

Venture Capital and Private Equity update

Hungary - Q3 2017

Participants in the survey:

3TS Capital Partners
 ABC
 Alliance Jura Hongrie
 Arx Equity Partners
 Bonitas
 Buran Venture
 CEE Equity Partners
 Central Fund
 Docler Investments
 Euroventures
 Finatech Capital
 Finext Startup
 Hiventures
 iEurope Capital
 Kaerous
 MFB Invest
 Mid Europa Partners
 PBG-FMC
 PortfoLion Fund Manager
 Primus
 SZTA
 Venturio
 X-Ventures

The above response rate represents 88% of HVCA members.

Introduction

The following is an analysis of data provided by the members of the Hungarian Private Equity and Venture Capital Association and collected from public sources in order to present venture capital and private equity activity in Q3 2017.

The data was collected through questionnaires completed by our members. Sometimes these questionnaires are not completed in full which may distort the outcome of the analysis. In addition to questionnaires we collected published transactions from various online news portals.

The report is prepared by HVCA and EY, should you be interested in further industry related information or previous issues of the report please visit <http://www.hvca.hu/hu/statisztika/>.

Highlights - Q3 2017

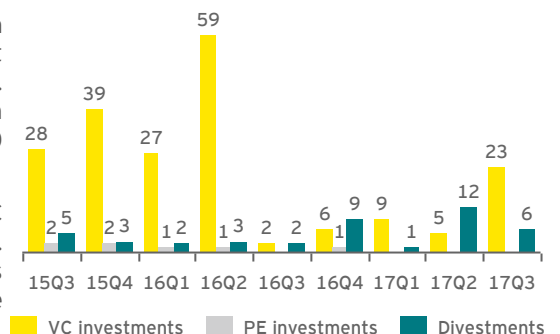
- ▶ Number of closed transactions by VCs: 23
- ▶ Number of divestments: 6
- ▶ Total capital invested: HUF 1,537 million
- ▶ Top three most active industries (by value):
 1. Business and industrial services
 2. Computer and consumer electronics
 3. Communications

Equity investments

During Q3 2017, 23 transactions were closed in Hungary involving 23 target companies that received a total investment of HUF 1,537 million. This is significantly higher compared to Q3 2016, in which 2 companies received a total of HUF 150 million.

Transaction values varied between HUF 3 million VC incubation to HUF 350 million start-up investment. The average deal size was HUF 67 million which is considerably lower than HUF 372 million in the previous quarter.

Chart 1. - Quarterly breakdown of the number of transactions



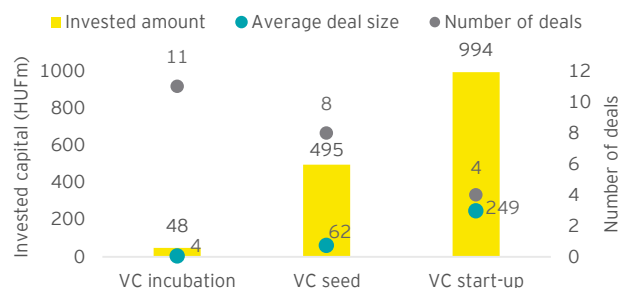
Equity investments - investment stage breakdown

22 out of the 23 transactions were first time investments, which is 96% of the total amount invested. There was only one follow-on capital injection which was in VC seed stage.

VC start-up phase was the most common investment stage in terms of injected capital accounting for 65% of the total (HUF 994 million) but only 17% of the number of deals. The most transactions (11 out of 23) occurred in VC incubation stage (see Chart 2 on the right).

Investments in Q3 2017 were executed by 3 funds that are managed by 1 governmental managed fund.

Chart 2. - Q3 2017 Invested capital by investment stage



Equity investments - sector breakdown

Companies from six sectors received funding in Q3 2017, of which the largest sector accounted for 49% of total transaction value (see Chart 3 on the right).

The below table provides more details and comparison to the respective quarters of 2016.

Chart 3. - Q3 2017 Invested capital by sector

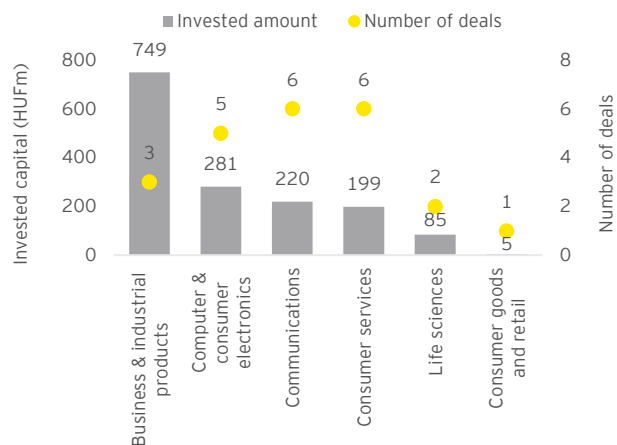


Table 1. - Quarterly breakdown of investments by sector

Sector	Q3 2016		Q4 2016		Q1 2017		Q2 2017		Q3 2017	
	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)
Business & industrial products	1	60	-	-	-	-	1	1,000	-	-
Business & industrial services	-	-	-	-	-	-	-	-	3	749
Chemicals & materials	-	-	1	20	3	160	-	-	-	-
Communications	-	-	-	-	-	-	-	-	6	220
Computer & consumer electronics	1	90	2	115	2	240	1	125	5	281
Consumer goods & retail	-	-	2	25	1	50	-	-	1	5
Consumer services	-	-	2	41	2	106	3	737	6	199
Financial services	-	-	-	-	1	154	-	-	-	-
Life sciences	-	-	-	-	-	-	-	-	2	85
Total	2	150	7	201	9	710	5	1,862	23	1,537

Divestments

5 funds reported a total of 6 divestments in Q3 2017 (see Chart 4 on the right). There were 5 full divestments in various forms and one partial, which was a trade sale.

Divestments occurred in 5 sectors: consumer services, life sciences, business & industrial services, consumer goods & retail and communications.

Fund raising

There has been no fundraising reported in this quarter.

Summary

During Q3 2017 23 companies received HUF 1,537 million from VC funds. The largest amount was allocated in the VC start-up stage (HUF 994 million), but in number terms most of the transactions were VC incubations (11 out of 23).

The largest transaction accounted for 23% of total market activity.

There were 6 divestments by 5 funds in 5 sectors.

Chart 4. - Q3 2017 Divestments based on year of first investment and form of exit

