

**TRIGON CENTRAL AND EASTERN EUROPEAN FUND**

**2007 ANNUAL REPORT**  
**(Translation of the Estonian original)**

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## **General information and contact data of the investment fund Trigon Central and Eastern European Fund**

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### **Business name**

Investment fund Trigon Central and Eastern European Fund

### **Legal address:**

Pärnu mnt. 15  
10141 Tallinn  
Estonia

Phone: + 372 6 679 200  
Fax: + 372 6 679 221

### **Main activities**

The Fund offers to the unit-holders the opportunity to invest in the equity markets of the countries that joined the European Union in 2004 and are expected to join in the near future. The fund's objective is the long-term growth of assets.

### **Fund Management Company**

AS Trigon Funds

### **Fund managers**

Mehis Raud

### **Depositary**

AS Hansapank

### **Auditor**

AS PricewaterhouseCoopers  
Pärnu mnt. 15  
10141 Tallinn  
Estonia

Tel.: + 372 6 141 800  
Fax: + 372 6 141 900

### **Beginning and end of financial year:**

1 January 2007 – 31 December 2007

## Management report

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AS Trigon Funds manages Trigon Central and Eastern European Fund (hereinafter the Fund) from its launching in April 2002.

The Fund is an open-ended investment fund, which invests in the equities traded on the stock exchanges of the countries that joined the European Union after 2004 and are expected to join in the near future or of companies that own substantial business interests in these countries. The Fund is targeted at investors with a medium and long-term investment horizon because the equity markets are volatile and the value of the Fund's unit may change in the short term.

During 2007, the Fund's net asset value increased to 1 065.5 million kroons (31.12.2006: 1 768.5 million kroons). The net asset value of the Fund's Type 1 Unit increased by 0,4% during the year, to 268.0804 kroons (31.12.2006: 266.9782 kroons). The net asset value of the Fund's Type 2 (eQ Itä-Euroopa) Unit reached 267.9477 kroons (17,1262 EUR) at the year-end (31.12.2006: 272.1252 kroons) decreasing by 1.5% in 2007. The net asset value of the Fund's Type 3 Unit (Trigon Central and Eastern European Fund B) reached 157.6007 kroons at the year-end (31.12.2006: 159.2678 kroons) and dropped during a year by 1.1%.

The Fund's objective is to keep approximately 90% of its assets invested. As at the end of December 2007, the equities, bonds, structured deposits and derivatives made up 95,3% (31.12.2006 94.3%) of the market value of the Fund's investments, the remaining portion was made up of cash in bank accounts and uncollected amounts for subscribed Units and unsettled trades. As of 31 December 2007, the largest equity investments were Graal 9.3%, Grupa Lotos 7.9% and Erste Bank 6.7%. The Fund's investments were diversified between the issuers of 8 countries – Czech Republic, Hungary, Poland, Estonia, Austria, Slovenia, Romania and Lithuania.

Mehis Raud  
AS Trigon Funds  
Member of the Management Board and the Fund Manager

Jouni Nissinen  
AS Trigon Funds  
Member of the Management Board

Riku Wüitala  
AS Trigon Funds  
Member of the Management Board

## FINANCIAL STATEMENTS

### Confirmation of the Management Board of the Fund Management Company's to the financial statements

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The Management Board of the Fund Management Company's confirms the correctness and completeness of the financial statements of Trigon Central and Eastern European Fund for 2007 as presented on pages 5 - 18.

The Management Board confirms that:

1. the accounting policies, accounting methods and measurement bases used in preparing the financial statements are in compliance with the Accounting Act, the Investment Funds Act and the generally accepted accounting principles of Estonia;
2. the financial statements present a true and fair view of the financial position and the results of operations of the Fund;
3. Trigon Central and Eastern European Fund is a going concern.

/signed/

Mehis Raud

AS Trigon Funds

Member of the Management Board and the Fund Manager

/signed/

Riku Wiitala

AS Trigon Funds

Member of the Management Board and the Fund Manager

/signed/

Jouni Nissinen

AS Trigon Funds

Member of the Management Board

Tallinn 31 January 2008

## Balance sheet

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In EEK

<b>ASSETS</b>	<b>Note</b>	<b>31.12.2007</b>	<b>31.12.2006</b>
<b>Securities</b>			
Equities and units		1 029 254 489	911 325 950
Bonds		0	603 464 139
Derivatives	Note 5	891 878	8 805 483
<b>Total securities</b>		<b>1 030 146 367</b>	<b>1 523 595 573</b>
<b>Deposits</b>			
Cash and bank		24 166 984	88 554 936
Structured deposits		0	164 211 923
<b>Total deposits</b>		<b>24 166 984</b>	<b>252 766 859</b>
<b>Other assets</b>			
Accrued income		704	126 102
Miscellaneous receivables	Note 2	27 175 973	12 844 748
<b>Total other assets</b>		<b>27 176 677</b>	<b>12 970 850</b>
<b>TOTAL ASSETS</b>		<b>1 081 490 028</b>	<b>1 789 333 282</b>

## LIABILITIES AND EQUITY

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<b>Liabilities</b>			
Payable to fund management company		1 400 699	3 206 651
Payable to depositary		162 843	226 643
Payable for redeemed fund units		258 596	63 507
Unsettled securities transactions		14 182 799	16 343 771
Other payables		11 875	994 867
<b>Total liabilities</b>		<b>16 016 812</b>	<b>20 835 438</b>
<b>Fund's net asset value</b>		<b>1 065 473 216</b>	<b>1 768 497 844</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1 081 490 028</b>	<b>1 789 333 282</b>

## Statement of investments

In EEK as at 31 December 2007

Name/Issuer	Country code	Maturity	Nominal value	Currency	Quantity	Average acquisition cost per item	Average acquisition cost total	Market value per item	Market value total	Interest	Share in market value of the net assets of the Fund
<b>Shares</b>											
AMBRA SA	PL		1	PLN	962,112	62.23	59,871,219	44.03	42,363,827		3.92%
AMICA WRONKI SA	PL		2	PLN	282,955	81.48	23,054,588	81.95	23,187,442		2.14%
ERSTE BANK	AT		1	EUR	96,000	868.56	83,381,380	758.81	72,845,448		6.74%
FARMACOL SHARE	PL		1	PLN	269,705	156.42	42,186,195	183.07	49,374,756		4.57%
FIRMA HANDLOWA JAGO S.A	PL		1	PLN	1,886,658	13.77	25,970,361	13.93	26,272,519		2.43%
GORENJE SHARE	SI		0	EUR	3,839	378.04	1,451,313	657.11	2,522,649		0.23%
GRAAL S.A.	PL		10	PLN	654,759	129.10	84,528,876	153.05	100,210,577		9.27%
GROCLIN SHARE	PL		1	PLN	384,765	182.44	70,197,608	108.67	41,812,564		3.87%
GRUPA LOTOS SA	PL		1	PLN	441,900	187.30	82,768,924	193.05	85,307,560		7.89%
HYDROTOR SA	PL		2	PLN	29,394	205.69	6,046,151	207.71	6,105,431		0.56%
IMMO EAST IMMOBILIEN ANLAGEN	AT		1	EUR	450,000	121.68	54,757,060	115.31	51,888,301		4.80%
IMPEL SA	PL		5	PLN	585,107	116.62	68,232,472	72.23	42,262,292		3.91%
KOGENERACJA S.A.	PL		5	PLN	181,783	233.78	42,497,565	260.29	47,316,000		4.38%
NORMA	EE		10	EEK	315,915	76.95	24,308,161	78.23	24,714,030		2.29%
POLISH OIL AND GAS	PL		1	PLN	2,200,000	21.87	48,111,030	22.12	48,673,925		4.50%
POLSKY KONCERN MIESNY DUDA	PL		1	PLN	1,586,324	34.20	54,253,050	32.54	51,612,711		4.77%
PROSPER SA	PL		1	PLN	422,517	84.83	35,841,697	71.58	30,243,472		2.80%
RABA	HU		1,000	HUF	437,857	135.32	59,249,460	116.81	51,145,285		4.73%
SIF MOLDOVA (RON)	RO		0	RON	3,596,000	16.04	57,684,429	15.14	54,434,230		5.03%
SYGNITY SA	PL		1	PLN	223,742	133.26	29,815,503	152.31	34,078,609		3.15%
TELEFONICA O2 C.R. SHARE	CZ		100	CZK	10,000	252.35	2,523,540	321.24	3,212,447		0.30%
TELEKOMUNIKACJA POLSKA	PL		3	PLN	500,000	92.28	46,142,316	97.65	48,825,760		4.51%
TEO LT AB	LT		1	LTL	3,500,000	10.75	37,627,058	10.76	37,647,312		3.48%
TRANSGAZ ALLOCATION RIGHT	RO		1	RON	1,650	853.50	1,408,276	1,457.20	2,404,373		0.22%
UKIO BANK COMMON SHARE	LT		12	LTL	1,802,000	18.63	33,573,255	16.73	30,155,848		2.79%
WILBO SEAFOOD SA	PL		1	PLN	1,580,444	16.97	26,826,595	13.06	20,637,121		1.91%
<b>Total shares</b>							<b>1,102,308,082</b>		<b>1,029,254,489</b>		<b>95.17%</b>
<b>Derivatives</b>											
FX OPTION EUR/PLN@3.65 06MAR08	EE	06/03/2008		EUR			1,212,526	0.00	831,296		0.08%
FX OPTION EUR/PLN@3.75 01FEB08	EE	01/02/2008		EUR			1,736,651	0.00	10,263		0.00%
FX OPTION EUR/PLN@3.75 15FEB08	EE	15/02/2008		EUR			1,016,958	0.00	50,319		0.00%
<b>Total derivatives</b>							<b>3,966,135</b>		<b>891,878</b>		<b>0.08%</b>
<b>Total securities</b>							<b>1,106,274,217</b>		<b>1,030,146,367</b>		<b>95.25%</b>
<b>Deposits</b>											
DEMAND DEPOSIT	EE			EEK					17,109,108		1.58%
OVERNIGHT DEPOSIT-HANSAPANK(EUR)	EE	01/01/2008		EUR			7,057,875		7,058,580	3.59%	0.65%
<b>Total deposits</b>							<b>7,057,875</b>		<b>24,167,688</b>		<b>2.23%</b>
<i>* Accrued interest on deposits has been added in amount of 704.5 kroons, which is recognised in the balance sheet on line "Accrued income".</i>											
<b>Total investments</b>							<b>1,113,332,092</b>		<b>1,054,314,055</b>		<b>97.49%</b>
<b>Other Assets</b>											
Miscellaneous receivables (uncollected amounts for unsettled trades)									27,175,973		2.51%
<b>Total other assets</b>									<b>27,175,973</b>		<b>2.51%</b>
<b>Total assets of the Fund</b>									<b>1,081,490,028</b>		<b>100.00%</b>

### Distribution of investments, 31.12.2007

	Amount	Share
Securities entered into the stock exchange lists	1,029,254,489	95.2%
Other securities	891,878	0.1%
Structured deposits	0	0.0%
Cash, deposits, miscellaneous receivables and accrued income	51,343,661	4.7%
<b>Total</b>	<b>1,081,490,028</b>	<b>100.0%</b>

In EEK as at 31 December 2006

Name	Country code	Maturity	Nominal value	Currency	Quantity	Average acquisition cost per item	Average acquisition cost total	Market value per item	Market value total	Interest	Share in market value of the net assets of the Fund
<b>Shares and units</b>											
ALLAMI NYOMDA NYRT COM STOCK	HU		980	HUF	18,069	363.90	6,575,387	411.58	7,436,774		0.42%
ALUMIL ROM INDUSTRY	RO		0	RON	38,681	21.19	819,501	21.27	822,649		0.05%
AMBRA SA	PL		1	PLN	165,000	62.96	10,387,961	63.21	10,429,654		0.58%
ARTMAN SA	PL		0	PLN	39,276	148.70	5,840,328	150.48	5,910,277		0.33%
AS EESTI TELEKOM LIHTAKTIA	EE		10	EEK	414,658	121.93	50,560,281	131.43	54,498,501		3.05%
DEBICA	PL		8	PLN	113,896	286.49	32,629,647	315.64	35,950,396		2.01%
EMAX SA	PL		1	PLN	2,458	471.22	1,158,262	468.98	1,152,747		0.06%
ERICSSON NIKOLA TESLA	HR		100	HRK	1,668	4,387.60	7,318,515	5,233.60	8,729,653		0.49%
FARMACOL SHARE	PL		1	PLN	215,482	150.62	32,456,962	177.40	38,225,617		2.14%
GORENJE SHARE	SI		1,000	SIT	43,667	350.78	15,317,353	410.66	17,932,331		1.00%
GRAPHISOFT PARK	HU		0	HUF	60,661	55.82	3,386,157	63.42	3,846,823		0.21%
GROCLIN SHARE	PL		1	PLN	31,921	375.95	12,000,829	193.71	6,183,357		0.35%
GRUPA LOTOS SA	PL		1	PLN	179,348	182.01	32,643,741	201.05	36,057,673		2.02%
HYDROTOR SA	PL		2	PLN	35,602	192.08	6,838,486	189.63	6,751,210		0.38%
IC AUTO S.A	PL		2	PLN	101,155	107.85	10,909,129	83.60	8,456,594		0.47%
KOGENERACJA S.A.	PL		5	PLN	147,685	188.40	27,823,941	227.56	33,606,620		1.88%
KOMERCNI BANKA	CZ		500	CZK	48,700	1,759.52	85,688,528	1,763.11	85,863,243		4.80%
MENNICA PANSTWOWA SA	PL		10	PLN	12,424	323.29	4,016,523	326.25	4,053,271		0.23%
MOL MAGYAR OLAI-ESGAZIDARI	HU		1,000	HUF	3,000	1,358.70	4,076,107	1,342.91	4,028,724		0.23%
MULTIMEDIA POLSKA SA	PL		1	PLN	736,310	49.83	36,688,834	50.04	36,843,383		2.06%
OMV AG	AT		1	EUR	167,387	652.23	109,175,290	672.60	112,584,504		6.29%
PAGED SA	PL		2	PLN	116,071	88.73	10,299,395	103.99	12,070,302		0.67%
POLISH OIL AND GAS	PL		1	PLN	3,801,496	13.24	50,337,000	14.68	55,809,905		3.12%
POLSKI KONCERN NAFTORNY ORLEN	PL		1	PLN	512,278	195.56	100,180,632	194.52	99,650,235		5.57%
TELEFONICA O2 C.R. SHARE	CZ		100	CZK	321,000	237.07	76,097,942	271.09	87,021,124		4.86%
TELEKOMUNIKACJA POLSKA	PL		3	PLN	1,327,384	87.68	116,387,498	100.12	132,893,065		7.43%
TORFARM SA	PL		1	PLN	16,533	178.65	2,953,581	273.23	4,517,318		0.25%
<b>Total shares and fund units</b>							<b>852,567,810</b>		<b>911,325,950</b>		<b>50.93%</b>
<b>Bonds*</b>											
ALLAMI PRIVATIZACIOS 28.09.09	HU	28.09.2009	100,000	EUR	4,200,000	1,564,679.93	65,716,557	2,057,489.55	86,414,561	1.00%	4.83%
MAGNOLIA EUR 4% 20.03.16	HU	20.03.2016	100,000	EUR	9,800,000	1,630,633.91	159,802,123	1,754,251.68	171,916,665	4.00%	9.61%
OTP CONVRT 3.95% 31.10.49-16	LU	29.10.2049	1,000	EUR	9,700,000	15,917.95	154,404,103	17,948.71	174,102,487	3.95%	9.73%
HP BOND MOL MAGYAR 02.03.07	EE	02.03.2007	10,000	EUR	1,140,000	164,277.75	18,727,664	158,294.80	18,045,607		1.01%
STR BOND KOMERCNI BN 01.06.07	EE	01.06.2007	10,000	EUR	970,000	172,100.49	16,693,748	170,822.66	16,569,798		0.93%
STR BOND KOMERCNI BN 21.05.07	EE	21.05.2007	10,000	EUR	1,140,000	172,100.50	19,619,457	167,308.84	19,073,208		1.07%
STR BOND KOMERCNI BN 30.05.07	EE	30.05.2007	10,000	EUR	910,000	172,100.51	15,661,146	168,449.12	15,328,870		0.86%
STR BOND OMV 11.06.2007	EE	11.06.2007	10,000	EUR	1,860,000	172,100.50	32,010,693	172,938.28	32,166,520		1.80%
STR BOND PKN ORLEN 13.06.07 A	EE	13.06.2007	10,000	EUR	1,410,000	172,100.50	24,266,170	166,499.22	23,476,390		1.31%
STR BOND PKN ORLEN 13.06.07 B	EE	13.06.2007	10,000	EUR	1,410,000	172,100.50	24,266,170	165,083.95	23,276,837		1.30%
STR BOND PKN ORLEN 13.06.07 C	EE	13.06.2007	10,000	EUR	1,410,000	172,100.50	24,266,170	163,781.52	23,093,195		1.29%
<b>Total bonds</b>							<b>555,434,001</b>		<b>603,464,138</b>		<b>33.73%</b>
<b>Derivatives</b>											
FX OPTION EUR/HUF@261 29MAR07	EE	29.03.2007	1	EUR			538,205		473,270		0.03%
FX OPTION EUR/HUF@262 20MAR07	EE	20.03.2007	1	EUR			510,043		386,707		0.02%
FX OPTION EUR/HUF@264 15JAN07	EE	15.01.2007	1	EUR			786,186		19,961		0.00%
FX OPTION EUR/HUF@265 12MAR07	EE	13.03.2007	1	EUR			1,963,511		1,012,805		0.06%
FX OPTION EUR/HUF@266 01MAR07	EE	01.03.2007	1	EUR			854,244		300,440		0.02%
FX OPTION EUR/HUF@267 22FEB07	EE	22.02.2007	1	EUR			603,916		142,685		0.01%
FX OPTION EUR/PLN@3.87 13MAR07	EE	14.03.2007	1	EUR			755,678		845,632		0.05%
FX OPTION EUR/PLN@3.87 16MAR07	EE	16.03.2007	1	EUR			843,293		1,031,833		0.06%
FX OPTION EUR/PLN@3.87 23MAR07	EE	23.03.2007	1	EUR			769,759		946,494		0.05%
FX OPTION EUR/PLN@3.89 26FEB07	EE	27.02.2007	1	EUR			1,076,410		756,135		0.04%
FX OPTION EUR/PLN@3.9 5MAR07	EE	05.03.2007	1	EUR			926,214		764,230		0.04%
FXOPTION EUR/CZK@27.70 20MAR07	EE	20.03.2007	1	EUR			891,793		697,915		0.04%
FXOPTION EUR/CZK@27.90 15MAR07	EE	15.03.2007	1	EUR			406,783		187,821		0.01%
FXOPTION EUR/CZK@28 MAR07	EE	08.03.2007	1	EUR			459,978		130,489		0.01%
FXOPTION EUR/CZK@28.14 20FEB07	EE	20.02.2007	1	EUR			222,166		28,955		0.00%
FXOPTION EUR/CZK@28.15 19FEB07	EE	19.02.2007	1	EUR			416,170		54,089		0.00%
OMV FEB07 PUT@ 40	EE	17.02.2007	1	EUR			394,267		230,771		0.01%
OMV JAN07 PUT@ 40	EE	20.01.2007	1	EUR			348,131		94,048		0.01%
OMV JAN07 PUT@ 42	EE	20.01.2007	1	EUR			956,863		701,205		0.04%
<b>Total derivatives</b>							<b>13,723,610</b>		<b>8,805,485</b>		<b>0.49%</b>
<b>Total securities</b>							<b>1,421,725,421</b>		<b>1,523,595,573</b>		<b>85.15%</b>

Name	Country code	Maturity	Nominal value	Currency	Quantity	Average acquisition cost per item	Average acquisition cost total	Market value per item	Market value total	Interest	Share in market value of the net assets of the Fund
<b>Deposits*</b>											
DEMAND DEPOSIT	EE			EEK					29,616,252		1.66%
OVERNIGHT DEPOSIT-HANSAPANK(EEK)	EE	01.01.2007		EEK					22,612,645	3.27%	1.26%
OVERNIGHT DEPOSIT-HANSAPANK(EUR)	EE	01.01.2007		EUR					36,331,399	3.27%	2.03%
DEPOSIT CESKY TELECOM 16.02.07	EE	16.02.2007		EUR					36,161,128		2.02%
HP DEPO KOMERCNI BK 13.06.07 A	EE	13.06.2007		EUR					46,822,301		2.62%
HP DEPO KOMERCNI BK 13.06.07 B	EE	13.06.2007		EUR					45,773,169		2.56%
HP DEPOSIT MOL MAGYAR 19.02.07	EE	19.02.2007		EUR					35,455,325		1.98%
<b>Total deposits</b>							<b>227,472,010</b>		<b>252,772,219</b>		<b>14.13%</b>
<i>* Accrued interest on deposits has been added in amount of 5 360.17 kroons, which is recognised in the balance sheet on line "Accrued income".</i>											
<b>Total investments</b>							<b>1,649,197,431</b>		<b>1,776,367,792</b>		<b>99.28%</b>
<b>Other assets</b>											
Miscellaneous receivables (uncollected amounts for unsettled trades)									12,821,514		0.72%
Miscellaneous receivables (uncollected amounts for subscribed units)									23,234		0.00%
Accrued income (uncollected dividend)									114,390		0.01%
Accrued income (uncollected interest on deposits)									6,352		0.00%
<b>Total other assets</b>									<b>12,965,490</b>		<b>0.72%</b>
<b>Total assets of the Fund</b>									<b>1,789,333,282</b>		<b>100.00%</b>

#### Distribution of investments, 31.12.2006

	Amount	Share
Securities entered into the stock exchange lists	1 343 759 664	75,1%
Other securities	179 835 909	10,1%
Structured deposits	164 211 923	9,2%
Cash, deposits, miscellaneous receivables and accrued income	101 525 786	5,7%
<i>Total</i>	<i>1 789 333 282</i>	<i>100,0%</i>

## Income and expense statement

in EEK

	2007	2006
I. Net gain on investments		
1.1. On equities and units		
1.1.1. Sales profit	126 753 269	324 542 510
1.1.2. Unrealised loss	(131 812 174)	(48 191 746)
1.1.3. Dividends	19 967 398	34 376 334
1.2. Bonds		
1.2.1. Sales profit	84 674 773	21 554 737
1.2.2. Unrealised gain	(48 030 628)	10 741 876
1.2.3. Interest income	10 283 617	10 116 058
1.3. On deposits		
1.3.1 Interest income on deposits	12 074 876	2 405 030
1.3.2 Change in fair value of structured deposits	-	(4 321 403)
1.4. On derivatives		
1.4.1 Sales loss	(24 462 966)	(41 257 969)
1.4.2 Unrealised gain/(loss)	1 843 634	(5 867 143)
<b>Total net gain on investments</b>	<b>51 291 799</b>	<b>304 098 283</b>
II. Other income		
2.1. Foreign exchange gains	11 594 690	11 691 246
<b>Total other income</b>	<b>11 594 690</b>	<b>11 691 246</b>
<b>TOTAL INCOME</b>	<b>62 886 489</b>	<b>315 789 529</b>
<b>EXPENSES</b>		
III Operating expenses		
3.1. Management fees	20 387 435	25 941 746
3.2. Performance fees	2 549 637	5 075 328
3.3. Depositary charges	2 393 607	2 584 509
3.4. Transaction costs	Note 3	13 604 385
3.5. Other expenses	3 751	17 333
<b>Total operating expenses</b>	<b>28 216 315</b>	<b>47 223 301</b>
<b>TOTAL EXPENSES</b>	<b>28 216 315</b>	<b>47 223 301</b>
<b>NET RESULT OF THE FUND</b>	<b>34 670 174</b>	<b>268 566 228</b>

## Statement of changes in net assets

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in EEK

	<u>2007</u>	<u>2006</u>
<b>Net asset value of the Fund at the beginning of the reporting period</b>	<b>1 768 497 844</b>	<b>1 697 253 073</b>
Cash received for units	32 962 935	475 581 755
Cash paid for units	768 625 289	670 397 148
Subscription and redemption fees (total) paid to the Fund Management Company	2 032 449	2 506 063
<b>Net result of the Fund</b>	<b>34 670 174</b>	<b>268 566 228</b>
<b>Net asset value of the Fund at the end of the period</b>	<b>1 065 473 216</b>	<b>1 768 497 844</b>
Number of units in circulation at end of the reporting period	3 974 677.415	7 251 201.084
incl. Type 1	3 788 740.987	5 393 757.040
Type 2 (eQ Itä-Eurooppa)	185 615.960	290 727.784
Type 3	320.468	1 566 716.260
<b>Unit's net asset value at end of the period</b>		
Type 1	268.0804	266.9782
Type 2 (eQ Itä-Eurooppa)	267.9477	272.1253
Type 3	157.6007	159.2678

## Notes to the financial statements

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### NOTE 1 Accounting policies

The financial statements of the investment fund Trigon Central and Eastern European Fund have been prepared in Estonian kroons and pursuant to the Accounting Act, the Investment Fund Act and the accounting principles generally accepted in Estonia.

#### Changes in presentation of information

Since 2007, in income and expense statement cash account interests are included under interest income on deposits. Before the cash account interests were reflected under other financial income. The comparative information for 2006 has also been restated.

#### Cash and bank

The balance sheet item cash and bank includes cash in demand deposit, overnight deposits and term deposits.

#### Accounting for securities transactions

Securities transactions are recorded at the settlement date. The coupon interest on fixed rate securities is calculated on an accrual basis. Realised profits and losses from the sales of securities are calculated under the FIFO method.

#### Issue of Units

Units shall only be issued publicly. The issue of Units is executed by the Fund Management Company pursuant to the rules set out in legislation. The issue of Units is restricted neither by time nor by volume.

The Fund has three types of Units (hereinafter: "Type 1", "Type 2" and "Type 3").

A Unit shall be issued only upon the collection of an amount equalling the Unit's net asset value. Upon the issue of a fractional unit, cash shall be collected equalling that fraction of the Unit's net asset value.

The Unit's issue price is the net asset value of the Unit of the respective type calculated at the banking day following the purchase order and may also include an issue fee or intermediary's transaction cost.

The Unit's issue fee is:

- a) In case of Type 1 Units, a maximum of 2.0% of the net asset value of the Unit of the respective type;
- b) In case of Type 2 Units, there is no issue fee. The unit holder bears the intermediary's transaction cost, which is a maximum of 3.0% of the net asset value of the Unit of the respective type;
- c) In case of Type 3 Units, a maximum of 6.0% of the net asset value of the Unit of the respective type

A Unit is deemed to be issued at the time of making the respective entry in the registry of Units.

#### Redemption of Units

At the request of the Unit holder, the Fund Management Company shall redeem the Unit.

The Unit's redemption price is the net asset value of the Unit of the respective type calculated at the banking day following the day of the redemption order and may also include a redemption fee or intermediary's transaction cost.

The Unit's redemption fee is:

- a) In case of Type 1 Units, a maximum of 1.5% of the net asset value of the Unit of the respective type;
- b) In case of Type 2 Units, there is no redemption fee. The fund holder shall bear the intermediary's transaction cost which at a maximum is 0.5% of the net asset value of the Unit of the respective type but not less than 20 euros per transaction;
- c) In case of Type 3 Units, there is no redemption fee.

Upon the redemption of a Unit, a monetary payment from the Fund's assets is made to the Unit holder's bank account related to the securities account. The payments shall be made in the order of the applications submitted. The payment may be halted pursuant to the procedure prescribed in the rules and regulations of the Fund.

The Unit shall be considered as redeemed from the time of making a respective entry in the registry of Units.

#### **Issue and redemption fees**

Upon the issue and redemption of a Unit., the Management Company has the right to charge issue and redemption fees which are collected in the Fund's bank account. Issue and redemption fees are transferred to the Fund Management Company in the month following the month of the calculation.

#### **Exchange of Units**

The Unit holder has the right to exchange the Units held by him for the Units of another Fund managed by the Fund Management Company. Units shall not be exchanged for the Units of another type of the Fund.

To exchange Units, the Unit holder shall give an order through its account operator to exchange Units in the form prescribed by the account operator. Upon the exchange of Units, no payments are made to the Unit holder. According to the number and net asset value of exchangeable Units, the Units are redeemed and the Units of another Fund are issued according to the net asset value of the Units of another Fund. The basis for the exchange of Units is the net asset value of the Unit calculated on the banking day following the day of receiving an exchange order. No redemption and issue fees are charged upon exchanging Units.

#### **Calculation of the net asset value of the investment fund**

The net asset value of the Fund is determined pursuant to the Investment Funds Act, established by the Ministry of Finance "Regulation for determining the net asset value of investment funds", internal rules and regulations of AS Trigon Funds (Fund Management Company) as well as the Fund's rules.

The Fund's assets and liabilities are accounted for in Estonian kroons. The Fund's net asset value is determined on the basis of the market value of the Fund's asset less the Fund's liabilities. The total net asset value of the Units of a particular type is derived by subtracting the liabilities of the Fund unit of a particular type from the market value of securities and other rights of the Fund unit of a particular type. The net asset value of a Unit is derived by dividing the total net asset value of the Units of a particular type into the number of Units of the same type issued and not redeemed by the time of the calculation.

The net asset value of Type 1 Unit and Type 3 Unit is expressed in Estonian kroons and the net asset value of Type 2 Unit in euros.

The determination of the Fund's assets by types of assets is performed as follows:

1. Valuation of cash and deposits
  - 1.1. The value of cash and deposits shall be determined on the basis of their book value, which is their fair value.
  - 1.2. Interest on deposits calculated on an accrual basis but not collected is accounted for as accrued income as of valuation day. Valuation day is day, as of fund's net asset value is calculated.
2. Valuation of assets denominated in foreign currencies and principles used for choosing exchange rates
  - 2.1. Foreign currencies and assets denominated in a foreign currency shall be restated in Estonian kroons on the basis of the latest ask price of the valuation date as established by the depository of the fund, AS Hansapank. Should the Hansapank not determine the ask price for the respective foreign currency for the valuation date, Hansapank may use the exchange rate of the following morning of valuation date.
3. Valuation of listed equity securities with valid quotation
  - 3.1. The value of a listed security with a valid quotation shall be determined on the basis of the closing price of the valuation date. If there is no closing price of the valuation date, the value shall be determined on the basis of the average price (mid price) of the valuation date. If the average price is also not available, the last official selling price (bid price) will be used.
  - 3.2. If fund units owners justified interests require making an exemption, the fund manager may take closing, average or bid price from any of the last 20 business days preceding to the valuation date, if it is necessary to give fair value to listed security.
  - 3.3. The quotation of the security is deemed not valid, if there has been no transaction with that security on any stock exchange on which the security has been listed within the last 20 business days.
4. The principles of choosing the stock exchanges based on which the quotes of the value of securities shall be determined.
  - 4.1. If a security is listed on several stock exchanges, the value of the security shall be determined on the basis of the closing price of the country of location of the issuer of such security.
  - 4.2. If a security is not traded on the stock exchange of the country of location of the issuer, or it is not sufficiently active or the necessary price is not available, the value of the security shall be determined on the basis of the latest known closing price on other stock exchanges on which the security is listed.
  - 4.3. Main criteria in choosing stock exchange are the liquidity of the particular security on that stock exchange.
5. Valuation of listed debt securities
  - 5.1. The value of listed debt security shall be determined as the average price of ask and bid quotations of brokers, which are accepted by the exchange information supplier.
  - 5.2. If there are no quotations or if Fund Management Company estimates that they are not expressing the fair value of debt instrument, the fair value of the debt instrument shall be determined on the basis of yield curve method.
  - 5.3. If the determined price is used in accordance with 5.2., then at least once a month this price has to be compared with the listed securities market's average price and has to be adjusted in case the difference exceeds 0,2%
6. Valuation of fund units and shares
  - 6.1. Fund units and shares that are listed on the regulated market shall be determined according to point 3.
  - 6.2. Mutual fund shares that are unlisted on the regulated market shall be determined according to last known redemption price or if this price is not available then according to fund's NAV.
7. Valuation of derivative instruments
  - 7.1. Derivative instruments that are listed on the regulated market shall be determined according to point 3.

- 7.2. Value of currency forward shall be determined by the valuation date spot rate and forward points, interpolated to maturity of currency forward.
  - 7.3. Derivative instruments that are listed on the regulated market shall be determined on the basis of Black & Scholes model and all necessary inputs for the calculation are determined by the Fund Management Company.
8. Valuation of repurchase transactions
    - 8.1. The value of a repurchase transaction is the value of the securities constituting the underlying assets of such transaction, minus the accrued difference between the buyback and sale price of such securities.
9. Valuation of structured securities and deposits.
    - 9.1. To calculate the value of a structured bond or deposit, the bond or the deposit is divided into components (e.g. deposit plus option). The value of each component is determined in accordance with the established rules. Different components are combined to calculate the total value of the structured security or deposit.
10. Valuation of other assets
    - 10.1. Added up under accrued income and prepaid expenses is income that has been recorded on accrual basis, but has not yet been received e.g. dividends receivable, interests receivable and other receivables, as well as prepaid expenses.
    - 10.2. To determine the market value of other receivables, these receivables have to be valued on the amounts that are likely to be received.

### **Recognition of income and expenses**

Income and expenses are reported on the accrual basis.

1. Recognition of management and performance fees

Management fee rates paid to the Fund Management Company are:

- a. Type 1 Units: a maximum of 1.5% per annum of the market value of the Fund's assets.
- b. Type 2 Units: a maximum of 2.0% per annum of the market value of the Fund's assets.
- c. Type 3 Units: a maximum of 1.25% per annum of the market value of the Fund's assets

The management fee is deducted daily from the market value of the Fund's assets and is paid in the month following the calculation.

In addition, the Fund Management Company is paid a performance fee Type 2 as well as Type 3 Units based on their rate of return. The Management Company has the right to receive the performance fee when the Unit's net asset value exceeds the highest ever month-end level plus the minimum required rate of return of 3.5% in case of Type 2 Units and 8% of Type 3 Units on an annual basis. The rate of the performance fee is 15% of the growth of the Unit's net asset value over the highest ever month-end level plus the required minimum rate of return of 3.5% or 8% on an annualised basis. The performance fee is recalculated daily on the basis of the 365-day year and is paid out based on the month-end during the following month.

The Management Board of the Fund Management Company may decide to use a lower rate of management and performance fees.

2. The annual rate of the depositary charge is 0.2124% of the market value of the Fund's assets but not less than 2 360 Estonian kroons per month. When the Fund's market value exceeds 150 million

Estonian kroons, the rate of the fee above this level is 0.1888%. When the Fund's market value exceeds 300 million Estonian kroons, the rate of the fee above this level is 0.1652%. If the aggregate share of Bulgarian, Romanian and Croatian securities in the Fund's assets exceeds 15%, the fee of 0.1652% shall be applied on the Fund's assets exceeding 500 million Estonian kroon. The depositary charges are deducted daily from the market value of the Fund's assets and are paid out in the month following the month of the calculation. Depositary fee includes VAT.

3. Recognition of transactions costs
  - 3.1. Commission fees and transaction costs which arose in acquiring and disposing of securities but not yet paid are calculated on an accrual basis, are paid in the month following the calculation, are reported in the income statement line "Transaction costs" and are not included within the cost of securities
  - 3.2. Commissions, which arose and were paid in the acquisition of securities, but are not clearly identifiable, are included within the cost of securities.
  - 3.3. Transaction costs are calculated on an accrual basis.
4. Recognition of income and expenses relating to the main operations.

The net proceeds from the revaluation of investments is reported in the income and expense statement items "Unrealised gains/losses" grouped by types of investments (equities and units, bonds, etc.). The sales revenue/loss from investments is included in the income and expense statement item "Sales profit/loss" grouped by types of investments (equities and units, bonds, etc.). Foreign exchange rate changes between the purchase and sales dates are deducted from the sales profit/loss and are reported in the income and expense statement items "Foreign exchange gains" or "Foreign exchange losses".

#### **NOTE 2 Miscellaneous receivables**

In EEK

	<u>31.12.2007</u>	<u>31.12.2006</u>
Unsettled securities transactions	27 175 973	12 821 514
Uncollected amounts for subscribed units	0	23 234
<b>Total</b>	<b>27 175 973</b>	<b>12 844 748</b>

## NOTE 3 Statement of commissions

In EEK

	01.01-31.12.2007	01.01-31.12.2006
Fees paid upon purchasing and selling securities tradable in Tallinn Stock Exchange		
- AS Trigon Securities	27 573	160 595
Fees paid upon purchasing and selling other securities tradable in Estonia		
- AS Trigon Securities	271 893	1 090 407
Fees paid upon purchasing or selling securities tradable in the stock exchanges or over the counter in other countries		
- AS Trigon Securities	1 525 420	10 766 887
- Bank Handlowy	0	830 983
- Ipopema Securities	704 715	82 804
<b>Total commissions paid</b>	<b>2 529 601</b>	<b>12 931 676</b>

In 2007, transaction fees totalled 2 881 886 (2006: 13 604 385) kroons. Of this amount 352 285 (2006: 672 709) kroons was made up of the fees charged by the depositary for making transactions, transaction fees for sub-depositaries and correspondence banks as well as fees charged for executing payment orders.

During 2007, a total of 814 transactions were performed at Trigon Central and Eastern European Fund (2006: 1 676), the volume of transactions was 5 001 902 650 (2006: 8 889 080 505) kroons and the weighted average commission was 0.05% (2006: 0.15%).

## NOTE 4 Derivatives

In EEK as at 31 December 2007

Type of Instrument	Issuer of Instrument	Underlying asset name and quantity	Exercise date	Premium / price of Instrument	Exercise price		Market value		Equity of the issuer of derivative instrument
					Per item	Total	Per item	Total	
Put option	AS Hansapank	PLN PUT 75 000 000	01/02/2008	111,000.00 EUR	3.75	20,000,000.00 EUR	0.00	10,263.45 EEK	22,073,300,000 EEK
Put option	AS Hansapank	PLN PUT 37 500 000	15/02/2008	65,000.00 EUR	3.75	10,000,000.00 EUR	0.01	50,319.06 EEK	22,073,300,000 EEK
Put option	AS Hansapank	PLN PUT 37 500 001	06/03/2008	77,500.00 EUR	3.65	10,000,000.00 EUR	0.08	831,295.48 EEK	22,073,300,000 EEK
<b>Total</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>253,500.00 EUR</b>	<b>X</b>	<b>40,000,000.00 EUR</b>	<b>X</b>	<b>891,877.99 EEK</b>	<b>X</b>

In EEK as at 31 December 2006

Type of Instrument	Issuer of Instrument	Underlying asset name and quantity	Exercise date	Premium / price of Instrument	Exercise price		Market value		Equity of the issuer of derivative instrument
					Per item	Total	Per item	Total	
Put option	AS Hansapank	PLN PUT 31 120 000	2/26/2007	68,800.00 EUR	3.89	8,000,000.00 EUR	0.09	756,134.50 EEK	17,102,000,000 EEK
Put option	AS Hansapank	HUF PUT 1 068 000 000	2/22/2007	38,600.00 EUR	267.00	4,000,000.00 EUR	0.04	142,684.46 EEK	17,102,000,000 EEK
Put option	AS Hansapank	HUF PUT 1 596 000 000	3/1/2007	54,600.00 EUR	266.00	6,000,000.00 EUR	0.05	300,439.60 EEK	17,102,000,000 EEK
Put option	AS Hansapank	HUF PUT 1 584 000 000	1/15/2007	50,250.00 EUR	264.00	6,000,000.00 EUR	0.00	19,961.15 EEK	17,102,000,000 EEK
Put option	AS Hansapank	CZK PUT 56 280 000 000	2/20/2007	14,200.00 EUR	28.14	2,000,000.00 EUR	0.01	28,955.44 EEK	17,102,000,000 EEK
Put option	AS Hansapank	CZK PUT 112 600 000 000	2/19/2007	26,600.00 EUR	28.15	4,000,000.00 EUR	0.01	54,089.00 EEK	17,102,000,000 EEK
Put option	AS Hansapank	PLN PUT 31 200 000	3/5/2007	59,200.00 EUR	3.90	8,000,000.00 EUR	0.10	764,230.11 EEK	17,102,000,000 EEK
Put option	AS Hansapank	CZK PUT 112 000 000	3/8/2007	29,400.00 EUR	28.00	4,000,000.00 EUR	0.03	130,488.48 EEK	17,102,000,000 EEK
Put option	AS Hansapank	HUF PUT 3 975 000 000	3/12/2007	125,500.05 EUR	265.00	15,000,000.00 EUR	0.07	1,012,805.18 EEK	17,102,000,000 EEK
Put option	AS Hansapank	PLN PUT 23 220 000	3/13/2007	48,300.00 EUR	3.87	6,000,000.00 EUR	0.14	845,631.45 EEK	17,102,000,000 EEK
Put option	AS Hansapank	CZK PUT 111 600 000	3/15/2007	26,000.00 EUR	27.90	4,000,000.00 EUR	0.05	187,820.47 EEK	17,102,000,000 EEK
Put option	AS Hansapank	PLN PUT 27 090 000	3/16/2007	53,900.00 EUR	3.87	7,000,000.00 EUR	0.15	1,031,832.93 EEK	17,102,000,000 EEK
Put option	AS Hansapank	CZK PUT 249 300 000	3/20/2007	56,999.97 EUR	27.70	9,000,000.00 EUR	0.08	697,915.25 EEK	17,102,000,000 EEK
Put option	AS Hansapank	HUF PUT 1 048 000 000	3/20/2007	32,600.00 EUR	262.00	4,000,000.00 EUR	0.10	386,707.32 EEK	17,102,000,000 EEK
Put option	AS Hansapank	PLN PUT 23 220 000	3/23/2007	49,200.00 EUR	3.87	6,000,000.00 EUR	0.16	946,494.24 EEK	17,102,000,000 EEK
Put option	AS Hansapank	HUF PUT 1 044 000 000	3/29/2007	34,400.00 EUR	261.00	4,000,000.00 EUR	0.12	473,269.49 EEK	17,102,000,000 EEK
Put option	AS Hansapank	OMV AG aktsia 57650	1/19/2007	22,251.21 EUR	40.00 EUR	2,306,000.00 EUR	1.63	94,047.76 EEK	17,102,000,000 EEK
Put option	AS Hansapank	OMV AG aktsia 86 800	1/19/2007	61,158.99 EUR	42.00 EUR	3,645,600.00 EUR	8.08	701,205.03 EEK	17,102,000,000 EEK
Put option	AS Hansapank	OMV AG aktsia 40 000	2/16/2007	25,200.00 EUR	40.00 EUR	1,600,000.00 EUR	5.77	230,771.13 EEK	17,102,000,000 EEK
<b>Total</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>877,160.22 EUR</b>	<b>X</b>	<b>104,551,600.00 EUR</b>	<b>X</b>	<b>8,805,482.99 EEK</b>	<b>X</b>

## NOTE 5 Comparative analysis of the net asset value

In EEK

Year	Fund's net asset value	Fund unit's net asset value		
		Fund unit's net asset value Type 1	Type 2 (eQ Itä-Eurooppa)	Fund unit's net asset value Type 3
31.12.2002	102 895 469	101.03	-	-
31.12.2003	527 129 478	123.12	-	-
31.12.2004	1 207 232 142	174.82	186.31	109.03
31.12.2005	1 697 253 073	231.11	238.47	139.3
31.12.2006	1 768 497 844	266.9782	272.1252	159.2678
31.12.2007	1 065 473 216	268.0804	267.9477	157.6007

## NOTE 6 Related parties

For the purpose of these financial statements, the following entities are considered as related parties: AS Trigon Funds (Fund Management Company), AS Trigon Securities (parent company of the Fund Management Company) and other funds managed by AS Trigon Funds: Trigon Second Wave Fund, Trigon New Europe Small Cap Fund and Trigon New Europe Top Picks Fund.

Trigon Central and Eastern European Fund paid transactions fees to AS Trigon Securities totalling 1 824 886 (2006: 12 017 889) (Note 3). As of 31 December 2007 there were no payables to AS Trigon Securities for the transactions fees (31.12.2006: 934 604 krooni). The Fund Management Company was paid management and performance fees totalling 22 937 072 (2006: 31 017 074) kroons and issue and redemption fees totalling 2 032 449 (2006: 2 506 063) kroons. As at 31 December 2007, the payable to the Fund Management Company totalled 1 400 699 (31.12.2006: 3 206 651) kroons. In the financial year, Trigon Central and Eastern European Fund performed transactions with the other Funds managed by AS Trigon Funds in the total amount of 50 882 942 (2006: 500 705 566).

## NOTE 7 Contingencies

Trigon Central and Eastern European Fund invests in listed securities on various Central and Eastern European countries. The tax legislations in these countries have different approaches to the taxation of the capital gain in respective country and the Tax Authorities may attempt to tax the capital gain or to force the beneficiary to declare it. If such attempt would occur, it may influence the NAV or the fund or the fund investor's income depending on the double tax treaties and the respective country's tax legislation. AS Trigon Funds management is not aware of any occasions of taxing the fund's investors by any Central and Eastern European country's Tax Authority.

## INDEPENDENT AUDITOR'S REPORT