



Analysis of the financial and business  
standing and outlook for continue  
operations by  
Trophy Holding Nyrt.

prepared by Equity Advisors spółka z ograniczoną odpowiedzialnością sp.k.  
(formerly: Equity Advisors sp. z o.o.)

Kraków, November 12, 2016

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## Introduction

Analysis (hereinafter referred to as: "Analysis") of the financial and business standing and outlook for continue operations by Trophy Holding Nyrt. (hereinafter referred to as: "Issuer" "Company") was prepared in accordance with the obligation imposed on the Company by Alternative System Organiser in resolution number 996/2016 dated on September 28, 2016.

Analysis was prepared pursuant to an agreement, concluded on 4<sup>th</sup> of November 2016, with the Company by Equity Advisors spółka z ograniczoną odpowiedzialnością sp.k. (formerly: Equity Advisors sp. z o.o.) - hereinafter referred to as: "EA", which meets the conditions specified in Alternative Trading System Rules (§ 15b.2).

All the information contained in the Analysis comes from the Issuer and EA is not responsible for its accuracy and completeness.

The Analysis does not constitute a recommendation or investment advice.

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## 1. General information

### 1.1. Main information about the Issuer

Name of the Company	Trophy Holding Nyilvánosan Működő Részvénytársaság
Short name of the Company	Trophy Holding Nyrt.
Legal form	Public limited company
State	Hungary
Registered Office	1054 Budapest, Szabadság tér 7.
Phone	(36) 1 814 6440
Fax	(36) 1 814 6448
E-mail	info@trophyholding.eu
Website	<a href="http://www.trophyholding.eu">www.trophyholding.eu</a>
Company no.	01-10-048852
Tax no.	23705373-2-41

### 1.2. Short background information on the Issuer

- March 2007 – Helper Service Ltd. was founded;
- December 2009 – purchase of Hotel Trófea in Hegyhátszentjakab;
- January 2012 – transformation of the company into private company limited by shares with a share capital of HUF 110,000,000;
- January 2012 – decision to increase in share capital to HUF 1,500,000,000 and change the name to TrophyResort;
- July 2012 – transformation into a public limited company;
- October 2013 – beginning of reconstruction works of the hotel;
- December 2013 – sale of 100% shares in J.B.Natural s.r.o.;
- December 2013 – increase in share capital to HUF 2,736,000,000 (registered on February 2014);
- September 29, 2014 – first day of listing on Cyprus Stock Exchange on Non-Regulated Market Cyprus Stock Exchange Emerging Companies Market – CSE ECM;
- November 19, 2014 - decision to increase in share capital with HUF 1,464,000,000; the increased capital has been fully paid up;
- April 21, 2015 – first day of listing on Alternative Trading System NewConnect operated by the Warsaw Stock Exchange;
- September 22, 2015 – delisting of Issuer's shares on Cyprus Stock Exchange;
- November 19, 2015 – sale of subsidiary ŐRSÉG MEDICAL CENTER Kft.;
- April 8, 2016 – increase in share capital to HUF 7,300,000,000;
- May 26, 2016 – preliminary agreement on sale of the Issuer's two business branches on one hand the "Hotel and Medical branch", while on the other hand the "Markaz Project branch".

### 1.3. Description of the organisation of the group

After selling ÖRSÉG MEDICAL CENTER Kft. (November 2015) Trophy Holding Nyrt. does not form a capital group.

Under the reshape and the building of the new holding structure, the establishment of two new legal entities (subsidiary companies) is planned, one in the field of textile trade, while the other in the field of project management and tender counseling, both of them as 100% owned subsidiaries. Trophy Holding Nyrt. will hold the coordinating and management rights and role.

### 1.4. Employment

Employment structure as of September 30, 2015 and 2016:

Employment structure	30.09.2015	30.09.2016
General & Administration	17	6
Sales	14	8
Hotel & Hotel Services	7	4
<b>TOTAL</b>	<b>38</b>	<b>18</b>

Decrease in employment is related with the restructuring process. The Company had to reinstate its strategy and employment structure - in the terms of cost-efficiency. According to the Company part of employees were replaced by external services providers.

Hotel and Hotel Services staff has not been decreased yet, due to the valid contracts but will be repealed.

### 1.5. Issuer's managing and supervisory persons

At the date of Analysis the Board of Directors consists of 5 members:

- dr. Tamás Szimornyí – Chairman of the Board of Directors;
- Petronella Öregné Kocsis – Member of the Board of Directors;
- Arnold Nagy – Member of the Board of Directors;
- Stantic Damir – Member of the Board of Directors;
- Igor Novak – Member of the Board of Directors.

At the date of Analysis the Supervisory Board consists of 4 members:

- Nikola Liptak – Member of the Supervisory Board;
- Stella Lakatos – Member of the Supervisory Board;
- Tibor Nagy – Member of the Supervisory Board;
- Mihály Turán – Member of the Supervisory Board.

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## 1.6. Issued capital and current Issuer's shareholders structure

At the date of Analysis issued share capital is HUF 7 300 000 000 and is represented by 36 500 000 shares with face value of HUF 200 each. 13 680 000 of these shares are introduced to trading in the alternative system.

At the date of Analysis the Issuer's shareholders structure is as follows:

Shareholder	No of shares / No of votes	Shareholding / votes at General Meeting (%)
Öregné Kocsis Petronella*	14.896.168	40,81%
NERO TRADE Kft.	3.261.905	8,94%
Heczef József	2.000.000	5,48%
Others	16.341.927	44,77%

In 2016 the share capital was increased in two private offers by HUF 3 100 000 (15 500 000 shares with fair value HUF 200). The first increase in the amount of HUF 2 170 000 000 was for the contribution in-kind by the main shareholder, Petronella Öregné Kocsis (according to the Company contribution in-kind were Trophy assigned claims against third persons (firms)). As declared by the Company all the relevant conditions such as audit, declaration by the main Shareholder, reporting, evaluation, etc. have orderly been fulfilled, on the basis of the GM Resolution 6/2016. (01.11.). The second increase in the amount of HUF 930 000 000 was made in the way of the transformation of the retained earnings into the share capital, that meant a donation of an additional number of shares to the Shareholders.

Company has initiated talks with external investors in order to gain financing for further development and as declared by the Company, main shareholder may consider selling part of the shares. As to the date of this Analysis no indicating or binding agreements in this regard have been signed.

## 2. Changes in the business in the last year and current activity

### 2.1. Changes in the business

At the time of introducing shares to trading in the alternative system the Issuer planned to build a chain of luxury hotels providing additional wellness, health and medical services to its customers. It wanted to implement a timeshare concept to its activities. The first hotel with a medical center was going to be located in Hegyhátszentjakab (Hungary). The Issuer planned several further Investments in the hotel business.

The main business line was project management. The Issuer provided its clients undertaking investment projects with comprehensive advisory services consisting of project planning, preparing feasibility studies, financial planning, acquiring EU grants, machinery and equipment procurement, selection of contractors and coordination of works of all parties involved.

In order to conduct activities in the area of hotels, the Company needed additional financing. The Issuer made efforts to approach Investors to facilitate the fulfillment of its ongoing investments and

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for contribution to further growth. However, they were not effective. Therefore hotel expansion was suspended.

Given the above the Issuer decided to reshape and simplify its structure.

On November 19, 2015 the Company signed an agreement with Agropofil Plus D.O.O located in Croatia on sale of the Company's subsidiary ÖRSÉG MEDICAL CENTER Kft. The value of the transaction amounted to HUF 1.236.000.000 (EUR 3.987.096; 1 EUR = 310 HUF). Transaction has been successfully settled.

ÖRSÉG MEDICAL CENTER Kft. owned the land, initiated construction works and was preparing to provide medical services in the newly built Medical Center however it did not initiate provision of these services. Moreover it was realizing some of the groups' services in the area project management which after the sale of ÖRSÉG MEDICAL CENTER Kft. were continued by the Company.

On May 26, 2016 the Company signed a preliminary agreement with Rolling Visual System Kft. located in Hungary on sale of the Company's two business branches on one hand the "Hotel and Medical branch", while on the other hand the "Markaz Project branch". The value of the transaction amounted to a sum of HUF 1.585.700.280,- (EUR 5.115.162; 1 EUR = 310 HUF). The buyer also took over the bank loans and the trade payables in a total value of an additional HUF 535.000.000,- (EUR 1.725.806; 1 EUR=310 HUF) and these two items gave the total value of the transaction. The final agreement was concluded 22<sup>nd</sup> of June 2016, from which the 15 days deadline for payment of the above full amount starts. As a result, no bank loan and related accounts payable remained at all.

At the date of Analysis the buyer has not fulfilled its paying obligation in full yet, the Board has therefore decided to rescind in the event of default by the end of this November.

Sold assets were associated mainly with planned hotel business and investment made by the Company in order to sell it. Project management services remained in the Company.

## 2.2. Current activity

The Issuer is during restructuring and building of the new holding structure. It plans to create 2 subsidiaries:

- a) one in the field of textile trade – the Issuer plans to get back textile wholesale branch,
- b) one in the field of project management and tender counseling.

Trophy Holding Nyrt. would hold the coordinating and management rights and role in the group which the Company is planning to create.

At the date of the Analysis above mentioned works are suspended due to initiated negotiations with potential investors which may influence planned activities.

For now the Company still operates in field of tender counseling, project management and advisory activities. Since 2013 it is the main source of revenues and profits. There are no significant changes in this area. This activity is going to be continued in the future and should dominate in a few following months in revenues. What is important all the revenues in 3<sup>rd</sup> quarter 2016 was related to the advisory activities connected to the business cooperation set up and coordinated by the former Chief Executive

Mr. Szabolcs Öreg (husband of Öregné Kocsis Petronella), who is still engaged in working for the Company. No new contracts are signed at the date of Analysis and further activity depends to a large extent on the involvement of Mr. Szabolcs Öreg. As to the date of this Analysis there are no new contracts and the Company has no updated information on the stage of new contracts in the field of project management.

Because of lack of payment from the buyer of "Hotel and Medical branch" and "Markaz Project branch" it is possible that this areas of Issuer's activity will come back to the Company. In this case the Issuer plans to find another buyer and not to continue these activities in such a shape.

### 3. Issuer's financial situation

#### 3.1. Historical financial information

Below there are main positions from statement of financial positions and statement of profit or loss for the period from January 1, 2013 to September 30, 2016.

#### STATEMENT OF FINANCIAL POSITIONS (according to the provisions of IAS/IFRS)

Description / '000 HUF	30.09.2016	2015	2014	2013
Current assets	7 479 931	7 262 283	2 589 235	409 447
Liquid assets	7 452	11 064	15 019	1 438
Receivables, incl.	7 472 479	7 251 095	2 509 316	370 795
Accounts receivable (trade debtors)	1 589 112	27 622	184 738	72 329
Bills of exchange receivables	512 800	2 739 519	483 640	0
Advances given for products and services	0	1 179 056	1 221 799	0
Deposits and cautions	176	0	0	0
Other receivables	5 370 391	3 304 899	619 139	298 466
Inventories	0	123	64 900	37 214
Deferred expenses	0	0	0	0
Long-term investments	0	176	176	176
Immovables and personalities used in production	588 246	2 082 126	2 211 036	1 990 033
Intangible assets	438 400	0	1 078 604	0
Total assets	8 506 577	9 344 585	5 879 051	2 399 656

Description / '000 HUF	30.09.2016	2015	2014	2013
Current liabilities	1 006 597	3 816 279	2 408 894	669 429
Long-term and subordinated liabilities	0	174 337	311 806	191 985
Shareholders' equity	7 499 980	5 353 969	3 158 351	1 538 242
Total equity and liabilities	8 506 577	9 344 585	5 879 051	2 399 656

#### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (according to the provisions of IAS/IFRS)

Description / '000 HUF	IIIQ 2016	I-IIIQ 2016	IIIQ 2015	I-IIIQ 2015	2015	2014	2013
Net sales revenue	111 000	776 762	283 343	887 146	1 789 840	724 106	846 266
Material costs	4 826	421 571	129 171	541 352	994 560	294 676	493 713



Staff costs	11 830	38 840	14 390	37 177	53 789	37 103	44 514
Depreciation	5 300	16 375	6 009	18 028	23 228	24 062	17 778
Operating profit or loss	94 344	299 976	133 773	290 589	718 263	368 265	280 736
Income and profit from financial transactions	0	2 000	4 374	8 762	308 700	4 899	20 737
Other income and profit	0	932	0	50	126 420	64 854	13 704
Expenses and losses from financial transactions	0	7 494	217	2 535	19 532	116 303	55 009
Other expenses and losses	2 349		-986	9 712	392 443	51 261	124 832
Profit or loss before tax	91 995	295 414	138 916	287 154	741 408	270 454	135 336
Income tax	8 801	29 541	11 000	25 000	63 889	20 518	12 658
Profit or loss on ordinary activities	83 194	265 873	127 916	262 154	677 519	249 936	122 678
After tax profit or loss on terminating activities	0	0	0	0	54 099	27 777	0
Profit or loss after tax	83 194	265 873	127 916	262 154	731 618	277 713	122 678

As can be seen to the date of Analysis there are no significant changes in the revenues and results in 2016 in comparison to 2015, which was a record year in the history of the Company. The results after 3th quarter 2016 are similar to the results of the entire 2014 and more than 2 times higher than in 2013. It should be noted that 2015 results were the a large extend realized in Q4 2015 with regard to revenues and profits.

However, significant changes in the structure of the balance sheet can be seen. Equity increased in comparison to the end of 2013 five times and liabilities are at the same level. Note, however, that the main item of assets is receivable for the sale of two business branches ("Hotel and Medical branch" and "Markaz Project branch"). Reverse of the transaction will result in a change in the structure of assets and increase in liabilities, which were taken over by the buyer.

### 3.2. Sources of revenue

Below there are Issuer's revenues divided by type of its activity

Description / '000 HUF	2015	%	IQ 2016	%	IIQ 2016	%	IIIQ 2016	%	I-IIIQ 2016	%
advisory to EU companies	1 693 915	94,6	281 400	82,7	323 000	99,3	111 000	100,0	715 400	92,1
nondetailed services	6 529	0,4	52 000	15,3	0	0,0	0	0,0	52 000	6,7
financial advisory	0	0,0	7 000	2,1	0	0,0	0	0,0	7 000	0,9
hotel services	0	0,0	0	0,0	2 362	0,7	0	0,0	2 362	0,3
other services	2 748	0,2	0	0,0	0	0,0	0	0,0	0	0,0
selling the goods	76 959	4,3	0	0,0	0	0,0	0	0,0	0	0,0
selling clouth	9 689	0,5	0	0,0	0	0,0	0	0,0	0	0,0
<b>TOTAL</b>	<b>1 789 841</b>	<b>100</b>	<b>340 400</b>	<b>100</b>	<b>325 362</b>	<b>100</b>	<b>111 000</b>	<b>100</b>	<b>776 762</b>	<b>100</b>

Main source of Issuer's revenue is advisory to EU companies (project management). The share of this activity in revenues exceeds 90% (excluding the first quarter 2016). In the last two quarters, this is practically the only source of income.

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#### 4. Development strategy

The Issuer develops a holding structure, under which - together with its new strategic partner - it intends to increase its activity on the properties market. In the first step it plans to sell "Hotel and Medical branch" and "Markaz Project branch". Even if the buyer that signed the conclusion with the Company in May 2016, won't pay, the Issuer will look for other buyer. The Company will pursue building an investments properties portfolio in Central and Eastern Europa on the basis of the incomes. The key point of the strategy is to attract a strategic partner that will finance new projects and will be actively involved in obtaining them.

Tender counseling, project management and advisory activities are going to be continued in the future until the activities in the area of real estate provide a constant cash flow.

In the near future the Issuer plans to get back textile wholesale branch. But further actions of the Company depend on finding new partner and its plans.

#### 5. Opinion on the possibility that the issuer can continue operations and on its outlook

At the date of Analysis the Issuer operates only in field of tender counseling, project management and advisory activities. According to the plans of the Company this activity will be continued and will be a major source of revenues in a few following months. At this point it should be noted that this area of activity was wholly organized and coordinated by the former Chief Executive Mr. Szabolcs Öreg. All the revenues in 3<sup>rd</sup> quarter 2016 was generated from his actions. For 4<sup>th</sup> and following quarters no agreements are signed and it is not certain that they will be signed in the future. In this area of activities Issuer is completely dependent on Mr. Szabolcs Öreg. Additional risk is connected with the default on the state authorities on adjudge of EU-tenders that has a significant impact on the whole Hungarian economy. This results in a significant risk of losing the main source of cash flow and income.

In the near future the Issuer plans to get back textile wholesale branch. No arrangements have been made, works has been suspended depending on the outcome of discussions with investors and at the date of Analysis there is no assurance that there will be income in future from this activity.

The Issuer signed a preliminary agreement on sale of "Hotel and Medical branch" and "Markaz Project branch". Even if the buyer that signed the conclusion with the Company in May 2016, won't pay, the Issuer will look for other buyer. These activities will not be continued and will not generate revenues from operations. If the Company successfully sell these assets it should receive payment from the sale. However there is a risk that these assets will not attract any investor or more time will be required to sell them.

Further activity on the properties market depends on finding strategic partner to cooperate. At this moment the Issuer failed to obtain financing from investors in Poland. Company has initiated talks with external investors in order to gain financing for further development and as declared by the Company, main shareholder may consider selling part of the shares. As to the date of this Analysis no indicating or binding agreements in this regard have been signed. According to the Company these

talks are on an early stage. It is unknown if or when the partnership could be set up. The Board of Directors would like to finalize all arrangements not later than in the first quarter 2017.

To conclude, in EA opinion future outlook of the Company is not certain and there is a risk of temporary deterioration of revenues of the Issuer in future.

In the field of tender counseling, project management and advisory activities the Company doesn't have any new contracts and we cannot be sure they appear in the future.

On the other hand return to activity in field of investments properties depends on results of talks with potential investors. In our opinion before acquiring the investor the Company won't begin this activity. Talks are at initial stage – no contracts or letters of intent have been signed. It is uncertain whether or when the talks would go forward. The Board of Directors declares that would like to finalize all arrangements not later than in the first quarter 2017. The next few months will therefore have a decisive impact on the outlook of the Company and its following reports should be closely monitored.

CZŁONEK ZARZĄDU  
*Błażej Żarna*  
Błażej Żarna

Prezes Zarządu  
*Dawid Michałik*  
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