



ACTIVE ASSET
MANAGEMENT

CEE Active Asset Management

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Financial Statements

CEE ACTIVE ASSET MANAGEMENT LTD.

31 December 2014

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Annual Activity Report

Activity

In financial year 2014, CEE Active Asset Management Ltd ("CEEAAM" or the "Company") primarily focused on retaining its partner and business type of relationships and further strengthening its position achieved at the Central–Eastern–European capital markets. The core activity of the Company remained unchanged, it focused on its asset management activity. Similarly to the past, the biggest chunk of the company's earnings came from portfolio management fees and other fee income, related to asset management activity.

The distribution of the income from investment service activity in fiscal year 2014:

Activity	Income (tsd Ft)	Distribution of income
Income from brokerage	3,734	2,8%
Income from asset management activity	125,823	96,4%
Income from other financial service activity	1,007	0,8%
<i>Total income form investment service activity</i>	<i>130,564</i>	<i>100,0%</i>

The company closed financial year 2014 with an operating profit of 11.619 tsd HUF, which was improved by the non-distributing financial activity income of 6.809 tsd HUF. It resulted in a 18.050 tsd HUF of profit before tax, which was burdened by a tax of 1.805 tsd HUF. Whereas there was no dividend payment, the net profit of the company was 16.245 tsd HUF in 2014.

The main indicators of the business activity in 2014 (in tsd HUF):

		31.12.2013.	31.12.2014.
Equity ratio	Owners' equity/ Total assets	114,790/616,968= 18.6%	131,036/703,993= 18.6%
Ratio of Equity capital and share capital	Equity capital/ Share capital	114,790/60,000= 191.3%	131,036/60,000= 218.4%
Current ratio I.	Current assets/ short term liabilities	614,313/502,125= 1.2	701,369/572,496= 1.2
Current ratio III.	Cash and cash equivalents/ Short-term liabilities	610,098/502,125= 1.2	696,061/572,496= 1.2
Return on equity (ROE)	Net income/ Shareholders' equity	21,864/114,790= 19.0%	16,245/131,036= 12.4%
Return on asset (ROA)	Net income/ Total asset	21,864/616,968= 3.5%	16,245/703,993= 2.3%

Business environment and activity

Investors' mood remained primarily positive at the capital markets in 2014, except for the commodity segment. On one hand the global fixed income and equity markets mostly saw a bull run, whilst on the other hand, in most of the segments of the commodity markets, especially in the area of oil and gas, precious metals and raw materials, the market saw a decent correction. The reverse trends can be best reflected by the fact, that the US and European fixed income markets saw a dramatic further yield correction, in some cases with negative yields occurring, whilst the price of oil basically halved by yearend 2014 to around USD 50 per barrels, from a stable USD 100+ level achieved at the start of the year. The reason behind the phenomenon could be found in the special status of the world economy; among the developed economies, the USA, as the engine of the world, reported improving macro figures from time to time, the signs of a stabilization and slowly improving economic activity were recorded in the Eurozone, however, no economic growth occurred in Japan, whilst the Chinese growth slowed and Brazil faced structural problems among the BRICS countries, thus reducing the appetite of markets for commodities.

That said, liquidity generally remained strong, primarily on the back of the freshly launched or just promised quantitative easing programs of Japan's Bank of Japan and the EU's ECB, whilst the USA's FED implemented its tapering program, which put an end to the era of fresh new excess funds, but it shall be stressed, that that will only result in the disappearance of earlier injected excess liquidity in many years, following the maturity of the subject securities. Contrary to the above, only some specific regions, such as countries facing the pain of the Ukrainian-Russian standoff and the negative consequences of geopolitics and countries suffering from local economic crisis, such as Greece, saw capital outflows and investors fleeing. All in all, investors remained primarily in a yield hunting mode at the global capital markets and the general approach was „risk-on”.

The CEE bond markets all saw a yield compression of 1+% point, due to the excess liquidity of global markets and the improving perception of the CEE economies, with Poland, Hungary and Romania being the frontrunners. At the same time, investor sentiment were less bullish at the CEE equity markets; the Polish market basically stagnated, whilst the Hungarian and the Czech markets dropped in the period.

At the FX markets, the HUF weakened against both the EUR and the USD, primarily on the back of the continuous rate cuts of the National Bank of Hungary and the gradual significant appreciation of the USD. As per the Company's investment and risk policy, CEEAAM mostly refrained from hedging the FX exposure of the equity and fixed income trades, the FX portion of the asset managed portfolios were determined by the market moves of the euro and the US dollar, as the functional currencies of the Company. That said, the reporting currency of the Company's portfolio management activity remained the HUF and as a result, the yield on the managed portfolios also benefited from the depreciation of the reporting currency against the functional currencies.

In financial year 2014, CEEAAM saw a constant net inflow of fresh investors' money.

The Company tried to make a profit on the favorable business environment with a relatively high security weighting, a low cash stock and thoroughly diversified portfolios. The rally of local and regional bonds contributed to the successful performance of the portfolios. The riskier countries (eg. the Russian, Ukrainian and Belarus securities) and similar issuers were paid a special attention; in those cases the Company applied its ultra-conservative capped limits in terms of country and standalone risks and duration.

All in all, the Company reported an after tax profit for 2014, too.

Expectations

Over the past two years, on a pro rata basis, the Company has fully implemented its three year strategy of 2013-2015.

In the future, similarly to the past, CEEAAM will provide its existing clients with professional tailor made investment solutions and will service them with portfolio management conducted along with a well-defined, unique investment strategy, where the investment policies are strict and the investment decisions are made in a flexible and fast manner. Moreover, in terms of investment decisions, CEEAAM will also continue its multi strategy approach. CEEAAM plans to remain an investment boutique and considers itself as a niche player.

The Company will further built on its existing long term, mutually beneficial business and partner connections. The management of the Company is of the view, that in the longer future, only the absolutely transparent, creditworthy and client oriented investment companies and asset managers can retain their position at the Hungarian financial markets.

For 2015, the Company identified the following key tail risks: the termination of the global economic recovery, the absolute end of the quantitative easing programs of the leading central banks, the potentially ceasing global risk appetite, some old-new geopolitical tensions (eg. the Ukrainian–Russian standoff, the Greek economic crisis) and the potential administrative and or legislative changes affecting the financial sector.

The management of CEEAAM plans to retain Hungary and Turkey along with the so called high beta countries, as core markets, where the management believes a nice profit can be made in the coming years at an acceptable level of risk.

All-in all, the Company envisages retaining its market position with conservative tools, the prime goal of the management is a kind of business consolidation achieved in an organic manner.

Risk Management

CEEAM's Risk Management Rules, Assessment Rules and Rules of Trading Book set out the principles and methods of the risk management of the company.

With the purpose of transparency and control and to identify and address operational risks, CEEAM applies an Internal Auditor, a Risk Officer and a Compliance Officer responsible for the compliance with the laws based on the authorization set out in Section 19-21 of Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers and on the regulations governing their activities. In the organization of the Company, the internal audit and the functions of compliance officer and risk management are separated. The risk officer is responsible for monitoring and analyzing the different kind of risks, but the competent leaders are also involved in the preliminary identification of the risks. In addition to the in-process control, the personal control activities of the executives also represent a substantial part.

The Company measures and addresses operational risks and the changes in the market and the legal environment in accordance with the prevailing laws and regulations and as per its internal rules.

The remuneration package consists solely of the basic salary. To avert risk, no additional benefits are applied on the performance, thus the remuneration of the risk management and other control functions is independent of the performance of the fields controlled by them.

The company assigned the following capital requirements to the identified risks on the sheet date of 31.12.2014:

<u>initial capital requirement:</u>	HUF 36.557.500
<u>total capital requirements on risks:</u>	HUF 36.850.248
- on counterparty risk:	HUF 11.273.703
- on settlement risk:	0
- on credit risk:	0
- on foreign exchange risk:	HUF 8.079.760
- on operational risk:	HUF 17.496.785
<u>available solvency capital for risks:</u>	HUF 114.740.893
- tier capital:	HUF 114.740.893
• share capital:	HUF 60.000.000
• retained earnings:	HUF 54.790.416
- reductions from tier (intangible assets):	HUF 49.523
<u>Solvency surplus:</u>	HUF 77.890.645

Human capital

The Board of Directors of the Company consisted of three members in 2014: Mr. Zsolt Székelyhidi, Mr. Andor Katzer and Mr. Peter Bakos. The number and composition of employees remained unchanged in 2014. There are 3 people working for Front Office Department, supported by 2

colleagues in back-office, as well as a Financial and Risk Officer and an administrator. The Internal Audit, Compliance, IT and IT Security functions are operating as outsourced activities.

Dividends

The Board of Directors – similarly to 2013 – does not propose to pay any dividends after the results of the fiscal year of 2014. A higher level of retained earnings enables the company to comply easier with the HFSA's capital requirements in a difficult business year.

Auditor

CEEAAM's Board of Directors proposes to the General Meeting to extend the mandate of the current auditor of the Company, Első Magyar Audit Holding Könyvvizsgáló és Adótanácsadó Kft, for the financial year 2015 too.

Other information required and proposed by the Act on Accounting

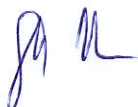
CEEAAM had no subsidiary and had not acquired any stake in other companies either, in the course of the last fiscal year.

After the balance sheet date, no significant event occurred in the Company's operation.

Due to its operation field and size, environmental protection does not have a material effect on the financial position of the Company.

The Company is not engaged in any R&D activity.

Budapest, 5 March 2015



Zsolt Székelyhidi



Andor Katzer

CEE ACTIVE ASSET MANAGEMENT ZRT.

1118 Budapest, Rétköz u. 5.

Adószám: 11714910-2-43

Cgysz.: 01-10-046560

Members of the Board of Directors

The Board of Directors of CEE Active Asset Management Ltd. consists of three representatives elected by the General Meeting. The members of the Board of Directors were last elected at the General Meeting of 01 April 2010 for undetermined period of time.

Mr Zsolt Székelyhidi (Chairman)

Appointed: 16 December 2009

Mr Székelyhidi graduated from the Budapest Business School and also received a Bachelor of Business Studies degree of the University of Lincolnshire and Humberside. In 2002 he obtained the MSc degree of University of Pécs. Mr Székelyhidi started his career in 1999 at Central European International bank where he worked as an investment advisor responsible for domestic and foreign bond, equity and FX futures transactions of the clients of the bank. In 2007 he became member of the ACI Financial Markets Association. Mr Székelyhidi speaks English and German besides Hungarian. In 2009 he founded CEE Active Asset Management holding presently 50% of the shares of the company and representing it as a managing director.

Mr Andor Katzer

Appointed: 1 April 2010

Mr Katzer studied at the Budapest School of Economics and after successfully graduating he also earned a BA degree in Business Studies at the University of Lincolnshire and Humberside. In 2002 besides obtaining the MSc degree of University of Pécs he successfully finished the course of ELTE Institute of Post-graduate Legal Studies and received a Diploma in Legal Studies. From 1999 until 2009 Mr Katzer was working as an investment advisor at Central European International Bank (CIB) specialised in trading local and foreign assets on behalf clients of the bank. In 2007 he became member of the ACI Financial Markets Association. Two years later Mr Katzer was appointed Head of Treasury Sales at CIB where he managed a team responsible for the bank's clients' fixed income and foreign exchange transactions. Mr Katzer has a good command of English, German, Italian and French languages. In 2010 he became co-owner and managing director of CEEAAM Ltd holding 50% of the company's shares presently.

Mr Peter Bakos

Appointed: 4 May 2014

Mr Bakos graduated at the Budapest University of Economics. He started his professional career at Central European International Bank, as a project finance associate. Later on, he held various senior positions in the field of structured finance, both with regional champions like MOL and OTP and with the Hungarian branch office of Credit Agricole. Mr Bakos has an extensive track record in the origination, execution and analysis of bank loan and capital markets transactions. He is in charge of the analysis and portfolio management activity of CEEAAM Ltd. He is fluent in English and German.

Members of the Supervisory Board

The Supervisory Board of CEE Active Asset Management Ltd. consists of three representatives elected by the General Meeting. The members of the Supervisory Board were last elected at the General Meeting of 01 April 2010 for undetermined period of time.

Mr Gábor Nagy (Chairman)

Appointed: 01 April 2010

Mr Nagy is an economist who finished his studies at the Budapest University of Economics before graduating from the Budapest University of Technology and Economics (BME). Mr Nagy is co-owner and member of the management of Ramasoft Ltd, a company that is specialised in developing VAR based risk management software used by local banks and financial companies holding financial assets. Mr Nagy was previously member of the Board of Directors of CEEAAM Ltd.

Mr Norbert Narozsny

Appointed: 16 December 2009

After graduating from the Budapest Business School Mr Narozsny filled various management positions in the real estate industry working as an economist. In 2006 Mr Narozsny cofounded Nagro Investment Ltd. an enterprise that offers investment advice to real estate development companies. Mr Narozsny holds the position of CEO at Nagro Investment Ltd.

Dr László Földvári

Appointed: 16 December 2009

Dr Földvári, founder and head of the Földvári Law Firm, graduated "summa cum laude" in the Faculty of State and Legal Sciences of Eötvös Loránd University in 1994. After working as a trainee lawyer, he passed the bar exam, and started his practice as a private attorney-at-law registered at the Budapest Bar Association. In addition to the degree in law, he obtained a degree as an economist at the University Of Economic Sciences Of Budapest. He also graduated as a Specialist of European Law. Földvári Law Firm focuses on real property law, corporate law and the law of contracts. The company has also has extensive experiences in the field of Internet law, labour law and intellectual property law.

BALANCE SHEET (IN THOUSAND HUF)	NOTES	2013	2014
<i>I. Intangible Assets</i>		124	50
4. Trade-marks, patents and similar assets		124	50
<i>II. Property and equipment</i>		435	266
<i>III. Financial investments</i>		-	-
A. Fixed Assets		559	316
<i>I. Inventories</i>		-	-
<i>II. Receivables</i>		4 215	5 308
5. other receivables		4 215	5 308
<i>III. Securities</i>		0	0
4. Other Securities		0	0
<i>IV. Cash and Cash equivalents</i>		610 098	696 061
2. Bank desposits		610 098	696 061
B. Current assets		614 313	701 369
C. Accrued and deferred assets		2 096	2 308
TOTAL ASSETS		616 968	703 993
<i>I. Share capital</i>		60 000	60 000
<i>II. Share capital unpaid</i>		-	-
<i>III. Capital reserve</i>		-	-
<i>IV. Retained earnings</i>		32 926	54 791
<i>V. Tied-up reserve</i>		-	-
<i>VI. Revaluation reserve</i>		-	-
<i>VII. General reserve</i>		-	-
<i>VIII. Profit or loss for the year</i>		21 864	16 245
D. Shareholders' equity		114 790	131 036
E. Provisions		0	0
<i>I. Subordinated liabilities</i>		-	-
<i>II. Long-term liabilities</i>		-	-
<i>III. Current liabilities</i>		502 125	572 496
4. Accounts payable		4 306	6 368
5. Liabilities to customers		491 922	558 359
12. Other short term liabilities		5 897	7 769
F. Liabilities		502 125	572 496
G. Accrued and deferred liabilities		53	461
2. deffered income			
2. deffered expenses		53	461
TOTAL LIABILITIES		616 968	703 993

STATEMENT OF OPERATIONS (IN THOUSAND HUF)	NOTES	2013	2014
<i>Comission</i>		7 145	3 734
<i>Gains on securities traded on prop. account</i>		-	-
<i>Corporate finance activities</i>		-	-
<i>Custodianship, safe-keeping and portfolio management activities</i>		137 736	125 823
<i>Other income</i>		720	1 007
1. Revenue		145 601	130 564
<i>Comission expenses</i>		-1 242	-1 132
<i>Losses on securities traded on prop. account</i>		-	-
<i>Expenses of corporate finance activities</i>		-	-
<i>Expenses of custodianship, safe-keeping and portfolio management activities</i>		-22 783	-16 651
<i>Other expenses</i>		-5 416	-6 683
2. Expenses		-29 441	-22 466

PROFIT AND LOSS ACCOUNT (IN THOUSAND HUF)	NOTES	2013	2014
<i>Income from investment service activity</i>		145 601	130 564
<i>Expenses on investment service activity</i>		-29 441	-22 466
I. Profit or loss of investment service activity		116 160	108 098
II. Other income		1	2
III. Profit or loss of non investment service activity		-	-
IV. Own performance capitalised		-	-
V. Material cost		-57 260	-56 054
VI. Staff costs		-33 974	-35 349
VII. Depreciation		-621	-274
VIII. Other operating charges		-4 914	-4 804
IX. Expenses of non investment service activity		-	-
A. Income from operations		19 392	11 619
X. Non distributing financial activity income		6 268	6 809
XI. Non distributing financial activity expenses		-1 366	-378
B. Profit or loss from financial transations		4 902	6 431
C. Profit or loss of ordinary activities (A+B)		24 294	18 050
XII. Extraordinary income		-	-
XIII. Extraordinary expenses		-	-
D. Extraordinary profit or loss		-	-
E. Profit before income tax (C+D)		24 294	18 050
XIV. Income tax payable		-2 430	-1 805
F. Profit after taxes		21 864	16 245
XV. Retained earnings and reserves		-	-
G. PROFIT OR LOSS FOR THE YEAR		21 864	16 245

CASH-FLOW STATEMENT (IN THOUSAND HUF)	NOTES	2013	2014
<i>Profit before income tax</i>		24 294	18 050
<i>Amortization</i>		621	274
<i>Accounted amortization and write-back</i>		-	-
<i>Loss on credit in foreign currency</i>		-	-
<i>Difference between provisions made for liabilities and actual use</i>		-	-
<i>Gains and losses on sale of invented assets</i>		-	-
<i>Change in account payable</i>		-1 190	2 062
<i>Change in other short term liabilities</i>		-4 210	1 872
<i>Liabilities to customers</i>		46 787	66 437
<i>Change in passive provisions made</i>		-28	408
<i>Change in accounts receivable</i>		0	0
<i>Net change in current assets</i>		615	-1 093
<i>Change in active provisions made</i>		-981	-212
<i>Tax paid</i>		-2 430	-1 805
<i>Dividends paid</i>		-	-
I. Net Cash flow from operating activities		63 478	85 993
<i>Purchase of financial investments</i>		-216	-30
<i>Proceeds from sale of financial investments</i>		-	-
<i>Dividends received</i>		-	-
II. Net Cash flow from investment activities		-216	-30
<i>Proceeds from issuance of stocks</i>		0	0
<i>Proceeds from issuance of financial investments</i>		-	-
<i>Credits and loans received</i>		-	-
<i>Repayment, elimination of long-term loans, bank deposits</i>		-	-
<i>Liquid assets definitely</i>		-	-
<i>Retirement of stocks, withdrawal of capital</i>		-	-
<i>Repayment of bonds and securities representing credit</i>		-	-
<i>Repayment of credits and loans</i>		-	-
<i>Long term loans and bank deposits</i>		-	-
<i>Liquid assets transferred definitely</i>		-	-
<i>Changes in liabilities to founders and long-term liabilities</i>		-	-
III. Net Cash flow from financing activities		0	0
<i>Cash and Cash equivalents as at 1.JAN</i>		546 836	610 098
<i>Cash and Cash equivalents as at 31.DEC</i>		610 098	696 061
IV. Net increase/decrease in cash		63 262	85 963

Notes to the financial reports

Company data

Name fo the company:	CEE Active Asset Management Ltd.
Address:	5. Rétköz str. Budapest H-1118 Hungary
Registered office:	5. Rétköz str. Budapest H-1118 Hungary
Date of founding:	16.12.2009 (registered: 30.12.2009)
Court registration number:	01-10-046560
Tax Identification number:	11714910-1-43
HFSA license number:	EN-III/63/2010
Main bank account number:	10702019-65686654-51100005

Ownership structure: Company founders / owners / changes in share capital

Owners:	Shares held:
Andor Katzer	3.000 pcs (50%)
Zsolt Székelyhidi	3.000 pcs (50%)

The annual report was prepared by:	Mária Soltész / registered accountant
Registration number:	180895
The annual report was audited by:	Első Magyar Audit Holding Könyvvizsgáló és Adótanácsadó Kft. (Address: 2143 Kistarcsa, Deák Ferenc u. 10. / HSFA Registration Nr: T-000844/06) Krasznai Andor/ registered auditor (Registration number: E-000818/96)

Accounting policy

The company maintains its accounting records and prepares its statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary. The company's functional currency is the Hungarian Forint (HUF).

Form of report:	Annual report
Form of Balance Sheet	„A” type Balance Sheet
Form of Profit or Loss account	„A” type – with expenditure (total cost) method
Date of Balance Sheet	December 31
Date of preparation of Balance Sheet	February 28 (following year)

Significant accounting policies

The company has prepared its accounting policies and accounting system in line with current regulations in order to show real picture on its profitability capabilities, capital, current and future financial status published in the annual report.

The company uses double book keeping system, preparing balance sheet and profit and loss account as well.

Main evaluation principles

- Invested financial assets are registered at historical value in the books
- Liabilities are registered at historical value in the books
- Depreciation is written down on bad debts by the extent of expected loss
- Securities bought for sale are registered at historical value in the books
- Securities bought for sale are valued by FIFO method
- Liabilities are performed on book value in the balance sheet

Financial condition

Assets of the company

Description	2013		2014	
	Amount (thousand HUF)	Share %	Amount (thousand HUF)	Share %
Fixed assets	559	0.09	316	0.04
Inventories	0	-	0	-
Receivables	4 215	0.68	5 308	0.75
Securities	0	-	0	-
Liquid assets	610 098	98.89	696 061	98.88
Accrued incomes and deferred charges	2 096	0.34	2 308	0.33
TOTAL ASSETS	616 968	100.00	703 993	100.00

Liabilities of the company

Description	2013		2014	
	Amount (thousand HUF)	Share %	Amount (thousand HUF)	Share %
Capital and reserves	114 790	18.61	131 036	18.61
Provisions	0	-	0	-
Long term liabilities	0	-	0	-
Short term liabilities	502 125	81.39	572 496	81.32
Accrued incomes and prepaid charges	53	0.01	461	0.07
TOTAL ASSETS	616 968	100.00	703 993	100.00

The capital increased by 16,245 *tsd* HUF which equals to the retained earnings of the company for 2014.

The company assigned the following capital requirements to the identified risks on the sheet date of 31.12.2014:

<u>initial capital requirement:</u>	HUF 36.557.500
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- reductions from tier (intangible assets):	HUF 49.523
<u>Solvency surplus:</u>	HUF 77.890.645

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Budapest, 5 March 2015

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Adószám: 11714910-2-43
Cgysz.: 01-10-046560



Zsolt Székelyhidi / Andor Katzer