

Financial Statements

audited

CEE ACTIVE ASSET MANAGEMENT LTD.

31 December 2018

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Business environment and activity

After more than two years of continuous rise in asset prices, in 2018 investors faced serious challenges, especially in the last three months of the year.

The most important factors last year was the impact of FED's monetary tightening on capital markets. The position of the Italian budget, the uncertainty surrounding Brexit, the Turkish imbalance, the effects of the sanction and the US-China trade war also had negative impact on the markets.

US President Donald Trump's tax relief measures made investors optimistic at the beginning of the year with US GDP growth rates rising to 4.2% in the second quarter. However, elsewhere, as in Europe, growth has declined, and global growth has become unbalanced.

In recent years, the biggest winners of low interest rates were stock markets, but in the last quarter it was one of the weakest performing asset classes. Since the financial crisis of 2008, companies have been able to source their funds cheaply, thereby consolidating their financial position and enjoying the momentum of global consumption. Due to low interest rates, bond yields have fallen, commodities have risen, pushing investors even more towards equity markets.

However, interest rates started to rise in 2018 in the US, monetary policy was on the way of tightening. Investors have begun to consider the extent to which corporate results will be affected. As a result, volatility rose at the end of the year, with the VIX index exceeding 25%. Global stock markets fell by 7.1% in 2018 - flattening the first nine months of positive performance.

2018 was the worst year of the capital market in the past eight years, based on the percentage of the asset classes showing negative yield in dollar terms. Investors had to suffer negative performance last year (in US dollars) in most market segments – in developed and developing equity markets, also in bond markets, commodity markets, foreign exchange and money markets. The MSCI Europe Index 12 P/E rate is below the long-term average, with all leading European stock indices trading at a discount. For Europe, EPS forecasts have not changed, indicating further robust year-on-year growth. There are many risk factors in Europe, such as the Italian government's debate with the EU about the budget deficit. In Germany, the domestic political situation is tense and uncertainty about Brexit is ongoing. The latest Western European industrial production figures were disappointing.

In the CEE region, last year's growth rate was exceptionally good. In Hungary, the growth rate reached almost 5% last year. This year, however, the Hungarian economy may turn into a slight slowdown with a 3.5 percent growth rate. The deceleration can be attributed to the decline in real wages, investment activity and the growth rate of external demand. Nevertheless, domestic demand is expected to remain strong, as evidenced by the high level of household consumption and investment. The level of imported inflation remains low and European inflation trends are not a cause for concern. In addition to the rising trend in oil prices, strong domestic growth and wage inflation in 2019 will push up the pace of price increase.

We expect a slowdown in the world economy in 2019. There are a growing number of factors that call for caution regarding investments. However, hectic market movements also offer the opportunity to provide positive returns to our customers using an appropriate trading strategy.

Expectations

The Company has managed to close its business year still with positive figures.

Although the Company's 2018 result fell short of the forecasts in its business plan, it still made a profit for its investors in this difficult market environment. Due to increased operating costs (IT audit, MIFID reporting), the Company will not calculate outstanding profits in the coming year.

In line with the objectives set out in CEEAAM's strategy, CEEAAM continues to provide professional customer service to existing customers with customized products. Investment decisions are made quickly but thoughtfully, bearing in mind the risks involved and the yields available. CEEAAM keeps the majority of its investments in the asset class of foreign currency-denominated bonds

CEEAAM also invests in Western European banks, insurance companies and companies that promise higher than average yields in addition to the bonds of Hungarian and other Central European and Russian and Turkish issuers.

For the 2019 business year, the Company has identified the following key risk factors for its effectiveness:

- The slowdown in the German economy may restrain Central European growth
- Rising oil prices on commodity markets can boost inflation
- The US-China trade war may worsen the global economic outlook
- The way of Brexit can influence the development of the Hungarian economy

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, Compliance Officer responsible and a Safeguarding Officer. 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 31.12.2018 (rounded to thousand HUF):

<u>initial capital requirement:</u>	<u>37,361,000</u>
<u>total capital requirements on risks:</u>	<u>25,065,000</u>
- on counterparty risk:	20,876,000
- on settlement risk:	-
- on credit risk:	-
- on foreign exchange risk:	4,189,000
<u>available solvency capital for risks:</u>	<u>185,799,000</u>
- tier capital:	185,799,000
• share capital:	60,000,000
• retained earnings:	125,886,000
- reductions from tier:	87,000
<u>Solvency surplus:</u>	<u>148,438,000</u>

Human capital

The Board of Directors of the Company consisted of three members: Mr. Zsolt Székelyhidi, Mr. Andor Katzer and Ms. Emilia Garas. In 2018 the number of employees has not changed. There number of staff working for Front Office Department, Back-office, Risk- and IT Department remained the same. The Internal Audit and the Compliance functions are still operating as outsourced activities.

Dividends

The Board of Directors – similarly to 2017 – does not propose to pay any dividends after the results of the fiscal year of 2018. 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 is still audited by PricewaterhouseCoopers for financial year 2018.

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, 28 May 2018

Zsolt 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 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.

Ms Emilia Garas

Appointed: 17 May 2017

Mr Garas graduated at the University of Economics in Budapest. Before joining to CEEAAM Ltd. Ms Garas filled different senior back office and settlement department positions at Hanwha Bank and OTP Garancia Insurance Ltd. She speaks English.

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 reelected at the General Meeting of 23 May 2016 for 5-year 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	2017	2018
<i>I. Intangible Assets</i>		117	87
3. concessions, licenses and similar rights		117	87
<i>II. Property and equipment</i>		1 002	65 478
3. other equipment, accessories, vehicles		1 002	641
6. advance payments for investments		-	65 837
<i>III. Financial investments</i>		-	-
A. Fixed Assets		1 119	65 565
<i>I. Inventories</i>		-	-
<i>II. Receivables</i>		5 190	8 421
1. trade receivables		-	375
10. other receivables		5 190	8 046
<i>III. Securities</i>		0	0
4. Other Securities		0	0
<i>IV. Cash and Cash equivalents</i>		1 372 255	935 503
2. Bank deposits		1 372 255	935 503
B. Current assets		1 377 415	943 924
C. Accrued and deferred assets		1 379	1 739
TOTAL ASSETS		1 379 913	1 011 228
<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>		107 193	122 873
<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>		15 680	3 013
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>		1 193 767	823 337
4. Accounts payable		4 829	4 959
5. Liabilities to customers		1 186 870	816 275
12. Other short term liabilities		2 068	2 103
F. Liabilities		1 193 767	823 337
G. Accrued and deferred liabilities		3 273	2 005
TOTAL LIABILITIES		1 379 913	1 011 228

STATEMENT OF OPERATIONS (IN THOUSAND HUF)	NOTES	2017	2018
<i>Commission</i>		123 776	97 508
<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	1 006
1. Revenue		124 274	98 574
<i>Commission expenses</i>		-4 183	-5 000
<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>		-5 193	-4 186
2. Expenses		-9 376	-9 186

PROFIT AND LOSS ACCOUNT (IN THOUSAND HUF)	NOTES	2017	2018
<i>Income from investment service activity</i>		123 776	97 508
<i>Expenses on investment service activity</i>		-9 376	-9 186
I. Profit or loss of investment service activity		114 898	89 388
II. Other income		105	321
III. Profit or loss of non investment service activity		-	-
IV. Own performance capitalised		-	-
V. Material cost		-61 164	-56 490
VI. Staff costs		-23 396	-23 423
VII. Depreciation		-828	-561
VIII. Other operating charges		-10 804	-8 872
IX. Expenses of non investment service activity		-	-
A. Income from operations		18811	363
X. Non distributing financial activity income		2 846	3 198
XI. Non distributing financial activity expenses		-4 406	-250
B. Profit or loss from financial transactions		-1 560	2 948
C. Profit before income tax (A+B)		17 251	3 311
XII. Income tax payable		1 571	298
D. Profit after taxes (C-XII)		15 680	3 013
XV. Retained earnings and reserves		-	-
G. PROFIT OR LOSS FOR THE YEAR		15 680	3 013

CASH-FLOW STATEMENT (IN THOUSAND HUF)	NOTES	2017	2018
<i>Profit before income tax</i>		17 251	3 311
<i>Amortization</i>		828	581
<i>Accounted amortization and write-back</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>		-965	130
<i>Change in other short term liabilities</i>		-259 905	-370 560
<i>Change in passive provisions made</i>		2 251	-1 268
<i>Change in accounts receivable</i>		0	-375
<i>Net change in current assets</i>		2 483	-2 856
<i>Change in active provisions made</i>		597	-360
<i>Tax paid</i>		-1 571	-298
<i>Dividends paid</i>		-	-
I. Net Cash flow from operating activities		280 779	-371 715
<i>Purchase of financial investments</i>		-69	-65 007
<i>Proceeds from sale of financial investments</i>		-	-
<i>Dividends received</i>		-	-
II. Net Cash flow from investment activities		-69	-65 007
<i>Proceeds from issuance of stocks</i>		-	-
<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>		1 091 515	1 372 225
<i>Cash and Cash equivalents as at 31.DEC</i>		1 372 225	935 503
IV. Net increase/decrease in cash		280 710	-436 722

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: Andrea Volár / registered accountant

Registration number: 164497

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	May 31 (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 recorded at book value in the balance sheet

Financial condition

Assets of the company

Description	2017		2018	
	Amount (thousand HUF)	Share %	Amount (thousand HUF)	Share %
Fixed assets	1 002	0.07	65 478	6.48
Inventories	117	0.01	87	0.01
Receivables	5 190	0.38	8 421	0.83
Securities	0	-	0	-
Liquid assets	1 372 225	99.44	935 503	92.51
Accrued incomes and deferred charges	1 379	0.10	1 739	0.17
TOTAL ASSETS	1 379 913	100.00	1 011 228	100.00

Liabilities of the company

Description	2017		2018	
	Amount (thousand HUF)	Share %	Amount (thousand HUF)	Share %
Capital and reserves	182 873	13.25	185 886	18.38
Provisions	0	-	0	-
Long term liabilities	0	-	0	-
Short term liabilities	1 193 767	86.51	823 337	81.42
Accrued incomes and prepaid charges	3 273	0.24	2 005	0.20
TOTAL ASSETS	1 379 913	100.00	1 011 228	100.00

The capital increased by 3 013 tsd HUF which equals to the retained earnings of the company for 2018.

The main indicators of the business activity in 2018 (in tsd HUF):

Equity ratio	$\frac{\text{Owner's equity}}{\text{Total assets}} \times 100$	$\frac{182,873}{1,379,913} = 13.25\%$	$\frac{185,886}{1,011,228} = 18.38\%$
Ratio of equity and share capital	$\frac{\text{Equity}}{\text{Share capital}} \times 100$	$\frac{182,873}{60,000} = 304.79\%$	$\frac{185,886}{60,000} = 309.81\%$
Current ratio I.	$\frac{\text{Current assets}}{\text{Short term liabilities}}$	$\frac{1,377,415}{1,193,767} = 1.15$	$\frac{943,924}{823,337} = 1.15$
Current ratio III.	$\frac{\text{Cash and cash equiv.}}{\text{Short term liabilities}}$	$\frac{1,372,255}{1,193,767} = 1.15$	$\frac{935,503}{823,337} = 1.14$
Return on equity (ROE)	$\frac{\text{Net income}}{\text{Equity}} \times 100$	$\frac{18,811}{182,873} = 10.29\%$	$\frac{363}{185,886} = 0.20\%$
Return on asset (ROA)	$\frac{\text{Net income}}{\text{Total assets}} \times 100$	$\frac{18,811}{1,1119} = 1681.05\%$	$\frac{363}{65,565} = 0.55\%$

Budapest, 28 May 2019

Zsolt Székelyhidi / Andor Katzer