

**Budapesti Értéktőzsde Zártkörűen
Működő Részvénytársaság**

Annual Financial Statements

31 December 2018

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This is a translation of the Hungarian Report

Independent Auditor's Report

To the Shareholders of Budapesti Értéktőzsde Zártkörűen Működő Részvénytársaság

Opinion

We have audited the accompanying 2018 annual financial statements of Budapesti Értéktőzsde Zártkörűen Működő Részvénytársaság ("the Company"), which comprise the balance sheet as at 31 December 2018 - showing a balance sheet total of HUF 7,492,248 thousand and a profit after tax for the year of HUF 296,702 thousand -, the related profit and loss account for the financial year then ended and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements give a true and fair view of the equity and financial position of the Company as at 31 December 2018 and of the results of its operations for the financial year then ended in accordance with the Act C of 2000 on Accounting ("Hungarian Accounting Law").

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the annual financial statements" section of our report.

We are independent of the Company in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other matters

The Company's annual financial statements as at 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on 18 April 2018.

Other information

Other information consists of the 2018 business report of the Company. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the annual financial statements does not cover the business report.

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

Concerning the business report it is our responsibility also, in accordance with the Hungarian Accounting Law, to consider whether the business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

In our opinion, the business report of the Company for 2018 is consistent, in all material respects, with the 2018 annual financial statements of the Company and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Company further requirements with regard to its business report, we do not express opinion in this regard.

Further to the above, based on the knowledge we have obtained about the Company and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the business report, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the annual financial statements

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

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting. Management is required to apply going concern principle unless the applicability of that principle is precluded by other provisions or there are facts and circumstances that contradict with the continuance of the Company's business activity.

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

Auditor's responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 Hungarian National Auditing Standards and with applicable laws and regulations in Hungary will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 annual financial statements.

As part of an audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the annual 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 use of the going concern basis of accounting 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 our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our 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 annual financial statements, including the disclosures, and whether the annual 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 internal controls of the Company that we identify during our audit.

Budapest, 16 April 2019

(The original Hungarian version has been signed.)

Szabó Gergely
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No.: 001165

Szabó Gergely
Registered auditor
Chamber membership No.: 005676



FINANCIAL STATEMENTS OF
THE BUDAPEST STOCK
EXCHANGE FOR THE YEAR 2018



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BALANCE SHEET

HUF '000

a	Denomination b	31.12.2017 c	31.12.2018 d
1	A. LONG-TERM ASSETS (rows 2+10+17)	5 518 426	5 597 867
2	I. Intangible assets (rows 3-9)	131 108	236 520
3	Capitalized value of formation, promotion and restructuring expenses	0	0
4	Capitalized value of research and development	0	0
5	Rights, representing assets	1 212	1 078
6	Intellectual products	129 896	235 442
7	Goodwill	0	0
8	Advances and prepayments on intangible assets	0	0
9	Value correction of intangible assets	0	0
10	II. Tangible assets (rows 11-16)	192 296	166 325
11	Buildings and related concessions and similar rights	22 221	12 568
12	Plant machinery	55 156	119 526
13	Other equipments and fittings, vehicles	44 597	34 231
14	Assets in course of constructions	70 322	0
15	Prepayments made on fixed assets	0	0
16	Value correction of tangible assets	0	0
17	III. Invested financial assets (rows 18-21)	5 195 022	5 195 022
18	Significant participations	5 189 072	5 189 072
19	Other participations	5 950	5 950
20	Long term loan	0	0
21	Securities signifying a long-term creditor relationship	0	0
22	B. CURRENT ASSETS (rows 23+29+34+39)	830 502	1 538 654
23	I. Stocks (rows 24-28)	5 544	4 100
24	Raw materials and consumable goods	0	0
25	Work in progress	0	0
26	Finished goods	0	0
27	Merchandise	5 544	4 100
28	Prepayments made on stocks	0	0
29	II. Receivables (rows 30-33)	134 509	198 902
30	Trade debtors	118 503	107 002
31	Receivables from affiliated undertaking	0	54 647
32	Bills receivable	0	0
33	Other debtors	16 006	37 253
34	III. Securities (rows 35-38)	0	0
35	Participation in affiliated undertaking	0	0
36	Other participation	0	0
37	Own shares, own partnership shares, re-exchangable shares	0	0
38	Debt securities held for sale	0	0
39	IV. Cash and cash equivalents (rows 40-41)	690 449	1 335 652
40	Cash	0	0
41	Current account	690 449	1 335 652
42	C. ACCRUED INCOME AND PREPAYMENTS (rows 43-45)	297 539	355 727
43	Accrued income	272 371	306 688
44	Prepayments	25 168	49 039
45	Equity and accrued and deferred assets of deferred expenditures	0	0
46	TOTAL ASSETS (rows 1+22+42)	6 646 467	7 492 248

Budapest, 16 April, 2019

Richárd Végh
Chairman-CEO

Ildikó Auguszt
Financial Director



HUF '000

a	Denomination b	31.12.2017 c	31.12.2018 d
48	D. Shareholders' equity (rows 49-56)	6 222 580	6 519 282
49	I. Share capital	541 348	541 348
50	thereof: ownership shares repurchased at face value	0	0
51	II. Unpaid issued capital	0	0
52	III. Capital reserve	2 576 356	2 576 356
53	IV. Retained earnings	2 928 611	3 104 876
54	V. Non-distributable reserves	0	0
55	VI. Revaluation reserve	0	0
56	VII. Net profit for the year	176 265	296 702
57	E. PROVISIONS (rows 58-60)	0	0
58	Provisions for expected liabilities	0	0
59	Provisions for costs in the future	0	0
60	Other provisions	0	0
61	F. LIABILITIES (rows 62+66+75)	195 433	779 164
62	I. Subordinated liabilities (rows 63-65)	0	0
63	Subordinated liabilities to affiliated undertaking	0	0
64	Subordinated liabilities to independent undertaking	0	0
65	Subordinated liabilities to other economic entities	0	0
66	II. Long-term liabilities (rows 67-74)	0	0
67	Long-term loans	0	0
68	Convertible bonds	0	0
69	Debts on the issue of of bonds	0	0
70	Investment and development credits	0	0
71	Other long-term credits	0	0
72	Long-term liabilities to affiliated undertaking	0	0
73	Long-term liabilities to independent undertaking	0	0
74	Other long-term liabilities	0	0
75	III. Short term liabilities (rows 76-83)	195 433	779 164
76	Short-term loans	0	0
77	thereof: convertible bonds	0	0
78	Prepayments received from customer	52	0
79	Trade accounts payables	128 633	207 369
80	Bills payable	0	0
81	Short-term liabilities to affiliated undertaking	0	400
82	Dividends	0	0
83	Other short term liabilities	66 748	571 395
84	G. ACCRUED EXPENSES AND DEFERRED INCOME (rows 85-87)	228 454	193 802
85	Deferred income	64 400	63 400
86	Accrued expenses	164 054	130 402
87	Defered revenues	0	0
88	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (rows 48+57+61+84)	6 646 467	7 492 248

Budapest, 16 April, 2019

Richárd Végh
Chairman-CEO

Ildikó Auguszt
Financial Director



INCOME STATEMENT

HUF '000

a	Denomination b	31.12.2017 c	31.12.2018 d
1	Net domestic sales	1 400 509	1 464 615
2	Net external sales	844 333	873 426
I.	Revenues from stock exchange activities (rows 1+2)	2 244 842	2 338 041
3	Change in self-manufactured stocks	0	0
4	Own work capitalized	0	0
II.	Own performance capitalized (rows 3-4)	0	0
III.	Other revenues	208 544	199 465
	thereof: write-back of loss in value	5 853	12 910
5	Cost of materials	6 488	7 170
6	Values of services utilized	739 549	944 290
7	Other costs	10 350	12 944
8	Cost of good sold	0	0
9	Sub-contracted services	51 225	51 668
IV.	Material-type costs (rows 5-9)	807 612	1 016 072
10	Wages and salaries	760 269	802 578
11	Other employee benefits	44 746	54 916
12	Contributions on wages and salaries	202 945	183 638
V.	Staff costs (rows 10-12)	1 007 960	1 041 132
VI.	Depreciation	107 649	135 229
VII.	Other expenses	336 496	455 097
	thereof: loss in value	3 048	1 588
A.	OPERATING PROFIT (LOSS) (I+II±III-IV-V-VI-VII)	193 669	-110 024
13	Dividend received	0	399 971
	thereof: from affiliated undertakings	0	399 971
14	Gains on participations	0	0
	thereof: from affiliated undertakings	0	0
15	Gains on long term investments (except participations)	0	0
	thereof: from affiliated undertakings	0	0
16	Interests received	3 143	211
	thereof: from affiliated undertakings	0	0
17	Other incomes from financial transactions	4 674	12 300
VIII.	Income from financial operations (rows 13+14+15+16+17)	7 817	412 482
18	Losses on participations	0	0
	thereof: to affiliated undertakings	0	0
19	Losses on long term investments (except participations)	0	0
	thereof: to affiliated undertakings	0	0
20	Interest payable and and similar changes	0	0
21	Other expenses on financial transactions	5 127	5 756
IX.	Expenses of financial operations (rows 18+19+20+21)	5 127	5 756
B.	FINANCIAL RESULT (VIII-IX)	2 690	406 726
C.	PROFIT BEFORE INCOME TAX (±A±B)	196 359	296 702
X.	Income tax	20 094	0
D.	PROFIT (LOSS) AFTER INCOME TAX (±C-X)	176 265	296 702

Budapest, 16 April, 2019

Richárd Végh
Chairman-CEO

Ildikó Auguszt
Financial Director



NOTES TO THE 2018 FINANCIAL STATEMENTS





GENERAL COMPANY INFORMATION

Name of Company: Budapesti Értéktőzsde Zártkörűen Működő Részvénytársaság (Budapest Stock Exchange Private Company Limited by Shares)

Address of Company: H-1054 Budapest, Szabadság tér 7.

Company's Registration No.: Cg. 01-10-044764

Data of persons authorised to sign the report on behalf of the Company:

Richárd Végh, Chairman-CEO Address: H-2040 Budaörs, Kálvária utca 7.

Ildikó Auguszt, Financial Director Address: H-1196 Budapest, Rákóczi u. 167/A

The person charged with the management of bookkeeping tasks and the preparation of the annual report: Ildikó Auguszt (address: H-1196 Budapest, Rákóczi u. 167/A, registration No. 120433). Statutory audit is obligatory for the Company.

Auditor of the Budapest Stock Exchange Private Company Limited by Shares:
Ernst & Young Könyvvizsgáló Kft. (H-1132 Budapest, Váci út 20.)

Audit fees for FY 2018: 4.347 million HUF + VAT

Data of the person responsible for the audit:
Gergely Szabó (mother's maiden name: Kiss Zsuzsanna, address: H-1202 Budapest, Mézes u. 35., registration number: 005676)

Form of operation

Private Company Limited by Shares



Foundation

The Budapest Stock Exchange, originally established on 19 June 1990, was registered by the Metropolitan Court of Justice as a Court of Registration on 30 June 2002 under No. 01-10-044764 as a company limited by shares due to general succession.

The subscribed capital of the Company upon the foundation totalled HUF 550 million, which consisted of registered ordinary shares issued in dematerialised form, with a par value of HUF 100 each, all conferring equal and identical membership rights.

With its resolution No. 7/2003 dated 28 April 2003, the General Meeting decreased the share capital of the Budapest Stock Exchange Private Company Limited by Shares by withdrawing the shares of Garmond Capital Hungarian-American Service Providing Company Limited by Shares (i.e. by HUF 8,651,900 that is 86,519 shares with a par value of HUF 100 each). Thus the Company's subscribed capital fell to HUF 541,348,100. (*Order No. 01-10-044764/24 of the Court of Registration, effective from 28 April 2003*)

Scope of activity

Main scope of activity: 6611 '08 Administration of financial markets

Legal framework for the management of the Stock Exchange

The conditions for the management of the Stock Exchange are stipulated in Act CXX of 2001 (hereinafter: "the Act"). Accordingly, "the Stock Exchange may not invest its free funds in the products listed and traded on the given stock exchange, excluding government securities and the shares issued by the Stock Exchange, the clearing house and central depository performing stock exchange settlements, and the financial holding company with a shareholding in the clearing house and the central depository. During its operations, the Stock Exchange may only establish such business associations or companies limited by shares and it can only have a holding in such business associations which have the purpose of promoting exchange activities or any supporting complementary activities."

When the accounting procedures of the Stock Exchange are established, the provisions of Act C. of 2000 on Accounting and Government Decree No. 459/2015 (XII.29.) must be taken into consideration. According to the rules on double-entry bookkeeping, the Stock Exchange prepares its annual report for the given business year with the last day of the business year (31 December 2018) as the balance sheet date. According to the Act on Accounting, the economic events that became known after the balance sheet date (31 December) but prior to the compilation of the annual report must be accrued. The last day



for the receipt of items coming from external sources – i.e. the balance sheet preparation date – is 15 February 2019.

The Stock Exchange is listed by Section 3 (1) 4 l) of the Act on Accounting under 'other organizations'. The annual reporting and bookkeeping obligation of the Stock Exchange is stipulated by Government Decree No. 459/2015 (XII.29.).

The system of accounts was compiled based on the above decrees and accounting requirements. In our system of accounts, we set out the accounting policy developed and applied by the Budapest Stock Exchange and the evaluation regulations on assets and liabilities.

The 2018 annual balance sheet and income statement of the Budapest Stock Exchange Ltd. will be available on the BSE's website (www.bet.hu) after the Annual General Meeting.

Rules of the Stock Exchange

The essential rules of the organization and operation of the Budapest Stock Exchange Ltd. are included in the Statutes accepted by the General Meeting.

According to the Act, the Budapest Stock Exchange is a self-regulating organization that develops regulations to specify the partial regulations on the operation of the Stock Exchange as well as the rights and obligations of the stock exchange traders and issuers. The Board of Directors is authorized to approve the regulations, which enter into force when ratified by the Magyar Nemzeti Bank.

The regulations of the Stock Exchange are available on the BSE's website (www.bet.hu), under the 'Products and Services/BSE rules' menu item.

As of 15 February 2019, the valid regulations of the Stock Exchange were as follows.

1. REGULATIONS

Regulations

Regulations of the Budapest Stock Exchange Ltd.	No. of the approval by the Board of Directors	Date	Nr of approval of CBH	Date of entry into force
The General Terms of Service of the Budapest Stock Exchange Ltd.	47/2018	26 September 2018	H-EN-III-532/2018	1 January 2019

BÉTa and Xtend Markets

Regulations of the Budapest Stock Exchange Ltd.	No. of the approval by the CEO	Date	Date of entry into force
General Terms of Service of the BÉTa Market	7/BÉTa/2018	20 December 2018	7 January 2019
General Terms of Service of the Xtend Market	2/Xtend/2019	09 January 2019	10 January 2019



2. ORDERS

Orders of the Budapest Stock Exchange Ltd.	No. of the approval by the Board of Directors	Date	No. of the approval by the CEO	Date of entry into force
Regarding the Professional Representation	24/2018	18 April 2018	-	19 April 2018
Regarding the Schedule of Fees Applied by the Exchange	-	-	415/2018 17 December 2018	2 January 2019
Regarding the Operational and Organizational Rules	51/2018	26 September 2018	-	27 September 2018

The Magyar Nemzeti Bank also supervises whether the operation of the Budapest Stock Exchange Ltd. complies with the relevant legal rules and the Exchange's regulations. In order to fulfil this task, the person appointed by the Supervisory Authority is entitled to review and check the stock exchange trading on the terminal placed at the Supervisory Authority as well as to be present at the General Meeting of the Budapest Stock Exchange Ltd. and at the meetings of the Board of Directors and the Advisory Committees and to inspect the records of the Budapest Stock Exchange.

The Board of Directors provides for the following in stock exchange orders: the fees charged by the BSE for those who use the services of the Stock Exchange, the Bylaw of Organization and Operation in respect of the Stock Exchange's work organization, the trading regulation of the free market system and the order of the representation of interest for stock exchange traders, issuers and investors.

The rules of the operation of the multilateral trading facility are governed by a separate regulation adopted by the CEO.

The Budapest Stock Exchange Ltd. has adopted the necessary mandatory regulations prescribed in the Act on Accounting as well as the stocktaking regulation for assets and liabilities and a cash management regulation. The methodology of evaluation assets and liabilities is found in the accounting policy.

ACCOUNTING PRINCIPLES

An **error** is **significant** if the aggregate amount of the errors and the impact of errors established for the same year (meaning that values have to be added up), increasing or decreasing the equity or the profit/loss (regardless of their sign), reaches 2% of the balance sheet total for the given year.

Receivables and liabilities in foreign funds must be recalculated into HUF at the middle exchange rate published by the Magyar Nemzeti Bank.



When **evaluating receivables and liabilities**, in the case of receivables which were not paid by the balance sheet preparation date, the difference between the book value of the receivable and the amount expected to be collected must be determined based on the information available at the balance sheet preparation date. **Impairment must be accounted for as the difference but only when it proves to be permanent and is of a significant amount.** In the case of receivables, **impairment is significant** if it exceeds 50% of the book value of the receivables.

EVALUATION METHODS

BALANCE SHEET

INTANGIBLE ASSETS

Intangible assets must be recognised in the balance sheet at cost or at the book value less the accounted ordinary and extraordinary depreciation plus the reversed amount of the extraordinary depreciation - advance payments made for intangible assets must be recognised at the transferred amount, net of the deductible input VAT - and increased by the reversed impairment.

The **purchased software applications** were evaluated at net value.

TANGIBLE ASSETS

Tangible assets must be evaluated at cost **in the balance sheet**, less the applied annual depreciation, less extraordinary depreciation, plus the amount of the reversals. **Tangible assets** were evaluated at net value.

Investments were evaluated at the actual acquisition cost.

FIXED FINANCIAL ASSETS

BSE has the following investments:

- **Budapest Institute of Banking Zrt. (BIB)**

Registered office:	Bp. Szabadság tér 7., Bank center Irodaház, Platina torony I. épület, IV. emelet
Number of issued shares:	800
Nominal value of shares:	100 000 HUF
Ownership share:	100%



After tax profit of BIB Ltd. for 2018 is expected at HUF 28 million.

- **KELER Ltd.**

Registered office: Bp. VII. ker. Rákóczi út 70-72.
 Number of issued shares: 900
 Nominal value of shares: 5.000.000 HUF
 Ownership share: 46.67%

After-tax profit of KELER Ltd. for 2018 is expected at HUF 1,5 billion.

3. Ownership structure of KELER Ltd. (HUF'000)

Owners	Subscribed capital	Ownership share
Budapest Stock Exchange Ltd.	2 100 000	46,67%
Magyar Nemzeti Bank	2 400 000	53,33%
Total:	4 500 000	100,00%

- **KELER CCP Central Counterparty Ltd.**

Registered office: Bp. VII. ker. Rákóczi út 70-72.
 Number of issued shares: 262 320
 Nominal value of shares: 10 000 HUF
 Ownership share: 0.09%

After-tax profit of KELER CCP Ltd. for 2018 is expected at HUF 174 million.

4. Ownership structure of KELER Central Counterparty Ltd. (HUF'000)

Owners	Nr. of shares	Ownership share	Nominal value HUF 10 000/nr.	Issue value HUF 25 000/nr.
Budapest Stock Exchange Ltd.	238	0,09%	2 380	5 950
Magyar Nemzeti Bank	272	0,10%	2 720	6 800
KELER Ltd.	261 810	99,81%	2 618 100	6 545 250
Total:	262 320	100,0%	2 623 200	6 558 000



5. Equity structure of KELER Ltd. and KELER Central Counterparty Ltd.* (HUF'000)

IFRS	KELER		KELER CCP	
	31.12.2017	31.12.2018	31.12.2017	31.12.2018
Share capital	4 500 000	4 500 000	1 823 200	2 623 200
Capital reserves	0	0	2 734 800	3 934 800
Retained earnings	26 015 000	21 079 000	1 241 735	1 403 091
Other reserves	0	0	0	0
Earnings for the period	-3 158 000	1 457 000	172 856	173 968
Other comprehensive income for the period	90 000	16 000	-2 988	419
Reserve of financial assets AFS	404 000	0	457	0
Reserve of financial instruments on fair value (through OCI)	0	8 000	0	876
Total:	27 851 000	27 060 000	5 970 060	8 136 354

* KELER and KELER CCP have transitioned to IFRS from 01.01.2018, therefore the published financial statements as of 31.12.2017 (according to Hungarian Accounting Regulations) do not agree to the data above.

* The numbers for the financial year 2018 of the KELER GROUP are preliminary, not yet audited.

6. Equity structure of Budapest Institute of Banking Ltd. (HUF '000)

	BIB	
	31.12.2017	31.12.2018
Share capital	80 000	80 000
Capital reserves	0	0
Retained earnings	-9 119	-5 851
Non distributable reserves	9 119	6 019
Earnings for the period	167	18 434
Total:	80 167	98 602

* The numbers for the financial year 2018 of BIB are preliminary, not yet audited.

CALCULATION OF DEPRECIATION

Fixed assets were **depreciated** with the straight-line method as follows:

The acquisition price of **rights and concessions** are amortized over their estimated useful lives according to the accounting policies of the stock exchange.

Intellectual property and software are written off over **3 years**, with a depreciation rate of **33%**, **except for intangible property received from a legal predecessor** where the time of use at the legal predecessor must be taken into account when defining the period of



depreciation. *However, the remaining time of use cannot be shorter than 1 year, and depreciation must be accounted for the remaining period.*

Tangible assets are depreciated with the straight-line method from the date of putting into use, based on the gross value, taking into account the time of use **except for tangible property received from a legal predecessor** where the time of use at the legal predecessor must be taken into account when defining the period of depreciation. *However, the remaining time of use cannot be shorter than 1 year, and depreciation must be accounted for the remaining period.* Depreciation is accounted for on a monthly basis.

Upon the calculation of depreciation, the following rates were applied:

7. Depreciation norms applied for assets capitalised after 1 January 1992

CWIP on rented properties	6,0 %
Technical instruments, machinery, vehicles	14,5 %
IT equipment	33,0 %

Assets with an individual purchase price below HUF 100,000 (i.e. the amount allowed by Section 80 (2) of the Act on Accounting) are depreciated in one amount immediately when put into use.



8. Changes to intangible and tangible assets (HUF '000)

Changes to the gross value of intangible and tangible assets

Denomination	Opening amount	Interim growth	Interim decrease	Reclass.	Closing amount
I. Intangible assets	1 249 892	180 356	13 373	0	1 416 875
I/1. Concessions and similar rights and assets	4 607	75	0	0	4 682
I/2. Intellectual products	1 245 285	180 281	13 373	0	1 412 193
I/2.1. WIP on intangible assets	0	0	0	0	0
II. Tangible assets	555 819	104 658	71 702	0	588 775
II/1. Real estates	45 044	405	0	0	45 449
II/1.1. Buildings	0	0	0	0	0
II/1.2. Buildings and related concessions and similar rights	0	0	0	0	0
II/1.3. CWIP on rented properties	45 044	405	0	0	45 449
II/2. Cables	0	0	0	0	0
II/3. Technical equipments, machinery	5 291	79	0	0	5 370
II/4. IT equipments	298 628	102 825	158	0	401 295
II/5. Telecommunication equipments	9 771	352	1 222	0	8 901
II/6 Other equipments and fittings	87 431	997	0	0	88 428
II/7. Securities	583	0	0	0	583
II/8. Vehicles	38 749	0	0	0	38 749
II/9. Capital Work in Progress (CWIP)	70 322	0	70 322	0	0
II/10. Advance payments on CWIP	0	0	0	0	0
I-II. Total	1 805 711	285 014	85 075	0	2 005 650



Changes to the depreciation of intangible and tangible assets

Denomination	Opening amount	Interim growth	Interim decrease	Reclass.	Closing amount
I. Intangible assets	1 118 784	74 944	13 373	0	1 180 355
I/1. Concessions and similar rights and assets	3 395	209	0	0	3 604
I/2. Intellectual products	1 115 389	74 735	13 373	0	1 176 751
I/2.1. WIP on intangible assets	0	0	0	0	0
II. Tangible assets	363 523	60 285	1 358	0	422 450
II/1. Real estates	22 823	10 059	0	0	32 882
II/1.1. Buildings	0	0	0	0	0
II/1.2. Buildings and related concessions and similar rights	0	0	0	0	0
II/1.3. CWIP on rented properties	22 823	10 059	0	0	32 882
II/2. Cables	0	0	0	0	0
II/3. Technical equipments, machinery	4 736	320	0	0	5 056
II/4. IT equipments	244 224	38 021	158	0	282 087
II/5. Telecommunication equipments	9 573	522	1 200	0	8 895
II/6 Other equipments and fittings	71 838	5 186	0	0	77 024
II/7. Securities	0	0	0	0	0
II/8. Vehicles	10 329	6 177	0	0	16 506
II/9. Capital Work in Progress (CWIP)	0	0	0	0	0
II/10. Advance payments on CWIP	0	0	0	0	0
I-II. Total	1 482 307	135 229	14 731	0	1 602 805



Changes to the net value of intangible and tangible assets

Denomination	Opening amount	Interim growth	Interim decrease	Reclass.	Closing amount
I. Intangible assets	131 108	105 546	134	0	236 520
I/1. Concessions and similar rights and assets	1 212	0	134	0	1 078
I/2. Intellectual products	129 896	105 546	0	0	235 442
I/2.1. WIP on intangible assets	0	0	0	0	0
II. Tangible assets	192 296	64 804	90 775	0	166 325
II/1. Real estates	22 221	0	9 654	0	12 567
II/1.1. Buildings	0	0	0	0	0
II/1.2. Buildings and related concessions and similar rights	0	0	0	0	0
II/1.3. CWIP on rented properties	22 221	0	9 654	0	12 567
II/2. Cables	0	0	0	0	0
II/3. Technical equipments, machinery	555	0	241	0	314
II/4. IT equipments	54 404	64 804	0	0	119 208
II/5. Telecommunication equipments	198	0	192	0	6
II/6 Other equipments and fittings	15 593	0	4 189	0	11 404
II/7. Securities	583	0	0	0	583
II/8. Vehicles	28 420	0	6 177	0	22 243
(CWIP)	70 322	0	70 322	0	0
II/10. Advance payments on CWIP	0	0	0	0	0
I-II. Total	323 404	170 350	90 909	0	402 845



PURCHASED INVENTORIES

Purchased inventories were evaluated at the actual acquisition price except for print forms and other materials.

Forms and **other materials** were fully accounted for as use of materials (cost) at the date of acquisition. Year-end closing inventories were evaluated at the actual acquisition price, based on the stocktaking.

9. Inventories (HUF '000)

Description	31.12.2017	31.12.2018
PR material	0	1 769
Forms, other materials	1 311	1 224
Library books	1 059	1 071
Intermediated services	3 174	36
Total inventories	5 544	4 100

ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

Trade debtors must be recognised in the balance sheet at the known and accepted amount or at the book value decreased by the accounted impairment and increased by the reversed impairment.

Receivables from **employees** and **tax authorities** were evaluated based on an item-by-item reconciliation with the sub-ledgers.

10. Receivables (HUF '000)

Description	31.12.2017	31.12.2018
Receivables from goods, delivery and services	118 503	107 002
Corporate tax	3 088	12 328
VAT	10 949	17 974
Local tax	81	4 171
Innovation contribution	10	641
Other receivables	1 514	2 112
Prepayments to suppliers	364	27
Receivables from affiliated companies	0	54 647
Total receivables	134 509	198 902

BSE decided to raise HUF 40 million of capital in Budapest Institute of Banking Zrt. The raise was financially settled in December, but the registration took place in January, thus the amount is shown as receivables from affiliated companies.



11. Impairment accounted for receivables (HUF '000)

Description	Year of the accounting of impairment	Amount of impairment as of 31 December 2018
	2011	50
	2012	2 368
	2013	4 076
	2014	4 664
	2015	9 410
	2016	2 200
	2017	1 529
	2018	1 588
Total impairment on receivables		25 885

SECURITIES

BSE didn't own any T-bills or other short-term securities as of 31 December 2018.

12. Securities (HUF '000)

Description	31.12.2017	31.12.2018
Zero-coupon treasury bill	0	0
Total Securities	0	0

CASH

Cash was recognised at the values of the last bank account statements of 2018.

13. Cash (HUF '000)

Description	31.12.2017	31.12.2018
Petty cash	0	0
HUF accounts	554 786	829 094
Fixed HUF deposits	0	300 000
EUR accounts	135 663	206 558
Fixed EUR deposits	0	0
Total cash	690 449	1 335 652



PREPAID EXPENSES AND ACCRUED INCOME

Expenses incurred before the balance sheet date which can only be accounted as cost for the period following the balance sheet date, and income which is only due after the balance sheet date but that should be accounted for the period closed by the balance sheet, as well as the amount not yet accounted for as an item decreasing the profit from the difference defined in Section 68 (1) of the Act on Accounting, must be recognised separately as prepaid expenses and accrued income.

14. Prepayments and accrued income (HUF '000)

Description	31.12.2017	31.12.2018
Interest on tied-up deposits and bank accounts due for the reporting period but not yet realised	0	7
Transaction fees for December, 2017/2018	69 219	70 422
Annual maintenance fees for the 4th quarter, 2017/2018	80 493	85 228
Vendor fees for 2017/2018	53 651	56 094
ELITE, GINOP+KMR	0	85 721
Other income	69 008	9 216
Total accrued income	272 371	306 688
Insurance	2 091	7 342
Newspaper subscriptions	288	424
Membership fees of international organizations	152	965
IBM IFX maintenance fee	6 414	0
Other software, maintenance fee	4 951	29 848
Other	11 272	10 460
Total prepayments	25 168	49 039
Total prepayments and accrued income	297 539	355 727

EQUITY

Equity is recognised at book value.

15. Changes to equity (HUF '000)

Denomination	31.12.2017	Additions	Disposals	31.12.2018
Share capital	541 348	0	0	541 348
Capital reserves	2 576 356	0	0	2 576 356
Retained earnings	2 928 611	176 265	0	3 104 876
Net profit for the year 2017	176 265	0	176 265	0
Net profit for the year 2018	0	296 702	0	296 702
Total shareholder's equity	6 222 580	472 967	176 265	6 519 282



The board of directors of BSE suggested that there should be no dividend payout for the financial year 2018, so the retained earnings can cover the expenses for the implementation of the market development strategy.

The subscribed capital of the Company upon the foundation totalled HUF 550 million which consisted of registered ordinary shares issued in a dematerialised form, with a par value of HUF 100 each, all conferring equal and identical membership rights. With its resolution No. 7/2003 dated 28 April 2003, the General Meeting decreased the share capital of the Budapest Stock Exchange Private Company Limited by Shares by withdrawing the shares of Garmond Capital Hungarian-American Service Providing Company Limited by Shares (i.e. by HUF 8,651,900 that is 86,519 shares with a par value of HUF 100 each). Thus the Company's subscribed capital fell to HUF 541,348,100.

LIABILITIES

Out of **current liabilities**:

- trade creditors including VAT were evaluated at the acknowledged, invoiced amount;
- liabilities to employees and tax authorities were recognised in the balance sheet based on a reconciliation with the sub-ledgers.

16. Current liabilities (HUF '000)

Description	31.12.2017	31.12.2018
Liabilities on delivery of goods and services	128 633	207 369
Liabilities for affiliated companies	0	400
Taxes and contributions payable:		
Corporate tax	0	0
Personal income tax	17 555	20 883
Rehabilitation contribution	802	978
Vocational contribution	1 685	2 032
Car tax	177	177
VAT	0	0
Contributions to Health and Pension fund	19 857	24 553
Social security contribution	24 623	26 306
Healthcare contribution	1 657	1 336
Pension funds	0	0
Health funds	0	0
Dividends paid from the 2017/2018 profit	0	0
Other	392	28
GINOP advances	0	495 102
Advances	52	0
Total liabilities	195 433	779 164

The unused GINOP advances are shown as liabilities.



ACCRUED EXPENSES AND DEFERRED INCOME

The following must be recognised separately as accrued expenses and deferred income:

- income received before the balance sheet date which will form the sales revenue of the period after the balance sheet date,
- costs and expenses for the period before the balance sheet date which will only be incurred and invoiced in the period after the balance sheet date,
- compensation claims, default interest and court costs enforced and submitted against the Stock Exchange between the balance sheet date and the balance sheet preparation date.

The amounts of the accruals must be supported by accounting records (invoices, calculations, resolutions issued by the competent persons, etc.) which prove the legal nature and justification of such accruals.

17. Accrued expenses and deferred income (HUF '000)

Description	31.12.2017	31.12.2018
2018/2019 minimum section fees invoiced in 2017/2018	64 400	63 400
Total deferred income	64 400	63 400
Audit	3 429	2 642
Marketmaking, analysis	285	10 889
ADH technical fee	33 681	
OMX license fee	7 786	9 219
Professional services	5 399	41 228
Bonus for year 2017/2018 (with SSC)	44 584	57 893
Others	68 890	8 531
Total accrued expenses	164 054	130 402
Total accrued expenses and deferred income	228 454	193 802

*The amount of FY 2017 "Others" category includes HUF 23,7 million relating to investments and HUF 45,2 million services in 2017.

Income statement

The results of the stock exchange activity were defined with the **total cost method** (version A) by decreasing the income in the business year by material-type, personnel and other expenses as well as depreciation.

The annual reporting and bookkeeping obligation of the Stock Exchange is stipulated by Government Decree No. 459/2015 (XII.29.). In accordance with the government decree, the fees charged for the services recorded in the Fee Schedule were recognised as "Income from exchange activities" instead of "Net sales".



18. Revenues (HUF '000)

Description	31.12.2017	31.12.2018
Revenues from listing fees	396 305	407 408
Revenues from trading fees	1 049 870	1 089 735
Revenues from information services	747 442	789 230
Sub-contracted services	51 225	51 668
Total revenues from stock exchange activities	2 244 842	2 338 041

Description	31.12.2017	31.12.2018
Domestic revenue from exchange activities	1 400 509	1 464 615
Export		
USA	287 367	274 946
UK	246 426	268 586
Switzerland	20 369	14 915
Japan	1 236	1 233
Hong Kong	927	0
Israel	1 236	1 233
Norway	7 713	8 365
Turkey	464	462
Canada	26	154
European Union	278 569	303 532
Export revenues from exchange activities	844 333	873 426
Total net sales from exchange activities	2 244 842	2 338 041

Description	31.12.2017	31.12.2018
Revenue from the sales of tangible assets	94	6 684
Income from trainings	324	432
Income from the sponsorship of certain events	11 403	16 050
Other income	24 696	22 710
Release of provision	0	0
Late payment interests	2 315	315
Income from subsidy programs	18 000	114 235
Distribution of assets to founder (PTÁV)	136 091	2 287
Income from ELITE program	15 621	36 752
Total other income	208 544	199 464

Description	31.12.2017	31.12.2018
Dividend income	0	399 971
Interest on term deposit	1 316	7
Interest on T-Bill	645	0
Other interest	80	204
Foreign exchange gain	5 776	12 300
Income from financial transactions	7 817	412 482
Foreign exchange loss	5 127	5 756
Expenses of financial transactions	5 127	5 756
Profit/loss from financial activities	2 690	406 726



MATERIAL-TYPE EXPENSES

As of 2001, if Section 123 (2) of the VAT Act requires that the input VAT of the service be divided proportionally, the non-deductible VAT must be accounted for under other expenses rather than as a cost.

19. Material-type expenses (HUF '000)

Description	31.12.2017	31.12.2018
Sub-contracted services	51 225	51 668
Material costs	6 488	7 170
Travelling costs	16 435	17 110
Maintenance costs	21 912	21 232
Telecommunication costs	8 422	6 491
Other rental fees	28 729	42 196
K2 licence fee	4 070	4 131
Trading system licence fee	95 619	173 982
Outsource and consultancy fees	214 774	189 979
Training costs	11 190	13 933
PR expenses	144 770	270 177
Membership fees of international organizations	10 743	10 919
International conferences	26 330	26 019
Other services	21 668	28 221
Internet access	3 037	2 880
Deutsche Börse technical connection fees	17 333	24 330
Costs related to the rented property:		
Rental	82 650	80 870
Operating expenses	31 866	31 820
Bank charges, insurance fees, royalties	10 351	12 944
Total material-type expenses	807 612	1 016 072

20. Fees paid for the audit and other services of auditors (HUF '000)

Description	31.12.2017	31.12.2018
Audit of the HAR annual report	3 500	3 416
Audit of the IFRS financial statements	1 000	931
Total fees paid to KPMG	4 500	4 347



PERSONNEL COSTS

In 2017, the average number of staff at the Budapest Stock Exchange was 57 and in 2018, 59. The average statistical staff number and wage costs did not include those on maternity leave or on unpaid leave.

21. Personnel-type expenses (HUF '000)

Description	31.12.2017	31.12.2018
Wage costs for full-time employees	688 118	714 716
Honoraria for Board members	41 318	49 680
Honoraria for Supervisory Board members	27 673	33 120
Wage costs for off-payroll staff	3 160	5 062
Wages and salaries	760 269	802 578
Fringe benefits	30 890	31 085
Wages for sick leave, other well-being costs	5 894	5 220
Representation costs	7 962	9 197
Personal income tax paid by employer	0	9 414
Other employee benefits	44 746	54 916
Vocational contribution	11 485	12 108
Rehabilitation contribution	3 270	3 664
Personal income tax paid by employer	9 112	0
Health contribution	12 061	11 395
Social security contribution	167 017	156 471
Contributions on wages and salaries	202 945	183 638
Total personnel costs	1 007 960	1 041 132

HONORARIA TO THE OFFICERS OF THE BUDAPEST STOCK EXCHANGE LTD

22. Honoraria of elected officers

According to the resolution No. 27/2017. the honoraria were as follows:

Board of Directors

- Chairman: seven times of the minimum wage/month
- Members: five times of the minimum wage/month

Supervisory Board

- Chairman: five times of the minimum wage/month
- Members: three times of the minimum wage/month



23. Other expenses (HUF '000)

Description	31.12.2017	31.12.2018
Derecognition due to scrapping/ Impairment/ Lending losses	4 079	1 588
Book value of the sold tangible assets	93	6 669
Provisions	0	0
Other	7 318	7 401
Tax obligation regarding the previous years	0	0
Late payment- and self-revision penalty, tax penalty	8 700	0
Subsidies given	9 000	9 887
Innovation contribution	6 519	6 793
Extraordinary tax of financial institutions	121 154	123 084
Local taxes and local business tax	43 458	45 286
Supervisory Authority fee	1 529	1 698
Non-deductible VAT on fixed assets	27 106	33 689
Non-deductible VAT on costs	107 540	140 002
Permanent handover of cash	0	75 000
EU project - subsidies given	0	4 000
Total other expenses	336 496	455 097

In the financial year 2018, Budapest Stock Exchange had no special occurrence or extraordinarily significant income or expenses.

Transactions with related parties

RELATED PARTIES

Name: KELER Ltd.
Registered office: 1074 Budapest, Rákóczi út 70-72.
Tax number: EU Tax No: HU10873151
Company registration No: 01-10-042346
Ownership share: 46.67%

Name: KELER CCP Ltd.
Registered office: 1074 Budapest, Rákóczi út 70-72.
Tax number: 23183034-2-44
Company registration No: 01-10-046985
Ownership share: 0.09%

Name: Budapest Institute of Banking Ltd.
Registered office: 1054 Budapest, Szabadság tér 7. Platina torony I/4
Tax number: 26133124-2-41
Company registration No: 01-10-049493
Ownership share: 100.00%



Name: Magyar Nemzeti Bank
Registered office: 1054 Budapest, Szabadság tér 9.

24. Transactions with related parties

Description	Net amount HUF
Revenues from provided services (KELER CCP Ltd.)	
Mediated services	129 200
Revenues from provided services (KELER Ltd.)	
Takeover of mandatory publishing activities	8 900 000
Revenues from provided services (Magyar Nemzeti Bank)	
Rented lines and access	2 464 341
Dual education	3 000 000
Revenues (Budapest Institute of Banking Ltd.)	
Tangible and intangible assets sold	6 646 882
Expenses related to services (KELER Ltd.)	
Maintenance fee of the register of shareholders	240 000
Maintenance fee of security account	357 503
Shareholder registration on General Meetings	250 000
Market data sales	8 000 000
Other services	375 111
Expenses (Budapest Institute of Banking Ltd.)	
Education	6 238 300

Receivables and liabilities towards related parties as of 31/12/2018

Related party	Receivables (HUF)	Liabilities (HUF)
KELER Ltd.	0	25 755
KELER CPP Ltd.	0	0
Magyar Nemzeti Bank	7 701 915	373 901
Budapest Institute of Banking	6 945 097	0



Corporate tax

In accordance with the obligation to file returns, we have adjusted the tax base as follows:

25. Calculation of corporate tax (HUF '000)

Description	31.12.2018
Items increasing pre-tax profits:	
Amount accounted for as depreciation in the tax year in accordance with the Act on Accounting	135 229
Impairment loss recognized for receivables in the tax year	1 588
Not recognized costs/Annex 3 (entertainment, business gifts, assets transferred free of charge)	0
Provision allocation for expected liabilities	483
Amounts accounted for as expenses and assessed as a result of the self-revision, tax audit	0
Aid given without repayment obligation	5 064
Permanent cash handover	75 000
Total items increasing the tax base	217 364
Items decreasing pre-tax profits:	
Depreciation in accordance with tax law	120 115
Mobility support given in 2018	255
Impairment reversal for receivables in the tax year	12 910
50% of revenues accounted among pre-tax results in the tax year based on the royalty received	7 119
Amounts accounted for as income and assessed as a result of the self-revision, tax audit	399 971
Long-term donation provided to a public-benefit organization, 20% of the support	965
Total items decreasing the tax base	541 335
Corporate tax	
Profit/loss before taxation	296 702
Total items decreasing pre-tax profits	541 335
Total items increasing pre-tax profits	217 364
Tax base	-27 269
Corporate tax (9%)	0
Calculated corporate tax	0
Tax benefit for the subsidy of certain team sports/performing arts organizations	0
Total corporate tax	0



EXCHANGE MEMBERSHIP

The number of exchange members at the Budapest Stock Exchange Ltd. totalled 26 as of 31 December 2018. At the end of 2018, 19 members in the Equities Section, 19 members in the Debt Securities section, 13 members in the Derivatives Section (futures market - 13 members, options market - 10 members) and 1 member in the Commodities Section had trading rights.

At the end of the year there were 11 members in BÉTa Market and 10 members in Xtend Market.

Granting exchange membership in 2018

- Patria Finance a.s – trading license in the Equities Securities Section (27 August 2018)

Termination of exchange membership in 2018

- Nomura International Plc. – Debt Securities Section (12 January 2018)
- Merrill Lynch International – Debt Securities Section (1 June 2018)
- IPOPEMA – Equities Securities Section (30 June 2018)

26. List of section members

	Section member	Equities section	Debt Securities Section	Derivatives section		Commodity section	BÉTa market	Xtend Market
				Futures	Options			
1	BNP Paribas S.A.	-	X	-	-	-	-	-
2	Citibank Europe plc Magyarországi Fióktelepe	-	F	-	-	-	-	-
3	CIB Bank Zrt.	X	X	X	F	-	X	-
4	CONCORDE Értékpapír Zrt.	X	X	X	X	-	-	X
5	Deutsche Bank AG London Branch	-	X	-	-	-	-	-
6	Deutsche Bank AG Magyarországi Fióktelep	-	F	-	-	-	-	-
7	EQUILOR Befektetési Zrt.	X	X	X	X	X	X	X
8	ERSTE Befektetési Zrt.	X	X	X	X	-	X	X
9	Goldman Sachs International	-	F	-	-	-	-	-
10	Interactive Brokers (UK) Limited	X	-	-	-	-	-	-
11	ING Bank N.V. Magyarországi Fióktelepe	X	X	X	-	-	-	-
12	J.P. Morgan Securities plc	-	F	-	-	-	-	-
13	KBC Securities Magyarországi Fióktelepe	X	X	X	-	-	X	X
14	Kereskedelmi és Hitelbank Zrt.	-	X	-	-	-	-	-
15	Magyar Takarékszövetkezeti Bank Zrt.	X	X	X	X	-	-	-
16	MKB Bank Zrt.	X	X	X	F	-	X	X
17	NHB Növekedési Hitel Bank Zrt.	X	-	-	-	-	X	X
18	OTP Bank Nyrt.	X	X	X	X	-	X	-
19	Patria Finance a.s.	X	-	-	-	-	-	-
20	Raiffeisen Centrobank AG	X	-	X	X	-	X	-
21	Random Capital Broker Zrt.	X	-	X	-	-	X	X
22	RAIFFEISEN Bank Zrt.	X	X	X	X	-	X	X
23	Société Générale SA	X	X	-	-	-	-	-
24	SPB Befektetési Zrt.	X	-	-	-	-	X	X
25	UniCredit Bank Hungary Zrt.	X	X	X	X	-	-	X
26	WOOD & Company Financial Services a.s.	X	-	-	-	-	-	-

F: Suspended the right to trade

X: It has the right to trade

- : It has no right to trade



27. Shareholders exceeding 5 % stake

Shareholder	Ownership ratio	
	%	Nr of shares
Magyar Nemzeti Bank	81,35%	4 403 872
KBC Securities Hungarian Branch Office	5,20%	281 667
Other	13,45%	727 942
Total	100,00%	5 413 481

The headquarters of the Magyar Nemzeti Bank are at 1054 Budapest, Szabadság tér 9.

28. Equity and profit per share (HUF '000)

Description	31.12.2017	31.12.2018
Shareholders' equity	6 222 580	6 519 282
Share capital	541 348	541 348
Capital reserves	2 576 356	2 576 356
Retained earnings	2 928 611	3 104 876
Earnings for the year	176 265	296 702
Number of shares issued	5 413 481	5 413 481
Nominal value of share (HUF/share)	100	100
Price per share at issue (HUF/share)	854	854
Equity per share (HUF/share)	1 149	1 204
Dividend (HUF/share)	0	0
EPS (net profit / number of shares) HUF	32,56	54,81
ROE (profit after tax / (average of opening and closing value of the shareholders' equity)	2,87%	4,66%



29. The financial, assets and income position

The following indices show the development of the financial, asset and income situation of the Stock Exchange.

Indices	31.12.2017		31.12.2018		Index
	HUF'000		HUF'000		
Income to equity					
<i>(Earnings for the year / Equity)</i>	176 265	= 2,83%	296 702	= 4,55%	160,78%
	6 222 580		6 519 282		
Income to sales					
<i>(Earnings for the year / Revenues from exchange activities)</i>	176 265	= 7,85%	296 702	= 12,69%	161,66%
	2 244 842		2 338 041		
Liquidity ratio					
<i>(Current assets – Inventories/ Liabilities)</i>	824 958	= 422,12%	1 534 554	= 196,95%	-53,34%
	195 433		779 164		
Capital adequacy					
<i>(Equity / Balance Sheet Total)</i>	6 222 580	= 93,62%	6 519 282	= 87,01%	-7,06%
	6 646 467		7 492 248		
Assets to income					
<i>(Earnings for the year / Balance Sheet Total)</i>	176 265	= 2,65%	296 702	= 3,96%	149,43%
	6 646 467		7 492 248		
Ratio of tangible assets					
<i>(Tangible assets / Balance Sheet Total)</i>	192 296	= 2,89%	166 325	= 2,22%	-23,18%
	6 646 467		7 492 248		
Ratio of current assets					
<i>(Current assets / Balance Sheet Total)</i>	830 502	= 12,50%	1 538 654	= 20,54%	160,00%
	6 646 467		7 492 248		
Ratio of equity and liabilities					
<i>(Liabilities / Equity)</i>	195 433	= 3,14%	779 164	= 11,95%	280,57%
	6 222 580		6 519 282		



30. EBITDA statement (HUF '000)

Description	31.12.2017	31.12.2018
Operating revenues + transferred services	2 244 842	2 338 041
Other income	208 544	199 465
Total revenue	2 453 386	2 537 506
Operating costs and expenses without depreciation	1 987 456	2 343 931
EBITDA	465 930	193 575
Depreciation and amortisation	107 649	135 229
Subsidies of certain team sports/performing arts organizations	0	0
Income from financial activities	2 690	406 726
Extraordinary tax of financial institutions	121 154	123 084
Corporate tax	20 094	0
Local business tax	43 458	45 286
PROFIT AFTER INCOME TAX	176 265	296 702

31. Development expenses (HUF '000)

No.	Description	31.12.2017	31.12.2018
1.	Development	8 370	53 596
2.	Network	13 303	15 356
3.	PC	17 863	7 372
4.	Servers	55 713	82 905
5.	Trading system	40 827	0
6.	Document and process management	16 124	1 350
7.	Website	14 205	15 653
8.	IT Security	0	45 257
9.	Non-IT investments	9 122	1 202
	TOTAL	175 527	222 691

Development expenses do not include VAT.

32. Subsidies

GINOP-1.1.7-2017-00001 program provides HUF 1 billion as a subsidy for training, mentoring programs and preparation related to stock listing on the market for the specified companies.

Expenses incurred in 2017 accounted for the program totalled HUF 18 million. This amount was accounted for as accrued other income, as no incoming payment occurred in the year 2017 yet.

In 2018 HUF 65 million of payroll expenses were accounted for in the project, besides HUF 5.9 million services and HUF 4 million transferred to a company in the program. These amounts have been accrued as revenue in 2018.



Another similar project also started, which is applicable to the Mid-Hungarian Region. For preparing the project BSE accounted for HUF 5 million service costs, besides payroll costs of HUF 30 million – also recorded as accrued revenue in 2018.

On the balance sheet, HUF 495 million advance payments are recorded, which will be used in the future for the purposes of the program.



33. Cash Flow (HUF '000)

No.	Description	31.12.2017	31.12.2018
I.	Cash flows from ordinary activities (<i>Operating cash flow, rows 1-16</i>)	750 171	574 706
1	Profit/loss before taxation	196 359	296 702
2	Annual amortisation of assets	107 649	135 229
3	Impairment and reversal for the year	3 048	-11 322
4	Difference between the allocation and use of provisions	0	0
5	Profit (loss) from the sales of fixed assets	0	15
6	Changes to trade payables	118 148	79 136
7	Changes to other current liabilities	-1 897	504 595
8	Changes to accrued expenses and deferred income	37 104	-34 652
9	Changes to trade debtors	-23 710	8 176
10	Changes to current assets (excluding trade debtors, cash and securities)	65 947	-19 803
11	Overdue, written-off receivables	0	0
12	Purchases or sale of securities	348 701	0
13	Changes to prepaid expenses and accrued income	-79 688	-58 188
14	Taxes paid and payable	-20 094	0
15	Dividends approved	0	0
16	Investing/financing CF corrections	-1 396	-325 182
II.	Cash flows from investment activities (<i>rows 17-22</i>)	-254 038	145 497
17	Acquisition of fixed assets, foundation of subsidiary and raising its capital	-255 528	-262 692
18	Sales of fixed assets	94	8 007
19	Redemption or termination of long-term given loans and bank deposits	0	0
20	Long-term given loans and bank deposits	0	0
21	Dividends received	0	399 971
22	Interest received	1 396	211
III.	Cash flows from financial activities (<i>rows 23-28</i>)	0	-75 000
23	Loans drawn	0	0
24	Cash received definitively	0	0
25	Bond repayment	0	0
26	Loan repayment	0	0
27	Cash transferred definitively	0	-75 000
28	Housing loan repayment	0	0
IV.	Changes to cash flows (rows +-I.+-.II.+-.III.)	496 133	645 203
	Opening cash balance	194 316	690 449
	Closing cash balance	690 449	1 335 652
	Securities at the end of the year (in HUF)	0	0
	Cash at the end of the year (in HUF)	690 449 179	1 335 652 013
		690 449 179	1 335 652 013

Budapest, 16 April, 2019

Richárd Végh
Chairman-CEO

Ildikó Auguszt
Financial Director



BUSINESS REPORT FOR THE YEAR 2018





THE BUDAPEST STOCK EXCHANGE

A key player on the Hungarian money and capital markets, the Budapest Stock Exchange (BSE) provides economic operators with access to financial resources and offers investors a broad range of investment instruments. BSE's mission is to create a Hungarian economy based on stable and independent funding and to continuously develop the financial culture of the Hungarian population and corporate sector.

As the successor to the first Hungarian stock exchange, founded more than 150 years ago in 1864, the Budapest Stock Exchange plays a pivotal role both in Hungary's and the Central Eastern European region's capital markets. As a result of the dynamic growth it achieved after its re-establishment in 1990, BSE now provides the highest level of service in compliance with the standards of developed markets, to security issuers, traders and investors from around the world.

In the last two and a half decades, Budapest Stock Exchange evolved into the most innovative market in the region: it was the first to introduce, among other activities, options and futures trading. The exchange pioneered the listing of exchange-traded funds in the region and was among the first to use central counterparty services, an essential component of the safety of settlements, in collaboration with KELER.

Today, BSE offers investors the broadest range of products in the region. Alongside equities and debt securities, which are traditionally the most popular, the range also includes investment funds and structured products, as well as international equities.

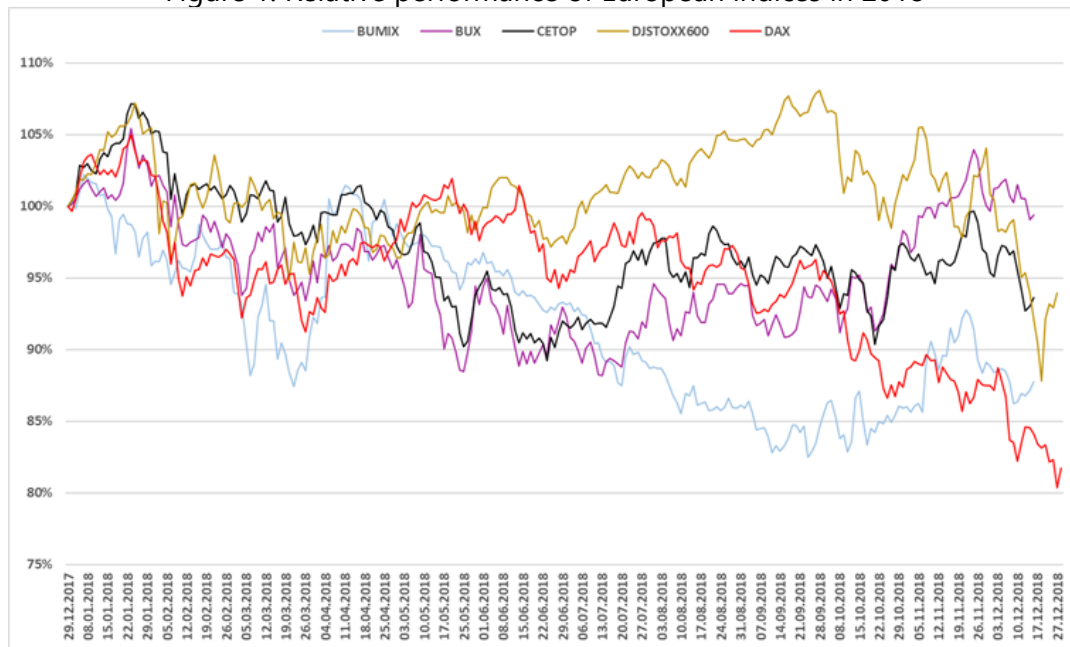
On 20 November 2015, the Magyar Nemzeti Bank (MNB) concluded a purchase agreement with the former owners of the Budapest Stock Exchange, the Austrian CEESEG AG and Österreichische Kontrollbank AG. As a result of this transaction, MNB became the qualified majority shareholder in BSE. Brought under national ownership, BSE was required by its new owner to formulate a five-year strategy for 2016-2020 along the lines of capital market development objectives in order to set the priorities that will determine the direction of stock market development for years to come.



Market trends in 2018

Although the BUX index kept its momentum from 2017 and set a new record in the beginning of 2018, it suffered a general decrease in performance that affected the whole market starting in the mid-year period. In spite of this, this fall the BUX reached a new peak and then finally closed with less than minus 1%. In the meantime a general fall of indices started to develop, affecting the BUMIX, DAX, CETOP and even the Dow that performed so well in that timeframe, resulting in a decrease of around 10% among them by the end of the year.

Figure 1: Relative performance of European indices in 2018



Source: BSE, Bloomberg

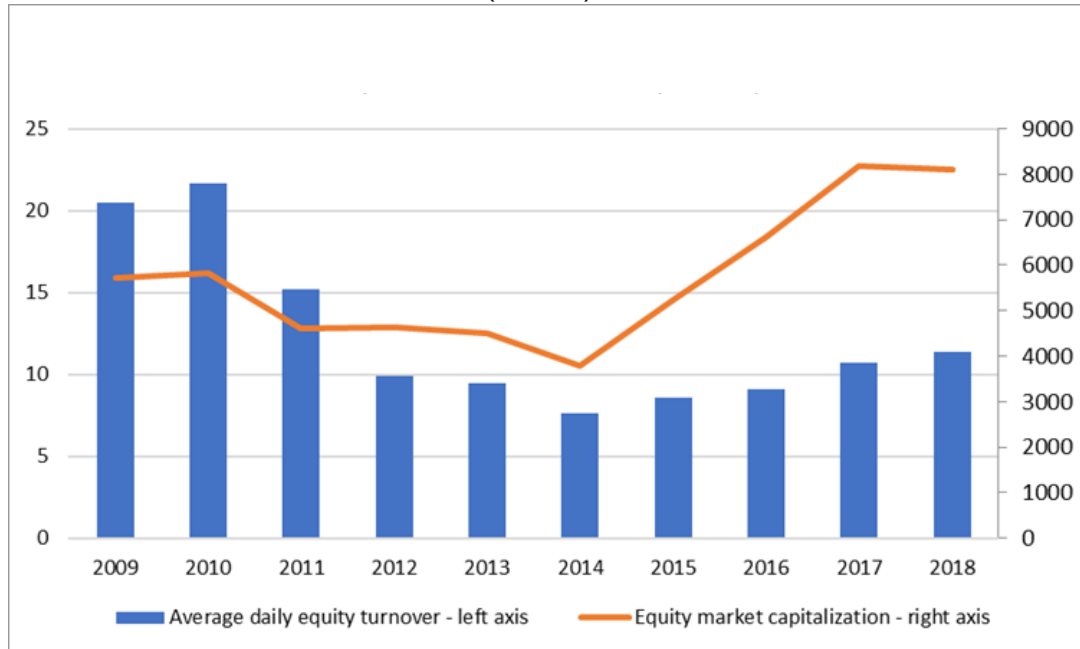
Cash market

The average daily equity turnover of BSE was HUF 11.44bn representing a growth of 6.7% compared to the previous year, so even though the tendency remained, it is decreasing. The month with the highest turnover was November once again with HUF 17.4bn, even surpassing the maximum of the previous year.

The market capitalization of shares listed on BSE amounted to HUF 8 111bn - a decline of 0.7% compared to 2017.

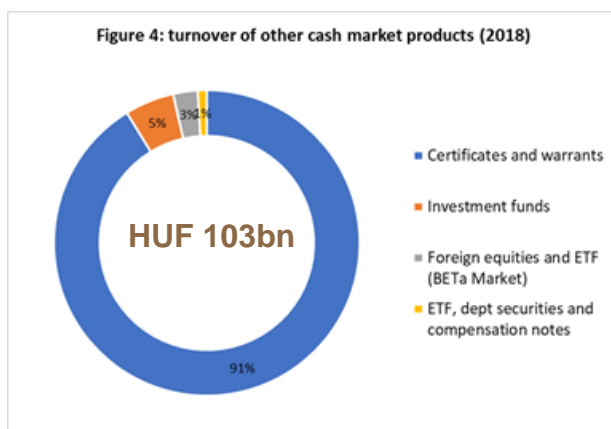
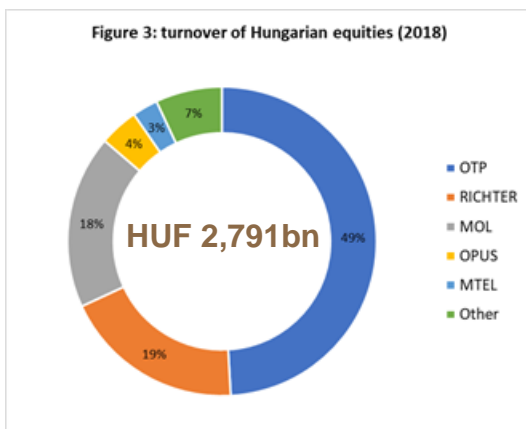


Figure 2: Average daily equity turnover and equity market capitalisation 2009 – 2018 (HUFbn)



Source: BSE

For years equities have been providing the highest turnover on the cash market. The ratio of mid- and small caps to the total turnover remained above 10%, similarly to the preceding year's concentration.



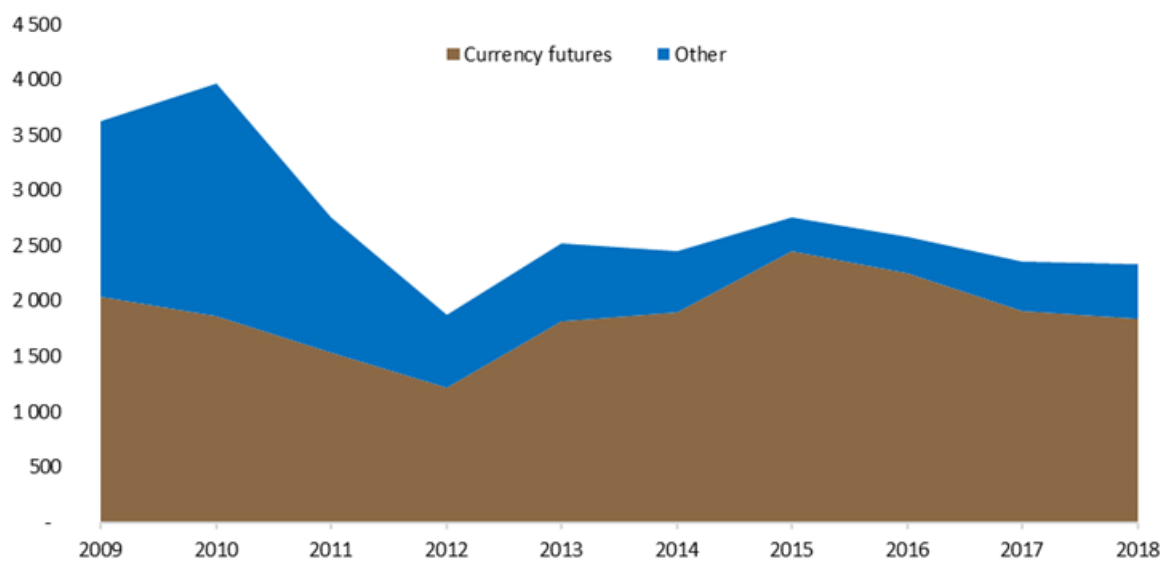
Source: BSE



Futures market

Index options performed above all expectation with an increase of 45% partly due to the high global volatility at the time. However, the turnover of futures market ended with numbers similar to 2017.

Figure 5: Monthly change of futures turnover 2009 – 2018 (HUFbn)



Source: BSE

New listings and products on the BSE's markets

In 2018, three domestic companies listed their shares on the BSE or issued new shares. The ordinary shares of BILK Logistics Plc. were listed on the BSE's regulated market, while those of MEGAKRÁN Plc. and CyBERG Corp. Nyrt., on the Xtend Market. BILK Logistics Plc. is expected to be the first issuer on the BSE floor whose shares, after a successful transaction, will be traded in euros. Trading on the new Xtend platform (MTF), established by BSE for small and medium-sized enterprises, started on 4 December 2018 with the shares of MEGAKRÁN Plc. BSE successfully concluded agreements with 4 new nominated advisors (NOMADs) during 2018, so by the end of the year altogether 16 NOMADs operated on the market. New equity issuers are expected to appear in the Xtend Market in 2019.

The pool of shares available on BSE was further expanded by a number of private placements in the course of 2018, during which 13 companies issued and listed new shares to the BSE in a total value of HUF 79 billion. In particular, the contribution of KONZUM PLC. and Finext Nyrt. to this



overall figure was outstanding: while the former increased its share capital by HUF 37.76 billion, the latter issued and listed a new share series in the value of HUF 18.5 billion. Beside new listings and issuances, the shares of KEG were delisted from the BSE's product list, in accordance with a resolution issued by the MNB. It is also important to outline that during 2018 the ordinary shares of three issuers, KONZUM PLC., ALTEO Nyrt. and Budapesti Ingatlan Nyrt. were upgraded from the Equities Standard to the Equities Prime category.

On the investment notes market, the number of new listings decreased by nearly 58% in 2018, as the investment notes of only 8 closed-end investment funds were listed. Due to the three to five years maturity that characterizes closed-end investment funds and the transformation of some funds, 25 funds expired or transformed and were subsequently delisted in 2018. The average volume of closed-end funds listed was HUF 236 billion, which represents a 25.3% decrease compared to the previous year.

On the debt securities market, regarding government debt securities, the number of listings slightly increased with respect to last year's level with 176 new issuances and tap issues. The volume of the securities series listed, on the other hand, showed a massive increase of 40% compared to last year, exceeding HUF 17,836 billion by the end of the year. In the case of mortgage bonds, due to the favourable market environment, the number of listings increased by 44% and the new volume introduced into exchange trading grew by 135%, reaching HUF 684 billion in 2018. As a result, the average volume of mortgage bonds listed increased by 31.2% to HUF 955 billion, the year-end volume surpassing HUF 1,188 billion; OTP Mortgage Bank Ltd. continued to contribute significantly to these figures. Furthermore, BSE had the pleasure of welcoming a fifth issuer in its mortgage bond segment in 2018, K&H Mortgage Bank Ltd. Regarding the corporate bonds market, the number of new security series and tap issues listings increased from 23 to 26. However, the volume of new listings decreased by 13%, and due to the maturity of some securities series, the average total volume listed shrunk by 12% to HUF 381.6 billion. Nearly 71% of the new bond volume derived from the issuances of MFB Ltd. The BSE regards a significant success in this sector due to the Hongkong branch of the Bank of China Ltd. joining the Budapest floor as the first foreign bond issuer, listing EUR- and USD-based structured bonds.

In 2018, the number of structured products listed by Erste Group Bank AG increased by 28%: after 135 listings in 2017, 173 new structured products were introduced into exchange trading in 2018. However, year-end data do not reflect the entire amount of structured products listed because of the irregular frequency of turbo certificate and turbo warrant listings and delistings. There was no change in the number of structured products issued by Raiffeisen Centrobank AG and traded on the BSE.

The BETa Market witnessed significant changes in the course of 2018: ERSTE Befektetési Zrt. ceased its activities as a market maker on this market, whereas OTP Bank Plc. stepped in to undertake market making in several securities. At the end of the year, the shares of 20 large European companies as well as 7 international ETFs were available for trading on this MTF platform operated by the Budapest Stock Exchange Ltd.

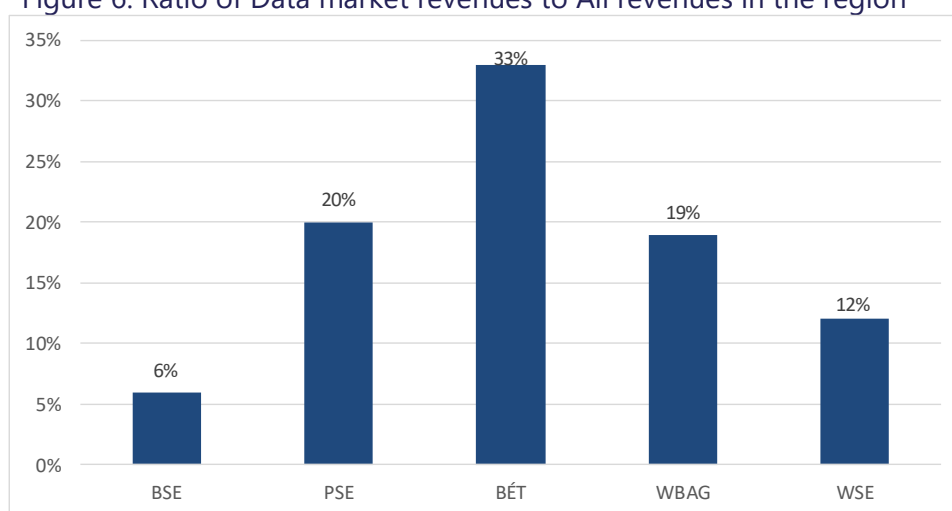


Information services

Rising income with dropping subscription figures, fine tuning of new products and pricing.

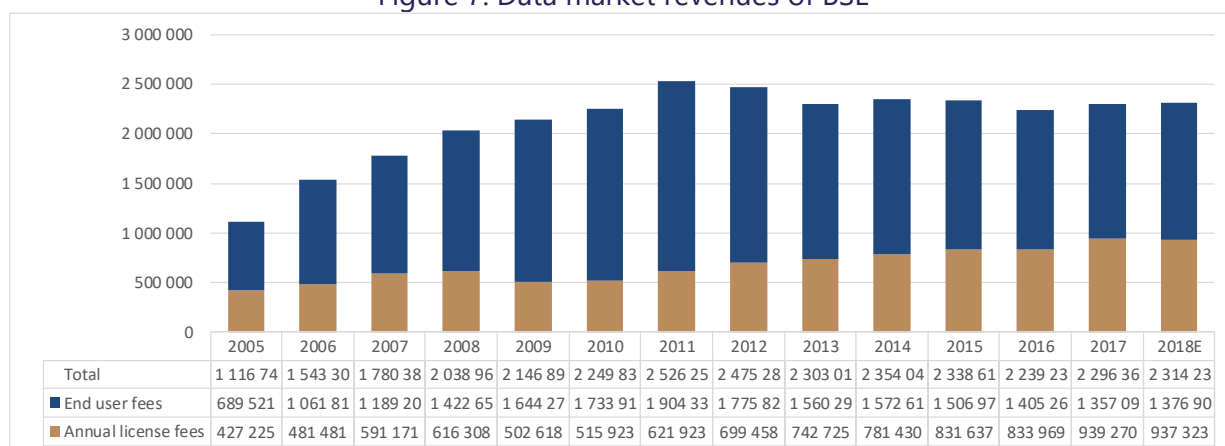
Data sales revenues represent approximately 30-35% of the total revenues of the BSE, which is an outstanding ratio even by the standards of regional countries.

Figure 6: Ratio of Data market revenues to All revenues in the region



Looking back, we have more than doubled our data sales revenues over the past 13 years. After the slight drop following the 2011 turning point, the trends of the past three years have brought us to another uphill phase. Looking at the revenue structure, we can establish that while annual licence fees were practically on a continuous growth path due to constantly increasing vendor numbers, the erratic changes in end-user fees eroded the increase in revenues.

Figure 7: Data market revenues of BSE



This year, for the first time after many years, a slight growth was observed in end-user fees, thanks to activity by small investors, while annual licence fees stagnated.



The entry into force on 3 January 2018 of the amendment to the Markets in Financial Instruments Directive (MiFID II) – the directive regulating the complete European Union investment services market – and the related EU regulation (MiFIR) brought significant changes into the activities of the BSE as a market operator. The two most important developments impacting the area are the transitioning of the VIS data feed to a fixed version (fVIS), and making the data files of KELER – as the publisher of over-the-counter trading data (APA) – accessible.

Both projects involved significant IT developments and are considered to be major innovation milestones.

As part of the Data Working Group of FESE (Federation of European Exchanges), we collaborated with other member exchanges on numerous issues in 2018. We are attempting to interpret, find consensus-based implementation solutions for and, if necessary, ask for clarification on various directives and regulations issued by the ESMA (European Securities and Markets Authority) or the European Union.

International relations

ROADSHOW EVENTS AND INTERNATIONAL CONFERENCES

Once again in 2018, the Budapest Stock Exchange took part in numerous conferences and inter-exchange meetings, enhancing cooperation between stock exchanges and international investor relations.

In February, with the support of BT Capital Partners, we organized a road show event in Bucharest, where the Hungarian issuer companies presented themselves to Romanian investment and pension funds.

In March 2018, London hosted the Master Investor Show, where the Budapest Stock Exchange had the opportunity to introduce itself to potential British retail investors. HIPA also took its place on the stage alongside the BSE, while ALTEO, Waberer's and Duna House were represented with individual stands.

At the Investor Roadshow organised by Wood & Company in Warsaw in the spring, not only the BSE, but also WizzAir, PannErgy, Duna House, ANY Biztonsági Nyomda, Konzum, Opus, Graphisoft, CIG Pannonia, Richter, and MKB Bank also had the opportunity to introduce themselves.

In June, a conference was organised by the London Stock Exchange presenting the V4 capital markets. Hungary was represented by Minister of Foreign Affairs and Trade Péter Szijjártó and BSE Chairman & CEO Richárd Végh. The event focusing on the stock exchanges of the V4 saw executive officers and investors in attendance discuss the underlying opportunities of the region's capital markets, exchanges and listed companies. The discussions focused on the current situation of the region's capital markets, the underlying investment opportunities and on prioritising the economy-enhancing role of exchanges.



On 27-28 June, the Budapest Stock Exchange and six domestic issuers attended the Spring Europe MidCap Event – a prestigious investor conference – in Paris. ANY Biztonsági Nyomda, Duna House, Konzum, Opus, Pannergy and Waberer's all conducted bilateral talks with the nearly 150 institutional investors from Western Europe in attendance, predominantly from France, Germany and the Benelux countries.

The Krynica Economic Forum, the largest conference of the Central and Eastern European region was organised in Poland for the 28th time between 4 and 6 September. The event saw the heads of the stock exchanges of Warsaw, Budapest, Bucharest, Prague, Bratislava, Ljubljana, Sofia and Zagreb declare that cooperation is needed to ensure that mutual interests are appropriately represented in the process of establishing the capital market union.

On 4 and 5 October 2018, the Budapest Stock Exchange organised the ScaleUp Summit, where international scale-ups, corporations and investors gathered to set up potential business cooperation. The conference focused on scale-ups, i.e. fast-growing companies, usually from the technology sector, and with capital investments over EUR 1 million. The aim of the series of events is to support the growth of European tech-oriented scale-up businesses, as the difference between Europe and the United States in this respect is vast.

US firms have invested USD 744 billion since 2010 in 12,780 transactions – three times more than the European figures. Over the same period, European companies invested USD 209 billion as part of 5,917 acquisitions.

At the conference, renowned international CEOs and representatives of the European Commission discussed and debated the difficulties and trends that impact companies looking to grow. For companies that have progressed beyond the start-up phase, the event provided an opportunity to get to know (with the support of experts) the heads of corporations and potential institutional investors in the hope of future business collaboration.

The series of international introductions concluded with an event held in November 2018, namely the Hungary Investor Day hosted in London by J.P. Morgan, where, besides Czech stock exchange companies, Hungarian companies were represented as well.

CHINESE NETWORKING

Agreement with the Shanghai Stock Exchange

A key element of the capital market development activities of the Budapest Stock Exchange is to strengthen the cooperation with the dynamically developing China.

At the beginning of 2017, the BSE laid down the foundations of a capital market cooperation with China by signing a cooperation agreement with the Bank of China. In May of the same year, it signed an agreement with the Shanghai Gold Exchange, one of the key platforms of global gold trade, and this year it concluded a strategic agreement with one of the largest stock



exchanges of the world: the Shanghai Stock Exchange. This was another step by the BSE to establishing a closer collaboration with the dynamically growing Chinese capital market. Within the framework of the newly launched partnership, the two stock exchanges will develop investment products together, while also initiating joint research projects. The cooperation also involves the exchange of information relating to the capital market, stock exchange operation and regulation.

Continued progress in the cooperation with the Bank of China

An indication of how seriously the Budapest Stock Exchange takes Asian relations is that the cooperation agreement concluded with the Bank of China (BOC) in 2017 advanced to the next level in 2018, when the trading of the first CNY-denominated structured bonds issued by the BOC in the region started in December. The underlying product of the security – which was subscribed to by institutional investors (fund managers, banks and other companies) – is the 4.85%-rate CNY-denominated bond issued by the Hungarian State, maturing in July 2020. The total nominal value of the series is EUR 8.5 million or USD 15 million. The product is the first issue in the region by a Chinese bank.

The cooperation agreements concluded to date aim at developing new publicly tradable joint products for Chinese and Hungarian investors that will help the Budapest Stock Exchange expand its range of products to include ones linked to the Chinese capital market, and that will also encourage Chinese investors to learn about and invest in Hungarian businesses.

In addition, the BSE and the Bank of China will also take joint steps to ensure that Chinese companies active in Hungary and the Central Eastern European region choose the Hungarian capital market for the purpose of raising capital in the future as well.

COOPERATION WITH V4 STOCK EXCHANGES

In February 2018, the Prague Stock Exchange hosted the first V4+2 summit of Central and Eastern European exchanges, attended by the CEOs of stock exchanges from Croatia, the Czech Republic, Hungary, Poland, Romania and Slovakia.

The aim of the initiative was to spark a cooperation between the stock exchanges, primarily relating to plans of the European Union. The objective of the group is to assess the impact of EU plans on the capital markets of the V4+2 region, to identify areas where intervention is needed and to start consultations on these areas with European Union representatives.

Joint action is useful not just because it provides a means for the participating stock exchanges to voice their opinions, but also because it allows the European Union to receive unified feedback from the markets representing the entire region. Local capital markets play a strategic role in financing the economic growth of Central and Eastern Europe, which is why ensuring the development of local ecosystems is of crucial importance in respect of the region's competitiveness.



FESE-RELATED WORK

The cooperation between the Budapest Stock Exchange and the Federation of European Securities Exchanges (FESE) was elevated to a new level in 2018.

FESE is the common interest representation organisation of European regulated capital markets and exchanges. Its main purpose is representing these markets in European Union decision-making processes, primarily in establishing the Capital Markets Union. It currently includes 35 stock, commodity and energy exchanges from 30 countries. It counts the Deutsche Börse in Frankfurt, Euronext, the NASDAQ (which has offices in Europe as well), along with the Warsaw, Vienna, Prague and Bucharest exchanges among its members.

The Budapest Stock Exchange has been actively collaborating with the Federation of European Securities Exchanges since 1999. The BSE became a full member of the organisation in 2004, following Hungary's accession to the European Union, but afterwards – in the previous ownership structure – only had technical membership through the CEESEG Group. After the Magyar Nemzeti Bank acquired majority ownership of the BSE, the Hungarian stock exchange was again granted full membership in the FESE as of June 2016. This allows the BSE to create cooperation opportunities with other stock exchange members and to gain more experience in international capital markets, thereby ensuring that the operation of the domestic stock exchange is EU-compliant and that the BSE is able to appropriately represent the interests of the Hungarian market when assessing frequently changing acts of legislation.

As an indication of closer cooperation, the FESE appointed BSE Chairman & CEO Richárd Végh to be Chairman of the Board at its general meeting on 4 December 2018. Petr Kobic, Member of the Management Board of Vienna Stock Exchange, was elected President of the organisation, thus reinforcing the role of the region's capital markets at the European level.

The European parliamentary elections of 2019, and the establishment of the new European Commission makes the work of FESE – based in Brussels and collaborating closely with the European Commission – particularly important. The organisation provides opinions on the new directives and draft regulations of the Commission relating to capital markets. FESE's key lobby topics currently include the regulation related to MiFID II/MiFIR, the Securities Financing Transactions Regulation (SFTR), making data sales pricing unified and more transparent, the tick size regime, but the organisation also focuses on the impact of Brexit on the capital market sector.



Brand building, Communication

THE HUNGARIAN CAPITAL MARKET IN THE MEDIA

Marketing communication and PR play important roles in the capital market development activities of the Budapest Stock Exchange.

Investor communication continued to focus on increasing the stockholding by the Hungarian population in 2018 as well. In this context, with the BSE's support, daily articles, interviews and news reports were published on the most prestigious, most widely read and most widely listened-to economic media platforms. As a result of the activities of the BSE's Sales and Marketing Division, not only OTP Bank, MOL, Richter and Magyar Telekom, but also small securities and companies involved in the new programmes of the BSE (BÉT Xtend, Mentoring Programme, ELITE Programme) received considerable attention in the media.

Contact and liaison with the Hungarian press is now ongoing via several channels, and the development of this relationship is not limited to professional support provided to one or two economic financial media outlets. The Exchange is also making an effort to establish and nurture closer relationships with media entities that have a greater reach to retail investors. Beyond statements and reports on monthly turnover data – now published on a regular basis and which mostly provide useful information to the specialised press on the Hungarian capital market – the Budapest Stock Exchange also publicises all important events and happenings related to its activities as it tries to be available to the representatives of the Hungarian press with press releases, interviews and industry articles.

Expressed in figures, in 2018 we released 4,000 stock exchange-related reports in the press, generating more than 270 million views. The calculated media equivalency value was more than HUF 800 million in this period.

The BSE has been working on reaching investors, potential and current issuers, as well as BSE partners through social media since September 2016. At the end of 2015, the Facebook page of the Budapest Stock Exchange had less than 500 followers, but by the end of 2018, we increased this to nearly 12,000, reaching the benchmark, the typical level for Hungarian investment service providers. At the same time, the number of LinkedIn followers jumped from less than 300 to above 1,700.

Events

The Budapest Stock Exchange holds two priority events each year. The first is the birthday of the Exchange in June, where together with the representatives of issuers on the Hungarian trading floor, exchange members and key partners, the Budapest Stock Exchange celebrates the anniversary of its reopening on 21 June 1990 after decades of involuntary hiatus. The other is the 'BÉT Legek' (Best of the BSE) Awards Gala. By giving out the awards at the Best of BSE Gala



to kick off the year, the BSE evaluates the preceding year and ceremonially launches the next. The Awards Gala for 2017 was held on 18 January 2018, which also marks the anniversary of the launch of the Hungarian Exchange back in 1864.

For nearly twenty years, the Budapest Stock Exchange has held this annual ceremony (Best of BSE). A professional panel of capital market experts decides on award recipients, determining category winners based on entries received or turnover data.

While for most of the categories, winners are selected on the basis of a quantitative methodology, in the case of the category for Domestic Stock Trading Platform of the Year, a panel consisting of members of the Stock Exchange Advisory Board chose the winner after evaluating the entries received and on the basis of user ratings.

The communication activities of the Budapest Stock Exchange focus on attracting potential issuers, mainly IPO-ready medium-sized businesses. Events play a key role in this respect – not only happenings organised by the BSE, such as professional forums, business breakfast meetings, conferences, BSE Academies and visits to the stock exchange, but also college and university lectures given by our experts.

After 2016 and 2017, on 20 September 2018 the BSE again hosted the BSE50 – Medium-sized Enterprises' Summit for SMEs, with hundreds of participants and a keynote address by OTP Bank Chairman & CEO Dr. Sándor Csányi. The BSE50 2018 publication was also presented at the event. Just as its previous editions, it presents the inspirational stories of 50 Hungarian businesses, from the automotive industry through machinery production to IT companies. The conference, which lasted from morning until afternoon, was attended by distinguished representatives of the domestic economic arena. The more than 400 people in attendance had the opportunity to listen to presentations and speeches by OTP Chairman & CEO Dr Sándor Csányi, MKB CEO Ádám Balog, ELITE Group CEO Luca Peyrano, KAVOSZ Zrt. CEO László Krisán, MFB Zrt. Managing Director Adrien Berta, Wallis Asset Management Zrt. CEO Zsolt Müllner and EY Partner Martin Steinbach. The presentations were followed by panel discussions, where attendees had the chance to listen to the stories of Béflez, Julis-K9 and Transmoduls, as well as visiting the BÉT Xtend, ELITE, IR/PR or Industry 4.0 workshops.

On 4-5 October 2018, the Budapest Stock Exchange hosted the Scaleup Summit, the international start-up conference realised with support from the European commission, as part of which (primarily) technology start-ups were able to meet corporate investors. On 13 December 2018, with a view to creating a tradition, the Exchange organised the very first in the series of BSE CEO60 events where professional investors – fund managers, analysts, private bankers – will be able to meet up with the heads of BSE issuers (Magyar Telekom was first) several times each year.

Events and activities in terms of figures: Surpassing the preceding year, in 2018 the BSE participated at or organised close to 150 conferences, professional forums, bell-rings, visits to the exchange, press conferences, business breakfast or tea meetings. For thousands of people,



these events presented the only chance to meet with the BSE and the BSE's representatives at the domestic or international level.

Education

It is of particular importance to the Budapest Stock Exchange to play an active role in the country's sustainable development by also supporting initiatives that are important for society as a whole. This is why, in addition to its core activities, the BSE also takes on a significant role in the field of financial education and training.

Today, financial skills and know-how are essential for purposeful life planning. It is for this reason that the Budapest Stock Exchange feel it has a responsibility to convey to both the younger and older generations knowledge of basic financial skills and about the operation and characteristics of the stock exchange.

Interest in programmes and competitions is very high, which shows that the population, including young people, have recognised the tremendous importance of financial literacy.

Another key objective is training the managers and employees of publicly traded companies, in particular those of companies that expect to be traded on the exchange at one point.

The Budapest Institute of Banking (BIB), a subsidiary of the Exchange, is responsible for vocational training courses, while the BSE organises programmes for the general public, in particular for secondary school and university students. These include the BSE Academy's exchange courses for retail investors, visits by school groups and the Kochmeister Award. This year, we decided to give the Kochmeister Prize to the team submitting the best written analysis in the competition organised by the CFA Institute and CFA Society Hungary. We hope to see as many talented young people as possible enter the field of stock analysis. This is why, in addition to the other prizes, we also give vouchers for BIB training courses.

Stock Derby Competition

In close collaboration with the Money Compass Foundation, the Budapest Stock Exchange organises a regular competition for secondary school students that aims to increase investor awareness and knowledge about the stock market. Through the game, organised with huge success both last year and this year, players (secondary schools students and teachers) had the chance to discover the world of stock market trading, gaining valuable experience and know-how about the capital market and deal-making, but without having to risk their own money.

More than 1,500 students took part in the February 2018 game. Each player had HUF 2 million in virtual capital to set up their own portfolios using real-time stock price data, and to buy and sell equities traded on the BSE. The game was supplemented by a detailed Stock Exchange



Alphabet as well as a stock exchange quiz. Based on the balance of the one-month Stock Derby, players issued more than 20,000 orders, in a total value of HUF 4.4 billion.

At the end of the game, players with the highest value portfolios were given valuable prizes, but respondents who completed the stock exchange quiz correctly week after week and participants that were continuously active were rewarded as well. The Money Compass Foundation also offered special prizes to the best performers of the Money Compass School Network.

KEBA Stock Exchange Competition

More than 1,300 students from nearly 200 secondary schools, including 30 teams from regions beyond Hungary's borders, tested themselves in the popular financial/securities-trading competition of the Central European Training Centre for Brokers (KEBA). Having progressed from the qualification round started in November 2017, followed by the semi-finals. In the end, the 'Stock Market Hussars' team of Debrecen's Fazekas Mihály Secondary School emerged victorious in the grand final.

Students were tasked with solving investment-related test questions in the qualification round, and also participated in an online stock exchange game that went on for nearly three months, played virtually on 20 exchanges of the world. The best teams made it to the live, oral final, where they had the opportunity to give an account of their knowledge before distinguished financial experts. In addition to the representative of Erste Befektetési Zrt. (the game's main professional partner), the panel of judges also included representatives of the BSE, KELER and numerous other brokerage firms.

As was the case in previous years, the best performers were rewarded with major professional awards and valuable prizes donated by the organisers. Erste Befektetési Zrt. rewarded the winning team with a summer internship at the company, but students were also given many other prizes. The professional grand prize, 100 hours of 'broker training', was provided by the Budapest Institute of Banking. The high level of skills and knowledge attainable at BIB allow students to take on important jobs and positions at companies and institutions within the Hungarian or the international financial institution sectors.

Due to the high level of preparation at the schools, this year's competition was decidedly fierce. In addition to foreign markets, KEBA also placed great emphasis on the Hungarian capital market, and the panel of judges felt that the level of students' skills in this area had noticeably improved. The organisers are hoping that this specialised knowledge acquired by young people will slowly seep over to the world of parents and grandparents as well, thereby promoting a gradual improvement in financial literacy of the whole of society.

CFA-KOCHMEISTER Investment Research Challenge

2018 was the 10th year that the CFA Institute and the CFA Society Hungary were hosting the Investment Research Challenge, their stock analysis competition for university students. At the 2018-2019 contest, the Budapest Stock Exchange awarded the prestigious Kochmeister Prize to



the team submitting the best written analysis, while the four best teams of the oral and written phases received a prize of a total of HUF 500,000 from the BSE, but the other teams also received Kindle e-book readers from the BSE.

Each Hungarian institution of higher education could nominate a maximum of two teams of 3-5 members to the English language challenge.

Contestants could test their financial and company analysis skills acquired at university in practice, as their task is to draw up an 8- to 10-page fundamental investment analysis on Duna House Nyrt., a company traded on the Budapest Stock Exchange.

BSE Academies

One of the priority goals of the BSE's strategy for 2016-2020 is to improve the population's financial literacy. This is why the BSE Academy series of events on the BSE's educational activities places a particular focus on holding lectures and presentations that are open to all, free of charge.

As part of the lecture series, key experts of the Hungarian capital market introduced the world of the stock exchange, focusing on fascinating topics such as stock exchange psychology, Hungarian and international stock investments, the impact of economic news on the markets, as well as current market trends.

This year, attendees had the opportunity to listen to the following presentations:

- investment opportunities through ETFs (presented by OTP Treasury staff),
- being aware of market outlooks (Erste Befektetési Zrt.),
- investments on HOLD (HOLD Fund Management).

Fintelligence Laboratories

In order to enhance financial literacy, the government has developed a seven-year national financial awareness development strategy for 2017-2023, one of the priority objectives of which is to reach the age group most receptive to modern financial knowledge – namely students in higher education. An outstanding tool for this objective is the FINTELLIGENCE Financial Education Network, where students are introduced to the topic through an experience-based transfer of knowledge.

In the framework of the Network, FINTELLIGENCE Laboratories were opened in two locations to date, at the universities of Miskolc and Debrecen, with modern financial laboratories to also be established in Pécs, Budapest, Szeged and Cluj-Napoca (Romania), with financial and professional support from various banks. The University of Debrecen has established a unique, trust-based system of cooperation with the government, the private sector and financial institutions, which contributes to accomplishing the institution's educational, scientific and innovation goals.



Students in the finance-accounting undergraduate training of the University's Faculty of Economics will have the opportunity to use the 36 computers in a specially equipped classroom of the FINTELLIGENCE laboratory to learn about the latest technologies and applications used in the financial arena today. In the future, the University will also announce courses providing basic level practical financial training, open to any student of the University, while secondary school groups also get the opportunity to take part in interactive classes on finance.

Organization

At the Budapest Stock Exchange on December 31, 2018 the number of active staff was 63, having increased from the staff number of 59 in 2017. Out of 63, 59 people were in full time and 4 people worked 6 hours a day. The number of full-time equivalents were therefore 62. The number of employees leaving the company was 7 and the number of joining was 13.

Financial investments

In accordance with legal provisions, the BSE invests its free liquid assets into bank deposits and government securities. In the balance sheet, investments were capitalised on historic costs. The BSE does not have debt, the company's liquid assets are stable, and liquidity risks are not to be reckoned with.

The Financials of BSE

The revenues of the BSE amounted to HUF 2.54 billion, 3.43% higher than revenues of the previous year. Due to the increase of both revenues and expenses, BSE realized an EBITDA of HUF 194 million, 58.45% less than in 2017. The net profit was HUF 297 million.

Table 1: Revenue and earnings of BSE, 2005-2018

('000 HUF)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total revenue	2 636 943	3 570 364	3 947 479	3 292 346	3 201 130	3 410 413	3 084 558	2 425 367	2 351 955	2 108 912	2 163 473	2 197 929	2 453 386	2 537 506
EBITDA	1 264 284	1 742 106	2 056 146	1 467 980	1 612 002	1 814 942	1 516 438	915 910	877 990	841 922	863 575	382 765	465 930	193 575
Net profit	2 364 113	2 400 491	2 586 054	2 276 106	1 390 772	1 320 630	1 124 747	576 438	565 003	520 077	500 737	72 902	176 265	296 702



Figure 8: Main financial data of BSE

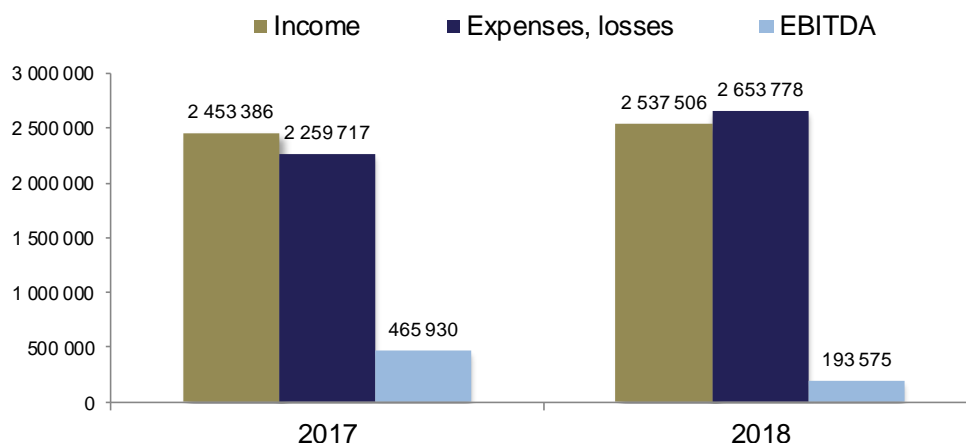


Figure 9: Distribution of income – 2018

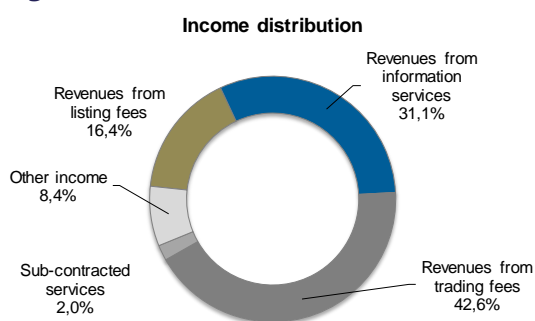
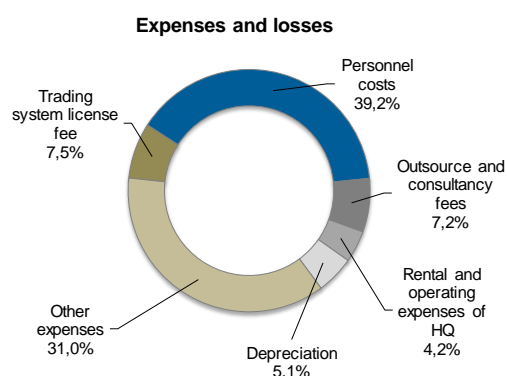


Figure 10: Distribution of expenses - 2018



Subsequent events after the Balance Sheet date

There were no events after 31th December 2018, the presentation of which would be material to the evaluation of the financial situation of the Company.



Social elements of employment and CSR

Apart from compulsory elements of employee benefits, Budapest Stock Exchange ensures further aids and benefits (social and health payments, jubilee allowances) to its employees, the regulations of which are set in Company Codes. For the sake of equal employee rights BSE applies a plan for equal opportunities prescribed by laws. BSE also strives to be more than a regular business towards those members of the society who are open to the activities of a stock exchange. In order to develop the national capital market and financial culture, the Company organises visits and instructional presentations to the Exchange office for high school students, but anyone interested can attend the presentations of BSE Academy. Together with Pénziránytű Alapítvány, BSE organised an online stock exchange game for high school students in 2017 and 2018, where participants could experience trading without risking their own funds, and learn about stock exchange markets and deals. Similarly to the game, Kochmeister competition is also an annual program where BSE rewards young talents who write the best studies about topics related to the capital market specified in advance.

Budapest, 16 April, 2019

Richárd Végh
Chairman-CEO

Ildikó Auguszt
Financial Director