Translation from Bulgarian

Асет мениджмънт

ОББ Част от KBC Груп

INDEPENDENT AUDITOR’S REPORT
MANAGEMENT REPORT
AND ANNUAL FINANCIAL STATEMENTS
As at 31 December 2019.

of UBB ASSET MANAGEMENT JOINT STOCK COMPANY

Contents **Page**

MANAGEMENT REPORT
UBB ASSET MANAGEMENT AD
31 December 2019

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 activities for national investment funds.

3. Management services under portfolio contracts, concluded with clients, 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 administration of shares in collective investment undertakings.

As at the end of 2019 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)

MF UBB Premium Equity is a medium to high risk collective investment scheme investing primarily in shares in companies traded on the Bulgarian Stock Exchange. The Fund is aimed at investors expecting higher profits, but also unfavourable changes in Fund share prices. 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 low-risk collective investment scheme aimed at investors seeking security and stability in their investments, willing to take lower risk in order to limit possible negative results from the securities trade. 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 is a collective investment scheme aimed at ensuring retention and increase of the value of Fund shares by achieving capital gains for its investors while undertaking moderate risks by investing in a balanced securities 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 low to high risk collective investment scheme investing primarily in shares in special investment purpose companies (SIPC) with a focus on agricultural land, office and logistical premises, companies from the Agricultural sector, food processing companies, etc. 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 high-risk collective investment scheme aimed at investors willing to take on a higher risk in order to achieve higher profitability. The Fund invests mainly in shares in companies operating in the health and pharmaceutics sector. 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.

MF UBB Platinum Euro Bonds (previous designation MF UBB Euro Money) is a collective investment denominated in euro and aimed at conservative investors seeking security and stability in the value of their investments, willing to take on a lower risk in order to limit possible negative results from the securities trade.

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

1. Company history (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 moderately high risk collective investment scheme investing 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 invests in share securities in international companies with an established presence on global markets. The focus is on companies with a solid history of regular dividend payments, potential for increasing dividend yield and capital gains. 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 invests in companies which demonstrate high growth and reinvest their profit for the purpose of business expansion. These are often companies in the high technologies, biotechnologies and robotics sectors, or companies with innovative products or business strategies. 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 2019

In the last month of the year, the indices of the Bulgarian Exchange became green, while the benchmark of Sofix blue chips increased with 3.95%. Exchanges in developed countries continued their rally from the beginning of the year and ended the year at their highest values. S&P 500 and DAX added 28.88% and 25.48% respectively to their value and saw off one of the most profitable years in the last decade.

Performance of the main Bulgarian and global indices:

Performance of the main Bulgarian and global indices		
	XII	YTD
Sofix	3.95%	-4.43%
BG BX40	2.79%	-3.52%
BG TR30	4.15%	4.06%
BG REIT	1.03%	7.40%
DJIA	1.74%	22.34%
S&P500	2.86%	28.88%
NIKKEI	1.56%	18.20%
Hang Seng	7.00%	12.17%
FTSE 100	2.67%	12.10%
DAX	0.10%	25.48%

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

2. Company developments in 2019 (continued)

The Exchange market in Bulgaria

2019 will be remembered as yet another year in which our market ended at a drop. Over the year the main index of the Bulgarian exchange demonstrated a 4.6%-drop. Actually, in December alone, SOFIX had a more than 4% growth, with three of the companies showing an over 20% growth for the month.
One of the most significant events on the market for the first half of the year were the results of the largest Bulgarian banks at the AQR performed by the ECB. According to BNB, there were no surprises and the stress tests revealed analogous results to those performed in 2016 by the BNB itself. Although there was some margin for interpretation for First Investment Bank and Investbank, some problematic areas were (expectedly) established, mainly capital shortfall. An interesting fact is that there is a capital shortfall even in the base case scenario, arising from reclassification of part of the loan portfolio. In the negative case scenario the shortfall reaches EUR 262.9 million. A shortfall is evident for Investbank as well, both at the base case and the negative case scenario.

At the level of individual companies an interesting step was announced by Sirma Group Holding. The company announced a redemption campaign for up to 32% of the company capital in the value of BGN 20 million. Given the unsuccessful capital increase of a few months earlier, a capital reduction of such proportion is hard to justify. It is unclear how the management intends to finance the expansion and investments in various projects promoted in connection with the capital increase. In 2019 the price per share dropped with more than 26%.

The financial statements of the courier company Speedy AD also drew interest, registering a 32.4% growth in its consolidated revenue, mainly as a result of the Romanian market, as well as a 47% growth in EBITDA.
The most profitable share in the composition of SOFIX for the year was that of Doverie United Holding which ended the year with profitability of almost 180%, with the share price having doubled as early as the first half of the year. Company results and expectations were impacted to a large extent by the fact that the company purchased the second largest bank in Moldova.

On the whole, in a year in which almost all global indicator and classes of assets demonstrated record-breaking positive performance, the national market ranked among the 10 worst performing indices in the world. In contrast, the neighbouring markets in the region registered remarkable return – for example, the exchange in Greece demonstrate a growth of over 40%, and in Russia – more than 33%. Such differences in the performance of neighbouring markets and our market, as well as the fact that currently SOFIX is undergoing the longest round of adjustments in its history provides grounds for some analysts to claim that there is a lag in performance, creating the potential for better future return.

The bonds market

The macroeconomic environment in Europe and the USA took on a negative turn since the beginning of the year. In the first half of the year many of the leading indices of industrial activity demonstrated a downward trend. The collapse in inflation expectations in developed countries and the accumulation of growth risks were reflected in the monetary policies of large central banks. Despite zero and negative interests, market expectations are for a more expansive monetary policy in the foreseeable future, or, at least, there is no expectation for a restrictive monetary policy. While at the beginning of the year the focus of discussions was on interest increases on behalf of ECB and FED, currently the risk balance facing economies cannot justify such measures.

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

2. Company developments in 2019 (continued)

Towards the middle of the year YTM of 10-year government bonds in the USA reached levels around 1.6%, while for German Bunds negative yield was once again dominant with - 0.60%. The rapid deterioration of the macro environment and the unprecedented ‘restart’ in monetary policy actually created an incredibly positive environment for bond markets. As a result, yield to maturity took on a sharp dive and bonds in Europe and the USA respectively rose in price. In the meantime some of the best performing markets were those in the periphery, such as Spain, Italy and Portugal.

In the last quarter of the year, however, risk appetite return to markets. Expectations for a transaction (first phase) in the trade war between the USA and Chine increased especially after the announced agreement in December. The promulgation of moderately improved economic data and company results drove share prices up in the quarter. The yield of government bonds respectively increased (meaning that their prices dropped).

In the same period the 10-year Treasury yield in the USA grew from 1.66% to 1.92%, while 2-year Treasury yield dropped from 1.62% to 1.57%. This steepened the yield curve and investors took on a more optimistic outlook on the economy. Historic data reported some improvements, exceeding certain expectations for the period.

The 10-year bond yield of all large European economies also increased (Germany, France, Italy, Spain) while in the United Kingdom this movement was emphasized by the landslide victory of the ruling Conservative party in December and renew optimism surrounding Brexit.

The different classes of debt securities also saw off a successful year. Corporate bonds performed well, as well as bonds from developing markets, even those in local currencies.
Looking forward, the slowdown in economic activity is still evident. The incredibly low level of interest rates (in some cases even negative rates) comprises a price risk the long-term plan, which could manifest upon a relative improvement of leading economic indices or inflation expectations.

The Global exchange market

This past year will be remembered as a remarkable one for share investors across the world. After the deep correction of December 2018, the beginning of 2019 will go down as one with the most intensive growth rates on capital markets for the last few decades.

The reasons for this recovery are the temporary progress in the relations between the USA and China as well as the change in the monetary policy of the Federal Reserve which was previously aimed at continuous raise in interest rates but made a U-turn and embraced a more simplified monetary policy with view of continuing the economic expansion. The uncertainty surround the trade relationship between the USA and China and the low inflation forced the Federal Reserve and the ECB to adopt this measure as a method of sustaining growth and avoiding a potential recession. Over the summer months shares reached a standstill due to the wariness of investors with view of the trade war and the continuing deterioration of macroeconomic indicators.

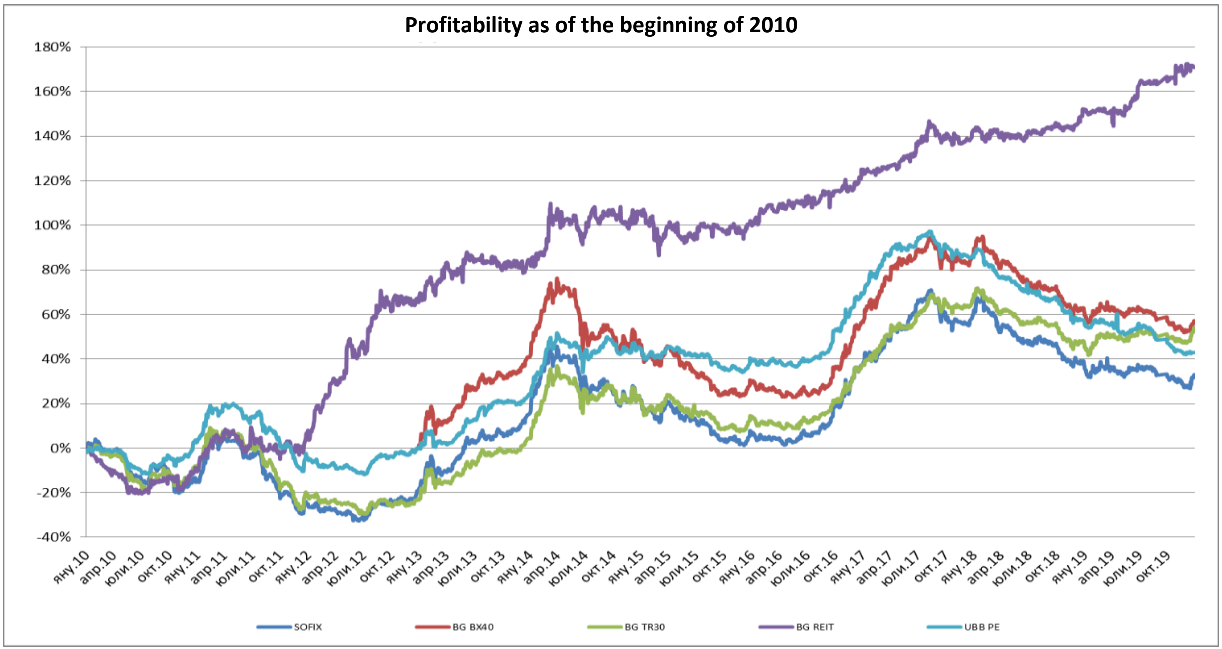
The measures undertaken by central banks assisted the share market rally over the year. Over the last quarter, share securities have grown with 9%. The MSCI World Index noted a 28% growth for the year, led by the USA with a 31% growth in shares, followed by European shares and their 27% growth. Several factors can be outlined as the drive behind the increase of prices in this class of assets, namely the improving data for the industry on both sides of the ocean (although data remains at a very low level), as well as some improved data for services in the two regions.

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

2. Company developments in 2019 (continued)

Equally important is the unemployment data in the USA and Europe which is at a historic low. Nevertheless, given the strong performance of global indices in 2019, we should consider empirical data which demonstrate that such growth is not always followed by a similar growth pattern in the following year. If the global economic expansion continues, shares are expected to increase, but their high assessments at the moment could inhibit growth.

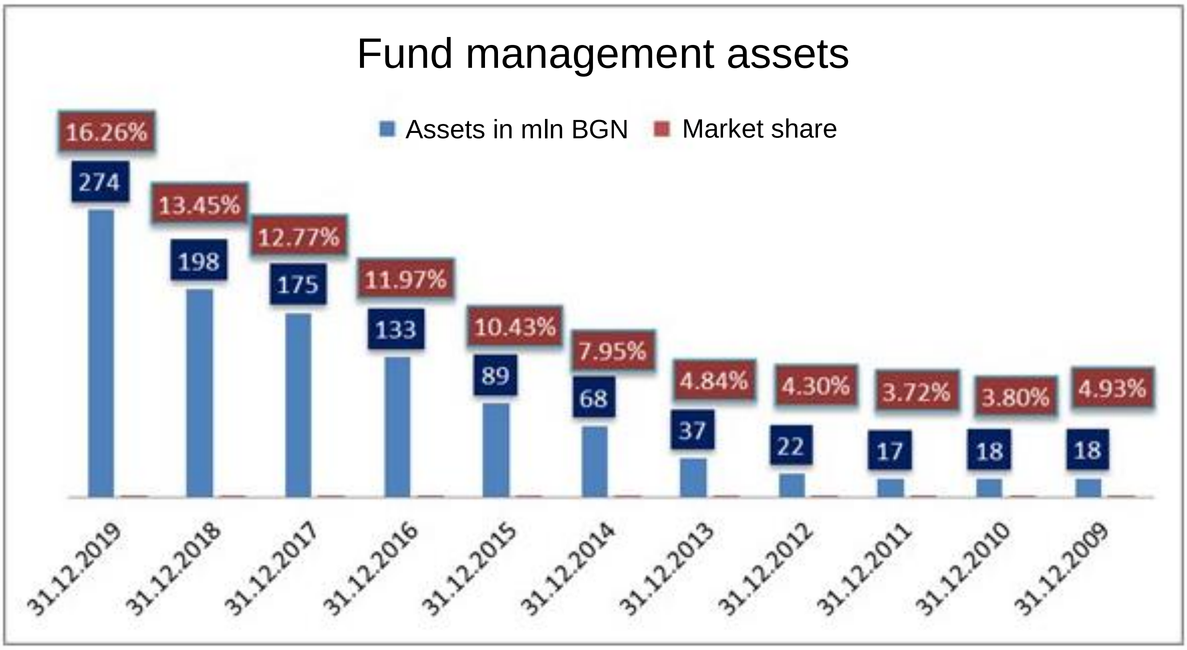
Two political risks were avoided temporarily in the last quarter of the year. On the one hand, there is significant progress on the 'first phase' of the commercial transactions, which increased the confidence of investors. On the other hand, the conservatives in the United Kingdom achieved a decisive victory and currently the issue is whether Brexit will be chaotic or a free trade agreement will be reached with the EU and not whether the United Kingdom will remain a EU member.



In 2019 the market share of UBB Asset Management AD in the exchange sector (funds registered in Bulgaria) reached 16.26% - a 2.81% increase on 31.12.2018.

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

2. Company developments in 2019 (continued)



The Company succeeded in retaining its first position in the ranking of asset management companies in Bulgaria (local funds) and to become the leader. The annual growth of fund assets is 38%, while market growth is 14%. At 31.12.2019 the total value of assets managed by UBB Asset Management in CIS is BGN 273,566 thousand. At the end of 2019 UBB Asset Management AD manages individual portfolios in the amount of BGN 5,725 thousand.

3. Operating results in 2019

Portfolios (Note No 21 to the Financial statements)	Net assets in 000'BGN, 2019	Net assets in 000'BGN, 2018	Commencement of public offering
UBB Platinum Bonds	139,455	90,752	30.01.2006
UBB Balanced Fund	11,031	10,418	31.01.2005
UBB Premium Equity	13,382	21,911	30.01.2006
UBB Patrimonium Land	27,279	20,595	30.01.2009
UBB Global Pharm Invest	13,831	11,109	31.05.2010
UBB Platinum Euro Bonds	59,696	37,271	31.05.2010
UBB Global Child Fund	2,253	1,650	31.03.2016
UBB Global Growth	3,126	2,388	11.04.2016
UBB Global Dividend	3,513	2,285	11.04.2016
Individual portfolios	5,725	9,712	
Total:	**279,291**	**208,091**	

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

The profitability achieved by the managed collective investment schemes at the end of 2019 is as follows:

Profitability performance of managed CIS

	Profitability		
UBB Mutual Funds	**For 2019**	**Since commencement of public offering**	**Commencement of public offering**
UBB Platinum Bonds	-0.14%	2.73%	30.01.2006
UBB Balanced Fund	-4.75%	2.84%	31.01.2005
UBB Premium Equity	-9.28%	0.05%	30.01.2006
UBB Patrimonium Land	12.45%	5.27%	30.01.2009
UBB Global Pharm Invest	18.54%	2.54%	31.05.2010
UBB Platinum Euro Bonds	-0.19%	0.89%	31.05.2010
UBB Global Child Fund	16.46%	-0.26%	31.03.2016
UBB Global Growth	14.85%	0.99%	11.04.2016
UBB Global Dividend	13.73%	1.33%	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.

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.

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

4. Main risks associated with company activities (continued)

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, and, as of 2019, in accordance with IFRS 16, included leased assets, comprising lease of offices and parking spots for a period of 10 years, with carrying amount as of 31.12.2019 equal to BGN 523 thousand.

2. Current non-financial assets

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

As of 31.12.2019 the Company receivables are receivables from the managed collective investment schemes and individual portfolios – BGN 241 thousand.

3. Cash

As of 31.12.2019 the value of cash is in the amount of BGN 2,807 thousand, allocated in current accounts in BGN.

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 2019 is in the amount of BGN 1,493 thousand (Note No 9 to the Financial statements).

5. Current and non-current liabilities

As of 31.12.2019, the liabilities of the Company amount to BGN 190 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, lease payables, payable VAT and representative expenses tax. Non-current liabilities comprise obligations under the lease agreement, in accordance with IFRS 16, in the amount of BGN 430 thousand.

6. Income

In 2019 UBB Asset Management AD realised income mainly from the management of collective investment schemes and individual portfolios, in the amount of BGN 2,967 thousand.

II. COMPANY POSITION, ANNUAL FINANCIAL STATEMENTS (CONTINUED)

7. Expenses

The main expenses of the Company comprise remuneration and social security contributions at the total value of BGN 802 thousand with the total amount of expenses at 31.12.2019 being in the amount of BGN 1,307 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.

A change in the ownership model of the company and its legal form is expected after the balance sheet date, namely transformation from a joint-stock company into a single-member joint-stock company. No other 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 for 2020 comprises the following directions:

- Full cooperation with UBB Branch network, including training of employees engaged in the sale of UBB Mutual Funds.
- Increase of the net value of managed assets;
- Increase in market share;

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 2019 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 2019.

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

In 2019 the Members of the Board of Directors of UBB Asset Management AD did not receive remuneration.

X. PARTICIPATION OF BOARD MEMBERS IN COMMERCIAL UNDERTAKINGS AS GENERAL PARTNERS HOLDING MORE THAN 25 PER CENT OF THE CAPITAL OF SUCH OTHER COMPANY AND THEIR PARTICIPATION IN THE MANAGEMENT OF OTHER COMPANIES OR COOPERATIONS AS PROCURATORS, MANAGERS OR BOARD MEMBERS.

There are no BoD members participating in commercial undertakings as general partners.

There are no BoD members who hold more than 25 per cent of the capital in another company.

The following individuals participate in the management of other companies:

- Johan Lema – Member of the Management Board and Executive Director of KBC Asset Management NV (Belgium), Member of the Board of Directors of KBC Asset Management SA (Luxembourg), KBC Asset Management Participations (Luxembourg), KBC Fund Management Limited (Ireland), CSOB Asset Management a.s. (Czech Republic), K&H Fund Management PLC (Hungary), CBC Banque SA (Belgium);
- Christof De Mil – Member of the Management Board and Executive Director of UBB AD;
- Teodor Marinov – Member of the Management Board and Executive Director of UBB AD; UBB Interlease EAD – Member of the Board of Directors; UBB Insurance Broker EAD – Member of the Board of Directors;
- Jan Swinnen – Member of the Management Board and Executive Director of UBB AD;
- Katina Slavkova Peycheva – MB Member of the Bulgarian Association of Asset Management Companies (BAAMC).

XI. CONTRACTS CONCLUDED IN THE COURSE OF THE YEAR PURSUANT TO ARTICLE 240B OF THE COMMERCE ACT.

No contracts were concluded under Article 240b of the Commerce Act in 2019 which go beyond normal activity, or contracts the conclusion of which, although within the scope of usual Company activities, significantly deviates from market conditions.

XII. EXPECTED INVESTMENTS AND PERSONNEL DEVELOPMENT.

No increase in the number of company employees is expected in 2020. Development of existing personnel will be effected through allocation of training expenses, enhancement of qualifications and experience exchange with KBC Asset Management.

10.02.2020
Sofia

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

In 000'BGN, unless otherwise noted

	Notes	2019	2018
Operating income	3	2,965	2,814
Other income (including financial income)	4	2	-
Interest income		-	1
Total income		**2,967**	**2,815**
Operating expenses	6.1 and 6.2	(344)	(266)
Personnel expenses	7	(802)	(1,009)
Depreciation	10, 11 and 12	(72)	(21)
Other expenses (incl. financial expenses)	5 and 6.3	(89)	(78)
Total expenses		**(1,307)**	**(1,374)**
Net profit for the period before taxes		**1,660**	**1,441**
Tax expenses	8	(167)	**(144)**
Net profit for the period after taxes		**1,493**	**1,297**
Other comprehensive income		-	-
Comprehensive income for the period		**1,493**	**1,297**

The present Financial Statements were approved by the Board of Directors on 10 February 2020.

Prepared by:
Elena Kyoseva
Chief Accountant

Katina Peycheva
Executive Director

Stefan Tamnev
Procurator

Certified as per auditor's report:

Tsvetana Tsankova
Registered auditor

Jock Nunan
PricewaterhouseCoopers Audit OOD

In 000'BGN, unless otherwise noted

	Notes	2019	2018
Assets			
Non-current assets			
Property, plant and equipment	10	30	33
Right-of-use assets	12	491	-
Intangible assets	11	2	3
Total non-current assets		**523**	**36**
Current assets			
Cash and cash equivalents	13	2,807	2,633
Receivables	14	241	223
Deferred tax assets	8	7	7
Deferred expenses	15	13	9
Total current assets		**3,068**	**2,872**
Total assets		**3,591**	**2,908**
Liabilities and equity			
Equity	16		
Registered capital		700	700
Total reserves		778	778
Retained earnings		1,493	1,297
Total equity		**2,971**	**2,775**
Current liabilities			
Personnel related liabilities	17	76	75
Trade payables	18	41	62
Tax liabilities	19	16	8
Lease liabilities	20		
Total current liabilities		**133**	**145**
Non-current liabilities			
Lease liabilities	20	430	-
Total non-current liabilities		**430**	**-**
Total liabilities and equity		**3,591**	**2,908**

The present Financial Statements were approved by the Board of Directors on 10 February 2020.

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

Certified as per auditor's report:

Tsvetana Tsankova Registered auditor	Jock Nunan PricewaterhouseCoopers Audit OOD

	Notes	2019	2018
Cash flows from operating activities			
Cash receipts related to holders of shares in CIS		41,612	94,793
Cash payments related to holders of shares in CIS		(41,612)	(94,793)
Cash receipts related to CIS management		2,991	2,755
Cash receipts related to the management of individual investment portfolios		76	94
Cash receipts related to Group companies		3	-
Cash payments related to the management of CIS and individual investment portfolios		(527)	(374)
Cash payments related to remuneration and social security contributions		(796)	(989)
Bank fees		(4)	(7)
Income tax paid		(172)	(137)
Other taxes paid /on representative expenses, rent/		(2)	(3)
Cash receipts from fees as per tariff		-	1
Other cash payments, related to personnel		(15)	(15)
Net cash flows from operating activities		**1,554**	**1,325**
Cash flows from investment activities			
Cash payments, related to non-current assets		(8)	(2)
Cash payments related to interest on assets		(1)	-
Cash receipts related to interest		-	1
Cash receipts related to non-current assets		-	33
Net cash flows from investment activities		**(9)**	**32**
Cash flows from financial activities			
Outgoing cash flow under lease agreement (IFRS 16)		(74)	-
Cash payments related to dividends		(1,297)	(3,000)
Net cash flows from financial activities		**(1,371)**	**(3,000)**
Net change in cash and cash equivalents		**174**	**(1,643)**
Cash and cash equivalents at the beginning of period	**13**	**2,633**	**4,276**
Cash and cash equivalents at the end of period	**13**	**2,807**	**2,633**

The present Financial Statements were approved by the Board of Directors on 10 February 2020.

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

Certified as per auditor's report:

Tsvetana Tsankova Registered auditor	Jock Nunan PricewaterhouseCoopers Audit OOD

In 000'BGN, unless otherwise noted

	Registered capital	Reserves	Retained earnings	Total
Total comprehensive income at 31 December 2017	**700**	**2,426**	**1,352**	**4,478**
Transactions with owners – distributed dividend	-	**(1,648)**	(1,352)	**(3,000)**
Profit for the period	-	-	1,297	**1,297**
Other comprehensive income	-	-	-	-
Total comprehensive income at 31 December 2018	**700**	**778**	**1,297**	**2,775**
Transactions with owners – distributed dividend	-	-	(1,297)	**(1,297)**
Profit for the period	-	-	1,493	**1,493**
Other comprehensive income	-	-	-	-
Total comprehensive income at 31 December 2019	**700**	**778**	**1,493**	**2,971**

The present Financial Statements were approved by the Board of Directors on 10 February 2020.

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

Certified as per auditor's report:

Tsvetana Tsankova 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.

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 agreements 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 2019 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;
- 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;

1. Organisation and activities (continued)

- 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 2019 the Company is a party to five management contracts for individual investment portfolios (as of 31.12.2018: seven 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 391 dated 10.02.2020.

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.

Preparation of the financial statements in compliance with IFRS requires the implementation of certain accounting estimates. The Company Management is required to make its own assessments and assumptions in applying accounting policies. Financial statement items, the presentation of which requires a higher level of subjectivity, as well as those items, for which estimates have a significant effect on the financial statements as a whole, are disclosed separately in Note 2.8.

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, 2019:

- **IFRS 16 *Leases*** (issued 13 January 2016, effective for annual periods commencing on or after 1 January 2019);
- **IFRIC 23 *Uncertainty over Income Tax Treatments*** (issued 7 June 2017, effective for annual periods commencing on or after 1 January 2019);
- **Prepayment Features with Negative Compensation (Amendments to IFRS 9** (issued 12 October 2017, effective for annual periods commencing on or after 1 January 2019)
- **Interests in Associates and Joint Ventures – Amendments to IAS 28** (issued 12 October 2017, effective for annual periods commencing on or after 1 January 2019)
- **Annual improvements to IFRS – 2015-2017 Cycle, amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23** (issued 12 December 2017, effective for annual periods commencing on or after 1 January 2019)
- **Plan amendment, curtailment or settlement – Amendments to IAS 19** (issued 7 February 2018, effective for annual periods commencing on or after 1 January 2019)

2 Significant accounting policies (continued)

2.2 Changes in IFRS (continued)

(i) New and amended standards adopted by the Company (continued)

The Company amended its accounting policy following adoption of IFRS 16.

Imact of IFRS 16 on the financial statements of the Company

The Company opted to apply the simplified transitional approach as of 1 January 2019 and does not recalculate comparative data for the preceding period. All right-of-use assets are measured at the value of the lease liability adjusted with the amount of all prepaid or accrued payments associated with the lease and recognised in the balance sheet at 1 January 2019. This means that the data for 2018 and 2019 are not comparable as they are prepared on the basis of different accounting policies, as described in the notes. The adoption of IFRS 16 does not effect equity (retained earnings) at 1 January 2019.

As of 1 January 2019, the Company recognizes right-of-use assets in the amount of BGN 601 thousand and a lease liability in the amount of BGN 601 thousand (follow adjustment for advance and accrued payments recognised at 31 December 2018).

The Company does not act as a lessor.

All other changes in the adopoted standards listed above have no effect on amounts recognised in previous periods and are not expected to have a significant impact on current or future periods.

(ii) New standards and interpretations not yet adopted by the Company

Certain new accounting standards and interepretations were published which are not mandatory for the reporting period at 31 December 2019 and have not been adopted earlier by the Company. Below is the assessment of the Company of the impact of these new standards and interpretations.

Amendments to the conceptual framework for financial reporting (issued 29 March 2018, effective for annual periods commencing on or after 1 January 2020);

Definition of Material – Amendments to IAS 1 and IAS 8 (issued 31 October 2018, effective for annual periods commencing on or after 1 January 2020).

No other standards among those not yet adopted are expected to have a significant impact on the Company during the current or future reporting period or on transactions in the forseeable future.

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

IFRS 14 Regulatory Deferral Accounts (issued 30 January 2014, effective for annual periods commencing on or after 1 January 2016);

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued 11 септември 2014, effective for annual periods commencing on or after the date determined by CIAS);

IFRS 17 Insurance Contracts (issued 18 май 2017, effective for annual periods commencing on or after 1 January 2021);

Definition of a Business – Amendments to IFRS 3 (issued 22 October 2018 and effective for acquisitions from the beginning of the annual reporting period commencing on or after 1 January 2020);

Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued 26 септември 2019, effective for annual periods commencing on or after 1 January 2020).

2. Significant accounting policies (continued)

2.3. Changes in accounting policy

The Company adopoted IFRS 16 *Leases* from 1 January 2019, which resulted in changes in the accounting policies and adjustments to the amounts recognized in the financial statements.

IFRS 16 was issued in January 2016. It results in the recognition of almost all lease contracts on the balance sheet of lessees 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.

In accordance with the transitional provisions of IFRS 16, the new rules are adopted retrospectively with a cumulative effect from initial adoption of the new standard, adopted on 1 January 2019. Comparable information for 2018 has not been adjusted.

(a) Impact of IFRS 16 adoption on the financial statements of the Company

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.

Upon adoption of IFRS 16, the Company recognizes lease liabilities associated with leases which over the preceding years were classified as 'operating lease' in accordance with IAS 17 *Leases*. These liabilities are measured at the present value of remaining lease payments discounted, as at 1 January 2019, with the financing intrest rate, specific to the Company. The weighted average incremental borrowing rate applied to lease liabilities at 1 January 2019, is 0.316%.

	1 January 2019
	000'BGN
Commitments under operating lease at 31 December 2018	610
Discounted with the Company specific interst rate of 0.316%	(9)
Lease liability recognised at 1 January 2019	**601**
Of which:	
Non-current lease liability	**533**
Current lease liability	**68**

Right-of-use assets are measured at value equal to the lease liability adjested with the amount of all prepaid or accrued lease payments associated with the lease and recognized in the balance sheet at 31 December 2018. There are no onerous lease agreements that require adjustment of right-of-use assets at the date of initial adoption.

The initial value of the right-of-use asset is determined as follows:

	1 January 2019
	BGN'000
Operating lease commitments disclosed at 31 December 2018	625
Effect of change in term	(6)
Discount effect	(9)
VAT-related adjustment	(9)
Present value of lease liabilities at 1 January 2019	**601**

2. Significant accounting policies (continued)

2.3. Changes in accounting policy (continued)

The initial adoption of IFRS 16 affects the following balance sheet items as at 01 January 2019:
- Asset right-of-use – an increase of BGN 601 thousand;
- Lease liabilities – an increase of BGN 601 thousand;
- Unretained earnings at 1 January 2019 are not affected.

Practical expedients applied:

Upon first-time adoption of IFRS 16 the Company made use of the following practical expedients allowed by the standard:

- The Company applies the same discount rate for a portfolio of lease with similar characteristics;
- The Company relies on previous assessment of whether the leases are onerous, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent assets* made immediately before the date of initial adoption;
- The Company recognises operating leases with a residual term of less than 12 months from 1 January 2019 as short-term leases;
- The Company excludes initial direct costs from the measurement of right-of-use asset at the date of initial adoption;
- The Comopany has used hindsight to determine the lease term which includes extension or termination options.
- The Company recognises the office maintenance fee under the lease as current expense.

Leases – The Company as a lessee

Accounting policies applied from 1 January 2019

Up to 2018 lease payments under operating leases (net of any incentives receivable from lessor) are recognized as an expense in the statement of comprehensive income on the straight-line basis for the term of the lease.

As of 1 January 2019 leases are recognized as right-of-use assets and, respectively, lease liabilities at the date on which the lease asset was made available for use by the Company. Each lease payment is allocated between the lease liability and finance expenses. Finance expenses are accrued in profit or loss during the lease term, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the asset using the straight-line method.

Right-of-use assets are presented on a separate line in the statement of financial position.

Assets and liabilities arising from a lease are initially measured at present value. Lease liabilities include the net present value of the following lease payments:
- fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option that the lessee is reasonably certain to exercise; and
- payments for terminating the lease unless it is reasonably certain that early termination will not occur.

Lease payments are discounted with the interst rate implicit in the lease if this can be readily determined. Otherwise, the lessee uses its incremental borrowing rate. The lessee's 'incremental borrowing rate' is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

2. Significant accounting policies (continued)

2.3. Changes in accounting policy (continued)

Each lease payment is allocated between the liability and finance charges. Subsequently lease liabilities are measured using the effective interest rate method. The carrying amount of the lease liability is adjusted to reflect adjustments or amendments to the lease contract or to reflect adjusted essentially fixed lease payments.

The lease term is the irrevocable period for which the lessee acquires the right to use the main asset; the periods with regards to which there is an extension or early termination option, provided that is sufficiently certain that the lessee will exercise this option.

Right-of-use assets are initially measured at acquisition costs which includes:
- value of initial measurement of the lease liability;
- lease payments made before or on the commencement date of the lease, less incentive received under the lease;
- all initial direct costs associated with the lease; and
- recovery costs associated with the lease.

Subsequently right-of-use assets are measured at cost less accumulated depreciation and impairment losses and are adjusted against each revaluation of the lease liability resulting from revaluation or amendment to the lease.

Right-of-use assets are depreciated under the straight-line method over the shorter of the useful life of the asset and the lease term. Depreciation rates applied to right-of-use assets are as follows:
* right-of-use for office buildings – 10 years.

Short-term leases are for a term of no more than 12 months.

(b) Accounting policies applied until 31 December 2018

Leases are classified as operating leases if they do not transfer substantially all the risks and rewards of ownership of the main assets. Operating lease payments (net of receivables from incentives provided by the lessor) are recognised as expense under the straight-line method for the term of the lease in Comprehensive income.

(c) Lease activities of the Company

The Company rents immovable property – office buildings. Lease agreements are concluded on an individual basis and contain a wide variety of conditions (including right-of-use termination and renewal). Lease contracts do not contain covenants, but lease assets cannot be used to secure loans.

(d) Extension and termination options

Several of the lease agreements of the Company contain extension and termination options. These are used to provide maximum c with regard to the management of assets used in Company activities.

Significant accounting estimates and assessments

Significant accounting estimates and assessments are based on historical experience and other factors, including expectations for future events deemed probable under specific circumstances. Their authenticity is reviewed on a regular basis.

2. Significant accounting policies (continued)

2.3. Changes in accounting policy (continued)

The Company makes certain estimates and assessments for the purposes of accounting and disclosures in its annual financial statements. These estiaes and assessment rarely coincide with actual results. Below are he assements which could result in a significant adjustment of the carrying amount of assets and liabilities in the next financial year.

Extension and termination options; significant accounting estimates and assessments when determining the lease term

When determining the lease term, the Management considers all facts and circumstances creating economic premises for exercising the extension option or termination refusal. Extension options (or periods following a termination option) are included in the lease term only if it is sufficiently certain that the lease term will be extended (or that the lease will not be terminated).

Below are the most relevant factors for the lease of warehouses, points of sale and equipment:

- If there are significant penalties imposed on the termination option (or non-exercise of the extension option) then in most cases there can be assumed reasonable certainty that the Company will exercise the option to extend the lease (or will not exercise the termination option).

- If significant leasehold improvements are expected to have significant residual value, then in most cases there can be assumed reasonable certainty that the Company will exercise the option to extend the lease (or will not exercise the termination option).

- In the absence of the above two conditions, the Company considers other factors, such as historic term of leases in which the Company was a lessee, as well as costs and revenue foregone associated with replacement of the lease asset. In most cases extension options in lease agreements for offices are not included in the lease liability, as the Company could replace the assets without incurring significant costs or revenue foregone for the business.

The lease term is reviewed if the extension option is exercised or if the Company is required to exercise it. Reasonable certainty is reviewed only if there is a significant event or change in circumstances, affecting such assessment, which fall within the scope of control of the lessee.

2.4. Going concern

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

2.5. 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.

2. Significant accounting policies (continued)

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

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.

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	**31.12.2019**	**31.12.2018**
EUR	1,95583	1,95583
USD	1,74099	1,70815

2.6. 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.

2.7. Financial instruments

2.7.1 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.

2. Significant accounting policies (continued)

2.7. Financial instruments (continued)

In 000'BGN unless otherwise noted

2.7.1 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 2019 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 2019 and 2018 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)

2.7. Financial instruments (continued)

2.7.2 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.

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

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.

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, 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.

2.9. 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.

2 Significant accounting policies (continued)

2.9. Property, plant and equipment (continued)

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.

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.

2 Significant accounting policies (continued)

2.10. Property, plant and equipment (continued)

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.

2.12. 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

2 Significant accounting policies (continued)

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

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.

2.13. 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;
- other action of law.

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

2.13. Provisions (continued)

- 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;
- 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.

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.

2. Significant accounting policies (continued)

2.14. Profit tax (continued)

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.

2.17. 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.

Revenue from services are recognized in the accounting period in which the services were rendered, on the basis of expenses incurred by the Company plus a fixed surcharge.

The main revenue of the Company arises from the management of collective investment schemes (CIS). This revenue is recognized on a monthly basis and are formulated as a percentage of the average annual net

2. Significant accounting policies (continued)

2.17. Operating income (continued)

value of the assets of each fund the activity and/or portfolio of which is managed by UBB Asset Mangagement AD.

Revenue arising from the manament of individual investment portfolios is calculated as a percentage of the portfolios 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.

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 2018 and for the year ended on that date.

3. Operating income

In 000'BGN unless otherwise noted

	2019	2018
Income from mutual funds management, including:	2,885	2,755
- costs associated with the issue and redemption of shares in CIS	-	*76*
Income under management contracts for individual portfolios	62	58
Income under share administration in accordance with Distribution agreement	18	-
Income from fees collected under tariff (including issuance of prospectus and other documents)	-	1
Total	**2,965**	**2,814**

The main income of the Company arises from management fees charged to each mutual fund managed, as follows:
In 2019:

- MF UBB Premium Equity – 2.90% of the average annual net asset value (valid throughout 2018 as well);
- MF UBB Platinum Bonds – 0.50% of the average annual net asset value (valid throughout 2018 as well);
- MF UBB Balanced Fund – 2.25% of the average annual net asset value (valid throughout 2018 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 2018 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 2018 as well);
- MF UBB Global Dividend – 2.50% of the average annual net asset value (valid throughout 2018 as well);
- MF UBB Global Growth – 2.50% of the average annual net asset value (valid throughout 2018 as well).

Valid redemption charges in 2019 and 2018 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 2019 and 2018 are as follows:

Fund	Issuance fees
MF UBB GLOBAL PHARM INVEST	2%
	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%
MF UBB GLOBAL CHILD FUND	4. For orders over BGN 200,000 – NAV per 1 share.
	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%
MF UBB GLOBAL DIVIDEND	4. For orders over BGN 200,000 – NAV per 1 share.
	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%
MF UBB GLOBAL GROWTH	4. For orders over BGN 200,000 – NAV per 1 share.

In 2019 issuance and redemption fees ara transferred to the distributor – United Bulgarian Bank AD, in compliance with the concluded Distribution Agreement.

4. Other income (including financial)

	2019	2018
Penalty paid for advance notice breach	1	-
Income from currency foreign operations	1	-
Total	**2**	**-**

5. Other expenses (including financial)

	2019	2018
Financial expenses for bank transfers	(4)	(7)
Foreign currency translation costs	(2)	-
Interest on hired assets	(1)	-
Asset interest costs	(2)	-
Extraordinary expenses	(9)	-
Total	**(18)**	**(7)**

The following amounts are recognised in the statement of comprehensive income:

	IFRS 16 2019 000'BGN	IAS 17 2018 000'BGN
Depreciation of right-of-use assets (per asset class)		
Office and parking spaces	(61)	-
Total depreciation costs	**(61)**	
Interest costs on lease liabilities (included in financial expenses)	(1)	-
Operating lease expenses (IAS 17) (included in administrative costs and distribution costs	-	(66)
Total expenses related to lease agreements	**(62)**	**(66)**

In 000'BGN unless otherwise noted

6. Operating expenses

6.1. Cost of materials

	2019	2018
Office materials	(1)	(1)
Fuel	(4)	(4)
Total	**(5)**	**(5)**

6.2. Cost of hired services

	2019	2018
Expenses under agency agreements	(247)	(85)
Rent, consumables and premises maintenance	(23)	(92)
Expenses related to maintenance of software products	(25)	(30)
Marketing and advertising	(21)	(10)
Audit fees	(10)	(11)
Annual fee for general financial supervision with the FSC	(4)	(4)
Vehicle expenses	(4)	(4)
Central Depository fees	(2)	(2)
Subscriptions	(1)	(1)
Legalised translations of documents into foreign languages	(1)	(15)
Project management	(1)	(3)
Legal fees	-	(2)
Tax consultations	-	(2)
Total	**(339)**	**(261)**

As of 05.12.2018, a Distribution Agreement is in place between UBB AD and the Management company.

6.3. Other non-financial expenses, including:

	2019	2018
Business trips	(32)	(35)
Partial tax credit on VAT	(27)	(26)
Representation costs and taxes thereon	(9)	(6)
Memberships	(2)	(2)
Tax on personal use of assets	(1)	(2)
Total	**(71)**	**(71)**

7. Personnel expenses

As at 31 December 2019 the staff of the Company numbers 13 individuals (31.12.2018: 21 individuals).

7.1. Salaries and wages

	2019	2018
Salaries and wages	(700)	(882)
Remuneration for unused paid leave	-	(3)
Total	**(700)**	**(885)**

In 000'BGN unless otherwise noted

7. Personnel expenses (expenses)

7.2. Social security and health insurance expenses

	2019	2018
Social security and health insurance contributions for personnel	(86)	(106)
Total	**(86)**	**(106)**

7.3. Other personnel expenses

	2019	2018
Costs for additional health insurance, supplementary voluntary pension insurance and life and accident insurance	(12)	(15)
Personnel qualification expenses	(2)	(2)
Social expenses	(2)	(1)
Total	**(16)**	**(18)**

8. Taxes

As at 31 December 2019 the relationship between tax representation in the statement of comprehensive income and accounting profit is as follows:

	Year ended 31.12.2019	Year ended 31.12.2018
Profit before taxation	1,660	1,441
Applicable tax rate	10%	10%
Tax according to tax rate	(166)	(144)
Effect of temporary differences	(1)	-
Tax expenses	(167)	(144)
Effective tax rate	10%	10%

No unused tax losses are available at 31 December 2019 and 2018 to be carried forward into subsequent periods.

Deferred tax assets constitute temporary differences on unpaid employee bonuses for the respective year, which are paid following assessment of individual performance.

Deferred tax asset	2019	2018
Opening balance	7	7
Change	-	-
Closing balance	7	7

9. Net earnings per share

Basic earnings per share

	2019	2018
1. Share capital	700	700
2. Uncovered loss from previous years at the beginning of the period	-	-
3. Financial result for the previous year	1,297	1,352
4. Basic earnings per share (BGN per share) for the preceding year (p.3: p.1)	1,85	1,93
5. Financial result	1,493	1,297
6. Basic earnings per share (BGN per share) (p.5: p.1)	2,13	1,85

In 000'BGN unless otherwise noted

10. Property, plant and equipment

	Office equipment	Computers and peripheral devices	Vehicles	Total
1. Reporting value				
1 January 2018	**11**	**11**	**68**	**90**
Derecognised	(11)	(1)	-	**(12)**
31 December 2018	-	**10**	**68**	**78**
Acquired	-	**6**	-	**6**
31 December 2019	-	**16**	**68**	**84**
2. Accumulated depreciation				
1 January 2018	**11**	**11**	**27**	**49**
Accrued for the year	-	-	8	**8**
Derecognised for the year	(11)	(1)	-	**(12)**
31 December 2019	-	**10**	**35**	**45**
Accrued for the year	-	-	**9**	**9**
31 December 2019	-	**10**	**44**	**54**
3. Net book value				
As at 31 December 2018	-	-	**33**	**33**
As at 31 December 2019	-	**6**	**24**	**30**

11. Intangible assets

	Software and software licences	Patents and licences	Webpage	Total
1. Reporting value				
1 January 2018	**124**	**1**	**22**	**147**
Acquired	**1**	-	-	**1**
Derecognised	**(66)**	-	-	**(66)**
31 December 2018	**59**	**1**	**22**	**82**
Acquired	**1**	-	-	**1**
31 December 2019	**60**	**1**	**22**	**83**
2. Accumulated depreciation				
1 January 2018	**80**	**1**	**18**	**99**
Accrued for the year	**12**	-	**1**	**13**
Derecognised	**(33)**	-	-	**(33)**
31 December 2018	**59**	**1**	**19**	**79**
Accrued for the year	**1**	-	**1**	**2**
31 December 2019	**60**	**1**	**20**	**81**
3. Net book value				
As of 31 December 2018	-	-	**3**	**3**
As of 31 December 2019	-	-	**2**	**2**

12. Right-of-use assets

	Right-of-use assets	Total
	BGN'000	BGN'000
As at 1 January 2019	601	601
Effect of changes in rent	(49)	(49)
As at 31 December 2019	**552**	**552**
Depreciation:		
As at 1 January 2019	-	-
Depreciation over the year	(61)	(61)
As at 31 December 2019	(61)	(61)
Current net book value at 1 January 2019	**601**	**601**
Current net book value at 31 December 2019	**491**	**491**

13. Cash and cash equivalents

	31.12.2019	31.12.2018
Cash in checking accounts	2,807	2,633
In BGN	*2,807*	*2,632*
In EUR	-	1
Total:	**2,807**	**2,633**

Cash on hand in BGN is recorded at nominal value. Cash in euro is recorded at the BNB exchange rate at 31 December 2019 and 2018 respectively. The impairment for expected credit losses is insignificant.

The following amounts are recognised in the cash flow statement:

	IFRS 16 2019	IAS 17 2018
	000'BGN	000'BGN
Cash outflow under lease agreements (IFRS 16) – financial activity		
Prinicipal	(73)	-
Interest	(1)	-
	(74)	-
Cash outflow under lease agreements – operating activity	-	(78)
Total cash outflow	**(74)**	**(78)**

In 000'BGN unless otherwise noted

14. Receivables

	As at 31.12.2019	As at 31.12.2018
Receivables from management fees for collective investment schemes and share issuance and redemption fees	238	201
Receivables from remuneration for management of individual investment portfolios – fiduciary services	3	5
Receivables for administration of shares in collective investment schemes	-	12
Receivables from the Central Depository – prepaid fees	-	2
Other receivables	-	3
Total	**241**	**223**

Receivables in BGN are valued at the cost incurred. Receivables in EUR and USD are shown at the BNB exchange rate at 31 December 2019 and 2018 respectively. The management company UBB Asset Management AD has no long-term receivables. There are no significant impairments.

15. Deferred expenses

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

	As at 31.12.2019	As at 31.12.2018
Audit expenses	7	7
Bloomberg fee	3	-
Annual software maintenance fee	1	1
Vehicle insurance expenses	1	1
Central Depository Fees	1	-
Total	**13**	**9**

16. 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 31.12.2019	%
United Bulgarian Bank AD	636	90,86%
KBC Bank	64	9,14%
TOTAL SHARES AT 31.12.2019	**700**	**100%**

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%**

17. Wages and salaries payable

	As at 31.12.2019	As at 31.12.2018
Wages and salaries payable, including	66	76
Variable remuneration	*65*	*73*
Social security and health insurance	*1*	*1*
Unused paid leave	*-*	*2*
Total:	**66**	**76**

18. Trade payables

	As at 31.12.2019	As at 31.12.2018
Payables to suppliers	54	41
Total:	**54**	**41**

19. Tax liabilities

	As at 31.12.2019	As at 31.12.2018
Profit tax	6	12
Tax on representation expenses and personal use tax	2	3
VAT payable	-	1
Total:	**8**	**16**

20. Leased assets liabilities

	000'BGN
Present value of lease liabilities at 01.01.2019	**601**
Payables under Invoice for 01.2019	(5)
Change in asset and payables in 02.2019	(49)
Payables under Invoice for 02.2019	(5)
Present value of lease liabilities at 28.02.2019	542
Interest from March to December 2019	2
Payalbes under invoices from March to December 2019	(52)
Balance of payables at 31.12.2019	**492**

Total lease liabilities	31 December 2019 Minimum lease payments BGN'000	31 December 2019 Present value of lease payments BGN'000
Up to 1 year	60	60
Between 1 and 10 year	541	541
Total minimum lease payments	**601**	**601**
Change in asset and payables	(49)	(49)
Less amounts constituting finance	(60)	(60)
Total present value of minimum lease payments, of which:	**492**	**492**
Long-term present value of minimum lease payments	**430**	**430**
Short-term present value of minimum lease payments	**62**	**62**

In 000'BGN unless otherwise noted

21. Foreign assets managed

	As at 31.12.2019	As at 31.12.2018
Net assets of:		
MF UBB Platinum Bonds	139,455	90,752
MF UBB Platinum Euro Bonds	59,697	37,271
MF UBB Premium Equity	13,382	21,911
MF UBB Patrimonium Land	27,279	20,595
MF UBB Global Pharm Invest	13,831	11,109
MF UBB Balanced Fund	11,031	10,418
MF UBB Global Dividend	3,512	2,285
MF UBB Global Growth	3,126	2,388
MF UBB Global Child Fund	2,253	1,650
Net value of individual investment portfolios	5,725	9,712
Total:	**279,291**	**208,091**

22. Related parties and related party transactions

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 Group	Beneficial owner of capital
KBC Bank	Shareholder
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

Balances on related party transactions and the corresponding expenses and income at 31 December 2019 and 2018 are as follows:

In 000'BGN unless otherwise noted

22. Related parties and related party transactions (continued)

Transactions and balances

Income	**31.12.2018**	**31.12.2017**
MF UBB Balanced Fund - management fees	248	255
MF UBB Premium Equity - management fees	490	746
MF UBB Platinum Bonds - management fees	577	417
MF UBB Patrimonium Land - management fees	726	631
MF UBB Global Pharm Invest – management fees	387	367
MF UBB Platinum Euro Bonds - management fees	251	162
MF UBB Global Child Fund - management fees	50	46
MF UBB Global Dividend - management fees, prospectus	78	64
MF UBB Global Growth - management fees	78	66
United Bulgarian Bank AD		
- Income from share administration according to Distribution Agreement	18	-
- interest income on demand deposits	-	1
Total:	**2,903**	**2,755**

2018 includes Share issuance and redemption fees but not 2019, as these are received by the distributor, under the Distribution Agreement with United Bulgarian Bank AD.

Expenses	**31.12.2019**	**31.12.2018**
United Bulgarian Bank AD		
- rent IFRS 16 (depreciation)	(61)	-
- rent IFRS 16 (interest)	(2)	-
- rent	-	(62)
- consumables and premises maintenance, including municipal waste fees	(23)	(16)
- expenses under agency/Distribution agreement	(247)	(85)
- Bloomberg fee	(7)	(2)
- bank fees	(4)	(7)
- asset interest expenses	(2)	-
- Microsoft licencess	-	(2)
DZI General Insurance		
- company vehicle insurance	(2)	(2)
DZI Life Insurance		
- health insurance employees	(3)	(4)
Dividend paid		
- *United Bulgarian Bank AD*	(1,178)	(2,726)
- KBC Bank AD	(119)	(274)
Key management personnel transactions		
- remuneration	(196)	(208)

In 000'BGN unless otherwise noted

22. Related parties and related party transactions (continued)

Receivables	**31.12.2019**	**31.12.2018**
MF UBB Balanced Fund	19	17
MF UBB Premium Equity	29	46
MF UBB Platinum Bonds	54	33
MF UBB Patrimonium Land	60	44
MF UBB Global Pharm Invest	34	31
MF UBB Platinum Euro Bonds	23	13
MF UBB Global Child Fund	5	3
MF UBB Global Dividend	7	6
MF UBB Global Growth	7	7
Total:	**238**	**200**

Share administration fees at Central Depository AD	**31.12.2019**	**31.12.2018**
MF UBB Balanced Fund	-	3
MF UBB Premium Equity	-	6
MF UBB Platinum Bonds	-	95
MF UBB Patrimonium Land	-	23
MF UBB Global Pharm Invest	-	3
MF UBB Platinum Euro Bonds	-	6
MF UBB Global Child Fund	-	1
MF UBB Global Dividend	-	1
MF UBB Global Growth	-	1

Liabilities	**31.12.2019**	**31.12.2018**
UBB AD – remuneration under agency agreement	36	12
UBB AD – premises maintenance contract	-	1

Cash equivalents	**31.12.2019**	**31.12.2018**
UBB AD – current account in BGN	2,807	2,633

Deferred expenses	**31.12.2019**	**31.12.2018**
DZI General Insurance – vehicle insurance	1	1
UBB AD – Bloomberg fee	3	-

In 000'BGN unless otherwise noted

22. Related parties and related party transactions (continued)

Non-current asset	**31.12.2019**	**31.12.2018**
UBB AD – rented assets (office)	491	-

Non-current liability	**31.12.2019**	**31.12.2018**
UBB AD – rented assets (office)	492	-

Members of the Board of Directors have not received remuneration for 2019 and 2018. KBC Group NV Belgium is traded on the Belgian exchange.

23. 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.

23.1. 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 2019 and 2018 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	**2019**	**2018**
Cash and cash equivalents	**2,807**	**2,633**
Long-term rating BBB and short-term rating A-2	*2,807*	*2,633*
Receivables	**241**	**223**
No rating	*241*	*223*
Total:	**3,048**	**2,856**

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

23.2. 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 2019:

23. Risk management (continued)

23.2. Market risk (continued)

31.12.2019	Interest free	Floating interest rate %	Fixed interest rate %	Total
Current assets				
Receivables	241	-	-	241
Cash and cash equivalents	-	2,807	-	2,807
Current liabilities				
Trade payables	54	-	-	54
Short-term risk exposure				
Total financial assets	**241**	**2,807**	**-**	**3,048**
Total financial liabilities	**54**	**-**	**-**	**54**
Total interest risk exposure	**187**	**2,807**	**-**	**2,994**

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

31.12.2018	Interest free	Floating interest rate %	Fixed interest rate %	Total
Current assets				
Receivables	221	-	-	221
Cash and cash equivalents	1	2,632	-	2,633
Current liabilities				
Trade payables	41	-	-	41
Short-term risk exposure				
Total financial assets	**222**	**2,632**	**-**	**2,854**
Total financial liabilities	**41**	**-**	**-**	**41**
Total interest risk exposure	**181**	**2,632**	**-**	**2,813**

23.3. 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 2019 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 2019.

Analysis of the currency structure of the Company's financial assets and liabilities as at 31 December 2019:

Assets	BGN	EUR	USD	Total
Cash and cash equivalents	2,807	-	-	2,807
Receivables	238	2	1	241
Total (BGN '000)	**3,045**	**2**	**1**	**3,048**
Total (as %)	**99,90%**	**0,07%**	**0,03%**	**100%**
Liabilities	**BGN**			**Total**
Trade payables	54			54
Total (BGN '000)	**54**			**54**
Total (as %)	**100%**			**100%**

23. Risk management (continued)

23.3. 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	218	2	1	221
Total (BGN '000)	**2,850**	**3**	**1**	**2,854**
Total (as %)	**99,86%**	**0,10%**	**0,04%**	**100%**

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

23.4. 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 2019:

	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	-	-	-	-	-	2,807	**2,807**
Receivables	241	-	-	-	-	-	**241**
Total financial assets	241	-	-	-	-	2,807	**3,048**
Trade payables	54	-	-	-	-	-	**54**
Total financial liabilities	54	-	-	-	-	-	**54**
Discrepancies in maturity structure	**187**	**-**	**-**	**-**	**-**	**2,807**	**2,994**

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

23. Risk management (continued)

23.4. 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	215	6	-	-	-	-	**221**
Total financial assets	215	6	-	-	-	2,633	**2,854**
Trade payables	41	-	-	-	-	-	**41**
Total financial liabilities	41	-	-	-	-	-	**41**
Discrepancies in maturity structure	**174**	**6**	**-**	**-**	**-**	**2,633**	**2,813**

23.5. Financial risk management

The tables below analyse financial liabilities in their respective categories on the basis of contract maturity. The amounts in the table comprise the non-discounted cash flows as per contract.

(000'BGN) At 31 December 2019	**Less than 6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**	**Total cash flows under contract**	**Book value**
Trade payables	54	-	-	-	-	-	54
Lease liabilities	31	31	62	185	183	-	492
	85	31	62	185	183	-	546

Lease liabilities do not include variable lease payments which are not dependant on an index or percentage. There are no other agreements, under which the Company is committed, excepte for those disclosed in Note 19.

(000'BGN) At 31 December 2018	**Less than 6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**	**Total cash flows under contract**	**Book value**
Trade payables	41	-	-	-	-	-	41
Lease liabilities	-	-	-	-	-	-	-
	41	-	-	-	-	-	41

23. Risk management (continued)

23.5. 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.

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. No losses associated with operational events were recorded in 2018. In 2019 a loss of BGN 9 thousand from operational risk was recorded, comprising provisions for acts by the FSC against the Management Company in connection with its failure to promulgate summarised information on the structure of contract funds portfolio for October 2019 in due time.

24. 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.

25. Contingent assets and contingent liabilities

As at 31 December 2019 and 2018 the Company has not issued third-party guarantees.

26. 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