

Annual
Report

2017



Krisztián Kőrössi

Bálint Szécsényi

András Gereben

Brief introduction to Equilor

At the time of Equilor's foundation and the rearrangement of the Budapest Stock Exchange, a new era of the domestic capital market began in 1990. More than 27 years have elapsed since then, our objectives, however, have remained unchanged ever since.

Over the past years, in addition to the steady development of our services, we have been striving to provide our customers with swift and reliable access to the ever expanding world of money and capital markets, and – by means of well-established financial advice and analyses – assist them in increasing their assets managed by us.

The world of capital markets is one of the fastest developing industries, therefore being able to offer an actual investment bank portfolio to our private and corporate clients requires continuous development in terms of product structure and technology as well. Due to the continuously strengthening market regulations, we put great emphasis on stability and reliable, transparent information provision, which forms the basis of responsible investment service.

We endeavour to work with employees who fully adhere to these principles, and consider them as fundamental values during their everyday work and decisions. Our colleagues serve all our clients with utmost care and attention, giving the best of their knowledge, and fully taking into consideration their needs, and provide them with tailor-made investment guidance.

As a result of our commitment over the past years, the number of Equilor customers, the assets managed as well as our achievements have been steadily increasing; while we strive to keep the usual direct contact with our customers.

We are proud to be present throughout the entire CEE region as a full-fledged member of the Budapest, Prague and Warsaw Stock Exchanges, and to offer, in conjunction with Equilor Corporate Advisory Ltd. and Equilor Asset Management Ltd., comprehensive investment banking services to our customers ranging from trading in stock exchanges through asset management to corporate finances.

It is an honor and the recognition of our work that BSE has valued Equilor's activity with multiple awards in recent years. ■

Krisztián Kőrössi
Managing Director

Bálint Szécsényi
Chief Executive Officer

András Gereben
Chairman

Table of Contents

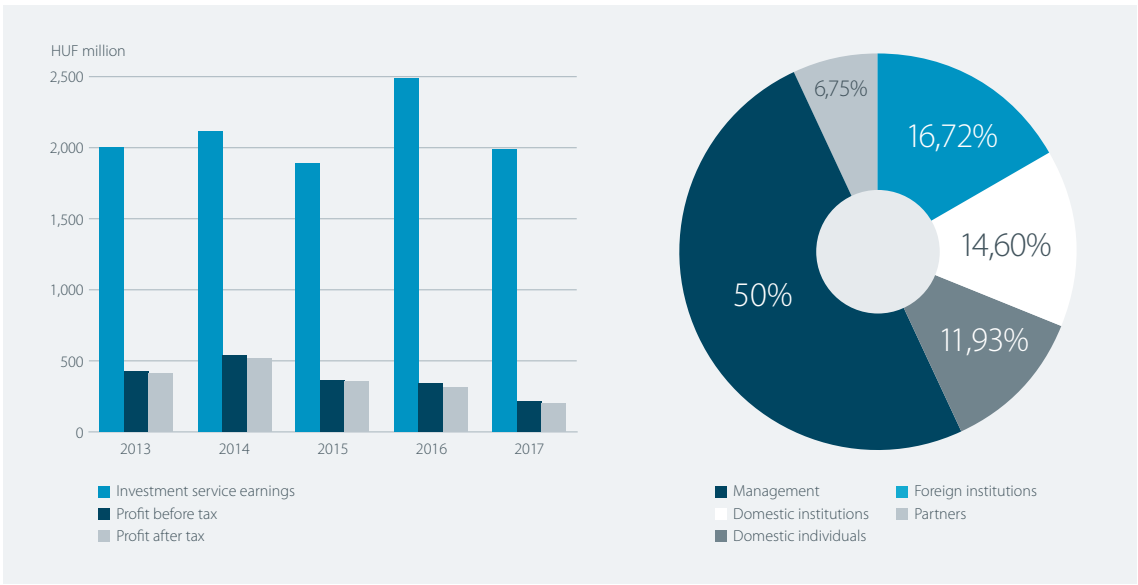
| | |
|---|----|
| Summary Financial and Corporate Information | 4 |
| Management Report | 6 |
| Equilor Divisions | 10 |
| Financial Statement | 22 |
| Independent Auditor's Report | 28 |

Summary Financial and Corporate Information

Financial highlights

| (in thousand HUF) | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|------------|------------|------------|------------|-------------------|
| Balance sheet total | 12,511,360 | 16,315,667 | 15,399,767 | 19,148,809 | 21,729,848 |
| Equity | 1,487,955 | 1,647,133 | 1,997,579 | 2,302,692 | 1,994,704 |
| Issued share capital | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Investment service earnings | 2,005,149 | 2,114,705 | 1,884,503 | 2,494,541 | 1,986,063 |
| Profit before tax | 424,580 | 535,890 | 362,220 | 330,546 | 205,658 |
| Profit after tax | 411,510 | 510,679 | 350,446 | 305,113 | 190,262 |
| Total securities turnover (in million HUF) | 2,128,664 | 2,151,641 | 2,718,400 | 1,678,557 | 1,334,004 |
| Total FX turnover (in million HUF) | 6,004,904 | 5,120,601 | 3,372,858 | 2,197,853 | 2,025,126 |
| Number of employees | 75 | 73 | 77 | 82 | 80 |
| Return on equity | 31% | 36% | 22% | 15% | 9% |

Profit and loss data



Executive officers and persons in senior positions

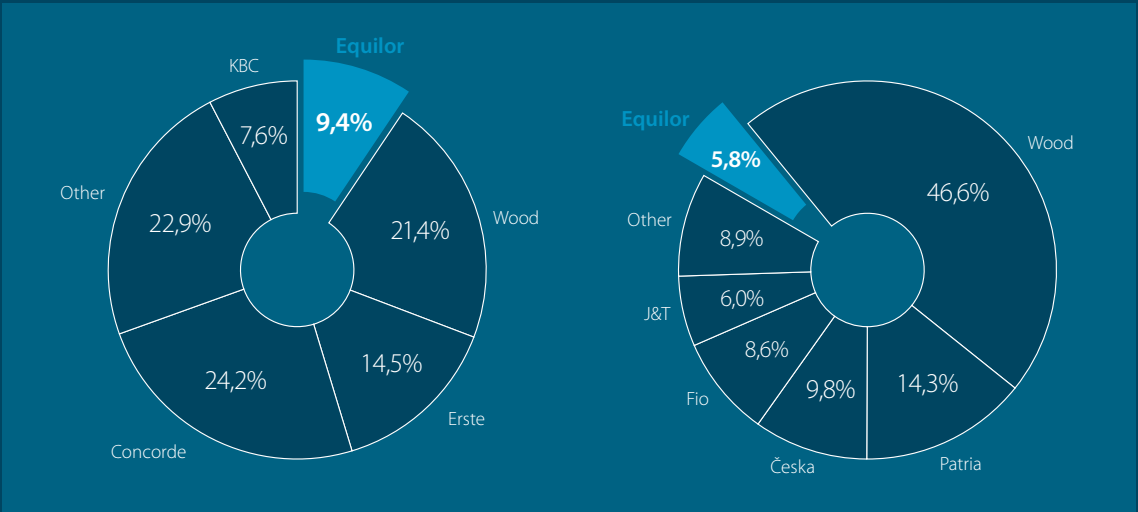
Equilor's Board of Directors András Gereben, chairman // Krisztián Kőrössi, managing director // Bálint Szécsényi, CEO

Equilor's Supervisory Board Dr. József Tóth, chairman // György Vas // András Gömböcz

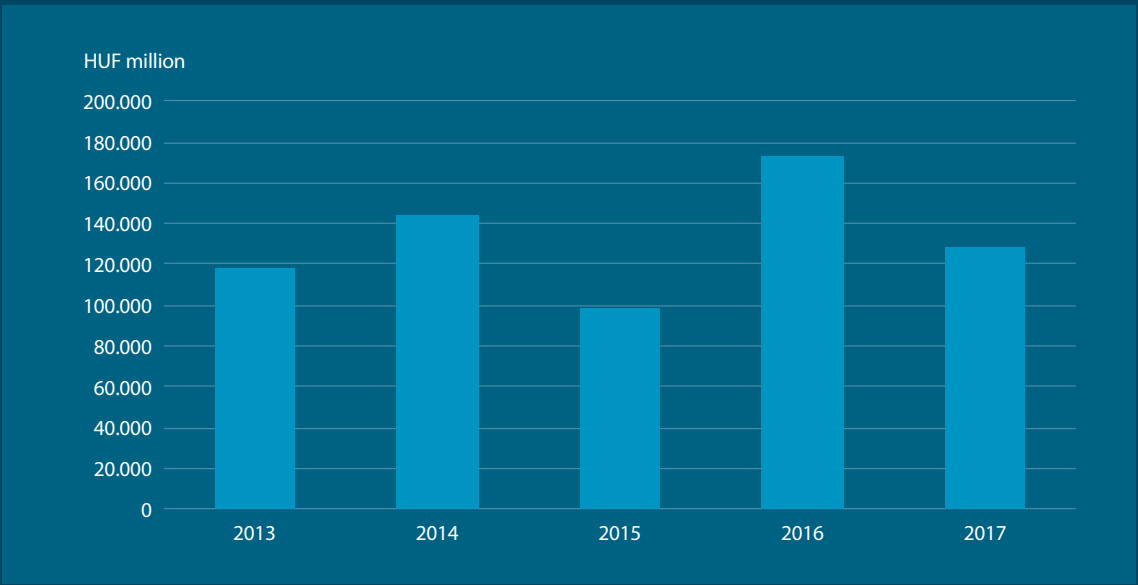
Independent auditor Venilia Vellum Auditing and Tax Consultancy Ltd., License number: MKVK TBV000340
 Rózsa Bukri, auditor, Member of the Chamber of Auditors, Chamber identification number: MKVK EBV001130
 H-1026 Budapest, Szilágyi Erzsébet fasor 79.

Equilor's Market Share

Equity turnover – Budapest



Assets managed by the Equilor Group





Management Report

Strong Capital Markets – Increasing Challenges

In 2017, despite the expectations of many market players, the capital markets did not collapse, and interest rates remained at the low levels previously seen.

In the United States, the S&P500 increased each month, with more than 20% in annualized terms, and volatility remained low even looking back over several decades. In Europe, in spite of the extremely strong economic indicators, ECB kept real interest rates at a minus negative level, and under quantitative easing, continuously purchased government securities and corporate bonds.

Many believed that the US President, who took office in January, would cause a huge turmoil on the world stage. However, this did not happen, and certain steps even suggest the opposite. The political solution to global social problems is likely to happen only later.

Domestic macroeconomic outlooks were surrounded by two-way risks with signs of downward inflation and upward growth risks. External inflation remained at a low level and the investors' perception of the Central European region improved further, suggesting a lower inflation path than the baseline scenario, while growth was not materially affected. Greater investment activity poses a positive growth risk, which can result in faster economic growth and moderate inflationary effects. From the aspect of domestic economic processes, faster wage growth may be a further risk, and more dynamic consumption growth and stronger external demand may have a positive impact.

The Hungarian economy closed a strong year according to the 2017 report of the Central Statistical Office as well. The fourth-quarter GDP growth rate was 4.4% based on the finalized data, with a 4% annual growth rate, or 4.2%, adjusted with the number of working days. Besides domestic economic performance, BUX index also closed an excellent year, since the home equity index rose by almost 40%, where the price of medium and small capitalized securities grew to an extent exceeding that of blue chips.

2017 was the year that passed in the spirit of preparation for the new, unified EU regulatory framework for the investment market, including Equilor. The MiFiD II. Directive and the MiFIR Regulation, which took effect from January 3, 2018, aim to promote investor protection and increase transparency. MiFiD II. is concerned with the authorization terms and operational requirements of investment companies and regulated markets. Among other things, MiFIR manages the disclosure requirements of trading venues and investment companies, the rules of transparency reports and the accounting requirements of financial instruments.

2017 brought many changes in taxation. One important change also affecting investment service providers was the reduction of corporate tax and the abolition of the multiple-rate system. Pursuant to the law, from January 1, the former multiple-rate corporate tax was replaced by the uniform corporate tax rate of 9%.

According to the Government Decree issued in 2016, all Hungarian banks and investment companies shall audit their IT system, and accordingly, in May 2017, Equilor obtained the official certificate on the closedness of the IT system from Hunguard Kft. accredited by the National Bank of Hungary.

The daily average share turnover of the Budapest Stock Exchange increased by 17.5% and the annual share turnover grew by 17% compared to 2016. Based on BSE statistics, the domestic share stock increased in 2017, reaching its highest value by the end of the year, exceeding HUF 500 billion. New issuers have also contributed to the rise in BSE's turnover, with Waberer's entry to the stock market the largest IPO of the last 20 years took place. Xtend, a new market focusing on SMEs, has started its operations, the analysis and price quotation program of the BSE has begun, and ten Hungarian companies have joined the shared ELITE corporate development program with the London Stock Exchange

Owing to the nature of economic trends, ups and downs and even significant stock market falls are natural. In the global capital market environment experienced in recent years, where interest rates may even be negative, and stock prices are breaking peaks, market correction is increasingly likely. This may pose a risk to investors in many areas, from rising interest rates to changing commodity prices. We always call the attention of our investors and clients to the risks of the above, trusting that, when the correction is done, they will be prepared for it.

BUX index increased by 34% in 2016, and another 23% in 2017, which is an excellent performance not only in the region, but also in global terms. BUX set historic peaks in 2017 several times, just like BUMIX, which increased by 122% last year. Share turnover and capitalization also increased: the value of shares listed in BUX increased by 23.5 percent in 2017, to HUF 8,169 billion.

In light of the above, in 2017, Equilor steadily had the 4th largest turnover on the spot market of the Budapest and Prague stock markets, and it finished at the 32nd place on the Polish Stock Exchange.

We are proud that, after another challenging year, Equilor was able to retain its leading position even after the rearrangement of the domestic investment market, and with the acquisition of Pláninvest's client portfolio, we closed our most successful year in terms of our client base and our managed asset portfolio since our foundation.

Of course, we could not have achieved these results without the trust of our customers and the dedicated work of our colleagues, which have always given us the greatest strength and motivation during Equilor's 27 years of history. ■



Private banking and Premium Investment Services

In 2017, our Premium Investment division closed a successful year from the perspective of both customer growth and managed assets, although revenue figures lagged behind compared to previous years, due to low volatility and interest rates. Unfortunately, the unbroken optimism of the Hungarian and international capital market mood does not necessarily increase the willingness of clients to trade, since the steady increase in exchange rates reduces the desire to buy, and it does not enhance the willingness to sell.

In the markets, there was an increasing expectation of exchange rate adjustments and rise in the interest rates, therefore risk managers significantly raised the margins on leveraged products (currencies, CFDs), which allowed investors to meet lower risk but less liquidity on these markets.

For our Premium Investment division, the most important event was the transfer of the almost 15 billion portfolio of more than 20 thousand customers of Pláninvest, based in Keszthely, which was closed with the approval of the Hungarian National Bank at the end of November. After the transaction, Pláninvest's former customers will also be able to access Equilor's entire service palette, even online. ■





Institutional trading

The domestic and foreign institutional division closed the year with record revenue in 2017, primarily thanks to the high turnover achieved on the Polish stock exchange. In the other Central and Eastern European regions, with our significant market share we obtained trading lists positions according to our expectations.

Although, from the service provider perspective, there was some kind of consolidation in the markets covered by us, it did not reduce competition against cross-border service providers, who are not subject to the capital market special tax payment obligation, thus often pushing domestic service providers out of the market with their more favorable pricing.

The direct electronic trading of institutional customers, the emergence of so-called DMA systems, has continued, therefore it is important for us also in 2018 to stay in the forefront of technology advancements with technology developments, providing faster and safer access to regional stock exchanges. ▮



Equilor Asset Management

Equilor Asset Management closed a successful year in 2017 with a turnover of HUF 379,808 thousand and a profit before taxes of HUF 188,834 thousand. By the end of the year, the number of its investment funds increased to thirteen, with eleven public and two private. In the field of institutional asset management, we carried out the asset management of several voluntary pension funds and business organizations. The results of managed institutional portfolios ranged between 5.66% and 13.85% depending on the investment strategy, which significantly exceeded the rate of inflation.

Equilor Central European Equity Fund, specialized in investments in Central European share markets, has achieved outstanding performance in 2017 with a 27.06% return. Its performance exceeded the benchmark performance with more than 4%.

Our developing division is private asset management, offering standard and unique solutions to private individuals and companies interested in portfolio management.

The most important task of 2018 is the dynamic development of the real estate fund division. In 2018, our objectives include the increase of the volume of and the return on our existing investment funds. In addition, it is of paramount importance to maintain the quality and results of our quality services to our institutional customers. Our investment strategies always reflect our value judgment and we broaden our product range accordingly. ■



Corporate Finance

In the Equilor Corporate Finance division in 2017, determining activities were primarily acquisition consulting and private equity securities trading, but strategic advisory is getting stronger, including the provision of services primarily in the field of energetics, infrastructure and real estate projects. In accordance with investment market trends, we carry out company assessment, business planning and evaluation services, as well as private sales activities for an increasing number of private and risk capital funds. ■

Equilor Fine Art

Equilor Fine Art Ltd, a company serving customers interested in investing in works of art, was founded by Equilor in 2007. Its activities encompass, amongst others, management, building, enlargement and appraisal of collections, implementation of the sale and purchase of works of art, organization of exhibitions, arrangement of domestic and international verification of originality, as well as arrangement of credit and insurance services in relation to works of art. Our background as an independent investment bank, along with customized and committed counseling, ensures that various customer needs are served. In 2017, the company continued its counselling activity started in 2010, related to tax savings solutions based on theatre and film endorsement. Moreover, to continue with the cooperation launched in 2012, it joined the organizing team of the Art Moments contemporary visual arts festival – an international visual arts exchange program, a partner event of the Art Moments festival – in 2017 as well. ■





Equilor Investment Ltd. Affiliates

Equilor Asset Management Ltd.

Issued share capital: HUF 112,000,000

Ownership share: 68.3%

Board of Directors: Zsolt Pillár, chairman and CEO; György Vas; Péter Szigeti

Supervisory Board: Bálint Szécsényi, chairman; Éva Németh; Péter Horváth

Equilor Corporate Advisory Ltd.

Issued share capital: HUF 3,000,000

Ownership share: 90%

Chief Executive Officer: András Gereben

Equilor Fine Art Ltd.

Issued share capital: HUF 3,000,000

Ownership share: 100%

Managing Director: Katalin Gereben, Dr

Budapest Stock Exchange Ltd.

Issued share capital: HUF 541,348,100

Ownership share: 0.14702%

Corporate social responsibility

Equilor has been a sponsor of triathlon since 2016, not only because it is one of the most persistent and technically complex sports, but also because many in our team are committed members of the growing camp of triathlons, and Equilor's team even has an Iron Man in the person of Krisztián Kőrössi.

With the sponsorship of the Újbuda Triathlon Team, we primarily want to support the competitive participation of junior-aged people, and we are proud that the outstanding athletes of the Equilor 575 Újbuda Team achieved the following results last year:

Zsanett Bragmayer: U23 EB silver medal, World Cup bronze medal, World ranking: 42th.

Gergő Soós: Junior European Champion in relay, Individual: 6th.

Patrik Szentpétery: Unbeaten in 2017 in the adolescent age group.

Triathlon - Duathlon - Aquathlon Hungarian Champion.

BALANCE SHEET (assets)

| in thousand HUF | | | |
|-----------------|---|-------------------|-------------------|
| No. | Title | 31/12/2016 | 31/12/2017 |
| 1 | A) Fixed assets (lines 02+10+18) | 388,905 | 590,932 |
| 2 | I. INTANGIBLE ASSETS (lines 03-09) | 37,952 | 46,530 |
| 3 | Capitalised value of foundation/restructuring | 0 | 0 |
| 4 | Capitalised value of research and development | 0 | 0 |
| 5 | Concessions and similar rights | 1,379 | 441 |
| 6 | Intellectual assets | 36,573 | 46,089 |
| 7 | Goodwill | 0 | 0 |
| 8 | Advance payments of intangible assets | 0 | 0 |
| 9 | Revaluation of intangible assets | 0 | 0 |
| 10 | II. TANGIBLE ASSETS (lines 11-17) | 243,302 | 267,099 |
| 11 | Land and buildings and related concessions and similar rights | 48,487 | 48,040 |
| 12 | Technical equipment,machines and vehicles | 0 | 0 |
| 13 | Other equipment, machines and vehicles | 194,815 | 219,059 |
| 14 | Breeding stock | 0 | 0 |
| 15 | Capital WIP, renovations | 0 | 0 |
| 16 | Advance payments of capital WIP | 0 | 0 |
| 17 | Revaluation of tangible assets | 0 | 0 |
| 18 | III. FINANCIAL INVESTMENTS (lines 19-25) | 107,651 | 277,303 |
| 19 | Long term shares in related companies | 82,200 | 247,200 |
| 20 | Long term loans given to related companies | 0 | 0 |
| 21 | Other long term investments | 11,516 | 11,516 |
| 22 | Long term loans given to other investees | 0 | 0 |
| 23 | Other long term loans given | 13,935 | 18,587 |
| 24 | Securities representing long term loans | 0 | 0 |
| 25 | Revaluation of financial investments | 0 | 0 |
| 26 | B) Current assets (lines 27+34+48+53) | 18,716,537 | 21,101,354 |
| 27 | I. INVENTORIES (lines 28-33) | 36,174 | 30,150 |
| 28 | Raw materials and consumables | 0 | 0 |
| 29 | Work in progress and semi-finished goods | 0 | 0 |
| 30 | Animals | 0 | 0 |
| 31 | Finished goods | 0 | 0 |
| 32 | Goods | 36,174 | 30,150 |
| 33 | Advance payments on inventories stocks | 0 | 0 |

| in thousand HUF | | | |
|-----------------|--|-------------------|-------------------|
| No. | Title | 31/12/2016 | 31/12/2017 |
| 34 | II. RECEIVABLES (lines 35-47) | 1,039,967 | 266,853 |
| 35 | Trade account receivables | 2,366 | 1,402 |
| 36 | Account receivables from service supplied to customers | 322,832 | 92,853 |
| 37 | Account receivables from settlement of stock market transactions | 0 | 0 |
| 38 | Account receivables from settlements of over the counter transactions | 0 | 0 |
| 39 | Receivables from clearing houses and institutions offering clearing services | 431,510 | 152,143 |
| 40 | a) Claims against clearing houses | 431,510 | 152,143 |
| 41 | b) Claims against institutions offering clearing services | 0 | 0 |
| 42 | Receivables from related companies | 5,357 | 2,495 |
| 43 | Receivables from companies with material share relation | 0 | 0 |
| 44 | Receivables from companies with other share relation | 0 | 0 |
| 45 | Receivables from bills of exchange | 0 | 0 |
| 46 | Other receivables | 277,902 | 17,960 |
| 47 | Fair value adjustment of receivables | 0 | 0 |
| 48 | Positive difference of derivatives transactions | 0 | 0 |
| 49 | III. MARKETABLE SECURITIES (lines 49-52) | 918,903 | 1,103,926 |
| 50 | Investments in related companies | 0 | 0 |
| 51 | Other shares | 221 | 23,725 |
| 52 | Own shares | 0 | 0 |
| 53 | Securities presenting loans held for sale | 918,682 | 1,080,201 |
| 54 | IV. CASH AND BANK (lines 54-55) | 16,721,493 | 19,700,425 |
| 55 | Cash, cheques | 33,277 | 21,442 |
| 56 | Bank deposit | 16,688,216 | 19,678,983 |
| 57 | a) stock exchange account | 4,725,995 | 1,605,108 |
| 58 | b) Other bank deposit | 11,962,221 | 18,073,875 |
| 59 | C) Prepaid expenses and accrued income | 43,367 | 37,562 |
| 60 | Accrued income | 40,248 | 31,083 |
| 61 | Prepaid expenses | 3,119 | 6,479 |
| 62 | Deffered expenses | 0 | 0 |
| 63 | TOTAL ASSETS (lines 01+26+58) | 19,148,809 | 21,729,848 |

BALANCE SHEET (liabilities)

| in thousand HUF | | | |
|-----------------|---|-------------------|-------------------|
| No. | Title | 31/12/2016 | 31/12/2017 |
| 64 | D) Shareholders' equity (lines 64+66+67+68+69+70+73+74) | 2,302,692 | 1,994,704 |
| 65 | I. ISSUED CAPITAL | 1,000,000 | 1,000,000 |
| 66 | of which: treasury shares repurchased at face value | 0 | 0 |
| 67 | II. ISSUED, BUT NOT PAID CAPITAL | 0 | 0 |
| 68 | III. CAPITAL RESERVE | 21,369 | 21,369 |
| 69 | IV. RETAINED EARNING FROM PREVIOUS YEARS | 976,210 | 783,073 |
| 70 | V. NON-DISTRIBUTABLE RESERVES | 0 | 0 |
| 71 | VI. VALUATION RESERVE | 0 | 0 |
| 72 | 1. Valuation reserve of revaluation of assets | 0 | 0 |
| 73 | 2. Fair valuation reserve | 0 | 0 |
| 74 | VII. GENERAL RESERVE | 0 | 0 |
| 75 | VIII. PROFIT OR LOSS FOR THE YEAR | 305,113 | 190,262 |
| 76 | E) Provisions (lines 76-78) | 1,526 | 54 |
| 77 | Provisions for expected liabilities | 0 | 0 |
| 78 | Provisions for future costs | 0 | 0 |
| 79 | Other provisions | 1,526 | 54 |
| 80 | F) Liabilities (lines 80+84+92) | 16,741,903 | 19,669,236 |
| 81 | I. Subordinated liabilities | 0 | 0 |
| 82 | Subordinated liabilities to related companies | 0 | 0 |
| 83 | Subordinated liabilities to other investees | 0 | 0 |
| 84 | Subordinated liabilities to other entities | 0 | 0 |
| 85 | II. LONG-TERM LIABILITIES (lines 81-91) | 220,000 | 722,354 |
| 86 | Long-term credits | 0 | 0 |
| 87 | Convertible bonds | 0 | 0 |
| 88 | Investment and development loans | 0 | 0 |
| 89 | Other long-term loans | 0 | 0 |
| 90 | Long term liabilities to related companies | 220,000 | 722,354 |
| 91 | Long term liabilities to other investees | 0 | 0 |
| 92 | Other long-term liabilities | 0 | 0 |
| 93 | III. SHORT-TERM LIABILITIES (lines 93-98) | 16,521,903 | 18,946,882 |
| 94 | Short-term credits | 0 | 0 |
| 95 | Short-term loans | 0 | 0 |
| 96 | Advance payments received from customers | 0 | 0 |
| 97 | Trade accounts payables | 24,324 | 22,610 |
| 98 | Liabilities towards customers | 15,823,987 | 18,818,273 |
| 99 | Liabilities from settlement of stock market transactions | 0 | 0 |
| 100 | Liabilities from settlement of over the counter transactions | 0 | 0 |
| 101 | Liabilities towards clearing houses and institutions offering clearing services | 0 | 0 |
| 102 | a) Liabilities towards clearing houses | 0 | 0 |

| in thousand HUF | | | |
|-----------------|---|-------------------|-------------------|
| No. | Title | 31/12/2016 | 31/12/2017 |
| 103 | b) Liabilities towards institutions offering clearing services | 0 | 0 |
| 104 | Short-term liabilities towards related companies | 572,583 | 7,510 |
| 105 | Short-term liabilities towards companies with material share relation | 0 | 0 |
| 106 | Short-term liabilities to other investees | 0 | 0 |
| 107 | Bill of exchange payable | 0 | 0 |
| 108 | Other short-term liabilities | 101,009 | 98,489 |
| 109 | Fair value adjustment of liabilities | 0 | 0 |
| 110 | Negative difference of derivatives transactions | 0 | 0 |
| 111 | G) Accrued expenses and deferred income (lines 110-112) | 102,688 | 65,854 |
| 112 | Deferred revenues | 0 | 0 |
| 113 | Accued expenses | 102,688 | 65,854 |
| 114 | Deferred income | 0 | 0 |
| 115 | TOTAL LIABILITIES (lines 63+75+79+109) | 19,148,809 | 21,729,848 |

PROFIT AND LOSS STATEMENT

| in thousand HUF | | | |
|-----------------|--|------------------|------------------|
| No. | Title | 31/12/2016 | 31/12/2017 |
| a) | Incomes from stock brokerage activities | 2,192,170 | 2,119,750 |
| b) | Incomes from commercial activities | 609,217 | 602,331 |
| c) | Incomes from security issuing activities | 48,000 | 34,250 |
| d) | Incomes from deposit and portfolio management activities | 57,545 | 65,299 |
| e) | Incomes from other investment service activities | 649,489 | 159,449 |
| 1 | Incomes from investment service activities (lines a+b+c+d+e) | 3,556,421 | 2,981,079 |
| | of which valuation difference | 0 | 0 |
| f) | Expenditures of stock brokerage activities | 413,160 | 470,998 |
| g) | Expenditures of commercial activities | 312,809 | 316,693 |
| h) | Expenditures of share issuing activities | 0 | 0 |
| i) | Expenditures of deposit and portfolio management activities | 21,335 | 31,384 |
| j) | Expenditures of other investment service activities | 314,576 | 175,941 |
| 2 | Expenditures of investment service activities (lines f+g+h+i+j) | 1,061,880 | 995,016 |
| | of which valuation difference | 0 | 0 |
| I. | Profit on investment service activities (lines 01-02) | 2,494,541 | 1,986,063 |
| II. | Other incomes | 35,805 | 108,312 |
| | of which: reversal of impairment loss provision | 4,850 | 1,235 |
| III. | Incomes from non-investment service activities | 0 | 0 |
| IV. | Own performance capitalized | 0 | 0 |
| a | Cost of raw materials | 34,882 | 30,493 |
| b | Value of services used | 508,033 | 468,147 |

| in thousand HUF | | | |
|-----------------|---|-----------------|----------------|
| No. | Title | 31/12/2016 | 31/12/2017 |
| c | Value of other services | 10,215 | 18,886 |
| d | Cost of goods sold | 0 | 0 |
| e | Value of recharged services | 16,392 | 21,016 |
| V. | Material type expenditures (lines a-e) | 569,522 | 538,542 |
| 3 | Wages | 687,369 | 642,706 |
| 4 | Other personnel-related payments | 93,185 | 78,231 |
| 5 | Personnel related contributions | 196,017 | 154,065 |
| VI. | Personnel-related expenditures (lines 03-05) | 976,571 | 875,002 |
| VII. | Depreciation | 55,813 | 64,908 |
| VIII. | Other expenses | 486,311 | 396,435 |
| | of which: impairment loss provision | 7,149 | 47,800 |
| IX. | Non-investment service activities expenditures | 0 | 0 |
| A | TRADING PROFIT (lines I-IX) | 442,129 | 219,488 |
| 6 | Dividends and profit-sharing received | 0 | 75,002 |
| | of which: received from related companies | 0 | 75,001 |
| 7 | Capital gains on investments | 0 | 0 |
| | of which: received from related companies | 0 | 0 |
| 8 | Interest and financial gains on financial investments | 0 | 0 |
| | of which: received from related companies | 0 | 0 |
| 9 | Interest and interest-like revenues | 28,498 | 4,613 |
| | of which: received from related companies | 0 | 0 |
| 10 | Other incomes from financial transactions | 29,772 | 45,690 |
| | of which: valuation difference | 0 | 0 |
| X. | Incomes from financial transactions (lines 6-10) | 58,270 | 125,305 |
| 11 | Expenses and financial losses from investment | 5,200 | 0 |
| | of which: from related companies | 0 | 0 |
| 12 | Interest and capital gains on financial investments | 0 | 0 |
| | of which: from related companies | 0 | 0 |
| 13 | Paid interests and interest-like payments | 115,338 | 113,618 |
| | of which: from related companies | 112,678 | 107,725 |
| 14 | Write-off of financial investments | 0 | 0 |
| 15 | Other expenditures of financial transactions | 49,315 | 25,517 |
| | of which: valuation difference | 0 | 0 |
| XI. | Expenditures of financial transactions (lines 11-15) | 169,853 | 139,135 |
| B | PROFIT ON FINANCIAL TRANSACTIONS (lines X-XI) | -111,583 | -13,830 |
| C | PROFIT BEFORE TAXATION | 330,546 | 205,658 |
| XII. | Tax liability | 25,433 | 15,396 |
| F | PROFIT AFTER TAXES | 305,113 | 190,262 |
| XIII. | General reserve creation (+) /usage (-) | 0 | 0 |
| G. | PROFIT OR LOSS FOR THE YEAR | 305,113 | 190,262 |

CASH-FLOW statement

| in thousand HUF | | |
|---|------------------|------------------|
| | 31/12/2016 | 31/12/2017 |
| I. OPERATIONAL CASH-FLOW | 3,729,047 | 3,231,171 |
| 1. Profit before taxes +/- | 330,546 | 205,658 |
| 2. Depreciation+ | 55,813 | 64,908 |
| 3. Impairment accounted and reversed +/- | 88,827 | 182,437 |
| 4. Difference between provisions made and provisions used +/- | -2,036 | -1,472 |
| 5. Income from fixed asset disposals +/- | -438 | -2,413 |
| 6. Changes in trade payables +/- | -37,157 | -1,714 |
| 7. Changes in liabilities to clients +/- | 3,401,814 | 2,994,286 |
| 8. Changes in other current liabilities +/- | 13,431 | -2,520 |
| 9. Changes in accrued expenses and deferred income +/- | 73,744 | -36,834 |
| 10 Changes in trade account receivables +/- | -1,708 | 964 |
| 11. Changes in current assets (without receivables and financial assets) +/- | -177,880 | 335,712 |
| 12. Changes in accrued expenses and deferred income +/- | 9,524 | 5,805 |
| 13. Taxes paid (on profits) - | -25,433 | -15,396 |
| 14. Dividends and profit shares paid - | 0 | -498,250 |
| II. INVESTMENT CASH FLOW | -68,290 | -189,520 |
| 14. Purchase of fixed assets - | -101,744 | -281,861 |
| 15. Sale and reclassification of fixed assets + | 33,454 | 17,339 |
| 16. Dividend, profit sharing received + | 0 | 75,002 |
| III. FINANCIAL CASH FLOW | -5,867 | -62,719 |
| 17. Proceeds from the issue of shares (fundraising) + | 0 | 0 |
| 18. Proceeds from the issue of bonds and debt securities + | 0 | 0 |
| 19. Loans taken + | 220,000 | 107,725 |
| 20. Repayment, termination and redemption of long-term loans given and bank deposits placed + | 0 | 0 |
| 21. Final cash received + | 0 | 0 |
| 22. Reduction of stock (decrease of capital) - | 0 | 0 |
| 23. Repayment of bonds - | 0 | 0 |
| 24. Loan repayment - | -225,867 | -170,444 |
| 25. Long-term loans given and bank deposits placed - | 0 | 0 |
| 26. Non-repayable assets given - | 0 | 0 |
| 27. Changes in liabilities to founders and other long-term liabilities +/- | 0 | 0 |
| IV. CHANGES IN CASH | 3,654,890 | 2,978,932 |

The supplementary notes which are integral part of the financial statements are not included. The supplementary notes can be read using the following link:
www.equilor.hu/kozvetetelek which may be necessary to understand the financial position of the company.

Independent Auditor’s Report

To the Shareholders of EQUILOR Befektetési Zrt.
[Translation of the Hungarian original](#)

Opinion

We have audited the financial statements of EQUILOR Befektetési Zrt. (the „Company”) for the year 2017 which comprise the balance sheet as at December 31, 2017 (which shows an equal amount of total assets and total liabilities of thHUF 21,729,848 and an after-tax profit for the year of thHUF 190,262), as well as the related profit and loss account for the year then ended and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2017 and its financial performance for the year then ended in accordance with Act C of 2000 on Accounting (the „Accounting Act”) effective in Hungary.

Basis for Opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits. Our responsibilities under these standards are further described in the “The Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report.

We are independent of the Company in compliance with the relevant effective Hungarian regulations and the “Rules of conduct (ethical rules) of the auditor profession and the disciplinary process” of the Chamber of Hungarian Auditors and, in respect of matters not regulated therein, the “Code of Ethics for Professional Accountants” (the IESBA Code) issued by the International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with the same ethical requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the matter |
|--|--|
| Completeness of custody assets | |
| Due to the specific reporting requirements the client cash is reported as liabilities whereas client securities being off balance sheet items are reported in the supplementary notes to the financial statements. | The relevant audit procedures performed by us included the followings: |
| The management should design implement and operate an effective control environment to ensure the permanent availability of the complete custody assets. | <ul style="list-style-type: none">interview of management and those charged with governance, |
| In case the control environment was not operating effectively shortage could occur in some clients’ properties. | <ul style="list-style-type: none">testing the control over reconciliation of custody assets, |
| Based on the significance of the above described circumstances the completeness of custody assets was identified as a key audit matter. | <ul style="list-style-type: none">reconciling the client cash with the depository cash by depository sites based on confirmation letters,reconciling the client securities with the depository securities by depository sites based on confirmation letters,sample based testing of execution and settlement of client orders,testing client complaints,reviewing subsequent events. |

Other Information: The Business Report

Other information includes the business report of the Company for 2017. Management is responsible for the preparation of the business report in accordance with the relevant provisions of the Accounting Act and other regulations. Our opinion on the financial statements provided in the section of our independent auditor’s report entitled „Opinion” does not apply to the business report.

Our responsibility in connection with our audit of the financial statements is to read the business report and, in doing so, consider whether the business report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Furthermore, in accordance with the Accounting Act, our responsibilities also include assessing whether the business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, and to express an opinion on the above and on whether the business report is consistent with the financial statements.

In our opinion, the business report of the Company for 2017 corresponds to the financial statements of the Company for 2017 and the relevant provisions of the Accounting Act in all material respects. As the Company is not subject to additional requirements under any other regulation in connection with the business report, we have not formulated an opinion on this matter.

In addition to the above, based on the information obtained about the Company and its environment, we must report on whether we became aware of any material misstatements in the business report and, if so, on the nature of such material misstatements. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern principle, and preparing the financial statements using the going concern basis of accounting. Management must apply the going concern principle, unless the use of this principle is precluded by any provision, or if any fact or circumstance prevails, which precludes the Company to continue as a going concern.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

The Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives during the audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue, on the basis of the above, an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's preparation of the financial statements in accordance with the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the Company's internal control that we identify during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 26 Aprils 2012 and our uninterrupted engagement has lasted for 6 years.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 09 April 2018 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the financial statements and/or in the business report.

The engagement partner on the audit resulting in this independent auditor's report is the signatory of the report.

Budapest, 24 April 2018

Free translation Hungarian version is signed

Venilia Vellum Könyvvizsgáló és Adótanácsadó Kft.

Company registration no: 01-09-566797

Investment company qualified registration no of Audit Company: TBV000340

Address: 1026 Budapest, Szilágyi Erzsébet fasor 79.

Name of Authorized representative: Bukri Rózsa

on behalf of Venilia Vellum Ltd. and as a statutory registered auditor

Investment company qualified registration number of statutory registered auditor: EBV001130

This is a translation of Hungarian original – in case of any differences the Hungarian original is prevails.



Equilor is a full-fledged member of the Budapest, Prague and Warsaw Stock Exchanges



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