KONZUM NYRT.
INTERNATIONAL FINANCIAL REPORTING STANDARDS CONSOLIDATED NOT AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

KONZUM
PRIVATE EQUITY

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Consolidated Statement of Financial Positior.

data in HUF thousands, unless otherwise stated

	Notes	31 December 2017	31 December 2016
ASSETS			
Long term assets			
Intangibles	3	59.574	-
Property, plant and equipment	4	34.656.068	-
Deferred tax assets	5	455	-
Long term financial assets	6	709	3.233.230
Investments in associates	7	12.071.987	185.070
Total long term assets		**46.788.793**	**3.418.300**
Current assets			
Inventories	8	199.632	-
Accounts receivable	9	254.259	1.626
Receivables from related parties	10	15.557.299	-
Other current receivables	11	991.212	587.709
Income tax receivables		2.091	
Prepaid expenses and accrued income	12	427.262	6
Securities	13	200	200
Cash and cash equivalents	14	2.179.428	23.403
Total current assets		**19.611.383**	**612.944**
Total assets		**66.400.176**	**4.031.244**

Notes on pages 9 to 61 represent an integral part of the consolidated financial statements.

data in HUF thousands, unless otherwise stated

Consolidated Statement of Financial Posit...

	Notes	31 December 2017	31 December 2016
LIABILITIES AND EQUITY			
Equity			
Share capital	15	521.500	521.500
Revaluation reserve	15	9.303.162	-
Retained earnings	15	44.950	122.536
Profit for the year	15	8.689.415	(44.586)
Equity attributable to parent		**18.559.027**	**599.450**
Non-controlling interest	16	22.288.880	(2.476)
Total equity		**40.847.907**	**596.974**
Long term liabilities			
Long term loans	17	10.499.623	-
Provisions	18	32.783	-
Deferred tax liabilities	19	2.782.478	-
Other long term liabilities	20	2.056	-
Total long term liabilities		**13.316.940**	**-**
Current liabilities			
Current loans	17	4.138.123	2.750.065
Accounts payable		803.758	5.882
Payables to related parties	21	687.920	-
Other liabilities	22	3.792.712	671.918
Income tax payable		16.461	-
Accruals	23	2.796.355	6.405
Total current liabilities		**12.235.329**	**3.434.270**
Total liabilities and equity		**66.400.176**	**4.031.244**

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data in HUF thousands, unless otherwise stated

Consolidated Statement of Comprehensive Income

	Notes	31 December 2017	31 December 2016
Net sales revenues	24	**16.823.847**	**23.940**
Cost of sales	25	(1.414.033)	-
Capitalised own work		15.452	-
Material type expenses	26	(6.158.508)	(42.398)
Personnel expenses	27	(5.497.418)	(14.298)
Depreciation, amortisation and impairment	3,4	(884.260)	(183)
Other expenses, net	28	(271.609)	(10.763)
Operating expenses		**(14.210.376)**	**(67.642)**
Operating income		**2.613.471**	**(43.702)**
Financial income	29	8.812.717	7
Financial expenses	30	(485.756)	(7.037)
Share of profit of associates accounted for using the equity method	31	399.728	4.160
Profit before tax		**11.340.160**	**(46.572)**
Income taxes	32	(993.626)	(790)
Profit after tax		**10.346.534**	**(47.362)**
Share of other comprehensive income of associates accounted for using the equity method	33	9.303.162	-
Other comprehensive income		**9.303.162**	**-**
Total comprehensive income		**19.649.696**	**(47.362)**
Profit after tax attributable to			
Parent		8.689.415	(44.586)
Non-controlling interest		1.657.119	(2.776)
Other comprehensive income attributable to			
Parent		9.303.162	-
Non-controlling interest		-	-
Total comprehensive income attributable to			
Parent		17.992.577	(44.586)
Non-controlling interest		1.657.119	(2.776)
Earnings per share (HUF)			
Basic	34	496	(2)
Diluted	34	496	(2)

Notes on pages 9 to 61 represent an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

data in HUF thousands, unless otherwise stated

	Notes	Share capital	Retained earnings	Revaluation reserve	Profit for the year	Equity attributable to parent	Non-controlling interest	Total equity
Balance at 31 December 2015		**2.086.000**	**(647.007)**	**-**	**(181.560)**	**1.257.433**	**8.273**	**1.265.706**
Prior year profit			(181.560)		181.560	-		-
Capital distribution		(475.000)				(475.000)		(475.000)
Compensation for losses		(1.031.990)	1.031.990			-		-
Capital transfers to retained earnings		(57.510)	57.510			-		-
Additional paid-in capital by NCI			33.000			33.000		33.000
Effects of discontinued related parties			(171.397)			(171.397)	(8.273)	(179.670)
Sale of business unit						-	300	300
Total comprehensive income					(44.586)	(44.586)	(2.776)	(47.362)
Balance at 31 December 2016		**521.500**	**122.536**	**-**	**(44.586)**	**599.450**	**(2.476)**	**596.974**
Prior year profit			(44.586)		44.586	-		-
Acquisition of subsidiary	2.5.					-	20.634.237	20.634.237
Transfer of additional paid-in capital			(33.000)			(33.000)		(33.000)
Total comprehensive income				9.303.162	8.689.415	17.992.577	1.657.119	19.649.696
Balance at 31 December 2017		**521.500**	**44.950**	**9.303.162**	**8.689.415**	**18.559.027**	**22.288.880**	**40.847.907**

Notes on pages 9 to 61 represent an integral part of the consolidated financial statements.

data in HUF thousands, unless otherwise stated

Consolidated Statement of Cash Flows

	Notes	31 December 2017	31 December 2016
Cash flows from operating activities			
Profit after tax		10.346.534	(47.362)
Adjustments:			
Depreciation for the year		884.260	183
Deferred taxes		784.231	-
(Gains)/losses from disposal of assets		-	1.170
Equity valuation of associates		(399.728)	-
Changes in working capital:			
Changes in inventory		-	83.927
Changes in accounts receivable		(117.196)	36.714
Changes in prepaid expenses and accrued income		(12.417)	1.022
Changes in accounts payable		(2.121)	(263.409)
Changes in other current liabilities		(1.297.096)	205.078
Changes in accruals		3.195	6.878
Income tax paid		(75.346)	(790)
Net cash flows from operating activities		**10.114.316**	**23.411**
Cash flows from investment activities			
Acquisition of property, plant and equipment		(884.260)	-
Disposal of property, plant and equipment		-	481.838
Acquisition of associates		(1.314.934)	-
Acquisition of subsidiaries	2.5.	(6.354.034)	-
Acquisition of long term financial assets		-	(3.414.160)
Net cash flows from investment activities		***(8.553.228)***	***(2.932.322)***
Cash flows from financing activities			
Loans received (repaid)		594.937	3.370.861
Capital distribution		-	(475.000)
Borrowings		-	33.000
Net cash flows from financing activities		***594.937***	***2.928.861***
Net change in cash and cash equivalents		2.156.025	19.950
Cash and cash equivalent balance at the begining of the year		23.403	3.453
Cash and cash equivalent balance at the end of the year		**2.179.428**	**23.403**

Notes on pages 9 to 61 represent an integral part of the consolidated financial statements.

1. General part

1.1 Company information

Name of entity:	KONZUM Befektetési és Vagyonkezelő Nyilvánosan Működő Részvénytársaság („Company” or „Group”)
Adderess:	Révay str. 10. II. em., Budapest, 1065
Website:	www.konzum.hu
Date of formation:	1 January 1988 legacy of Konzum Áruház Szövetkezeti Közös Vállalat
Date of registration:	28 October 1988
Registration number:	02-10-050623
Primary activities:	Investment property management
Authorised officials to approve the financial statements:	Jászai Gellért Zoltán, member of the Board Linczényi Aladin Ádám, member of the Board – joint authority
Responsible person for maintaining the accounting records of the entity:	Kovács Katalin Registration number: 146499
Auditors:	ESSEL Audit Könyvvizsgáló Kft. Registration number: 001109
Responsible person for the audits:	Dr. Sasváriné Dr. Hoffmann Anna Registration number: 001631

The Board of Directors are responsible for the administration of the Company. The Supervisory Board is responsible to oversee the Company’s operation in compliance with policies and procedures.

Based on decree number 80/2018 approved by the Managing Director of the Budapest Stock Exchange, the Company’s share were reclassified to „Premium” category on 7 March 2018.

1.1. Company information (continued)

The ownership structure of KONZUM Nyrt as at 31 December 2017 is the following:

Name of owner	Ownership share 2017	Ownership share 2016	Voting right 2017	Voting right 2016
Konzum PE Magántőkealap	40,31%	-	40,31%	-
Forlev Kft.	-	42,62%	-	42,62%
Mészáros Lőrinc	19,57%	-	19,57%	-
Jászai Gellért Zoltán	10,43%	32,93%	10,43%	32,93%
Clearstream Banking S.A.	-	9,85%	-	9,85%
Közkézhányad	29,69%	14,60%	29,69%	14,60%
	100.00%	**100.00%**	**100.00%**	**100.00%**

1.2 Basis of financial statements

i)Approval and declaration on compliance with the International Financial Reporting Standards

The Board of Directors approved the consolidated financial statements on 5 April 2018. The consolidated financial statements were prepared in compliance with the standards adopted by the European Union (EU) in the form a Regulation based on the International Financial Reporting Standards (IFRS) and published in the Official Journal of the EU. The IFRS consist of standards and interpretations developed by the International Accounting Standards Committee (IASB) and the International Financing Reporting Interpretations Committee (IFRIC).

The consolidated financial statements are presented in Hungarian forints, rounded to HUF thousands, unless otherwise indicated.

ii) Basis of the financial statements

The consolidated financial statements were prepared on the basis of the standards issued and effective until 31 December 2017 and according to the IFRIC interpretations.

Consolidated financial statements were prepared on the basis of the historical cost principle, except when the IFRS requires the use of a different valuation principle other than the one stated in the accounting policy. The financial year is identical with the calendar year.

1.2. Basis of financial statements (continued)

iii) Basis of valuation

In the consolidated financial statements the valuation is based on the original historical cost, except for the assets and liabilities, related to which the relevant International Financial Reporting Standard requires or allows for accounting at fair value.

While preparing the financial statements in compliance with IFRS the management must apply professional judgement, estimates and assumptions, which have an impact on the applied accounting policy as well as on the amounts of assets and liabilities, revenues and expenses stated in the financial statements. The estimates and related assumptions are based on historical experience and numerous other factors, which may be deemed reasonable under the given circumstances and the result of which is the basis of the estimated book value of the assets and liabilities that cannot be defined clearly from other sources. The actual results may be different from these estimates.

The estimates and underlying assumptions are regularly reviewed. The modification of accounting estimates is presented in the period of the modification of the estimate when the modification relates only to the particular year or during the period of the modification and in the subsequent periods when the modification affects both current and future years.

2. Accounting policy

Major accounting policies that were applied in the preparation of the consolidated financial statements are presented below. Accounting policies were applied consistently for the periods covered by these consolidated financial statements. The most important accounting principles applied during the preparation of the financial statements were as follows:

2.1 Main elements of the accounting policy

2.1.1 Basis of consolidation

Subsidiaries

The consolidated annual financial statements include KONZUM Nyrt. and the subsidiaries controlled by it. In general, control means that the Group holds, either directly or indirectly, more than 50% of the votes of the particular company and enjoys the advantages of its activities through an influence on its financial and operational activates.

2.1. Main elements of the accounting policy (continued)

The acquisition accounting method is applied to the acquired business shares. This method uses the values at the time of the acquisition based on the market values of the assets and liabilities at the time of the acquisition, i.e., when control is obtained. The cost of acquisition equals the total of the consideration plus the total non-controlling shares in the acquired business. The companies acquired or sold during the year are included in the consolidated financial statements from or to the date of the respective transaction.

The transactions, balances and profits as well as non-realised profits between the companies involved in the consolidation are eliminated. During the preparation of the consolidated annual financial statements the similar transactions and events are recorded according to consistent accounting principles.

The equity and profit shares of non-controlling shareholders are presented in separate rows in the balance sheet and in the profit and loss account. In terms of business combinations the non-controlling shares are presented either at fair value or as the value of the amount from the fair value of the net assets of the acquired company relating to the controlling shareholders. The valuation method is selected individually for each business combination. With regard to the Group, non-controlling shares related to all past acquisitions are to be determined at the value, which non-controlling shareholders are entitled to. Following the acquisition the share of the non-controlling shareholders equals the originally taken value, modified by the amount of changes in the equity of the acquired company relating to non-controlling shareholders. The non-controlling shareholders have a share of the interim total comprehensive income even if it leads to a negative balance of their shares.

All changes in the participations of the Group in subsidiaries that do not lead to the loss of control are recognised as capital transactions. The participation of the Group and non-controlling shareholders is modified to make sure that they reflect the changes in the participations held in the subsidiaries. The amount modifying the participation of non-controlling shareholders and the difference between the received or paid consideration is recognised in the equity as the shareholder value.

Joint ventures and associates

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exist only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

2.1. Main elements of the accounting policy (continued)

The Group accounts for joint ventures and associates using the equity method for consolidation. The equity method of is a method accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. The goodwill associated with the entity is included in the book value of the investment and no amortization is charged.

The balance sheet date of joint venture and associates agree with the Group's balance sheet date, as well as the accounting policies of joint ventures and associates align with the Group accounting policies.

Investments in joint ventures and associated are reviewed for impairment based on objective evidence. In case of such evidence, the realizable valued are determined and impairment losses are accounted for. Prior year impairment losses may be reversed after assessing the conditions applied in previous periods.

In case of loss of significant influence in joint ventures and associates, the Group revalues the remaining investment and recognize it at fair value. The difference between the book value of investment and fair value less cost of sales is recorded in the profit and loss.

2.1.2 **Presentation currency and foreign exchange balances**

In view of the content and circumstances of the underlying business events the functional currency of the parent company and reporting currency of the Group is the Hungarian forint.

Initially the foreign currency transactions not recorded in HUF were recorded at the exchange rate, valid on the date of execution of such transactions. The receivables and liabilities recorded in foreign currencies were converted into HUF at the exchange rate of the cut-off date, irrespective whether or not the recovery of the asset was doubtful. The resulting exchange rate differences are shown in the profit and loss account among the financial revenues or financial expenses.

The financial statements were prepared in Hungarian forints (HUF), rounded to the nearest one thousand, except where otherwise indicated. The consolidated financial statements were prepared in Hungarian forint, which is the presentation currency of the Group

2.1. Main elements of the accounting policy (continued)

The transactions executed in foreign currencies are recognised in the functional currency, applying the exchange rate of the reporting currency to the foreign currency, effective on the date of the transaction, to the amount stated in the foreign currency. In the comprehensive income statement the exchange rate differences that result from the use of an exchange rate other than the exchange rate applied during the settlement of the monetary items, at the initial presentation during the period or in the previous financial statements are stated either as revenues or as expenses during the period when they occurred. The monetary assets and liabilities defined in foreign currencies are converted at the exchange rate of the functional currency effective at the end of the reporting period. The items defined in foreign currencies and valued at fair value are converted at the exchange rate effective at the time of establishment of the fair value. The exchange rate differences between trade receivables and trade payables are included in the income from business activities, while the exchange rate differences of loans are shown in the rows of the revenues or expenses of financial transactions.

2.1.3 **Revenues**

The revenues from sales transactions are shown when the respective conditions of the supply contracts are met, taking into account the remarks below. The net sales revenues are exclusive of the value added tax. All revenues and expenses are recognised in the respective period in compliance with the principle of matching.

2.1.4 **Property, plant and equipment**

The tangible assets are stated at historical cost less accumulated depreciation. The accumulated depreciation includes the costs recognised as scheduled depreciation relating to the continuous use and operation of the asset as well as the costs of extraordinary depreciation, recognised due to a major damage or fault in the asset occurring as a result of an unexpected extraordinary event.

The historical cost of tangible assets consists of the purchased cost of the asset or, in the case of a capital investment of the Company, the incurred material and wage-type expenses and other direct expenses. The interest recognised on the loan taken for the investment into the tangible asset increases the historical cost of the asset until it reaches a condition suitable for ordinary use.

The book value of tangible assets is reviewed periodically in order to conclude whether or not the book value is higher than the fair market value of the asset, in which case extraordinary depreciation must be recognised until the asset reaches its fair market value. The fair market value of the asset is either the sales price or the value in use of the asset, whichever is higher. The value in use is the discounted value of the future cash flows generated by the asset.

2.1. Main elements of the accounting policy (continued)

The discount rate contains the interest rate before corporate taxation, taking into account the time value of money and the impact of other risk factors associated with the asset. If no future cash flow can be assigned to the asset separately, than the cash flow of that unit must be used, of which the asset is a part. The thus established impairment, extraordinary depreciation is shown in the profit and loss account.

The costs of repair and maintenance as well as replacement of spare parts of tangible assets are charged to the maintenance expenses. The value added investments and refurbishment are capitalised. The historical cost and accumulated depreciation of assets sold, written down to zero or not in use are derecognised. Any possible profit or loss generated in that manner is part of the profit/loss of the current year.

The Company writes off the value of its assets with the straight-line method during the useful life of the assets. The life of assets by asset category is as follows:

Buildings	50 years
Hotels	33 years
Properties given into rent	10 years
Machinery	3-7 years

In case of hotels, the Group uses 40% residual value of original cost. The useful lives and depreciation methods are reviewed at once a year based on the actual economic benefit provided by the particular asset. If required, the modification is accounted against the profit/loss of the current year.

2.1.5 **Impairment**

The Group assesses at the end of each reporting period whether or not a change triggering impairment has occurred in relation to any asset. If such a change occurred, the Group estimates the estimated recovery value of the asset. The estimated recovery value of an asset or cash-generating unit is either the fair value less the costs of sales or the value in use, whichever is higher. The Group recognises impairment against the profit if the estimated recovery value of the asset is lower than its book value. The Group prepares the required calculations based on adequately discounting the long-term future cash flow plans.

2.1. Main elements of the accounting policy (continued)

2.1.6 **Intangibles**

The individually purchased intangible assets are entered into the books at purchase price, while intangible assets acquire during business combination are entered into the books at fair value at the time of their acquisition. The assets are entered into the books when the use of the asset provably results in the influx of future economic goods and its cost can therefore be clearly identify.

Following the initial recognition the historical cost model applies to intangible assets. The lifetime of these assets is finite or cannot be defined. The assets of a finite lifecycle are depreciated with the straight-line method according to the best estimate for the lifetime. The depreciation period and the depreciation method are reviewed annually at the end of the financial year. The development costs of the intangible assets produced by the Company are capitalised if the capitalisation criteria laid down in the IAS 38 standard are fulfilled. The intangible assets are reviewed annually in terms of impairment on individual basis or at the level of the income generating unit.

The purchase costs of goods and software falling within the scope of trademarks, licences and industrial right protection are capitalised and written down with the straight-line method during their estimated useful life.

Rights and titles as well as software 3 - 6 years

2.1.7 **Goodwill**

Goodwill is the positive difference between the purchase value and fair value of the identifiable net assets of the acquired subsidiary on the date of acquisition. Goodwill is not depreciated but the Group reviews each year whether or not there are any signs indicating that the book value is unlikely to be recovered. The goodwill is stated at historical value less potential impairment.

2.1.8 **Inventories**

The inventories are stated at historical cost less impairment recognised on superfluous and obsolete stocks or at net realisable value, depending on which is lower. The inventory value is defined at the actual historical cost.

The historical cost of real inventories include all procurement, direct wages and other direct costs, which arise in the scope of the completion of the inventories.

2.1. Main elements of the accounting policy (continued)

2.1.9 **Receivables**

The receivables are stated in the financial statements and nominal value less impairment recognised for estimated losses. Based on the review of all outstanding receivables prevailing at the end of the year an estimate was prepared for the doubtful receivables.

2.1.10 **Financial assets**

Financial assets falling within the scope of the IAS 39 standard can be classified into the following four categories: financial assets (for trading purposes) valued at fair value against the profit or loss, loans and receivables, investments held until maturity and for-sale financial assets. When the financial assets are shown, initially they are valued at fair value. Of the above categories the Group does not apply the for-sale financial assets category.

After the initial recognition the financial assets that are "for trade" or "for sale" are valued at fair value, any unrealised exchange rate gain or loss on securities held for trading purposes is recognised as other revenue/expense, and any unrealised exchange rate gain or loss on marketable securities is shown at separate component of equity until the investment is sold or otherwise taken out from the goods or until impairment is recognised on the particular investment, at which point the accumulated profit or loss recognised in equity is stated as revenue.

The other long-term investments that are held until maturity, such as certain bonds, are recognised at amortised historical cost after the initial recognition. The amortised historical cost is calculated by taking into account the discount or premium at the time of acquisition during the period until maturity. In the case of investments recorded at amortised historical cost any profit or loss occurring at the time of de-recognition or impairment of the investment or during the amortisation period is recognised as revenue.

In the case of investments listed on the stock exchange the market value is established on the basis of the official price announced on the balance sheet date. In the case of securities not listed or traded on the stock exchange the market value is the market value of similar/substitute financial investments or, if that method cannot be applied, then the market value is established on the basis of the estimated future cash flow of the asset relating to the investment.

2.1. Main elements of the accounting policy (continued)

The Group checks, on each cut-off date, whether or not impairment must be recognised on the financial asset or group of assets. If in relation to assets recognised at amortised historical cost a condition or event occurs that requires the recognition of impairment, the impairment equals the difference between the book value of the asset and the total future cash flows of the asset, discounted with the original effective interest rate. The impairment is shown in the profit and loss account. If later the recognised impairment amount reduces, it is reversed, but only to such an extent that the book value of the asset should not exceed the amortised value on the cut-off date.

The securities investments are valued at the price prevailing on the execution date and initially at purchase price. Those short-term investments that contain securities held for trading purposes are shown at fair market value, effective at the time of the next report and their value is calculated at the publicly listed price, effective on the cut-off date of the balance sheet. The unrealised profits and losses are included in the profit and loss account.

Fair value adjustments to available-for-sale financial instruments are recorded in equity until the instrument is derecognised either by sale or impairment whereby fair value adjustments in equity reconcile to the profit and loss.

2.1.11 **Financial liabilities**

The statement about the Group's consolidated financial positions contains the following financial liabilities: trade payables and other short-term liabilities, loans, borrowings, banking overdrafts and futures transactions. They are presented and valued in the consolidated financial statements in the respective parts of the notes to the financial statements as specified below.

The Group values each financial obligation at fair value at the time of the initial recognition. For loans the transactions costs are also taken into account that are directly associated with obtaining the financial obligation.

The Group classifies the financial liabilities falling with the scope of IAS 39 into the following categories: financial liabilities valued at fair value against profits, loans and borrowings and hedge instruments for hedge accounting purposes. The Group defines the category of the financial liabilities when they are acquired.

The financial liabilities valued at fair value against profit are liabilities obtained by the Group for trading purposes or liabilities deemed valued at fair value against the profit during the initial recognition. The financial liabilities for trading purposes include liabilities that were purchased by the Group mainly for profit expected from short-term exchange rate fluctuation. This category also contains futures transactions that are not considered effective hedge instruments.

2.1. Main elements of the accounting policy (continued)

The loans and borrowings appear in the statement reflecting the financial position at amortised historical cost, calculated with the effective interest method. The gains and losses on loans and borrowings are recognised in the statement of income in the course of amortisation calculated with the effective interest method and during the derecognition of the financial liability. The amortisation is recognised as a financial expense in the statement of income.

2.1.12 **Derivative financial assets**

Derivative financial assets are initially recognised at cost and subsequently measured at fair value.

Changes in fair values of any derivative that is not a hedge is accounted for in the profit and loss.

2.1.13 **Provisions**

The Group recognises provisions on its existing (legal or assumed) commitments resulting from historic events, which the Group is likely to have to settle and when the amount of the obligation can be reliably measured.

The amount recognised as provisions is the best estimate of the expense required on the balance sheet date to settle an existing obligation, taking into account the risks and uncertainties that characterise the obligation. If the provisions are calculated on the basis of the cash flow, likely to be required for the settlement of an existing obligation, the book value of the provisions equals the present value of those cash flows.

If another party is likely to reimburse the expenses required for the settlement of the provisions in part or in full, the receivable can be recognised as an asset when it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

The existing obligations arising from detrimental contracts are recognised as provisions. The Group deems a contract detrimental when the unavoidable costs of the fulfilment of the obligations arising from it exceed the economic benefits likely to occur as a result of the contract.

Restructuring provisions are recognised when the Group has prepared a detailed or formal restructuring plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The restructuring provisions include the direct expenses incurred in relation to restructuring and which are necessary for restructuring and do not relate to the continuous activity of the business unit.

2.1. Main elements of the accounting policy (continued)

2.1.14 **Income tax**

Income tax rate related to profit before consolidated tax is based on the act on corporate and dividend tax and the decrees regulating the rate of local business tax, as well as the liability to pay taxes. Income tax liability contains tax components for the current year and deferred items.

The tax liability for the current year is calculated on the basis of the taxable profit of the current year. The taxable profit is different from the profit before taxation recognised in the consolidated financial statements due to gains and losses not included in the tax base and due to items that are recognised in the taxable profit of other years. The current tax liability of the Group is calculated on the basis of the tax rate effective or announced by the balance sheet date (provided that the announcement is equivalent to entry into force). The deferred tax is calculated with the liability method.

Deferred tax occurs when there is a time difference in the recognition of an item in the annual report and in the financial statements prepared according to the tax law. A deferred tax asset and liability is established by applying the tax rates to the taxable income of the years when the difference caused by the time difference is likely to be recovered. The deferred tax liability and tax asset reflects the Group's estimate for the method of realisation of tax assets and liabilities prevailing on the balance sheet date.

A deferred tax asset is included in the balance sheet with respect to deductible time differences, carried forward tax benefits and negative tax base when it is likely that the Group will realise a profit constituting tax base in the course of its future activities against which the deferred tax asset can be settled.

On each balance sheet date the Group takes into account the deferred tax assets not recognised in the balance sheet and the book value of the recognised tax assets. It enters into the inventory those assets not yet recognised in the balance sheet which may be recovered as a reduction of its future profit tax. On the contrary, the Group reduced its deferred tax assets to such an extent that its recovery is unlikely to be funded from taxed profit.

The current and deferred tax is recognised directly against the equity when it relates to items which were also recognised against equity in the same or a different period, also including modifications in the opening value of reserves due to any change made in the accounting policy with retroactive effect.

The deferred tax assets and liabilities can be offset against each other when the company has a right granted by the law to offset its actual tax assets and liabilities relating to the same tax authority against each other and when the Group intends to account for those assets and liabilities on net basis.

2.1. Main elements of the accounting policy (continued)

2.1.15 **Leases**

Financial leasing means that all risks and expenses relating to the possession of the asset are borne by the lessee according to the terms and conditions of the lease. All other leases are classified as operating leases.

In the case of financial leasing the assets leased by the Group are considered the assets of the Group and are recognised at acquisition, market value. The liability to the lesser is recognised on the balance sheet as a financial lease liability. The expenses of the leasing which are differences between the fair value of the acquired assets and the total lease liabilities are recognised against to the profit during the entire term of the leasing to make sure that they represent a constant, periodically occurring expense in relation to the existing liability amount in the various period.

Such expenses result from the difference between the total liabilities and the market value of the leased asset at the time of acquisition and are recognised in the profit and loss account either over the relevant leasing tenor, in order to facilitate the monitoring of the changes in the balance of the outstanding liability from time to time or in the individual reporting periods.

2.1.16 **Earnings per share (EPS)**

Earnings per share are calculated on the basis of the Group's profit and the shares less the temporary average portfolio of repurchased treasury shares.

The diluted EPS is calculated similarly to the earnings per share. However, during the calculation all shares in distribution, suitable for dilution, are taken into account, and the dividend that may be distributed on common shares is increased by the dividend and return on the convertible shares taken into account during the applicable period, modified by further income and expenses on conversion; the weighted average number of shares in distribution is increased by the weighted average number of further shares which would be in distribution if all convertible shares were converted. There were no transactions, either in the period ending on 31 December 2017 or on 31 December 2016, that would dilute the value of that EPS ratio.

2.1. Main elements of the accounting policy (continued)

2.1.17 **Off-balance sheet items**

Off-balance sheet liabilities are not included in the balance sheet or profit and loss account that constitute parts of the consolidated financial statements unless they were acquired during business combinations. They are presented in the notes to the financial statements unless the possibility of outflow of sources representing economic benefits is remote and negligible. Off-balance sheet receivables are not included in the balance sheet or profit and loss account constituting parts of the consolidated annual financial statements but if there is a likelihood of inflow of economic benefits, they are presented in the notes to the financial statements.

2.1.18 **Treasury shares**

The face value of the repurchased treasury shares is deducted from the registered capital in accordance with the requirements specified in Standard IAS 1. The difference between the face value and historical cost is recognised directly in the capital reserve.

2.1.19 **Dividend**

The Company recognises dividend in the year when it is approved by the General Meeting.

2.1.20 **Investment property**

Investment property is held to earn rentals or for capital appreciation or both and is not held for the purpose of future sale, or as a facility for own production and provision of services, or for administrative use.

Investment property is initially recognised at cost including transaction cost and subsequently measured at fair value. Changes in fair values are recorded as other income or expense in the profit and loss.

An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains and losses from disposal of investment property are recorded in the profit and loss for the period.

2.1.21 **Results of financial transactions**

The financial profit/loss includes interest and dividend revenues and other financial expenses, the gains and losses of fair valuation of financial instruments and realised and unrealised exchange rate differences.

2.1. Main elements of the accounting policy (continued)

2.1.22 **Government grants**

Government grant is recognised when it is likely that the aid will be collected and the conditions of the disbursement of the grant have been fulfilled. When the aid is used to offset an expense, it must be recognised in the statement of income when the costs to be offset incurs (among the other revenues). When the grant relates to the purchase of assets, it is recognised as deferred revenue and is then recognised in profits in annual equal instalments during the useful life of the related asset.

2.1.23 **Events after the reporting date**

The events occurring after the end of the reporting period that provide additional information about the conditions prevailing at the end of the Group's reporting period (amending items) are all presented in the report. Those events occurring after the reporting period that do not modify the data of the report are presented in the notes to the financial statements when they are important.

2.2 Changes in the Accounting policy

The accounting policy of the Group is in line with the accounting policy applied in prior years.

Modifications and interpretations of existing standards and new standards that are not yet effective and are not applied by the Group prior to their entry into force.

IFRS 9 Financial instruments: classification and valuation (effective from 1 January 2018)
The standard introduced new requirements for the classification, valuation and impairment of financial assets and financial liabilities. The application of the IFRS 9 standard is likely to have an impact on the classification and valuation of the Group's financial assets but is unlikely to affect the classification or valuation of financial liabilities.

IFRS 15 Revenues from contracts with customers (effective from 1 January 2018)
The IASB issued a new standard on 28 May 2014 on the recognition of revenues from contract with customers. The application of the new revenue standard will be mandatory for companies using IFRS in the reporting periods starting on 1 January 2018 or later. The new standard will replace the currently effective regulations of IAS 18 Revenues and IAS 11 Investment contracts in the recognition of revenues. According to the new standard the companies will use a "five-step model" to define when and in what amount they should recognise the revenues. According to the model the revenues must be recognised to express the "promised" transfer of goods or services in the amount to which the company will be entitled to according to its expectations. The Board of Directors estimates that the application of the new standard will not have a significant impact on the financial statements in comparison with the standards currently applied for recognizing revenue.

2.1. Main elements of the accounting policy (continued)

IFRS 16 Leases (effective from 1 January 2019)

The IASB issued a new standard on the recognition of leases on 13 January 2016. The application of the new leases standard will be mandatory for companies using IFRS in the reporting periods starting on 1 January 2019 or later. The new standard will replace the currently effective provisions of the IAS 17 Leases standard and will fundamentally change the current practice of recognizing operative leases. In the Group, mostly motor vehicles are leased by operative leases, the accounting of which will be affected by the entry into force of IFRS 16.

At the end of 2017 the Group applied all IFRS standards, modifications and interpretations that were effective and relevant for its operation.

2.3 Estimations used

During the application of the accounting policy described in Section 2.1 estimates and assumptions must be applied for the establishment of the values of individual assets and liabilities at a particular time that cannot be clearly valued from other sources. The estimation process contains the decisions based on the last available information and relevant factors. These main estimates and assumptions affect the values of assets and liabilities, revenues and expenses recognised in the financial statements and the presentation of contingent assets and liabilities in the notes to the financial statement. The actual results may be different from the estimated data.

The estimates are regularly updated. If a change affects only the particular period, it should be taken into account during the period of the change occurring in the accounting estimates and if the change affects both periods, it must be taken into account in the period of the change as well as subsequent periods.

The main aspects of critical decisions adopted in terms of the uncertainties of estimates and accounting policy that have the greatest impact on the amounts presented in the consolidated financial statements are as follows:

2.3.1 **Property valuation**

The Company appointed KPMG advisory firm to perform a valuation of the hotel facilities of Hunguest Hotels Zrt and Erkel Hotel Kft, with reference to the acquisition dates. The valuation was based on discounted cash flows. The results of valuation indicate that the fair values of the hotels significantly exceed their book values by HUF 17.978.243 thousand. The subsidiaries were consolidated in the Group accounts at fair value that included the above amount. The Company reviews the recoverable amount of properties according the its accounting policies. The Group depreciates the properties over 33 years providing 40% residual value.

2.1. Main elements of the accounting policy (continued)

2.3.2 **Depreciation and amortisation**

Properties, machines and equipment and intangible assets are recognised at historical cost and are depreciated with the straight-line method during their useful life. The Group recognised depreciation and amortisation costs in the amount of the HUF 886.260 thousand in 2017 and HUF 183 thousand in 2016. The useful life of assets is defined on the basis of former experience relating to similar assets and estimated technological development as well as changes in the larger economic or industry factors. The estimated useful lives are reviewed annually.

2.4 Consolidated entities

Subsidiaries	Voting right		Ownership %	
	2017	2016	2017	2016
Hunguest Hotels Zrt.	59,94%	28,80%	28,80%	28,80%
KZBF Invest Vagyonkezelő Kft.	90,00%	-	90,00%	-
Konzum Befektetési Alapkezelő Zrt.	45,80%	45,80%	45,80%	45,80%
Erkel Hotel Kft.	59,94%	-	28,80%	-
Turizmus Stratégia Fejlesztő és Tanácsadó Kft.	59,94%	-	28,80%	-

Associates	Voting right		Ownership %	
	2017	2016	2017	2016
KPRIA Magyarország Zrt.	11,49%	45,00%	11,49%	45,00%
Konzum Management Kft.	30,00%	30,00%	30,00%	30,00%
Legatum ’95 Kft.	36,00%	36,00%	36,00%	36,00%
Appeninn Nyrt.	23,86%	-	23,86%	-

2.4.1 Subsidiary information

2.4.1.1 Hunguest Hotels Szállodaipari Zrt.

Address: Zsámbéki út 16. 2053 Herceghalom

The main activity of Hunguest Hotels Szállodaipari Zrt is hotel business. The entity owns 13 3 and 4 star hotels. Hunguest Hotels Szállodaipari Zrt was included in the consolidation on 1 January 2017.

The Company has control over Hunguest Hotels Zrt decisions with 56,94% voting right. KZBF Invest Kft has 32% (28,8% indirect) voting right and ownership share and Konzum Befektetési Alapkezelő Zrt has 31,14% voting right.

The other main owner of Hunguest Hotels Zrt is KZH Kft 100% owned by Konzum PE Magántőkealap. Decision related to KZH Kft are made by Konzum Befektetési Alapkezelő Zrt in the name of Konzum PE Magántőkealap. No other parties have voting right in KZH Kft. The Company has 45,8% control in Konzum Befektetési Alapkezelő Zrt. The Chairman of the Board in Konzum Nyrt has 53,2% voting right and ownership share in Konzum Befektetési Alapkezelő Zrt.

2.4.1. Subsidiary information (continued)

2.4.1.2 **Erkel Hotel Gyógyszálló Kft.**
Address: Várkert 1. 5701 Gyula

Main activity of Erkel Hotel Gyógyszálló Kft is hotel business in the town of Gyula. The entity is 100% owned by Hungest Hotels Zrt and was included in consolidation on 1 January 2017.

Erkel Hotel Gyógyszálló Kft merged into Hunguest Hotels on 31 December 2017.

2.4.1.3 **Turizmus Stratégia Fejlesztő és Tanácsadó Kft.**
Address: Zsámbéki út 16. 2053 Herceghalom

The main activity of Turizmus Stratégia Fejlesztő és Tanácsadó Kft professional advisory in the holidaymaker industry. The entity is 100% owned by Hunguest Hotels Zrt and included in consolidation on 1 January 2017.

Turizmus Stratégia Fejlesztő és Tanácsadó Kft merged into Hunguest Hotels on 31 December 2017.

2.4.1.4 **KZBF Invest Vagyonkezelő Kft.**
Address: Irgalmasok utca 5. 7621 Pécs

The main activity of KZBF Invest Vagyonkezelő Kft. is asset management. The entity was consolidated in 2016.

2.4.1.5 **Konzum Befektetési Alapkezelő Zrt.**
Address: Riadó utca 1-3. 1026 Budapest

The main activity of Konzum Befektetési Alapkezelő Zrt. Kft. is fund management. The entity was include with 45,8% voting right and ownership share on 1 January 2017.

2.4.2 **Associates information**

2.4.2.1 **KPRIA Magyarország Zrt.**

Address: *Riadó utca 1-3. 1026 Budapest*

The main activity of KPRIA Magyarország Zrt. engineering and technical advisory. A. 33,51% of the shares in KPRIA Magyarország Zrt were sold in 2017, therefore the entity was excluded from consolidation as at 31 December 2017.

2.4.2.2 **Konzum Management Kft.**

Address: *Révay utca 10. 1065 Budapest*

The main activity of Konzum Management Kft. is real estate business. Konzum Management Kft has the following subsidiaries:

Name of subsidiary	Voting right and share if interest (%)
BLT Group Zrt.	100
BLT Ingatlan Kft.	100
Balatontourist Kft.	100
Balatontourist Camping Kft.	100
Balatonturist Füred Club Camping	100
ZION Kft.	100

The consolidated financial statements of Konzum Management Kft. were consolidated in the Group using the equity method as at 31 December 2017.

2.4.2.3 **Legatum ’95 Kft.**

Address: *Irgalmasok utca 5. 7621 Pécs*

Legatum ’95 Kft. is owned by KZBF Invest Kft. with 40% share and was consolidated using the equity method.

2.4.2.4 **Appeninn Nyrt.**

Address: *Bég u. 3-5. 1022 Budapest*

The Company acquired 9,13% of the shares in Appeninn Nyrt on 25 August 2017 plus share options of 15,38%. Due to the share options, the Company included Appeninn Nyrt in consolidation as associate from 25 August 2017. The share options were used on 19 December 2017.

Appeninn Nyrt increased share capital in 2017 reducing the share of interest in the entity to 23,86% as at 31 December 2017.

2.5 Business combinations

The Company acquired control in the following entities in 2017:

Hunguest Hotels Zrt.

Consideration	3.240.000
Attributable to parent due to indirect investment: (28,8%)	933.120
Less: dividend income prior to acquisition	(192.048)
Net consideration	741.072
Equity at cost on the day of acquisition	16.200.360
Fair value adjustment	16.268.524
Equity at fair value on the day of acquisition	32.468.884
Of which:	
Attributable to parent (28,8%)	9.351.038
Attributable to non-controlling interest (71,2%)	23.117.846
Badwill on acquisition	**8.609.966**
Non-controlling interest from equity at fair value on the day of acquisition	23.117.846
Less: Indirect investment (71.2%)	(2.306.880)
Non-controlling interest on the day of acquisition	**20.810.966**
Investment	3.240.000
Less: dividend income prior to acquisition	(192.048)
Less: cash and cash equivalents held by subsidiary on acquisition day	(1.895.784)
Net cash out for investment	1.152.168

Erkel Hotel Kft.

Consideration	5.460.689
Attributable to parent due to indirect investment: (28,8%)	1.572.678
Less: dividend income prior to acquisition	(230.000)
Net consideration	1.342.678
Equity at cost on the day of acquisition	3.432.491
Fair value adjustment	1.709.719
Equity at fair value on the day of acquisition	5.142.210
Of which:	
Attributable to parent (28,8%)	1.480.956
Attributable to non-controlling interest (71,2%)	3.661.254
Badwill on acquisition	**138.278**
Non-controlling interest from equity at fair value on the day of acquisition	3.661.254
Less: Indirect investment (71.2%)	(3.888.011)
Non-controlling interest on the day of acquisition	**(226.757)**
Investment	5.460.689
Less: dividend income prior to acquisition	(230.000)
Less: cash and cash equivalents held by subsidiary on acquisition day	(324.783)
Net cash out for investment	4.905.906

2.5. Business combinations (continued)

Turizmus Stratégia Fejlesztő és Tanácsadó Kft.

Consideration		265.000
Attributable to parent due to indirect investment: (28,8%)		76.320
Equity at cost on the day of acquisition		255.591
Fair value adjustment		-
Equity at fair value on the day of acquisition		255.591
Of which:		
	Attributable to parent (28,8%)	73.610
	Attributable to non-controlling interest (71,2%)	181.981
Goodwill on acquisition:		**2.710**
Non-controlling interest from equity at fair value on the day of acquisition		181.981
Less: Indirect investment (71.2%)		(188.680)
Non-controlling interest on the day of acquisition		**(6.699)**
Investment		265.000
Less: cash and cash equivalents held by subsidiary on acquisition day		-
Net cash out for investment		265.000

For the acquisition date the Company used KPMG valuation of the properties. As Erkel Hotel Kft and Turizmus Stratégia Fejlesztő és Tanácsadó Kft were merged into Hunguest Hotels Zrt, the goodwill deriving from Turizmus Stratégia Fejlesztő és Tanácsadó Kft was charged against the badwill in Hungues Hotels Zrt.

Konzum Befektetési Alapkezelő Zrt.

Consideration		30.960
Equity at cost on the day of acquisition		104.664
Fair value adjustment		-
Equity at fair value on the day of acquisition		104.664
Of which:		
	Attributable to parent (45,8%)	47.936
	Attributable to non-controlling interest (54,2%)	56.728
Badwill on acquisition		**16.976**
Non-controlling interest from equity at fair value on the day of acquisition		56.728
Non-controlling interest on the day of acquisition		**56.728**
Investment		30.960
Less: cash and cash equivalents held by subsidiary on acquisition day		-
Net cash out for investment		30.960

2.5. Business combinations (continued)

Appeninn Nyrt.

Consideration – 25 August 2017	818.003
Equity on the day of acquisiton	8.050.921
Attributable to parent:	735.049
Goodwill	82.954

The Company paid HUF 1.377.000 thousand for the second share-package of the company. Due to the existence of the potential voting rights in Appeninn Nyrt, the company is consolidated as an associate since 25 August 2017.

3. Intangibles

(in HUF thousands)	**Total**
Gross amounts at:	
31 December 2015	**22.653**
Changes in scope of consolidation	
Additions and transfers	32
Disposals and transfers	(22.685)
31 December 2016	**-**
Changes in scope of consolidation	303.142
Additions and transfers	33.132
Disposals and transfers	(2.873)
31 December 2017	**333.401**
Accumulated amortisation at:	
31 December 2015	**21.781**
Changes in scope of consolidation	
Amortisation for the year	61
Disposals	(21.842)
31 December 2016	**-**
Changes in scope of consolidation	258.446
Amortisation for the year	18.254
Disposals	(2.873)
31 December 2017	**273.827**
Net book values at:	
31 December 2015	**872**
31 December 2016	**-**
31 December 2017	**59.574**

4. Property, plant and equipment

(in HUF thousands)	Property, plant	Equipment	Capital work-in progress	Total
Gross amounts at:				
31 December 2015	**181.520**	**119.616**	**-**	**301.136**
Changes in scope of consolidation				
Additions and transfers				
Disposals and transfers	(181.520)	(119.616)		(301.136)
31 December 2016	**-**	**-**	**-**	**-**
Changes in scope of consolidation	38.176.088	2.970.094	67.062	41.213.244
Additions and transfers	72.295	489.402		561.697
Disposals and transfers	(3.962)	(85.875)	(29.728)	(119.565)
31 December 2017	**38.244.421**	**3.373.621**	**37.334**	**41.655.376**
Accumulated depreciation				
31 December 2015	**20.555**	**85.780**		**106.335**
Changes in scope of consolidation				
Depreciation for the year		122		122
Disposals	(20.555)	(85.902)		(106.457)
31 December 2016	**-**	**-**	**-**	**-**
Changes in scope of consolidation	3.444.435	2.772.514		6.216.949
Depreciation for the year	679.484	186.522		866.006
Disposals		(83.647)		(83.647)
31 December 2017	**4.123.919**	**2.875.389**	**-**	**6.999.308**
Net book values at:				
31 December 2015	**160.965**	**33.836**	**-**	**194.801**
31 December 2016	**-**	**-**	**-**	**-**
31 December 2017	**34.120.502**	**498.232**	**37.334**	**34.656.068**

Property includes, predominantly, the estates of Hunguest Hotels Zrt. and Erkel Hotel Kft.

4. Property, plant and equipment (continued)

(in HUF thousands)	Investment property
Gross amounts at:	
31 December 2015	**900.000**
Changes in scope of consolidation	
Additions and transfers	
Disposals and transfers	(900.000)
31 December 2016	**-**
Changes in scope of consolidation	
Additions and transfers	
Disposals and transfers	
31 December 2017	**-**
Accumulated depreciation at:	
31 December 2015	**3.063**
Changes in scope of consolidation	
Depreciation for the year	
Disposals	(3.063)
31 December 2016	**-**
Changes in scope of consolidation	
Depreciation for the year	
Disposals	
31 December 2017	**-**
Net book values at:	
31 December 2015	**896.937**
31 December 2016	**-**
31 December 2017	**-**

5. Deferred tax assets

In the course of calculation of deferred taxes, the Group compares the values that can be taken into account for taxation to the book values, by asset and by liability. If the difference is a temporary difference, i.e. it will be offset within a foreseeable time, then it will take a deferred tax liability or asset, depending on the amount. When an asset is recorded, the Group examines recovery separately.

The Group calculates the deferred tax incurred in relation to Hungarian activities at 9% tax rate, since the actual tax impact of the temporary differences relating to the particular assets and liabilities will occur in a period when the corporate profit tax rate is likely to remain 9%.

The assets are supported by a tax strategy prepared by the management, which proves that the asset can be recovered.

The following deductible and taxable discrepancies causing taxable tax differences were identified. The table shows the amount of the deferred tax asset, which remains after netting by the deferred tax liability on the level of consolidated subsidiaries.

	Balance at 31 December 2016	**Change in scope of consolidation**	**Increase**	**Decrease**	**Balance at 31 December 2017.**
Impairments	-	-	50	-	50
Losses carried forward	-	-	405	-	405
Total	**-**	**-**	**455**	**-**	**455**

6. Long term financial assets

	31 December 2017	**31 December 2016**
Receivables from Hunguest Hotels	-	3.233.230
Employee loans	709	-
Total	**709**	**3.233.230**

Hungest Hotels Zrt. has been fully consolidated in the financial statements at 31 December 2017.

7. Investment in associates

The Group includes the following associates:

Name of associate	31 December 2017	31 December 2016
Konzum Áruház Kft.	30	30
KPRIA Magyarország Zrt.	580	2.250
Konzum Management Kft.	9.376.179	900
Konzum Alapkezelő Zrt.	-	30.960
Legatum ’95 Kft.	295.430	140.000
Appeninn Nyrt.	2.371.344	-
Gyulai Várfürdő Kft.	210	-
Gyulai Turisztikai Nonprofit Kft.	28.000	-
Other	214	10.930
Total	**12.071.987**	**185.070**

The increase in equity method valuation of Konzum Management Kft was due to the increase in the fair value of its investments in OPUS Global Nyrt securities. Konzum Management Kft recorded the changes in fair values in other comprehensive income.

8. Inventories

	31 December 2017	31 December 2016
Material supplies	71.591	-
Product supplies	128.041	-
Total	**199.632**	**-**

Inventories include various supplies of materials and products for the hotel business.

9. Accounts receivable

	31 December 2017	31 December 2016
Accounts receivables	284.314	2.180
Less: impairment losses	(30.055)	(554)
Total	**254.259**	**1.626**

10. Receivables from related parties

Name of related party	31 December 2017	31 December 2016
Konzum Management Kft.	63.557	-
Legjobb Napok Kft.	1.012	-
Konzum Áruház Kft.	3.196	-
KZH Invest Kft.	15.474.843	-
Konzum PE	10.897	-
METIS	2.114	-
METIS II	49	-
Konzum II Ingatlanalap	1.583	-
Konzum RE Intézményi Ingatlanalap	48	-
Total	**15.557.299**	**-**

Receivables from KZH Kft represent bills endorsed by Hunguest Hotels Zrt. és az Erkel Hotel Kft. against which KZH Kft accepts unconditional financial commitment on presentation of these bills.

11. Other current receivables

	31 December 2017	31 December 2016
Tüzépker receivable	563.121	578.331
Loans given	18.988	258
Loans to KPRIA	50.000	-
Tax receivables	18.096	1.054
Erzsébet program settlement account	52.410	-
Receivables from insurance companies	8.222	-
Card receivables	205.993	-
Given advances	52.206	-
Other	22.176	8.066
Total	**991.212**	**587.709**

Impairment of other current receivables amounted to HUF 34.372 thousand as of 31 December 2017 (no impairment losses incurred in 2016).

12. Prepaid expenses and accrued income

	31 December 2017	31 December 2016
Accrued income	357.766	6
Prepaid expenses	69.496	-
Total	**427.262**	**6**

13. Securities

	31 December 2017	31 December 2016
Securities	200	200
Total	**200**	**200**

Securities represent 20 shares in SZIMFÉK Székesfehérvári Metál Fék- és Köszörűgyár Zrt. at HUF 2.000 thousand, par.

14. Cash and cash equivalents

	31 December 2017	31 December 2016
Cash on hand	36.301	20.500
Bank	2.143.127	2.903
Total	**2.179.428**	**23.403**

15. Share capital and capital reserves

Share capital represents 20.860.000 registered shares at HUF 25, par.

In 2016 the Company decided to disinvest HUF 475.000 thousand and transfer share capital to retained earnings at an amount of HUF 1.031.990 thousand.

The Group's revaluation reserve increased by the increase in equity method valuation of Konzum Management Kft was due to the increase in the fair value of its investments in OPUS Global Nyrt securities. Konzum Management Kft recorded the changes in fair values in other comprehensive income.

16. Non-controlling interest

Name of entity	31 December 2017	31 December 2016
KZBF Invest Kft.	17.864	(2.476)
Erkel Hotel Kft.	110.365	-
Turizmus Stratégiai Kft.	(6.476)	-
Hunguest Hotels Zrt.	22.085.640	-
Konzum Befektetési Alapkezelő Zrt.	81.487	-
Total	**22.288.880**	**(2.476)**

17. Long term loans

	31 December 2017	31 December 2016
Erste Bank Zrt./Magyar Export-Import Bank Zrt. consortium	10.499.623	-
Total long term loans	**10.499.623**	**-**

The loan was granted to Hunguest Hotels Zrt. from Erste Bank Zrt./Magyar Export-Import Bank Zrt. consortium. The loan is denominated in euros and matures in 15 year on 30 June 2031. Interest is based on a 3-month EURIBOR + 3,3%.

The Company provided the following collaterals to secure the loans:

- All assets including property, plant, equipment and inventories,
- All rights,
- All current and future receivables (i.e. dividends)

Up to a maximum limit of EUR 80.000.000, plus interests, transaction costs, and other related costs, a 3rd degree title deed on 90% ownership in KZBF Invest Kft.

The repayment schedule is as follows:

	31 December 2017
Repayments in year	
2019	688.511
2020	711.461
2021	735.342
2022	759.843
2023	785.274
2023	6.819.192
Total	**10.499.623**

17. Long term loans (continued)

	31 December 2017	31 December 2016
Erste Bank Zrt./Magyar Export-Import Bank Zrt. consortium	793.120	-
Takarékbank Zrt.	2.195.003	-
MKB Bank Zrt. overdraft	1.150.000	1.130.056
Bill of exchange	-	1.620.000
Current loans	**4.138.123**	**2.750.065**

Takarékbank Zrt. loan

To finance the acquisition of shares in Appeninn Nyrt, Konzum Nyrt and Konzum Management Kft applied for a credit limit of HUF 5.2 billion granted by Magyar Takarékszövetkezeti Bank Zrt on 25 September 2017. The loan is denominated in Hungarian forints with interest rate based on 3-month BUBOR + 2,5%, maturing on 3 September 2018. The collateral constitutes caution funds up to HUF 5.2 billion plus transaction costs, including placements from owners, and financial assets in Appeninn Nyrt. The securities are: 6.958.067 number of Opus shares, or 3.471.295 number of Konzum shares, or 31. 532.091 number of Appeninn shares to secure the loan from Takarékbank.

MKB Bank Zrt. overdraft loan

KZBF Invest Kft signed an overdraft agreement at a limit of HUF 1.15 billion on 16 December 2016, maturing on 15 June 2018. The purpose of the credit was to finance the acquisition of shares in Hunguest Hotels Zrt. The credit was denominated in Hungarian forints with interest rate based on 1-month BUBOR + 4%. The collateral represents receivables from KZBF Invest Kft.

18. Provisions

HUF 32.783 thousand of provisions represent the amount of unused holiday leaves as at 31 December 2017.

19. Deferred tax liabilities

The following deductible and taxable discrepancies causing taxable tax differences were identified:

	Opening 31 December 2016	Change in scope of consolidation	Increases	Decreased	Closing 31 December 2017
Impairment	-			(2.655)	(2.655)
Depreciation	-	1.793.287	94.747		1.888.034
Tax losses carried forward	-			(2.336)	(2.336)
Provisions	-			(2.950)	(2.950)
Tax credit	-	72.972	45.181		118.153
Consolidation adjustments	-	(2.516)	786.748		784.232
Total	**-**	**1.863.743**	**926.676**	**(7.941)**	**2.782.478**

20. Other long term liabilities

	31 December 2017	31 December 2016
Lease liabilities	2.056	-
Total	**2.056**	**-**

Other long term liabilities represent liabilities from finance leases.

21. Payables to related parties

	31 December 2017	31 December 2016
Konzum PE	664.119	-
Konzum Management Kft.	5.851	
Jászai Gellért	17.950	
Total	**687.920**	**-**

Among the liabilities to Konzum PE, there is a HUF 479.755 thousand loan, which was paid to the Company on 30 August, 2016, bears interest rate of Central Bank rate + 2%. The loan retires in 120 months.

22. Other liabilities

Other liabilities as at 31 December 2017, and 2016 are listed below:

	31 December 2017	31 December 2016
MNÜA vouchers	2.472.030	-
Income liabilities	246.236	-
Supplier invoices in transit	257.186	-
Cautions received	8.808	-
Vouchers	27.908	-
Advances received	399.471	-
Bonus vouchers	229.168	-
Tax liabilities	65.844	-
Other	86.061	671.918
Total	**3.792.712**	**671.918**

23. Accruals

Accruals as at 31 December 2017, and 2016 are listed below:

	31 December 2017	31 December 2016
Accrued income	8.410	-
Prepaid expenses	95.997	6.405
Government grants	2.686.229	-
Interest accrued	1.026	-
Asset donations	4.683	-
Other	10	-
Total	**2.796.355**	**6.405**

Government grants represent previous funds received under Szechenyi plan to subsidies projects in Hotel Aqua-Sol, Hotel Pelion and Hotel Répce Gold, as well as funds received for various developments between 2008 and 2014, both, yet not accounted for as other income as at 31 December 2017.

24. Net sales revenues

	31 December 2017	31 December 2016
Domestic	11.758.860	23.940
Export	5.064.987	-
Total	**16.823.847**	**23.940**

Revenues related to the following activities in 2017 and 2016:

	31 December 2017	31 December 2016
Accommodation	13.564.341	-
Hospitality	2.299.726	-
Fund management fees	261.513	-
Other	698.267	23.940
Total	**16.823.847**	**23.940**

25. Cost of sales

	31 December 2017	31 December 2016
Restaurant supplies	968.690	-
Cost of goods sold	4.760	-
Accommodation supplies	194.010	-
Towel costs	210.371	-
Other	36.202	-
Total	**1.414.033**	**-**

26. Material type expenses

	31 December 2017	31 December 2016
Material costs	3.665.306	2.055
Service costs	2.493.202	40.343
Total	**6.158.508**	**42.398**

Material costs include the following items:

	31 December 2017	31 December 2016
Restaurant supplies	1.973.006	-
Hotel supplies	603.657	-
Utility charges	1.021.211	-
Other	67.432	2.055
Total	**3.665.306**	**2.055**

Service costs include the following items:

	31 December 2017	31 December 2016
Bank charges	103.780	24.532
Rental fees	269.292	-
Insurance	14.200	-
Franchise fees	4.695	-
Commissions	383.771	-
Maintenance	467.901	-
Cleaning	315.921	-
Advertising	286.327	-
Professional fees	236.431	15.811
Postal, telecommunication	71.051	-
Other	339.833	-
Total	**2.493.202**	**40.343**

27. Personnel expenses

	31 December 2017	31 December 2016
Salaries and wages	3.650.048	10.707
Other personnel expenses	1.025.892	695
Contributions	821.478	2.896
Total	**5.497.418**	**14.298**
Average number of employees	**1.377**	**4**

28. Other expenses, net

	31 December 2017	31 December 2016
Fines paid	5.921	98
Local municipality tax	224.486	1.108
Other taxes	17.651	
Fines received	(71.988)	
Damages received	(4.462)	
Inventory surplus	(8.504)	
Gains on sales of PPE	(20.118)	1.170
Damages paid	2.243	
Grants paid	67.369	
Grants received	(34.149)	
income from assignment	(211)	(1.765)
Construction tax	109.311	
Innovation contribution	33.051	
Discounts received	(21.760)	
Bad debts	-	9.940
Other	(27.231)	212
Total	**271.609**	**10.763**

29. Financial income

	31 December 2017	31 December 2016
Interest received	2.115	-
Exchange rate gains	48.092	7
Badwill	8.762.510	-
Total	**8.812.717**	**7**

Badwill is associated with the acquisition of the following entities in 2017

Hunguest Hotels Zrt.	8.609.966
Erkel Hotel Kft.	138.278
Turizmus Stratégiai Kft.	(2.710)
Konzum Befektetési Alapkezelő Zrt.	16.976
Total badwill	**8.762.510**

30. Financial expenses

	31 December 2017	31 December 2016
Interest paid	462.725	7.016
Exchange rate losses	23.031	21
Total	**485.756**	**7.037**

31. Share of profit of associates accounted for using the equity method

	31 December 2017	31 December 2016
Konzum Management Kft.	244.298	4.160
Legatum '95 Kft	155.430	-
Total	**399.728**	**4.160**

32. Income taxes

Income taxes include the following items:

	31 December 2017	31 December 2016
Corporate tax	75.346	790
Deferred taxes	918.280	-
Total	**993.626**	**790**

Income tax expense at Group level accumulates the income tax charges calculated by the individual entities in compliance with local tax rules.

In Hungary, there are multiple tax laws that regulate various type of taxes enforced by the authorities. Such laws cover VAT, corporate tax, local business tax, and contributions related to personnel expenses. The authorities are authorised to conduct tax audits and charge fines in the event of non-compliance with regulations. Management is certain that tax liabilities presented in the financial statements comply with the relevant laws. At the same time, the authorities may conclude otherwise with material consequences.

Reconciliation of income taxes indicated in the consolidated profit and loss account:

	2017	2016
Profit before tax	11.340.160	(46.572)
Tax liability calculated on the basis of the current tax rate (9%)	1.020.614	(4.191)
Unrecognised tax losses	-	4.191
Profits in entities accounted for using the equity method	(35.976)	
Permanent differences	8.988	790
Total income taxes	**993.626**	**790**

33. Share of other comprehensive income of associates accounted for using the equity method

	31 December 2017	31 December 2016
Konzum Management Kft.	9.303.162	-
Total	**9.303.162**	**-**

Share of other comprehensive income of associates represents the share in the change of fair value in OPUS Global Nyrt share accounted for in Konzum Management Kft.

34. Earnings per share (EPS)

To calculate the basic earning from share the profit after tax, available for distribution to the shareholders must be taken into account and the annual average number of the issued ordinary shares, which does not contain the treasury shares.

	2017	2016
After-tax profit that can be allocated to shareholders (thousand HUF)	10.346.535	(47.362)
Weighted average number of issued ordinary shares (thousand)	20.860	20.860
Earnings per share (basic) (HUF)	**496**	**(2)**

There were no factors at the Company, either in the 2017 or in 2016, which would have diluted the earnings per share ratio.

35. Segment-specific information

Because the Group is listed on the Budapest Stock Exchange, the disclosure of segment information is mandatory. Strategic decisions for the operation of the Group are taken by the Board of Directors, therefore the management used the statements prepared for the Board in order to establish the segments in the course of the preparation of these financial statements. Management identified two segments: tourism and asset management.

31 December 2017	**Tourism**	**Asset management**	**Other eliminations**	**Group**
Revenues from third parties	16.562.334	261.513	-	**16.823.847**
Intercompany revenues	-	-	-	**-**
	16.562.334	**261.513**	**-**	**16.823.847**
Operating costs	(13.071.879)	(254.237)		**(13.326.116)**
Depreciation	(880.906)	(3.354)		**(884.260)**
Profit in associates			399.728	**399.728**
Financial activities	8.745.435	16.976	(435.449)	**8.326.961**
Income tax	(772.629)		(220.997)	**(993.626)**
Profit after tax	**10.582.355**	**20.898**	**(256.718)**	**10.346.534**
Long term assets	40.450.149	5.786.373	552.271	**46.788.793**
Current assets	21.954.488	883.261	(3.226.366)	**19.611.383**
Long term liabilities	13.305.288	11.652		**13.316.940**
Short term liabilities	9.741.219	5.720.474	(3.226.365)	**12.235.328**

31 December 2016	**Tourism**	**Fund management**	**Other eliminations**	**Group**
Revenues from third parties	-	23.940		**23.940**
Intercompany revenues	-	-		**-**
	-	**23.940**		**23.940**
Operating costs	-	(67.459)		**(67.459)**
Depreciation	-	(183)		**(183)**
Profit in associates		4.160		**4.160**
Financial activities		(7.030)		**(7.030)**
Income tax		(790)		**(790)**
Profit after tax	**-**	**(47.362)**		**(47.362)**
Long term assets	-	3.418.300		**3.418.300**
Current assets	-	612.944		**612.944**
Long term liabilities	-	-		**-**
Short term liabilities	-	3.434.270		**3.434.270**

36. Risk Management

The Group's assets include liquid assets, securities, trade and other receivables, as well as other assets – excluding taxes. The Group’s resources include loans and borrowings, supplier and other payables, excluding the gains or losses arising from the revaluation at fair value of taxes and financial liabilities.

The Group is exposed to the following financial risks:

- credit risk
- liquidity risk
- market risk

This Chapter describes the Group’s risks specified above, the Group’s objectives and policies, measurement of the processes and risk management, as well as the capital management of the Group. The Board of Directors has overall responsibility for the establishment, supervision and risk management of the Group.

The objective of the Group's risk management policy is to filter out and examine the risks the Group faces, to set the appropriate controls and to monitor the risks. The risk management policy and the system are reviewed so that it does reflect the changed market conditions and the Group's activities.

Capital management

The Group's policy is to preserve the registered capital that is sufficient for investor and creditor confidence in the future to sustain the future development of the Group.

The Group's capital structure consists of the debt and the Group's equity (the latter includes the registered capital, the reserves and the share of the non-controlling shareholders).

In the course of managing the capital, the Group strives to provide an opportunity for its members to continue their activities, and thereby to maximize the return on investment for the owners by way of an optimal balancing of the debt and equity, as well as to keep an optimal capital structure in order to reduce the capital expenditure. The Group also carries out monitoring which aims to ensure that its member companies’ capital structure complies with the local legal requirements.

36. Risk Management (continued)

The financial gearing of the Group is as follows:

	Notes	31 December 2017	31 December 2016
Loans	17	15.136.266	2.750.065
Less: Cash and cash equivalent	14	(2.179.428)	(23.403)
Net debt		**12.956.838**	**2.726.662**
Total equity		40.847.907	596.974
Net equity		**27.891.069**	**(2.129.688)**

Credit risk

Credit risk arises from the failure of borrowers or partners to fulfil their contractual obligations, which in turn results in a financial loss for the Group. Financial instruments that are exposed to credit risk may be long or short-term placements, cash and cash equivalents, trade and other receivables.

The book value of financial instruments shows the maximum risk exposure. The table below shows the maximum credit risk exposure of the Group on 30 June 2017 and 31 December 2016.

	31 December 2017	31 December 2016
Long term financial assets	709	3.233.230
Accounts receivable	199.632	1.626
Other current receivables	991.212	587.709
Receivables from related parties	15.557.299	-
Securities	200	200
Cash and cash equivalents	2.179.428	23.403
Total	**18.928.480**	**3.846.168**

Liquidity risk

Liquidity risk is the risk that the Group is unable to fulfil its financial obligations by the due date. The Group's liquidity management approach is to ensure - as far as possible - that there is always sufficient liquidity available to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking the Group's reputation.

When matching financial assets to financial liabilities the Group has the objective to maintain the continuity of financing, whilst remaining flexible.

According to Company management the threat of liquidity risk is low because revenues secure debt servicing and cover operating expenses.

The Group meets all repayment schedules as they fall due and there are no overdue liabilities as at 31 December 2017 and 2016.

The table below presents the maturity structure of committed and payable financial liabilities as at 31 December 2017 and 2016. (amounts undiscounted):

31 December 2017	**Due in 1 year**	**Due from 2 to 5 years**	**Due over 5 years**	**Total**
Long term financial assets		709		**709**
Accounts receivable	254 259			**254 259**
Receivables from related parties	15 557 299			**15 557 299**
Other current receivables	991 212			**991 212**
Corporate tax receivable	2 091			**2 091**
Securities	200			**200**
Financial assets	**16 805 061**	**709**	**-**	**16 805 770**
Long term liabilities		2 895 157	7 604 466	**10 499 623**
Other long term liabilities		2 056		**2 056**
Short term loans	4 636 643			**4 636 643**
Accounts payble	803 758			**803 758**
Liabilities to related parties	168 392			**168 392**
Other liabilities	3 791 896			**3 791 896**
Corporate tax liability	16 460			**16 460**
Financial liabilities	**9 417 149**	**2 897 213**	**7 604 466**	**19 918 828**

31 December 2016	**Due in 1 year**	**Due from 2 to 5 years**	**Due over 5 years**	**Total**
Accounts receivable	1 626			**1 626**
Other short term receivables	587 709			**587 709**
Securities	200			**200**
Financial assets	**589 535**			**589 535**
Short term loans	2 750 065			**2 750 065**
Accounts payable	5 882			**5 882**
Other liabilities	671 918			**671 918**
Financial liabilities	**3.427.865**	**-**	**-**	**3.427.865**

36.Risk management (continued)

Members of the Group provide cash flow budgets that are periodically reviewed. The Group applies a rolling budget to assess the cash requirements to cover operating costs and comply with covenants. Cash surplus is invested in securities and term deposits.

Market risk

Market risk is the risk that a change in the market prices, such as exchange rates, interest rates and prices of investments in mutual funds will affect the Group's profit or the value of its investments made in financial instruments. The objective of market risk management is to manage and control the exposure to market risks to remain within acceptable limits, in addition to optimizing the benefits.

Sensitivity analysis

The Group has concluded that two key financial variables affect profitability being interest rate risk and foreign currency risk. The Group conducted the sensitivity analyses on the above-mentioned variables.

The Group invests surplus funds to mitigate interest rate risks. The are no foreign exchange deals.

36.Risk Management (continued)

The results of interest sensitivity analyses for continuing activities.

Actual interest	**31 December 2017**	**31 December 2016**
Profit before tax – excluding interest expense	11 800 771	-36 686
Net interest expense	-460 610	-7 016
Profit before tax	**11 340 161**	**-43 702**
1%		
Profit before tax – excluding interest expense	11 800 771	-36 686
Net interest expense	-465 216	-7 086
Profit before tax	**11 335 555**	**-43 772**
Profit before tax variance	***-4 606***	***-70***
Profit before tax variance (%)	***-0,041%***	***0,161%***
5%		
Profit before tax – excluding interest expense	11 800 771	-36 686
Net interest expense	-483 641	-7 367
Profit before tax	**11 317 131**	**-44 053**
Profit before tax variance	***-23 031***	***-351***
Profit before tax variance (%)	***-0,203%***	***0,803%***
10%		
Profit before tax – excluding interest expense	11 800 771	-36 686
Net interest expense	-506 671	-7 718
Profit before tax	**11 294 100**	**-44 404**
Profit before tax variance	***-46 061***	***-702***
Profit before tax variance (%)	***-0,406%***	***1,605%***
-1%		
Profit before tax – excluding interest expense	11 800 771	-36 686
Net interest expense	-456 004	-6 946
Profit before tax	**11 344 767**	**-43 632**
Profit before tax variance	***4 606***	***70***
Profit before tax variance (%)	***0,041%***	***-0,161%***
-5%		
Profit before tax – excluding interest expense	11 800 771	-36 686
Net interest expense	-437 580	-6 665
Profit before tax	**11 363 192**	**-43 351**
Profit before tax variance	***23 031***	***351***
Profit before tax variance (%)	***0,203%***	***-0,803%***
-10%		
Profit before tax – excluding interest expense	11 800 771	-36 686
Net interest expense	-414 549	-6 314
Profit before tax	**11 386 222**	**-43 000**
Profit before tax variance	***46 061***	***702***
Profit before tax variance (%)	***0,406%***	***-1,605%***

36. Risk Management (continued)

The results of foreign currency sensitivity analyses:

Actual foreign currency	**31 December 2017**	**31 December 2016**
Non-monetary and assets denominated in HUF	65 369 789	4 031 244
Foreign currency assets	1 030 387	0
Liabilities denominated in HUF	14 259 524	3 434 270
Foreign currency liabilities	11 292 744	0
Net assets	**40 847 908**	**596 974**
1%		
Non-monetary and assets denominated in HUF	65 369 789	4 031 244
Foreign currency assets	1 040 691	0
Liabilities denominated in HUF	14 259 524	3 434 270
Foreign currency liabilities	11 405 671	0
Net assets	**40 745 284**	**596 974**
Net assets variance	***-102 624***	***0***
Net assets variance (%)	***-0,251%***	***0,000%***
5%		
Non-monetary and assets denominated in HUF	65 369 789	4 031 244
Foreign currency assets	1 081 906	0
Liabilities denominated in HUF	14 259 524	3 434 270
Foreign currency liabilities	11 857 381	0
Net assets	**40 334 790**	**596 974**
Net assets variance	***-513 118***	***0***
Net assets variance (%)	***-1,256%***	***0,000%***
10%		
Non-monetary and assets denominated in HUF	65 369 789	4 031 244
Foreign currency assets	1 133 426	0
Liabilities denominated in HUF	14 259 524	3 434 270
Foreign currency liabilities	12 422 018	0
Net assets	**39 821 672**	**596 974**
Net assets variance	***-1 026 236***	***0***
Net assets variance (%)	***-2,512%***	***0,000%***
-1%		
Non-monetary and assets denominated in HUF	65 369 789	4 031 244
Foreign currency assets	1 020 083	0
Liabilities denominated in HUF	14 259 524	3 434 270
Foreign currency liabilities	11 179 817	0
Net assets	**40 950 532**	**596 974**
Net assets variance	***102 624***	***0***
Net assets variance (%)	***0,251%***	***0,000%***
-5%		
Non-monetary and assets denominated in HUF	65 369 789	4 031 244
Foreign currency assets	978 868	0
Liabilities denominated in HUF	14 259 524	3 434 270
Foreign currency liabilities	10 728 107	0
Net assets	**41 361 026**	**596 974**
Net assets variance	***513 118***	***0***
Net assets variance (%)	***1,256%***	***0,000%***

36. Risk Management (continued)

-10%		
Non-monetary and assets denominated in HUF	65 369 789	4 031 244
Foreign currency assets	927 348	0
Liabilities denominated in HUF	14 259 524	3 434 270
Foreign currency liabilities	10 163 470	0
Net assets	**41 874 144**	**596 974**
Net assets variance	***1 026 236***	***0***
Net assets variance (%)	***2,512%***	***0,000%***

Results of foreign exchange sensitivity analyses:

Actual foreign exchange	**31 December 2017**	**31 December 2016**
Profit before tax – excluding foreign exchange	11 315 102	-46 558
Net foreign exchange effect	25 059	-14
Profit before tax	**11 340 161**	**-46 572**
1%		
Profit before tax – excluding foreign exchange	11 315 102	-46 558
Net foreign exchange effect	25 310	-14
Profit before tax	**11 340 412**	**-46 572**
Profit before tax variance	***251***	***-0***
Profit before tax variance (%)	***0,002%***	***0,000%***
5%		
Profit before tax – excluding foreign exchange	11 315 102	-46 558
Net foreign exchange effect	26 312	-15
Profit before tax	**11 341 414**	**-46 573**
Profit before tax variance	***1 253***	***-1***
Profit before tax variance (%)	***0,011%***	***0,002%***
10%		
Profit before tax – excluding foreign exchange	11 315 102	-46 558
Net foreign exchange effect	27 565	-15
Profit before tax	**11 342 667**	**-46 573**
Profit before tax variance	***2 506***	***-1***
Profit before tax variance (%)	***0,022%***	***0,003%***
-1%		
Profit before tax – excluding foreign exchange	11 315 102	-46 558
Net foreign exchange effect	24 808	-14
Profit before tax	**11 339 910**	**-46 572**
Profit before tax variance	***-251***	***0***
Profit before tax variance (%)	***-0,002%***	***0,000%***

36. Risk Management (continued)

-5%		
Profit before tax – excluding foreign exchange	11 315 102	-46 558
Net foreign exchange effect	23 806	-13
Profit before tax	**11 338 908**	**-46 571**
Profit before tax variance	***-1 253***	***1***
Profit before tax variance (%)	***-0,011%***	***-0,002%***
-10%		
Profit before tax – excluding foreign exchange	11 315 102	-46 558
Net foreign exchange effect	22 553	-13
Profit before tax	**11 337 655**	**-46 571**
Profit before tax variance	***-2 506***	***1***
Profit before tax variance (%)	***-0,022%***	***-0,003%***

37. Financial instruments

Financial instruments include invested financial assets, the trade receivables from current assets, securities and liquid assets, loans, borrowings and trade payables.

31 December 2017	**Book values**	**Fair values**
Financial assets		
Financial assets measured at FV		
Securities	200	200
Receivables from related parties	15.557.299	15.557.299
Financial assets measured at amortised cost		
Long term financial assets	709	709
Borrowings measured at amortised cost		
Accounts and other receivable	1.245.471	1.245.471
Cash and cash equivalents	2.179.428	2.179.428
Financial liabilities		
Financial liabilities measured at amortised cost		
Financial liabilities	15.136.266	15.136.266
Accounts payable	803.758	803.758

37. **Financial instruments (continued)**

31 December 2016	**Book values**	**Fair values**
Financial assets		
Financial assets measured at FV		
Securities	200	200
Receivables from related parties		
Financial assets measured at amortised cost	3.233.230	3.233.230
Long term financial assets		
Borrowings measured at amortised cost	587.709	587.709
Accounts and other receivable	23.403	23.403
Cash and cash equivalents		
Financial liabilities		
Financial liabilities measured at amortised cost	2.750.065	2.750.065
Financial liabilities	5.882	5.882

Fair values were defined under level 3 in the fair value hierarchy in 2017 and 2016.

38. Related party transactions

Related party transactions have been eliminated in the Group financial statements.

Related parties outside the scope of consolidation are disclosed in the relevant Notes to the financial statements.

39. Contingencies

The Company has issued guarantees to secure long and short term liabilities. Hunguest Hotels Zrt. is party in several legal cases, with the potential negative outcome of HUF 10.745 thousand and the related charges. The are no further contingencies other than disclosed in Note 17 as at 31 December 2017.

40. Remuneration of senior management

	31 December 2017	31 December 2016
Members of the Board of Directors and Supervisory Board	6.630	2.330
Total	6.630	2.330

41. Events after the balance sheet date

Capital increase

1. KONZUM PE Private capital fund and KONZUM Nyrt (the Company) entered into a capital contribution agreement on 14 February 2018. According to the agreement KONZUM PE transferred its 100% interest in KZH INVEST Kft and its 10% interest in KZBF INVEST Fund Management Kft to the Company, as capital contribution.

   The Board accepted the interest in KZH INVEST Kft at a value of HUF 14.831.248.000 and the interest in KZBF INVEST Fund Management Kft at a value of HUF 1.333.645.000. The valuation of the contributions was performed by PricewaterhouseCoopers, professional advisory firm.

   In this way, the Company's share capital has increase to HUF 650.160.400, and the number of shares have increased to 26.006.416 registered shares at HUF 25, par.

   On 7 March 2018, the Company decided to increase its share capital by the contributions. As part of the share capital increase, there will be new issuance of privately owned shares. Because the Company decided the transaction on 12 December 2017, the listing price of newly issued shares will be set with reference to the closing rate on 11 December 2017, being HUF 3.141, regardless of the timing of each phase of the transaction. The deadline to finalise the transaction is 30 April 2018.

2. On 27 March 2018, the Company entered into a purchase contract with Wellnesshotel Építő Kft. to acquire Hotel Saliris Resort**** properties (Egerszalók, Forrás street 6.) – Contract 1 – and Hotel Alpenblick**** properties (Kreischberg-Murau, St. Lorenzen 6.) – Contract 2. Resulting from the contracts, Wellnesshotel Építő Kft. has total cash receivable from the Company is 2.674.471.580 HUF (Total Cash Receivable).

   Wellnesshotel Építő Kft has provided the Total Cash Receivable to the Company as in kind contribution signed in a contribution contract on 3 April 2018.

Based on the in kind benefit to the Company, the Board of Directors issues exclusively to Wellnesshotel Építő Kft. 851.471 shares at HUF 25, par and at a price HUF 3.141 each.

3. On 3 April 2018, KONZUM PE Private Capital Fund and the Company signed an in kind contribution contract, whereas KONZUM PE Private Capital Fund provides its 100% owned share in Holiday Resort Kreischber-Murau Gmbh to the Company as in kind contribution.

   The shares were valued by PricewaterhouseCoopers consultant company at a price of HUF 897.131.000, which constitutes the value of in kind contribution.

   Based on the in kind benefit to the Company, the Board of Directors issues exclusively to KONZUM PE Private Capital Fund 285.619 shares at HUF 25, par and at a price HUF 3.141 each.

4. On 7 March 2018, the Company decided on increasing its share capital by issuing Shares (BLT Group Zrt.) and by in kind contribution of Properties to the Company.
   The share capital increase will result in exclusive issue of new shares. The price of the newly issued KONZUM shares – taken into consideration that the Transaction will be carried out as a supplement of the decided and disclosed share capital series on 12 December 2017 – the closing exchange rate, HUF 3.141 per share, on the day of 11 December 2017 on the Budapest Stock Exchange, independently when the parts of the Transaction will be carried out. The target deadline for the transactions to increase the share capital of the Company is 30 April 2018.

Exchange Rating

On 5 March 2018, the Company initiated to reclassify its shares (ISIN: HU0000142419) into „Premium" category, after having met the conditions of the Budapest Stock Exchange.

Based on the Wiener Börse AG (Vienna Stock Exchange) the Company's shares are included in the CECE Index. The weight of the Company's shares on the CECE Index is assessed at 0,06% on 12 March 2018. The new package came into effect on 14 March 2018.

CIG Pannónia Nyrt. agreement

On 30 January 2018, the General Meeting of CIG Pannónia Életbiztosító Nyrt agreed to increase the share capital and allow the Company to acquire 24,85% interest in CIG Pannónia Nyrt. The private capital increase represents the issuance of 23.466.020 number of „A" class registered shares with voting right at HUF 40, par, and listing price at HUF 350 per share. The Company is exclusively authorised to register the shares.

The General Meeting of CIG Pannónia also agreed to purchase 1.368.851 number of KONZUM PE shares issued by the Company at HUF 25, par, for HUF 3.000 per share. KONZUM PE is managed by Konzum Befektetési Alapkezelő Zrt, the private fund manager in which the Company owns 47% interest. As a result of the transaction, CIG Pannónia will acquire 6,16% interest in the Company.

The strategic objective of the above transaction is to maximise shareholder value in both CIG Pannónia and the Company as well as to support each others' operations and market positions for future success.

Appeninn Nyrt. deals

The Company as buyer and Konzum Management Kft seller agreed on the sale of 924.832 number registered shares at HUF 100, par in Appeninn Nyrt for HUF 638 per share on 8 March 2018. As a result, the Company's share of interest is 26,12% whereas the Group's cumulative share is 51,40% in Appeninn Nyrt.

The Company sold 2.020.372 number of Appeninn Nyrt shares at HUF 100, par to OTP Ingatlanbefektetési Alap on the OTC market on 12 March 2018. As a result the Groups interest in Appeninn reduced to 46,46%.

42. Approval of the financial statements

The Board of Directors approved the Group financial statements on 5 April 2018.

Budapest, 5 April 2018

KONZUM Nyrt.