

Annual Report **2018**



Krisztián Kőrössi

Bálint Szécsényi

András Gereben

A 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. Almost 30 years have elapsed since then, but our objectives 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 consulting 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 suitable investment and bank services to our private and corporate clients requires continuous development in terms of product structure and technology as well. Due to 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, fully taking into consideration their needs, and providing them with tailor-made investment guidance.

As a result of our commitment over the past years, the number of Equilor customers, the assets managed, and our achievements have been steadily increasing; we meanwhile strive to keep the direct contact that our customers have come to know.

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 Zrt. and Equilor Asset Management, comprehensive investment and banking services to our customers ranging from trading in stock exchanges through asset management to corporate finances.

It is an honour 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

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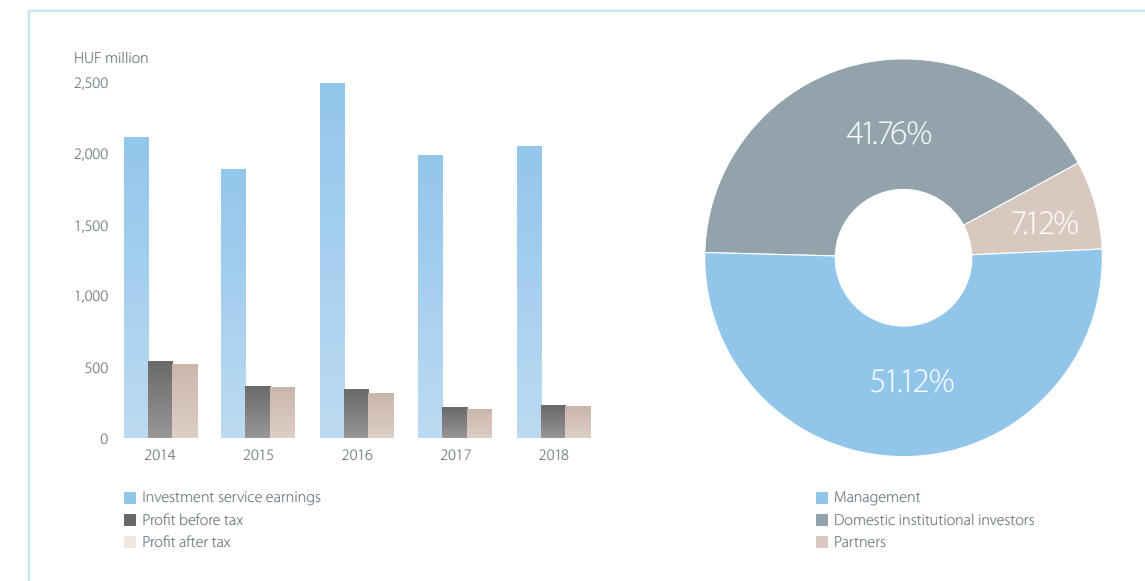
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Summary Financial and Corporate Information

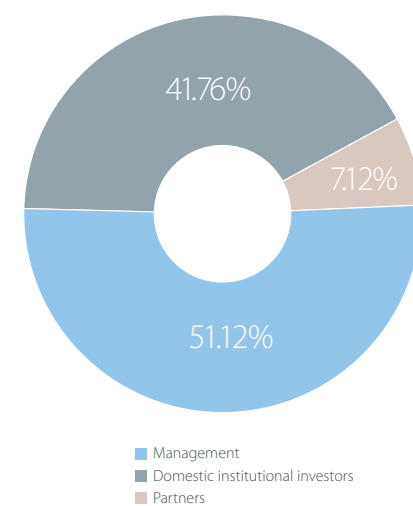
Financial highlights

(in thousand HUF)	2014	2015	2016	2017	2018
Balance sheet total	16,315,667	15,399,767	19,148,809	21,729,848	16,365,264
Equity	1,647,133	1,997,579	2,302,692	1,994,704	2,067,770
Issued share capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Investment service earnings	2,114,705	1,884,503	2,494,541	1,986,063	2,051,345
Profit before tax	535,890	362,220	330,546	205,658	224,749
Profit after tax	510,679	350,446	305,113	190,262	219,279
Number of employees	73	77	82	80	75
Return on equity	36%	22%	15%	9%	11%

Profit and loss data



Ownership structure



Executive officers and persons in senior positions

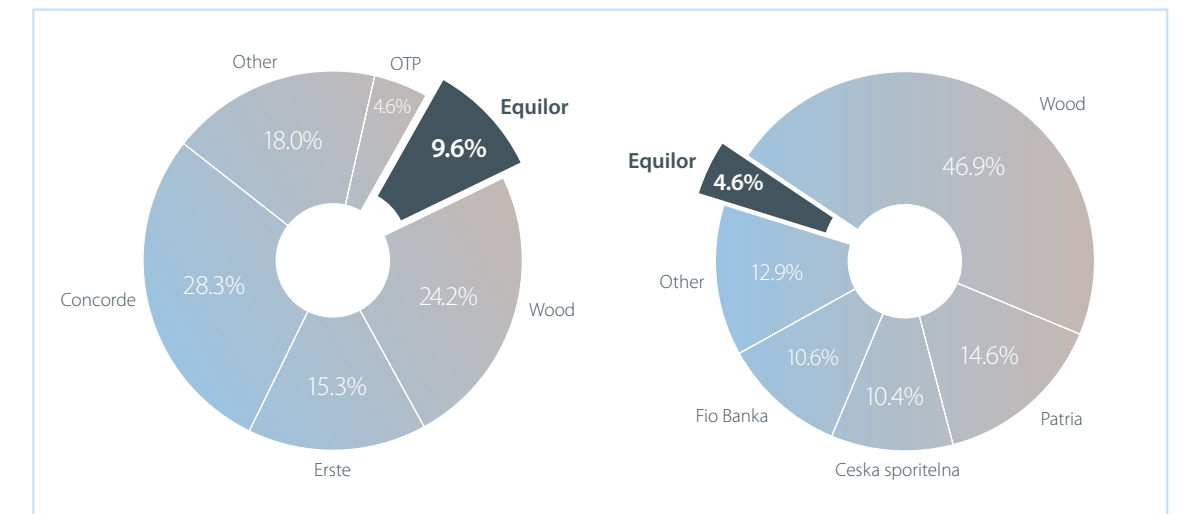
Equilor's Board of Directors András Gereben, chairman // Krisztián Kőrössi, managing director // Bálint Szécsényi, CEO

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

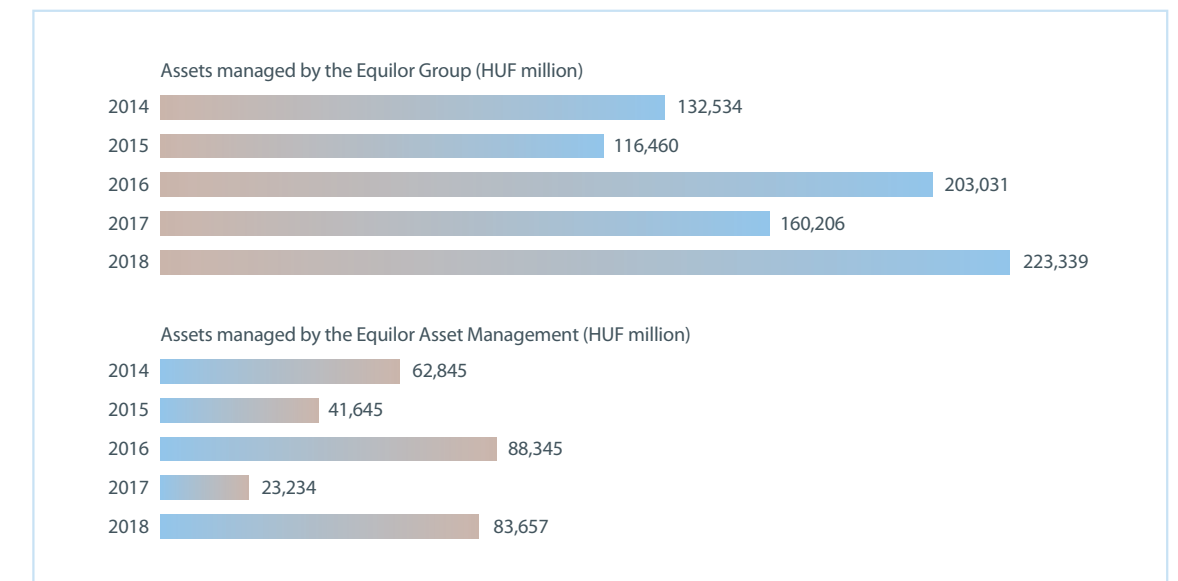
Independent auditor Venilia Vellum Auditing and Tax Consultancy Ltd., License number: MKVK TBV000340
Rózsa Bukri, auditor, Member of the Chamber of Auditors, Chamber identification number: MKVK EBV001130
H-1026 Budapest, Szilágyi Erzsébet fasor 79.

Equilor's Market Share

Equity turnover – Budapest



Assets managed by the Equilor





Management Report

CONTINUED GROWTH – LONG-UNSEEN RISKS

Economists seldom see years where the decrease in interest rates, the growth in national debt, and the soaring of stock markets is paired with low unemployment rates, significant national income production, and low levels of inflation. Future economists are likely to analyse the reasons behind all these for a long time. But what is even more certain is that this global madhouse cannot last long.

Since the crisis in 2008, the central banks and governments controlling the macroeconomic processes have been working on ensuring that the existing social and economic order can continue on with the smallest possible interruptions, though we feel its success in the long run is dubious.

The increasingly disproportionate distribution of goods worldwide, the increasing needs stemming from general well-being, the problems gnawing away at the European Union, the trade war between the United States and China, and the events

in the Middle East do not paint a good picture for the future expectations that most determine the processes on the capital market. Even though it is difficult to predict which will exert the most influence in 2019, their common feature is that the effects of any one of these events may result in significant corrections on stock markets. The last year was characterised by a general volatility on international stock markets. Among other reasons, the December fall was also responsible for the 6.5 percent drop in the S&P 500 index, the DAX index closed the year with a 19 percent drop, and the BUX index ended up 0.6 percent lower.

The money markets were overshadowed by numerous risks and uncertainties. The trade wars launched by the United States and the resulting global worries regarding growth, the uncertainties surrounding Brexit, and the Fed's fourth interest rate hike led to a substantial wave of sales on stock markets in the last month of the year. The European Central Bank phased out its asset purchase programs but has yet to decrease its central bank balance, with interest rates expected to remain low for a long time as well.

The American central bank has also retreated and taken on a position of waiting. In Hungary, inflation took on a new impetus, mainly as a result of the increase in real wages and strong domestic demand; however, external factors continue to indicate downward trends. Economic growth was strong in 2018: according to the Central Statistical Office's report, the GDP grew by 4.9 percent, which surpassed even the most optimistic of forecasts. However, the increasingly strong labour shortage continues to have its effects felt in the various sectors and could limit continued dynamic growth. The weaknesses of the German market is a risk to external growth, as is the outcome of the trade wars.

2018 passed in the spirit of transition for the new, unified EU regulatory framework for the investment market, including Equilor. The MiFID II Directive and the MiFIR Regulation, which entered into effect from 3 January 2018, aim to promote investor protection and increase transparency. MiFID II deals with the authorisation terms and operational requirements of investment companies and regulated markets. Among others, MiFIR manages the disclosure requirements

of trading venues and investment companies, the rules of transparency reports, and the accounting requirements of financial instruments. In the interest of protecting retail clients, the European Securities and Markets Authority (ESMA) prohibited European investment service providers from distributing binary options starting from 1 July 2018, and then introduced additional restrictions on the distribution and sale of CFD products starting from 1 August 2018. ESMA's provisions decrease the sphere of risks caused by excessive capital leverage in three different ways. In the case of numerous products, maximum amounts were set for available capital leverage levels, negative balance account protection was introduced for retail clients, and the level of protection offered by margin close-out protection, compulsory for all service providers, was amended. The new regulations introduced last year increase investor protection and contribute to stabilising the capital markets.

The total of stock sales on the Budapest Stock Exchange's spot market increased by a total of 3.7 percent as compared to 2017, which is definitely a positive tendency, especially in light of the fact that exchange rates stagnated in general. According to the BSE's statistics, the populace's direct stock ownership rose to HUF 600 billion, which is still less than 2 percent of all household savings. The goal was therefore set to continue to increase trust in equity investments. The Budapest Stock Exchange laid out its long term strategy in 2016, which includes the introduction of new shares and corporate bonds, increasing the number of companies eligible for market trading, increasing the number of liquid stocks, ensuring small and medium-sized enterprises can access funds, and significantly increasing stock capitalisation; however, despite the large amount of impressive work invested, there were only three initial public offerings last year.

Equilor Befektetési Zrt had the fourth largest turnover on the spot market of the Budapest and the fifth largest on the Prague stock markets, and it finished 2018 at 33rd place on the Prague Stock Exchange.

We are proud of the fact that, after another challenging year, Equilor was able to retain its leading position even after the rearrangement of the domestic investment market. 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 great strength and motivation throughout Equilor's almost 30 year long history. //

Private Banking and Premium Investment Services

Our Private Banking and Premium Investment branch managed to realise growth in 2018 in terms of both the number of clients and the assets managed: we currently manage the investments of almost 23 thousand clients in a value of more than HUF 140 billion.

This is the branch that was most affected by the fall in revenue expected because of the MiFID II Regulation, which – as made apparent last year – could not be countered by the unmitigated optimism of the markets as the ongoing rise in exchange rates decreases the willingness to buy but doesn't necessarily increase the willingness to sell.

During the course of the year, interest rates increased only as regards the American dollar. As a result, of fixed interest rate investments, clients primarily preferred Premium Hungarian state securities, though they also invested more and more in foreign currency corporate bonds.

Due to the changes in the ESMA regulations, trading possibilities that are even more conservative will be available to retail clients on the foreign exchange market, meaning primarily protected optional structures may be preferred where the risk is limited in comparison to individual futures transactions.

To us, the private banking approach primarily means direct personal service and the greatest possible flexibility allowed by the confines of law, and not just a product.

Accordingly, we provide our clients with the means to effectively manage their savings, from the funds managed by the best fund managers on the Hungarian market, through the securities traded on the world's most important capital markets, to individual derivative products and an online trading platform. ■

Institutional trading

The domestic and international institutional business branch was again active on the Hungarian, Polish, and Czech markets in 2018, where Equilor services its clients with its direct presence on the stock exchange; it is the only Hungarian company to do so.

The repurchase of the bonds convertible to Richter shares in a value of HUF 290 billion at the end of 2018 on behalf of Magyar Nemzeti Vagyonkezelő Zrt. (Hungarian State Holding Company) is connected to our institutional business branch and was successfully implemented by Equilor together with the Goldman Sachs banking house.

The need of institutional customers for direct electronic trading systems (called DMA) has continued in line with earlier trends; therefore it is important for us to remain in the forefront of service providers with technological developments, providing faster and safer access to regional stock exchanges. ■





Equilor Asset Management

Equilor Asset Management closed 2018 with positive results. The asset managed increased significantly in the second half of the year and amounted to HUF 84.18 billion by the end of the year. In the field of institutional asset management, we performed asset management for voluntary pension funds and business organizations.

By the end of 2018, the number of Equilor Asset Management's funds grew to fourteen, of which ten are public and four operate privately. The assets managed in the segment amount to HUF 72.5 billion.

The manager's most dynamically developing business branch was real estate funds, where it operated three privately managed funds. The fund portfolios include category "A" office buildings, areas under development, residential properties, and both speculative and long-term investments.

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

Similarly to 2018, the most important task of 2019 is the dynamic development of the real estate fund division. In 2019, our objectives include increasing the volume of and the return on our existing investment funds. In addition, it is of paramount importance to maintain the standard 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

2018 was an exceptionally successful year for Equilor's Corporate Finance team, as significant transactions were managed not only in the area of public and private securities, but also in acquisition and strategic consultancy services. Of these, the consultancy provided for one of the highest value purchases made last year – in a value of EUR 140 million – features prominently, as part of which Digi Távközlési és Szolgáltató Kft. purchased Invitel Távközlési Zrt.

Similarly to the previous year, in 2018 we continued developing our company assessment, business planning and valuation services provided to private and risk capital fund managers, and we also cooperated in supporting the financing organisation and private sales activities of these clients. ▮





Equilor Fine Art

Equilor Fine Art Ltd, which deals with the fine art market and investing in works of art, was founded by Equilor in 2007. The company's activities include the 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 personalised and committed consultancy, ensures that customer needs are effectively served. As part of the cooperation launched in 2012, Equilor Fine Art was part of the team organising the Art Moments international contemporary visual arts festival in 2018 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; János Melis

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

Equilor Corporate Advisory Ltd.

Issued share capital: HUF 5,000,000

Ownership share: 88%

Chief Executive Officer: András Gereben

Equilor Fine Art Ltd.

Issued share capital: HUF 168,000,000

Ownership share: 97.5%

Managing Director: Katalin Gereben, Dr

Budapest Stock Exchange Ltd.

Issued share capital: HUF 541,348,100

Ownership share: 0.15%

Corporate social responsibility

Equilor has been a sponsor of triathlon since 2016, not only because it is one of the most technically complex sports requiring great perseverance, but also because many in our team are committed members of the growing camp of triathlons, and Equilor's team even has two Iron Men in the persons of Krisztián Kőrössi and Péter Horváth.

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:

Karolina Horváth: Silver in the European Cup Junior league, 6th place in relay.

Zsanett Bragmayer: Athlete of the Year in triathlon, 4th place in the relay European Cup Adult league 3rd and 6th places in the World Cup.

Viktor Mészáros: 3rd place in the Junior European Cup.



BALANCE SHEET (assets)

		in thousand HUF	
No,	Title	31/12/2017	31/12/2018
1	A) Fixed assets (lines 02+10+18)	590,932	546,509
2	I. INTANGIBLE ASSETS (lines 03-09)	46,530	52,428
3	Capitalised value of foundation/restructuring	0	0
4	Capitalised value of research and development	0	0
5	Concessions and similar rights	441	0
6	Intellectual assets	46,089	48,748
7	Goodwill	0	0
8	Advance payments of intangible assets	0	3,680
9	Revaluation of intangible assets	0	0
10	II. TANGIBLE ASSETS (lines 11-17)	267,099	213,368
11	Land and buildings and related concessions and similar rights	48,040	43,297
12	Technical equipment,machines and vehicles	0	0
13	Other equipment, machines and vehicles	219,059	167,613
14	Breeding stock	0	0
15	Capital WIP, renovations	0	2,458
16	Advance payments of capital WIP	0	0
17	Revaluation of tangible assets	0	0
18	III. FINANCIAL INVESTMENTS (lines 19-25)	277,303	280,713
19	Long term shares in related companies	247,200	243,000
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	18,587	26,197
24	Securities representing long term loans	0	0
25	Revaluation of financial investments	0	0
26	B) Current assets (lines 27+34+48+53)	21,101,354	15,803,387
27	I. INVENTORIES (lines 28-33)	30,150	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	30,150	30,150
33	Advance payments on inventories stocks	0	0

		in thousand HUF	
No,	Title	31/12/2017	31/12/2018
34	II. RECEIVABLES (lines 35-47)	266,853	644,352
35	Trade account receivables	1,402	12,788
36	Account receivables from service supplied to customers	92,853	91,236
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	152,143	484,470
40	a) Claims against clearing houses	152,143	484,470
41	b) Claims against institutions offering clearing services	0	0
42	Receivables from related companies	2,495	156
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	17,960	55,702
47	Fair value adjustment of receivables	0	0
48	Positive difference of derivatives transactions	0	0
49	III. MARKETABLE SECURITIES (lines 49-52)	1,103,926	991,752
50	Investments in related companies	0	0
51	Other shares	23,725	23,875
52	Own shares	0	0
53	Securities presenting loans held for sale	1,080,201	967,877
54	IV. CASH AND BANK (lines 54-55)	19,700,425	14,137,133
55	Cash, cheques	21,442	20,287
56	Bank deposit	19,678,983	14,116,846
57	a) stock exchange account	1,605,108	1,579,619
58	b) Other bank deposit	18,073,875	12,537,227
59	C) Prepaid expenses and accrued income	37,562	15,368
60	Accrued income	31,083	12,943
61	Prepaid expenses	6,479	2,425
62	Deffered expenses	0	0
63	TOTAL ASSETS (lines 01+26+58)	21,729,848	16,365,264

16 April, 2019.

BALANCE SHEET (liabilities)

in thousand HUF			
No.	Title	31/12/2017	31/12/2018
64	D) Shareholders' equity (lines 64+66+67+68+69+70+73+74)	1,994,704	2,067,770
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	783,073	827,122
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	190,262	219,279
76	E) Provisions (lines 76-78)	54	0
77	Provisions for expected liabilities	0	0
78	Provisions for future costs	0	0
79	Other provisions	54	0
80	F) Liabilities (lines 80+84+92)	19,669,236	14,220,599
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)	722,354	0
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	722,354	0
91	Long term liabilities to other investees	0	0
92	Other long-term liabilities	0	0
93	III. SHORT-TERM LIABILITIES (lines 93-98)	18,946,882	14,220,599
94	Short-term credits	0	0
95	Short-term loans	0	0
96	Advance payments received from customers	0	0
97	Trade accounts payables	22,610	26,037
98	Liabilities towards customers	18,818,273	13,416,487
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	31/12/2017	31/12/2018
103	b) Liabilities towards institutions offering clearing services	0	0
104	Short-term liabilities towards related companies	7,510	679,366
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	98,489	98,709
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)	65,854	76,895
112	Deferred revenues	0	0
113	Accrued expenses	65,854	76,895
114	Deferred income	0	0
115	TOTAL LIABILITIES (lines 63+75+79+109)	21,729,848	16,365,264

16 April, 2019.

PROFIT AND LOSS STATEMENT

in thousand HUF			
No.	Title	31/12/2017	31/12/2018
a)	Incomes from stock brokerage activities	2,119,750	1,739,301
b)	Incomes from commercial activities	602,331	345,353
c)	Incomes from security issuing activities	34,250	18,750
d)	Incomes from deposit and portfolio management activities	65,299	51,156
e)	Incomes from other investment service activities	159,449	883,156
1	Incomes from investment service activities (lines a+b+c+d+e)	2,981,079	3,037,716
	of which valuation difference	0	0
f)	Expenditures of stock brokerage activities	470,998	491,756
g)	Expenditures of commercial activities	316,693	222,504
h)	Expenditures of share issuing activities	0	0
i)	Expenditures of deposit and portfolio management activities	31,384	26,455
j)	Expenditures of other investment service activities	175,941	245,656
2	Expenditures of investment service activities (lines f+g+h+i+j)	995,016	986,371
	of which valuation difference	0	0
I.	Profit on investment service activities (lines 01-02)	1,986,063	2,051,345
II.	Other incomes	108,312	79,054
	of which: reversal of impairment loss provision	1,235	203
III.	Incomes from non-investment service activities	0	0
IV.	Own performance capitalized	0	0
a	Cost of raw materials	30,493	30,474
b	Value of services used	468,147	427,606

		in thousand HUF	
No.	Title	31/12/2017	31/12/2018
c	Value of other services	18,886	13,758
d	Cost of goods sold	0	0
e	Value of recharged services	21,016	26,597
V.	Material type expenditures (lines a-e)	538,542	498,435
3	Wages	642,706	651,743
4	Other personnel-related payments	78,231	75,687
5	Personnel related contributions	154,065	139,772
VI.	Personnel-related expenditures (lines 03-05)	875,002	867,202
VII.	Depreciation	64,908	68,414
VIII.	Other expenses	396,435	470,236
	of which: impairment loss provision	47,800	3,650
IX.	Non-investment service activities expenditures	0	0
A	TRADING PROFIT (lines I-IX)	219,488	226,112
6	Dividends and profit-sharing received	75,002	57,174
	of which: received from related companies	75,001	47,430
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	4,613	20,313
	of which: received from related companies	0	0
10	Other incomes from financial transactions	45,690	44,956
	of which: valuation difference	0	0
X.	Incomes from financial transactions (lines 6-10)	125,305	122,443
11	Expenses and financial losses from investment	0	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	113,618	98,441
	of which: from related companies	107,725	88,211
14	Write-off of financial investments	0	0
15	Other expenditures of financial transactions	25,517	25,365
	of which: valuation difference	0	0
XI.	Expenditures of financial transactions (lines 11-15)	139,135	123,806
B	PROFIT ON FINANCIAL TRANSACTIONS (lines X-XI)	-13,830	-1,363
C	PROFIT BEFORE TAXATION	205,658	224,749
XII.	Tax liability	15,396	5,470
F	PROFIT AFTER TAXES	190,262	219,279
XIII.	General reserve creation (+) /usage (-)	0	0
G.	PROFIT OR LOSS FOR THE YEAR	190,262	219,279

16 April, 2019.

CASH-FLOW statement

		in thousand HUF	
		31/12/2017	31/12/2018
I. OPERATIONAL CASH-FLOW		3,231,171	-5,555,743
1. Profit before taxes +/-		205,658	224,749
2. Depreciation+		64,908	68,414
3. Impairment accounted and reversed +/-		182,437	-141,027
4. Difference between provisions made and provisions used +/-		-1,472	-54
5. Income from fixed asset disposals +/-		-2,413	-9,916
6. Changes in trade payables +/-		-1,714	3,427
7. Changes in liabilities to clients +/-		2,994,286	-5,401,786
8. Changes in other current liabilities +/-		-2,520	220
9. Changes in accrued expenses and deferred income +/-		-36,834	11,041
10. Changes in trade account receivables +/-		964	-11,386
11. Changes in current assets (without receivables and financial assets) +/-		335,712	-169,936
12. Changes in accrued expenses and deferred income +/-		5,805	22,194
13. Taxes paid (on profits) -		-15,396	-5,470
14. Dividends and profit shares paid -		-498,250	-146,213
II. INVESTMENT CASH FLOW		-189,520	43,099
14. Purchase of fixed assets -		-281,861	-62,231
15. Sale and reclassification of fixed assets +		17,339	48,156
16. Dividend, profit sharing received +		75,002	57,174
III. FINANCIAL CASH FLOW		-62,719	-50,648
17. Proceeds from the issue of shares (fundraising) +			0
18. Proceeds from the issue of bonds and debt securities +			0
19. Loans taken +		107,725	88,211
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
23. Repayment of bonds -			0
24. Loan repayment -		-170,444	-138,709
25. Long-term loans given and bank deposits placed -		0	0
26. Non-repayable assets given -		0	-150
27. Changes in liabilities to founders and other long-term liabilities +/-		0	0
IV. CHANGES IN CASH		2,978,932	-5,563,292

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.

16 April, 2019.



Venilia Vellum Könyvvizsgáló és Adótanácsadó Kft.
1026 Budapest, Szilágyi Erzsébet fasor 79.
Tel: +36 1 210-27-33
Fax: +36 1 210-27-34
info@venilia.hu
www.venilia.hu

Translation of the Hungarian original
INDEPENDENT AUDITOR'S REPORT

To the Shareholders of EQUILOR Befektetési Zrt.

Opinion

We have audited the financial statements of EQUILOR Befektetési Zrt. (the „Company”) for the year 2018 which comprise the balance sheet as at December 31, 2018 (which shows an equal amount of total assets and total liabilities of thHUF 16,365,264 and profit for the year of thHUF 219,279), 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, 2018 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: - interview of management and those charged with governance,
The management should design implement and operate an effective control environment to ensure the permanent availability of the complete custody assets.	- testing the control over reconciliation of custody assets, - reconciling the client cash with the depository cash by depository sites based on confirmation letters,
In case the control environment was not operating effectively shortage could occur in some clients' properties.	- reconciling the client securities with the depository securities by depository sites based on confirmation letters,
Based on the significance of the above described circumstances the completeness of custody assets was identified as a key audit matter.	- 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 2018. 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 2018 corresponds to the financial statements of the Company for 2018 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 April 2012 and our uninterrupted engagement has lasted for 7 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 01 April 2019 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, 16 April 2019

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.





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Equilor Investment Ltd.

H-1037 Budapest, Montevideo St. 2/C

Phone: +36 1 430 3980 Fax: +36 1 430 3981

www.equilor.hu