



EQUILOR INVESTMENT LTD.
ANNUAL REPORT

2007

TABLE OF CONTENTS

• EQUILOR – A BRIEF OVERVIEW	3
• SUMMARY OF FINANCIAL INFORMATION	4
• MANAGEMENT’S REPORT	5
• EQUILOR’S BUSINESS LINES	
FX TRADING	7
SECURITIES TRADING	7
INSTITUTIONAL ASSET MANAGEMENT	8
PRIVATE ASSET MANAGEMENT	8
CORPORATE FINANCE	8
EQUILOR FINE ART	8
• OFFICERS AND EXECUTIVES	
EQUILOR BEFEKTETÉSI ZRT.	9
EQUILOR FINE ART KFT.	9
• FINANCIAL STATEMENTS	
BALANCE SHEET	10
PROFIT AND LOSS STATEMENT	13
• STRUCTURE OF OWNERSHIP	14
• PRESENTATION OF PARTICIPATIONS AND MEMBERSHIPS	15
• CORPORATE SOCIAL RESPONSIBILITY	16
• CONTACT INFORMATION	17

COMPREHENSIVE INVESTMENT SOLUTIONS

As a founding member of the Budapest Stock Exchange, Equilor Befektetési Zrt. has been offering full-scale, customer-focused and tailor-made investment banking and private banking services to private individuals and institutions since 1990. Our purpose is to achieve returns on our clients' savings in the most efficient manner, using the best investment facilities available, and leveraging on our colleagues' local and global experience of several decades. Moreover, we provide financial advice to assist them in making successful business decisions, paying attention to the most unique requirements they may have. Equilor is a founding member of the Budapest Stock Exchange and an associated member of the Investors Protection Fund and the Hungarian Venture Capital & Private Equity Association.

Equilor's aim is to provide clients with integrated investment and private banking services which range from FX and securities trading to asset management services and corporate financial advice.

Since it was founded, Equilor has been committed to prudential and professional operation, which is why we also take into account personal characteristics alongside professional experience when selecting our colleagues and partners. We believe that patience, empathy and creativity are also needed in addition to commitment and hard work to ensure our long-term success in this highly complex and challenging market environment.

Equilor is managed by executives who control nearly a third of the company through their shares, and also participate in making strategic decisions alongside operational management. Equilor's further owners are Hungarian and foreign investors who do not take part in the daily operation of the company. From the foregoing it follows that none of Equilor's owners are Hungarian or foreign financial service providers, meaning that we are fully independent so that we can always offer the best services to our clients through our investment advice. Independence is a value but also a responsibility: we are aware that we must manage the risks of constant changes on the market by ourselves, and this is what determines Equilor's daily operation, client management and product development activity.

Equilor's more than 35 highly qualified employees and investment experts work every day on offering high quality and constantly renewed services to our clients in all areas. Our activity is characterized by outstanding individual performance and well-balanced teamwork, and this cooperation makes it possible for everyone to make the best use of their capacities.



András Gereben



Éva Németh



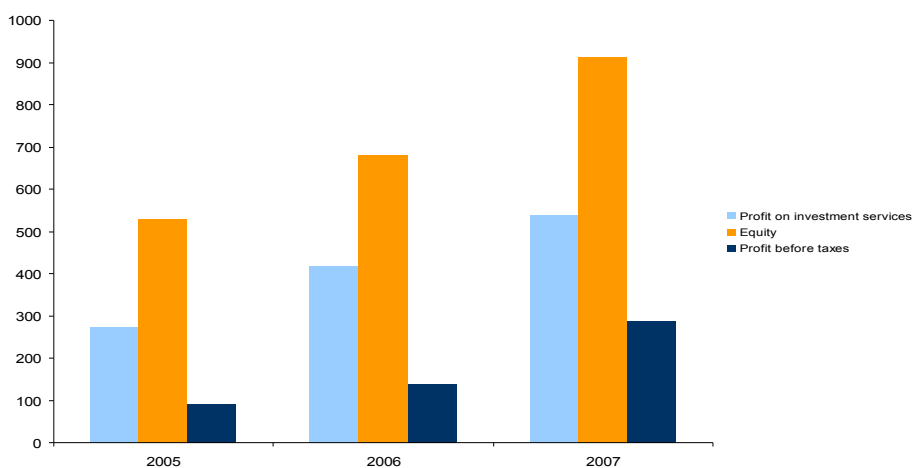
Bálint Szécsényi

MAIN FINANCIAL INFORMATION

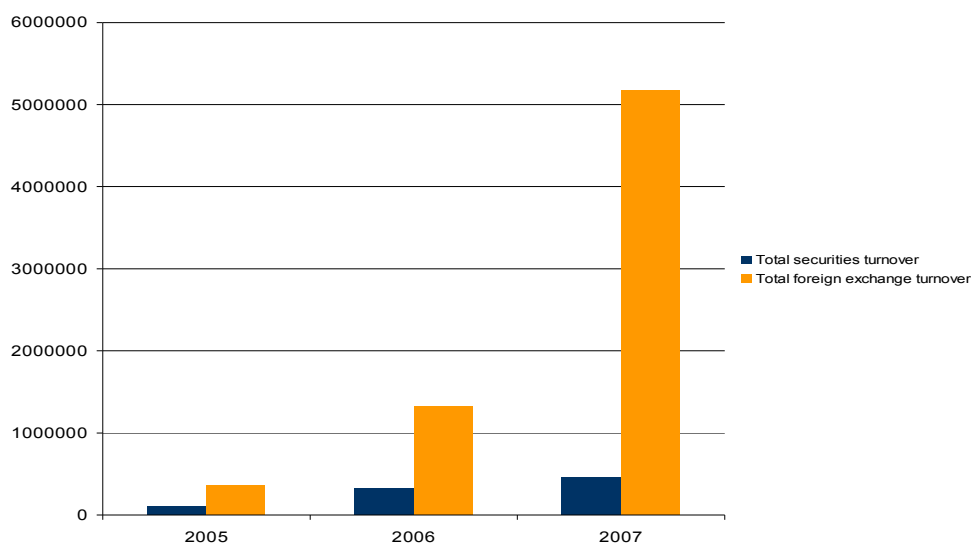
Main financial data (thousand HUF)

<i>thousand HUF</i>	2005	2006	2007
Balance sheet total	3,233,187	2,412,447	6,610,711
Equity	529,668	682,203	871,230
Subscribed capital	500,000	500,000	500,000
Profit on investment services	275,063	418,014	526,777
Profit before taxes	91,800	138,530	262,927
Total securities turnover (million HUF)	104,624	319,649	458,520
Total foreign exchange turnover (million HUF)	361,131	1,320,248	5,175,040
Number of employees at the end of the year	21	29	35
Return on equity	24%	26%	39%

Profit data (million HUF)



Turnover data (million HUF)



2007 – GLOOMY OUTLOOK ON WORLD ECONOMY

In the last year, the gross domestic product growth in Hungary decreased quarter over quarter: in Q3 the growth rate was hardly 0.9% while in Q4 it only amounted to 0.8%. Regarding 2007 as a whole, the rate of GDP growth exceeded the previous year's rate by 1.3%. This economic downturn can be explained by the package of economic restrictions announced by the government in 2006 aimed at reducing budgetary deficit. Another important factor of this deceleration was the underperformance of agriculture (13.3% decrease) and building industry (11.6% decrease).

Due to the restrictions, the budgetary balance was slightly over 5 per cent of the GDP. On the other hand, the inflation rate was very high due to the effect of the global rise in energy and food prices. Inflation reached its peak in March 2007, and was established at a global rate of 8% at annual level despite the disinflation process registered in the second half-year.

The Hungarian capital market could not escape from the impact of the US subprime crisis, either. This crisis resulted in a global devaluation of securities and a rise in returns due to liquidity problems. Due to the write-off of the banks' losses, investors re-assessed their portfolios in terms of risks, and significant regrouping processes took place on the world's stock exchanges at the expense of emerging countries. This is the reason why the BUX index, having even reached a record of 30,000 points in the first six months was virtually in continuous decline in the second half-year due to recurrent liquidations and divestitures.

On the market of government securities, a general decrease of returns was observed in the first six months, but in the rest of the year both short-term and long-term returns started to rise due to the decreasing risk appetite mentioned above. The prime rate applied by the central bank changed two times in the year: firstly to 7.75% in June, and then to 7.5% in September following another cut of 25 basis points.

The HUF exchange rate was highly volatile over the whole year: the highest rate against the euro was 262.36 while the lowest one was 244.10 resulting in a yearly average of around HUF 253 (based on closing rates). Evolutions of the labour market also showed negative tendencies, especially in the second half-year: the rate of unemployment was 7.4% for the whole year, but Q4 data projected further deterioration. The increase in unemployment is mainly due to the lay-off process in public institutions launched in 2006.

Due to its complex and diffuse nature, the US subprime crisis affected every business, starting from real estate sector and passing by the financial sector, to finally affect every sector globally. GDP increase in the United States was extremely high in the first six months, but the depth of the crisis is well reflected in the fact that a 4.8 per cent GDP increase in Q3 was followed by a 0.2 per cent decrease in Q4 in the USA. On an annual basis, the GDP growth rate was 2.2% (just like in Japan). By comparison, the GDP in the euro zone grew by 2.63 per cent in the whole year whereas the global rate was around 5 per cent.

It is to be noted that crude oil prices gradually increased in 2007 from \$60 at the beginning of the year to nearly \$100 and this trend was practically uninterrupted. The explosion in oil price was naturally followed by a rebound of inflation to an annual rate of 2.13% in the euro zone and 2.87% in the United States.

MANAGEMENT'S REPORT

SOUND GROWTH

In line with the new strategy worked out in 2005, Equilor's performance in 2007 reflects sustained growth. Our balance sheet total was nearly tripled from HUF 2,417 million in 2006 to HUF 6,610 million in 2007. Our equity went up to HUF 871 million, which corresponds to a growth of almost 30 per cent compared to the previous year. The gross profit from investment services was HUF 572 million in 2007 (compared to HUF 441 million in 2006), which resulted in a profit before taxes of HUF 262 million after deducting costs and expenses: this is also a significant improvement compared to HUF 138 million in 2006. At the end of 2007, the value of our clients' assets placed with our company exceeded HUF 45 billion.

FLEXIBLE STRATEGY IN A RAPIDLY CHANGING MARKET ENVIRONMENT

In 2007, the consolidation of players on the Hungarian capital market continued: the number of members of the Budapest Stock Exchange was reduced from 40 to 35 of which there are 15 banks and companies with banking background and 20 independent financial service providers. There are only 3 companies, including Equilor, with membership in all sections (spot, futures and commodity) compared to 5 in 2006. Concurrently with the decrease in the number of investment service providers, the turnover at BSE grew significantly in 2007, but this mostly reflects the activity of foreign institutions and not that of Hungarian investors which are of particular importance to Equilor. The Hungarian securities market is still characterized by the dominance of the four major shares (Mol, Magyar Telekom, OTP and Richter) which represented more than 90 per cent of the total turnover.

Based on the trends observed in 2006, we have already forecast the reduction of opportunities on the Hungarian securities market. Accordingly, we carried out strategic developments to improve the trading volumes of international securities. By the end of 2007, Equilor's clients will be able to access nearly all spot and derivative products of the world's most important markets via direct connection to the market using the most improved international trading platforms.

Although we primarily focus on personal contact when providing services to our clients, following the trends of the international market we started the development of an on-line client information and service system called "Equilor Direct" in addition to our Equilor Trader trading system. The first module is expected to be launched in April 2008.

The future volatility of markets requires from independent investment service providers such as Equilor to reach a sufficient rate of diversification in their business activities. Equilor is one of the few Hungarian investment companies which offer a full range of investment banking services to their clients. Our asset management business line looks back to more than 12 years of history while our Corporate Finance business line has been a significant part of the company since our foundation. In order to further enhance these activities, we have improved our human and infrastructural resources in these business lines in order to ensure stable revenues and new business relations for our company even in periods which are unfavourable to trading.

18 YEARS ON THE MONEY AND CAPITAL MARKET

We are proud to say that during our history of more than 15 years, we have been able to retain and even increase our clients' confidence even in the most difficult periods of the Hungarian capital market. The success of our work is testified by the continuous growth in the number of our clients and in the assets managed.

We hereby want to express our thanks to our clients for their confidence and to our colleagues for their tireless efforts which are crucial for Equilor to be able to reach its goals in the future.

EQUILOR'S BUSINESS LINES

FX TRADING

Traditionally, FX trading is Equilor's most important business line which achieved outstanding performance in 2007. Its aggregated turnover was more than tripled compared to last year, and revenues from commissions also increased nearly to the same extent. The permanent opening hours of the FX markets, and the varied character and high volatility of the products available raise serious challenges to everyone working in this field. Equilor's activity on the FX market is highly determined by our colleagues' market experience of several decades, which is very useful when satisfying our clients' most unique needs on this extremely risky market.

Turnover on the derivatives market of the Budapest Stock Exchange (thousand HUF) and market ranking						
	2005		2006		2007	
FX contracts	62,540,400	9	390,261,581	9	330,615,020	7
Equities	14,248,458	11	71,363,837	10	85,373,373	11
BUX	19,901,084	15	92,345,163	8	73,735,932	10
FX options	8,919	5	35,687,578	4	35,034,016	5
Grain	-	-	-	-	239,370	9

Our on-line FX trading system called Equilor Trader also closed a successful year by a significant increase in both clientele and turnover. Thanks to the developments of the system, not only foreign currencies and commodities but also shares and CFDs are available.

Due to the similar market availability and the derivative nature of these products, trading in commodities including mainly gold, oil and grain is also done by this department.

SECURITIES TRADING

In the field of securities trading, Equilor's turnover has risen parallel to the growth at the Budapest Stock Exchange, although not to the extent we had expected. Due to the decrease in market activity on the local market, we put more and more emphasis on trading in international securities which we make available to clients through various platforms.

Turnover on the spot market of the Budapest Stock Exchange (million HUF) and market ranking						
	2005		2006		2007	
BSE's equities turnover	9,661,044		13,000,952		17,383,639	
Equilor's equities turnover	20,236	21	80,529	19	117,658	18

In order to develop our trading in international securities, we have extended the number of our sales representatives. As a result, orders submitted by our clients are completed between 8.00 and 22.00, meaning that our staff is able to react to changes on the European and American markets immediately.

EQUILOR'S BUSINESS LINES

As an independent brokerage firm, we have further extended the scope of Hungarian and foreign investment certificates directly available through Equilor, and we are planning to cooperate with further partners which are able to provide high quality fund management services to our clients.

The scope of our analyses supporting our trading activity has also been widened; therefore, in addition to the SMS Messenger service and weekly reports, we also prepare monthly investment stories and individual stock analyses.

PRIVATE ASSET MANAGEMENT

The performance of our private asset management business was mainly affected by the imposition of taxes on exchange gains and interest income, which is why private asset management (not carried out by investment funds) lost much of its popularity. In cooperation with Access Fund Manager, we are working on the preparation of our own investment funds the launch of which will give us an opportunity to conduct this activity with more flexible conditions.

INSTITUTIONAL ASSET MANAGEMENT

Our institutional asset management activity was able to face the challenges on the capital and financial markets in 2007. That is why we could realize returns above the benchmark for all of our clients and so guarantee our clients' long-term confidence. Unfortunately, the growth of assets managed did not achieve the expected level; thus, one of our most important tasks will be to enhance client acquisition by the presentation of Equilor's performance and experience as widely as possible.

CORPORATE FINANCE

Our department specialized in corporate financial advice closed a successful year despite the generally bad market environment. The age of privatization and large market positions has practically come to an end and consequently large-scale M&A transactions have also ceased. However, medium-sized projects have helped Equilor benefit from its experience it has gained so far. Our most important projects in 2007 were the following:

- Rossi Biofuel Zrt. – arrangement of financing (HUF 8.5 billion)
- Municipality of Győr – Rába Járműipari Nyrt. – selling of shares (HUF 2 billion)
- Slovenske Liehovary e Likerky A.S – Várda Drink Group acquisition (HUF 1.6 billion)
- Determin Zrt. – issue of bonds (HUF 3.4 billion)
- ÉGÁZ-DÉGÁZ – share exchange (HUF 17.3 billion)

This business line of Equilor mainly provides transaction-focused financial advice and the arrangement of capital market transactions and structured financing with a competitive and success-driven fee structure.

Based on the Central and Eastern European network of one of our owners (ECM Capital), we also envisage the regional expansion of our services.

EQUILOR FINE ART

For our department involved in investment in works of art, 2007 was above all the year of market deployment, which is why this activity did not generate considerable benefits directly. Our company was the first to enter the market with fine art investment consulting services, having the support of an investment bank. This company is able to provide a full range of services to clients, from the evaluation of works of art to purchase and sale transactions and the management of collections to a high standard and with a strong financial background.

OFFICERS AND EXECUTIVES

EQUILOR INVESTMENT LTD.

Board of Directors

Béla Künszler, chairman
András Gereben
Éva Németh
Bálint Szécsényi

Supervisory Board

Dr. József Tóth, chairman
Dr. Karl-Heinz Hauptmann
András Gömböcz

EQUILOR FINE ART KFT.

Managing director

Dr. Katalin Gereben

AUDITING COMPANY

AUDIT Könyvszakértő és Tanácsadó Kft.
(1077 Budapest Izabella utca 2.)
Dr. Horváth József auditor

BALANCE SHEET ASSETS

No.	Title	31.12.2006	31.12.2007
1	A) Invested assets (lines 02+10+18)	160,445	167,173
2	I. INTANGIBLE ASSETS (lines 03 - 09)	34,108	29,121
3	Foundation value		
4	Developments value		
5	Property rights	30,231	26,534
6	Intellectual products	3,877	2,587
7	Goodwill		
8	Advances on intangible assets		
9	Value adjustment of intangible assets		
10	II. FIXED ASSETS (lines 11-17)	41,800	94,606
11	Real estates	7,912	14,621
12	Technical equipment, machines and vehicles		
13	Other equipment, machines and vehicles	33,888	79,752
14	Animals		
15	Investments		233
16	Advances on investments		
17	value adjustment of fixed assets		
18	III. INVESTED FINANCIAL ASSETS (lines 19-25)	84,537	43,446
19	Long term shares in related companies	59,820	19,820
20	Long term given loans to related companies		
21	Other long term shares	13,775	13,775
22	Long term loans given to other companies		
23	Other long term given loans	10,942	9,851
24	Long term securities		
25	Value adjustment of invested financial assets		

In thousand HUF

BALANCE SHEET ASSETS

26	B) Current assets (27+34+46+51)	2,227,077	6,399,423
27	I. STOCKS (lines 28-33)	0	0
28	Materials		
29	Semi-finished goods		
30	Animals		
31	Finished goods		
32	Goods		
33	Advances on goods		
34	II. RECEIVABLES (lines 35-45)	196,731	156,336
35	Trade receivables	49,627	41,991
36	Receivables from service provided for costumers	23,966	6,603
37	Receivables from settlement of stock market transactions		
38	Receivables from settlement of over the counter transactions		
39	Receivables from clearing houses	52,443	51,335
40	a) receivables from clearing house	52,443	51,335
41	b) receivables from other entity providing clearing house services		
42	Receivables from related companies	36,857	36,001
43	Receivables from other companies		
44	Receivables from bills of exchange		
45	Other receivables	33,838	20,406
46	III. SECURITIES (lines 47-50)	312,011	461,614
47	Shares in related companies		
48	Other shares	12,178	8,082
49	Own shares		125,000
50	Securities for sale	299,833	328,532
51	IV. CASH AND BANK (lines 52-53)	1,718,335	5,781,473
52	Cash, cheques	32,378	15,907
53	Banks	1,685,957	5,765,566
	a) Brokerage account	183,649	611,074
	b) Other bank deposits	1,502,308	5,154,492
54	C) Prepayments (lines 55-57)	24,925	44,115
55	Prepaid revenues	24,697	44,115
56	Prepaid expenses	228	
57	Deferred expenses		
58	TOTAL ASSETS (lines 01+26+54.)	2,412,447	6,610,711

In thousand HUF

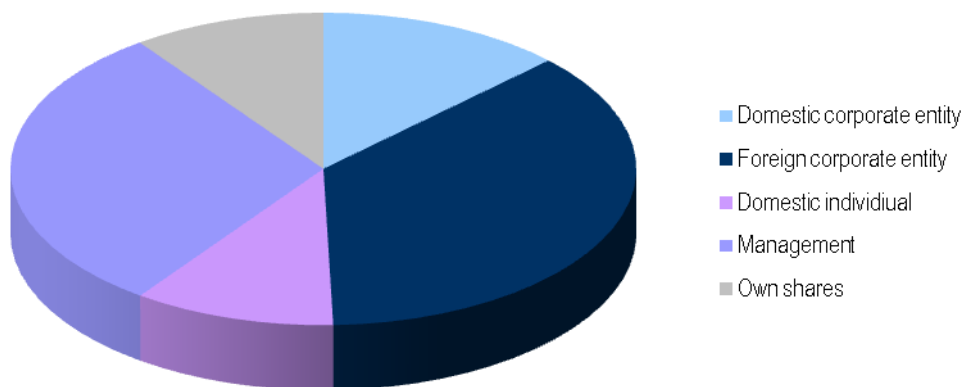
BALANCE SHEET Equity and liabilities

No.	Title	31.12.2006	31.12.2007
59	D) Equity (lines 60-67)	682,203	871,230
60	I. SUBSCRIBED CAPITAL	500,000	500,000
	including: repurchased own shares at the nominal price		
61	II. REGISTERED BUT NOT PAID CAPITAL (-)		
62	III. CAPITAL RESERVE	21,369	21,369
63	IV. PROFIT RESERVE	43,500	160,834
64	V. CAPITAL DEPOSIT		
65	VI. VALUATION RESERVE		
66	VII. GENERAL RESERVE	11,733	21,403
67	VIII. RETAINED EARNINGS	105,601	167,624
68	E) Provisions (lines 69-71)	1,233	2,385
69	Provisions for expected liabilities		
70	Provisions for costs		
71	Other provisions	1,233	2,385
72	F) Liabilities (73+77+85)	1,719,555	5,730,898
73	I. DEFERRED LIABILITIES (lines 74-76)	0	0
74	Deferred liabilities to related companies		
75	Deferred liabilities to other companies		
76	Deferred liabilities to other economy entities		
77	II. LONG TERM LIABILITIES (lines 78-84)	5,968	6,270
78	Long term credits		
79	Bonds		
80	Loans for investment		
81	Other long term loans		
82	Long term liabilities to related companies		
83	Long term liabilities to other companies		
84	Other long term liabilities	5,968	6,270
85	III. SHORT TERM LIABILITIES (lines 86-97.)	1,713,587	5,724,628
86	Short term loans		
87	Short term credits	27,824	3,837
88	Prepayments from costumers		
89	Trade payables	19,878	17,563
90	Liabilities to costumers	1,643,858	5,647,854
91	Liabilities from settlement of stock exchange transactions		
92	Liabilities from settlement of over the counter transactions		
93	Liabilities to clearing houses		
	a) Liabilities to clearing house		
	b) Liabilities to other entity providing clearing house services		
94	Short term liabilities to related companies		
95	Short term liabilities to other companies		
96	Bill of exchange		
97	Other short term liabilities	22,027	55,374
98	G) Accruals (lines 99-101)	9,456	6,198
99	Accrued income		
100	Accrued expenses	9,456	6,198
101	Deferred income		
102	TOTAL EQUITY AND LIABILITIES (59+68+72+98)	2,412,447	6,610,711

PROFIT AND LOSS STATEMENT

No.	Title	31.12.2006	31.12.2007
a)	Income from stock brokerage activities	401,938	463,200
b)	Income from commercial activities	175,378	83,869
c)	Income from security issue activities	2,500	500
d)	Income from deposit and portfolio management activities	50,754	94,551
e)	Income from other investment services	237,044	147,994
1	<i>Income from investment services (a+b+c+d+e)</i>	867,614	790,114
f)	Expenditures of stock brokerage activities	66,915	67,394
g)	Expenditures of commercial activities	153,423	56,101
h)	Expenditures of security issue activities		
i)	Expenditures of deposit and portfolio management activities		
j)	Expenditures of other investment services	205,534	94,055
2	<i>Expenditures of investment services (f+g+h+i+j)</i>	425,872	217,550
I.	PROFIT FROM INVESTMENT SERVICES (lines 01-02.)	441,742	572,564
II.	Other incomes	27,058	23,500
	Including: loss in value marked back		
III.	Income from non-investment services		
IV.	Own performance capitalized		
3	Raw materials and consumables	5,462	7,914
4	Contracted services	154,294	173,195
5	Other service activities	7,885	5,610
6	Original cost of goods sold		
7	Value of services sold (intermediated)		
V.	Material costs (lines 03-07)	167,641	186,719
3	Wages and salaries	56,730	84,896
4	Other employee benefits	5,656	5,164
5	Contributions on wages and salaries	22,298	33,177
VI.	Personal costs (lines 03-05)	84,684	123,237
VII.	Depreciation	18,307	27,561
VIII.	Other operating charges	69,643	94,965
	Including: loss in value		
IX.	Expenditures of non-investment services		
A	OPERATING INCOME (lines I-IX.)	128,525	163,582
6	Dividend and profit-sharing	3,479	3,576
	Including: from related companies		
7	Capital gain on investments		
	Including: from related companies		
8	Capital gain on financial investments		
	Including: from related companies		
9	Interest and interest-like revenues	49,323	99,001
	Including: from related companies		
10	Other income from financial transactions	378	10,835
X.	Income from non-distribution financial transactions (lines 06-10.)	53,180	113,412
11	Losses on financial investments		
	Including: to related companies		
12	Interest expenses	11,309	861
	Including: to related companies		
13	Capital gain on investments	28,000	
14	Other expenses on financial transactions	3,866	13,206
XI.	Expenses on non-distribution financial transactions (lines 11-14.)	43,175	14,067
B	PROFIT FROM FINANCIAL OPERATIONS(X-XI. sorok)	10,005	99,345
C	PROFIT FROM ORDINARY ACTIVITY (+/-A+/-B)	138,530	262,927
XII.	Extraordinary income		
XIII.	Extraordinary expenses		
D	EXTRAORDINARY PROFIT (XII-XIII.sorok)	0	0
E	PROFIT BEFORE TAXES(+/-C+/- D)	138,530	262,927
XIV.	Tax payable	21,196	48,900
F	PROFIT AFTER TAXES (+/-E-XIV)	117,334	214,027
XV.	General reserve (+/-)	11,733	21,403
15	Profit reserve used for dividends and profit-sharing		
16	Dividend and profit-sharing paid (approved)		25,000
G.	PROFIT FOR THE YEAR (+/-F+/-XV+15-16)	105,601	167,624

STRUCTURE OF OWNERSHIP



PRESENTATION OF PARTICIPATIONS AND MEMBERSHIPS

AS OF 31.12.2007 EQUILOR HAD SHARE OWNERSHIP IN THE FOLLOWING COMPANIES

Activity	EQUILOR FINE ART KFT. fine art investment consulting
Subscribed capital (thousand HUF)	3,000
Ownership share	99%

Activity	TRINITY CONSULTING ZRT. informatics services
Subscribed capital (thousand HUF)	24,000
Ownership share	50%

Activity	BUDAPESTI ÉRTÉKTŐZSDE ZRT. stock exchange
Subscribed capital (thousand HUF)	541,348
Ownership share	0.14702%

PROFESSIONAL MEMBERSHIPS

Budapest Stock Exchange
Investor Protection Fund
Hungarian Venture Capital Association
Italian Chamber of Commerce

IN 2007 EQUILOR SUPPORTED THE FOLLOWING FOUNDATIONS

Remény Gyermekeiért Közhasznú Alapítvány

Medicopter Alapítvány

Egy a szívünk-Segítsünk! Alapítvány

Össejt az Élet Esélye Alapítvány

Hallgass a Szívedre Alapítvány

Segíts, hogy élhessek Alapítvány

A Szív Hangja Alapítvány

Segítőszándék a Beteg Gyerekekért és Rászorultakért Alapítvány

Gyermekmosoly Alapítvány

KIÚT Szociális és Mentálhigiénés Egyesület

CONTACT INFORMATION

EQUILOR INVESTMENT LTD.

SZÉPVÖLGYI OFFICE PARK

H-1037 BUDAPEST, MONTEVIDEO UTCA 2/C

TELEFON: +36 1 430 3980

FAX: +36 1 430 3981

www.equilor.hu

info@equilor.hu