

Venture Capital and Private Equity update Hungary - Q2 2015

Participants in the survey:

3TS Capital Partners
Alliance Jura Hongrie
Arx Equity Partners
Bonitás
DBH
Docler Investments
Euroventures
Finatech Capital
Finext Startup
iEurope Capital
Kaerous Capital
MFB Invest
Mid Europa Partners
PortfoLion
Primus
Riverside Europe
SZTA
Venturio
X-Ventures

The above response rate represents 76% of HVCA members.

Average quarterly FX rates:

EUR/HUF: 306.11
USD/HUF: 276.98

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 2015.

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 - Q2 2015

- ▶ Number of closed transactions by VC: 17
- ▶ Number of divestments: 6
- ▶ Total capital invested: HUF 2.6 billion
- ▶ Top three most active industries (by value):
 1. Life sciences
 2. Business & industrial products
 3. Business & industrial services

Equity investments

Between April and June of 2015 17 VC investments were closed in Hungary with a total value of HUF 2.6 billion. VC investments has seen a 43% decrease compared to Q1 2015 and 56% decrease compared to Q2 2014. During Q2 2015 37% less capital has been distributed by VC funds than the HUF 4.1 billion average quarterly amount in 2014.

The average transaction value was HUF 150 million with investment sizes varying from couple of millions up to HUF 568 million. This is slightly under with the general trend of 2014 or the first quarter of 2015, when the average VC investment size was HUF 170 million, and significantly lower, by 43%, than the same figure of Q2 2014 (HUF 264 million).

73% of total transaction value was conducted as first time investments, down from 83% in Q1 2015. The remaining part of the investments were follow-on capital injections, which were, on average, 35% of the initial contributions.



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Equity investments cont'd

Ten funds have reported investments during this quarter, all of them investing under HUF 1 billion. The top three players were responsible for 73% of all investments, with at least HUF 300 million capital distributed by each.

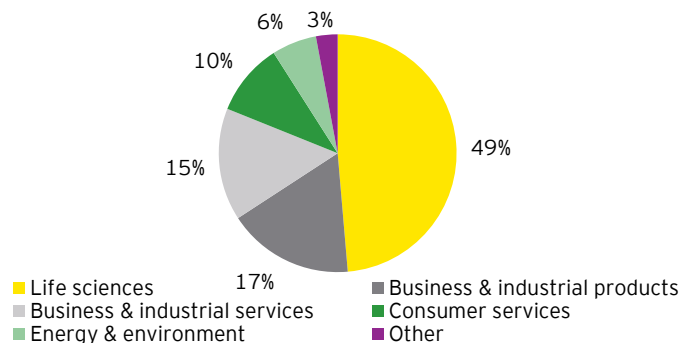
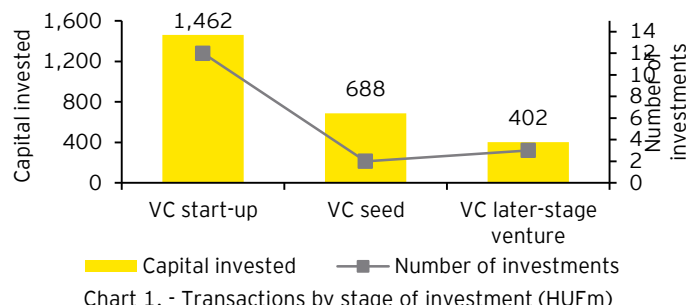
The most common stage with 57% of all investments was the VC start-up phase, up from 51% in Q1 2015.

Equity investments - sector breakdown by value

The top three sectors received over HUF 300 million each, with a share of 81% from the total transaction values.

The largest sectors were (in order of size of investments) Life sciences, Business & industrial products and Business & industrial services.

The trend seems to continue, as Life sciences have seen substantial transactions in each quarter, being in the top three most invested sectors in five consecutive quarters from Q3 2013; however, the capital injected into this sector is the highest since the beginning of the observed period (Q3 2013) with over HUF 1.2 billion.



Sector	Q3 2014		Q4 2014		Q1 2015		Q2 2015	
	Transactions	HUFm	Transactions	HUFm	Transactions	HUFm	Transactions	HUFm
Business & industrial products	6	993	3	2 707	-	-	3	438
Business & industrial services	6	1123	10	20 953	7*	96 780*	2	390
Communications	1	55	3	649	1	20	1	50
Computer & consumer electronics	-	-	3	394	3	698	-	-
Consumer goods & retail	3	244	2	350	4	813	1	25
Consumer services	-	-	1	80	4	479	3	252
Energy & environment	-	-	3	15 523	2	66	2	156
Life sciences	4	653	6	805	4	415	5	1,241
Transportation	2	212	1	1 061	2	170	-	-
Other	3	313	1	301	-	-	-	-

Table 1. - Quarterly breakdown of investments by sector
*including an outstanding PE investment (1 transaction - HUF 95 billion)

Divestments

There have been six divestments reported in Q2 2015. Three funds have reported about exits in Q2 2015, the Széchenyi Tőkealap disclosed three divestments, Euroventures reported two and Ayudate had one exit.

Three out of the six have been conducted in the Business and industrial services sector, and one divestment was in the Communication, Consumer services and Computer and consumer electronics sector, respectively.

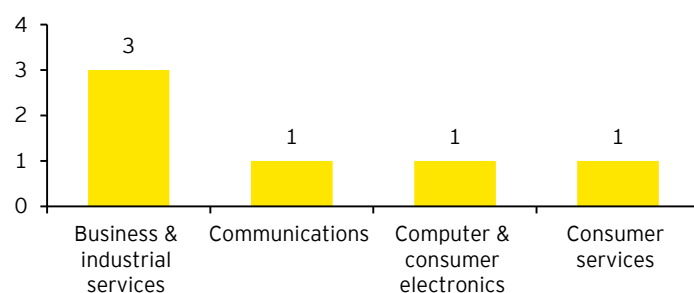


Chart 3. - Number of exits by sector

Fund raising

There has been no fundraising reported in this quarter.

Summary

During Q2 2015 17 new and existing companies received close to HUF 2.6 billion from VC funds in Hungary.

7 projects received minimum HUF 100 million and the average deal size was HUF 150 million.

Top 5 transactions accounted for 68% of total market activity, and the five most active funds made 89% of all investments.

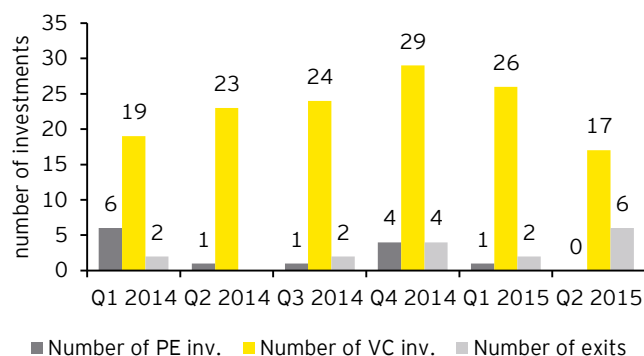


Chart 4. - Number of transactions - quarterly breakdown (including follow-on investments)