio agreement with client, including portfolios of collective investment undertakings comprising financial instruments, at own discretion, without special instructions from client;

4. Provision of investment consultations regarding financial instruments;

5. Safekeeping and administrating shares in collective investment undertakings.

As of 31 December 2018 the Company manages the following collective investment schemes:
- UBB Premium Equity Mutual Fund – Licence No 715-ДФ / 23.11.2005 of the Financial Supervision Commission;
- UBB Platinum Bonds Mutual Fund – Licence No 716-ДФ / 23.11.2005 of the Financial Supervision Commission;

1. Organisation and activities (continued)

- UBB Balanced Fund Mutual Fund – Decision No 747- ИД / 13.10.2004 of the Financial Supervision Commission. The Mutual Funds was established as an open-ended investment undertaking under the name UBB Balanced Fund AD and, as per Decision No 711-ДФ / 24.09.2013 of the Financial Supervision Commission (FSC), Mutual Fund UBB Balanced Fund was registered as an issuer and UBB Balanced Fund AD Investment Undertaking was deregistered from the register maintained by the FSC;

- UBB Patrimonium Land Mutual Fund – Decision No 1007-ДФ / 04.08.2008 of the Financial Supervision Commission;

- UBB Global Pharm Invest Mutual Fund – Licence No 306-ДФ / 14.05.2010 of the Financial Supervision Commission. The Mutual Fund was established under the name UBB Premium Euro Shares Mutual Fund; Decision No 1123-ДФ / 05.12.2012 of the Financial Supervision Commission approved a change in the Rules of the Fund along with a change in the name – from UBB Premium Euro Shares Mutual Fund to UBB Global Pharm Invest Mutual Fund;

- UBB Platinum Euro Bonds Mutual Fund – Licence No 305-ДФ / 14.05.2010 of the Financial Supervision Commission. The Mutual Fund was established under the name UBB Platinum Euro Bonds Mutual Fund; Decision No 457-ДФ / 09.05.2014 of the Financial Supervision Commission approved a change in the Rules of the Fund along with a change in the name – from UBB Platinum Euro Bonds Mutual Fund to UBB Euro Money Mutual Fund. Decision No 586-ДФ / 12.06.2018 of the Financial Supervision Commission approved a change in the Rules of the Fund along with a change in the name – from UBB Euro Money Mutual Fund to UBB Platinum Euro Bonds Mutual Fund;

- UBB Global Child Fund Mutual Fund – Licence No 145-ДФ / 12.03.2016 of the Financial Supervision Commission;

- UBB Global Dividend Mutual Fund – Decision No 153-ДФ / 17.03.2016 of the Financial Supervision Commission;

- UBB Global Growth Mutual Fund – Decision No 154-ДФ / 17.03.2016 of the Financial Supervision Commission;

As of 31 December 2018 the Company is a party to seven management contracts for individual investment portfolios (as of 31.12.2016: eight such contracts).

The Company has a single-tier management system. The management bodies of UBB Asset Management AD are the General Meeting of Shareholders and the Board of Directors.

No changes in the structure of activities performed by UBB Asset Management AD have occurred during the reporting year.

The Annual Financial Statements were approved by the Board of Directors of UBB Asset Management AD by means of Protocol No 384 dated 28.03.2019.

2. Significant accounting policies

2.1 Basis for preparation and presentation of the financial statements

Basis for preparation

(i) *Compliance with IFRSs adopted by the EU*

The financial statements of the Company were prepared in compliance with the International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) applicable to companies reporting under IFRS and adopted for use in the EU. IFRS, as adopted by the EU, is the generally accepted name of the common conceptual framework which serves as accounting basis, equivalent to the framework definition, presented in § 1, para 8 of the Supplementary Provisions of the Accountancy Act 'International Accounting Standards' (IAS).

(ii) Historical cost

The financial statements are prepared under the historical cost convention.

The financial statements include the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement and the applicable Notes thereto.

Accounting of UBB Asset Management AD in its role of Management Company is kept separately from the accounts of the collective investment schemes it manages.

2.2 Changes in IFRS

(i) New and amended standards adopted by the Company

The Fund adopted the following standards and amendments for the first time during the annual reporting period beginning on January 1, 2018:

- IFRS 9 Financial instruments;
- IFRS 15 Revenue from Contracts with Customers;
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions;
- Annual improvements to the IFRs – 2014 – 2016 Cycle;
- Amendments to IAS 40: Transfers of Investment Property;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- IFRIC 23 Uncertainty over Income Tax Treatments (issued 7 June 2017);
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation (issued 12 October 2017);
- Amendments to IAS 28 Investments in Associates and Joint Ventures (issued 12 October 2017).

The Company has modified its accounting policy with the adoption of IFRS 9 and IFRS 15. This change is disclosed in notes 2.6 and 2.17. The new and amended standards adopted by the Company and listed above do not have a significant impact on the amounts recognised in previous periods and are not expected to have a significant effect on current or future periods.

2 Significant accounting policies (continued)

2.2 Changes in IFRS (continued)

Effect of changes in IFRS 15 and IFRS 9

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides an overall framework to determine if, how and when revenue is recognised. The standard replaces existing guidelines as to revenue recognition in current standards, including IAS 18 *Revenue,* IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate* and IFRIC 18 *Transfers of Assets from Clients,* as well as SIC-31 *Revenue - Barter Transactions Involving Advertising Services*.

IFRS 15 *Revenue from Contracts with Customers* was adopted as of 01.01.2018. The accounting policy of the Company has been updated to reflect the terminology of the new standard but this has not had an impact on the financial information reported in the current and the comparative period. Interest revenue and expenses continue to be reported on the basis of the effective interest rate method for financial instruments carried at historical cost. No recalculation has been performed for the profit or loss of comparative periods.

IFRS 9 Financial Instruments

The Company adopted IFRS 9 *Financial Instruments* on 1 January 2018, which resulted in changes in the accounting policies. In accordance with the transitional provisions of IFRS 15, the Fund adopted the new rules applying the modified retrospective approach. This means that the cumulative effect from adoption of the new standard should be recognised in prior-period retained earnings as at 1 January 2018 without restating comparative data for 2017. The Management of the Company performed an analysis which revealed that introduction of the new standard does not have an effect on the financial statement and hence such an effect has not been recognised in the retained earnings from previous periods at 1 January 2018.

IFRS 9 *Financial Instruments* defines the requirements for recognition and measurement of financial assets, financial liabilities and certain contracts for the sale or purchase of non-financial assets. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

As a result of applying IFRS 9, the Company has adopted the subsequent amendments to IAS 1 *Presentation of Financial Statements* which requires that impairment of financial assets must be presented separately in the profit or loss statement and other comprehensive income. In addition, the Company has adopted the subsequent amendments to IFRS 7 *Financial Instruments: Disclosures* which have been applied to the disclosures for 2018, but generally have not been applied to the comparative information.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three main classification categories for financial assets: at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value in profit and loss (FVPL).

The classification of financial assets according to IFRS 9 is largely based on the business model applied to managing financial assets and cash flow characteristics.

In 000'BGN unless otherwise noted

2 Significant accounting policies (continued)

2.2 Changes to IFRS (continued)

IFRS 9 Financial Instruments (continued)

The standard eliminates the existing IAS 39 'held-to-maturity', 'loans and receivables', and 'available-for-sale' categories. In accordance with IFRS 9, embedded derivatives are not separated, where the host contract is a financial asset within the scope of the standard. Rather, the entire hybrid financial instrument is assessed for classification and measurement. IFRS 9 retains most of the existing requirements of IAS 39 regarding the classification and measurement of financial liabilities.

The table below elucidates the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of financial assets and financial liabilities held by the Company at 1 January 2018:

000'BGN	Original classification under IAS 39	New classification under IFRS 9	Initial balance sheet value under IAS 39	New balance sheet value under IFRS 9
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	250	250
Cash and cash equivalents	Loans and receivables	Amortised cost	4,276	4,276
Total financial assets			**4,526**	**4,526**
Financial liabilities				
Trade and other payables	Other financial liabilities	Other financial liabilities	62	62
Total financial liabilities			**62**	**62**

<u>Impairment</u>

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' model which means that there is no need for an actual loss event to have taken place for impairment to be recognised. The new approach requires an assessment of how changes in economic factors reflect on expected credit loss which is determined on a probability-weighted estimate.

The new impairment model will apply to financial assets measured at amortised cost or at fair value through other comprehensive income, with the exception of investments in equity instruments.

As per IFRS 9, impairment loss is calculated on the basis of the risk group to which the asset is assigned and can be:

- 12-month expected credit losses – losses resulting from default events that are possible within 12 months after the reporting date;
- Lifetime expected credit losses – losses that result from all possible default events over the expected lifetime of the financial instrument.

Lifetime ECL is calculated if the credit risk for the financial assets at the reporting date has deteriorated significantly since initial recognition, while 12-month ECL is calculated if credit risk has not changed significantly.

2. Significant accounting policies (continued)

2.2. Changes to IFRS (continued)

IFRS 9 Financial Instruments (continued)

Lifetime ECL is calculated for trade receivables and contracts with/without a significant financing component.

On the basis of the impairment methodology described above and following application of IFRS 9 impairment requirements as of 01.01.2018, the Company has assessed the additional impairment losses as insignificant.

(ii) New standards and interpretations effective 1 January 2019, not adopted earlier by the Company

Certain new accounting standards and interpretations have been published as non-mandatory for the reporting period at 31 December 2018; these have not been adopted earlier by the Company. The Company assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in the recognition of almost all lease contracts on the balance sheet since the distinction between operating and finance leases is abolished. Under the new standard, an asset (the right of use of the leased property) and a financial liability under lease payments are recognized. The only exception is for short-term leases and low-value leases. Lessor accounting will not change significantly.

Impact

The standard will impact mainly the accounting of operating leases of the Company.
On the basis of the analysis and the intentions of the Management with regards to operating leases, the Company expects to recognise right-of-use assets, and, respectively, lease liabilities, in the approximate amount of BGN 603 thousand BGN on 1 January 2019.

The Company is not a party to lease agreements as a Lessor, hence the Company does not expect a significant impact on its financial statements in this regard. Nevertheless, certain additional disclosures will be required from next year onwards.

Adoption date

The Company will apply the standard from the date of its mandatory adoption, i.e. 01 January 2019. The Company intends to apply the simplified transition approach and will not recalculate comparative data for the year preceding initial recognition. Right-of-use assets will be measured in the amount of lease liabilities at the date of standard adoption (adjusted with all pre-paid or accrued expenses on the lease).

There are no other standards that are not yet in force and which are expected to have a significant impact on the Company during the current or future reporting period, as well as in foreseeable future transactions.

2. Significant accounting policies (continued)

2.2. Changes in IFRS (continued)

IFRS 9 Financial Instruments (continued)

(iii) New standards, interpretations and amendments not yet adopted by the EU

IFRS 17 Insurance Contracts (issued 18 May 2017) - CIAS, effective 1 January 2021

Annual improvements to IFRS – 2015 – 2017 Cycle (issued 12 December 2017)

Amendments to

Amendments to IAS 19 (issued 7 February 2018), effective 1 January 2019.

Amendments to References to the Conceptual Framework for IFRS (issued 29 March 2018), effective 1 January 2019.

Amendments to IFRS 3 – Definition of a Business (issued 22 October 2018), effective 1 January 2020.

Amendments to IAS 1 and IAS 8 – Definition of Material – (issued 31 October 2018), effective 1 January 2020.

2.3. Going concern

The financial statements of the Company have been prepared on a going concern basis.

2.4. Functional currency and recognition of foreign currency translation differences

The functional and reporting currency for the financial statements of the Company is Bulgarian lev. As of 01.07.1997 the Bulgarian lev, in accordance with the BNB Act, was pegged to the Deutsche Mark in a ratio of BGN 1:DEM 1, and, with the introduction of the euro as the official currency of the European Union – to the euro, at the ratio of BGN 1.95583:EUR 1.

At initial recognition, transactions in foreign currencies are recorded in the functional currency, applying the exchange rate prevailing at the date of the transaction or operation to the foreign currency amount.
Cash, receivables and liabilities, as monetary reporting items denominated in foreign currency are recorded in the functional currency by applying the exchange rate promulgated by BNB on the last business day of the respective month. As at 31 December these are recorded in Bulgarian lev using the closing exchange rate of BNB.

Non-monetary reporting items in the balance sheet, initially denominated in foreign currency, are recorded in the functional currency by applying the historical exchange rate at the date of the operation and are not subsequently revalued at the closing exchange rate.

Foreign currency translation differences arising from the settlement of transactions in foreign currency or the recording of transactions in foreign currency at exchange rates different from those at initial recognition, are included in profit or loss as incurred.

2. Significant accounting policies (continued)

2.4. Functional currency and recognition of foreign currency translation differences (continued)

The financial statements are prepared and presented in thousands of BGN (000'BGN).

Monetary assets and liabilities denominated in foreign currencies are assessed in BGN at the following official BNB rates of exchange:

Currency	**31.12.2018**	**31.12.2017**
EUR	1.95583	1.95583
USD	1.70815	1.63081

2.5. Cash and cash equivalents

For the purposes of the financial statements, the Company accounts as cash and cash equivalents cash on hand, cash in current bank accounts or deposits with original maturity of up to 3 months.

2.6. Financial instruments

2.6.1 Financial assets

Accounting policies applied from January 1, 2018

Classification

As of 1 January 2018 the Company classifies its financial assets in the following reporting categories:

- those to be measured subsequently at fair value (through Other comprehensive income or through Profit or loss); and
- those to be measured at amortised cost.

The classification depends on the business model applied by the Company in managing financial assets and the cash flow conditions set out in the relevant contracts.

For assets measured at fair value, gains and losses are recorded in profit or loss or in other comprehensive income. For investments in equity instruments not held for trading, this depends on whether the Company has made an irrevocable choice at initial recognition and recognises the investment in Equity at Fair Value through Other Comprehensive Income (FVOCI).

Recognition and derecognition

Regular-way purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

In 000'BGN unless otherwise noted

2. Significant accounting policies (continued)

2.6. Financial instruments (continued)

2.6.1 Financial assets (continued)

Measurement/Valuation

At initial recognition, the company measures a financial asset at its fair value less transaction costs that are directly attributable to the acquisition of the financial asset with the exception of financial assets measured at fair value through profit or loss. Transaction costs of financial assets measured in profit or loss are expensed in profit or loss.

Impairment

As of 1 January 2018 the Company assesses on a forward-looking basis expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.
For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

When managing its own funds, the Company maintains portfolio contents and structure in observance of the following limits:

Types of financial instruments	Limit of relative share in portfolio
Debt securities listed or traded on regulated markets, as well as recently issued debt securities, the issue of which includes the commitment to request listing and, within a term of no more than one year from issue, to be listed for trading on an official stock exchange market or other regulated market;	Up to 100 %
Bank deposits payable upon request or for which the right exists to withdraw the deposit at any time, with no more than 12 months till maturity;	Up to 100 %
Cash market instruments listed or traded on regulated markets;	Up to 100 %
Shares in collective investment schemes, the investment policy of which conforms to the risk policies and the objectives of own funds management of the Company	Up to 30 %
Share securities listed or traded on regulated markets;	Up to 20 %
Recently issued share securities the issue of which includes the commitment to request listing and, within a term of no more than one year from issue, to be listed for trading on an official stock exchange market or other regulated market	Up to 10 %

As of 31 December 2018 and 2017 the Management Company UBB Asset Management AD has not invested own funds in financial instruments such as government securities, bonds, stocks, shares in collective investment schemes and other financial instruments other than bank deposits.

2 Significant accounting policies (continued)

2.6. Financial instruments (continued)

2.6.1 Financial assets (continued)

Accounting policies applied until 31 December 2017

The Company classifies its financial assets in the 'loans and receivables' category, including cash and cash equivalents. This classification depends on the nature and purpose (designation) of the financial assets at acquisition date.

The Management determines the classification of the financial assets of the Company at the date of their initial recognition in the balance.

Normally the Company recognises its financial assets in the balance on the transaction date – the date on which it committed to purchase the respective financial assets.

All financial assets are initially recognised at fair value plus direct transaction costs. Financial assets are derecognised from the Company balance sheet when the rights to receive cash (flows) from these assets have expired or have been transferred and the Company has transferred a substantial amount of the risks and rewards associated with ownership of the asset to another company (entity). Where the Company retains a portion of the risks and rewards associated with ownership of a transferred financial asset, it continues to recognise the asset on its balance sheet but also recognises a secured liability (debt) for the funds received.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured in the balance sheet at amortised cost using the effective interest rate method less impairment. These assets are included in the group of current assets when their maturity falls within 12 months or within a standard operating cycle of the Company, while the remaining assets are classified as non-current.

This group of financial assets includes: trade receivables, other contractor and third-party receivables, cash and cash equivalents from the balance sheet. Interest revenue on loans and receivables is recognised on the effective interest rate basis except for short-term receivables of less than three months, where recognition of such interest is ungrounded, being insignificant and within normal loan conditions.

At each reporting date the Company assesses whether any events or circumstances have occurred that demonstrate objective evidence that a financial asset or a group of financial assets is impaired.

2.6.2. Financial liabilities

The financial liabilities of the Company include payables to suppliers and other contractors. These are initially recognised in the balance sheet at fair value, net of direct transaction costs, and subsequently – at amortised cost under the effective interest rate method.

2. Significant accounting policies (continued)

2.7. Assessments of relevance to the accounting policy of the Company. Key estimates and assumptions with high level of uncertainty

Income tax

The Company is a taxable entity falling within the jurisdiction of tax administration. Significant assessments are required for determination of tax provisions. There are numerous operations and calculations for which final tax cannot be determined in the normal course of activities. The Company recognises liabilities for expected tax payables on the basis of Management estimates. Where the final tax result differs from the initially recorded amounts, these differences affect current tax and provisions for temporary tax differences in the period of tax audits.

Deferred income tax

Deferred tax assets are recognised only to the extent that recovery is probable – that sufficient taxable profit will be generated in future or that future taxable temporary differences will be available against which they can be utilised.

The carrying amount of all deferred tax assets is reviewed at each reporting date and is reduced to the extent that recovery is probable and sufficient taxable profit will be generated or taxable temporary differences will become available within the same period against which they can be used.

Preparation of the financial statements requires the management to make accounting estimates and reasonable assumptions that affect the carrying amounts of assets and liabilities, income and expenses for the period. These estimates and assumptions are based on information available at the date of preparation of the financial statements and future actual results may differ from these estimates.

Fair value measurement

IFRS 13 is applied when another IFRS requires or permits fair value measurement or disclosure of fair value measurement of both financial instruments and non-financial assets. The standard is not applicable to share-based payment operations falling within the scope of IFRS 2 *Share-based Payments*, lease transactions within the scope of IAS 16 *Leases* as well as to assessments that bear some similarities to fair value measurement but do not constitute such measurement – such as the assessment of net realisable value as per IAS 2 *Inventories* or of value in use as per IAS 36 *Impairment of Assets*.
IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date at a principle (or most advantageous) market at current market conditions. The fair value under IFRS 13 is the selling price, regardless of whether that price is directly available or determined by another method of valuation.

2. Significant accounting policies (continued)

2.7 Assessments of relevance to the accounting policy of the Company. Key estimates and assumptions with high level of uncertainty (continued)

Fair value disclosure

IFRS 7 *Financial Instruments: Disclosures* requires disclosure in the notes to the financial statements of information about the fair value of financial assets and liabilities. The Company's policy is to disclose the fair value of those assets and liabilities for which there is available market information, and whose fair value is materially different from recorded amounts.
The financial instruments of the Company include cash on hand and in bank accounts, fixed-term deposits, receivables and liabilities. The following methods and assumptions are used to measure the fair value of each group of financial instruments:
Cash on hand and in bank accounts – due to the liquid nature of these instruments, their carrying amount corresponds to fair value.

Other receivables and payables are stated at nominal value, whereby receivables are reduced by the impairment loss. The carrying value of these instruments is the best estimate of their expected fair value.

2.8. Trade receivables and other current assets

Accounting policies applied until 31 December 2017

Trade receivables are initially recorded at fair value and subsequently at amortised cost on the basis of the original invoice (cost) less the amount of impairment for uncollectible amounts. In the event of payments deferred beyond the usual loan period, or payments on which no additional interest is provided or interest is substantially different from the normal market rate, receivables are initially measured at fair value and subsequently at amortised cost less the nominal interest rate incorporated in their value and determined under the effective interest rate method.

Estimates of losses from doubtful and uncollectible receivables is made when collection of the entire amount or a portion of it is highly improbable. Provisions for impairment of trade receivables are made where there is objective evidence that the Company will not be able to collect the entire amount in accordance with the original conditions. Any significant financial difficulties of the debtor, the probability that the debtor may enter an insolvency procedure or other measure of financial reorganisation, any default or delay in payment (of more than 90 days) must all be taken into consideration by the Management, when determining and classifying a specific receivable as impaired.

The impairment value is the difference between the carrying amount of a receivable and the current value of estimated future cash flows discounted by the original effective interest rate. The carrying amount is adjusted by means of an allowance account where all impairment is accrued, while the impairment loss for the period is recognised in the income statement. In the event of subsequent recovery, this is reflected in the income statement with a corresponding reduction of the allowance.

Uncollectible receivables are written off when the legal grounds arise. They are written off against the allowance.
Company receivables are current in nature and are expected to be collected within the next reporting period. Receivables are presented at nominal value net of impairment.

2. Significant accounting policies (continued)

2.9. Property, plant and equipment

Property, plant and equipment include tangible assets with a useful life time more than one year. They are initially recognized at cost, which includes the purchase price, including import duties and non-refundable purchase taxes, and any directly attributable expenses for bringing the asset to working condition for its intended use.

Subsequent costs related to certain property, plant and equipment that have already been recognised are added to the carrying amount of the asset when it is likely that the company has economic benefits in excess of the originally assessed standard of performance of the existing asset.

After initial recognition as an asset, each individual item of property, plant or equipment accounts at acquisition cost, decreased with all depreciations and the accumulated impairment losses.

The Company's management reviews the carrying value of items of property, plant and equipment and determines their recoverable value. In cases where the carrying amount of the asset is greater than its estimated recoverable amount, the asset is depreciated and the Company recognizes an impairment loss.

A given item of property, plant and equipment is derecognised from the balance sheet on disposal or when the asset is permanently withdrawn from use and no other economic benefits are expected. Upon sale of fixed assets, the difference between the book value and the sale price of the asset is recognised in profit or loss in the current period.

Items of property, plant and equipment are depreciated using the straight-lie method over their useful service life. The following annual depreciation rates are used for the different groups of assets:

	Annual depreciation rate
Computers and servers	30%
Peripheral computer devices	20%
Cars	20%
Office equipment and fittings	15%

2.10. Intangible assets

Intangible assets consist of licenses, software and more. Initially intangible assets are recognized at cost which includes the purchase price, including import duties and non-refundable purchase taxes, and any directly attributable expenses for bringing the asset to working condition for its intended use.
Subsequent costs on an intangible asset after its acquisition are directly stated as expenses at the moment of their occurrence, except in the following cases:

- Where costs are likely to help the asset generate future economic benefits in excess of those initially foreseen
- Where these costs can be reliably measured and related to the asset.

2. Significant accounting policies (continued)

2.10. Intangible assets (continued)

If the above conditions are met, subsequent expenses are added to the cost of the intangible asset.
Subsequent expenses on a recognised intangible asset are recorded as expense if these expenses are necessary to maintain the originally intended standard state of the asset.
After initial recognition intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The Company evaluates whether the useful life of an intangible asset is limited or unlimited, and, if useful life is deemed to be limited, the duration of, or the number of production or similar units constituting such useful life.
An intangible asset is regarded as having an indefinite useful life when, based on an analysis of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the Company.

Intangible assets with limited useful lives are amortised and intangible assets with unlimited useful life are not amortised.

Intangible assets subject to amortisation are amortised using the straight-line method over their useful service life. The following annual amortisation rates are used for the different groups of assets.

	Annual depreciation rate
Software and software licences	20%
Other intangible fixed assets	15%

The carrying amount of intangible fixed assets is subject to impairment review where there are events or changes in circumstances indicating that their carrying amount could exceed their recoverable amount. In this case the impairment is recorded as expense in the income statement.

Intangible assets are written off the balance sheet when there is no further use of the asset and no future economic advantages are expected or upon disposal. Gains and losses from the disposal of certain assets from the group of 'intangible assets' are determined by comparing sales gains with the carrying amount of the asset at the sale date. These are indicated net on the front page of the income statement.

2.11. Trade and other payables

Trade and other payables are financial liabilities arising from the direct receipt of goods, services, cash or cash equivalents from suppliers and creditors.

Following initial recognition, loans and commercial obligations that have no fixed maturity are stated at their estimated acquisition value.

Loans and liabilities with fixed maturity are reported at their amortised cost.

2. Significant accounting policies (continued)

2.12. Salaries, wages and provisions for long-term personnel income

Employment and social/health insurance relations with Company employees and officials are based on the provisions of the Labour Code, valid social security and health insurance legislation and the Collective Agreement (CA).

The main obligation of the employer is to make the mandatory contributions on behalf of its personel in the Pensions Fund, for supplementary mandatory pension insurance, contributions to the General Illness and Maternity Fund, the Unemployment Fund, the Occupational Accidents and Diseases Fund, the Guaranteed Worker and Employee Receivables Fund and health insurance contributions.

The amount of the contributions is determined by the Social Security Code, the State Social Insurance Budget Act and the National Health Insurance Fund Budget Act for the respective year. The amount of the contributions is divided between the employeer and employee in a proportion which varies from year to year and is determined in the Social Security Code.

Payables to employees include payables of the Company for past service of personnel and the relevant social security contributions required by law. In accordance with IAS 19 Employee benefits include accrued short-term employee benefits originating from unused holidays and the social security contributions on such income, accrued on the basis of current social security rates.

The Company does not have a private voluntary social security fund. The social security and pension schemes (plans) applied by the Company in its capacity of employer are based on Bulgarian legislation and constitute defined-benefits plans.

According to the requirements of the Labour Code, undertakings in the country are obligated, upon termination of employment relations with an employee who has reached the relevant retirement age, to pay a lump compensation sum in the amount of 2 to 6 monthly work salaries depending on length of service with the Company. The Company has calculated the potential amount of such compensation but, due to its insignificant amount and the low average age of personnel has not made provisions for such compensations in these annual financial statements.

Short-term income

Short-term employee income in the form of remuneration, bonuses and social payments and benefits (payable within 12 months from the end of the period in which the work is performed or the relevant conditions are met) are recognised as expenses in the income statement for the period, in which the work is performed or the conditions for receipt of such payments are met, and as a current liability (following deduction of all amounts paid and deducted) in their non-discounted amount. Social security and health insurance contributions payable by the Company are recognised as current expense and liability in their non-discounted amount, jointly and in the period of accrual of the income with which they are associated.
At each reporting date the Company measures the amount of expected expenses under accumulated compensable leave, expected to be paid out as a result of unused leave. This assessment includes an estimate of expenses for remuneration and for mandatory social security and health insurance contrabutions payable by the employer on these amounts.

2. Significant accounting policies (continued)

2.13. Provisions

Provisions are liabilities of uncertain timing or amount. Provisions are recognized in the context of structural and legal obligations resulting from past events, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

A legal obligation is an obligation that derives from:

- contract (as per contract's explicit and implicit provisions);
- legislation; or
- other action of law.

A constructive obligation is an obligation arising from the actions of the Company, where:

- based on a pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it is ready to undertake certain responsibilities; and
- As a result, the entity has created in the other parties a valid expectation that it will discharge those responsibilities.

A provision is recognised when:
- The Company has a present obligation (legal or constructive) has arisen as a result of a past event;
- an outflow of economic benefit to settle the obligation is probable; and
- the amount of the obligation can be estimated reliably

If these conditions are not met, the provision is not recognised.

Provisions are estimated at the best estimate of the Management at the end of the reporting period of the expenditure required to settle the present obligation.

The amount of recognised provisions is reviewed at each reporting period end and recalculated to reflect the best current estimate.

As of the reporting date, the Company has provisions for unused paid holidays of personnel.

2.14. Profit tax

Current profit tax

Current profit tax are determined in accordance with the requirements of Bulgarian tax legislation – the Corporate Income Tax Act.

Deferred profit tax

Deferred tax is determined by applying the balance sheet method on all temporary differences existing at reporting date between the carrying amounts and the tax bases of individual assets and liabilities.

2. Significant accounting policies (continued)

2.14 Profit tax (continued)

Deferred tax liabilities are recognised on all taxable temporary differences

Deferred tax liabilities are recognised on all deductible temporary differences and on unused tax losses to the extent that it is probable that they will be recovered and that sufficient taxable profit will be generated in future or taxable temporary differences will be available against which these taxable differences can be deducted, with the exception of differences arising from the initial recognition of an asset or liability which does not affect the accounting or tax profit (loss) at the transaction date.

The carrying value of all deferred tax assets is reviewed on each reporting date and reduced to the extent to which it is probable that they will be recovered and sufficient taxable profit will be generated or taxable temporary differences will be available in the same period against which they can be deducted.

Deferred taxes associated with items reported directly in equity or another balance sheet position are also recorded directly to the respective equity component or balance sheet position.
Deferred tax assets and liabilities are measured on the basis of the tax rates expected to apply for the period in which the assets will be realised and the liabilities settled, on the basis of tax laws that have been enacted or are expected to be enacted.

Deferred tax assets and deferred tax liabilities are offset only if the Company has a legally enforceable right to set of current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.15 Deferred expenses

Deferred expenses are recognised as a current expense in the period in which the contracts with which they are associated, will be performed.
Prepaid expenses include contracted and documented expenses, paid in the current year, some of which relate to future periods (audit remuneration, insurance, software support, etc.).

2.16. Equity

The Company reports its share capital at the nominal value of issued and registered shares. Shares are paid on time and in the amount required by valid legislation.

The subscribed capital of the Company is reflected in the financial report at historical cost at the date of registration.

Reserves are established and spent on the basis of a decision of the General Meeting of Shareholders.
The Company's equity is the residual value of the assets of the Company after deduction of all of its liabilities.

2. Significant accounting policies (continued)

2.17. Operating income

The Company adopted IFRS 15 *Revenue from Contracts with Customers* on 1 January 2018, which resulted in changes to the accounting policies. In compliance with the preceding provisions of IFRS 15, the Company adopted the new rules applying the modified retrospective approach.

This means that the possible cumulative effect from adoption of the new standard should be recognised in prior-year retained earnings from preceding years as at 1 January 2018 without adjustment of the comparative data for 2017. The Management of the Company made an analysis which revealed that adoption of the new standard will not have an effect on the financial statements of the Company and such is respectively not recognised in prior-year retained earnings as at 1 January 2018.

Accounting policies applied after 1 January 2018

The Company recognises revenue when (or if) the Company meet its performance obligations by transferring the promised goods or services (i.e. asset) to the client. An asset is deemed to be transferred when (or if) the client obtains control over such asset. For each performance obligation, the Company determines, upon entry into force of the contract, whether it meets the obligation for point-in-time performance or for over-time performance. The Company recognises revenue in order to reflect the transfer of goods or services to the client, in an amount reflecting the remuneration the Company expects to be entitled to in return for such goods or services.

Revenue from services is recognised in the accounting period in which the services are rendered, on the basis of costs incurred by the Company increased with a fixed surcharge.

Accounting policies applied until 31 December 2017

Company revenue is recognised on the basis of the current accrual basis, to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.
In the event of services, revenue is recognised in the period in which the service is rendered on the basis of costs incurred for service provision plus a fixed surcharge. Expenses associated with potential clients incurred prior to service provision are not included in the overall basis for revenue calculation and are recorded as current expenses.

When services are rendered over more than one reporting period, expenses are recognised taking into account the stage of completion of the transaction at the balance sheet date, where this stage can be reliably measured, as well as the expenses incurred under the transaction and those required for its completion.

Upon asset disposal revenue is recognised when substantially all risks and rewards associated with ownership have been transferred to the buyer.

Revenue is recognised on the basis of the fair value of sold goods and services, net of indirect taxes (excise duties and VAT) and any discounts made.
Net foreign exchange gains associated with cash, trade receivables and payables denominated in foreign currency are included in the income state as they occur.

2. Significant accounting policies (continued)

2.17. Operating income (continued)

Accounting policies applied until 31 December 2017 (continued)

Interest revenue is recognised under the effective interest rate method. When circumstances occur which require impairment of receivables under loans, the Company reduces their current value to their recoverable value. Recoverable value comprises expected future cash flows discounted with the initial effective interest rate for the respective financial instrument, and thereafter continues to account for discounted values as interest revenue.

The main revenue of the Company arises from the management of collective investment schemes (CIS). This revenue is recognised on a monthly basis and is formulated as a percentage of the average annual net asset value of each Fund, the activity and/or portfolio of which is managed by UBB Asset Management AD.

Income from management of individual investment portfolios is calculated as a percentage of the portfolio and accrued on a monthly basis.

2.18. Financial income

Interest revenue and interest expenses for all interest-bearing instruments are recognised in the result for the period using the principle of current accrual apportioned to the time basis through the effective interest rate method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income / expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all received fees and other allowances or discounts) for the expected life of the financial instrument or, where appropriate, for a shorter period to its balance value.

2.19. Expenses

Expenses are recognised when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Recognition of expenses for the current period is effected when their corresponding income is accrued.

When economic benefits are expected to arise over several accounting periods and the association between expenses and income can only be broadly or indirectly determined, expenses are recognized on the basis of procedures of systematic and rational allocation.

Expense is recognised immediately in the Statement of comprehensive income when the expense does not create future economic benefits or when, and only to the extent to which such future economic benefit does not qualify or ceases to meet the requirements for recognition of an asset in the statement of financial position.

In 000'BGN unless otherwise noted

2. Significant accounting policies (continued)

2.19. Expenses (continued)

Expenses are reported on the basis of accrual accounting. They are recognised at fair value of paid or payable amounts.

The main expenses of the Company are those for hired services and remuneration.

Financial expenses are included in the income statement as they occur and comprise: bank fees and foreign exchange differences. These are presented on the first page of the income statement.

2.20. Comparative information

Presentation and classification of items in the financial statements are retained for the various reporting periods in order to ensure comparability of comparative information. Data for the previous year is adjusted where necessary for the purpose of comparability with current year presentation.

The Company provides comparative data as at 31 December 2017 and for the year ended on that date.

2.21. Contingent obligations and commitments

The Company as a lessee

The Company concluded a lease agreement for an administrative office located in Sofia, 89B, Vitosha Blvd.

The agreement is valid for a period of 10 years with an extension option. Conclusion of this agreement does not impose any limitations on the Company.

As at 31 December, the future minimum rent instalment under this agreement will be as follows:

	31.12.2018
Within one year	63
Between one and ten years	562
Total	**625**

3. Operating income

	2018	**2017**
Income from mutual funds management, including:	2,755	2,639
- costs associated with the issue and redemption of shares in CIS	*76*	*90*
Income under management contracts for individual portfolios	58	95
Income from fees collected under tariff (including issuance of prospectus and other documents)	1	12
Total	**2,814**	**2,746**

In 000'BGN unless otherwise noted

3. Operating income (continued)

The main income of the Company arises from management fees charged to each mutual fund managed, as follows:
In 2018:

- MF UBB Premium Equity – 2.90% of the average annual net asset value (valid throughout 2017 as well);
- MF UBB Platinum Bonds – 0.50% of the average annual net asset value (valid throughout 2017 as well);
- MF UBB Balanced Fund – 2.25% of the average annual net asset value (valid throughout 2017 as well);
- MF UBB Patrimonium Land – 2.90% of the average annual net asset value (valid throughout 2017 as well);
- MF UBB Global Pharm Invest – 3.00% of the average annual net asset value (valid throughout 2017 as well);
- MF UBB Platinum Euro Bonds – 0.50% of the average annual net asset value (valid throughout 2017 as well);
- MF UBB Global Child Fund – 2.50% of the average annual net asset value (valid throughout 2017 as well);
- MF UBB Global Dividend – 2.50% of the average annual net asset value (accrual commenced on 14.03.2017 when the Fund reached net asset value of BGN 1 million);
- MF UBB Global Growth – 2.50% of the average annual net asset value (accrual commenced on 02.06.2017 when the Fund reached net asset value of BGN 1 million).

Valid redemption charges in 2018 and 2017 are as follows:

FUND	Redemption fee	Period		Effective date of redemption charges
MF UBB PATRIMONIUM LAND	0.25%	held for up to 1 year and 6 months	18 months	29.03.2012
MFUBB PREMIUM EQUITY	0.40%	held for up to 1 year and 6 months	18 months	29.03.2012
MF UBB PLATINUM BONDS	0.50%	held for up to 5 months	5 months	29.03.2012
MF UBB BALANCED FUND	0.40%	held for up to 1 year	12 months	16.05.2012
MF UBB PLATINUM EURO BONDS	0.50%	held for up to 3 months	3 months	09.05.2014

In 000'BGN unless otherwise noted

3. Operating income (continued)

The applicable issuance fees for 2018 and 2017 are as follows:

Fund	Issuance fees
MF UBB GLOBAL PHARM INVEST	2%
MF UBB GLOBAL CHILD FUND	1. For orders up to BGN 25,000 (inclusive) – 2% 2. For orders from BGN 25,000 to 100,000 (inclusive) – 1.5% 3. For orders from BGN 100,000 to BGN 200,000 (inclusive) – 1% 4. For orders over BGN 200,000 – NAV per 1 share.
MF UBB GLOBAL DIVIDEND	1. For orders up to BGN 25,000 (inclusive) – 2% 2. For orders from BGN 25,000 to 100,000 (inclusive) – 1.5% 3. For orders from BGN 100,000 to 200,000 (inclusive) – 1% 4. For orders over BGN 200,000 – NAV per 1 share.
MF UBB GLOBAL GROWTH	1. For orders up to BGN 25,000 (inclusive) – 2% 2. For orders from BGN 25,000 to 100,000 (inclusive) – 1.5% 3. For orders from BGN 100,000 to 200,000 (inclusive) – 1% 4. For orders over BGN 200,000 – NAV per 1 share.

By Decision of the Board of Directors No 317 of 15.11.2015, management fees, issuance fees and all other establishment costs incurred on behalf of MF UBB Global Dividend and MF UBB Global Growth will not be accrued until a minimum net asset value of BGN 1 million has been reached by MF UBB Global Dividend and MF UBB Global Growth.
The management company recovers the initial establishment costs incurred on behalf of MF UBB Global Dividend and MF UBB Global Growth after the minimum net asset value of the Fund has reached BGN 1 million.

The costs of preparation of all documents necessary to obtain a permit from the FSC are payable to the management company after the net asset value has reached BGN 1 million.
MF UBB Global Dividend reached net asset value of BGN 1 million on 14.03.2017 and MF UBB Global Growth – on 02.06.2017

4. Interest revenue

	2018	2017
Interest on current accounts	1	6
Interest on bank deposits	-	15
Total	**1**	**21**

5. Other expenses (including financial)

	2018	2017
Financial expenses for bank transfers	(7)	(6)
Total	**(7)**	**(6)**

In 000'BGN unless otherwise noted

6. Operating expenses

6.1. Cost of materials

	2018	2017
Office materials	(1)	(2)
Fuel	(4)	(3)
Equipment	-	(1)
Consumables	-	(3)
Total	**(5)**	**(9)**

6.2. Cost of hired services

	2018	2017
Rent, consumables and premises maintenance	(92)	(49)
Expenses under agency agreements	(85)	(100)
Expenses related to maintenance of software products	(30)	(35)
Legalised translations of documents into foreign languages	(15)	(7)
AFS certification	(11)	(4)
Marketing and advertising	(10)	(23)
Annual fee for general financial supervision payable to FSC	(4)	(3)
Vehicle expenses	(4)	(6)
Project management	(3)	(16)
Central Depository fees	(2)	(1)
Legal fees	(2)	(1)
Tax consultations	(2)	-
Subscriptions	(1)	(1)
Safe working conditions	-	(1)
Total	**(261)**	**(247)**

6.3. Other non-financial expenses, including:

	2018	2017
Business trips	(35)	(25)
Partial tax credit on VAT	(26)	(14)
Representation costs and taxes thereon	(6)	(5)
Memberships	(2)	(3)
Tax on personal use of assets	(2)	(1)
Donations	-	(1)
Total	**(71)**	**(49)**

In 000'BGN unless otherwise noted

7. Personnel expenses

As at 31 December 2018 the staff of the Company numbers 21 individuals (31.12.2017: 17 individuals).

7.1. Salaries and wages

	2018	2017
Salaries and wages	(882)	(823)
Remuneration for unused paid leave	(3)	-
Total	**(885)**	**(823)**

7.2. Social security and health insurance expenses

	2018	2017
Social security and health insurance contributions for personnel	(106)	(92)
Contributions under unused paid leave	-	-
Total	**(106)**	**(92)**

7.3. Other personnel expenses

	2018	2017
Costs for additional health insurance, supplementary voluntary pension insurance and life and accident insurance	(15)	(13)
Personnel qualification expenses	(2)	(8)
Social expenses	(1)	-
Total	**(18)**	**(21)**

8. Taxes

As at 31 December 2018 the relationship between tax representation in the statement of comprehensive income and accounting profit is as follows:

	Year ended 31.12.2018	Year ended 31.12.2017
Profit before taxation	1,441	1,502
Applicable tax rate	10%	10%
Tax according to tax rate	(144)	(150)
Effect of offsetting prior-year tax losses	-	-
Effect of other temporary differences on which no deferred tax asset is recognised	-	(7)
Tax expenses	(144)	(157)
Effective tax rate	10%	10%

In 000'BGN unless otherwise noted

8. Taxes (continued)

As of 31 December 2018 and 2017 no unused tax losses are available to be carried forward into subsequent periods.

9. Net earnings per share

Basic earnings per share

	2018	2017
1. Share capital	700	700
2. Uncovered loss from previous years at the beginning of the period	-	-
3. Financial result for the previous year	1,352	920
4. Basic earnings per share (BGN per share) for the preceding year (p.3: p.1)	1,93	1,31
5. Financial result	1,297	1,352
6. Basic earnings per share (BGN per share) (p.5: p.1)	1.85	1.93

10. Property, plant and equipment

	Office equipment	Computers and peripheral devices	Vehicles	Total
1. Reporting value				
1 January 2017	**11**	**61**	**24**	**96**
Derecognised	-	(50)	-	**(50)**
Acquired	-	-	44	**44**
31 December 2017	**11**	**11**	**68**	**90**
Derecognised	(11)	(1)	-	**(12)**
31 December 2018	**-**	**10**	**68**	**78**
2. Accumulated depreciation				
1 January 2017	**10**	**61**	**24**	**95**
Accrued for the year	1	-	3	**4**
Derecognised for the year	-	(50)	-	**(50)**
31 December 2017	**11**	**11**	**27**	**49**
Accrued for the year	-	-	8	**8**
Derecognised for the year	(11)	(1)	-	**(12)**
31 December 2018	**-**	**10**	**35**	**45**
3. Net book value				
As at 31 December 2017	**-**	**-**	**41**	**41**
As at 31 December 2018	**-**	**-**	**33**	**33**

In 000'BGN unless otherwise noted

11. Intangible assets

	Software and software licences	Patents and licences	Webpage	Total
1. Reporting value				
1 January 2017	**124**	**1**	**22**	**147**
Acquired	**-**	**-**	**-**	**-**
31 December 2017	**124**	**1**	**22**	**147**
Acquired	**1**	**-**	**-**	**1**
Derecognised	**(66)**	**-**	**-**	**(66)**
31 December 2018	**59**	**1**	**22**	**82**
2. Accumulated depreciation				
1 January 2017	**68**	**1**	**16**	**85**
Accrued for the year	12	-	2	14
31 December 2017	**80**	**1**	**18**	**99**
Accrued for the year	**12**	**-**	**1**	**13**
Derecognised	**(33)**	**-**	**-**	**(33)**
31 December 2018	**59**	**1**	**19**	**79**
3. Net book value				
As of 31 December 2017	**44**	**-**	**4**	**48**
As of 31 December 2018	**-**	**-**	**3**	**3**

12. Cash and cash equivalents

	31.12.2018	31.12.2017
Cash on hand in BGN	-	1
Cash in checking accounts	2,633	4,275
In BGN	*2,632*	*4,275*
In EUR	1	-
Total:	**2,633**	**4,276**

In 000'BGN unless otherwise noted

12. Cash and cash equivalents (continued)

Cash on hand in BGN is shown at nominal value. Cash on hand in EUR is shown at the BNB exchange rate as at 31 December 2018 and 2017 respectively.

13. Receivables

	As at 31.12.2018	As at 31.12.2017
Receivables from management fees for collective investment schemes and share issuance and redemption fees	201	201
Receivables for administration of shares in collective investment schemes	12	10
Receivables from remuneration for management of individual investment portfolios– fiduciary services	5	29
Receivables on advance payments	-	2
Receivables from the Central Depository – prepaid fees	2	1
Other receivables	3	-
Total	**223**	**243**

Receivables in BGN are valued at the cost incurred. Receivables in EUR and USD are shown at the BNB exchange rate at 31 December 2018 and 2017 respectively. The management company UBB Asset Management AD has no long-term receivables.

14. Deferred expenses

The deferred expenses indicated in the statement of financial position relate to:

	As at 31.12.2018	As at 31.12.2017
Audit expenses	7	-
Annual software maintenance fee	1	4
Vehicle insurance expenses	1	1
Training expenses	-	3
Total	**9**	**8**

15. Capital

The share capital of UBB Asset Management AD amounts to BGN 700 thousand divided into 700 dematerialised, registered GMS voting shares with a par value of BGN 1,000, distributed as follows:

Name of shareholder	As at 31.12.2018	%
United Bulgarian Bank AD	636	90,86%
KBC Bank	64	9,14%
TOTAL SHARES AT 31.12.2018	**700**	**100%**

In 000'BGN unless otherwise noted

15. Capital (continued)

Name of shareholder	As at 31.12.2017	%
United Bulgarian Bank AD	636	90,86%
NBG Asset Management up to 14.06.2017	64	9,14%
TOTAL SHARES AT 14.06.2017	**700**	**100%**
United Bulgarian Bank AD	636	90,86%
KBC Bank from 15.06.2017	64	9,14%
TOTAL SHARES AT 31.12.2017	**700**	**100%**

16. Wages and salaries payable

	As at 31.12.2018	As at 31.12.2017
Wages and salaries payable, including	76	75
Variable remuneration	*73*	*75*
Social security and health insurance	*1*	
Unused paid leave	*2*	-
Total:	**76**	**75**

17. Trade payables

	As at 31.12.2018	As at 31.12.2017
Payables to suppliers	41	62
Total:	**41**	**62**

18. Tax liabilities

	As at 31.12.2018	As at 31.12.2017
Profit tax	12	5
Tax on representation expenses and personal use tax	3	2
VAT payable	1	1
Total:	**16**	**8**

In 000'BGN unless otherwise noted

19. Foreign assets managed

	As at 31.12.2018	As at 31.12.2017
Net assets of:		
MF UBB Platinum Bonds	90,752	68,715
MF UBB Platinum Euro Bonds	37,271	26,139
MF UBB Premium Equity	21,911	28,722
MF UBB Patrimonium Land	20,595	23,056
MF UBB Global Pharm Invest	11,109	12,451
MF UBB Balanced Fund	10,418	11,496
MF UBB Global Growth	2,388	1,311
MF UBB Global Dividend	2,285	1,698
MF UBB Global Child Fund	1,650	1,775
Net value of individual investment portfolios	9,712	11,181
Total:	**208,091**	**186,544**

20. Related parties and related party transactions (continued)

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or the parties are subject to common control by a third party.

The main related parties with which UBB Asset Management AD carries out its activities are as follows:

Company name	Relationship type
MF UBB Balanced Fund	related through key management personnel
MF UBB Premium Equity	related through key management personnel
MF UBB Platinum Bonds	related through key management personnel
MF UBB Patrimonium Land	related through key management personnel
MF UBB Global Pharm Invest	related through key management personnel
MF UBB Platinum Euro Bonds	related through key management personnel
MF UBB Global Child Fund	related through key management personnel
MF UBB Global Dividend	related through key management personnel
MF UBB Global Growth	related through key management personnel
KBC Bank	Beneficial owner of capital from 15.06.2017 and at 31.12.2017
NBG National Bank of Greece	Beneficial owner of capital up to 14.06.2017
United Bulgarian Bank AD	Parent company
KBC Asset Management NV Branch	company under common control
DZI Life Insurance	company under common control
DZI General Insurance	company under common control
Jan Joseph Evrard Swinnen	key management personnel
Christof Marcel Elsa De Mil	key management personnel
Teodor Valentinov Marinov	key management personnel
Ivan Borisov Koutlov (removed on 25.01.2018)	key management personnel
Katina Slavkova Peycheva	key management personnel
Stefan Stefanov Tamnev	Procurator

In 000'BGN unless otherwise noted

20. Related parties and related party transactions (continued)

Balances on related party transactions and the corresponding expenses and income at 31 December 2018 and 2017 are as follows:

Transactions and balances

Income	**31.12.2018**	**31.12.2017**
MF UBB Balanced Fund - management fees and redemption fees	255	231
MF UBB Premium Equity - management fees and share redemption fees	746	838
MF UBB Platinum Bonds - management fees and share redemption fees	417	312
MF UBB Patrimonium Land - management fees and share redemption fees	631	624
MF UBB Global Pharm Invest – management fees and share issuance fees	367	416
MF UBB Platinum Euro Bonds - management fees and share redemption fees	162	104
MF UBB Global Child Fund - management fees and share issuance fees	46	51
MF UBB Global Dividend - management fees, prospectus and share issuance fees	64	46
MF UBB Global Growth - management fees, prospectus and share issuance fees	66	27
United Bulgarian Bank AD		
- interest income on demand deposits	1	6
- interest income on fixed-term deposits	-	15

In 000'BGN unless otherwise noted

20. Related parties and related party transactions (continued)

Expenses	**31.12.2018**	**31.12.2017**
United Bulgarian Bank AD		
- rent	(62)	-
- consumables and premises maintenance	(16)	(11)
- expenses under agency agreements	(85)	(100)
- expenses under Microsoft licences	(2)	(7)
- bank fees	(7)	(6)
- expenses under contract with the Labour Medicine Office of UBB AD	-	(1)
DZI General Insurance		
- company vehicle insurance	(2)	(1)
DZI Life Insurance		
- health insurance employees	(4)	-
Dividend paid		
- *United Bulgarian Bank AD*	(2,726)	-
- KBC Bank AD	(274)	-
Key management personnel transactions		
- remuneration	(208)	(170)

Receivables	**31.12.2018**	**31.12.2017**
MF UBB Balanced Fund	17	19
MF UBB Premium Equity	46	61
MF UBB Platinum Bonds	33	32
MF UBB Patrimonium Land	44	51
MF UBB Global Pharm Invest"	31	28
MF UBB Platinum Euro Bonds	13	10
MF UBB Global Child Fund	3	3
MF UBB Global Dividend	6	4
MF UBB Global Growth	7	3
United Bulgarian Bank AD	-	2

In 000'BGN unless otherwise noted

20. Related parties and related party transactions (continued)

Share administration fees at Central Depository AD	**31.12.2018**	**31.12.2017**
MF UBB Balanced Fund	3	3
MF UBB Premium Equity	6	6
MF UBB Platinum Bonds	95	59
MF UBB Patrimonium Land	23	25
MF UBB Global Pharm Invest"	3	3
MF UBB Platinum Euro Bonds	6	2
MF UBB Global Child Fund	1	1
MF UBB Global Dividend	1	
MF UBB Global Growth	1	1

Liabilities	**31.12.2018**	**31.12.2017**
UBB AD – under premises maintenance agreement	1	1
UBB AD – remuneration under agency agreement	12	22
UBB AD – Microsoft licences	-	11

Cash equivalents and fixed-term deposits	**31.12.2018**	**31.12.2017**
UBB AD – current account in BGN	2,633	4,275

Members of the Board of Directors have not received remuneration for 2018 and 2017.

21. Risk management

The Company is exposed to the following risks related to its business activities: credit risk, market risk, liquidity risk, operational risk and regulatory risk.

21.1. Credit risk

Credit risk is the possibility of loss due to counterparty default. The Company considers that its exposition to credit risk is limited due to the quality of its financial assets – cash and cash equivalents, interest receivables and payables to and from CIS.
As of 31 December 2018 and 2017 the Company does not hold investments in corporate or government bonds.

Analysis of credit exposition quality and of fixed-term deposits and cash equivalents on the basis of credit institutions evaluation by BCRA – Credit Rating Agency AD:

Type of investment and rating	**2018**	**2017**
Cash and cash equivalents	**2,633**	**4,275**
Long-term rating BBB and short-term rating A-2	*2,633*	*-*
Long-term rating BBB- and short-term rating A-3	*-*	*4,275*
Total:	**2,633**	**4,275**

The Company has not used derivative instruments to manage credit risk.

In 000'BGN unless otherwise noted

21.2. Market risk

The main components of market risk are interest risk, currency risk and price risk.
Interest risk is the risk of decrease in the value of an investment in a financial instrument due to changes in interest rates levels affecting the value of such instrument.

The following table presents the sensitivity of the Company's financial assets and liabilities to changes in interest rates as of 31 December 2018:

31.12.2018	Interest free	Floating interest rate %	Fixed interest rate %	Total
Current assets				
Receivables	222	-	-	222
Cash and cash equivalents	1	2,632	-	2,633
Current liabilities				
Trade payables	41	-	-	41
Short-term risk exposure				
Total financial assets	**231**	**2,632**	**-**	**2,863**
Total financial liabilities	**41**	**-**	**-**	**41**
Total interest risk exposure	**182**	**2,632**		**2,814**

The following table represents the sensitivity of Company's financial assets and liabilities to changes in interest rates as at 31 December 2017:

31.12.2017	Interest free	Floating interest rate %	Fixed interest rate %	Total
Current assets				
Receivables	243	-	-	243
Cash and cash equivalents	1	4,275	-	4,276
Current liabilities				
Trade payables	62	-	-	62
Short-term risk exposure				
Total financial assets	**251**	**4,275**	**-**	**4,526**
Total financial liabilities	**62**	**-**	**-**	**62**
Total interest risk exposure	**182**	**4,275**	**-**	**4,457**

21.3. Currency and price risk

Currency risk is the risk of decrease in the value of an investment in a financial instrument denominated in a currency other than BGN or EUR due to changes in the exchange rate of such currency and BG/EUR (As a result of the Bulgarian Currency Board, the Bulgarian lev is pegged to the euro.)

As of 31 December 2018 the Company does not have significant assets denominated in a currency other than BGN or EUR. For this reason the Management of the Company does not consider that the Company is exposed to significant currency risk as at 31 December 2018.

21.3. Currency and price risk (continued)

Analysis of the currency structure of the Company's financial assets and liabilities as at 31 December 2018:

Assets	BGN	EUR	USD	Total
Cash and cash equivalents	2,632	1	-	2,633
Receivables	219	2	1	222
Total (BGN '000)	**2,857**	**3**	**1**	**2,861**
Total (as %)	**99,86%**	**0,10%**	**0,04%**	

Liabilities	BGN	Total
Trade payables	41	41
Total (BGN '000)	**41**	**41**
Total (as %)	**100%**	

Analysis of the currency structure of the Company's financial assets and liabilities as at 31 December 2017:

Assets	BGN	EUR	USD	Total
Cash and cash equivalents	4,276	-	-	4,276
Receivables	232	8	3	243
Total (BGN '000)	**4,508**	**8**	**3**	**4,519**
Total (as %)	**99,76%**	**0,18%**	**0,07%**	

Liabilities	BGN	Total
Trade payables	62	62
Total (BGN '000)	**62**	**62**
Total (as %)	**100%**	

Price risk is related to changes in the market prices of financial assets and liabilities whereby the Company may suffer losses. The Management of the Company considers that due to the nature and quality of Company assets and liabilities it is not exposed to significant price risk.

21.4. Liquidity risk

Liquidity risk is the risk of lack of sufficient cash resources at a time when the Company is required to pay maturing obligations that may arise from disparities in the regularity and amount of cash flows.
The Company strives to maintain a positive displace between incoming and outgoing cash flows.

Analysis of the maturity structure according to the remaining maturity of the financial assets and liabilities of the Company as at 31 December 2018:

In 000'BGN unless otherwise noted

21.4. Liquidity risk (continued)

	Up to 3 months	from 3 to 12 months	from 1 to 3 years	from 3 to 5 years	over 5 years	Without maturity	Total
Cash and cash equivalents	-	-	-	-	-	2,633	**2,633**
Receivables	216	6	-	-	-	-	**222**
Total financial assets	**216**	**6**	**-**	**-**	**-**	**2,633**	**2,855**
Trade payables	41	-	-	-	-	-	**41**
Total financial liabilities	**41**	**-**	**-**	**-**	**-**	**-**	**41**
Discrepancies in maturity structure	**175**	**6**	**-**	**-**	**-**	**2,633**	**2,820**

Analysis of the maturity structure according to the remaining maturity of the financial assets and liabilities of the Company as at 31 December 2017:

	Up to 3 months	from 3 to 12 months	from 1 to 3 years	from 3 to 5 years	over 5 years	Without maturity	Total
Cash and cash equivalents	-	-	-	-	-	4,276	**4,276**
Receivables	241	2	-	-	-	-	**243**
Total financial assets	**241**	**2**	**-**	**-**	**-**	**4,276**	**4,519**
Trade payables	62	-	-	-	-	-	**62**
Total financial liabilities	**62**	**-**	**-**	**-**	**-**	**-**	**62**
Discrepancies in maturity structure	**179**	**2**	**-**	**-**	**-**	**4,276**	**4,457**

21.5. Operational risk

Operational risk is the likelihood to incur losses related to errors or faults in the organization system, insufficiently qualified staff, adverse external events of non-financial nature including legal risk.

Operational risks can be:
1. Internal – related to the work organisation of the management company. Internal risks include, but are not limited to:
a. Personnel-related risks;
b. Process-related risks;
c. System-related risks.

21.5. Operational risk (continued)

2. External – associated to macroeconomic, political and other factors which affect and/or may affect the activities of the management company. External risks include, but are not limited to:
a. Environmental risks;
b. Physical interference risks.

The Management of the Company controls operational risk in accordance with an established risk identification, assessment and control procedure. In 2018 and 2017 no losses associated with operational events have been reported.

22. Capital management

The Company carries out its activities with own funds. The capital structure includes owner funds in the form of registered share capital and accumulated operating reserves.

23. Contingent assets and contingent liabilities

As at 31 December 2018 and 2017 the Company has not issued third-party guarantees.

24. Events after the end of the reporting period

No other significant events of adjusting and/or non-adjusting nature have occurred after the date of the financial statements which require reporting or disclosure in the present financial statements.

I, the undersigned Elka Lyubenova Videnova, hereby certify the authenticity of the translation from Bulgarian into English I have made of the attached document: Annual Financial Statements. The translation comprises 50 (fifty) pages.

Translator: Elka Lyubenova Videnova