

Financial Statements

CEE ACTIVE ASSET MANAGEMENT LTD.

31 December 2016

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Annual Activity Report

Activity

In financial year 2016, 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.

The company closed financial year 2016 with an operating profit of 10,642 tsd HUF, which was improved by the non-distributing financial activity income of 1,646 tsd HUF. It resulted in a 12,503 tsd HUF of profit before tax, which was burdened by a tax of 1,250 tsd HUF. Whereas there was no dividend payment, the net profit of the company was 11,038 tsd HUF in 2016.

The main indicators of the business activity in 2016 (in tsd HUF):

		2015.12.31	2016.12.31
Ratios:			
Equity ratio	$\frac{\text{Owner's equity}}{\text{Total assets}} \times 100$	$\frac{156,155}{973,351} = 16.04\%$	$\frac{167,193}{1,103,042} = 15.16\%$
Ratio of equity and share capital	$\frac{\text{Equity}}{\text{Share capital}} \times 100$	$\frac{156,155}{60,000} = 260.26\%$	$\frac{167,193}{60,000} = 278.66\%$
Liquidity ratios:			
Current ratio I..	$\frac{\text{Current assets}}{\text{Short term liabilities}}$	$\frac{969,645}{816,051} = 1.19$	$\frac{1,099,188}{934,827} = 1.18$
Current ratio III.	$\frac{\text{Cash and cash equiv.}}{\text{Short term liabilities.}}$	$\frac{965,048}{816,051} = 1.18$	$\frac{1,091,515}{934,827} = 1.17$
Profitability ratios:			
Return on equity (ROE)	$\frac{\text{Net income}}{\text{Equity}} \times 100$	$\frac{24,774}{156,155} = 15.87\%$	$\frac{10,642}{167,193} = 6.37\%$
Return on assets (ROA)	$\frac{\text{Net income}}{\text{Fixed assets}} \times 100$	$\frac{24,774}{1,756} = 1,410.82\%$	$\frac{10,642}{1,878} = 566.66\%$

Business environment and activity

2016 proved to be the year of big surprises globally. Unforeseen, but materialized events included the successful Donald Trump bid for presidency in the USA (note many experts previously simply referred to Mr Trump as a celebrity), the UK's vote on BREXIT, the advancement of the so-called anti-establishment parties and movements in the developed world and the failed coup against the Turkish PM, Mr Erodgan and all these events triggered sudden, albeit relatively short swings at the capital markets.

That said, the leading economies of the world performed quite well; economic growth went on in the USA, whilst the signs of growth were also quite visible in Europe. In China, the threat of hard landing eased somewhat and growth stabilized on the back of the State stimulus program. India also posted a significant growth figure and even the previously weak Latin American economies rebounded somewhat.

As a response to the above, the different central banks answered in various ways. ECB and the bank of Japan continued its ultra-loose monetary policy, whilst the FED made a rate hike of 25bps in the period to 0.50-0.75% and indicated further two rate cuts in an aggregated amount of 50bps for 2017. These events made the global markets fragmented; in the States the normalization of ultra-low rates started, whilst the yields moved less significantly in Europe and Japan.

As a consequence of the above, the mood of investors varied from time to time but remained rather positive as a whole.

At the developed bond markets the direction of yields followed the moves of the central banks. By yearend 2016, the 10 year treasury yields rose 21bps yoy, primarily reflecting the rate hike of Q4 of the FED and the increased inflation expectations, which were the result of the expected reflationary period if Mr Trump realizes his promised economy boosting infrastructure spending and tax cutting program. The yearend close of the 10y US treasuries at 2.48% meant a 2year high. Contrary to this the Japanese and German 10 year benchmark yields contracted 42 bps and 23bps on a yoy basis, and got settled at 0.21% and 0.04%, respectively, mainly thanks to the continuous quantitative easing program of the relevant central banks. It shall be noted however, that the yearend closing values were significantly higher compared to the bottoms reached in the course of the summer of 2016. Many experts are of the view that the bond bull market reached its highest point in pricing, when the 10y UST, bunds and Japanese government bonds had a yield of +1.4%, -0,2% and -0.3% respectively.

The somewhat abnormal bond market was best evidenced by the fact that at the end of 2016 (ie post the inflection point of the bond market in the summer of 2016) 50+% of all Eurozone bonds changed hands in the secondary markets at a negative yield level.

Within the leading equity markets, the US indexes such as the DJIA and the S&P500 posted a small correction at the beginning of 2016, but bounced back swiftly and gradually climbed afterwards during the remaining of the year. The 10-14% yoy increase of the US indexes were due to the improving expectations and the ballooning multiples. In the EU, the star performer was the UK's FTSE 100 index with its yoy gain of 14%, which was primarily the result of the drastically weakening GBP after the vote

on BREXIT. In Asia the leading Japanese index stagnated, whilst the biggest Chinese equity index dropped 10% yoy.

At the global FX markets the greenback' strengthening dominated the news and the USD index appreciated 4% yoy. Accordingly, the USD strengthened 3% against both the JPY and the Euro and appreciated 16% against the GBP. The British currency suffered heavy losses against other majors as well given the grim economic outlook of England after the country leaving the EU.

At the global commodity markets the oil capitulated in Q1 2016 and hit the bottom at around USD 30 per barrels, but bounced back sharply afterwards and closed the year at 54, up 45% yoy. At the same time the value of gold appreciated 9% yoy.

VIX moved parallel to the market trends and shot up to an annualized level of 25-30% at the beginning of the year, but got tamed later and closed the year at 13%. It shall be emphasized that markets digested basically any bad news such as the vote on BREXIT, or the failed pro-reform vote in Italy within a few days and somewhat surprisingly markets also ignored the old-new geopolitical conflicts such as the Syrian war, where there was a kind of proxy war between the USA, Russia, Turkey and the whole Arabic world. Some analysts are of the view that too relaxed investors and too low VIX are a bad omen concerning the future of the capital markets.

In the CEE region the most popular rates were the Hungarian, Romanian and Croatian government bonds; in these countries the 10 y bond yield narrowed by 15, 19 and 103 bps, respectively to the 3.0-3.5% level. At the same time the formerly beloved Polish 10 year government bond yields went on climbing and widened another 59bps and closed the year at 3.5%. The Russian and the Turkish yields moved in a different direction, the 10 year benchmark Russian rates contracted 1285bps and closed the year at 8.3%, whilst the relevant Turkish government bond yields increased 63 bps and settled at 11.1% as at Dec 31, 2016.

Russia's MICEX index rose 26% yoy, whilst Hungary's BUX index jumped 33% yoy in the period. In the CEEMEA region

At the CEE currencies markets, the 17% yearly appreciation of the RUB against the USD and the 21% freefall of the TRY against the USD were the most important stories. At the same time the currencies of the Central European countries only moderately weakened against the USD.

Expectations

In 2016 the Company started to realize its new three year strategy of 2016-2018. The so called core or segmented client base of the Company remained investors of CEEAAM and the Company posted a profit in FY 2016 too, similar to the previous years.

The Company's performance was not materially adversely affected by the scandals of some Hungarian security firms such as Quaestor, Buda Cash and Hungaria.

In the future, similarly to the past, CEEA AM will provide its existing clients with professional tailor made investment services and solutions and the Company will retain its strict investment policies and flexible and fast investment decisions with the purpose of achieving a conservative growth. Moreover, in terms of investment decisions, CEEA AM will also continue its multi strategy approach. CEEA AM 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 the future the Company expects the ongoing modernization and development of the Hungarian capital markets, but an industry consolidation is also forecast given the above referred security firm scandals and the increasing competition in the financial industry. Consolidation in the financial sector might lead to a decrease of trading partners that is favorable for risk the company faces but may have an adverse effect on liquidity and as such lead to a decrease in business volumes.

For 2017, the Company identified the following key tail risks: (i) the aggregate amount of the rate hikes of the USA's Federal Reserve, (ii) the continuation of the ultra-loose monetary policy of the ECB, (iii) the outcome of the key European elections, with a special attention to the performance of the anti-establishment or far right parties, (iv) the health and creditworthiness of the European banking sector especially if the geopolitical situation worsens in Syria (war), Turkey (Kurdish conflict), Ukraine (conflict with Russia), or in the ISIS territory and (v) the potential administrative and or legislative changes affecting the financial sector.

The management of CEEA AM plans to retain Russia 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

CEEAAAM'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, CEEAAAM 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 31.12.2016 (in thousand HUF):

<u>initial capital requirement:</u>	<u>38,878</u>
<u>total capital requirements on risks:</u>	<u>20,704</u>
- on counterparty risk:	18,213
- on settlement risk:	0
- on credit risk:	0
- on foreign exchange risk:	2,491
- on operational risk:	18,242
<u>available solvency capital for risks:</u>	<u>167,044</u>
- tier capital:	167,193
• share capital:	60,000
• retained earnings:	96,155
- reductions from tier:	149
<u>Solvency surplus:</u>	<u>128,167</u>

Human capital

The Board of Directors of the Company consisted of three members in 2016: Mr. Zolt Székelyhidi, Mr. Andor Katzer and Mr. Peter Bakos. In 2016 the number of employees decreased by two persons. The Head of Risk and Accounting decided to seek new challenges, her position is now filled by another colleague. There are three people working for the Front Office Department, supported by the Back-office, as well as the Financial and Risk Department. The Internal Audit and the Compliance functions are operating as outsourced activities.

Dividends

The Board of Directors – similarly to 2015 – does not propose to pay any dividends after the results of the fiscal year of 2016. A higher level of retained earnings enables the company to comply easier with the National Bank of Hungary’s capital requirements in a difficult business year.

Auditor

CEEAAAM signed a three-year contract with PricewaterhouseCoopers for financial years 2015-2017.

Other information required and proposed by the Act on Accounting

CEEAAAM 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, 26 May 2017

Zolt Székelyhidi

Andor Katzer

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

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 (Chairman)

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	2015	2016
<i>I. Intangible Assets</i>		0	0
4. Trade-marks, patents and similar assets		0	0
<i>II. Property and equipment</i>		1,756	1,878
<i>III. Financial investments</i>		-	-
A. Fixed Assets		1,756	1,878
<i>I. Inventories</i>		-	-
<i>II. Receivables</i>		4,597	7,673
5. other receivables		4,597	7,673
<i>III. Securities</i>		0	0
4. Other Securities		0	0
<i>IV. Cash and Cash equivalents</i>		965,048	1,091,515
2. Bank desopits		965,048	1,091,515
B. Current assets		969,645	1,099,188
C. Accrued and deferred assets		1,950	1,976
TOTAL ASSETS		973,351	1,103,042
<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>		71,036	96,155
<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>		25,119	11,038
D. Shareholders' equity		156,155	167,193
E. Provisions		0	0
<i>I. Subordinated liabilities</i>		-	-
<i>II. Long-term liabilities</i>		-	-
<i>III. Current liabilities</i>		816,051	934,827
4. Accounts payable		6,114	5,794
5. Liabilities to customers		799,009	927,603
12. Other short term liabilities		10,928	1,430
F. Liabilities		816,051	816,051
G. Accrued and deferred liabilities		1,145	1,022
2. deffered income		-	-
2. deffered expenses		1,145	1,022
TOTAL LIABILITIES		973,351	1,103,042

STATEMENT OF OPERATIONS (IN THOUSAND HUF)	NOTES	2015	2016
<i>Investment services related income</i>		141,892	117,374
<i>Gains on securities traded on prop. account</i>		-	-
<i>Corporate finance activities</i>		-	-
<i>Custodianship, safe-keeping and portfolio management activities</i>		0	0
<i>Other income</i>		811	513
1. Revenue		142,703	117,887
<i>Comission expenses</i>		<i>-12,937</i>	<i>-9,194</i>
<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>		-	-
<i>Other expenses</i>		<i>-3,936</i>	<i>-5,009</i>
2. Expenses		-16,873	-14,203

PROFIT AND LOSS ACCOUNT (IN THOUSAND HUF)	NOTES	2015	2016
<i>Income from investment service activity</i>		142,703	117,887
<i>Expenses on investment service activity</i>		<i>-16,873</i>	<i>-14,203</i>
I. Profit or loss of investment service activity		125,830	103,684
II. Other income		126	182
III. Profit or loss of non investment service activity		-	-
IV. Own performance capitalised		-	-
V. Material cost		-42,865	-41,234
VI. Staff costs		-35,568	-34,438
VII. Depreciation		-1,586	-1,056
VIII. Other operating charges		-21,163	-16,496
IX. Expenses of non investment service activity		-	-
A. Income from operations		24,774	10,642
X. Non distributing financial activity income		4,317	1,876
XI. Non distributing financial activity expenses		-901	-230
B. Profit or loss from financial transations		3,416	1,646
C. Profit or loss of ordinary activities (A+B)		28,188	12,288
XII. Income tax payable		-3,069	-1,250
D. Profit after taxes		25,119	11,038
XIII. Retained earnings and reserves		-	-
E. PROFIT OR LOSS FOR THE YEAR		25,119	11,038

CASH-FLOW STATEMENT (IN THOUSAND HUF)	NOTES	2015	2016
<i>Profit before income tax</i>		28,188	12,288
<i>Amortization</i>		1,586	1,056
<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>		-254	-320
<i>Change in other short term liabilities</i>		3,160	-9,498
<i>Liabilities to customers</i>		240,650	128,594
<i>Change in passive provisions made</i>		684	-123
<i>Change in accounts receivable</i>		0	0
<i>Net change in current assets</i>		711	-3076
<i>Change in active provisions made</i>		358	-26
<i>Tax paid</i>		-3,069	-1,250
<i>Dividends paid</i>		-	-
I. Net Cash flow from operating activities		272,014	127,645
<i>Purchase of financial investments</i>		-3,027	-1,178
<i>Proceeds from sale of financial investments</i>		-	-
<i>Dividends received</i>		-	-
II. Net Cash flow from investment activities		-3,027	-1,178
<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>		696,061	965,048
<i>Cash and Cash equivalents as at 31.DEC</i>		965,048	1,091,515
IV. Net increase/decrease in cash		268,987	126,467

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:	11714910-2-43
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

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	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	2015		2016	
	Amount (thousand HUF)	Share %	Amount (thousand HUF)	Share %
Fixed assets	1,756	0.18	1,878	0.17
Inventories	0	-	0	-
Receivables	4,597	0.47	7,673	0.70
Securities	0	-	0	-
Liquid assets	965,048	99.15	1,091,515	98.85
Accrued incomes and deferred charges	1,950	0.20	1,976	0.18
TOTAL ASSETS	973,351	100.00	1,103,042	100.00

Liabilities of the company

Description	2015		2016	
	Amount (thousand HUF)	Share %	Amount (thousand HUF)	Share %
Capital and reserves	156,155	16.04	167,193	17.19
Provisions	0	-	0	-
Long term liabilities	0	-	0	-
Short term liabilities	816,051	83.84	934,827	96.02
Accrued incomes and prepaid charges	1,145	0.12	1,022	0.10
TOTAL ASSETS	973,351	100.00	1,103,042	100.00

The capital increased by 11,038 *tsd* HUF which equals to the retained earnings of the company for 2016.

Budapest, 26. May 2017.

Zsolt Székelyhidi / Andor Katzer