

**Budapesti Értéktőzsde Zártkörűen  
Működő Részvénytársaság**

Annual Financial Statements

31 December 2020

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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 2020 annual financial statements of Budapesti Értéktőzsde Zártkörűen Működő Részvénytársaság ("the Company"), which comprise the balance sheet as at 31 December 2020 - showing a balance sheet total of HUF 9,155,896 thousand and a profit after tax for the year of HUF 118,256 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 2020 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 of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (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

Other information consists of the 2020 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 2020 is consistent, in all material respects, with the 2020 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, 27 April 2021

(The original Hungarian version has been signed.)

Dr. Hruby Attila  
Ernst & Young Kft.  
1132 Budapest, Váci út 20.  
Registration No.: 001165

Dr. Hruby Attila  
Registered auditor  
Chamber membership No.: 007118



# FINANCIAL STATEMENTS OF THE BUDAPEST STOCK EXCHANGE FOR THE YEAR 2020



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## BALANCE SHEET

HUF '000

a	Denomination b	31.12.2019 c	31.12.2020 d
<b>1</b>	<b>A. LONG-TERM ASSETS</b> (rows 2+10+17)	<b>6 494 841</b>	<b>5 718 349</b>
<b>2</b>	<b>I. Intangible assets</b> (rows 3-9)	<b>240 206</b>	<b>236 656</b>
3	Capitalized value of formation, promotion and restructuring expenses	0	0
4	Capitalized value of research and development	0	0
5	Rights, representing assets	1 298	1 044
6	Intellectual products	238 908	235 612
7	Goodwill	0	0
8	Advances and prepayments on intangible assets	0	0
9	Value correction of intangible assets	0	0
<b>10</b>	<b>II. Tangible assets</b> (rows 11-16)	<b>196 756</b>	<b>119 863</b>
11	Buildings and related concessions and similar rights	2 681	120
12	Plant machinery	170 025	94 414
13	Other equipments and fittings, vehicles	24 050	16 329
14	Assets in course of constructions	0	9 000
15	Prepayments made on fixed assets	0	0
16	Value correction of tangible assets	0	0
<b>17</b>	<b>III. Invested financial assets</b> (rows 18-21)	<b>6 057 879</b>	<b>5 361 830</b>
18	Significant participations	5 976 929	5 255 880
19	Other participations	5 950	5 950
20	Long term loan	75 000	100 000
21	Securities signifying a long-term creditor relationship	0	0
<b>22</b>	<b>B. CURRENT ASSETS</b> (rows 23+29+34+39)	<b>2 201 101</b>	<b>2 876 399</b>
<b>23</b>	<b>I. Stocks</b> (rows 24-28)	<b>6 823</b>	<b>9 887</b>
24	Raw materials and consumable goods	0	0
25	Work in progress	0	0
26	Finished goods	0	0
27	Merchandise	6 823	9 887
28	Prepayments made on stocks	0	0
<b>29</b>	<b>II. Receivables</b> (rows 30-33)	<b>243 273</b>	<b>167 952</b>
30	Trade debtors	162 686	120 319
31	Receivables from affiliated undertaking	9 946	5 348
32	Bills receivable	0	0
33	Other debtors	70 641	42 285
<b>34</b>	<b>III. Securities</b> (rows 35-38)	<b>0</b>	<b>426 845</b>
35	Participation in affiliated undertaking	0	426 845
36	Other participation	0	0
37	Own shares, own partnership shares, re-exchangable shares	0	0
38	Debt securities held for sale	0	0
<b>39</b>	<b>IV. Cash and cash equivalents</b> (rows 40-41)	<b>1 951 005</b>	<b>2 271 715</b>
40	Cash	0	0
41	Current account	1 951 005	2 271 715
<b>42</b>	<b>C. ACCRUED INCOME AND PREPAYMENTS</b> (rows 43-45)	<b>440 525</b>	<b>561 148</b>
43	Accrued income	415 697	475 891
44	Prepayments	24 828	85 257
45	Equity and accrued and deferred assets of deferred expenditures	0	0
<b>46</b>	<b>TOTAL ASSETS</b> (rows 1+22+42)	<b>9 136 467</b>	<b>9 155 896</b>

Budapest, 27 April, 2021

**Richárd Végh**  
CEO

**Katalin Sámel**  
Financial Director



HUF '000

a	Denomination b	31.12.2019 c	31.12.2020 d
<b>48</b>	<b>D. Shareholders' equity</b> (rows 49-56)	<b>8 016 077</b>	<b>8 134 333</b>
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	3 401 578	4 898 373
54	V. Non-distributable reserves	0	0
55	VI. Revaluation reserve	0	0
56	VII. Net profit for the year	1 496 795	118 256
<b>57</b>	<b>E. PROVISIONS</b> (rows 58-60)	<b>0</b>	<b>0</b>
58	Provisions for expected liabilities	0	0
59	Provisions for costs in the future	0	0
60	Other provisions	0	0
<b>61</b>	<b>F. LIABILITIES</b> (rows 62+66+75)	<b>969 719</b>	<b>772 788</b>
<b>62</b>	<b>I. Subordinated liabilities</b> (rows 63-65)	<b>0</b>	<b>0</b>
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
<b>66</b>	<b>II. Long-term liabilities</b> (rows 67-74)	<b>0</b>	<b>0</b>
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
<b>75</b>	<b>III. Short term liabilities</b> (rows 76-83)	<b>969 719</b>	<b>772 788</b>
76	Short-term loans	0	0
77	thereof: convertible bonds	0	0
78	Prepayments received from customer	2 666	1 444
79	Trade accounts payables	291 817	168 413
80	Bills payable	0	0
81	Short-term liabilities to affiliated undertaking	457	863
82	Dividends	0	0
83	Other short term liabilities	674 779	602 068
<b>84</b>	<b>G. ACCRUED EXPENSES AND DEFERRED INCOME</b> (rows 85-87)	<b>150 671</b>	<b>248 775</b>
85	Deferred income	63 512	62 600
86	Accrued expenses	87 159	186 175
87	Deferred revenues	0	0
<b>88</b>	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> (rows 48+57+61+84)	<b>9 136 467</b>	<b>9 155 896</b>

Budapest, 27 April, 2021

**Richárd Végh**  
CEO

**Katalin Sámel**  
Financial Director



# INCOME STATEMENT

HUF '000

a	b	c	d
	Denomination	01.01.2019-31.12.2019	01.01.2020-31.12.2020
1	Net domestic sales	1 443 121	1 861 832
2	Net external sales	965 195	1 173 059
<b>I.</b>	<b>Revenues from stock exchange activities (rows 1+2)</b>	<b>2 408 316</b>	<b>3 034 891</b>
<b>II.</b>	<b>Other revenues</b>	<b>245 469</b>	<b>244 560</b>
	thereof: write-back of loss in value	0	0
3	Change in self-manufactured stocks	0	6 767
4	Own work capitalized	0	0
<b>III.</b>	<b>Own performance capitalized (rows 3-4)</b>	<b>0</b>	<b>6 767</b>
5	Cost of materials	5 808	3 469
6	Values of services utilized	1 177 021	926 969
7	Other costs	22 773	16 669
8	Cost of good sold	0	0
9	Sub-contracted services	52 069	71 968
<b>IV.</b>	<b>Material-type costs (rows 5-9)</b>	<b>1 257 671</b>	<b>1 019 075</b>
10	Wages and salaries	855 847	916 432
11	Other employee benefits	53 533	48 116
12	Contributions on wages and salaries	189 635	176 095
<b>V.</b>	<b>Staff costs (rows 10-12)</b>	<b>1 099 015</b>	<b>1 140 643</b>
<b>VI.</b>	<b>Depreciation</b>	<b>176 032</b>	<b>174 746</b>
<b>VII.</b>	<b>Other expenses</b>	<b>449 512</b>	<b>470 693</b>
	thereof: loss in value	2 588	4 086
<b>A.</b>	<b>OPERATING PROFIT (LOSS) (I+II±III-IV-V-VI-VII)</b>	<b>-328 445</b>	<b>481 061</b>
13	Dividend received	1 866 667	0
	thereof: from affiliated undertakings	1 866 667	0
14	Gains on participations	0	0
	thereof: from affiliated undertakings	0	0
15	Gains on long term investments (except participations)	1 334	3 182
	thereof: from affiliated undertakings	1 334	3 182
16	Interests received	603	2 013
	thereof: from affiliated undertakings	0	0
17	Other incomes from financial transactions	16 752	44 189
	thereof: valuation difference	0	0
<b>VIII.</b>	<b>Income from financial operations (rows 13+14+15+16+17)</b>	<b>1 885 356</b>	<b>49 384</b>
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 charges	0	0
	thereof: to affiliated undertakings	0	0
21	Impairment of shares, securities, long-term loans, bank deposits	52 143	399 204
22	Other expenses on financial transactions	7 973	9 451
	thereof: valuation difference	0	0
<b>IX.</b>	<b>Expenses of financial operations (rows 18+19+20+21+22)</b>	<b>60 116</b>	<b>408 655</b>
<b>B.</b>	<b>FINANCIAL RESULT (VIII-IX)</b>	<b>1 825 240</b>	<b>-359 271</b>
<b>C.</b>	<b>PROFIT BEFORE INCOME TAX (±A±B)</b>	<b>1 496 795</b>	<b>121 790</b>
<b>X.</b>	<b>Income tax</b>	<b>0</b>	<b>3 534</b>
<b>D.</b>	<b>PROFIT (LOSS) AFTER INCOME TAX (±C-X)</b>	<b>1 496 795</b>	<b>118 256</b>

Budapest, 27 April, 2021

**Richárd Végh**  
CEO

**Katalin Sámel**  
Financial Director



# NOTES TO THE 2020 FINANCIAL STATEMENTS





## GENERAL COMPANY INFORMATION

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

Katalin Sámel, Financial Director Address: H-1135 Budapest, Lehel u. 60. 6/1.

The person charged with the management of bookkeeping tasks and the preparation of the annual report: Katalin Sámel (address: H-1135 Budapest, Lehel utca 60. 6/1, registration No. 199110). 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 2020: 4.347 million HUF + VAT

Data of the person responsible for the audit:

Dr. Attila Hruby (mother's maiden name: Dr. Katalin Szerdahelyi, address: H-1174 Budapest, Ősrepülő u. 21. fsz. 2 a., registration number: 007118)

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## 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."

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 2020) 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 2021.

The Stock Exchange is listed by Section 3 (1) 4 I) 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 2020 annual balance sheet and income statement of the Budapest Stock Exchange Ltd. will be available on the BSE's website ([www.bet.hu](http://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](http://www.bet.hu)), under the 'Products and Services/BSE rules' menu item.

As of 15 February 2021, 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.	65/2020	19 October 2020	H-EN-III-539/2020	27 November 2020

#### BÉTα 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 BÉTα Market	5/BÉTα/2020	1 December 2020	2 December 2020
General Terms of Service of the Xtend Market	26/Xtend/2020	1 December 2020	2 December 2020
General Terms of Service of the Xbond Market	56/Xbond/2020	1 December 2020	2 December 2020

### 2. ORDERS

#### 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	-	-	394/2020 16 December 2020	1 January 2021
Regarding the Operational and Organizational Rules	1/2021	14 January 2021	-	19 April 2021



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:	500
Nominal value of shares:	100 000 HUF
Ownership share:	100%

After tax profit of BIB Ltd. for 2020 is expected at HUF -23 million.



### • Első Értékpapírosítási Tanácsadó Zrt. (ELÉT)

Registered office:	Bp. Szabadság tér 7., Bank center Irodaház, Platina torony I. épület, IV. emelet (until 26.02.2021)
Number of issued shares:	500
Nominal value of shares:	100 000 HUF
Ownership share:	100%

After tax profit of ELÉT Ltd. for 2020 is HUF -268 million. ELÉT Ltd. was sold on 26 February 2021.

### • 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 2020 is expected at HUF 1.1 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%
<b>Total:</b>	<b>4 500 000</b>	<b>100,00%</b>

### • 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 2020 is expected at HUF 517 million.

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

Owners	Nr. of shares	Ownership share	HUF'000	
			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
<b>Total:</b>	<b>262 320</b>	<b>100,0%</b>	<b>2 623 200</b>	<b>6 558 000</b>



## 5. Equity structure of KELER Ltd. and KELER Central Counterparty Ltd.\*

IFRS	HUF million		HUF '000	
	KELER		KELER CCP	
	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Share capital	4 500	4 500	2 623 200	2 623 200
Capital reserves	0	0	3 934 800	3 934 800
Retained earnings	19 209	20 167	2 019 580	2 536 402
Statutory reserves	371	477	0	0
Reserve of financial instruments on fair value (through OCI)	9	11	264	10 881
<b>Total:</b>	<b>24 089</b>	<b>25 155</b>	<b>8 577 844</b>	<b>9 105 283</b>

\* The numbers for the financial year 2020 of the KELER GROUP are preliminary, not yet audited.

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

	BIB	
	31.12.2019	31.12.2020
Share capital	120 000	50 000
Capital reserves	0	100 000
Retained earnings	15 454	19 857
Non distributable reserves	2 919	0
Net profit/loss for the period	-70 516	-23 049
<b>Total:</b>	<b>67 857</b>	<b>146 808</b>

\* The numbers for the financial year 2020 of BIB are preliminary, not yet audited.

## 7. Equity structure of Első Értékpapírosítási Tanácsadó Zrt. (HUF '000)

	ELÉT	
	31.12.2019	31.12.2020
Share capital	50 000	50 000
Capital reserves	750 000	750 000
Retained earnings	0	-155 556
Non distributable reserves	0	0
Net profit/loss for the period	-155 556	-268 399
<b>Total:</b>	<b>644 444</b>	<b>376 045</b>

ELÉT Ltd. was sold on 26 February 2021.

## 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:

#### **8. 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 200,000 (i.e. the amount allowed by Section 80 (2) of the Act on Accounting) are depreciated in one amount immediately when put into use.



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

### Changes to the gross value of intangible and tangible assets

	HUF'000				
Denomination	Opening amount	Interim growth	Interim decrease	Reclass.	Closing amount
<b>I. Intangible assets</b>	<b>1 504 138</b>	<b>80 824</b>	<b>0</b>	<b>0</b>	<b>1 584 962</b>
I/1. Concessions and similar rights and assets	4 611	0	0	0	4 611
I/2. Intellectual products	1 499 527	80 824	0	0	1 580 351
I/2.1. WIP on intangible assets	0	0	0	0	0
<b>II. Tangible assets</b>	<b>628 832</b>	<b>17 199</b>	<b>8 795</b>	<b>0</b>	<b>637 236</b>
II/1. Real estates	45 787	165	0	0	45 952
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	45 787	165	0	0	45 952
II/2. Cables	0	0	0	0	0
II/3. Technical equipments, machinery	5 080	0	0	0	5 080
II/4. IT equipments	441 178	5 229	204	0	446 203
II/5. Telecommunication equipments	9 155	1 015	200	0	9 970
II/6 Other equipments and fittings	88 300	1 790	0	0	90 090
II/7. Securities	583	0	0	0	583
II/8. Vehicles	38 749	0	8 391	0	30 358
II/9. Capital Work in Progress (CWIP)	0	9 000	0	0	9 000
II/10. Advance payments on CWIP	0	0	0	0	0
<b>I-II. Total</b>	<b>2 132 970</b>	<b>98 023</b>	<b>8 795</b>	<b>0</b>	<b>2 222 198</b>



## Changes to the depreciation of intangible and tangible assets

	HUF'000				
Denomination	Opening amount	Interim growth	Interim decrease	Reclass.	Closing amount
<b>I. Intangible assets</b>	<b>1 263 932</b>	<b>84 374</b>	<b>0</b>	<b>0</b>	<b>1 348 306</b>
I/1. Concessions and similar rights and assets	3 313	254	0	0	3 567
I/2. Intellectual products	1 260 619	84 120	0	0	1 344 739
I/2.1. WIP on intangible assets	0	0	0	0	0
<b>II. Tangible assets</b>	<b>432 075</b>	<b>90 372</b>	<b>5 074</b>	<b>0</b>	<b>517 373</b>
II/1. Real estates	43 107	2 727	0	0	45 834
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	43 107	2 727	0	0	45 834
II/2. Cables	0	0	0	0	0
II/3. Technical equipments, machinery	4 968	111	0	0	5 079
II/4. IT equipments	271 916	80 343	204	0	352 055
II/5. Telecommunication equipments	8 501	1 401	200	0	9 702
II/6 Other equipments and fittings	80 888	3 754	0	0	84 642
II/7. Securities	0	0	0	0	0
II/8. Vehicles	22 695	2 036	4 670	0	20 061
II/9. Capital Work in Progress (CWIP)	0	0	0	0	0
II/10. Advance payments on CWIP	0	0	0	0	0
<b>I-II. Total</b>	<b>1 696 007</b>	<b>174 746</b>	<b>5 074</b>	<b>0</b>	<b>1 865 679</b>



## Changes to the net value of intangible and tangible assets

Denomination	HUF'000				
	Opening amount	Interim growth	Interim decrease	Reclass.	Closing amount
<b>I. Intangible assets</b>	<b>240 206</b>	<b>0</b>	<b>3 550</b>	<b>0</b>	<b>236 656</b>
I/1. Concessions and similar rights and assets	1 298	0	254	0	1 044
I/2. Intellectual products	238 908	0	3 296	0	235 612
I/2.1. WIP on intangible assets	0	0	0	0	0
<b>II. Tangible assets</b>	<b>196 756</b>	<b>9 000</b>	<b>85 894</b>	<b>0</b>	<b>119 863</b>
II/1. Real estates	2 681	0	2 562	0	118
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	2 681	0	2 562	0	118
II/2. Cables	0	0	0	0	0
II/3. Technical equipments, machinery	112	0	111	0	1
II/4. IT equipments	169 260	0	75 114	0	94 148
II/5. Telecommunication equipments	654	0	386	0	268
II/6 Other equipments and fittings	7 412	0	1 964	0	5 448
II/7. Securities	583	0	0	0	583
II/8. Vehicles	16 054	0	5 757	0	10 297
II/9. Capital Work in Progress (CWIP)	0	9 000	0	0	9 000
II/10. Advance payments on CWIP	0	0	0	0	0
<b>I-II. Total</b>	<b>436 962</b>	<b>9 000</b>	<b>89 444</b>	<b>0</b>	<b>356 519</b>



## 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.

### 10. Inventories (HUF '000)

Description	31.12.2019	31.12.2020
PR material	2 211	7 774
Forms, other materials	1 483	1 388
Library books	669	725
Intermediated services	2 460	0
<b>Total inventories</b>	<b>6 823</b>	<b>9 887</b>

## 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.

### 11. Receivables (HUF '000)

Description	31.12.2019	31.12.2020
<b>Receivables from goods, delivery and services</b>	<b>162 686</b>	<b>120 319</b>
Corporate tax	10 124	6 590
VAT	51 169	19 046
Local tax	2 765	0
Innovation contribution	0	0
Other receivables	6 582	16 265
Prepayments to suppliers	0	384
<b>Other receivables</b>	<b>70 641</b>	<b>42 285</b>
<b>Receivables from affiliated companies</b>	<b>9 946</b>	<b>5 348</b>
<b>Total receivables</b>	<b>243 273</b>	<b>167 952</b>





## 12. Impairment accounted for receivables (HUF '000)

Description	Year of the accounting of impairment	Amount of impairment as of 31 December 2020
	2011	0
	2012	2 290
	2013	4 076
	2014	4 664
	2015	7 139
	2016	0
	2017	1 012
	2018	1 569
	2019	2 097
	2020	3 992
<b>Total impairment on receivables</b>		<b>26 839</b>

## SECURITIES

During 2020, the fact became known that ELÉT Ltd. will be sold during 2021, the transaction took place on 26 February, 2021. Accordingly, the share has been reclassified from invested financial assets to current assets.

## 13. Securities (HUF '000)

Description	31.12.2019	31.12.2020
ELÉT Zrt.	0	426 845
<b>Total Securities</b>	<b>0</b>	<b>426 845</b>

## CASH

**Cash** was recognised at the values of the last bank account statements of 2020.

## 14. Cash (HUF '000)

Description	31.12.2019	31.12.2020
HUF accounts	1 866 482	838 968
Fixed HUF deposits	0	1 000 000
EUR accounts	84 523	286 695
Fixed EUR deposits	0	146 052
<b>Total cash</b>	<b>1 951 005</b>	<b>2 271 715</b>



## 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.

### 15. Prepayments and accrued income (HUF '000)

Description	31.12.2019	31.12.2020
Interest on tied-up deposits and bank accounts due for the reporting period but not yet realised	0	1 095
Transaction fees for December, 2019/2020	77 885	93 312
Annual maintenance fees for the 4th quarter, 2019/2020	94 320	117 374
Vendor fees for 2019/2020	69 428	78 201
ELITE, EDIOP and CHR programmes	154 600	160 003
Other income	19 464	25 906
<b>Total accrued income</b>	<b>415 697</b>	<b>475 891</b>
Insurance	2 395	2 390
Newspaper subscriptions	368	138
Membership fees	167	197
ELITE training	0	59 904
Other software, maintenance fee	19 646	22 557
Other	2 252	71
<b>Total prepayments</b>	<b>24 828</b>	<b>85 257</b>
<b>Total prepayments and accrued income</b>	<b>440 525</b>	<b>561 148</b>

For the projects of EDIOP and CHR, details are given in Annex 34.



## EQUITY

**Equity** is recognised at book value.

### 16. Changes to equity (HUF '000)

Denomination	31.12.2019	Additions	Disposals	31.12.2020
Share capital	541 348	0	0	541 348
Capital reserves	2 576 356	0	0	2 576 356
Retained earnings	3 401 578	1 496 795	0	4 898 373
Net profit for the year 2018	1 496 795	0	1 496 795	0
Net profit for the year 2019	0	118 256	0	118 256
<b>Total shareholder's equity</b>	<b>8 016 077</b>	<b>1 615 051</b>	<b>1 496 795</b>	<b>8 134 333</b>

The board of directors of BSE suggested that there should be no dividend payout for the financial year 2020, 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.

### 17. Current liabilities (HUF '000)

Description	31.12.2019	31.12.2020
<b>Liabilities on delivery of goods and services</b>	<b>291 817</b>	<b>168 413</b>
<b>Liabilities for affiliated companies</b>	<b>457</b>	<b>863</b>
Taxes and contributions payable:		
Innovation contribution	2 047	3 684
Local tax	0	9 421
Personal income tax	22 196	22 184
Rehabilitation contribution	1 090	1 123
Vocational contribution	2 133	2 199
Car tax	179	157
Contributions to Health and Pension fund	25 744	27 279
Social security contribution	27 142	23 515
Other	6 441	265
EDIOP and CHR projects advances	587 807	512 241
<b>Advances</b>	<b>2 666</b>	<b>1 444</b>
<b>Total liabilities</b>	<b>969 719</b>	<b>772 788</b>

The unused EDIOP and CHR project 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.



## 18. Accrued expenses and deferred income (HUF '000)

Description	31.12.2019	31.12.2020
2020/2021 minimum section fees invoiced in 2019/2020	63 512	62 600
<b>Total deferred income</b>	<b>63 512</b>	<b>62 600</b>
Audit	2 892	5 521
Marketmaking, analysis	7 625	8 383
OMX license fee	0	8 892
Professional services	12 278	96 446
Bonus for year 2019/2020 (with SSC)	60 861	63 108
Others	3 503	12 710
<b>Total accrued expenses</b>	<b>87 159</b>	<b>186 175</b>
<b>Total accrued expenses and deferred income</b>	<b>150 671</b>	<b>248 775</b>

## Income statement

The results of the stock exchange activity were defined with the **total cost method** 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".



## 19. Revenues (HUF '000)

Description	01.01.2019- 31.12.2019	01.01.2020- 31.12.2020
Revenues from listing fees	442 049	572 932
Revenues from trading fees	1 030 062	1 384 756
Revenues from information services	884 136	1 005 236
Sub-contracted services	52 069	71 968
<b>Total revenues from stock exchange activities</b>	<b>2 408 316</b>	<b>3 034 891</b>
Description	01.01.2019- 31.12.2019	01.01.2020- 31.12.2020
<b>Domestic revenue from exchange activities</b>	<b>1 443 121</b>	<b>1 861 832</b>
<b>Export</b>		
USA	312 352	371 817
UK	298 161	329 676
Switzerland	27 300	30 406
Japan	1 286	1 321
Australia	945	0
Israel	1 286	9 936
Norway	8 815	11 484
Turkey	482	495
Canada	161	166
European Union	314 406	417 757
<b>Export revenues from exchange activities</b>	<b>965 195</b>	<b>1 173 059</b>
<b>Total net sales from exchange activities</b>	<b>2 408 316</b>	<b>3 034 891</b>
Description	01.01.2019- 31.12.2019	01.01.2020- 31.12.2020
Revenue from the sales of tangible assets	329	3 416
Income from trainings	432	144
Income from the sponsorship of certain events	24 937	32 479
Other income	11 533	10 795
Late payment interests	67	4
Income from subsidy programs	190 763	191 870
Distribution of assets to founder (PTÁV)	12 398	521
Income from ELITE program	5 010	5 331
<b>Total other income</b>	<b>245 469</b>	<b>244 560</b>
Description	01.01.2019- 31.12.2019	01.01.2020- 31.12.2020
Dividend income	1 866 667	0
Interest on term deposit	272	1 398
Other interest	332	3 798
Foreign exchange gain	18 086	44 189
<b>Income from financial transactions</b>	<b>1 885 356</b>	<b>49 384</b>
Foreign exchange loss	7 973	9 451
Impairment of shares	52 143	399 204
<b>Expenses of financial transactions</b>	<b>60 116</b>	<b>408 655</b>
<b>Profit/loss from financial activities</b>	<b>1 825 240</b>	<b>-359 271</b>



## 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.

### 20. Material-type expenses (HUF '000)

Description	01.01.2019- 31.12.2019	01.01.2020- 31.12.2020
Sub-contracted services	52 069	71 968
Material costs	5 808	3 469
Travelling costs	14 940	1 709
Maintenance costs	20 186	23 064
Telecommunication costs	7 704	8 303
Other rental fees	48 912	61 435
K2 licence fee	4 196	4 308
Trading system licence fee	178 357	166 632
Outsource and consultancy fees	414 254	196 612
Training costs	18 747	7 185
PR expenses	279 309	259 690
Membership fees of international organizations	10 310	10 081
International conferences	12 673	3 422
Other services	28 016	21 399
Internet access	2 939	2 940
Deutsche Börse technical connection fees	24 806	26 985
<b>Costs related to the rented property:</b>		
Rental	79 481	99 272
Operating expenses	32 191	33 931
Bank charges, insurance fees, royalties	22 773	16 670
<b>Total material-type expenses</b>	<b>1 257 671</b>	<b>1 019 075</b>

The Consultancy fees of 2019 are higher than usual and it is mainly due to the market research, preparation and planning expert work in order to found the subsidiary of BSE.

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

Description	01.01.2019- 31.12.2019	01.01.2020- 31.12.2020
Audit of the HAR annual report	3 416	3 416
Audit of the IFRS financial statements	931	931
<b>Total fees paid to EY</b>	<b>4 347</b>	<b>4 347</b>



## PERSONNEL COSTS

In 2019, the average number of staff at the Budapest Stock Exchange was 60 and in 2020, 62. The average statistical staff number and wage costs did not include those on maternity leave or on unpaid leave.

### 22. Personnel-type expenses (HUF '000)

Description	01.01.2019- 31.12.2019	01.01.2020- 31.12.2020
Wage costs for full-time employees	763 999	813 632
Honoraria for Board members	52 360	61 824
Honoraria for Supervisory Board members	35 760	38 640
Wage costs for off-payroll staff	3 728	2 336
<b>Wages and salaries</b>	<b>855 847</b>	<b>916 432</b>
Fringe benefits	28 353	31 464
Wages for sick leave, other well-being costs	3 741	2 971
Representation costs	12 630	5 802
Personal income tax paid by employer	8 810	7 879
<b>Other employee benefits</b>	<b>53 533</b>	<b>48 116</b>
Vocational contribution	13 000	13 736
Rehabilitation contribution	4 023	4 492
Health contribution	0	0
Social security contribution	169 771	156 209
Fringe benefits related tax and contribution	2 841	1 658
<b>Contributions on wages and salaries</b>	<b>189 635</b>	<b>176 095</b>
<b>Total personnel costs</b>	<b>1 099 015</b>	<b>1 140 643</b>

## HONORARIA TO THE OFFICERS OF THE BUDAPEST STOCK EXCHANGE LTD

### 23. Honoraria of elected officers

According to the resolution No. 27/2017. and No. 12/2020 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





## 24. Other expenses (HUF '000)

Description	01.01.2019- 31.12.2019	01.01.2020- 31.12.2020
Derecognition due to scrapping/ Impairment/ Lending losses	2 588	4 086
Book value of the sold tangible assets	149	3 721
Other	9 332	13 284
Late payment- and self-revision penalty, tax penalty	0	3 000
Subsidies given	6 485	3 902
Innovation contribution	7 004	8 832
Extraordinary tax of financial institutions	137 390	142 100
Local business tax	46 692	58 879
Supervisory Authority fee	2 027	2 468
Non-deductible VAT on fixed assets	32 150	19 598
Non-deductible VAT on costs	166 252	138 823
Permanent handover of cash	0	0
EU project - subsidies given	39 443	72 000
<b>Total other expenses</b>	<b>449 512</b>	<b>470 693</b>

In the financial year 2019 and 2020, Budapest Stock Exchange had no special occurrence or extraordinarily significant income or expenses.

## 25. Expenses of financial operations (HUF '000)

Description	01.01.2019- 31.12.2019	01.01.2020- 31.12.2020
Foreign exchange loss	7 973	9 451
Impairment of shares	52 143	399 204
<b>Expenses of financial transactions</b>	<b>60 116</b>	<b>408 655</b>

The equity of subsidiaries decreased in the first years of operation of the companies. According to the provisions of Act C. of 2000 on Accounting and the principle of prudence, BSE has accounted for an impairment, in the amount of the difference between the equity and the book value of the investments. Impairment of HUF 26 million became necessary for BIB and HUF 373 million for ELÉT.

In 2019, Impairment of shares includes the impairment recognized on Budapest Institute of Banking Zrt.



## Transactions with related parties

### RELATED PARTIES

The main owner of BSE is the Magyar Nemzeti Bank (1054 Budapest, Szabadság tér 9.), owning 81,35% of shares.

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:	Első Értékpapírosítási Tanácsadó Zrt.
Registered office:	1054 Budapest, Szabadság tér 7. Platina torony I/4
Tax number:	27044292-2-41
Company registration No:	01-10-140452
Ownership share	100% until February 26, 2021, thereafter 0%



## 26. Transactions with related parties

Description	Net amount HUF'000
<b>Revenues</b>	
<b>KELER Ltd.</b>	
Takeover of mandatory publishing activities	8 900
Event sponsorship	2 000
Dividend received	0
<b>Magyar Nemzeti Bank</b>	
Rented lines and access	4 103
Dual education	1 500
Education activity	0
Development activity	0
Stock exchange activity revenue	500
<b>Budapest Institute of Banking Ltd.</b>	
Interest on loan	3 182
Sub-contracted services revenue	219
<b>Első Értékpapírosítási Tanácsadó Ltd.</b>	
Sub-contracted services revenue	6 271
Revenue from administrative services and leased equipment	601
<b>Expenses</b>	
<b>Magyar Nemzeti Bank</b>	
Expenses to charge forward	339
Amounts paid to the MNB as a supervisor	6 064
<b>KELER Ltd.</b>	
Maintenance fee of the register of shareholders	490
Maintenance fee of security account	460
Market data sales	8 000
Other	104
<b>Budapest Institute of Banking Ltd.</b>	
Education	1 425
<b>Other items related to affiliated company (BIB Ltd.)</b>	
Parent company guarantee	0
Raise of capital in BIB Ltd.	105 000

Trade receivables and payables towards related parties as of 31/12/2020:

Related party	31.12.2020 HUF'000		
	Receivables	Liabilities	Loan
KELER Központi Értéktár Ltd.	0	28	0
KELER KSZF CCP	0	0	0
Magyar Nemzeti Bank	500	571	0
Budapest Institute of Banking Ltd.	4 848	264	100 000
ELÉT Ltd.	0	0	0



## Corporate tax

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

### 27. Calculation of corporate tax (HUF '000)

Description	2020
<b>Items increasing pre-tax profits:</b>	
Amount accounted for as depreciation in the tax year in accordance with the Act on Accounting	174 746
Impairment loss recognized for receivables in the tax year	3 992
Not recognized costs/Annex 3 (entertainment, business gifts, assets transferred free of charge)	560
Transfer price between affiliated companies	20
Amounts accounted for as expenses and assessed as a result of the self-revision, tax audit	0
Aid given without repayment obligation	0
Fines paid in 2020	3 000
<b>Total items increasing the tax base</b>	<b>182 318</b>
<b>Items decreasing pre-tax profits:</b>	
Depreciation in accordance with tax law	217 144
Mobility support given	0
Impairment reversal for receivables in the tax year	0
50% of revenues accounted among pre-tax results in the tax year based on the royalty received	7 757
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	680
<b>Total items decreasing the tax base</b>	<b>225 581</b>
<b>Corporate tax</b>	
Profit/loss before taxation	121 790
Total items decreasing pre-tax profits	225 581
Total items increasing pre-tax profits	182 318
Use of loss carry forward	39 263
Tax base	39 264
Corporate tax (9%)	3 534
	0
<b>Calculated corporate tax</b>	<b>3 534</b>
Tax benefit for the subsidy of certain team sports/performing arts organizations	0
<b>Total corporate tax</b>	<b>3 534</b>



## EXCHANGE MEMBERSHIP

The number of exchange members at the Budapest Stock Exchange Ltd. totalled 25 as of 31 December 2020. At the end of 2020, 19 members in the Equities Section, 18 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 12 members in the BÉTa Market, there were 13 members in the Xtend Market and 10 members in the Xbond Market.

4 members have Auction trading right exclusively.

### Granting exchange membership in 2020

- Interactive brokers Europe SARL – trading licence in the Equities Section (1 October 2020)

### Termination of exchange membership in 2020

- J.P Morgan Securities Plc. – Debt Securities Section (7 December 2020)

## 28. List of section members

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

F: Suspended the right to trade

X: It has the right to trade

- : It has no right to trade

Auction members: Gránit Bank Ltd., Deutsche Bank AG Frankfurt, Goldman Sachs Bank Europe SE, JP Morgan AG.



## 29. 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
<b>Total</b>	<b>100,00%</b>	<b>5 413 481</b>

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

## 30. Equity and profit per share (HUF '000)

Description	31.12.2019	31.12.2020
<b>Shareholders' equity</b>	<b>8 016 077</b>	<b>8 134 333</b>
Share capital	541 348	541 348
Capital reserves	2 576 356	2 576 356
Retained earnings	3 401 578	4 898 373
Earnings for the year	1 496 795	118 256
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)	1 481	1 503
<b>EPS</b> (net profit / number of shares) HUF	276	22
<b>ROE</b> (profit after tax / (average of opening and closing value of the shareholders' equity )	20,60%	1,46%



### 31. The financial, assets and income position

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

Indices	31.12.2019		31.12.2020		Index
	HUF'000		HUF'000		
<b>Income to equity</b>					
<i>(Earnings for the year / Equity)</i>	1 496 795	= 18,67%	118 256	= 1,45%	9,75%
	8 016 077		8 134 333		
<b>Income to sales</b>					
<i>(Earnings for the year / Revenues from exchange activities)</i>	1 496 795	= 62,15%	118 256	= 3,90%	7,90%
	2 408 316		3 034 891		
<b>Liquidity ratio</b>					
<i>(Current assets – Inventories/ Liabilities)</i>	2 194 278	= 226,28%	2 866 512	= 370,93%	63,93%
	969 719		772 788		
<b>Capital adequacy</b>					
<i>(Equity / Balance Sheet Total)</i>	8 016 077	= 87,74%	8 134 333	= 88,84%	1,26%
	9 136 467		9 155 896		
<b>Assets to income</b>					
<i>(Earnings for the year / Balance Sheet Total)</i>	1 496 795	= 16,38%	118 256	= 1,29%	9,89%
	9 136 467		9 155 896		
<b>Ratio of tangible assets</b>					
<i>(Tangible assets / Balance Sheet Total)</i>	196 756	= 2,15%	119 863	= 1,31%	-39,53%
	9 136 467		9 155 896		
<b>Ratio of current assets</b>					
<i>(Current assets / Balance Sheet Total)</i>	2 201 101	= 24,09%	2 876 399	= 31,42%	129,60%
	9 136 467		9 155 896		
<b>Ratio of equity and liabilities</b>					
<i>(Liabilities / Equity)</i>	969 719	= 12,10%	772 788	= 9,50%	-20,00%
	8 016 077		8 134 333		



### 32. EBITDA statement (HUF '000)

Description	01.01.2019- 31.12.2019	01.01.2020- 31.12.2020
Operating revenues + transferred services	2 408 316	3 034 891
Other income	245 469	244 560
<b>Total revenue</b>	<b>2 653 785</b>	<b>3 279 451</b>
<b>Own performance capitalized</b>	<b>0</b>	<b>6 767</b>
Operating costs and expenses without depreciation	2 622 116	2 429 432
<b>EBITDA</b>	<b>31 669</b>	<b>856 786</b>
Depreciation and amortisation	176 032	174 746
Gains/losses from financial activities	1 825 240	-359 271
Extraordinary tax of financial institutions	137 390	142 100
Local business tax	46 692	58 879
Corporate tax	0	3 534
<b>PROFIT AFTER INCOME TAX</b>	<b>1 496 795</b>	<b>118 256</b>

### 33. Development expenses (HUF '000)

Description	31.12.2019	31.12.2020
Development	45 130	44 173
Network	8 800	27 111
PC	8 034	2 440
Servers	116 573	3 290
Trading system	195	0
Document and process management	812	0
Website	21 374	16 657
IT Security	6 903	1 950
Non-IT investments	2 480	2 401
<b>TOTAL</b>	<b>210 300</b>	<b>98 022</b>

Development expenses do not include VAT.





### 34. Subsidies

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

Another similar project also started, which is applicable to the Central-Hungarian Region (KMR or CHR). In 2018, resources were raised in connection with the preparation of the project, and in 2019, support payments were already made.

Accrued income includes items that will be recognized in later years based on the progress of the project (for example ELITE trainings started but not yet finished) or that relate to the current year but their approval was not completed until 31 December. Revenues and expenses relate to the period in which they incurred economically, therefore the costs of ELITE trainings that will be finished next year are accrued between the years.

Other current liabilities include advances received in connection with EDIOP programme and the CHR programme. The last section of the table provides a breakdown of the items accounted for in the project by cost type for the given years.

Description	2019	2020
2018 EDIOP items	7 467	0
2019 EDIOP items	90 104	38 860
2020 EDIOP items	0	32 723
2018 CHR items	0	0
2019 CHR items	57 029	23 480
2020 CHR items	0	64 940
<b>Total accrued income for projects</b>	<b>154 600</b>	<b>160 003</b>
2020 EDIOP items (ELITE training)	0	28 640
2020 CHR items (ELITE training)	0	24 106
<b>Total prepaid expenses for projects</b>	<b>0</b>	<b>52 746</b>
EDIOP advance	489 060	349 848
CHR advance	98 746	162 393
<b>Total prepayments received for projects</b>	<b>587 806</b>	<b>512 241</b>
Staff costs - EDIOP	53 210	53 793
Staff costs - CHR	21 512	26 326
Outsource and consultancy fees - EDIOP	6 918	6 987
Outsource and consultancy fees - CHR	3 847	4 444
Other costs - CHR	4 320	4 852
Subsidies for SMEs - EDIOP	35 443	36 000
Subsidies for SMEs - CHR	4 000	36 000
ELITE training - EDIOP	38 917	19 814
ELITE training - CHR	23 350	13 479
<b>Total item related to the projects</b>	<b>191 517</b>	<b>201 695</b>



### **35. Events after the balance sheet date**

During 2020, the fact became known that Első Értékpapírosítási Tanácsadó Zrt. will be sold during 2021; the transaction took place on 26 February, 2021. Accordingly, the shares in Invested financial assets have been reclassified to Current assets. When accounting for the impairment of the shareholding, we considered the sale of the company.

### **36. Amendments to closed financial statements**

A reclassification was made in 2020 between some lines of the 2019 report. The reclassification has no effect on net profits/losses. Impairment losses on subsidiaries presented in Other expenses in 2019 have been reclassified to Expenses of financial operations. Within Income from financial operations, a reclassification has taken place, instead of Other incomes from financial transactions, Gains on long term investment includes the interest income from loans granted for a period of more than one year.



## Cash Flow (HUF '000)

No.	Description	2019	2020
<b>I.</b>	<b>Cash flows from ordinary activities</b> ( <i>Operating cash flow, rows 1-13</i> )	<b>-174 798</b>	<b>517 547</b>
1a	Profit/loss before taxation	1 496 795	121 790
	of which: subsidies received for the operation	0	0
1b	Adjustments to profit before taxation	-1 875 122	-27 770
1	Adjusted profit before taxation	-378 327	94 020
2	Annual amortisation of assets	176 033	174 746
3	Impairment and reversal for the year	54 239	403 196
4	Difference between the allocation and use of provisions	0	0
5	Profit (loss) from the sales of fixed assets	-179	304
6	Changes to trade payables	84 505	-122 998
7	Changes to other current liabilities	106 050	-73 933
8	Changes to accrued expenses and deferred income	-43 131	98 104
9	Changes to trade debtors	-97 780	38 375
10	Changes to current assets (excluding trade debtors, cash and securities)	8 590	26 356
11	Changes to prepaid expenses and accrued income	-84 798	-120 623
12	Taxes paid	0	0
13	Dividends approved	0	0
<b>II.</b>	<b>Cash flows from investment activities</b> ( <i>rows 14-21</i> )	<b>783 633</b>	<b>-219 412</b>
14	Acquisition of fixed assets	-210 300	-98 022
15	Foundation of subsidiary	-800 000	0
16	Raising capital of subsidiary	0	-105 000
17	Sales of fixed assets	329	3 415
18	Redemption or termination of long-term given loans and bank deposits	0	0
19	Long-term given loans and bank deposits	-75 000	-25 000
20	Dividends received	1 866 667	0
21	Interest received	1 937	5 195
<b>III.</b>	<b>Cash flows from financial activities</b> ( <i>rows 22-26</i> )	<b>0</b>	<b>0</b>
22	Loans drawn	0	0
23	Cash received definitively	0	0
24	Bond repayment	0	0
25	Loan repayment	0	0
26	Cash transferred definitively	0	0
<b>IV.</b>	<b>Changes to cash flows (rows +I.+II.+III.)</b>	<b>608 835</b>	<b>298 135</b>
	Revaluation of foreign cash	6 518	22 575
<b>V.</b>	<b>Changes to cash flows according to the balance sheet</b>	<b>615 353</b>	<b>320 710</b>
	<b>Opening cash balance</b>	<b>1 335 652</b>	<b>1 951 005</b>
	<b>Closing cash balance</b>	<b>1 951 005</b>	<b>2 271 715</b>
	Cash at the end of the year (in HUF)	1 951 005 048	2 271 715 128
		<b>1 951 005 048</b>	<b>2 271 715 128</b>

Budapest, 27 April, 2021

**Richárd Végh**  
CEO

**Katalin Sámel**  
Financial Director



# BUSINESS REPORT FOR THE YEAR 2020





## 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 155 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 nearly three 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.

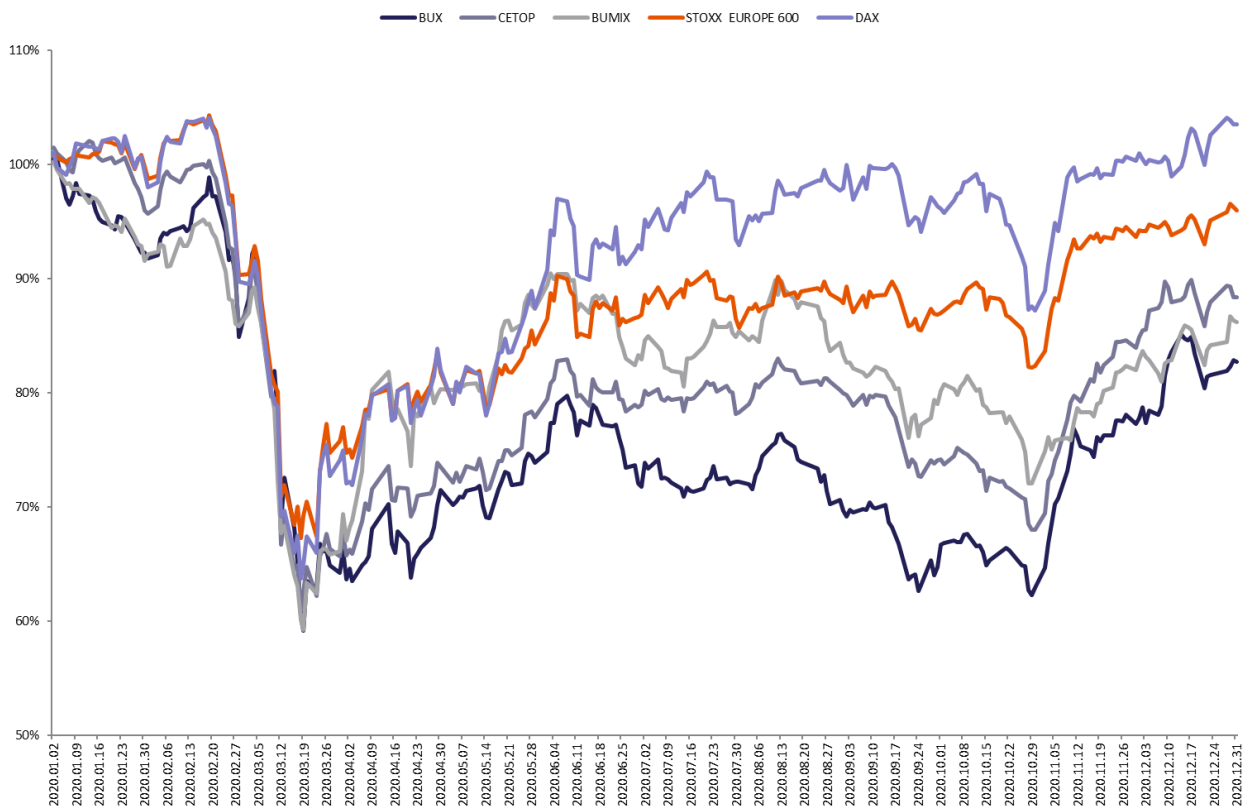
Today, BSE offers investors the broadest range of products in the region. Alongside equities and debt securities, which are traditionally the most popular, the range also includes investment funds and structured products, as well as international equities.

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 2020

The BUX index was on a roller-coaster ride in 2020 in line with the international trends, amid the extreme volatility triggered by the COVID-19 pandemic. Compared to the end of the previous year, in EUR terms the indicator plummeted 41% in March and ended the year with a 17% loss. By the end of the year, the leading Hungarian indicator was outperformed by BUMIX, which posted a correction of 14%, whilst CETOP fell 12%, STOXX Europe 600 index eased 4% and DAX gained 4% on an annual basis.

Chart 1: Relative performance of European indices in 2020



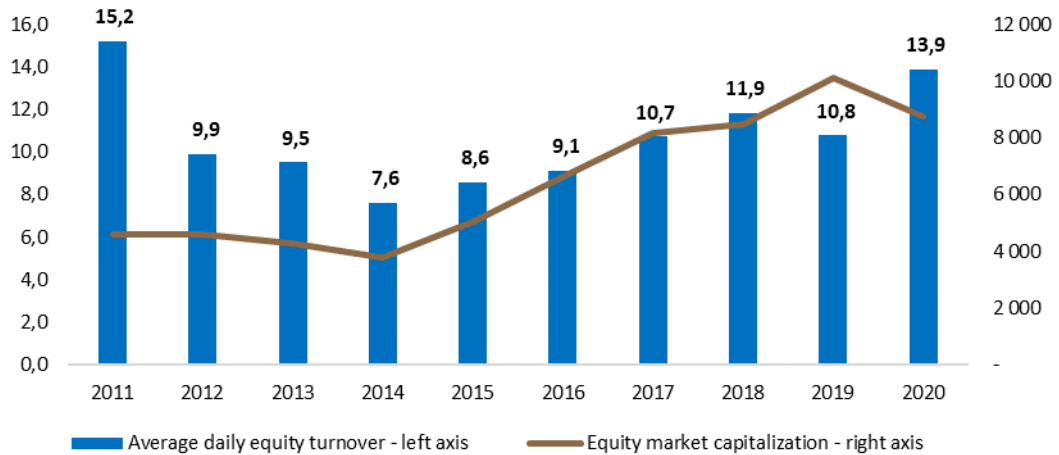
Source: BSE, Reuters

## Cash market

The average daily equity turnover of BSE skyrocketed 29,0% yoy to HUF 13.9bn in 2020, primarily on the back of the extreme volatility triggered by the pandemic. Similarly to the previous year, in 2020 March proved to be the record month, with a turnover of HUF 23.5bn.

The market capitalization of listed shares on BSE fell to HUF 8 772bn, down 13.4% yoy.

Chart 2: Average daily equity turnover and equity market capitalisation 2011 – 2020 (HUFbn)



Source: BSE

Over the past years equities have accounted for the bulk of the turnover of the cash market. Contrary to the previous years, the ratio of mid- and small caps to the total turnover dropped to below 10%.

Chart 3: Turnover of Hungarian equities (2020)

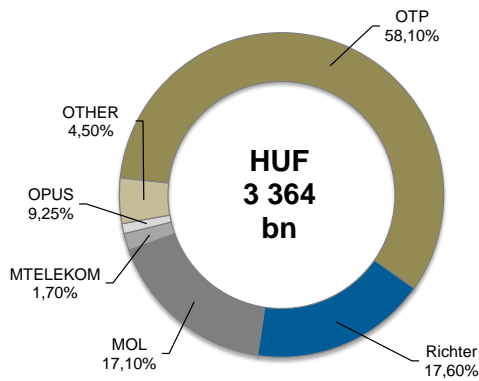
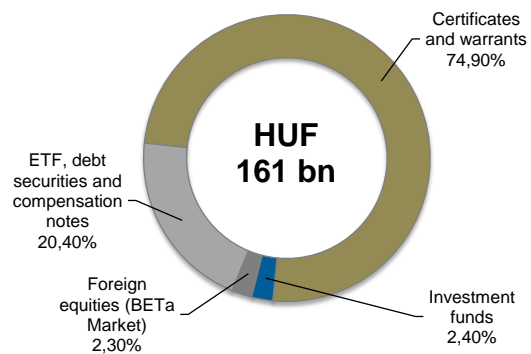


Chart 4: Turnover of other cash market products (2020)

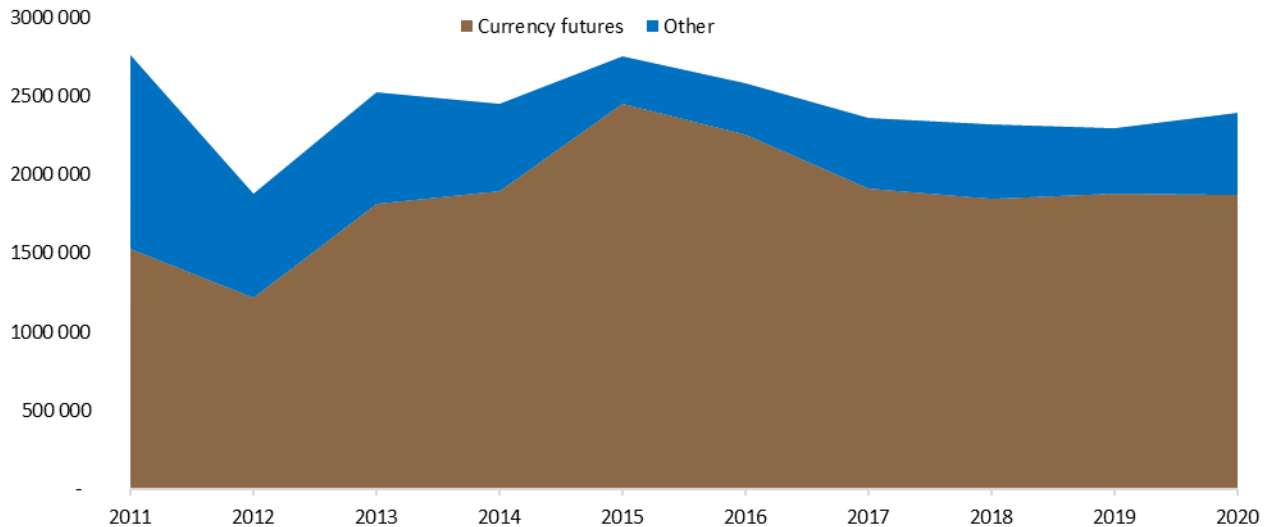


Source: BSE

## Futures market

In 2020, the futures market increased by 4% in terms of trading volumes ; the small decrease of FX futures products was more than offset by the strong performance of the index based futures instruments driven by the extreme market volatility.

Chart 5: Monthly change of futures turnover 2011 – 2020 (HUFbn)



Source: BSE

## New listings and products on the BSE's markets

In 2020, three domestic companies asked the introduction of their shares on the BSE: the ordinary shares of Pensum Group Plc. and SunDell Estate Plc. were listed on the BSE's regulated market, while Gloster Infocommunications Plc. was registered on the BSE Xtend Market. Trading with the shares of DM-KER Plc. registered in 2019 on BSE Xtend, the new MTF platform established by BSE for small and medium-sized enterprises, started in January 2020; Gloster Infocommunications Plc. shares are traded as from June. By the end of the year altogether 15 Nominated Advisers operated on the BSE Xtend Market. New equity issuers are expected to appear in the BSE Xtend Market in 2021.

The total market capitalisation of shares available on BSE was further expanded by a number of share capital increases: in the course of 2020, 4 companies concluded altogether 8 share capital increases via private placements. The share capital increase of AutoWallis Plc. in August and December, in the transaction value of HUF 3 bn, is worth highlighting.

Four issuers left the stock exchange in 2020. The shares of Csepel Holding Plc. were cancelled in March due to the liquidation ordered by the Metropolitan Court furthermore BILK shares were cancelled in June at the request of the Issuer due to the change in the Issuer's future plans and the view of the unfavorable developments in the global economy. The shares of ELMŰ and ÉMÁSZ Plc. were cancelled in March as a result of the Public Purchase Offer made by E.ON Hungária Zrt.





As in the previous year, the trend continued to increase with respect to the split, 4 issuers concluded a share split during 2020 of which two took place in the BSE Xtend Market: DMKER in July, in August DUNA HOUSE, and MEGAKRÁN in September, and Órmester in November.

Similarly to previous years, upgrading from the Standard to the Premium Market remained an attractive goal for issuers: In 2020, AKKO Invest Plc. requested the reclassification of its shares from the Standard Market to the Premium Market. The reclassification of AKKO Invest shares to the Premium Market took place in November. No downgrading was necessary following the regular half-yearly category reviews. As a result, at the end of the year, 21 issuers could be found in the Premium Market and 16 in the Standard Market. During the year, only 2 issuers closed the year in Market T by the end of 2020; the shares of only one issuer remained decategorized.

On the investment notes market, the number of new listings in 2020 was significantly less than in the previous year, the investment notes of 3 closed-end investment funds were listed. Just like in 2019, all new funds were launched by K&H Fund Management Plc. The total face value of the newly listed investment notes were 25% less than previous year, nearing HUF 7.6 bn, each of all pertained to K&H Fund Management's different derivative fund. 21 investment notes were delisted during 2020. The year-end total market capitalisation of BSE-listed investment funds was HUF 129 bn, which means a 25% decrease from the previous year.

On the debt securities market, regarding government debt securities, the number of listings in 2020 materially increased by 33% with respect to last year's level with 220 new issuances and tap issues, whereas the volume of the securities series listed increased by 82,6%. The total market capitalisation of all government debt securities listed increased by 19%, reaching HUF 19,993 bn by the end of the year.

In the case of mortgage bonds, the outstandingly active year of 2018 and 2019 in terms of exchange listings was followed favorably in 2020 as well. The number of listings and tap issues were roughly the same in 2020 with the year before, while the total volume introduced into exchange trading was increased fivefold of previous year's value, to HUF 221.1 bn. The increase in volume is due to the primary mortgage bond purchase program announced by The Central Bank of Hungary on April 30, 2020. All domestic mortgage banks participate in this program. The total market capitalisation of mortgage bonds listed on the BSE grew, closing at HUF 1,785 bn at the end of the year.

Although the number of new bond launches in the corporate bond market (regulated market) decreased in 2020, year-end total market capitalisation on this segment reached HUF 704 bn which, due to the long maturity of the securities, represents an annual increase of 14.5%. 43,7% of the new bond volume derived from the issuances of Eximbank Plc., the total face value of issued securities were HUF 82.7 bn. In 2020, BSE could welcome MKB Bank Plc. in its debt securities section.



On BSE's new Xbond MTF market (launched in 2019) by the end of December 2020, 31 bonds of 28 issuers had been registered. The total capitalization of the Xbond MTF market increased significantly compared to 2019, reaching HUF 598 bn at the end of the year. The Central Bank of Hungary's has increased budget of Growth Bond Program (NKP) from the original HUF 300 bn, first to HUF 450 bn and then to HUF 750 bn during the year. In January 2021, the budget was increased to HUF 1,150 billion therefore we expect additional issuers to enter the BSE Xbond market.

In 2020, Erste Group Bank AG issued and listed 255 structured products (turbo certificates and warrants). Although this figure is 86% higher than in 2019, the total number of structured products tradeable on the BSE at the end of 2020 (182) surpassed the previous year-end number by 7,7%. The issuer of all new structured products (turbo certificates and warrants) was Erste Group Bank AG. The total market capitalisation of the structured products available for trading on the BSE neared HUF 203 bn at the end of 2020.

In 2020, the BSE alternative MTF platform (BÉTa Market) expanded with three products. Trading in Wizz Air shares began in December on the BÉTa Market, which provides access to shares of large European capital companies without foreign exchange conversion costs. In December, the BSE launched two new ESG ETF products on the market. Thus, at the end of 2020, the shares of 20 European blue-chips and 9 international ETFs were available for trading in HUF on this MTF platform operated by the Budapest Stock Exchange Ltd.

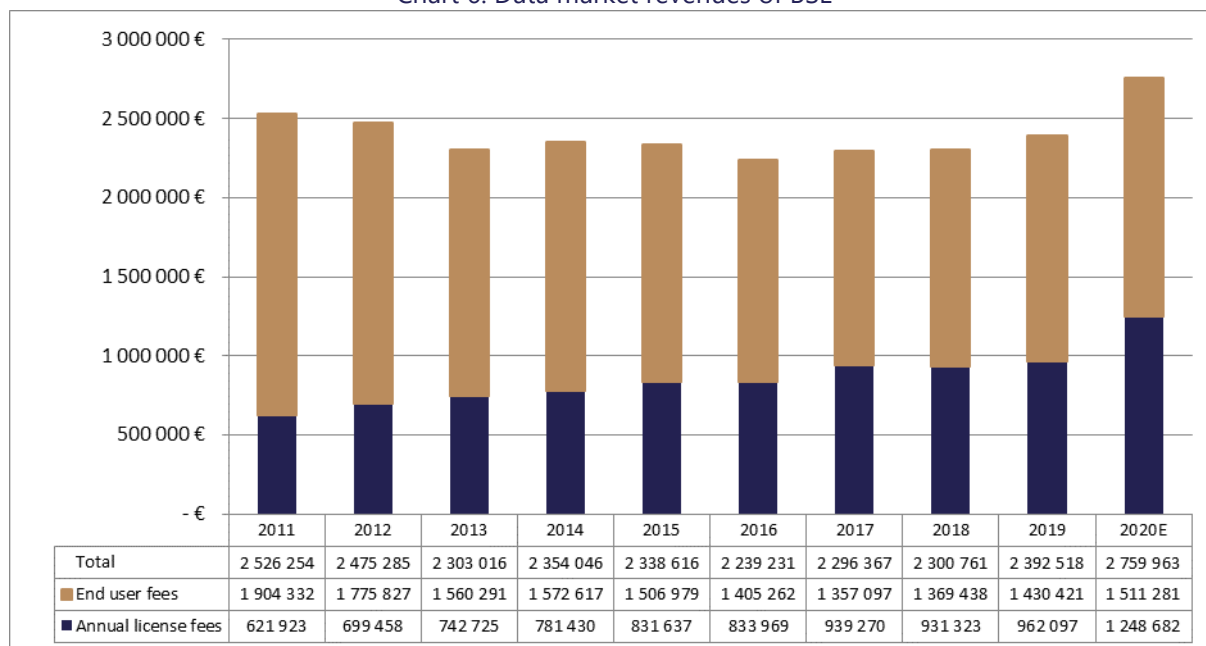
## Information services

Increasing revenues on each line, turns in declining user numbers.

Looking back historically over the past 10 years, our data sales revenues show that values have been in a narrow band around € 2.35 million, broken by a 15% increase in 2020. Looking at the revenue structure, while annual license fees were on an almost continuous growth path due to the ever-increasing number of vendors, a slight declining trend in end-user fees eroded revenue growth until the April 1, 2019 fee increase.

The new Non-Display Usage License structure introduced on January 1, 2020, as well as the capital market turbulence caused by the pandemic, had a significant impact on the revenue jump in 2020. The former increased annual license fees by 30% and the latter by about 6% through a significant increase in end-user numbers. The cumulative effect is about a 15% surplus in core sales.

Chart 6: Data market revenues of BSE



During the business year, the Index License fee structure was revised, which introduced a new, more transparent, banded fees, taking into account the specifics of market participants. Its revenue impact may take effect next year.

## Issuer events and trainings

It is the determined goal of the BSE to support the operations of its issuers with high-quality and useful professional events. In this context, it regularly arranges forums for issuers on topics that affect them at any given time, such as key regulatory issues related to their obligation to provide information or those concerning extraordinary and inside information. In 2020, such topics included, for example, the European Single Electronic Format (ESEF), or issues arising in connection with long-term shareholder engagement (Act LXVII of 2019). Invariably, these events spark great interest and generate positive feedback.

On 11 December 2019, with the participation of leading Hungarian capital market lawyers and the MNB, the BSE launched its legal forum event. The topic of the first forum was the 2019 amendment of the Capital Market Act necessitated by the Prospectus Regulation and its impact on market admission processes, licensing and regulations. The goal was to inspire a joint thinking process and to develop a uniform and generally accepted and applicable interpretation among those who most often apply the rules affected by the changes. The forum was attended by 20 professionals, mainly capital market consultants and representatives of law firms. The second legal forum was held in December 2020.

Through its BIB subsidiary, the BSE has been participating in training for years within the framework of two training programmes:



- IR training for beginner and advanced professionals (I–II): it is usually offered two times a year at two levels. The programme is aimed at the training of investor contact persons, with the BSE providing professional programme management. With the assistance of lecturers from the BSE and from the MNB, as well as practitioners and issuers, we strived to provide a programme with meaningful content for practicing IR professionals. The programme is planned to be incorporated into regular BIB courses to offer continuous further training and knowledge maintenance for IR professionals.
- Another professional programme is in progress under the auspices of BIB providing information and useful assistance to participating bond issuers and advisors on the conditions and operation of the Bond Funding for Growth Scheme, the relevant conditions for listing and MTF appearance and the obligations associated with being listed.

## Revenues from sales

Revenues from data sales represent about 30–35% of the total revenues of the BSE. This percentage continued to grow in 2020 thanks to active sales activities, the introduction of the new price structure and product range, and the BSE’s intensive audit activity.

As of 1 January 2020, we introduced a new licence structure concerning data use in new applications (Non-Display Use). We aligned our products and their pricing with market trends and needs. During the recontracting process, the number of drop-out clients was much smaller than expected. In fact, we managed to increase the extent of the cooperation with numerous clients thanks to the proactive management of the process. As a result, revenues from vendor licences increased almost 1.5-fold compared to the previous year.

The effect of the 2019 price increase still weighed on end-user revenues in 2020. In parallel, the number of end-user drop-outs continued to increase; the drop-out rate has ranged between 3 and 6 percent in recent years. Unexpectedly, this trend was broken during the year once the market movements prompted by the COVID-19 pandemic crisis sparked end-users’ interest in trade data. As a result, end-user revenues began to increase from March, and by the middle of the year average monthly end-user revenues surpassed the pre-crisis level by almost 30 percent.

Looking back, we have increased our data sales revenues by more than 23 percent in the past five years. Studying the revenue structure, it can be stated in general that, while the continually increasing vendor count put an upward pressure on licence fees, the rhapsodic trend of end-user fees eroded. We expect this trend to continue as the effect of the crisis wears off.

In 2020, we continued the previously started, active audit work. In consideration of the impact of the COVID-19 crisis, we notified our selected targets of the upcoming audit only in June; a few months later than originally expected. That notwithstanding, we were able to commence as many audits as in previous years, and we also closed a number of pending audits successfully. These audits not only implied a one-off audit income, but also yielded new contracted clients. We observed that, in response to the news of our audit activity, several potential clients volunteered to subscribe to our data products. We believe that our audit activity has a positive effect both on



our revenues and on our contractual relationships with clients. We will continue this activity in the coming years as well.

In the area of sales, in 2020 we placed special emphasis on promoting our indexes and the products that are built on them. With that in mind, we launched a series of consultations with Hungarian fund managers. During the year, a new index product was added to the index family of the BSE: the CEEplus index, which comprises the stock exchanges of the Central-European region. We have already started the promotion and sale process of the product.

Because of the unforeseen capital market and economic situation caused by the pandemic, all international conferences of the sales area were cancelled, and our networking activity had to be shifted to online platforms. We are strengthening active contacts with our most significant Hungarian and international partners; moreover, at the end of the year we were – in conjunction with the Magyar Nemzeti Bank and other partner organisations – an online exhibitor at the Singapore Fintech Festival. Our goal is to expand our international relationship network and sales channels.

Sales also play an active role in the sustainability initiatives of the BSE: at the global level, we launched a series of consultations with ESG rating agencies.

As in previous years, in 2020 we again collaborated on several topics with the other member stock exchanges in the Data Working Group of the Federation of European Exchanges (FESE). We do our best to interpret some of the directives and regulations issued by the ESMA (European Securities and Markets Authority) and the European Union, find consensual implementation solutions, and request clarification as necessary.

## Developing capital market ecosystem

### Developing partnerships – Developing ecosystem

In order to achieve the goals set out in its strategy, the BSE seeks to engage in close cooperation with capital market players, whether they are market or government stakeholders. These include, for instance, listed companies, investors, future issuers, regulators, consultants, or foreign stock exchange organisations.

According to our estimate, in the past five years the BSE staff have attended nearly a thousand acquisition-purpose meetings with potential issuers and market partners. At the meetings, not only did the BSE share its ambitions with potential partners, but stock exchange professionals also received feedback on the developments and products needed by the market players.

We carried on our work in 2020 in this spirit. In the spring, we presented the BSE's programmes in seven cities and with the participation of more than 150 companies as part of a joint roadshow with the Ministry for Innovation and Technology. We organised a successful professional



workshop in January in Nyíregyháza and in the autumn in Debrecen on the topics of capital raising and corporate development.

The BSE considers it particularly important to also keep in contact with a broad range of investors and to share with them all available information on the activity of the Exchange.

In the autumn of 2019, we arranged personal meetings between the National Stock Exchange Development Fund (NSEDF) and the largest and most active Hungarian investment fund managers. Besides presenting the strategy and plans of the NSEDF, the purpose of the meetings was to get acquainted with the managers of Hungarian equity funds and to reach out to them in person. The consultations were concluded with success, and in 2020 the NSEDF and some fund managers already appeared as co-investors in companies listed on BSE Xtend.

In March 2020, the BSE held a roundtable discussion to inform the heads of Hungarian private banks of the development plans of the Hungarian equity market. One of the topics raised during the discussion was the expected change in the stock portfolio of wealthiest Hungarian clients; moreover, we called the attention of bank leaders to the services provided to SMEs (BSE50, ELITE, BSE Xmatch), which are also available to their customers.

We were liaising continuously with investment fund managers investing in quoted shares. Upon the spring outbreak of the virus, we inquired about their response to the new economic/social/capital market situation, their market activity and the possible scenarios they envisaged, and also asked whether they were interested in potential IPOs in 2020.

Over the past 12 months, numerous companies have inquired about new possibilities for raising capital. The virus situation has reduced the number of physical contacts to the minimum; however we still managed to contact company executives online. We helped the companies compile their introductory presentations and connect with investors and advisors. The parties greatly appreciated the Exchange's intermediary and advisory functions.

Advisors – the NOMADs, in particular – are important elements of the ecosystem. They are the ones that help issuers in the emerging companies market segment during the stock exchange launch process and throughout their presence in the open market. We continue to cooperate with them closely; at the end of the year we had a contractual relationship with 15 NOMAD partners.

## Identifying IPO-ready companies

Building contacts with Hungarian-owned/controlled companies has been one of the priority tasks of the acquisition team set up in 2016. This can be accomplished in many different ways from the quantitative identification of companies through personal meetings to information provision.

The basis of the quantitative identification and analysis is the scoring methodology worked out in conjunction with the MNB in early 2016. The BSE has used this methodology as a basis several times for its publications, most recently in autumn 2020. Based on the experiences of the meetings between the stock exchange, market players and potential issuers in the past few years, the BSE's



experts have modified the methodology on two points compared to the original (operation history, foreign holdings).

The growing number of IPO-ready companies in recent years reflects the development of the Hungarian economy. The analysis conducted by the BSE's staff in 2020 found 445 IPO-ready medium-sized companies. In comparison: In 2014, there were 331 such companies in the Hungarian economy and, according to the analysis repeated in two years' time, this number rose to 345 by 2016. With the analysis, the BSE wishes to dispel a popular misconception; namely, that only large corporations are suitable for going public. The number of IPO-ready Hungarian medium-sized enterprises – close to half a thousand according to the final result – underpins that the Hungarian capital market should continue to pay close attention to these players. In the coming years, the BSE will continue to focus on the performance of the scoring procedure and the identification of (and subsequent contact with) IPO-ready companies.

Effective communication and the presentation of success stories are as important as the quantitative analysis. This is why we compile, year after year, our "BSE50 – The Success Stories of Fifty Hungarian Companies" publication, which has been published, for the fifth time, as a conclusion of the 2016–2020 strategy. Even though the last year of the period was overshadowed by the pandemic-related global crisis, we can see that well-capitalised Hungarian medium-sized enterprises rise above the obstacles. The publication presents businesses that remained stable; in fact, some of the respondents managed to turn the crisis situation to their own advantage.

Although in 2020 nearly half of the interviews were conducted online through platforms that enable simultaneous video and conference calls, most interviews were conducted in person nevertheless, which – as in previous years – implied travelling thousands of kilometres for the experts involved. At this time, the BSE50 realised a combined EBITDA (earnings before interest, taxes, depreciation and amortisation) of HUF 78.7 billion with a combined sales revenue of HUF 970.4 billion, which translates to an EBITDA margin of 8.1 percent. As regards averages, the revenue, EBITDA and EBITDA margin of the BSE50 exceeded the corresponding values of companies with sales revenues above HUF 1 billion by 121 percent, 126 percent and 18-percentage points, respectively. In an annual comparison, the last closed financial year can be considered successful for these companies. Among the BSE50 companies presented, the average sales revenue rose by more than 10 percent and average EBITDA by almost 14 percent, which also resulted in the improvement of their EBITDA margin.

The vast majority of the companies selected most recently represented five major sectors: manufacturing (13 companies), trade (11), the food industry (8), IT (6) and finally, health care (4). Company profiles, however, diverged significantly across each sector.

Including the companies featured in the 2020 BSE50 publication, over the past five years the BSE and its supporting partners have presented the stories of 245 businesses, and these inspiring stories demonstrate the strength of Hungarian entrepreneurs and the Hungarian economy. The 245 companies employ around 72 thousand employees in total; their combined income is HUF 3,500 billion, and their combined operating profit is above HUF 180 billion.

Since the professional conference that has been held in relation to the successful publications in recent years could not be arranged this year because of the virus situation, our staff needed to



come up with a different solution for the sake of our regular audience of about 500 persons. The BSE50 Club, which offered exclusive professional content and acquaintance and networking privileges strictly to the businesses featured in the publication, was launched in 2019 (the hosts of the event were Magyar Telekom Nyrt. and AutoWallis Nyrt. that year). In 2020, in turn, an extended BSE50 Club event was arranged instead of the cancelled conference. Extended, because it was intended to replace the conference and thus, attendees included not only the businesses concerned, but also investors and sponsors. Compared to the conference, the BSE50 Club is a shorter and somewhat more restricted event. While the former offers a variety of professional programmes all day long, the Club has only two hours at most to share professional knowledge with participating companies. The two-hour long BSE50 Club event of 2020 began with the opening address of the BSE's Chief Executive Officer, Richárd Végh. The series of lectures started with the presentation of Péter Balogh, Executive Director of Large Corporates and Structured Finance at MKB Bank Nyrt., which was followed by a lecture on green company building by Attila Chikán Jr. on behalf of Alteo Nyrt. Next, at the company roundtable discussion leaders of Jász-Plasztik Csoport, Hovány Csoport and BiotechUSA discussed how they were able to preserve their growth and develop their businesses at a critical time like this.

## ELITE Programme: A New level of corporate development

The ELITE Programme was launched in 2012 by the Milan stock exchange (ELITE Italy), and since 2014 has been functioning as a subsidiary of the London Stock Exchange Group (ELITE UK and ELITE International). The aim of the Programme is to provide corporate governance and external funding know-how to participating companies, thus supporting them in reaching more carefully considered operative and strategic decisions that can also serve as the basis for an IPO. The programme has been available in Hungary from 2016, and since then, numerous Hungarian companies (50) within the ELITE International group (200 companies) participate in the business development programme to share best practices and learn about local specificities with more than 1,553 companies from 45 countries and 36 sectors globally.

Members of the Community can only be companies that meet certain quantitative and qualitative criteria, such as sales revenue, profit after tax, profitability indicators, credible management, past growth. After a successful application, each company starts the two-year training with modules on strategising and finance, followed by freely chosen English-language modules (innovation, HR, organisational development, going international, digitalisation) that best suits the participants' needs. Experts of the BSE supplement the English-language training material with training sessions held in Hungarian focusing on the Hungarian market. The companies are given an opportunity to learn about corporate governance and finance issues in Hungarian; they become familiar with the IPO process and the methods of successful implementation. In addition, they can select from a variety of optional Hungarian-language modules. Popular topics of the past few years included estate planning, tax optimisation, the acquisition of communication techniques, the definition of business value or the investor presentation criteria.





Beyond the high-quality international training, the companies also benefit from gaining recognition, exploiting business acquisition opportunities, exchanging experiences with Hungarian and international companies and consulting with ELITE partners (more than 200 consultants, banks, attorneys, etc.). By learning about international best practices, Hungarian medium-sized companies are able to become more competitive on the international stage. After completing the Programme, the participating company becomes IPO-ready without incurring any stock exchange obligations. For some companies, in addition to being IPO-ready, going public by relying on the knowledge acquired can be a valid alternative. Of the Hungarian team, Megakrán Nyrt., DM-KER Nyrt. and Gloster Nyrt. took advantage of the knowledge gained in the ELITE Programme to list their stocks on BSE Xtend, raising fresh capital amounting to HUF 2.7 billion in total for the implementation of their future plans. In addition, UBM has also listed its shares on the stock exchange.

To reach out to potential ELITE companies, in the past five years the BSE attended several professional events and business meetings as organiser and collaborating partner and also contacted numerous prosperous companies electronically; thus the ELITE Programme reached about a thousand companies directly. Numerous client events, business breakfast meetings and personal meetings have been arranged. The BSE continued to rely on its banking and consulting partners (Budapest Bank, CIB Bank, UniCredit Bank, Concorde MB Partners, EY, PwC, Deloitte Private, MAPI Club, FBN-H, MGYOSZ, HVCA, DLA Piper), and continuously seeks to establish new partner relations.

With the unfolding of the COVID-19 virus, 2020 put all participants of the economy to the challenge, and Hungarian businesses were no exception. In response to the situation, our London colleagues introduced a new training module, while the BSE staff implemented the pre-arranged professional programmes online.

Despite all the challenges of the year, 13 new Hungarian companies joined the international business development programme. Among the 2020 participants, we can find prospering SMEs engaged in a variety of fields, such as event organising, IT development, car dealership, food industry, construction sector, building engineering and even gate technology and elevator manufacturing. Thanks to the EU funds available since 2019, 11 companies were granted financial assistance covering the cost of participation for the full programme (4 companies from the CHR region and 7 from the EDIOP region).

2020 was an active year for the Hungarian participants of the programme. Before the outbreak of the pandemic, they attended the mandatory and optional Hungarian modules in person; afterwards attendance shifted to the online environment.

On 22 January, the companies starting out in 2018 completed their last mandatory Hungarian module within the framework of the IPO simulation module with the professional assistance of Random Capital, Front Page Communications, Széchenyi Alapok, Aegon, Accorde Alapkezelő, Alteo Nyrt. and ANY Biztonsági Nyomda Nyrt. On 21 October, the 2020 series of mandatory Hungarian-language courses continued with the finance module. During the morning hours, participants listened to presentations by the directors of Hiventures, the experts of EY, the investment director of Széchenyi Alapok and the leaders of Random Capital/Navigator. On 10 December, the Hungarian ELITE events of the year concluded with the first Hungarian mandatory



“corporate governance” module organised for companies starting out in 2020 (with lectures by Egon Zehnder, EY, DM-KER, Gloster and Deloitte).

In the framework of the optional Hungarian modules, the first lecture of the year was presented on 15 January by Zoltán Krausz on corporate structure. Next, on 19 February Vilmos Benkő, former President of the American-Hungarian Chamber of Commerce held a presentation – with glowing success – on effective communication, illustrated by practical examples. On 9 March, Lénárd Horgos, partner at Absolvo Consulting, shared useful information on the theoretical and practical aspects of investor presentation. Next, the Chief Executive Officer of EXIM Bank had a professional discussion with the BSE’s CEO under the title “Growth in times of crisis”, and subsequently in early June experts of McKinsey talked, also on an online channel, about the key to sustainable growth. On 12 November, an estate planning workshop was held by Gábor Kóka, Central European partner at Deloitte for an audience of 35 persons.

As always, this year was not without acquisition events. The first business breakfast meeting was held on 10 February with the participation of EY and Danube Capital. In February and March, we organised an introductory roadshow in conjunction with the ITM in seven towns, with a total of 150 companies in attendance. At the end of January, an almost three-hour professional workshop was held in Nyíregyháza with the involvement of professional partners. In the second half of the year, a successful acquisition event took place in Debrecen with the support of EDC Debrecen. The lecturers came from EY, DM-KER, Deloitte, Széchenyi Alapok, Gloster and GSV Kft.; attendance was close to 50.

There has been seamless cooperation between the BSE’s Acquisition Directorate and the ELITE team of the London Stock Exchange in recent years. Experts consulted regularly about the companies interested in the Programme, and worked together to assist company leaders in compiling the required documentation during the registration process. Once again, the BSE was given access to the professional presentations of the training, but – unlike in previous years – it was in online form instead of physical trips to London. Before the outbreak of the pandemic, we held a full-day meeting with our London colleagues involved in the ELITE programme, reviewing the results of years of working together and also touching upon possibilities for expanding the cooperation.

## A shift to private markets

In November 2019, the BSE launched its BSE Xmatch service, which is intended to support Hungarian private capital market transactions in order to increase the number of IPOs and the penetration of the BSE on the Hungarian capital market in the long term.

In its five-year strategy announced in 2016, the BSE’s special priority was to provide small and medium-sized enterprises with access to the capital market both by creating new market segments and by delivering other services. As far as the new segments are concerned, as a first step, in 2017 the BSE launched BSE Xtend, a new multilateral trading facility (MTF) serving as a public market for medium-sized companies with large growth potential. In the next step, the BSE assessed how it could help the private capital financing of companies that are not quite ready to go public yet.



To that end, during the years of 2018 and 2019 the BSE conducted extensive market research in order to review international trends and best practices, and to assess domestic market needs.

The international research showed that even in the previous, private operation lifecycle of the companies, an increasing variety of centrally-organised services and platforms assist in satisfying financing needs. Besides the gaining ground of the popular crowdfunding platforms from the 2010s, additional solutions made an appearance – generally referred to as private placement platforms –, which offer a combination of online and offline services to facilitate the capital funding of companies already past the start-up phase, bring together investors and companies (or the holders of participations in private companies) in need of financing, and facilitate private transactions (capital increases, exits). The most important online functions include the provision of access to a researchable platform membership database, functions for the execution of financing rounds (e.g. functions facilitating controlled information flows, auction module) and tools assisting in secondary trading. Offline services include networking events, pitches, forums, consulting and training functions. Another important finding of the survey was the intensifying activity of stock exchanges in this segment, which once again confirms the trend that an increasing number of exchanges break out of the constraints of the classical, public capital market.

The BSE relied on personal interviews, forums and questionnaires for the Hungarian survey. Most of all, we were curious which segment of private capital transactions exhibits market failures; which target groups need the assistance of a neutral intermediary the most; and which types of services would generate the most added value in the Hungarian market. We tried to address all stakeholder groups: SMEs as potential issuers, various investor groups (venture capitalists, fund managers, angel investors), consulting, intermediary, mentoring groups, as well as interest groups and umbrella organisations.

Based on the above, a decision was made in 2019 that the BSE should create a service – primarily aimed at market and ecosystem building and the improvement of the coverage and recognition of the Hungarian capital market – which would help generate private capital market transactions as a value-neutral, central stakeholder with a good reputation. The resulting service was BSE Xmatch. The BSE sees its own role primarily in introducing and connecting investors and companies directly and in building confidence, and envisages to fulfill this role as a long-term product development process. Thus, initially it will focus on classical, offline activities – organising workshops and meetings – before gradually adding online tools to support the strengthening community. In the short term, by facilitating the liaison between issuers and potential investors, the BSE will be able to efficiently support the pre-IPO private transaction of issuers getting ready specifically for BSE Xtend. Lending a helping hand to more mature Hungarian medium-sized companies and family businesses is a more complex, longer-term task, but it promises significant value added even at the level of the national economy. In this target group, a central role will be given to education and confidence-building, and to the provision of a roadmap that navigates issuers from familiarising themselves with the capital market all the way to, as the case may be, going public.

The BSE's KAI team started to work on the implementation, based on a pre-defined timetable, in November 2019. Upon introduction, we put together a list of the companies, investors and advisors comprising the target group. The companies were primarily selected from the BSE ecosystem (BSE50, ELITE) and relationship network. On the list of investors, we distinguished



between angel investors, representatives of the Hungarian venture capitalist circle, the portfolio managers of investment fund managers, and the leaders of private banks. The list of advisors include numerous firms and law offices with expertise in corporate finance. We collected the contact details of more than 200 companies, 150 investors and 50 advisors in total.

As early as the end of November 2019, we arranged the first BSE Xmatch private event, where we introduced the service to the attendees, the three companies (DM-KER, Post For Rent, Gloster) presented their respective history and plans for raising capital. We also arranged a roundtable discussion with the participation of investment fund managers. 80 persons attended the event which, after the official programme, concluded with a reception. Based on the feedback received, attendees thought that more than one such event could be arranged each year. After the event, both Gloster and DM-KER set up meetings with fund managers with whom they met personally at the Xmatch event for the first time, and they found that encounter eased their future communication significantly. This meant the accomplishment of one of the main goals of BSE Xmatch – to bring together, in the first round, investors and companies seeking to raise capital and to help them take up contact with each other.

Due to the outbreak of the COVID-19 pandemic, in 2020 we shifted to online service elements from the offline events that had originally been a central element of the service.

Three professional articles were published in the spring, among others, on the bet.hu, portfolio.hu and novekedes.hu portals. Interest in the service grew noticeably after the publication of the articles, with several companies and law offices contacting us to indicate their intention to attend future events.

In March and April, we took up direct contact and communicated via video conference calls with several companies that were seeking to raise capital. We offered our advisory service with regard to the investor presentation (content, length, drawing attention) to those interested. We connected specific companies with investors and advisors.

Although we were forced to cancel physical events indefinitely, in early June 2020 we posted the BSE Xmatch LIVE event, in the context of which investors, advisors and interested companies could watch a live streaming of the introductory presentations of four companies (OXO Technologies, Heatventures, Sylphina Angel, Aperus Pharma). Each 10-minute lecture was followed by a 5-minute Q&A session. The majority of the feedback provided by investment fund managers was positive. In December 2020, three companies (Facekom, NAP Zrt., Predictive Supple) introduced themselves to investors on a similar online occasion.

Feedbacks and experiences show that there is a need for the BSE Xmatch service among all target groups concerned, and the recognition of the service has increased since its introduction. We still believe that it is important to hold online and offline professional events every three or four months, but we can also see that we need to develop an IT solution (online, closed database and platform) supporting the ecosystem. With such an assistance, members of the community would be able to contact each other by electronic means and share with each other their accomplishments on a regular basis, which may lead to future transactions.



The IT development is aimed at the creation of a valuable business database and platform, which moves the traditional medium-sized company and capital market community to the digital space, easing the BSE's work and helping to transmit its messages to the target groups. The compilation of the specification of the planned system and the selection of the developer took place in autumn 2020. The development is expected to be completed in spring 2021, which will be followed by migration to the target group.

## National Stock Exchange Development Fund

Supporting IPO-ready companies and strengthening the supply and demand sides were priorities for the Stock Exchange in 2020 as well. Accordingly, the cooperation started in 2018 with the National Stock Exchange Development Fund (NSEDF) continued. The NSEDF is primarily designed to support and strengthen medium-sized companies and to make capital investments facilitating their introduction to the capital markets. The Fund is also involved in the large-scale stock market development programme designed to intensify capital fundraising among Hungarian companies to provide an alternative to the current overreliance on bank lending.

The Fund was set up from the reinvested resources of the financial programmes financed from the 2007–2013 EU programming period – which are controlled by the Ministry of Finance –, and its capital now amounts to HUF 20 billion with management rights granted to Széchenyi Tőkealap-kezelő Zrt. The company's goal with the NSEDF is to list as many small and medium-sized enterprises (which meet the conditions of the call for applications) as possible on the BSE Xtend market, and to enable suitable companies to conduct public transactions on the stock exchange in a higher trading category. The capital fund typically invests in transactions amounting to nearly HUF 1 billion typically for a period of two to three years, and the involvement of a co-investor from the market is always mandatory. Investment utilisation is independent of sector or geographical location; the target company, however, is required to commit to appearing at least on the BSE Xtend market within two years of the capital injection.

The capital fund may make two types of investments: "pre-IPO" investments fund the development of companies that could get IPO-ed on the BSE Xtend market or on the main BSE market in the medium run. "IPO" investments mean stock subscription during an IPO, including IPO on the main BSE market or on the BSE Xtend market, as well as public and private offerings.

The first investment of the Capital Fund took place in October 2018 when Megakrán Nyrt. was admitted to the BSE Xtend market. The transaction was a milestone in the history of BSE and the NSEDF, because the growth history of Megakrán has become a textbook example for Hungarian medium-sized enterprises. The continuous work also came to fruition in the form of an end-of-2019 transaction involving the NSEDF: after more than a year of preparations, DM-KER Kft., a company specialising in construction and agricultural machinery, listed its stocks on BSE Xtend in a private offering worth HUF 1 billion in total. The company had been previously involved in the ELITE Programme – the business development training of the Exchange –, and won a grant to cover the costs of its listing in a call for applications implemented from EDIOP, the Mentoring Programme, which is the preparatory stage of the NSEDF. Gloster completed the most significant transaction of the year: after a capital increase of HUF 1.1 billion, the company entered the BSE Xtend market (the NSEDF undertook 70 percent of the transaction). Moreover, CER Cargo has



received a pre-IPO investment of over HUF 2 billion, and subsequently intends to enter one of the BSE markets.

In addition to supporting the NSEDF's decision-making with background analyses and research, employees of the BSE also play an important role in searching active projects, screening and investment process management. Moreover, they are in constant contact with the representatives of the Fund with regard to taking recourse to supporting programmes and services in preparation for admission to the stock exchange and specifying the tasks and requirements concerning public offerings.

In 2020, it continued to seek and channel in potential portfolio companies; therefore, the number of companies with which the Fund is negotiating or has negotiated since its start in 2018 is over 50. These companies are either ready to go public or are close to going public through a potential collaboration within 12 to 24 months. Other venues of networking were, for example, the BSE50 publication and online conference, the company building workshop in Nyíregyháza, or the acquisition event in Debrecen.

## Mentoring Programme: Summary of the EDIOP and CHR projects

Besides education, another identified component of a successful capital market is the reduction of the costs associated with going public. With that in mind, in 2016 we started to work together with the State in several areas.

In 2017, the Ministry for National Economy (NGM) announced a call for applications under the subject heading "Increasing the efficiency of the SME sector, primarily through measures designed to facilitate public listing" for the EDIOP (Economic Development and Innovation Operational Programme). The Budapest Stock Exchange submitted an application, which the NGM accepted and deemed to be worthy of support. Subsequently, in November 2017 the Budapest Stock Exchange submitted a grant application to the Deputy State Secretariat Responsible for Implementing Economic Development Programmes of the Ministry for National Economy with a similar title and content for the Central Hungary region. As a result, the BSE Mentoring Programme has been offering SMEs a non-refundable aid which they can use for acquiring the knowledge necessary for capital market financing and financing the costs of their listing on the exchange within the scope the EDIOP since 6 February 2018 and in the Central Hungary Region (CHR) since 3 January 2019.

In practical terms, this means that the BSE assists companies in two ways as a grant intermediary. Firstly, it funds 100% of the participation of eligible companies in the international ELITE Programme; secondly, it contributes to consultancy costs up to 50%, which directly serves the company's stock market launch. The EDIOP and CHR mentoring projects of the BSE specifically focus on companies which can be eligible to listing after their preparation and could be an attractive investment opportunity for Hungarian institutional or individual capital investors.



Accordingly, the BSE Mentoring Project consists of two parts. The first project part is dedicated to supporting SMEs participating in the training programme implemented by an international collaboration, while a programme supporting the preparation of SMEs for the stock exchange and for their listing is carried out in the second project part.

The BSE conducted a public procurement procedure in 2019 for the first project part, and the winner of the procedure was the ELITE Programme. The BSE seeks to use this programme to launch a European training and mentoring collaboration and to convey it to the target companies. Participants of the international collaboration take part in a complex programme, in which they can learn from the most competent consultants and expand their network. The ELITE Programme also enables companies to find the best form of financing: whether it is credit or capital financing or capital raising via the BSE.

The interest sparked by the grant offered for the ELITE training was higher than expected; therefore, after the budget has been exhausted in the Central Hungary region, the BSE submitted an application for additional funds, which was approved by the NGM in autumn 2020. That enabled additional companies to join the programme.

In response to the difficulties arising in 2020, the ELITE courses are conducted online instead of personal attendance in London, and training materials relevant to crisis management were added to the list of mandatory and optional courses. They are supplemented with further modules and courses arranged by the BSE.

Due to the pandemic, some of the companies applying in 2020 will only start the programme in January 2021; thus their EDIOP and CHR application process will be also completed in 2021.

The second project part is intended to support medium-sized enterprises in preparing for the stock exchange and to encourage the raising of capital on the capital market if the medium-sized enterprises cannot get sufficient – or any – funding on the financial markets. Here, the target group comprises more mature medium-sized enterprises that are open to being transparent listed companies but have not started their preparation for the stock exchange because of insufficient funds or knowledge.

In 2018, Megakrán Nyrt. (EDIOP) and in 2020, DM-KER Nyrt. (EDIOP) and Gloster Infokommunikációs Nyrt. (CHR) completed the preparations for the stock exchange and their IPOs within the framework of the Mentoring Programme. All three companies listed their stocks on the BSE Xtend market, and raised funds successfully from external investors. In December 2020, OXO Technologies Holding Zrt. and ViVeTech Zrt. signed the Grant Agreement, and NAP Zrt. submitted its application for grant for the IPO project element.

## Organization

At the Budapest Stock Exchange on December 31, 2020 the number of active staff was 62, the same as at the end of 2019. Out of 62, some people work fewer hours a day. The number of full-time equivalents were therefore 60,5.



## 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.

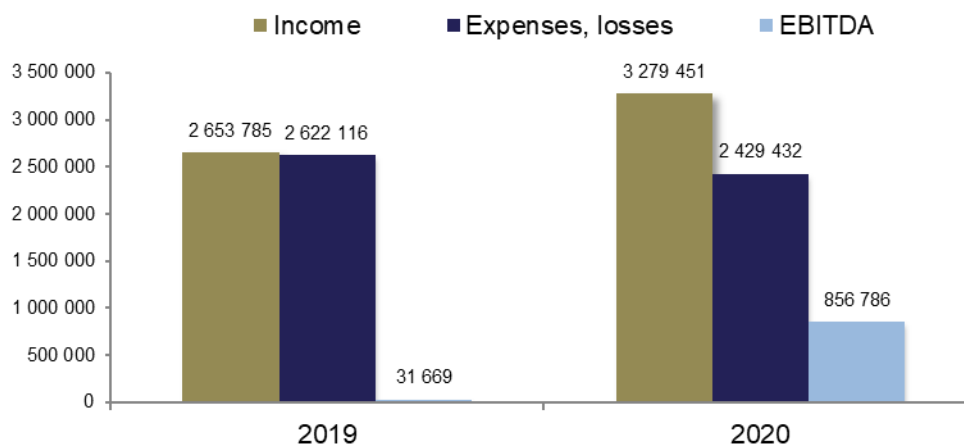
## The Financials of BSE

In 2020 the total revenues of the BSE amounted to HUF 3.3 billion, 23,6% higher than revenues of the previous year. Due to the increase of revenues, and also the fall of expenses, BSE realized an EBITDA of HUF 857 million in 2020, which is close to the 2015 level. The net profit was HUF 118 million.

**Table 1: Revenue and earnings of BSE, 2010-2020**

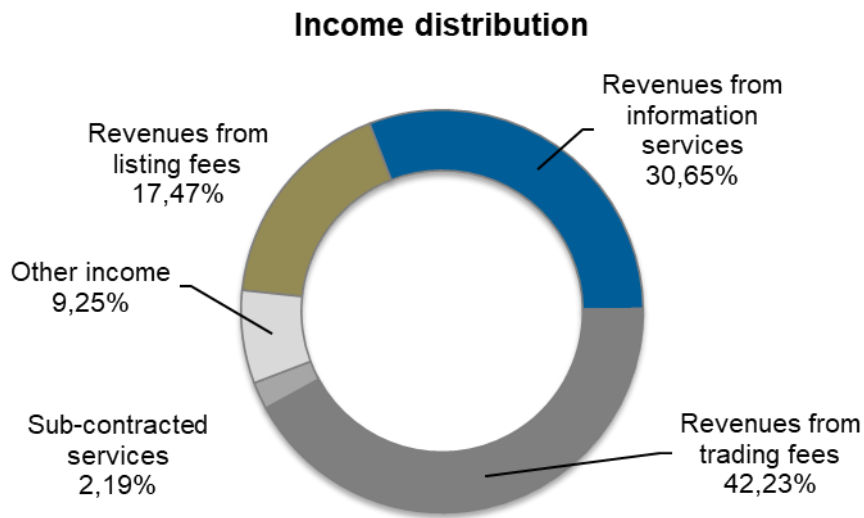
('000 HUF)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total revenue	3 410 413	3 084 558	2 425 367	2 351 955	2 108 912	2 163 473	2 197 929	2 453 386	2 537 506	2 653 785	3 279 451
EBITDA	1 814 942	1 516 438	915 910	877 990	841 922	863 575	382 765	465 930	193 575	31 669	856 786
Net profit	1 320 630	1 124 747	576 438	565 003	520 077	500 737	72 902	176 265	296 702	1 496 795	118 256

**Chart 7: Main financial data of BSE**

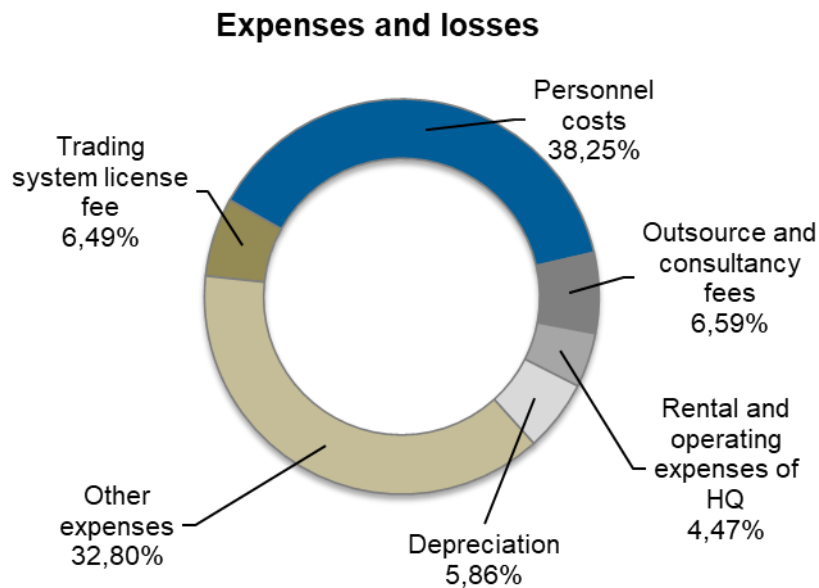




**Chart 8: Distribution of income – 2020**



**Chart 9: Distribution of expenses – 2020**



## Events after the balance sheet date

During 2020, the fact became known that Első Értékpapírosítási Tanácsadó Zrt. will be sold during 2021; the transaction took place on 26 February, 2021. Accordingly, the shares in Invested financial assets have been reclassified to Current assets. When accounting for the impairment of the shareholding, we considered the sale 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 2020 as well, 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 programme where BSE rewards young talents who write the best studies about topics related to the capital market specified in advance.

Budapest, 27 April, 2021

**Richárd Végh**  
CEO

**Katalin Sámel**  
Financial Director