

**KONZUM Befektetési és Vagyonkezelő
Nyilvánosan Működő Részvénytársaság**
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**Annual Accounts
2016 Financial Year**

Statistical ID Code: 10210901-2871-114-02

Registration No: 02-10-050623 7621 Pécs, Irgalmasok utca 5.

Budapest, 3 April 2017

Manager of the
undertaking
(representative)

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1. Balance Sheet

No	Item	Previous year thousand HUF	Current thousand HUF
1	A. Non-current assets	485,505	36,840
2	I. Intangible assets	65	0
3	Capitalised value of formation/restructuring		
4	Capitalised value of experimental development		
5	Rights with an asset value	65	
6	Intellectual properties		
7	Goodwill		
8	Advances on intangible assets		
9	Adjusted value of intangible assets		
	10 II. Tangible assets	7,638	0
11	Properties and related rights with an asset value	100	
12	Plant and machinery, vehicles	483	
13	Other equipment, machines and vehicles	7,055	
14	Breeding animal		
15	Investment, renovation		
16	Advances on investment		
17	Adjusted value of tangible assets		
18	III Non-current financial assets	477,802	36,840
19	Long-term participation in associated companies	475,039	2,700
20	Long-term loans to associated companies		
21	Long-term substantial ownership		34,110
22	Other long-term participation	2,763	30
	Long-term loans to undertakings linked by virtue of		
23	participating interests		
	Long-term loans to undertakings in significant		
24	ownership		
25	Other long-term loans		
26	Long-term debt securities		
27	Value adjustment of non-current financial assets		
28	Valuation difference of non-current financial assets		

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Balance sheet (continued)

No	Item	Previous year	Current year thousand HUF
29	B. Current assets	710,629	610,034
30	I. Inventories	0	0
31	Materials		
32	Work in process and unfinished goods		
33	Animals for rearing, fattening or other purposes		
34	Finished goods		
35	Goods		
36	Advances on inventories		
37	II. Receivables	709,976	589,335
38	Trade accounts receivable (customer accounts)	38,340	1,626
39	Receivables from associated companies	445	
40	Receivables from undertakings in substantial ownership		
41	Receivables from undertakings linked by participating interest		
42	Notes receivable		
43	Other receivables	671,191	587,709
44	Valuation difference of receivables		
45	Positive valuation difference of derivatives		
46	III Securities	200	200
47	Participation in associated companies		
48	Substantial ownership		
49	Other participating interest	200	200
50	Own listed or unlisted shares		
51	Dealing debt securities		
52	Valuation difference of securities		
53	IV Cash	453	20,499
54	Cash on hand, cheques	44	
55	Bank deposits	409	20,499
56	C. Prepayments	1,028	6
57	Accrued revenue	811	6
58	Prepaid expenses	217	
59	Deferred expenses		
60	Total ASSETS	1,197,162	646,880

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Balance sheet (continued)

No	Item	Previous year thousand HUF	Current year thousand HUF
61	D. Equity capital	1,086,036	590,270
62	I. Subscribed capital	2,086,000	521,500
63	<i>Of which: Repurchased ownership share at nominal value</i>	0	0
64	II. Subscribed capital called but not paid	0	0
65	III Capital reserve	0	0
66	IV Profit reserve	-1,031,990	89,536
67	V Committed reserve	0	0
68	VI Valuation reserve	0	0
69	VII Profit or loss after tax	32,026	-20,766
70	E. Provisions	0	0
71	Provision for contingent liabilities		
72	Provision for future costs		
73	Other provisions		

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Balance sheet (continued)

No	Item	thousand	ousand
		HUF	HUF
		Previous Y	Current Y
74	F. Liabilities	110,200	55,210
75	<i>I. Subordinated liabilities</i>	<i>0</i>	<i>0</i>
76	Subordinated debt owed to associated companies		
77	Subordinated debt owed to undertakings in substantial ownership		
78	Subord. debt owed to undertakings of participating interest		
79	Subordinated debts owed to other operators		
80	<i>II. Long-term liabilities</i>	<i>0</i>	<i>0</i>
81	Long-term loans received		
82	Convertible bonds		
83	Payables from bond issue		
84	Investment and development credits		
85	Other long-term credits		
86	Long-term liabilities towards associated companies		
87	Long-term liab. to undertakings in substantial ownership		
88	Long-term liabilities to undertakings of participating interest		
89	Other long-term liabilities		
90	<i>III Short-term liabilities</i>	<i>110,200</i>	<i>55,210</i>
91	Short-term loans	15,564	6,815
92	Of which: Convertible bonds		
93	Short-term credit		10
94	Advances received from customers		
95	Trade accounts payable (supplier accounts)	10,617	5,489
96	Notes payable		
97	Short-term liabilities to associated companies	69,724	
98	Short-term liabilities to undertakings in substantial ownership		2,832
99	Short-term liabilities to undertakings of participating interest		
100	Other short-term liabilities	14,295	40,066
101	G. Accrued liabilities	926	1,400
102	Deferred revenues	215	
103	Accrued expenses	711	1,400
104	Deferred income		
106	Total LIABILITIES	1,197,162	646,880

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2. Profit and Loss Account

No	Item	Previous year	Current year
		thousand HUF	thousand HUF
1	Net revenue from domestic sales	148,127	23,940
2	Net revenue from exports		0
3	<i>I. Net sales revenue</i>	<i>148,127</i>	<i>23,940</i>
4	Variation in stocks of finished goods and in work in progress		0
5	Capitalised value of self-constructed assets		0
6	<i>II. Value of capitalised own performance</i>	<i>0</i>	<i>0</i>
7	<i>III Miscellaneous revenue</i>	<i>2,477,306</i>	<i>370,841</i>
8	<i>Of which: Write-back of impairment</i>		
9	Material costs	8,296	710
10	Value of services used	35,643	15,811
11	Value of other services	3,200	1,119
12	Purchase price of sold goods	10,923	0
13	Value of services supplied (mediated)	2,569	0
14	<i>IV Material type expenses</i>	<i>60,631</i>	<i>17,640</i>
15	Salaries	38,139	10,707
16	Other personnel costs	3,442	694
17	Employer's contributions	9,902	2,896
18	<i>V Personnel type expenses</i>	<i>51,483</i>	<i>14,298</i>
19	<i>VI Depreciation</i>	<i>8,205</i>	<i>183</i>
20	<i>VII Other expenses</i>	<i>2,160,016</i>	<i>381,604</i>
21	<i>Of which: Impairment</i>		540
22	A. Operating profit/loss	345,098	-18,943

Profit and loss account (continued)

No	Item	Previous year	Current year
		thousand HUF	tho
23	Dividend and share received (due)		
24	<i>Of which: received from associated companies</i>		
25	Income from shareholding, capital gains	235,753	
26	<i>Of which: Received from associated companies</i>	185,800	
27	Income from non-current financial assets		
28	<i>Of which: Received from associated companies</i>		
29	Other interests received (due) and interest type income	3	
30	<i>Of which: Interest received from associated companies</i>		
31	Other income from financial transactions	109,571	
32	<i>Of which: Valuation difference</i>		
	33 VIII Financial operations revenue	345,3277	
34	Expenses from participating interests, exchange losses	514,64421	
35	<i>Of which: Concerning associated companies</i>		
36	Expenses from non-current financial assets		
37	<i>Of which: Concerning associated companies</i>		
38	Interest payable and similar charges	23,7941,018	
39	<i>Of which: concerning associated companies</i>		
40	Impairment on shareholding, securities, bank deposits		
41	Other financial operations expenses	114,019	
42	<i>Of which: Valuation difference</i>		
43	IX Financial operations expenses	652 457	1 040
44	B. Financial operations profit or loss	-307 130	-1 033
45	C. Profit or loss before tax	37 968	-19 976
46	X Tax liability	5 942	790
47	D. Profit or loss after tax	32 026	-20 766

Budapest, 3 April 2017

Manager of the
undertaking

3. Supplementary Annex

3.1. Presentation of the Company

General information regarding the *Company* registered:

- Name of *Company*: KONZUM Befektetési és Vagyonkezelő Nyilvánosan Működő Részvénytársaság
- Abbreviated name: KONZUM Nyrt.
- Registered office: 7621 Pécs, Irgalmasok utca 5.
- Established on: 1 January 1988, as a legal successor to Konzum Áruház Szövetkezeti Közös Vállalat
- Date of registration: 28 October 1988
- Company Registration No: 02 10 050623
- Balance sheet date: 31 December
- Principal activity: Renting and operating services of own and leased property
- Subscribed capital at the balance sheet date: HUF 521,500,000
- Officer authorised to sign the Annual Financial Statement: Mr Gellért Zoltán Jászai, Director, and
Mr Aladin Ádám Linczésny, Director, jointly
- Person responsible for accounting: Ms Katalin Kovács
Registration number: 146499
- Auditor: ESSEL Audit Könyvvizsgáló Kft.
Chamber of Hungarian Auditors (MKVK) registration number: 001109
- Person responsible for auditing: Dr Anna Sasvári Hoffmann
MKVK registration number: 001631

3.2. Summary of the Company Accounting Policy

- (1) The Company prepares its accounts and financial statements in accordance with the provisions of Act C of 2000 on Accounting, and the principles of accounting generally accepted in Hungary.

The Balance Sheet was prepared in Hungarian forint (HUF), and figures are provided in thousand HUF.

- (2) From the two statutory layouts for the profit and loss statement the Company chose option A, i.e. the nature of expense method.
- (3) For each financial year, the balance sheet date is 31 December, and the date of drawing up the balance sheet is 31 January.

3.2.1. Intangible and tangible assets

- (1) Material assets used for the activities of the Company over more than one year are considered tangible assets. When classifying material assets, non-current assets directly or indirectly serving company activities are classified under tangible assets. Tangible assets not yet installed are also part of this group.
- (2) Purchase price includes all expenses incurred in the acquisition, establishment, creation, testing and installation of the tangible assets.
- (3) Tangible assets are reported in the balance sheet at net value, and investments are reported at the acquisition or production cost of the tangible assets (eventually at decreased value by depreciation over the planned value), in accordance with the Accounting Act.
- (4) The planned depreciation of assets is recognised on the basis of the gross value, using the straight-line method, in proportion with the expected useful life.
- (5) Depreciation is recognised on a monthly basis, by daily accounting.
- (6) Depreciation for tangible assets under the individual value of HUF 100,000 is recognised in the year they are first used. Tangible assets brought into use are reported at acquisition value.
- (7) For tangible assets of an individual value exceeding HUF 100,000 the following depreciation rates are applied:
 - For software, IT equipment and assets under HUF 100,000 (written off in a lump sum) the residual value is nil.
 - The lifetime of IT devices is 3 years.
 - For intellectual property and rights with an asset value, the period of consumption is 5 years.
 - Depreciation of technical and other equipment is recognised assuming a useful life of 6 years and a 10% residual value, with the exception of the following variations:
 - Rights with an asset value, intellectual property and tangible assets under HUF 100 thousand are written off in a lump sum at the time they are brought into use.
 - For vehicles, the period of use is 5 years, the residual value 25 %.
 - For immovable property, the period of use is set at 25 years with 50 % residual value for long-life buildings, 20 years and 40 % for intermediate, and 15 years and 10 % for short-life buildings.

The life of other structures is 15 years, with a residual value of 10 %.

Lines and other structures have a life of 15 years, and the residual value is determined on a case-by-case basis (nil or 10 %).

In the event of an investment on a third-party asset, these are determined on a case-by-case basis.

No depreciation can be recognised for plots, land, forests, and investments not yet in operation.

Depreciation over the planned value is to be recognised for immaterial goods and tangible assets if the book value permanently and significantly exceeds the market value, or if the assets have become unnecessary, damaged or destroyed due to a change in the business activities, or cannot be used for the original purpose as a consequence of a deficiency.

If on the balance sheet date the market value of the individual asset significantly exceeds the book value, the book value has to be increased by the difference, up to the amount of depreciation recognised that far. Thus, depreciation over the planned value has to be written back against other revenues.

3.2.2. Inventories

- (1) Materials are presented in the balance sheet at acquisition value.
- (2) Costing is on a monthly basis, by post-calculation method.

Costs taken into consideration for costing:

- Material costs
- Value of material type services used
- Wages and salaries
- Public charges for wages and salaries, contributions for direct wages
- Other direct costs pursuant to the provisions of the Accounting Act.

3.2.3. Receivables, liabilities and cash

- (1) Trade receivables are reported at the invoiced, acknowledged amount until the invoice is settled. The Company keeps records of its overdue receivables and can make impairments on these.
- (2) Receivables from associated companies include trade, loan and other receivables from the associated undertakings.
- (3) Under other receivables the Company presents the consolidated amount due for VAT invoices, corporate income tax receivables, business tax overpayment and other items, such as receivables from employees, advances provided, suppliers with debit balances. Other receivables are recorded at cost in the book.
- (4) Cash on hand and in bank deposits is presented under cash. Cash recorded in the Company books is in Hungarian forint (HUF) only.

3.3. Compliance with consolidation requirements

Under Article 4 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, as well as Section 10.2 of the Accounting Act, Konzum Befektetési és Vagyonkezelő Nyrt. as a parent company admitted to listing is obliged to prepare its consolidated annual accounts in accordance with the IFRSs.

3.4. Supplementary information on individual balance sheet items

3.4.1. Non-current assets

3.4.1.1. Intangible assets

Intangible assets were sold in the current year and are therefore not presented in the balance sheet.

3.4.1.2. Tangible assets

Tangible assets were sold in the current year and are therefore not presented in the balance sheet.

3.4.1.3. Non-current financial assets

The *non-current financial assets* of the Company are presented in the following table:

thousand HUF					
Business shares	Opening	Estab. Purchase	Sale, other Derecognised	Closing	
KZBF Invest Kft.	2,700				2,700
<i>Long-term participation in associated companies</i>	<i>2,700</i>				<i>2,700</i>
KPRIA Magyarország Zrt.	2,250				2,250
Konzum Management Kft.			900		900
Konzum Alapkezelő Zrt.			30,960		30,960
<i>Long-term substantial ownership</i>	<i>2,250</i>		<i>31,860</i>	<i>0</i>	<i>34,110</i>
Konzumgrad Kft.	513			-513	0
Konzum Áruház Kft.	475,039			-475,009	30
<i>Other long-term participation</i>	<i>475,552</i>			<i>-475,522</i>	<i>30</i>
Total	477,802	2,700	31,860	-475,522	36,840

The Company implemented a disinvestment as well as a capital reduction in the amount of HUF 475,000 thousand in the current year. Payment to shareholders was realised in the current year by the transfer to shareholders' securities accounts of 4,750,000 dematerialised ordinary shares in KONZUM Áruház Zrt. of HUF 100 nominal value each.

Long-term participations were acquired at the end of 2015 or in the year 2016, with the exception of Konzum Áruház Kft. Investments were not revalued in the current year, since the difference in their book value and market value was neither permanent or significant.

3.4.2. Current assets

3.4.2.1. Inventories

In the current period, no *inventories* were reported in the Company accounts.

3.4.2.2. Receivables

The breakdown of *receivables* was as follows:

	thousand HUF	
Receivables	Opening	Closing
Trade accounts receivable	38,340	1,626
Receivables from associated companies	445	0
Other receivables	671,191	587,709
Total	709,976	589,335

Accounts payable are presented in the balance sheet at the value decreased by the impairment loss. In addition to an impairment loss of HUF 14 thousand recognised in previous years, a further HUF 540 thousand impairment loss was recognised in the current year.

An amount of HUF 1,423 thousand of accounts payable and HUF 9,000 thousand of other receivables was written off in the current year due to expiration under the term of limitation or bad debt.

Under other receivables, the Company recorded HUF 258 thousand loan receivables, HUF 586,396 thousand other receivables and HUF 1,054 thousand tax overpayment.

3.4.2.3. Securities

Within securities, the Company presents under other participating interest 20 shares in SZIMFÉK Székesfehérvári Metál Fék- és Kőszörűgyár Zrt., of a nominal value of HUF 2,000 thousand each, at acquisition value. During the year no changes were reported to the opening stock of securities.

3.4.2.4. Cash

	thousand HUF	
Cash	Opening	Closing
Cash on hand	44	0
Bank account	409	20,499
Total	453	20,499

The Company reports balances of HUF 0 for cash on hand and HUF 20,499 thousand for bank accounts under *cash*.

3.4.3. Prepayments and accrued income

In the current year, an interest revenue of HUF 6 thousand was recognised under prepayments and accrued income:

	thousand HUF	
Prepayments and accrued income	Opening	Closing
Accrued revenue	811	6
Prepaid expenses	217	0
Total	1,028	6

3.4.4. Equity capital

Variations in the reporting period in items under *equity capital* are presented in the table below:

	thousand HUF		
Changes in equity capital	Opening	Change	Closing
I. Subscribed capital	2,086,000	-1,564,500	521,500
III Capital reserve	0		0
IV Profit reserve	-1,031,990	1,121,526	89,536
V Committed reserve	0		0
VI Valuation reserve	0		0
VII Profit or loss after tax	32,026	-52,792	-20,766
Total	1,086,036	-495,766	590,270
<i>Subscribed capital</i>			

At its extraordinary meeting of members held in 2015, the Company decided to reduce its capital from HUF 2,086,000 thousand to HUF 521,500 thousand, and the nominal value of each ordinary share issued from HUF 100 to HUF 25. The HUF 1,564,500 thousand capital reduction was implemented, in part, as a result of a statutory requirement for loss adjustment and, in part, at the Company's own decision to disinvest. The amount of disinvestment was HUF 475,000 thousand.

Profit reserve

As a result of the capital reduction, HUF 75,5000 thousand was recognised for the profit reserve by a Company decision, and HUF 1,032,000 thousand was recognised as a result of the mandatory loss adjustment.

Profit or loss after tax

Due to an amendment to the Act on Accounting, as of the year 2016, profit or loss for the current year is presented as profit or loss after tax in both the balance sheet and the profit and loss account.

3.4.5. Provisions

No *provision* was formed in the current period.

3.4.6. Liabilities:

3.4.6.1. Subordinated liabilities

No *subordinated liabilities* were reported in the current period.

3.4.6.2. Long-term liabilities

No *long-term liabilities* were recorded in the current period.

3.4.6.3. Short-term liabilities

At the end of the current period the stock of *short-term liabilities* was as follows:

	thousand HUF	
Short-term liabilities	Opening	Closing
Short-term loans	15,564	6,815
Short-term credit	0	10
Trade accounts payable (supplier accounts)	10,617	5,489
Short-term liabilities to associated companies	69,724	0
Short-term liabilities to undertakings in substantial ownership	0	2,832
Other short-term liabilities	14,295	40,066
Total	110,200	55,210

Short-term loans

Under short-term loans, loans received from private individuals were recognised, which amount increased from HUF 814 thousand in the previous year to HUF 6,815 thousand. Loans in the amount of HUF 14,750 thousand received in the previous period from undertakings not linked by virtue of participating interest were written off in the current year.

Short-term credit

Under short-term credit, HUF 10 thousand current account credit was recognised.

Trade accounts payable

From HUF 10,617 thousand in the previous year, accounts payable decreased to HUF 5,489 thousand, of which HUF 1,024 thousand were debts written off by trade creditors.

Short-term liabilities to associated companies

The Company does not record liabilities to associated companies at year-end.

Short-term liabilities to undertakings in substantial ownership

A HUF 2,832 thousand loan received from Konzum Management Kft. is recognised as liability to an undertaking in substantial ownership.

Other short-term liabilities

Under other short-term liabilities, HUF 5,149 thousand tax liability, HUF 131 thousand honoraria, HUF 34,403 thousand business share purchase price and HUF 382 thousand guarantee were recognised.

3.4.7. Accrued liabilities and deferred income

At the end of the current period *accrued liabilities* were as follows:

	thousand HUF	
Accrued liabilities and deferred income	Opening	Closing
Deferred revenues	215	
Accrued expenses	711	1,400
Total	711	1,400

Accrued liabilities included HUF 1,061 thousand costs (bank charges, audit fees, accounting fees, disclosure fees) and HUF 339 thousand interest charge.

3.5. Supplementary information on individual items of the profit and loss account

3.5.1. Material type expenses

Changes in the *value of material type expenses* are presented in the below table:

	thousand HUF	
Material type expenses	Previous period	Closing
Utilities	6,490	172
Material for asset maintenance	929	273
Stationery, office supplies	372	264
Other materials	505	1
Material costs	8,296	710
Transport	105	0
Mail, telephone	1,621	1,334
Domestic travel and mission costs	0	0
Newspaper, professional publications	284	139
Advertising	260	0
Rent	10,526	614
Lawyers' and notaries' fees	2,225	726
Accounting, auditing	1,300	3,416
Education costs	397	268
Security	1,965	0
Heating, utility charges	3,093	0
Asset maintenance costs	7,459	1,856
Other services used	6,403	7458
Services used	35,638	15,811
Bank charges	2,283	605
Official fees and dues	306	487
Insurance	616	27
Other services	3,205	1,119
Purchase price of sold goods	10,923	0
Services supplied (mediated)	2,569	0
Total	60,631	17,640

3.5.2. Personnel type expenses

The Company does not have employees at the end of the reporting period. *Personnel type expenses* are presented below.

	thousand HUF	
Personnel type expenses	Previous period	Closing
Salaries	38,139	10,707
Other personnel costs	3,442	694
Employer's contributions	9,902	2,896
Total	51,483	14,298

3.5.3. Depreciation

The Company recognised HUF 183 thousand depreciation in the current year.

3.5.4. Sales revenue

In the year 2016 the Company registered HUF 23,940 thousand *sales revenue*.

	thousand HUF	
Sales revenue	Previous period	Closing
Sale of goods	6,937	0
Leasing	12,146	0
Accounting services	126,452	3,635
Mediated services	2,592	305
Consultancy	0	20,000
Total	148,127	23,940

No sales revenue from associated companies was recognised in the reporting period.

3.5.5. Miscellaneous revenue

	thousand HUF	
	Previous period	Closing
Miscellaneous revenue		
Recognised value of assigned claims sold	1,285,918	360,085
Revenue related to insurance claims	101	
Revenue from sale of tangible assets	900,658	6,400
Miscellaneous revenue	2,104	379
Other revenues in 2015	2,188,781	
Debt waived by creditors	250,000	1,024
Amount assumed by other party in the context of an	38,450	2,953
Repayment relating to environmental pollution	75	
Extraordinary revenues in 2015	288,525	
Total	2,477,306	370,841

No other revenue from associated companies was recognised in the reporting period.

The effect of the changes shown in 3.5.9 are recognised separately under other revenues.

3.5.6. Financial operations revenue

Under financial operations revenue, HUF 7 thousand interest is recognised.

	thousand HUF	
	Previous period	Current period
Financial operations revenue		
Capital gains from sale of shares	235,753	0
<i>Of which received from associated companies</i>	185,800	
Other interests received (due) and interest type income	3	7
Other income from financial transactions	109,571	0
Total	345,327	7

3.5.7. Other expenses

In 2016 the Company accounted for the following items under *other expenses*.

	thousand HUF	
Other expenses	Previous period	Closing
Debt write-down	162	0
Local taxes, fiscal levies paid	12,978	1,108
Fines, late payment charges, self-correction supplement	235	98
Book value of sold or assigned receivables	1,285,915	360,120
Carrying amount of tangible assets sold	784,031	7,570
Amount of bad debt written off	0	10,424
Recognised impairment losses from receivables	0	540
Other expenses	240	591
Other expenses in 2015	2,083,561	
Book value of debt waived	38,005	1,153
Contract value of debt assumption	38,450	
Extraordinary charges in 2015	76,455	
Total	2,160,016	381,604

The effect of the changes shown in 3.5.9 are recognised separately under other expenses.

3.5.8. Finance costs

The Company accounted for *finance costs* in the current year as follows.

	thousand HUF	
Expenses on financial operations	Previous period	Current period
Losses on non-current financial assets	514,644	21
<i>Of which: Concerning associated companies</i>	<i>185,814</i>	
Interest and similar charges paid	23,794	1,019
Other expenses on financial operations	114,019	0
Total	652,457	1,040

3.5.9. Extraordinary income and extraordinary expenditure

2016. Due to an amendment of the Accounting Act, as of 2016 extraordinary items are not presented in the profit and loss account.

In accordance with the changes to the Accounting Act, effective 2016, economic events recognised in 2015 as extraordinary income had no impact on the profit or loss from financial operations and were reclassified in whole under other revenue and other expenses for the previous period.

3.6. Other information

3.6.1. Summary of items affecting the tax base

The Company establishes its tax liability on the basis of the minimum income (profit), in accordance with Section 6(5) of the Act on Corporate Tax.

The tax base according to the minimum income (profit) is established on the basis of the total revenue. Additions and deductions do not affect the tax base established this way.

3.6.2. Remuneration of the Board of Directors and the Supervisory Board

Under the decision of the General Meeting, the chairperson of the Board of Directors is entitled to a fee of HUF 50 thousand and Directors to fees of HUF 35 thousand, while the chairperson and members of the Supervisory Board are entitled to fees of HUF 50 thousand and HUF 35 thousand, respectively, The Directors have renounced from their honorarium, and members of the Supervisory Board were paid HUF 2,330 thousand in total.

The Company did not provide advances or loans to its executive officers.

3.6.3. Information on number of employees and salaries

	Average statistical number of employees		Salary (HUF thousand)		Other personnel type expenditure (HUF thousand)	
	Previous	Current	Previous	Current	Previous	Current
Full-time						
- manual						
- non-manual	11	3	28,776	7,363	2,386	519
Total:	11	3	28,776	7,363	2,386	519
Part-time						
- manual						
- non-manual	5	1	5,801	1,014	721	
Total:	5	1	5,801	1,014	721	0
Manual employed Non-						
manual employed	16	4	34,577	8,377	3,107	519
Non-regular staff			3,562	2,330	93	
Grand total:	16	4	38,139	10,707	3,200	519

3.6.4. Import purchase

KONZUM Nyrt. did not purchase either products or services from imports.

3.6.5. Research and experimental development, environmental protection

The Company did not incur research and development expenditure in the course of the year. It did not have tangible assets directly serving the purposes of environment protection, and it did not produce hazardous waste in the discharge of its activities.

3.6.6. Auditing

The Company was charged by the auditor a fee of HUF 3,200 thousand for the auditing of the accounts for the reporting financial year, including for the auditing of the annual consolidated accounts.

3.6.7. Own shares

At the balance sheet date, the Company did not own any own shares.

3.6.8. Off-balance-sheet items

Mortgage lien on the share in KZBF Invest Kft. Pledged in favour of Erste Bank Hungary Zrt. and Magyar ExportImport Bank Zrt.

Mortgage lien and prohibition of encumbrance and disposal on the share in KZBF Invest Kft. In favour of MKB Bank Zrt. and Magyar Export-Import Bank Zrt.

3.6.9. Events after the balance sheet date

There were no events of relevance to the 2016 accounts after the balance sheet date.

3.6.10. Accounting

As of 2017 business organisations whose securities are dealt in on the regulated market of an EEA Member State are required to keep specific accounting records in accordance with the IFRS rules. Effective 2017, KONZUM Befektetési és Vagyonkezelő Nyrt. keeps its accounts in accordance with the International Accounting Standards.
2017.

3.6.11. Companies of interest

Name	Voting share	Registered Office
<i>Subsidiary</i>		
KZBF Invest Kft.	90.0%	7621 Pécs, Irgalmasok utca 5.
<i>Substantial ownership</i>		
KPRIA Magyarország Zrt.	45.0%	1026 Budapest, Riadó utca 1-3.
Konzum Management Kft.	30.0%	1026 Budapest, Riadó utca 1-3.
Konzum Alapkezelő Zrt.	46.8%	1075 Budapest, Rumbach Sebestyén utca 15. A lház, II.em.

3.6.12. Indicators

Equity ratio	
Equity capital	590,270 thousand HUF
Balance sheet total	646,880 thousand HUF
Equity ratio	91.25%
Liability rate	
Liabilities	55,210 thousand HUF
Balance sheet total	646,880 thousand HUF
Liability rate	8.53%
Cover of non-current assets	
Equity capital	590,270 thousand HUF
Non-current assets	36,840 thousand HUF
Cover of non-current assets	1,602%
Capital turnover	
Net sales revenue	23,940 thousand HUF
Equity capital	590,270 thousand HUF
Capital turnover	0.04
Acid test ratio	
Current assets - Inventories	610,034 thousand HUF
Short-term liabilities	55,210 thousand HUF
Acid test ratio	11.05
Average buyer turnover	
Trade accounts receivable	1,626 thousand HUF
Net sales revenue	23,940 thousand HUF
Average buyer turnover	0.07 day
Average supplier turnover	
Trade accounts receivable	2,973 thousand HUF
Material type expenses	26,703 thousand HUF
Average supplier turnover	0.11 day
Return on sales	
Operating income	-18,943 thousand HUF
Net sales revenue	23,940 thousand HUF
Return on sales	-79.12%

4. Cash Flow Statement

	thousand HUF	thousand HUF
	Previous period	Current period
Opening cash position	700	453
OPERATING CASH FLOW		
1. Profit or loss before tax +	37,968	(19,976)
2. Depreciation write-off +	8,205	(183)
3. Impairment loss and reversal +		554
4. Difference between formation and utilization of provisions +		
5. Fixed assets sold +	162,264	1,170
6. Changes in accounts payable +	(1,109)	(5,128)
7. Changes in other short-term liabilities +	1,293	(49,862)
8. Changes in accrued and deferred liabilities +	(1,067)	474
9. Changes in trade receivables +	(2,254)	36,160
10. Changes in current assets (without receivables and liquid	(270,494)	83,927
11. Changes in accrued and deferred assets -	581	1,022
12. Tax paid (on profit) -	(5,942)	(790)
13. Dividends and profit-sharing paid -		
I. Operating cash flow	(70,555)	47,368
INVESTMENT CASH FLOW		
14. Purchase of non-current assets -	-5,218	(34,160)
15. Sale of non-current assets +	1,136,412	481,838
16. Share of external members from equity +		
17. Dividends and profit-sharing received +		
II. Investment cash flow	1,131,194	447,678
FINANCIAL CASH FLOW		
18. Receipts from shares issue, capital raising +		
19. Receipts from the issue of bonds and debt securities +		
20. Borrowings +		
21. Repayment, termination or redemption of long-term loans		
22. Non-repayable assets received +		
23. Cancellation of shares, disinvestment (capital reduction) -		(475,000)
24. Redeemed bonds and debt securities -		
25. Loan instalment payments, repayment of loans -	(1,060,886)	
26. Long-term loans and bank deposits -		
27. Non-repayable liquid assets transferred -		
28. Changes in long-term liabilities, including towards founders +		
III Cash flow from financial operations	(1,060,886)	(475,000)
IV Changes in liquid assets (rows I+II+III)	(247)	20,046

INDEPENDENT AUDITOR'S REPORT

To the shareholders of KONZUM Befektetési és Vagyonkezelő Nyilvánosan Működő Részvénytársaság

Audit opinion

We have audited the 2016 annual financial report of KONZUM Befektetési és Vagyonkezelő Nyilvánosan Működő Részvénytársaság ("Company"), which comprises the balance sheet as at 31 December 2016, showing a matching total of assets and liabilities in the amount of HUF 646,880,000; with an after-tax loss of HUF 20,766,000; the income statement for the business year ended on that day, and the notes, also giving a summary of the significant elements of the accounting policy.

We believe that the accompanying annual financial report gives a true and fair view of the equity and financial position of the Company as at 31 December 2016, and of its income position in the period then ended, and is in compliance with the provisions of Act C of 2000 on Accounting, effective in Hungary ("Accounting Act").

Grounds for the Audit Opinion

We have conducted the audit in accordance with the Hungarian National Auditing Standards and with the applicable laws and regulations pertaining to auditing and currently prevailing in Hungary. A description of our responsibilities under these standards is given in the section entitled "The Auditor's Responsibility for Auditing the Annual Financial Report".

In compliance with the ethical requirements applicable to our audit of the annual financial accounts and currently in force in Hungary, we are independent of the Company, and in accordance with these ethical requirements, we have also meet the other ethical responsibilities applicable to us.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit questions

The key audit questions include those that are the most important, in our reasonable professional judgement, for our audit the annual report of the period under review. We have analysed these matters in the context of our audit and in the course of developing our related opinion of the complete annual report, and we will not issue a separate opinion on these points.

Key audit question

The Company's share capital was lowered from HUF 2,086,000,000 to HUF 521,000,000 during the business year in the interest of loss adjustment and divestiture. At the same time, the total amount of financial fixed assets have decreased considerably, as a result of the charge-off of participation in KONZUM Áruház Zrt. The

share capital was lowered primarily due to a statutory requirement: as a result of the losses made on equity in the previous years, the equity capital fell below two-thirds of the share capital. Compulsory

loss adjustment amounted to HUF 1,032,000,000. In addition to loss adjustment, HUF 475,000,000 was also divested. In the framework of divestiture, the shareholders were paid in KONZUM Áruház Zrt's ordinary shares rather than in pecuniary allowances.

We focused on this area as the effect of share capital decrease on the reports was considerable and the applied method could cause high uncertainty in the estimates.

Actions performed during the audit of the key audit points

We adopted the following method to confirm reconciliation with the share capital decrease:

we audited the equity and determined the compulsory amount of loss adjustment, then we compared these figures with those recorded in the books;

we identified the divested amount;

we verified if the share capital decrease complied with the relevant company law provisions and capital market regulations; by an accounting estimate we compared the ratio of the shares

affected by divestiture to the KONZUM Áruház Zrt shares provided in exchange for them;

we audited the reconciliation of share capital decrease in the general ledger.

In the course of our audit of the completed procedures, we did not identify any material error.

Miscellaneous information: The Business Report

“Miscellaneous information” comprises the business report of KONZUM Kereskedelmi és Ipari Nyilvánosan Működő Részvénytársaság for the year 2016. The management is responsible for presentation of the financial statements in accordance with the provisions of the Accounting Act and the other applicable statutes. In the “Audit Opinion” chapter of our report, our opinion of the annual financial report does not apply to the business report.

In relation to our audit of the annual financial report, our responsibility is to read the business report and to establish if in any material respect the business report is in conflict with the annual financial report, or with the data we obtained during the audit, or otherwise it seems to contain any materially incorrect statement.

In relation to the business report, pursuant to the Accounting Act, we are also responsible for judging, upon reading the business report, if the business report has been made in compliance with the relevant provisions of the Accounting Act and other applicable statutes, if any.

We believe that the 2016 business report of KONZUM Kereskedelmi és Ipari Nyilvánosan Működő Részvénytársaság is in compliance with the 2016 annual financial statements of KONZUM Kereskedelmi és Ipari Nyilvánosan Működő Részvénytársaság, and the business report was made in accordance with the requirements of the Accounting Act.

As no other statute contains any other requirements for the Company in relation to the business report, in this respect, our audit opinion on the business report does not include the opinion defined in Section 156 (5) h) of the Accounting Act.

In addition to the above, in light of the information we have and our understanding of the Company and its environment, we are required to report any disclosure we may have become aware that may be considered materially incorrect (material misstatement) in the business report, and if yes, of the nature of such an erroneous report (misstatement). In this respect we have nothing to report.

The management's responsibility for the annual financial report

The management is responsible for the compilation of the annual financial report in accordance with the Hungarian Accounting Act and the requirements of fair presentation, and for an internal control it considers necessary for allowing the compilation of the annual financial report in a way that is free from material misstatements, whether due to fraud or errors.

In the course of compiling the annual financial report, the management is responsible for assessing the Company's ability to continue as a going concern and to disclose the information related to continuing the business as a going concern, and the management is responsible for using an accounting based on the principle of going concern in the annual financial report, unless the management intends to terminate the Company or discontinue its business activity, or it has no other reasonable option.

The Auditor's Responsibility for Auditing the Annual Financial Report

In the course of the audit our purpose is to obtain reasonable assurance whether the annual financial report as a whole is free from material misstatements, whether due to fraud or error, and based on this, to give an independent auditor's report containing our opinion. Reasonable assurance is a high level of assurance but it does not guarantee that the audit conducted in compliance with the Hungarian National Auditing Standards always reveals the otherwise existing material misstatements. Misstatements may arise from either fraud or error, and qualify as material if it may be a reasonable expected that separately or collectively they may influence the business decisions made by the users on the basis of the given annual financial report.

As part of an audit conducted in compliance with the Hungarian National Auditing Standards, we apply professional judgment and maintain professional scepticism in the course of the audit. In addition:

- We identify and assess the risks of material misstatements arising from fraud or error; design and implement audit procedures suitable for the management of such risks, and obtain auditing evidence that is sufficient and appropriate for grounding our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error because fraud may involve collusion, forgery, deliberate failure to record transactions, intentional misrepresentations or the overriding of internal control.

- We familiarise ourselves with the internal control relevant to the audit in order to plan audit procedures that are appropriate under the given circumstances, and not for giving an opinion on the efficiency of the Company's internal control.
- We evaluate the adequacy of the accounting policy adopted by the management and the reasonableness of the accounting estimates and related disclosures made by the management.

- We draw conclusions on whether the going concern basis for the preparation of the financial statements was appropriate stance from the management, and based on the obtained audit evidence, we judge if there is any material uncertainty in relation to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. If we conclude that there is a material uncertainty, in our independent auditor's report we must call the attention to the related disclosures in the annual financial report, or if in this respect the disclosures are inappropriate, we must qualify our opinion. Our conclusions are based on the audit evidences obtained up to the date of the independent audit. Future events or conditions may, however, prevent the Company from continuing its activity as a going concern.

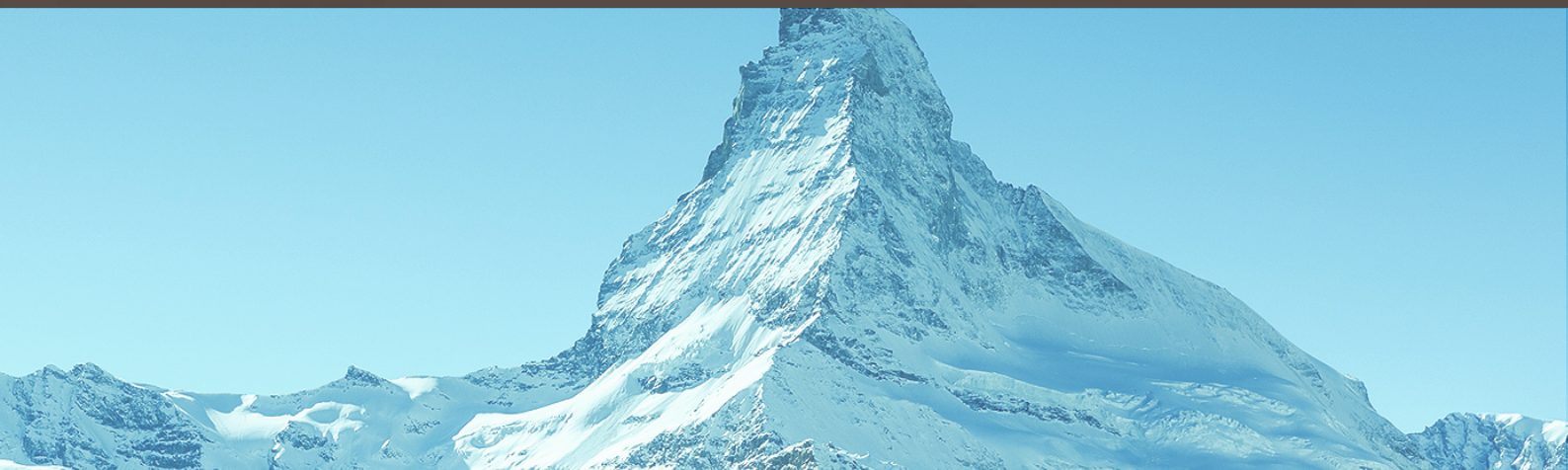
- We evaluate the presentation, structure and content of the annual financial report, including the disclosures included in the notes, and also assess if the annual financial report presents the underlying transactions and events in a true and fair manner.

In addition to other matters, we inform the persons charged with governance of the planned scope and time schedule of the audit and the significant findings of the audit, including any deficiencies identified during our audit in the internal control applied by the Company.

Pécs, 26 April 2017

Dr Anna Hoffmann,
Managing Director,
ESSEL Audit KFT
MKVK00J 109

Dr Anna Hoffmann,
Auditor, Member of the
Chamber of Auditors,
MKVK001631



KONZUM NYRT.
ANNUAL UNIQUE FINANCIAL REPORTS
ACCORDING TO INTERNATIONAL FINANCIAL REPORTING
STANDARDS
AUDITED
31 December 2017.

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1.
Balance sheet

data in thousands HUF, unless stated otherwise

	Annex	31. 12. 2017.	31. 12. 2016.
		<u> </u>	<u> </u>
ASSETS			
Assets after the year			
Deferred tax demands	3	50	-
Investments in associated business	4	2.230.172	36.840
Total assets after the year		<u>2.230.222</u>	<u>36.840</u>
Current assets			
Customer demands	5	1.586	1.626
Demands towards related undertaking	6	66.753	-
Other short-term demands	7	617.831	587.709
Income tax demands		2.091	-
Deferred charges	8	6	6
Securities	9	200	200
Funds and fund equivalents	10	86	20.499
Total current assets		<u>688.553</u>	<u>610.040</u>
Total assets		<u>2.918.775</u>	<u>646.880</u>

Annexes between pages 9-47. are an integral part of the report

Balance sheet

data in thousands HUF, unless stated otherwise

	Annex	31. 12. 2017.	31. 12. 2016.
SOURCES			
Equity			
Issued capital stock	11	521.500	521.500
Accumulated profit reserve	11	68.770	89.536
Current year profits	11	(34.271)	(20.766)
Total equity:		555.999	590.270
Short-term liabilities			
Short-term credits and loans	12	2.195.003	6.825
Supplier's obligations		3.760	5.489
Liabilities towards related undertaking	13	153.342	2.832
Other liabilities	14	4.704	40.064
Corporate tax liabilities		539	-
Accrual charges	15	5.428	1.400
Short-term liabilities, total		2.362.776	56.610
Liabilities and equity, total		2.918.775	646.880

Annexes between pages 9-48. are an integral part of the report

Comprehensive profits report

data in thousands HUF, unless stated otherwise

	Annex	31 December 2017.	31 December 2016.
Net income of sales	16	-	23.940
Tangible expenses	17	(24.743)	(17.640)
Personnel expenses	18	(8.379)	(14.297)
Depreciation		-	(183)
Other expenses, other income	19	(500)	(10.763)
Operating costs		(33.622)	(42.883)
Operating profits		(33.622)	(18.943)
Financial income	20	679	7
Financial expenses	21	(1.407)	(1.040)
Profit before tax		(34.350)	(19.976)
Income taxes	22	79	(790)
Profits after tax		(34.271)	(20.766)
Other comprehensive income		-	-
Total comprehensive income		(34.271)	(20.766)

Annexes between pages 9-47. are an integral part of the report

data in thousands HUF, unless stated otherwise

Equity movement table

	Annex	Issued capital stock	Accumulated profit reserve	Current year profits	Total equity:
Balance as of 31 December 2015		2.086.000	(1.031.990)	32.026	1.086.036
Previous year's profit transfer			32.026	(32.026)	-
Capital transfer, capital withdrawals		(475.000)			(475.000)
Capital transfer for settling loss		(1.031.990)	1.031.990		-
Capital transfer for the benefit of profit reserve		(57.510)	57.510		-
Total comprehensive income				(20.766)	(20.766)
Balance as of 31 December 2016		521.500	89.536	(20.766)	590.270
Previous year's profit transfer			(20.766)	20.766	-
Total comprehensive income				(34.271)	(34.271)
Balance as of 31 December 2017		521.500	68.770	(34.271)	555.999

Annexes between pages 9-47. are an integral part of the report

Cash Flow report

data in thousands HUF, unless stated otherwise

Annex	31 December 2017	31 December 2016
Cash flow from operating activities		
Results after tax	(34.271)	(20.766)
Corrections:		
Current year's depreciation	-	183
Deferred tax	(50)	-
The result of the sale of a tangible assets	-	(50)
Changes of working capital		
Changes of customer and other demands	(98.926)	120.641
Changes of deferred charges	-	1.022
Changes of suppliers	(1.729)	(5.128)
Changes of other short-term liabilities	115.689	(41.123)
Changes of accrual charges	4.028	474
Paid tax	-	-
<i>Net cash flow from operating activities</i>	(15.259)	55.253
Cash flow from investing activities		
Purchase of tangible assets	-	-
Income from sales of tangible assets	-	7.570
Acquisition of invested financial assets	(2.193.332)	
Sales of invested financial assets	-	440.962
<i>Net cash flow from investing activities</i>	(2.193.332)	448.532
Cash flow from financing activities		
Bank lending/(repayment)	2.188.178	(8.739)
Capital extraction		(475.000)
<i>Net cash flow from financing activities</i>	2.188.178	(483.739)
Net changes of cash and cash equivalent items	(20.413)	20.046
Balance of cash and cash equivalent items in the beginning of the year	20.499	453
Balance of cash and cash equivalent items at the end of the year	86	20.499

Annexes between pages 9-47. are an integral part of the unique report

1. General part

1.1 The presentation of the company

The name of the Company:	KONZUM Investment and Asset Management Public Limited Company (hereinafter: "the Company")
Seat:	1065 Budapest, Révay utca 10. II. em.
Website:	www.konzum.hu
Date of establishment:	01 January 1988 as the legal successor of Konzum Department Store Cooperative Joint Venture
Date of Company registration:	28 October 1988
Company Registration Number:	02-10-050623
Main activities:	Renting and operating self-owned, rented property
Representative entitled to sign the annual report:	Gellért Zoltán Jászai, member of the Board of Directors Ádám Aladin Linczényi, member of the Board of Directors together
Name of person responsible for carrying out accounting tasks:	Katalin Kovács Registration number: 146499
The auditor of the company:	ESSEL Audit Könyvvizsgáló Kft. MKVK (CHA) registration number: 001109
The person responsible for auditing:	Dr Anna Hoffmann, née Dr. Sasvári MKVK (CHA) registration number: 001631

The Company's operational management is carried out by the Board of Directors. The Supervisory Board performs control tasks related to the operation of the Company, as stipulated in the Statutes.

On the basis of Resolution No. 80/2018 of the Chief Executive Officer of the Budapest Stock Exchange Ltd., the shares of the Company shall be classified as Premium Class shares with effect from 07 March 2018.

The ownership structure of KONZUM PLC according to the total share capital as of 31 December 2017 is as follows:

Owner's name	Ownership share 2017	Ownership share 2016	Ownership share 2017	Ownership share 2016
Konzum PE fund	40,31%	-	40,31%	-
Forlev Kft.	-	42,62%	-	42,62%
Lőrinc Mészáros	19,57%	-	19,57%	-
Gellért Zoltán Jászai	10,43%	32,93%	10,43%	32,93%
Clearstream Banking S.A.	-	9,85%	-	9,85%
Free float	29,69%	14,60%	29,69%	14,60%
	100.00%	100.00%	100.00%	100.00%

1.2 Basis of making the balance sheet

i) Acceptance and declaration of compliance with International Financial Reporting Standards

Unique financial statements were approved by the Board of Directors on 05 April 2018. Individual financial statements have been prepared in accordance with International Financial Accounting Standards, as published in the Official Journal of the European Union (EU), in the form of regulations. IFRS is the standards and interpretations formulated by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC).

As of 01 January 2017, the Company is obliged to bookkeeping according to the IFRS rules and this financial statements are the first IFRS financial statements that were prepared in accordance with IFRS 1 regulations of First-Time Transfers.

The unique financial statements were presented in Hungarian Forints, rounded to thousand HUF, unless otherwise indicated.

ii) The basis for the preparation of the report

The unique financial statements have been prepared in accordance with the effective Standards and IFRIC Interpretations issued on 31 December 2017.

The financial statements have been prepared on the basis of cost accounting, except in cases where IFRS requires the use of another valuation principle as seen in the accounting policy. The financial year is the same as the calendar year.

iii) The basis of assessment

For the individual financial statements, the basis of assessment is the original entry cost, except for the following assets and liabilities that are presented at fair value: derivative financial instruments, financial instruments assessed at fair value opposing the profit and realizable financial instruments.

When preparing financial statements that comply with IFRSs, management needs to apply professional judgment, estimates and assumptions that affect the applied accounting policies and the amounts of assets and liabilities, income and expenses in the report. Estimates and related assumptions are based on past experience and many other factors that are reasonable in the circumstances and which results conclude the basis for estimating the balance sheet value of those assets and liabilities that cannot be clearly defined from other sources. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on a regular basis. Changes in accounting estimates will be displayed during the estimation modification period, if the modification affects only the year concerned, or during the modification period and future periods, if the modification affects both current and future years.

2. Accounting policies

The following are the most significant accounting policies used in the preparation of the separate financial statements. Accounting policies have consistently been applied to the periods included in these consolidated financial statements. The most important accounting principles used in compiling the financial statements are as follows:

2.1 The essential elements of accounting policy

2.1.1 Shareholding in subsidiaries and affiliated companies

Shares in subsidiaries and affiliated companies are showed in the unique financial statements at entry cost, in amounts decreased with impairments.

2.1.2 Reporting currency and foreign currency balances

Regarding the content and circumstances of the underlying economic events, the parent company is functional and the reporting currency of the Company is the Hungarian Forint.

Foreign currency transactions not denominated in HUF were initially recorded at the exchange rates valid on the date of the execution of such transactions. Demands and liabilities in foreign currencies were converted to HUF at the balance sheet date, not considering the return on the asset as doubtful. The resulting exchange rate differences are recognized in the income statement between the financial incomes and expenses.

The financial statements were prepared in Hungarian Forint (HUF), rounded to the nearest thousand, unless otherwise stated. The unique financial statements were prepared in Hungarian Forints, which is the presentation currency of the Company.

Foreign currency transactions are accounted in the functional currency - on the amount in foreign currencies, the exchange rate of the reporting currency and foreign currency at the date of the transaction are applied. In the comprehensive income statement, exchange differences that arise from the settlement of the monetary items, from the initial visualization during the period or from the different exchange rate used in the preceding financial statements are recognized as income or expense, in the period in which they arose. Monetary assets and liabilities denominated in a foreign currency are converted at the valid exchange rate of the functional currency at the end of the reporting period. Items denominated in a foreign currency assessed at fair value are converted at the exchange rate prevailing at the time of determining the fair value. Foreign exchange differences of the customer demands and supplier liabilities are included in the profit of the business, while the exchange rate differences of the loans are showed in the income or expense of the financial transactions.

2.1.3 Turnover

Turnover of sales transactions occurs when the terms and conditions of the delivery contract are met. The turnover does not include the general sales tax. All revenues and expenditures are accounted on the basis of the comparator principle at the appropriate time.

2.1.4 Real estate, machinery, equipment

The tangible assets are presented at entry value, decreased with accumulated depreciation. The accumulated depreciation includes the planned depreciation related to the continuous usage and operation of the asset, as well as the not planned depreciation and significant impairment of the asset due to unexpected event, and the costs of depreciation accounted due to not planned damages.

The acquisition cost of tangible assets is part of the entry value of the asset, and in the case of an investment for the enterprise, tangible and wage costs incurred and other direct costs are included as well. The interest accrued on a loan for an investment of a tangible asset increases the cost of an asset until the asset's intended purpose is reached.

The book value of tangible assets is reviewed at specific intervals in order to determine whether the book value does not exceed the fair, market value of the asset as in this case, it is necessary to account write-offs until the asset's fair, market value is reached. The fair, market value of the asset is its sales price, and the higher price of its use value. Use value is the discounted value of future cash flows generated by the asset.

The discount rate includes pre-corporate tax interest rates, taking into account the time value of money and the effect of other risk factors associated with the asset. If there is no future cash flow available for the asset, then the cash flow of the unit that is part of the asset should be considered as basis. The so-defined impairment, not planned depreciation is seen in the profit statement.

The cost of repair, maintenance and replacement of tangible assets charge the maintenance costs. Value-added investments and renovations are activated. Entry costs and cumulative depreciation of sold and nulified, unused assets are eliminated. Any such possible gains or losses that may arise are part of the result for that year.

The value of the assets of the Company in regards of the useful lifecycle of the assets is described using linear method. Lifecycle per asset group is as follows:

Buildings	50 years
Hotels	33 years
Leased real estate	10 years
Machinery, equipment	3-7 years

2.1.5 Impairment

At the end of each reporting period, the Company will assess whether an impairment loss occurred on any asset. If such a change occurred, the Company estimates the expected recovery value of the asset. The expected recovery value of an asset or cash-generating unit is the higher of the fair value decreased with sales costs and use value. The Company recognizes an impairment at the expense of the profit, if the asset's expected recovery value is lower than its book value. The Company prepares the necessary calculations based on the appropriate discounting of long-term future cash flow plans.

2.1.6 Intangible assets

Uniquely acquired intangible assets are recognized at acquisition value, and intangible assets acquired in a business combination are recognized at fair value at the date of the acquisition. The inclusion in the books will occur if the use of the asset will demonstrably result in the inflow of future economic goods and its cost can clearly be determined.

After the acquisition, the entry value model is normative for intangible assets. The lifecycle of these assets is finite or cannot be determined. Amortization of finite lifecycle assets is carried out on a linear method using the best estimate of lifecycle. The amortization period and the amortization method will be reviewed annually at the end of the financial year. Self-produced intangible assets, except for development costs, are not activated, but are recognized in opposing the profit, at the year in which they arise. Intangible assets are reviewed annually, uniquely in regards of impairment individually or at the level of the income generating unit.

Purchase costs of goods and software within the scope of trademarks, licenses and industrial property legal protection are activated and written off with linear method, under the duration of their estimated useful lifecycle:

Intangible assets and other rights, as well as software	3-6 years
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2.1.7 Goodwill

Goodwill is a positive difference between the fair value and the acquisition cost of identifiable net assets of the acquired subsidiary, associate or jointly controlled entity, on the acquisition date. The goodwill will not be amortized, but the Company reviews each year whether there are any indications signs that the book value is unlikely to be recovered. Goodwill is recognized at entry cost decreased with possible impairment.

2.1.8 Receivables

The receivables are presented in the statements at their nominal value reduced with impairment that corresponds to the estimated losses. An estimate is prepared for the doubtful receivables based on the comprehensive review of the outstanding balance made at the end of the year.

2.1.9 Financial instruments

The financial instruments that belong under the effect of standard IAS 39 may be classified under the following four groups: Financial instruments evaluated at fair value either with profit or loss (“trading purpose”), loans and receivables, investments held until expiry and sellable financial instruments. When presenting the financial instruments, their initial evaluation is done at fair value.

After their initial presentation, the “trading purpose” or “sellable” financial assets are valued at fair value, and the non-realised exchange rate profit or loss achieved in the case of trading purpose instruments are accounted as revenue (expenditure), the non-realised exchange rate profit or loss achieved in respect of sellable instruments appears as a separate element of equity, until the investment is not sold or not removed from the books in any other manner, or until impairment is not accounted in respect of the given investment, at which time the accumulated profit or loss accounted under equity will be presented as revenue.

Those other investments of long term expiry, which are qualified as being kept until expiry, as e.g. certain bonds, are presented at depreciated purchase value after their first appearance. The calculation of the depreciated purchase value is done with taking into consideration the discount or premium obtained at the time of procurement during the period that lasts until expiry. In the case of investments that are registered at depreciated purchase value, the profit or loss generated when the investment is removed from the books or on the occasion of impairment, and during the depreciation period is presented as revenue.

In the case of investments that participate in stock exchange turnover, the market value is defined on the basis of the official exchange rate that is announced on the date of the balance sheet. In the case of securities that are not quoted or not sold on any stock exchange, the market value is the market value of similar/substituting financial investments, and in case this method cannot be applied, the market value is defined on the basis of the estimated future cash flow of the asset that is connected to the investment.

The Company examines at each balance sheet date whether it is necessary to account any impairment for the financial instrument or for a group of the instruments. If in the case of

instruments that are presented at the depreciated purchase value any condition occurs that makes the accounting of impairment necessary, the extent of the impairment is the difference of the book value of the instrument and the amount of the future cash flows of the instrument discounted with the original effective interest rate.

Impairment appears in the profit and loss statement. If subsequently the amount of the accounted impairment decreases, it will be reversed, however, only up to the extent that the book value of the instrument will not exceed the depreciated value on the balance sheet date.

Securities investments are valued at the exchange rate of the day of performance and initially at the purchase price. Those short-term investments, that include securities kept for trading purposes, are indicated at their fair market value effective at the time of the next report, and their value is accounted according to the publicly quoted exchange rate that is effective on the date of the balance sheet. The non-realised profits and losses are included in the profit and loss statement.

In the case of sellable securities, the non-realised profit and loss (fair value change) is accounted under equity, until the security is not sold or an impairment accounting related decision is not made, at which point the accumulated profit and loss accounted under equity until then will be accounted in the profit and loss statement of the given period.

2.1.10 Financial liabilities

The statement of the Company concerning the consolidated financial situation contains the following financial liabilities: supplier and other short-term liabilities, loans, credits, bank account credits and future deals. These are presented and evaluated in the specific report, in the relevant sections of the supplementary notes, as follows:

The Company appraises each financial liability at fair value at their initial appearance. In the case of credits, it also takes into consideration those transaction costs that may be directly attributed to acquiring the financial liability.

The Company classifies the financial liabilities that belong under the effect of IAS 39 under the following categories: financial liabilities appraised at real value against the profit, loans and credits, and hedge instruments of hedge accounting purpose. The Company defines the classification of the specific financial liabilities, when it acquires them.

Financial liabilities valued at fair value against the profit are liabilities, which the Company acquired with the intention of trading or which the company qualified as being appraised at fair value against the profit at the time when they initially appeared. The trading purpose financial liabilities include those liabilities, which the company primarily purchased for profit that was expectable from the short-term exchange rate movements. This category also includes those forward deals, which are not classified as efficient hedge instruments.

The loans and credits appear in the statement referring to the financial situation at depreciated procurement value calculated with the effective interest rate method. The profits and losses that are connected to loans and credits are accounted in the income related statement, when depreciation is calculated with the effective interest rate method, and when the given financial liability is removed. Depreciation is accounted in the income related statement as financial expense.

2.1.11 Derivative financial instruments

The derivative financial instruments initially are appraised at purchase price, and they are revalued at real market value at the time of the next report.

The change that takes place in the real value of the derivative financial instruments that are outside hedge deals is included in the profit and loss statement.

2.1.12 Special purpose reserves

The Company presents special purpose reserves for (legal or assumed) obligations that exist as a consequence of the happenings of the past, which the Company probably will have to settle, and if the amount of the obligation may be measured in a reliable manner.

The amount presented as a special purpose reserve is the best estimate concerning the expense that is needed at the date of the balance sheet for the settlement of the existing obligation, with taking into consideration the risks and uncertainties that are characteristic of the given obligation. If they are using for the appraisal of the special purpose reserve the cash-flow that is needed according to the expectations for the settlement of the existing obligation, the book value of the special purpose reserve is the current value of this cash-flow.

If a part or the total of the expenses needed for the settlement of the special purpose reserve will be refunded by another party according to the expectations, the receivable is presented as an asset, if it is practically certain that the company will get the refunding and the amount of the receivable may be measured in a reliable manner.

The existing obligations due to disadvantageous contracts are presented as special purpose reserves. The Company classifies a contract as being disadvantageous, if based on the contract the unavoidable costs of performing the existing obligations exceed the expected economic benefits that will be collected based on the contract.

A reorganisation special purpose reserve is presented, if the Company prepared a detailed formal plan concerning reorganisation and by starting the implementation of the plan or by announcing the main features of the plan to those involved, those involved may expect with reason that the Company will carry out the reorganisation. The reorganisation special purpose reserve includes only those direct expenses that will occur in connection with the reorganisation, which are necessary accessories of the reorganisation, and which are not connected to the continued activity of the company.

2.1.13 Corporate tax

The extent of the corporate tax is based on the law on the corporate and dividend tax and the tax payment liability that is defined by the local trade tax regulation, and it is modified with the deferred tax. The corporate tax payment liability contains current and deferred tax elements.

The current year tax payment liability is defined on the basis of the taxable profit of the given year. The taxable profit deviates from the profit before tax that is indicated in the specific report, due to the profits and losses that are not included in the profit base, and due to items, that are taken into consideration under the taxable profit of other years. The current tax payment liability of the Company is defined on the basis of the tax rate that is in effect or which is announced (in case announcement is identical with entering into force) until the date of the balance sheet. The deferred tax is calculated according to the liability method.

Deferred tax is generated in those cases, when there is a difference in time as regards presenting a given item in the annual report and its accounting according to the tax act. The deferred tax receivable and liability are defined with using the tax rates of the taxable revenues of those years, when the deviation due to the time difference will be refunded according to the expectations. The extent of the deferred tax liability and tax receivable reflects the estimate of the Company existing on the date of the balance sheet, concerning the method of realising the tax assets and liabilities.

A deferred tax receivable is included in the balance sheet in respect of the deductible time deviations, the tax allowances that may be carried forward and the negative tax base only if it is

probable that the Company will realise profit that will generate the tax base in the course of its future activity, against which a deferred tax asset may be enforced.

On each balance sheet date, the Company takes into account those deferred tax assets that are not recognised in the balance sheet, and the book value of the recognised tax assets. It will include in the portfolio that part of the receivables that was not included in the balance sheet previously, and which may be refunded according to the expectations as the decreasing of its future profit tax. Contrarily to this, the Company will reduce its deferred tax receivable up to the extent, for the covering of the refunding of which there will be no profit after tax available according to the expectations.

The tax of the given year and the deferred tax is accounted directly against equity, in case it refers to an item, which was also accounted against the equity either in the same or in another period, including also the modifications of the opening value of the reserves that occur because of the changing of the accounting policy made with retroactive effect.

The postponed tax assets and liabilities may be accounted against each other, if the company has the right on the basis of the law to set off its actually tax receivables and liabilities – existing towards the same tax authority - against each other, and the Company wishes to implement the net accounting of these assets and liabilities.

2.1.14 Leasing

We deal with financial leasing, when according to the conditions of the leasing all the risks and costs arising from the possession of the asset burdens the leaseholder. All other leasing deals are classified as operating leasings.

In the case of a financial leasing, the assets leased by the Company are qualified as the assets of the Company, and they are presented at the fair value that is effective, when it is acquired. The liability occurring towards the lessor appears in the balance sheet as a financial leasing liability. The costs that occur in connection with the leasing, which is the difference between the fair value of the procured assets and of the entire leasing liability, are accounted at the expense of profit during the entire period of the leasing, in such a manner that they mean a constant expense appearing periodically in respect of the existing amount of the liability in the specific periods.

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.

2.1.15 Off-balance sheet items

The off-balance sheet liabilities are not included in the balance sheet and in the profit and loss statement that are included in the specific annual report, except if they were acquired in the course of business combinations.

They are presented in the supplementary notes, except if the probability of the outflow of the resources manifesting economic benefit is remote, minimal. The off-balance sheet receivables are not presented in the balance sheet and in the profit and loss statement included in the specific annual report, however, if the inflow of economic benefits is probable, they are introduced in the supplementary notes.

2.1.16 Repurchased own shares

The nominal value of the repurchased own shares is deducted from the registered capital. The difference between the nominal value and the purchase value is accounted directly in the capital surplus.

2.1.17 Dividend

The dividend is accounted by the Company in the year in which the owners approve it.

2.1.18 Profit of financial operations

Financial profit consists of the interest and dividend revenues, the interest and other financial expenses, the profit and loss of the fair valuation of the financial instruments, and the realised and non-realised exchange rate differences.

2.1.19 State subsidies

State subsidies are accounted when it is probable that the subsidy will be received and the prerequisites of disbursing the subsidy will be met. When the subsidy is for paying a cost, then it

has to be accounted for the benefit of the income statement of the period, in which the cost to be paid occurs (under other revenues). When the subsidy is connected to the procurement of assets, it is accounted as deferred revenue and it is accounted for the benefit of the profit in annually equal amounts during the useful lifetime of the connected asset.

2.1.20 Events occurring after the date of the balance sheet

Those events that occur after the end of the reported period, which provide additional information about the circumstances that exist at the end of the reporting period of the Company (modifying items), are introduced in the report. Those events occurring after the reporting period, which do not modify the data of the report are presented in the supplementary notes, provided they are substantial.

2.2 Changes of the accounting policy

The accounting policy of the Company is the same as the accounting policies that were used in the previous years.

The following yet not effective standards and interpretations have been issued until the issuance of the report. The Company plans to adopt the standards at the time of their effective dates.

IFRS 9 - Financial instruments: classification and valuation (effective as of January 1, 2018)

This standard introduces new requirements in connection with the classification, valuation and impairment of financial assets and financial liabilities. It is expected that the application of the IFRS 9 standard will have an impact on the qualification and valuation of the financial assets of the Company, however, probably, it will not influence the qualification and valuation of the financial liabilities. According to expectations the new standard will not have a significant impact on the report of the Company.

IFRS 15 – IFRS 15, Accounting revenues from Contracts with Customers (effective as of January 1, 2018)

The IASB issued a new standard on May 28, 2014 on accounting the sales revenues received from contracts concluded with clients. It will be mandatory to apply the new revenue standard for those applying IFRS in the case of the reporting periods that will be started on January 1, 2018 or afterwards. The new standard will replace the current regulations included in IAS 18 on revenues and in IAS 11 on the investment contracts in the area of accounting revenues. According to the new standard the companies have to apply a “five-step model” for defining when and in what amount they will present the sales revenue. According to the model, the revenue has to be presented in a way that reflects the transfer of the promised product or

service, in an amount, which the company will be entitled to according to its expectations. According to the expectations the new standard will not have a significant impact on the report of the Company.

IFRS 16 - Leasing (effective as of January 1, 2019)

The IASB issued a new standard on January 13, 2016 in connection with the accounting of leasing deals. It will be mandatory to apply the new leasing standard for those applying IFRS in the case of the reporting periods that will be started on January 1, 2019 or afterwards. The new standard will replace the current regulation of the IAS 17 standard on leasing, and it will essentially change the accounting of operating leasings that was applied so far. The Company will investigate the effect of this modification.

The Company applied in 2017 all the IFRS standards, modifications and interpretations that are effective as of January 1, 2017, and which are relevant from the aspect of the operation of the Company.

2.3 Uncertainty factors

When applying the accounting policy introduced in Point 2.1, it is necessary to apply estimates and assumptions for defining those values in a given point in time of certain assets and liabilities, which values cannot be unambiguously defined on the basis of other sources. The process of estimating includes the decisions and relevant factors that are based on the most recent information available. These significant estimates and assumptions may influence the value of those assets and liabilities, revenues and expenditures that appear in the financial statements, and the presentation of the pending assets and liabilities in the supplementary notes. The actual achievements may deviate from the estimated data.

The estimates are continuously updated. It has to be taken into consideration within the period of the change occurring in the accounting estimates, provided the change involves only the given period, and it has to be taken into consideration in the period of the change and in the future periods, in case the change involves both periods.

3. Deferred tax receivables

When calculating the deferred tax, the Company compares the values that may be taken into consideration from the aspect of taxation with the book values, by assets and liabilities. If the difference is a transitional difference, that is, the difference will be balanced within a foreseeable time, then it will be either a deferred tax liability or a deferred tax asset depending on its sign.

The Company separately examines refunding at the time when the asset is entered into the books.

The company calculates deferred tax with a 9 % tax rate, since the given assets and liabilities will become actual items in those periods, in which according to the expectations the tax rate will remain unchanged.

The assets are supported by the tax strategy prepared by the management, which strategy proves that the asset will be refunded.

The following deviations causing deductible and taxable tax differences were identified in year 2017 and year 2016:

	Opening Dec. 31, 2016	Changing of the consolidation group	Increase	Decrease	Closing Dec. 31, 2017
Impairment	-	-	50	-	50
Total	-	-	50	-	50

4. Participations

The company had the following shares in other companies:

Name of company	December 31, 2017	December 31, 2016
Konzum Áruház Kft.	30	30
KPRIA Magyarország Zrt.	580	2,250
KONZUM MANAGEMENT Kft.	900	900
Konzum Befektetési Alapkezelő Zrt.	30,960	30,960
KZBF Invest Kft.	2,700	2,700
Appeninn Nyrt.	2,195,002	-
Total	2,230,172	36,840

5. Trade receivables

	December 31, 2017	December 31, 2016
Trade receivables	2,140	2,180
To be subtracted: impairment	(554)	(554)
Total	1,586	1,626

6. Receivables from connected undertakings

Name of company	December 31, 2017	December 31, 2016
Konzum Management Kft.	63,557	-
Konzum Áruház Kft.	3,196	-
Total	66,753	-

7. Other short-term receivables

	December 31, 2017	December 31, 2016
Tüzépker receivables	563,121	578,331
Loans provided	228	258
Loan provided for KPRIA	50,000	-
Tax receivables	-	1,054
Other	4,482	8,066

Total	617,831	587,709
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8. Asset accruals

	December 31, 2017	December 31, 2016
Accrual of sales revenue	6	6
Total	6	6

9. Securities

	December 31, 2017	December 31, 2016
Securities	200	200
Total	200	200

The company keeps on the records among the securities 20 shares of SZIMFÉK Székesfehérvári Metál Fék- és Köszörűgyár Zrt of a nominal value of 2,000 thousand HUF/share.

10. Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash desks	-	-
Bank account	86	20,499
Total	86	20,499

11. Registered capital and reserves

The registered capital of the Company consists of 20,860,000 registered dematerialised ordinary shares of the nominal value of 25 HUF/share.

In year 2016, the Company decided to withdraw the capital of 475,000 thousand HUF, and it reduced its registered capital with an additional 1,031,990 thousand HUF for the benefit of the retained earnings.

Equity matching table:

	According to the IFRS rules	Reclassification	According to the Hungarian classification rules
Registered capital	521,500		521,500
Retained earnings	68,770		68,770
Profit after tax	(34,271)		(34,271)
Balance on December 31, 2017	555,999	-	555,999

12. Credits and loans

	December 31, 2017	December 31, 2016
Takarékbank Zrt.	2,195,003	-
Other	-	6,825
Short-term credits, total	2,195,003	6,825

Takarékbank Zrt credit

Konzum Nyrt and KONZUM MANAGEMENT Kft signed a loan contract on September 25, 2017 with the Magyar Takarékszövetkezeti Bank Zrt for acquiring a share packet of Appeninn Nyrt, the total allocation of which is 5.2 billion HUF. The credit is denominated in HUF, its interest rate is the 3-month BUBOR + 2.5 %, its expiry is September 3, 2018. The character of the collateral is the foundation of a joint and several caution money up to the value of 5.2 billion HUF and its contributions, member loan, the receivables and assets against Appeninn Nyrt (cash, dividend, revenue of selling real estate). The collaterals: 6,958,067 Opus shares or 3,471,295 Konzum shares or 21,532,091 Appeninn shares, subordinated to the Takarékbank loan, which may be used primarily for prepayment.

13. Liabilities towards connected undertakings

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Konzum PE	135,392	-
Jászai Gellért	17,950	-
Konzum Management Kft.	-	2,832
Total	<u>153,342</u>	<u>2,832</u>

14. Other liabilities

The value of other liabilities contained the following items on December 31, 2017 and December 31, 2016:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Income debt	292	131
Business quota purchase price	-	34,402
Caution money	382	382
Tax liability	-	5,149

Other	4,030	-
Total	4,704	40,064

15. Liability accruals

The value of the accrual of liabilities included the following items on December 31, 2017 and on December 31, 2016:

	December 31, 2017	December 31, 2016
Accrual of costs	5,428	1,400
Total	5,428	1,400

16. Net sales revenue

	December 31, 2017	December 31, 2016
Accounting services	-	3,635
Mediated services	-	305
Consulting	-	20,000
Total	-	23,940

17. Material-type expenditures

	December 31, 2017	December 31, 2016
Material costs	-	710
Services used	24,743	16,930

Total	24,743	17,640
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The services used consist of the following:

	December 31, 2017	December 31, 2016
Bank costs	412	605
Rental fees	184	614
Insurance fees	423	27
Maintenance costs	8	1,856
Expert fees	17,795	4,142
Post, phone	10	1,334
Other	5,911	8,352
Total	24,743	16,930

18. Personal-type expenditures

	December 31, 2017	December 31, 2016
Wage cost	6,630	10,707
Other personal-type benefits	248	694
Contributions	1,501	2,896
Total	8,379	14,297
Average number of workers on staff	1	4

19. Other expenditures and other revenues

	December 31, 2017	December 31, 2016
Fines paid	500	98
Local trade tax	-	1,108
Result of tangible asset sales	-	1,170
Result of assignment	-	(1,765)
Uncollectible receivables	-	9,940
Other	-	212
Total	500	10,763

20. Revenues of financial operations

	December 31, 2017	December 31, 2016
Interests received	679	-
Exchange rate profit	-	7
Total	679	7

21. Expenditures of financial operations

	December 31, 2017	December 31, 2016
Paid interests	1,407	1,019
Exchange rate loss	-	21
Total	1,407	1,040

22. Income taxes

Expenditures connected to the income taxes consist of the following:

	December 31, 2017	December 31, 2016
Corporate tax	(29)	790
Deferred tax	(50)	-
Total	(79)	790

The Company level corporate tax in the given year was defined on the basis of the taxable profit of the specific companies established according to the local rules.

At present, in Hungary, the range of tax types stipulated, levied by the specific tax authorities are regulated by several relevant laws. The related legislation covers among others the scope of VAT, the corporate tax, the local taxes and the taxes and contributions that are connected to wages. The inspection right of tax related accountings is due to the tax authorities, which are entitled to levy different fines, negligence penalties in the case of legislative non-compliance and the infringement of the legislation, within the frameworks that are ensured by the law. It is the firm belief of the management that the value of the tax liabilities included in the report is in harmony with the legislative provisions, At the same time, each authority is entitled to take a different standpoint, the impact of which may be even of a significant extent.

The tax has been derived as follows:

	2017	2016
Profit before tax	(34,271)	(20,766)
Tax payment liability calculated on the basis of the current tax rate, 9%	(3,084)	(1,869)
Non-presented loss accrual	3,034	1,869
Permanent differences	(29)	790
Income taxes, total	(79)	790

23. Risk management

The assets of the company include the cash and cash equivalents, the securities, the trade and other receivables, and the other assets – except the taxes. The liabilities of the Company include the credits and loans, the supplier and other liabilities, except the taxes and profit or loss that is due to the revaluation at fair value of the financial liabilities.

The Company is exposed to the following financial risks:

- credit risk
- liquidity risk
- market risk

This section presents the Company's above risks, the Company's objectives, policies, the measurement of the processes and the management of the risks, as well as the management capital of the Company. The Directorate has a general liability in the areas of establishing, supervising the Company and the risk management of the Company.

The purpose of the risk management policy of the Company is to filter out and examine those risks, which the Company has to face in order to establish the appropriate controls and to supervise the risks. The risk management policy and system are reviewed in order to reflect the changed market conditions and the activities of the Company.

Management of the capital

The key element of the capital policy of the Company is to retain its share capital that is sufficient for the investor and creditor trust to sustain the future development of the Company. The capital structure of the Company consists of net foreign capital and from the equity of the Company.

The Company in the course of managing the capital tries to ensure the possibility for the members of the Company to continue their activity and at the same time to maximise for the owners the returns by optimally balancing the loan capital and the equity, and it tries to keep the optimal capital structure in the interest of reducing the capital costs.. The Company also monitors whether the capital structure of its member companies meet the local legislative provisions.

Foreign capital was the following at the end of the reporting period:

	December 31, 2017	December 31, 2016
Credits, loans	2,195,003	6,825
Deducted: Cash and cash equivalents	(86)	(20,499)
Net debt portfolio	<u>2,194,917</u>	<u>(13,674)</u>
Equity	555,999	590,270
Net equity	<u>(1,638,918)</u>	<u>603,944</u>

Risk of providing credits

The risk of providing credit expresses the risk of the debtor or partner not performing its contractual obligations, which will lead to a financial loss for the Company. Financial instruments are exposed to credit providing risks, they may be long-term or short-term outplacements, they may be cash or cash equivalent, trade or other receivables.

The book value of financial instruments represents the maximum risk exposure. The following table shows the maximum credit risk exposure of the Company on December 31, 2017 and on December 31, 2016.

	December 31, 2017	December 31, 2016
Trade receivables	1,586	1,626
Other short-term receivables	617,831	587,709
Receivables from connected undertakings	66,753	-
Securities	200	200
Cash and cash equivalents	86	20,499
Total	<u>686,456</u>	<u>610,034</u>

Liquidity risk

Liquidity risk is the risk that the Company will not be able to perform its financial obligations at their due times. The Company's primary approach to liquidity management is to provide an appropriate liquidity at all times, as far as possible, for performing its obligation by their due times, both in the case of ordinary and in the case of strenuous circumstances, without the occurrence of any unacceptable loss and without risking the reputation of the Company.

The purpose of the Company is to sustain a balance between the continuity of financing and flexibility when establishing the portfolio of financial reserves and credits.

According to the opinion of the management no liquidity difficulties are expectable, since the revenues safely cover the debt service and the operation costs.

The Company meets its payment obligations by the deadline, and it had no expired debt on December 31, 2017 and December 31, 2016.

The structure of the financial obligations contracted and actually payable (not discounted) is summarised in the following table as regards December 31, 2017 and December 31, 2016:

December 31, 2017	due within 1 year	due within 2-5 years	due beyond 5 years	Total
Trade receivables	1,586			1,586
Receivables of connected undertakings	66,753			66,753
Other short-term receivables	617,831			617,831
Securities	200			200
Financial instruments	686,370	-	-	686,370
Short-term credits and loans	2,195,003			2,195,003
Supplier liabilities	3,760			3,760
Liabilities towards connected parties	153,342			153,342
Other liabilities	4,704			4,704
Corporate tax obligations	5,428			5,428
Financial liabilities	2,362,237	-	-	2,362,237
December 31, 2016	due within 1 year	due within 2-5 years	due beyond 5 years	Total
Trade receivables	1,626			1,626
Other short-term receivables	587,709			587,709
Securities	200			200
Financial instruments	589,535	-	-	589,535
Short term credits and loans	6,825			6,825
Supplier liabilities	5,489			5,489
Liabilities towards connected parties	2,832			2,832
Other liabilities	40,064			40,064
Financial liabilities	55,210	-	-	55,210

The member companies of the Company prepare cash-flow plans, which they continuously update. The Company examines with rolling forecasting the cash need of the Company in the interest of ensuring the appropriate cash portfolio that is needed for operation and for performing the financial indices that are defined in the credit contract. The cash surplus appearing on the level of the Company are manifested on deposit accounts, in tied down deposits and in securities.

Market risk

The market risk is the risk that the changes of the exchange rates, the interest rates and the prices of investments made into investment funds will influence the profit of the Company or the value of its investments that are in financial instruments. The purpose of managing the market risk is to manage and control the exposure to market risk within acceptable limits, with optimising the related benefit.

Sensitivity analysis

The Company established that its profit basically depends on the interest risk. In respect of this key variable the Company implemented sensitivity tests.

The Company tries to reduce the interest risks primarily by tying down its free financial assets. The Company does not conclude any exchange rate hedge deals.

The result of the interest sensitivity test (in the percentage of the changing of the interest) as regards the continued activities:

With actual interests	December 31, 2017	December 31, 2016
Profit before tax – without interest expenditure	-32 894	-17 924
Net interest expenditure	-728	-1 019
Profit before tax	-33 622	-18 943
1 %		
Profit before tax – without interest expenditure	-32 894	-17 924
Net interest expenditure	-735	-1 029
Profit before tax	-33 629	-18 953
<i>Changing of the profit before tax</i>	<i>-7</i>	<i>-10</i>
<i>Changing of the profit before tax (%)</i>	<i>0.022%</i>	<i>0.054%</i>
5 %		
Profit before tax – without interest expenditure	-32 894	-17 924
Net interest expenditure	-764	-1 070
Profit before tax	-33 658	-18 994
<i>Changing of the profit before tax</i>	<i>-36</i>	<i>-51</i>
<i>Changing of the profit before tax (%)</i>	<i>0.108%</i>	<i>0.269%</i>
10 %		
Profit before tax – without interest expenditure	-32 894	-17 924
Net interest expenditure	-801	-1 121
Profit before tax	-33 695	-19 045
<i>Changing of the profit before tax</i>	<i>-73</i>	<i>-102</i>
<i>Changing of the profit before tax (%)</i>	<i>0.217%</i>	<i>0.538%</i>
-1 %		
Profit before tax – without interest expenditure	-32 894	-17 924
Net interest expenditure	-721	-1 009
Profit before tax	-33 615	-18 933
<i>Changing of the profit before tax</i>	<i>7</i>	<i>10</i>
<i>Changing of the profit before tax (%)</i>	<i>-0.022%</i>	<i>-0.054%</i>
-5 %		
Profit before tax – without interest expenditure	-32 894	-17 924
Net interest expenditure	-692	-968
Profit before tax	-33 586	-18 892
<i>Changing of the profit before tax</i>	<i>36</i>	<i>51</i>
<i>Changing of the profit before tax (%)</i>	<i>-0.108%</i>	<i>-0.269%</i>
-10 %		
Profit before tax – without interest expenditure	-32 894	-17 924
Net interest expenditure	-655	-917
Profit before tax	-33 549	-18 841
<i>Changing of the profit before tax</i>	<i>73</i>	<i>102</i>
<i>Changing of the profit before tax (%)</i>	<i>-0.217%</i>	<i>-0.538%</i>

24. Financial instruments

The following are classified as financial instruments: loans granted, invested financial assets, from among the operating assets the trade receivables, the securities and cash and cash equivalents, as well as the credits and loans drawn and the supplier liabilities.

December 31, 2017	Book value	Fair value
Financial instruments		
<i>Sellable investments registered at fair value</i>		
Securities	200	200
Receivables from connected undertakings	66,753	66,753
<i>Loans and receivables registered at depreciated purchase value</i>		
Trade and other receivables	617,831	617,831
Cash and cash equivalents	86	86
Financial liabilities		
<i>Liabilities registered at depreciated purchase value</i>		
Financial liabilities	2,193,003	2,195,003
Supplier liabilities	3,760	3,760
December 31, 2016	Book value	Fair value
Financial instruments		
<i>Sellable investments registered at fair value</i>		
Securities	200	200
<i>Loans and receivables registered at depreciated purchase value</i>		
Trade and other receivables	587,709	587,709
Cash and cash equivalents	20,499	20,499
Financial liabilities		
<i>Liabilities registered at depreciated purchase value</i>		
Financial liabilities	6,825	6,825
Supplier liabilities	5,489	5,489

The fair value was defined in both years at the fair value that corresponds to level 3.

25. Transactions conducted with connected parties

The transaction conducted with connected parties were introduced in the notes that refer to the relevant balance sheet lines.

26. Subsidiaries and associated companies of the Company

<i>Subsidiaries</i>	Voting and ownership ratio		Address
	2017	2016	
HUNGUEST Hotels Szállodaipari Zrt.	59.94%	28.80%	2053 Herceghalom, Zsámbéki út 16.
KZBF INVEST Vagyonkezelő Kft.	90.00%	-	7621 Pécs, Irgalmasok utca 5.
Konzum Befektetési Alapkezelő Zrt.	45.80%	45.80%	1026 Budapest, Riadó utca 1-3.
Erkel Hotel Kft.	59.94%	-	5701 Gyula, Várkert 1.
Turizmus Stratégia Fejlesztő és Tanácsadó Kft.	59.94%	-	2053 Herceghalom, Zsámbéki út 16.

<i>Associated companies</i>	Voting and ownership ratio		Address
	2017	2016	
KPRIA Magyarország Zrt.	11.49%	45.00%	1026 Budapest, Riadó utca 1-3.
KONZUM MANAGEMENT Kft.	30.00%	30.00%	1065 Budapest, Révay utca 10.
Legatum '95 Kft.	36.00%	36.00%	7621 Pécs, Irgalmasok utca 5.
Appennin Vagyonkezelő Holding Nyrt.	23.86%	-	1022 Budapest, Bég u. 3-5.

27. Contingent liabilities

The Company undertook guarantees and sureties for its long-term and short-term credits and loans. The Company did not have any other contingent liabilities on December 31, 2017 beyond the contingent liabilities that are described in the notes that refer to the balance sheet line of credits and loans.

28. First application of the IFRSs

The equity situation of the Company on January 1, 2016 (the time when migration to IFRS took place)

	Note	Hungarian standards	Modification	IFRS
ASSETS				
Assets over one year				
Real estates, machines, equipment		7,638		7,638
Intangible assets		65		65
Investment into subsidiaries		477,802		477,802
Deferred tax receivables		-		-
Assets over one year, total		485,505		485,505
Current assets				
Trade receivables		38,340		38,340
Receivables from connected parties		445		445
Other short-term receivables		671,191		671,191
Accrued assets		1,028		1,028
Securities		200		200
Cash and cash equivalents		453		453
Current assets, total		711,657		711,657

Assets, total	1,197,162	1,197,162
LIABILITIES		
Equity		
Registered capital	2,086,000	2,086,000
Retained earnings	(1,031,990)	(1,031,990)
Profit of the given year	32,026	32,026
Equity, total:	1,086,036	1,086,036
Short-term liabilities		
Short-term credits and loans	15,564	15,564
Supplier liabilities	10,617	10,617
Liabilities towards connected undertakings	69,724	69,724
Other liabilities	14,295	14,295
Accrued liabilities	926	926
Short-term liabilities, total	111,126	111,126
Liabilities and equity, total	1,197,162	1,197,162

The equity situation of the Company on December 31, 2016

	Note	Hungarian standards	Modification	IFRS
ASSETS				
Assets over one year				
Investments into subsidiaries		36,840		36,840
Assets over one year, total		36,840		36,840
Current assets				
Trade receivables		1,626		1,626
Receivables from connected parties		-		-
Other short-term receivables		587,709		587,709
Accrued assets		6		6
Securities		200		200
Cash and cash equivalents		20,499		20,499
Current assets, total		610,040		610,040
Assets, total		646,880		646,880
LIABILITIES				
Equity				
Registered capital		521,500		521,500
Retained earnings		89,536		89,536
Profit of the given year		(20,766)		(20,766)
Equity, total:		590,270		590,270
Short-term liabilities				
Short-term credits and loans		6,825		6,825
Supplier liabilities		5,489		5,489
Liabilities towards connected enterprises		2,832		2,832
Other liabilities		40,064		40,064
Accrued liabilities		1,400		1,400
Short-term liabilities, total		56,610		56,610
Liabilities and equity, total		646,880		646,880

The profit of the company as regards 2016

	Note	Hungarian standard	Modification	IFRS
Net sales revenue		23,940		23,940
Material-type expenditure		(17,640)		(17,640)
Personal-type expenditure		(14,297)		(14,297)
Depreciation written off		(183)		(183)
Other expenditures, other revenues		(10,763)		(10,763)
Operating costs		(42,883)		(42,883)
Operating profit		(18,943)		(18,943)
Financial revenues		7		7
Financial expenditures		(1,040)		(1,040)
Profit before tax		(19,976)		(19,976)
Income taxes		(790)		(790)
Profit after tax		(20,766)		(20,766)
Other comprehensive income		-		-
Total comprehensive income		(20,766)		(20,766)

The cash flow statement of the Company for 2016

	Hungarian standards	Modification	IFRS
Cash flow from operating activities			
Profit after tax	(20,766)		(20,766)
Adjustments:			
Depreciation of the given year	183		183
Deferred tax	-		-
Profit of selling tangible assets	(50)		(50)
Changes of the working capital			
Changes of trade and other receivables	120,641		120,641
Changes of accrued assets	1,022		1,022
Changes of suppliers	(5,128)		(5,128)
Changes of other short-term liabilities	(41,123)		(41,123)
Changes of accrued liabilities	474		474
<i>Net cash-flow from operating activities</i>	55,253		55,253
Cash flow from investment activity			
Tangible assets and intangible assets (procurement)	-		-
Revenue of selling tangible assets	7,570		7,570
Selling invested financial assets	440,962		440,962
<i>Net cash flow from investment activities</i>	448,532		448,532
Cash flow from financing activities			
Calling down bank credit (repayment)	(8,739)		(8,739)
Withdrawal of capital	(475,000)		(475,000)
<i>Net cash flow from financing activities</i>	(483,739)		(483,739)
Net changes of cash and cash-type items	20,046		20,046
Year-beginning balance of cash and cash-type items	453		453
Year-end balance of cash and cash-type items	20,499		20,499

29. Remuneration of the Directorate and of the Supervisory Board

	December 31, 2017	December 31, 2016
Remuneration of the Directorate and of the Supervisory Board	6,630	2,330
Total	6,630	2,330

30. Events occurring after the date of the balance sheet

Capital increases

1. Based on the in kind contribution contract signed on February 14, 2018 by and between the KONZUM PE Magántőkealap, as in kind contributor and the company, as the in kind contribution receiver, the KONZUM PE Magántőkealap made available to KONZUM Nyrt its 100 % business quota ("BusinessQuota1") it owns in KZH INVEST Korlátolt Felelősségű Társaság and its 10 % business quota ("BusinessQuota2") it owns in KZBF INVEST Vagyonkezelő Korlátolt Felelősségű Társaság as a non-cash asset contribution. The Directorate accepts the value of BusinessQuota1 in the amount of 14 831 248 000 HUF and it accepts the value of BusinessQuota2 in the amount of 1 333 645 000 HUF, which amounts were defined by the PricewaterhouseCoopers consulting company.

This way the share capital of the Company increased to 650,160,400 HUF, while the number of the registered shares is 26,006,416, with the nominal value of 25 HUF/share.

2. A purchase and sale contract was concluded by and between the Wellnesshotel Építő Kft as seller and the Company as buyer on the day of March 27, 2018 concerning the real estate of Hotel Saliris Resort**** physically located at the address of Egerszalók, Forrás utca 6 (Contract1) and for the real estate of Hotel Alpenblick**** physically located at the address of Kreischberg-Murau, St.Lorenzen 6 (Contract2). As a result of the purchase and sale contract a cash receivable was created of the Wellnesshotel Építő Kft of the total amount of 2,674,471,580 HUF against the Company (Total Money Receivable). In line with the contents of the In-Kind Contract established on April 3, 2018, the Wellnesshotel Építő Kft made available the amount of the Total Money Receivable as a non-cash asset contribution to the Company.

The Directorate puts into private circulation, based on the asset contribution, 851,471 registered shares each of the nominal value of 25 HUF of the issuance value of 3,141 HUF providing identical rights. The entity entitled to subscribe these shares is the Wellnesshotel Építő Kft.

3. Based on the In-Kind Contribution Contract that was concluded by and between the KONZUM PE Magántőkealap, as the in kind contributor and the Company, as the receiver of the in kind contribution, the KONZUM PE Magántőkealap makes available to KONZUM Nyrt as a non-cash asset contribution its 100 % business quota existing in Holiday Resort Kreischberg-Murau GmbH owned by it.

The Directorate accepts the value of the Business Quota in the amount of 897,131,000 HUF, which amount was defined by the PricewaterhouseCoopers consulting company.

The Directorate, based on the asset contribution puts into private circulation 285,619 registered shares of the nominal value of 25 HUF/share of the issuance value of 3,141 HUF ensuring identical rights ensuring identical rights. The entity entitled to subscribe these shares is the KONZUM PE Magántőkealap.

4. The Company decided on March 7, 2018 that it wishes to increase its share capital through making available to the Company the Shares (BLT Group Zrt.) and Real Estates that are defined in the following. In the course of increasing the share capital the new shares will be issued by putting them into private circulation. The issuance value of the KONZUM shares intended to be newly put into circulation - in view of the fact that the Transaction will take place as a supplement to the share capital increase decided and published by the Company on December 12, 2017 - in respect of the KONZUM shares will be the closing exchange rate of the day of December 11, 2017 of the amount of 3,141 HUF as registered by the Budapesti Értéktőzsde Zrt, independently of the fact when the Company will carry out the specific parts of the Transaction. The targeted deadline for completing the transactions intended to be implemented in the interest of increasing the share capital of the Company is April 30, 2018.

Stock exchange classification

The Company on the day of March 5, 2018 initiated the reclassification of its registered shares (Konzum share; ISIN: HU0000142419) into the Premium Category of the Budapest Stock Exchange (BÉT), since it has met the conditions that are included in the relevant Rules of BÉT in the two examination periods that preceded the submission of the application.

Based on the decision of the Wiener Börse AG the shares of the Company became a part of the CECE index. The weight of the Konzum shares may be estimated to be in the CECE index 0.06 % and it was finalised on the day of March 12, 2018. The new basket composition became effective on the day of March 14, 2018.

CIG Pannónia Nyrt Agreement

On January 30, 2018, the General Assembly of CIG Pannónia Életbiztosító Nyrt consented to the Company acquiring an ownership of the extent of 24.85 % in the CIG Pannónia Nyrt with increasing the capital. Exclusively the Company will be entitled to subscribe the 23 466 020 shares that will be issued as the result of a private share capital increase, with each share having a nominal value of HUF 40 and an issuance value of 350 HUF and being an „A” series dematerialised registered share ensuring a voting right.

Moreover, the General Assembly of CIG Pannónia Életbiztosító Nyrt. consented to the KONZUM PE Magántőkealap – managed by the Konzum Befektetési Alapkezelő Zrt owned by the Company up to the extent of 47 % - to sell to CIG Pannónia Életbiztosító Nyrt 1 368 851 registered shares of 25 HUF/share nominal value issued by the Company at a purchase price of 3000 HUF/share. With the closing of the transaction the CIG Pannónia Életbiztosító Nyrt will acquire an ownership of 6.16 % in the Company.

The purpose of the above cross-ownership realising strategical co-operation is to achieve that the Company and the CIG Pannónia Életbiztosító Nyrt will mutually promote the maximising of the shareholder value, the economic activity, and the market positions of each other, in the interest of successful and profitable operation.

Deals of Appeninn Nyrt

The Company as the buyer and the KONZUM MANAGEMENT Kft as the seller signed a purchase and sale contract concerning the purchasing of 924,832 dematerialised registered shares issued by Appeninn Nyrt of the nominal value of 100 HUF/share at the purchase price that corresponds to the closing exchange rate registered by the Budapesti Értéktőzsde Zrt on March 8, 2018, that is, at the purchase price of 638 HUF/share. As a result of the transaction the share of the Company is 26.12 %, while the joint share of the KONZUM group is 51.40 % in Appeninn Nyrt.

On March 12, 2018, the Company sold in the framework of an OTC deal 2 020 372 dematerialised registered shares that were issued by Appeninn Nyrt of nominal value 100 HUF/share that is one hundred Hungarian forints/share to the OTP Ingatlanbefektetési Alap.

As a result of the transaction the Konzum group’s ownership in Appeninn Nyrt decreased to 46.46 %.

31. Authorising the publication of the financial statements

The Directorate of the parent company of the Company discussed the financial statements at its meeting held on April 5, 2018 and authorised its publication in this form.

Budapest, April 5, 2018

KONZUM Nyrt Directorate

INDEPENDENT AUDITOR'S REPORT

To the shareholders of KONZUM Befektetési és Vagyonkezelő Nyrt.

Audit opinion

We have audited the separate financial report of KONZUM Befektetési és Vagyonkezelő Nyrt (“Company”) for the year 2017, which financial statements comprise the separate balance sheet as at 31 December 2017, showing a matching total of assets and liabilities in the amount of HUF 2,918,775,000; with an after-tax loss of HUF 34,271,000 for the reporting year; a separate comprehensive income statement for the business year ended on that day, a separate statement of changes in equity and a separate cash-flow statement; and the notes, also giving a summary of the significant elements of the accounting policy.

We believe that the accompanying annual financial statements give a true and fair view of the equity and financial position of the Company as at 31 December 2017, and of its income position and cash flow in the business year then ended, and is in compliance with the provisions of the International Financial Reporting Standards (“IFRS”) accepted by the European Union as well as the provisions of Act C of 2000 on Accounting, effective in Hungary (“Accounting Act”) applicable to businesses compiling their annual reports according to the EU IFRS.

Grounds for the Audit Opinion

We conducted our audit in accordance with the Hungarian National Auditing Standards, with the applicable laws and regulations pertaining to auditing and currently prevailing in Hungary, and with Regulation (EU) No 537/2014 of the European Parliament and of the Council. A description of our responsibilities under these standards is given in the section entitled “The Auditor’s Responsibility for Auditing Separate Financial Statements”.

We are independent of the Company in accordance with the provisions of the relevant and effective statutes in force in Hungary, in the “Code of Ethics and Disciplinary Procedures of Professional Accountants” published by the Chamber of Hungarian Accountants, and in respect of matters not regulated in the aforementioned documents, to the “International Code of Ethics for Professional Accountants” published by the International Ethics Standards Board for Accountants, and we also meet the additional ethical requirements set out in these standards.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit questions

The key audit questions include those that are the most important, in our reasonable professional judgement, for our audit the separate financial statements for the reporting period.

We have analysed these matters in the context of our audit and in the course of developing our related opinion of the complete separate financial statements, and we will not issue a separate opinion on these points.

Key audit questions

Responses to the key audit questions

Audit of the internal application of IFRS

As the Company's transferable securities are traded in the market of the European Economic Area, its 2017 separate financial statements were performed according to the International Financial Standards.

The audit procedures we used to audit changes in the accounting policy included the following:

In compliance with the regulatory requirements, the Company compiled its 2017 separate financial statements in accordance with the International Financial Standards, and during conversion it observed the IFRS provisions applicable to the first application:

- we audited the correctness of setting the day of conversion;
- we made sure that the assets and liabilities represented according to the IFRS were fully included, their classification and evaluation were correct;
- we reviewed the equity, total comprehensive income and cash flow reconciliations,

During the audit of conversion from past reports to separate financial statements made according to the EU IFRS, no material error was identified.

Audit of the investments made in the business

The Company's investments in businesses represented HUG 2,230,172,000 or 76.4 percent of the total assets in the reporting year. With a view to the above, the audit of investments was also considered as a key audit area.

During the audit of investments, our audit procedures included the following:

- we compared the investments made in the reporting year and in the preceding year, and identified the investment that generated the greatest increase;
- in the course of obtaining the dematerialised ordinary shares of Appenin Nyrt, we performed an itemised study of the contracts related to the sale and purchase, the official approvals and the information provided by the stakeholders to the public;
- from the beginning of the transaction we audited the stock exchange trade data of the shares constituting the subject of sale and purchase.

- we studied the events related to the financial performance of the transaction.

During the audit of the invested assets we do not comment on their completeness and evaluation, and have nothing to note in relation to the implications regarding public authorities, accounting and financial aspects of the priority transaction.

Miscellaneous information: The Business Report

“Miscellaneous information” comprises the business report of KONZUM Befektetési és Vagyonkezelő Nyrt for the year 2017. The Management is responsible for presentation of the financial statements in accordance with the provisions of the Accounting Act and the other applicable statutes. In the “Audit Opinion” chapter of our independent auditor’s report, our opinion of the separate financial statements does not apply to the business report.

In relation to our audit of the separate financial statements, our responsibility is to read the business report and to establish if in any material respect the business report is in conflict with the separate financial statements, or with the data we obtained during the audit, or otherwise it seems to contain any incorrect material statement. If based on our audit we conclude that the miscellaneous information contain any incorrect material statement, we are required to report this fact and the nature of the incorrect statement.

Pursuant to the Accounting Act, we are also responsible for judging if the business report has been made in compliance with the relevant provisions of the Accounting Act and other applicable statutes, and to give our opinion on this and on the agreement between the business report and the separate financial statements.

As the Company’s transferable securities have been accepted for trading in the regulated market of the European Economic Area, our audit opinion on the business report must include the information specified in Article 95/B (2) e) and f) of the Accounting Act, and we must declare if the information mentioned in Article 95/B (2) a)-d), g) and h) have been made available.

In our opinion, KONZUM Befektetési és Vagyonkezelő Nyrt’s 2017 annual business report, including the information specified in Article 95/B (2) e) and f), are in all material respects in agreement with KONZUM Befektetési és Vagyonkezelő Nyrt’s separate financial statements for 2017 and with the relevant provisions of the Accounting Act. As no other statute contains any other requirements for the Company in relation to the business report, in this respect we do not give an audit opinion.

As no material contradiction of any other kind or any incorrect material statement were disclosed in the business report, we have nothing to report in this respect.

We also declare that the Company has provided access for us to the information required in Article 95/B (2) a)-d) and g)-h) of the Accounting Act.

Responsibility of the management and the persons in charge of governance for the separate financial statements

The management is responsible for the compilation of the separate financial statements in accordance with the provisions of the International Financial Reporting Standards (IFRS) accepted by the European Union, and with the supplementary requirements of the Hungarian Accounting Act applicable to annual reports compiled according to the EUR IFRS, as well as the requirements of fair presentation, and for an internal control it considers necessary for allowing the compilation of the separate financial statements in a way that is free from material misstatements, whether due to fraud or errors.

In the course of compiling the separate financial statements, the management is responsible for assessing the Company's ability to continue as a going concern and to disclose the information related to continuing the business as a going concern, and the management is responsible for compiling the separate financial statements based on the principle of going concern. The management must rely on the principle of going concern, unless the enforcement of this principle is hindered by a provision to the contrary, or any factor or circumstance prevails, which contradicts the continuation of business activities.

The persons in charge of governance are responsible for supervising the Company's financial reporting procedure.

The auditor's responsibility for auditing the separate financial statements

In the course of the audit our purpose is to obtain reasonable assurance if the separate financial statements, as a whole, are free from material misstatements, whether due to fraud or error, and based on this, to give an independent auditor's report containing our opinion. Reasonable assurance is a high level of assurance but it does not guarantee that the audit conducted in compliance with the Hungarian National Auditing Standards always reveals the otherwise existing material misstatements. Misstatements may arise from either fraud or error, and qualify as material if it may be a reasonable expected that separately or collectively they may influence the business decisions made by the users on the basis of the given separate financial statements.

In the course of an audit conducted in compliance with the Hungarian National Auditing Standards, we apply professional judgment and maintain professional scepticism.

Furthermore:

- We identify and assess the risks of making material misstatements in the separate financial statements and arising from fraud or error; develop and implement audit procedures suitable for the management of such risks, and obtain auditing evidence that is sufficient and appropriate for grounding our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error because fraud may involve collusion, forgery, deliberate failure to record transactions, intentional misrepresentations or the overriding of internal control.

- We familiarise ourselves with the internal control relevant to the audit in order to plan audit procedures that are appropriate under the given circumstances, and not for giving an opinion on the efficiency of the Company's internal control.
- We evaluate the adequacy of the accounting policy adopted by the management and the reasonableness of the accounting estimates and related disclosures made by the management.
- We draw conclusions on whether the going concern basis for the preparation of the separate financial statements was an appropriate stance from the management, and based on the obtained audit evidence, we assess if there is any material uncertainty in relation to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. If we conclude that there is a material uncertainty in our independent auditor's report, we must call the attention to the related disclosures in the separate financial statements, or if in this respect the disclosures are inappropriate, we must qualify our opinion. Our conclusions are based on the audit evidences obtained up to the date of our independent audit. Future events or conditions may, however, prevent the Company from continuing its activity as a going concern.
- We evaluate the presentation, structure and content of the separate financial statements, including the disclosures included in the notes, and also assess if the separate financial statements present the underlying transactions and events in a true and fair manner.

In addition to other matters, we inform the persons in charge of governance of the planned scope and time schedule of the audit, and the significant findings of the audit, including any deficiencies identified during our audit in the internal control applied by the Company.

We represent to the persons in charge of governance that we meet the relevant ethical requirements relating to independence, and we inform them of all the correlations and other issues that may reasonably be presumed to influence our independence and the related guarantees, if any.

Among the questions asked from the persons in charge of governance, we specify that were the most important ones during the audit of the separate financial statements of the audited period and were consequently key audit questions. In our audit report we present these matters, unless a statute or regulation prohibits the public disclosure of the particular matter, or under extremely rare circumstances, we establish that we cannot communicate the particular question because based on reasonable expectations their disadvantageous consequences would be more serious than the public benefits of such communication.

Report on other legal and regulatory requirements

In accordance with Article 10 (2) of (EU) Regulation 537/2014 of the European Parliament and of the Council, in our independent auditor's report we make the following statement in addition to the reporting obligation set out in the Hungarian National Auditing Standards:

Appointment of the auditor and term of appointment

The Company elected us to act as its auditor at its general meeting held on 26 April, 2016, and our appointment will expire on 30 April, 2019. For the first time we audited the Company's financial statements for the business year 2009, since then our engagement has been uninterrupted.

Agreement between the audit report and the report to the audit committee

We confirm that our audit opinion on the separate financial statements, as included in this audit report, is in agreement with the supplementary report filed to the Company's audit committee, which was issued on 23 April, 2018 in accordance with Article 11 of the Regulation (EU) 534/2014 of the European Parliament and the Council.

Rendering non-audit services

We represent that we have not provided any non-auditing service for the Company that is prohibited in Article 5 (1) of Regulation 537/2014/EU of the European Parliament and of the Council. We also represent that we have not provided any other non-auditing services not included in the business report for the Company and the businesses under its control.

The member of the Chamber of Accountants who has personal accountability for the audit commission resulting in this audit report is the signatory of the report.

Budapest, 23 April, 2018

Dr Anna Hoffmann,
Managing Director,
ESSEL Audit KFT
MKVK001 109

Dr Anna Hoffmann,
Auditor, Member of the
Chamber of Auditors,
MKVK001631