



**Independent Auditors' Report issued on the
2017
Annual Financial Statements
and Business Report
of Budapesti Értéktőzsde Zrt**

This is an English translation of the Independent Auditors' Report on the 2017 annual financial statements of Budapesti Értéktőzsde Zrt issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete set of annual financial statements it refers to.

Budapesti Értéktőzsde Zrt - 18 - 2017.12.31.





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Budapesti Értéktőzsde Zrt - 18 - 2017.12.31.





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Independent Auditors' Report

To the shareholders of Budapesti Értéktőzsde Zrt

Opinion

We have audited the 2017 annual financial statements of Budapesti Értéktőzsde Zrt (hereinafter referred to as "the Company"), which comprise the balance sheet as at 31 December 2017, which shows total assets of THUF 6,646,467 and profit after tax for the year of THUF 176,265, and the income statement for the year then ended, and supplementary notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the Company for the purposes of our audit of the annual financial statements, as provided in applicable laws in force in Hungary, "The Policy on Rules of Conduct (Ethics) of the Audit Profession and on Disciplinary Procedures" of the Chamber of Hungarian Auditors, as well as with respect to issues not covered by these, in the "Code of Ethics for Professional Accountants" issued by the International Ethics Standards Board for Accountants (the 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 Information

The other information comprises the 2017 Business Report of the Company. Management is responsible for the preparation of the business report in accordance with the Act on Accounting and other applicable legal requirements, if any.

Our opinion on the annual financial statements expressed in the Opinion section of our report 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.

Based on the Act on Accounting, we are also responsible for assessing whether the business report has been prepared in accordance with the Act on Accounting and other applicable legal requirements.

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In our opinion the 2017 business report of the Company is consistent, in all material respects, with the 2017 annual financial statements of the Company and the applicable provisions of the Act on Accounting.

There are no other legal requirements that are applicable to the business report of the Company, therefore, we do not express an opinion in this respects.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the business report, and if so, the nature of such misstatement. 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 Act on Accounting, 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 and disclosing, as applicable, matters related to going concern; and, management is responsible for preparing the annual financial statements on a going concern basis. Valuation made by management shall be based on the principle of going concern, unless the use of this principle is precluded by any provision, or if any fact or circumstance prevails, which precludes the Company to continue as a going concern.

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

Auditors' 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 auditors' 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 Standards on Auditing and 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 Standards on Auditing and applicable laws and regulations in Hungary, we exercise professional judgment and maintain professional skepticism 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 for the preparation of the annual financial statements 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

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auditors' 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 auditors' 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 control that we identify during our audit.

Budapest, 18 April 2018

KPMG Hungária Kft.

Registration number: 000202

Gábor Agócs

Partner, Professional Accountant

Registration number: 005600

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Budapesti Értéktőzsdé Zrt - 18 - 2017.12.31.





FINANCIAL STATEMENTS OF
THE BUDAPEST STOCK
EXCHANGE FOR THE YEAR 2017



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BALANCE SHEET

HUF '000

a	Denomination b	31.12.2016 c	31.12.2017 d
1	A. LONG-TERM ASSETS (rows 2+10+17)	5 370 641	5 518 426
2	I. Intangible assets (rows 3-9)	111 936	131 108
3	Capitalized value of formation, promotion and restructuring expenses	0	0
4	Capitalized value of research and development	0	0
5	Rights, representing assets	1 337	1 212
6	Intellectual products	110 599	129 896
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)	143 683	192 296
11	Buildings and related concessions and similar rights	28 966	22 221
12	Plant machinery	52 878	55 156
13	Other equipments and fittings, vehicles	55 378	44 597
14	Assets in course of constructions	6 461	70 322
15	Prepayments made on fixed assets	0	0
16	Value correction of tangible assets	0	0
17	III. Invested financial assets (rows 18-21)	5 115 022	5 195 022
18	Significant participations	5 109 072	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)	728 355	830 502
23	I. Stocks (rows 24-28)	4 847	5 544
24	Raw materials and consumable goods	0	0
25	Work in progress	0	0
26	Finished goods	0	0
27	Merchandise	4 847	5 544
28	Prepayments made on stocks	0	0
29	II. Receivables (rows 30-33)	180 491	134 509
30	Trade debtors	97 841	118 503
31	Receivables from affiliated undertaking	0	0
32	Bills receivable	0	0
33	Other debtors	82 650	16 006
34	III. Securities (rows 35-38)	348 701	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	348 701	0
39	IV. Cash and cash equivalents (rows 40-41)	194 316	690 449
40	Cash	0	0
41	Current account	194 316	690 449
42	C. ACCRUED INCOME AND PREPAYMENTS (rows 43-45)	217 851	297 539
43	Accrued income	205 036	272 371
44	Prepayments	12 815	25 168
45	Equity and accrued and deferred assets of deferred expenditures	0	0
46	TOTAL ASSETS (rows 1+22+42)	6 316 847	6 646 467

Budapest, 18 April, 2018

Richárd Végh
Chairman-CEO

Ildikó Auguszt
Financial Director



HUF '000

a	Denomination b	31.12.2016 c	31.12.2017 d
48	D. Shareholders' equity (rows 49-56)	6 046 315	6 222 580
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	2 855 709	2 928 611
54	V. Non-distributable reserves	0	0
55	VI. Revaluation reserve	0	0
56	VII. Net profit for the year	72 902	176 265
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)	79 182	195 433
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)	79 182	195 433
76	Short-term loans	0	0
77	thereof: convertible bonds	0	0
78	Prepayments received from customer	3 849	52
79	Trade accounts payables	10 485	128 633
80	Bills payable	0	0
81	Short-term liabilities to affiliated undertaking	0	0
82	Dividends	0	0
83	Other short term liabilities	64 848	66 748
84	G. ACCRUED EXPENSES AND DEFERRED INCOME (rows 85-87)	191 350	228 454
85	Deferred income	65 100	64 400
86	Accrued expenses	126 250	164 054
87	Deferred revenues	0	0
88	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (rows 48+57+61+84)	6 316 847	6 646 467

Budapest, 18 April, 2018

Richárd Végh
 Chairman-CEO

Ildikó Auguszt
 Financial Director

INCOME STATEMENT

HUF '000

a	Denomination b	31.12.2016 c	31.12.2017 d
1	Net domestic sale	1 334 835	1 400 509
2	Net external sale	798 892	844 333
I.	Revenues from stock exchange activities (rows 1+2)	2 133 727	2 244 842
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	64 202	208 544
	thereof: write-back of loss in value	7 340	5 853
5	Cost of materials	5 831	6 488
6	Values of services utilized	637 699	739 549
7	Other costs	8 364	10 350
8	Cost of good sold	0	0
9	Sub-contracted services	55 821	51 225
IV.	Material-type costs (rows 5-9)	707 715	807 612
10	Wages and salaries	702 901	760 269
11	Other employee benefits	40 813	44 746
12	Contributions on wages and salaries	221 327	202 945
V.	Staff costs (rows 10-12)	965 041	1 007 960
VI.	Depreciation	84 811	107 649
VII.	Other expenses	362 681	336 496
	thereof: loss in value	9 246	3 048
A.	OPERATING PROFIT (LOSS) (I+II±III-IV-V-VI-VII)	77 681	193 669
13	Dividend received	0	0
	thereof: from affiliated undertakings	0	0
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	5 699	3 143
	thereof: from affiliated undertakings	0	0
17	Other incomes from financial transactions	2 390	4 674
VIII.	Income from financial operations (rows 13+14+15+16+17)	8 089	7 817
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 similar changes	0	0
21	Other expenses on financial transactions	11 707	5 127
IX.	Expenses of financial operations (rows 18+19+20+21)	11 707	5 127
B.	FINANCIAL RESULT (VIII-IX)	-3 618	2 690
C.	PROFIT BEFORE INCOME TAX (±A±B)	74 063	196 359
X.	Income tax	1 161	20 094
D.	PROFIT (LOSS) AFTER INCOME TAX (±C-X)	72 902	176 265

Budapest, 18 April, 2018

Richárd Végh
 Chairman-CEO

Ildikó Auguszt
 Financial Director



NOTES TO THE 2017 ANNUAL REPORT





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-1138 Budapest, Róbert Károly krt. 18/C

The person charged with the management of bookkeeping tasks and the preparation of the annual report: Ildikó Auguszt (address: H-1138 Budapest, Róbert Károly krt. 18/C, registration No. 120433). Statutory audit is obligatory for the Company.

Data of the Auditor

KPMG Hungary, Audit, Tax and Advisory Services Limited Liability Company

HU-1134 Budapest, Váci út 31.
Company registration No: 01-09-063183

Data of the person responsible for the audit:

- **Gábor Agócs (mother's maiden name: Piroska Kotogán)**
- H-1091 Budapest, Ifjúmunkás utca 10.
- Registration number: 005600
- Start date of engagement: 25 May, 2016
- End date of engagement: 30 May, 2018



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 2017) 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 2018.

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 2017 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 Central Bank of Hungary.

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 2018, the valid regulations of the Stock Exchange were as follows.

1. REGULATIONS

Regulations of the Budapest Stock Exchange Ltd.	No. of the approval by the Board of	Date	Nr of approval of CBH	Date of entry into force
The General Terms of Service of the Budapest Stock Exchange Ltd.	48/2017.	12 October 2017	H-EN-III-467/2017.	3 January 2018

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 BETa Market	3/BETa/2017	19 December 2017	3 January 2018
General Terms of Service of the Xtend Market	1/Xtend/2018	2 January 2018	3 January 2018



2. ORDERS

Orders of the Budapest Stock Exchange Ltd.	No. of the approval by the Board of	Date	Date of entry into force
Regarding the Professional Representation	67/2017	8 December 2017	8 December 2017
Regarding the Schedule of Fees Applied by the Exchange	460/2017	18 December 2017	1 January 2018
Regarding the Operational and Organizational Rules	8/2018	6 February 2017	12 February 2018

The Central Bank of Hungary 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 or if 2% of the balance sheet total exceeds HUF 500 million, then if their aggregate amount reaches HUF 500 million.

Receivables in foreign funds must be recalculated into HUF at the middle exchange rate published by the account holding bank.

Liabilities in foreign funds must be recalculated into HUF at the middle exchange rate published by the account holding financial institution and valid on the date of settlement.

When **evaluating receivables**, 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 METHOD

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.

INVESTMENTS

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 2017 is expected at HUF 167 000.



- **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 2017 is expected at HUF 915 million.

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

Owners	Subscribed capital	Ownership share
Budapest Stock Exchange Ltd.	2 100 000	46,67%
Hungarian National 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:	182 320
Nominal value of shares:	10 000 HUF
Ownership share:	0.13%

After-tax profit of KELER CCP Ltd. for 2017 is expected at HUF 185 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	0.13%	2 380	5 950
Hungarian National Bank	272	0.15%	2 720	6 800
Central Clearing House and Depository Ltd.	181 810	99.72%	1 818 100	4 545 250
Total:	182 320	100.0%	1 823 200	4 558 000

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

Description	KELER		KELER CCP	
	31.12.2016	31.12.2017	31.12.2016	31.12.2017
Share capital	4 500 000	4 500 000	1 823 200	1 823 200
Capital reserves	0	0	2 734 800	2 734 800
Retained earnings	20 566 846	21 839 000	1 121 636	1 254 958
Non distributable reserves	0	0	0	0
Other reserves	2 473 704	2 575 000	0	0
Earnings for the period	1 271 388	915 000	133 322	185 247
Total:	28 811 938	29 829 000	5 812 958	5 998 205

* The numbers for the financial year 2017 of the KELER GROUP are preliminary, not yet audited.



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

	BIB	
	31.12.2016	31.12.2017
Share capital	n/a	80 000
Capital reserves	n/a	0
Retained earnings	n/a	0
Non distributable reserves	n/a	0
Earnings for the period	n/a	167
Total:	n/a	80 167

* The numbers for the financial year 2017 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	1 171 282	78 610	0	0	1 249 892
I/1. Concessions and similar rights and assets	6 382	75	0	-1 850	4 607
I/2. Intellectual products	1 164 900	78 535	0	1 850	1 245 285
I/2.1. WIP on intangible assets	0	0	0	0	0
II. Tangible assets	478 139	96 917	19 237	0	555 819
II/1. Real estates	42 448	2 596	0	0	45 044
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	42 448	2 596	0	0	45 044
II/2. Cables	0	0	0	0	0
II/3. Technical equipments, machinery	5 291	0	0	0	5 291
II/4. IT equipments	288 215	29 274	18 861	0	298 628
II/5. Telecommunication equipments	9 760	387	376	0	9 771
II/6 Other equipments and fittings	87 229	202	0	0	87 431
II/7. Securities	583	0	0	0	583
II/8. Vehicles	38 152	597	0	0	38 749
II/9. Capital Work in Progress (CWIP)	6 461	63 861	0	0	70 322
II/10. Advance payments on CWIP	0	0	0	0	0
I-II. Total	1 649 421	175 527	19 237	0	1 805 711



Changes to the depreciation of intangible and tangible assets

Denomination	Opening amount	Interim growth	Interim decrease	Reclass.	Closing amount
I. Intangible assets	1 059 346	59 438	0	0	1 118 784
I/1. Concessions and similar rights and assets	5 045	200	0	-1 850	3 395
I/2. Intellectual products	1 054 301	59 238	0	1 850	1 115 389
I/2.1. WIP on intangible assets	0	0	0	0	0
II. Tangible assets	334 456	48 211	19 144	0	363 523
II/1. Real estates	13 482	9 341	0	0	22 823
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	13 482	9 341	0	0	22 823
II/2. Cables	0	0	0	0	0
II/3. Technical equipments, machinery	4 138	598	0	0	4 736
II/4. IT equipments	237 285	25 800	18 861	0	244 224
II/5. Telecommunication equipments	8 964	892	283	0	9 573
II/6 Other equipments and fittings	67 061	4 777	0	0	71 838
II/7. Securities	0	0	0	0	0
II/8. Vehicles	3 526	6 803	0	0	10 329
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	1 393 802	107 649	19 144	0	1 482 307



Changes to the net value of intangible and tangible assets

Denomination	Opening amount	Interim growth	Interim decrease	Reclass.	Closing amount
I. Intangible assets	111 936	19 297	125	0	131 108
I/1. Concessions and similar rights and assets	1 337	0	125	0	1 212
I/2. Intellectual products	110 599	19 297	0	0	129 896
I/2.1. WIP on intangible assets	0	0	0	0	0
II. Tangible assets	143 683	67 335	18 722	0	192 296
II/1. Real estates	28 966	0	6 745	0	22 221
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	28 966	0	6 745	0	22 221
II/2. Cables	0	0	0	0	0
II/3. Technical equipments, machinery	1 153	0	598	0	555
II/4. IT equipments	50 930	3 474	0	0	54 404
II/5. Telecommunication equipments	796	0	598	0	198
	20 168	0	4 575	0	15 593
II/7. Securities	583	0	0	0	583
II/8. Vehicles	34 626	0	6 206	0	28 420
(CWIP)	6 461	63 861	0	0	70 322
II/10. Advance payments on CWIP	0	0	0	0	0
I-II. Total	255 619	86 632	18 847	0	323 404



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	31.12.2016	31.12.2017
PR material	2 631	0
Forms, other materials	1 157	1 311
Library books	1 059	1 059
Intermediated services	0	3 174
Total inventories	4 847	5 544

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	31.12.2016	31.12.2017
Receivables from goods, delivery and services	97 841	118 503
Corporate tax	60 419	3 088
VAT	2 503	10 949
Local tax	923	81
Innovation contribution	0	10
Other receivables	1 035	1 514
Prepayments to suppliers	17 770	364
Total receivables	180 491	134 509



11. Impairment accounted for receivables (HUF '000)

Description	Year of the accounting of impairment	31 December 2017 Amount of impairment
	2011	50
	2012	2 368
	2013	7 897
	2014	6 302
	2015	10 935
	2016	5 722
	2017	3 048
Total impairment on receivables		36 322

SECURITIES

On 31.12.2017 BSE didn't own any T-bills.

12. Securities (HUF '000)

Description	31.12.2016	31.12.2017
D170316	348 701	0
Total Securities	348 701	0

CASH

Cash was recognised at the values of the last bank account statements of 2017 and the stocktaking of the cash desk.

13. Cash (HUF '000)

Description	31.12.2016	31.12.2017
Petty cash	0	0
HUF accounts	39 409	554 786
Fixed HUF deposits	0	0
EUR accounts	154 907	135 663
Fixed EUR deposits	0	0
Total cash	194 316	690 449



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	31.12.2016	31.12.2017
Interest on tied-up deposits and bank accounts due for the reporting period but not yet realised	1 674	0
Transaction fees for December, 2016/2017	71 638	69 219
Annual maintenance fees for the 4th quarter, 2016/2017	80 168	80 493
Vendor fees for 2016/2017	50 641	53 651
Other income	915	69 008
Total accrued income	205 036	272 371
Insurance	1 419	2 091
Newspaper subscriptions	415	288
International organizations membership fees	870	152
IBM IFX maintenance fee	0	6 414
Other software, maintenance fee	5 654	4 951
Other	4 457	11 272
Total prepayments	12 815	25 168
Total prepayments and accrued income	217 851	297 539

EQUITY

Equity is recognised at book value.

15. Changes to equity (HUF '000)

Denomination	31.12.2016	Additions	Disposals	31.12.2017
Share capital	541 348	0	0	541 348
Capital reserve	2 576 356	0	0	2 576 356
Retained earnings	2 855 709	72 902	0	2 928 611
Net profit for the year 2016	72 902	0	72 902	0
Net profit for the year 2017	0	0	0	176 265
Total shareholder's equity	6 046 315	72 902	72 902	6 222 580



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	31.12.2016	31.12.2017
Liabilities on delivery of goods and services	10 485	128 633
Taxes and contributions payable:		
Corporate tax	0	0
Personal income tax	16 058	17 555
Rehabilitation contribution	663	802
Vocational contribution	1 487	1 685
Car tax	172	177
Contributions to Health and Pension fund	16 889	19 857
Social security contribution	26 675	24 623
Healthcare contribution	2 688	1 657
Pension funds	0	0
Health funds	0	0
Dividends paid from the 2016/2017 profit	0	0
Other	4 065	444
Total liabilities	79 182	195 433



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	31.12.2016	31.12.2017
2016/2017 minimum section fees invoiced in 2017/2018	65 100	64 400
Total deferred income	65 100	64 400
Audit	3 429	3 429
MMTS licence fee	7 844	7 786
ADH technical fee	33 536	33 681
Legal specialists' fee	4 072	0
Website development	13 499	0
Bonus for 2016/2017 year (with SSC)	35 198	44 584
Others	28 672	74 574
Total accrued expenses	126 250	164 054
Total accrued expenses and deferred income	191 350	228 454

*In "Others" category, HUF 23,7 million is related to investments, the rest are purchased services.

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	31.12.2016	31.12.2017
Revenues from listing fees	389 117	396 305
Revenues from trading fees	951 287	1 049 870
Revenues from information services	737 502	747 442
Sub-contracted services	55 821	51 225
Total revenues from stock exchange activities	2 133 727	2 244 842

Description	31.12.2016	31.12.2017
Domestic revenue from exchange activities	1 334 835	1 400 509
	0	0
Export	0	0
USA	283 452	287 367
Switzerland	15 391	20 369
Japan	1 265	1 236
Hong Kong	949	927
Israel	1 265	1 236
Norway	8 909	7 713
Turkey	474	464
Canada	0	26
European Union	487 187	524 995
Export revenues from exchange activities	798 892	844 333
Total net sales from exchange activities	2 133 727	2 244 842

Description	31.12.2016	31.12.2017
Revenue from the sales of tangible assets	4 082	94
Income from training	722	324
Income from the sponsorship of certain events	1 200	11 403
Other income	18 048	24 696
Release of provision	39 390	0
Default interest	760	2 315
Income from supportive programs	0	18 000
Distribution of founder assets	0	136 091
Income from ELITE program	0	15 621
Total other income	64 202	208 544

Description	31.12.2016	31.12.2017
Interest on fixed deposits	3 476	1 316
Interest on T-bills	1 674	645
Other interest	459	80
Exchange gains	2 480	5 776
Income from financial transactions	8 089	7 817
Exchange loss	11 707	5 127
Expenses of financial transactions	11 707	5 127
Profit/loss from financial activities	-3 618	2 690



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	31.12.2016	31.12.2017
Sub-contracted services	55 821	51 225
Material costs	5 831	6 488
Travelling costs	15 028	16 435
Maintenance costs	18 874	21 912
Telecommunication costs	7 648	8 422
Other rental fees	26 749	28 729
K2 licence fee	4 006	4 070
Trading system licence fee	96 735	95 619
Outsource and consultancy fees	200 377	214 774
Training costs	6 123	11 190
PR expenses	82 345	144 770
International organizations membership fees	6 052	10 743
International conferences	39 063	26 330
Other services	18 505	21 668
Internet access	2 880	3 037
Deutsche Börse technical connection fees	11 223	17 333
Costs related to the rented property:		
Rental	72 125	82 650
Operating expenses	29 966	31 866
Bank charges, insurance fees, royalties	8 364	10 351
Total material-type expenses	707 715	807 612

20. Fees paid to KPMG for the audit and other services (HUF '000)

Description	31.12.2016	31.12.2017
Audit of the HAR annual report	3 500	3 500
Audit of the IFRS financial statements	1 000	1 000
Audit of consolidated reports according to IFRS	0	0
Other consultancy	13 996	0
Total fees paid to KPMG	18 496	4 500



PERSONNEL COSTS

In 2016, the average number of staff at the Budapest Stock Exchange was 54 and in 2017, 57. 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	31.12.2016	31.12.2017
Wage costs for full-time employees	646 657	688 118
Honoraria for Board members	32 475	41 318
Honoraria for Supervisory Board members	18 648	27 673
Wage costs for off-payroll staff	5 121	3 160
Wages and salaries	702 901	760 269
Fringe benefits	26 972	30 890
Wages for sick leave, other well-being costs	4 243	5 894
Representation costs	9 598	7 962
Other employee benefits	40 813	44 746
Vocational contribution	10 481	11 485
Rehabilitation contribution	2 604	3 270
Personal income tax paid by employer	7 910	9 112
Health contribution	14 064	12 061
Social security contribution	186 268	167 017
Contributions on wages and salaries	221 327	202 945
Total personnel costs	965 041	1 007 960

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	31.12.2016	31.12.2017
Derecognition due to scrapping/ impairment/ lending losses	10 022	4 079
Book value of the sold tangible assets	4 255	93
Provisions	0	0
Other	3 676	7 318
Tax obligation regarding the previous years	0	0
Late payment and self-revision penalty, tax penalty	198	8 700
Subsidies given	4 746	9 000
Innovation contribution	6 152	6 519
Bank tax	179 263	121 154
Local taxes and local business tax	41 010	43 458
Supervisory Authority fee	1 463	1 529
Non-deductible VAT on fixed assets	20 558	27 106
Non-deductible VAT on costs	91 338	107 540
Total other expenses	362 681	336 496

In the financial year 2017, 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: 0.13%

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: Hungarian National Bank
Registered office: 1054 Budapest, Szabadság tér 9.



24. Transactions with related parties

Description	Net amount HUF
Revenues from KELER Ltd.	0
Registration fee for capital market sport tournament	1 000 000
Revenues from Hungarian National Bank	0
Rented lines and access	4 674 604
Expenses related to services of KELER Ltd.	0
Maintenance fee of the register of shareholders	2 424 983
Security account maintenance fee	409 983
Shareholder registration on GM	1 250 000
Payment of dividend	525 000

On 31.12.2017 the Company had no receivables or payables related to KELER Ltd. or KELER CCP.
On 31.12.2017 BSE had HUF 82 000 receivables from Hungarian National Bank.



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	31.12.2017
Items increasing pre-tax profits:	
Amount accounted for as depreciation in the tax year in accordance with the Act on Accounting	107 649
Impairment loss recognized for receivables in the tax year	3 048
Not recognized costs/Annex 3 (entertainment, business gifts, assets transferred free of charge)	0
Provision allocation for expected liabilities	243
Amounts accounted for as expenses and assessed as a result of the self-revision, tax audit	0
Aid given without repayment obligation	4 500
Fine	8 700
Total items increasing the tax base	124 140
Items decreasing pre-tax profits:	
Depreciation in accordance with tax law	82 909
Mobility support given in 2017	450
Impairment reversal for receivables in the tax year	5 853
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	0
Long-term donation provided to a public-benefit organization, 20% of the support	900
Total items decreasing the tax base	97 231
Corporate tax	
Profit/loss before taxation	196 359
Total items decreasing pre-tax profits	97 231
Total items increasing pre-tax profits	124 140
Tax base	223 268
Corporate tax (9%)	20 094
Calculated corporate tax	20 094
Tax benefit for the subsidy of certain team sports/performing arts organizations	0
Total corporate tax	20 094



EXCHANGE MEMBERSHIP

The number of exchange members at the Budapest Stock Exchange Ltd. totalled 28 as of 31 December 2017. At the end of 2017, 19 members in the Equities Section, 21 members in the Debt Securities section, and 13 members in the Derivatives Section (futures market - 13 members, options market - 10 members) and 1 members in the Commodities Section had trading rights.

At the end of the year there were 11 members in BÉTa Market and 9 members in Xtend Market.

Granting exchange membership in 2017

- Interactive Brokers (UK) Limited – trading licence in the Equities Securities section (12 July 2017)

Termination of exchange membership in 2017

- FHB Commercial Bank Ltd. – Equities Section, Debt Securities Section (29 December 2017)
- IKR Broker Ltd. – Commodities Section (11 April 2017)

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 IPOPEMA Securities Spółka Akcyjna	X	-	-	-	-	-	-
13 J.P. Morgan Securities plc	-	F	-	-	-	-	-
14 KBC Securities Magyarországi Fióktelepe	X	X	X	-	-	X	X
15 Magyar Takarékszövetkezeti Bank Zrt.	-	F	-	-	-	-	-
16 Magyar Takarékszövetkezeti Bank Zrt.	X	X	X	X	-	-	-
17 Merrill Lynch International	-	F	-	-	-	-	-
18 MKB Bank Zrt.	X	X	X	F	-	X	-
19 Nomura International Plc.	-	F	-	-	-	-	-
20 NHB Növekedési Hitel Bank Zrt.	X	-	-	-	-	X	X
21 OTP Bank Nyrt.	X	X	X	X	-	X	-
22 Raiffeisen Centrobank AG	X	-	X	X	-	X	-
23 Randon Capital Broker Zrt.	X	-	X	-	-	X	X
24 RAIFFEISEN Bank Zrt.	X	X	X	X	-	X	X
25 Société Générale SA	X	X	-	-	-	-	-
26 SPB Befektetési Zrt.	X	-	-	-	-	X	X
27 UniCredit Bank Hungary Zrt.	X	X	X	X	-	-	X
28 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

⊙: It is a section member without the right to trade



27. Shareholders exceeding 5 % stake

Shareholder	Ownership ratio	
	%	Nr of shares
Hungarian National 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 Hungarian National Bank are at 1054 Budapest, Szabadság tér 9.

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

Description	31.12.2016	31.12.2017
Shareholders' equity	6 046 315	6 222 580
Share capital	541 348	541 348
Capital reserve	2 576 356	2 576 356
Retained earnings	2 855 709	2 928 611
Earnings for the year	72 902	176 265
Number of issued shares	5 413 481	5 413 481
Nominal value of share (HUF/share)	100	100
Price per share at issue (HUF/share)	854	854
Capital resources per share (HUF/share)	1 117	1 149
Dividend (HUF/share)	0	0
EPS (net profit / number of shares) HUF	13,47	32,56
ROE (profit after tax / (average of opening and closing value of the shareholders' equity)	1,21%	2,87%



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	31.12.2016		31.12.2017		Index
	HUF'000		HUF'000		
Income to equity					
<i>(Earnings for the year / Equity)</i>	72 902	= 1,21%	176 265	= 2,83%	133,88%
	6 046 315		6 222 580		
Income to sales					
<i>(Earnings for the year / Revenues from exchange activities)</i>	72 902	= 3,42%	176 265	= 7,85%	129,53%
	2 133 727		2 244 842		
Liquidity ratio					
<i>(Current assets – Inventories/ Liabilities)</i>	723 508	= 913,73%	824 958	= 422,12%	-53,80%
	79 182		195 433		
Capital adequacy					
<i>(Equity / Balance Sheet Total)</i>	6 046 315	= 95,72%	6 222 580	= 93,62%	-2,19%
	6 316 847		6 646 467		
Assets to income					
<i>(Earnings for the year / Balance Sheet Total)</i>	72 902	= 1,15%	176 265	= 2,65%	130,43%
	6 316 847		6 646 467		
Ratio of tangible assets					
<i>(Tangible assets / Balance Sheet Total)</i>	143 683	= 2,27%	192 296	= 2,89%	27,31%
	6 316 847		6 646 467		
Ratio of current assets					
<i>(Current assets / Balance Sheet Total)</i>	728 355	= 11,53%	830 502	= 12,50%	8,41%
	6 316 847		6 646 467		
Ratio of equity and liabilities					
<i>(Liabilities / Equity)</i>	79 182	= 1,31%	195 433	= 3,14%	139,69%
	6 046 315		6 222 580		



30. EBITDA statement (HUF '000)

Description	31.12.2016	31.12.2017
Operating revenues + transferred services	2 133 727	2 244 842
Other income	64 202	208 544
Total revenue	2 197 929	2 453 386
Operating costs and expenses without depreciation	1 815 164	1 987 456
EBITDA	382 765	465 930
Depreciation and amortisation	84 811	107 649
Subsidies of certain team sports/performing arts organizations	0	0
Income from financial activities	-3 618	2 690
Bank tax	179 263	121 154
Corporate tax	1 161	20 094
Local community business tax	41 010	43 458
PROFIT AFTER INCOME TAX	72 902	176 265

31. Development expenses (HUF '000)

No.	Description	31.12.2016	31.12.2017
1.	Trading system	29 568	89 527
2.	Basic investments of the security system	21 550	24 853
3.	Data sales	39 159	14 205
4.	BSE internal developments	22 908	37 433
5.	Non-IT investments	72 017	9 509
	TOTAL	185 202	175 527

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 payment occurred in the year 2017 yet.



33. Cash Flow (HUF '000)

No.	Description	31.12.2016	31.12.2017
I.	Cash flows from ordinary activities (<i>Operating cash flow, rows 1-15</i>)	-319 218	751 567
1	Profit/loss before taxation	74 063	196 359
2	Annual amortisation of assets	84 811	107 649
3	Impairment and reversal for the year	1 907	3 048
4	Difference between the allocation and use of provisions	-39 390	0
5	Profit (loss) from the sales of fixed assets	173	0
6	Changes to trade payables	-7 193	118 148
7	Changes to other current liabilities	-6 491	-1 897
8	Changes to accrued expenses and deferred income	28 776	37 104
9	Changes to trade debtors	-14 699	-23 710
10	Changes to current assets (excluding trade debtors, cash and securities)	-76 259	65 947
11	Overdue, written-off receivables	0	0
12	Purchases of securities	-348 701	348 701
13	Changes to prepaid expenses and accrued income	-15 054	-79 688
14	Taxes paid and payable	-1 161	-20 094
15	Dividends approved	0	0
II.	Cash flows from investment activities (<i>rows 16-17</i>)	-180 344	-255 434
16	Acquisition of fixed assets	-185 202	-255 528
17	Sales of fixed assets	4 858	94
III.	Cash flows from financial activities (<i>rows 18-23</i>)	0	0
18	Loans drawn	0	0
19	Cash received definitively	0	0
20	Bond repayment	0	0
21	Loan repayment	0	0
22	Cash transferred definitively	0	0
23	Housing loan repayment	0	0
IV.	Changes to cash flows (<i>rows +I.+II.+III.</i>)	-499 562	496 133
	Opening cash balance	693 878	194 316
	Closing cash balance	194 316	690 449
	Securities at the end of the year (in HUF)	348 701 162	0
	Cash at the end of the year (in HUF)	194 316 241	690 449 179
		543 017 403	690 449 179

Budapest, 18 April, 2018

Richárd Végh
Chairman-CEO

Ildikó Auguszt
Financial Director



BUSINESS REPORT FOR THE YEAR 2017





THE BUDAPEST STOCK EXCHANGE

A key player in 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 the traditionally the most popular, the range also includes investment funds and structured products, as well as international equities. Its derivatives market encompasses not only futures and options trading, but also a foreign currency market with the highest trading volume in Europe and a commodities market which is unique in the region.

On 20 November 2015, the National Bank of Hungary 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.

Aiming to efficiently develop cash and stock markets, it is not rare that stock exchanges operate separate educational institutions. Budapest Stock Exchange decided to establish a new subsidiary in the summer of 2017, in order to modernise the system of financial trainings and examinations. The BSE General Meeting held on 27th July 2017 approved the foundation of the new Company, that provides education and is called Budapest Institute of Banking.

The Budapest Stock Exchange aims to become the most important funding platform for competitive and successful enterprises in Hungary. Indeed, a well-functioning stock exchange facilitates funding for companies through equities and bonds, although being present on the stock exchange requires companies to operate transparently, which significantly contributes to "cleaning up" the economy. BSE believes that having a highly



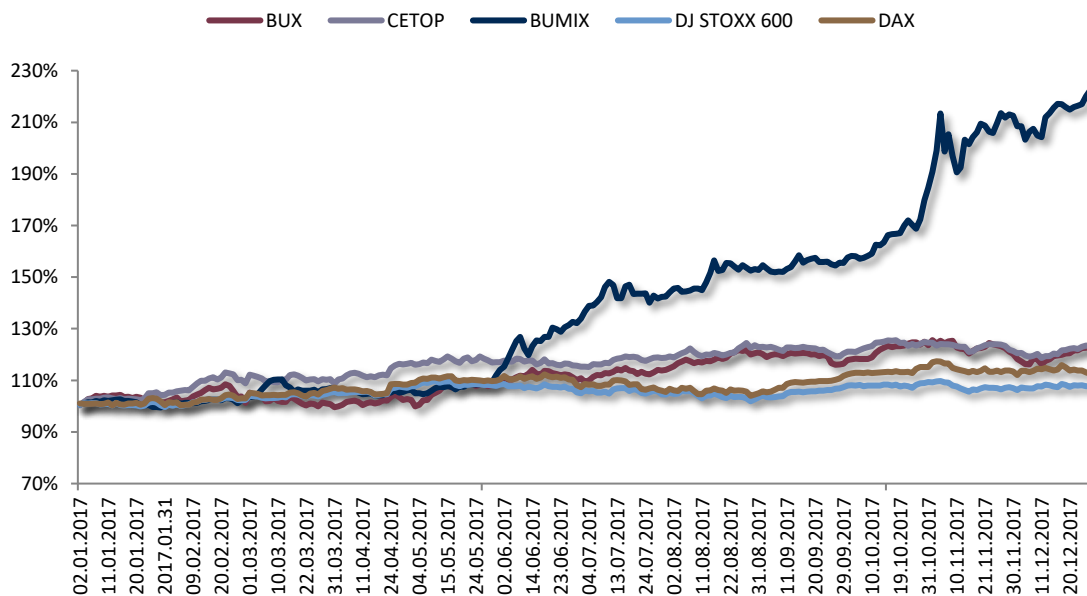
developed capital market and stock exchange is a precondition for any competitive, innovative economy.

Market trends in 2017

In recent years, Budapest Stock Exchange’s (BSE) leading equity index, BUX, had an outstanding performance not only in regional comparison but on a global scale as well. BUX has risen 34 percent in 2016 and 23 percent in 2017 respectively, amounting to a 65 percent rise overall, which places it among the top performing European indices. BUX had several all-time highs during the year, reaching its peak at 40 274 points on the 9th of November 2017.

Most European exchanges closed out 2017 with good performances, the Turkish (XU100), the Polish (WIG), the Greek (ASE), the Czech (PX), the Italian (FTSE MIB) and the German (DAX) leading indices all managed to grow over 10 percent. Indices overseas also performed very well, both NASDAQ and S&P reached all-time highs during 2017, with a 28 and a 19 percent increase during the year respectively (Figure 1).

Figure 1: Relative performance of European indices in 2017



Source: BSE, Bloomberg

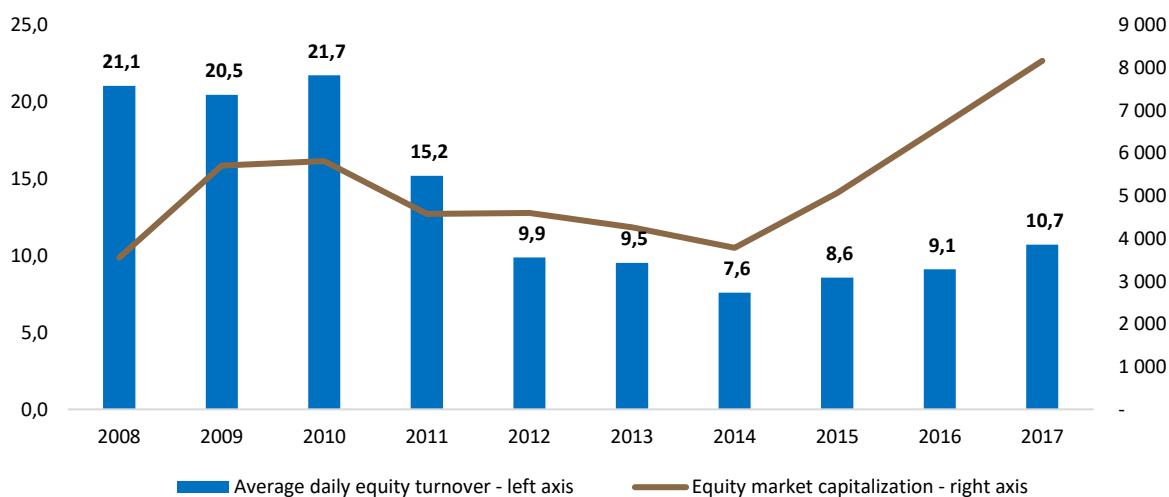
Cash market

Average daily equity turnover of BSE on a full year basis was up by 17.5 percent in 2017 (HUF 10.7bn) compared to 2016, and total yearly equity turnover surpassed 2016's HUF 2,298bn by 17,1 percent (+HUF 392bn) (Figure 2). November has seen the highest turnover during the year, HUF 298bn. BSE has not had higher turnover in a single month since January 2012.

Market capitalization rose by 23.5 percent compared to the end of 2016, settling at HUF 8,169bn by the end of the year (Figure 2). The main driving force behind the growth was the good performance of Hungarian blue-chips: OTP managed to increase its value by 27.6 percent, MOL rose by 16.5 percent, while Richter's price was up by 9.2 percent by the end of the year compared to the end of 2016.

The biggest story however was the success of small- and medium capitalization companies listed on BSE. Generally, the markets were in a good mood, and there were a lot of positive news surrounding several smaller companies, which resulted in 10 shares multiplying their value in the Premium and Standard segments of BSE. Konzum, Opus, KPACK, EHEP, Altera, Nordtelekom, BIF, Appenninn, CIG Pannónia and Csepel all managed to at least double their values during year. This rally is reflected in BSE's mid- and small cap index, BUMIX, as well, which also reached its all-time high during 2017, rising 122 percent overall, which is 1.8 times higher than the growth BUX has accomplished.

Figure 2: Average daily equity turnover and equity market capitalisation 2008 – 2017 (HUFbn)



Source: BSE

Just like in previous years, cash market turnover was dominated by equities, however the share of the four blue-chips (OTP, MOL, Richter, MTEL) has decreased thanks to increased trading volume of mid- and small caps. The share of blue-chips within the equity turnover has gone down from more than 98 percent to 87 percent (Figure 3).

Besides Hungarian stocks, the turnover of other products amounted to HUF 95bn, with certificates and warrants maintaining their position as the leading product type behind equities. (Figure 4)

Figure 3: Turnover of Hungarian equities market (2017)

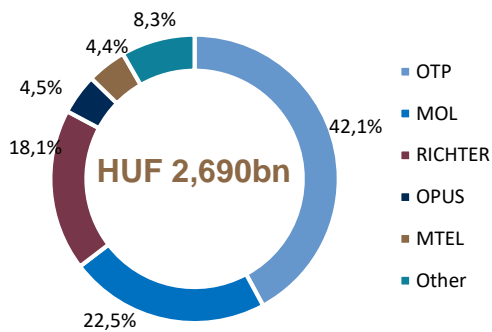
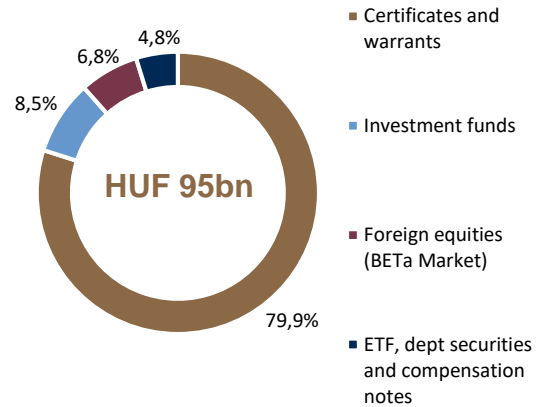


Figure 4: Turnover of other cash products (2017)

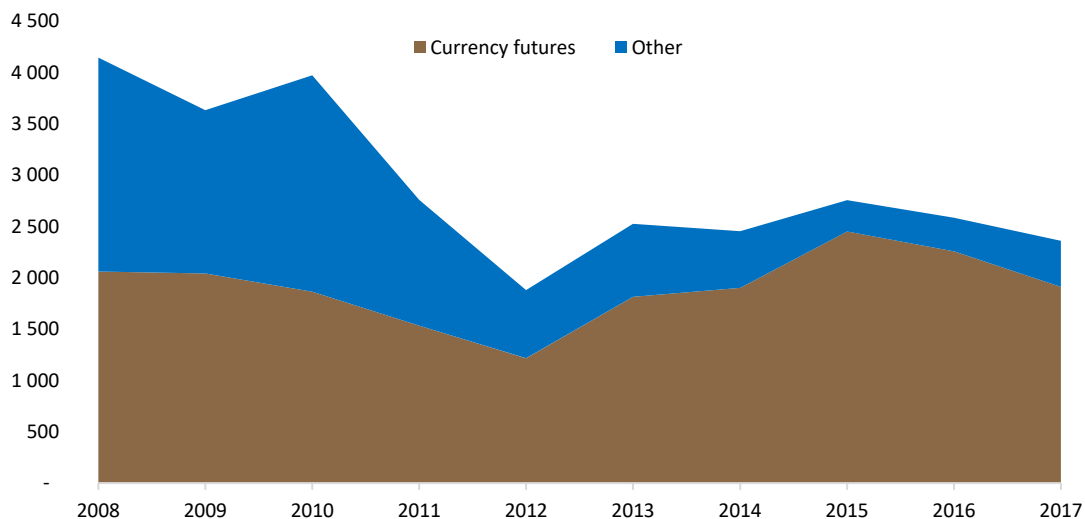


Source: BSE

Futures market

The turnover of the futures market has been stagnating since 2013 it didn't manage to follow the uptrend of the cash market. The volume was dominated by currency futures contracts in 2017 with an 81 percent market share, while in 2008 they were only responsible for around half of the futures market turnover (Figure 5). Besides currencies, BUX stock index futures and single-stock futures had mentionable turnover in 2017. The domination of currency futures was halted somewhat in 2017, since both BUX futures and single-stock futures were able to reach a higher share in turnover due to increased trading volumes in equities and the market making activity in BUX futures, which began in December 2016.

Figure 5: Monthly change of futures turnover 2008 – 2017 (HUFbn)





Source: BSE

New listings and products on the BSE's markets

In 2017, two domestic companies listed its shares to the BSE or issued new shares. In the first quarter, after the technical listing, trading began with the shares of UBM Holding Plc., then in the summer of 2017, one of the most significant IPOs of the last two decades took place. After a successful public share issue of HUF 15.5 billion, trading with the shares of WABERER'S INTERNATIONAL Plc. commenced on the Equities Prime Market of the BSE on July 6, 2017. The company spent almost all of the proceeds from its public offering on the acquisition of one of its Polish competitors. The equity market volume expansion was also supported by private placements in 2017, during which seven companies issued and listed new shares to the BSE in a total value of HUF 5.3 billion. Unfortunately, new listings and offerings were accompanied by three delistings this year. In the case of TWD Investments Plc., the MNB by its resolution instructed the BSE to remove the TWD shares from the product list. The shares of EXTERNET Plc. and PANNON-VÁLTÓ Plc. left the parquet as a result of delisting decision made by the general meetings of the companies.

On the investment notes market, the number of new listings decreased by nearly 36% in 2017; during the year, the investment notes of 19 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, 35 funds expired or transformed and were delisted in 2017. The average volume of closed-end funds listed was HUF 316 billion which represents a 14.5% decrease compared to the previous year. The open-end investment funds listed on the BSE were delisted by the fund managers during the year; the average volume of these funds amounted to HUF 463 billion in 2017.

On the debt securities market, as regards government debt securities, the number of listings remained at last year's level with 162 new issuances and tap issues. The size of the securities series listed decreased by nearly 11% compared to the last year, however, by the end of the year it exceeded HUF 16,553 billion. In the case of mortgage bonds, due to the favorable market environment, the number of listings increased by 31% and the new volume introduced into exchange trading grew by 96% to HUF 244.5 billion in 2017. As a result, the average volume of mortgage bonds listed increased by 38.6% to HUF 728 billion; OTP Mortgage Bank Ltd. by listing of its securities contributed significantly to these figures. Regarding the corporate bonds market, the number of new security series and tap issues listings dropped from 30 to 23. Although the volume of new listings increased largely by 55.8% to HUF 154.4 billion, due to the maturity of some securities series, the average total volume listed decreased by 17.2% and amounted to HUF 433.5 billion. Nearly 97% of the new bond volume derived from the issuances of Hungarian Export-Import Bank Plc. and MFB Hungarian Development Bank Plc.

In 2017, the number of structured products listed by Erste Group Bank AG dropped by 23.3%: after 176 listings in 2016, 135 new structured products were introduced into exchange trading in 2017. 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. In order to comply with the new MiFID II rules, Raiffeisen Centrobank AG has decided to delist one of its certificates, so the number of structured products issued by RCB AG and traded on the BSE decreased to five.

There were no listings and delisting in the BETa Market in 2017, so at the end of the year, the shares of 21 European large companies can be traded on this MTF platform operated by the Budapest Stock Exchange Ltd.

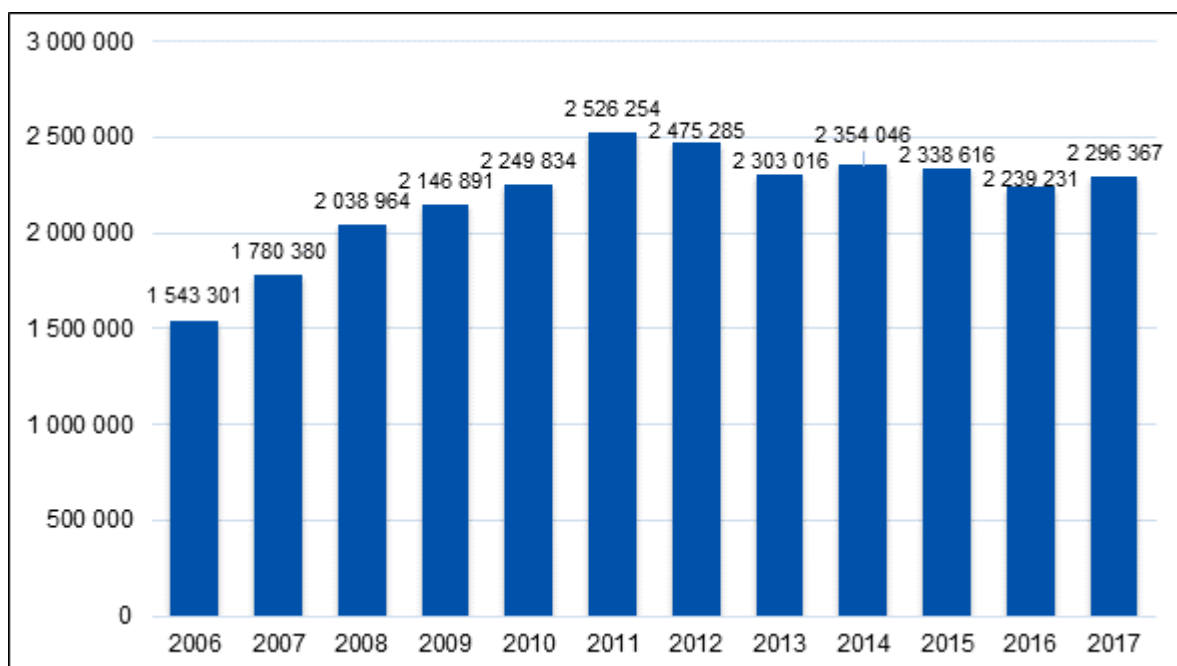


The BSE announced the launch of the new Xtend platform (MTF) established for the small and medium-sized enterprises on September 20, 2017 and published the list of nominated advisors (NOMADs) operating on the market. In 2017, the BSE successfully concluded agreements with 12 NOMADs. New equity issuers are expected to appear in the Xtend Market in 2018.

Information services

In 2017 the Market Data revenue of Budapest SE reached 2 296k EUR excluded from audit and other revenue of Market Data sales, which means a 2,6% increase compared to exit 2016. It is a 2,1% growth compared to our estimated revenue for 2017. The number of contractual distributor partners increased by 6, and the Yearly License Fee reached 939k EUR, which is an absolute record and compared to 2016 it is 13% growth. In 2017 we noticed a slight decrease in our revenue from Monthly Fees.

Figure 6: Annual revenue 2006-2017 in EUR (excluding audit and other historical revenues)



The number of non-professional users increased by 3.6 % and the number of professionals lessened by 6.2 % in the year of 2017. Our revenue from professional users was 1 148k EUR in 2017, while the revenue from non-professional users increased to 208k EUR.

In December 2017 the total number of private investors was 9968 while 5045 professional end users have been reported.



Organization

At the Budapest Stock Exchange on December 31, 2017 the number of staff was 59 decreasing from 61 in 2016. The number of active staff was 59, of which 58 persons are in full time and 1 person works 6 hours a day. The number of full-time equivalents were 58.8. The number of employees leaving the company was 12 and the number of joining was 10.

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 5 billion, 11.62% higher than revenues of the previous year. Due to the increase of "Other income" BSE realized an EBITDA of HUF 0,466 billion, 21.73% more than in 2016. The net profit was HUF 176 million.

Table 1: Revenue and earnings of BSE, 2005-2017

('000 HUF)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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
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
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

Figure 7: Main financial data of BSE

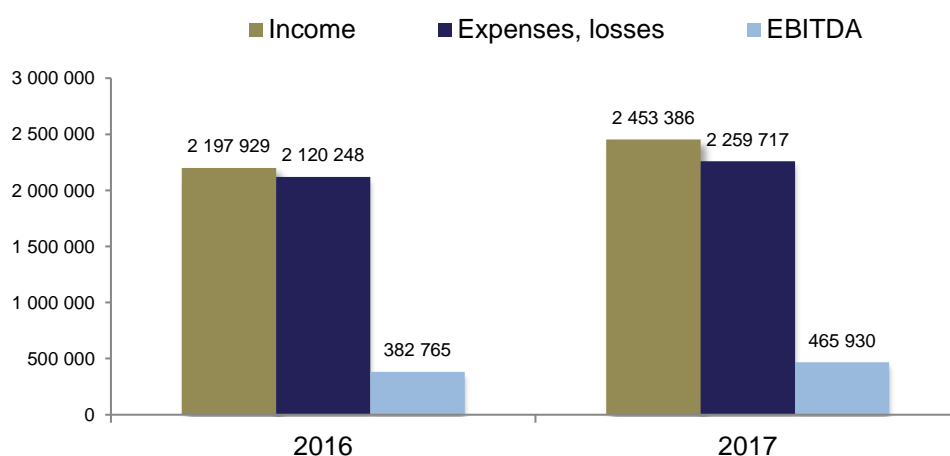


Figure 8: Distribution of income – 2017

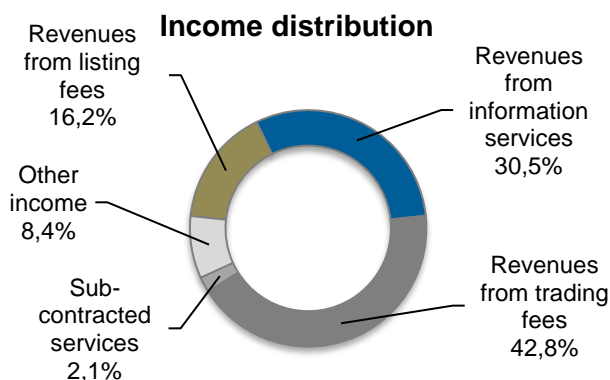
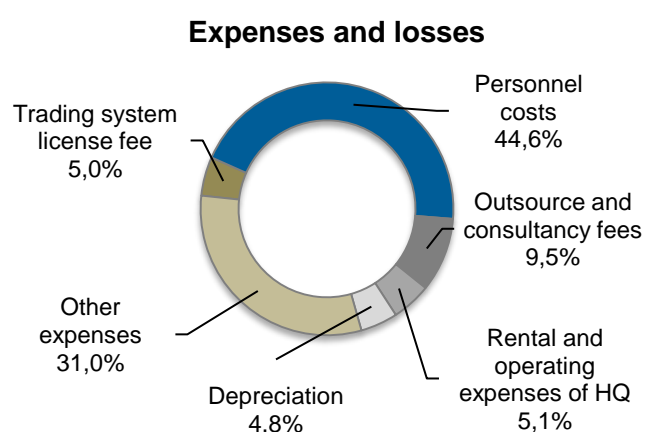


Figure 9: Distribution of expenses - 2017



Subsequent event after the Balance Sheet date

There were no events after 31th December 2017, 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, 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, 18 April, 2018

Richárd Végh
Chairman-CEO

Ildikó Auguszt
Financial Director