

Venture Capital and Private Equity update Hungary - Q3 2016

Participants in the survey:

3TS Capital Partners
ABC
Alliance Jura-Hongrie
Arx Equity Partners
Bonitás
Buran Venture
CEE Equity Partners
Central Fund
Corvinus
DBH
Docler Investments
Euroventures
Finatech Capital
Finext Startup
iEurope Capital
Kaerous Capital
MFB Invest
PBG-FMC
PortfoLion
Primus
Riverside Europe
SZTA
Venturio
X-Ventures

The above response rate represents over 89% 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 2016.

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/statistics/>.

Highlights - Q3 2016

- ▶ Number of closed transactions by VC: 1
- ▶ Number of divestments: 1

Q3 2016 summary

During the third quarter of 2016 the venture capital and private equity market was, as expected, mostly inactive. As the main investment period of the JEREMIE funds came to an end in May 2016, most of these funds didn't have any investment in Q3, after the more intense activity of Q2 (as indicated in the Chart 1. on the next page).

The Széchenyi Venture Capital Fund executed the only divestment in this quarter. The portfolio company was active in the Business & industrial products sector, and the fund has started its investment in 2014.

There was only one investment on the market by a governmental fund. The capital injection was executed as a VC seed investment. This was the first investment into the company by the fund, which amounted to HUF 90m.

Q3 2016 summary (cont'd)

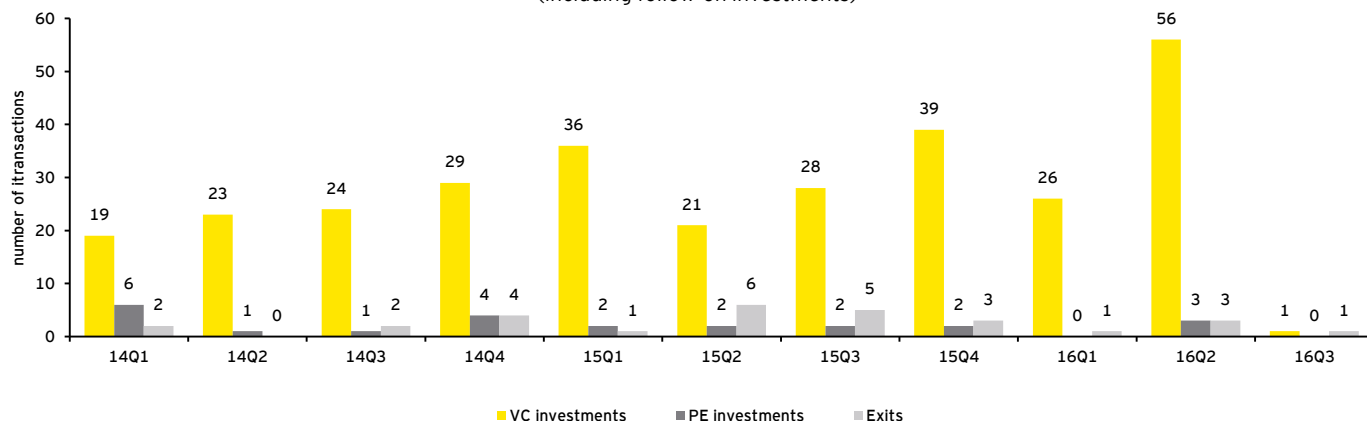
The before mentioned HUF 90m capital was invested into a portfolio company in the Computer and consumer electronics sector. This sector was the second most invested in the previous quarter as well.

Sector	Q3 2015		Q4 2015		Q1 2016		Q2 2016		Q3 2016	
	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	6	882	4	385	3	333	4	512	-	-
Business & industrial services	8	2,727	8	4,831	7	946	11	3,457	-	-
Chemicals & materials	-	-	1	18	-	-	-	-	-	-
Construction	-	-	-	-	1	43	-	-	-	-
Communications	-	-	-	-	-	-	1	62	-	-
Computer & consumer electronics	4	260	4	645	5	544	8	1,313	1	90
Consumer goods & retail	5	1,046	5	342	1	87	8	328	-	-
Consumer services	2	380	3	400	5	953	9	537	-	-
Energy & environment	3	1,981	5	1,291	1	240	6	871	-	-
Financial services	1	0	-	-	-	-	1	60	-	-
Life sciences	1	21	8	1,088	3	703	7	419	-	-
Real Estate	-	-	1	300	-	-	-	-	-	-
Transportation	-	-	2	155	-	-	4	310	-	-

Table 1. - Quarterly breakdown of investments by sector

As presented on the chart below, investment activity was the strongest by far in the second quarter of 2016, driven by JEREMIE funds, but as an outstanding amount of capital was invested in Q2, a substantial decrease was expected in this quarter. The VC/PE market shows a changing picture as the focus shifts from JEREMIE funds to private and governmental venture capital and private equity funds.

Chart 2. - Number of transactions - quarterly breakdown (including follow-on investments)



Fund raising

There has been no fundraising reported in this quarter.