BUSINESS REPORT

TO THE ANNUAL SEPARATE IFRS ACCOUNTS FOR 2018
KONZUM Befektetési és Vagyonkezelő Nyrt.

08 April 2019

KONZUM

1. Executive Summary

The 2018 business year brought exceptional achievements for KONZUM Befektetési és Vagyonkezelő Nyrt. The capital increases planned by the management of the Company were successfully concluded, further increasing close ties with HUNGUEST Hotels Szállodaipari Zrt., on the one hand, and extending the latter's portfolio by acquisitions in the tourism sector, on the other hand. By the acquisition of business shares in Ligetfürdő Kft, the Hotel Forrás és Napfényfürdő Aquapolis, located in Szeged, is once again under direct Company management. In addition, the Company's international portfolio also expanded with the arrival of the Sun Resort hotel located in Montenegro, as a result of the Ligetfürdő acquisition, as well as two units located in the Austrian town of Heiligenblut: the Relax Resort hotel owned by Holiday Resort Kreischberg-Murau Gmbh, acquired from KONZUM PE Magántőkealap, and the Hotel Alpenblick, also located in Murau, acquired from Wellnesshotel Építő Kft. This package of tourism assets is worth HUF 22 billion and constitutes a major expansion for the portfolio of HUNGUEST Hotels Zrt, significantly increasing the profitability of the corporate group already in the short term.

In addition to tourism, the Company retained its dominant position on the commercial real estate market and significantly improved its position in the financial and capital market segment by a HUF 8.2 billion acquisition in CIG Pannónia Életbiztosító Nyrt.

Last year, the Management participated in numerous investment road shows and business conferences and attracted the interest of various international investors towards the Company. The Company's growth rate and corporate strategy were highly appreciated, and the direction set by the Management was particularly commended. One of the lessons learnt from these road shows, however, was that scale is a crucial factor in the success of entering international stock exchanges and attracting international investor interest. The same conclusion was partly behind the idea of a merger with OPUS GLOBAL Nyrt., now in the implementation phase. As a result of the merger, a major operator with international potential will be created in the Hungarian corporate sector.

2. Presentation of the Company

KONZUM Befektetési és Vagyonkezelő Nyrt. (Registered Office: 1062 Budapest, Andrássy út 59., Tax Number: 10210901-2-42, Company Registration Number: 01-10-049323, hereinafter referred to as Company) was established in 1987 and has been listed on the Budapest Stock Exchange since 1 November 1990. It had been active in various sectors since it was first established and is acting as an investment holding company as of 2016.

2.1. Equity and changes to the equity

The equity capital of the Company is represented by 330,523,148 ordinary shares (ISIN: HU0000160650, total value: HUF 826,307,870.00). The Company does not hold any own shares.

Persons holding a significant share (exceeding 5%) in the Company on the balance sheet date:

- KONZUM PE Magántőkealap – 45.14%
- Lőrinc Mészáros – 12.35%
- Gellért Jászai – 6.59%

In 2018, the registered capital of the Company increased from HUF 521,500 thousand to HUF 826,308 thousand as a result of a series of private capital increases, as presented in detail below under section 3. Given that the capital increase exceeded 20% of the registered capital, the Company prepared an issue prospectus that was approved by the Hungarian Central Bank. The issue prospectus was published on the website of the Budapest Stock Exchange on 24 September 2018.

2.2. Management of the Company

2.2.1. Board of Directors:

- Gellért Jászai – Director, chairperson of the Board of Directors
- Dr Beatrix Mészáros – Director
- Ágnes Homlok-Mészáros – Director
- Lőrinc Mészáros Jr – Director
- Aladin Ádám Linczényi – Director

2.2.2. Supervisory Board and Audit Committee

- János Tima – chairperson of the Supervisory Board and the Audit Committee
- Dr Orsolya Páricsi Dr Egyed – member of the Supervisory Board and Audit Committee
- Dr Ádám Balog – member of the Supervisory Board and Audit Committee

The only change in 2018 to the officers of the Company was the appointment of Dr Ádám Balog to the Supervisory Board and the Audit Committee, replacing Dr Kadosa Adorján Antal.

The Company currently employs four part-time staff members.

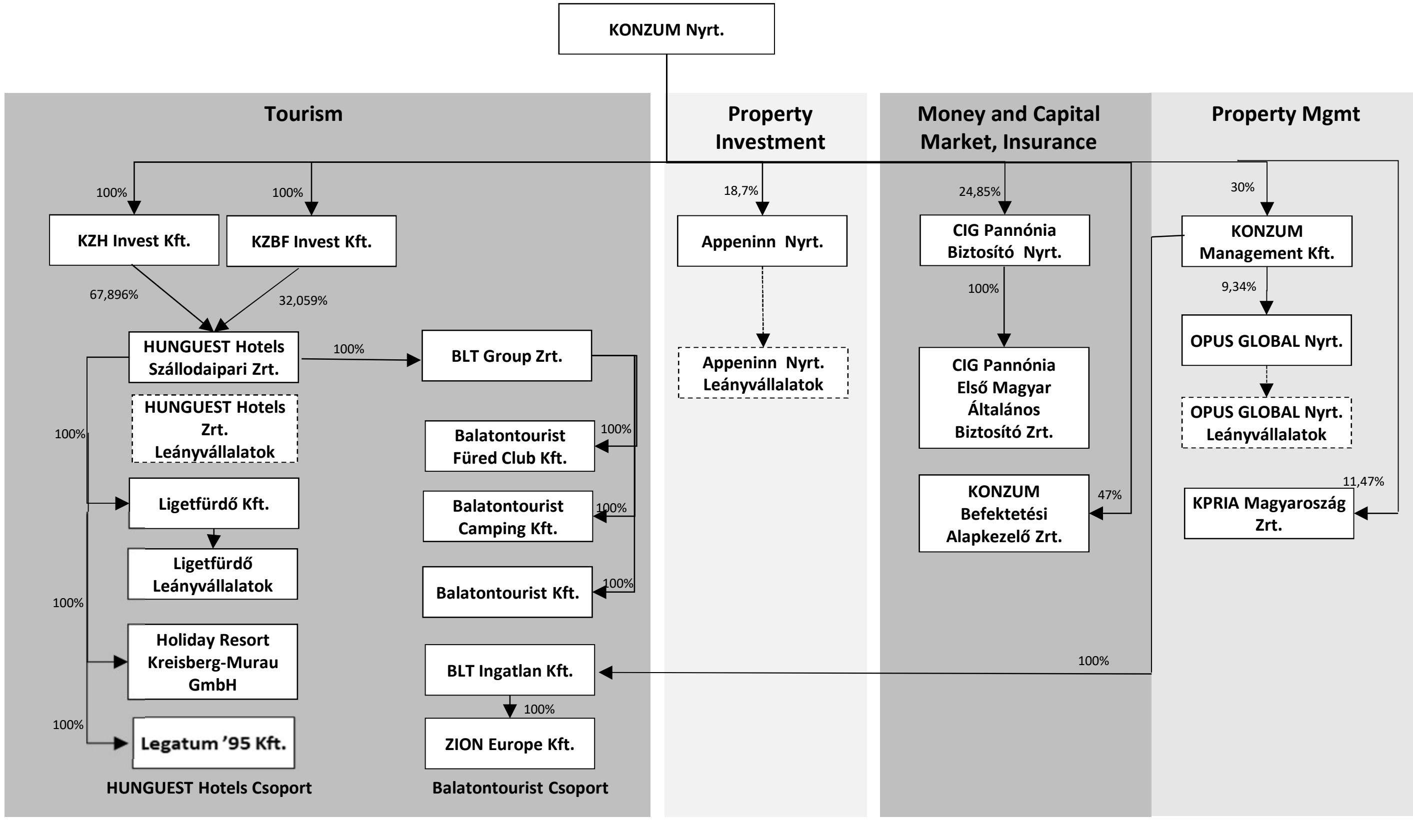
2.3. Accounting and Auditing

The accounts of the Company are kept by K&T Gazdasági Tanácsadó. The person responsible for accounting and reporting is Katalin Kovács (Chamber Registration Number: 146499). The Company keeps its books and prepares its accounts in accordance with the International Financial Reporting Standards (IFRS).

The Company's accounts are audited by ESSEL Audit Kft (Registered Office: 1162 Budapest, Fertály u. 7., Tax No: 12688322-2-42, Company Registration No: 01-09-698566, Chamber Registration No: 001109) and Dr László Sasvári (Membership No: 001630) bears personal responsibility.

2.4. Company Activities

The main activities of the Company, as listed in the company register and exercised in the 2018 financial year, are renting and operating services of own and leased property (NACE/TEÁOR: 6820'08). Another important sphere of activity is management activities of holding company (NACE/TEÁOR: 6420'08). In the context of the latter activities, the Company operates the following company structure:


KONZUM Nyrt.
Tourism
Property Investment
Money and Capital Market, Insurance
Property Mgmt
100%
100%
KZH Invest Kft.
KZBF Invest Kft.
67,896%
32,059%
HUNGUEST Hotels Szállodaipari Zrt.
HUNGUEST Hotels Zrt. Leányvállalatok
100%
BLT Group Zrt.
100%
Ligetfürdő Kft.
Ligetfürdő Leányvállalatok
100%
Holiday Resort Kreisberg-Murau GmbH
100%
Legatum '95 Kft.
HUNGUEST Hotels Csoport
100%
Balatontourist Füred Club Kft.
100%
Balatontourist Camping Kft.
100%
Balatontourist Kft.
BLT Ingatlan Kft.
100%
ZION Europe Kft.
Balatontourist Csoport
18,7%
Appeninn Nyrt.
Appeninn Nyrt. Leányvállalatok
24,85%
CIG Pannónia Biztosító Nyrt.
100%
CIG Pannónia Első Magyar Általános Biztosító Zrt.
47%
KONZUM Befektetési Alapkezelő Zrt.
100%
30%
KONZUM Management Kft.
9,34%
OPUS GLOBAL Nyrt.
OPUS GLOBAL Nyrt. Leányvállalatok
11,47%
KPRIA Magyaroszág Zrt.

3. Key economic events in 2018

In the 2018 financial year the primary challenge was the creation of a more streamlined structure for the previously acquired businesses, along with an enhanced structure for the Company itself. The objective was to provide a clearer picture to investors, as well as to present strong fundamentals in the parent company. A series of measures envisaged by the Management in December 2017 were gradually introduced from the beginning of 2018. These included the following events:

- On **30 January 2018**, the General Meeting of CIG Pannónia agreed to the acquisition by KONZUM Nyrt. of a 24.85 per cent holding in CIG Pannónia by a capital increase. KONZUM Nyrt. had an exclusive right to subscribe for the 23,466,020 'A' series registered, dematerialised ordinary shares with voting right, of HUF 40 par value and HUF 350 issue value, which were issued as a result of the private capital increase. The Court of Registration registered the capital increase in CIG Pannónia with an effective date of 8 May 2018, as a result of which KONZUM Nyrt. acquired 24.85 per cent qualifying holding in CIT Pannónia. Furthermore, the General Meeting of CIG Pannónia also agreed to the sale of 1,368,851 ordinary shares of HUF 25 par value, issued by the Company, to CIG Pannónia by KONZUM PE Private Equity Fund, managed by Konzum Befektetési Alapkezelő Zrt., which is controlled by KONZUM Nyrt., at the price of HUF 3,000 per share. The private equity fund made available the proceeds from the sale to KONZUM Nyrt. as a shareholder loan in order to make prepayment of its bank loan taken from the transaction. On the basis of a contract concluded for the contribution in kind on 8 May 2018, it increased the capital of KONZUM Nyrt. with that receivable.

- On 14 February 2018, KONZUM PE Private Equity Fund increased the capital of KONZUM Nyrt. through a contribution in kind made up of its 100 per cent business quota held in KZH Invest Kft. and 10 per cent business quota held in KZBF Invest Kft. Contributions in kind made up HUF 16,164,893,000 in total according to the report prepared by PricewaterhouseCoopers Magyarország Kft.

- On **9 March 2018**, 924,832 ordinary shares issued by Appeninn Nyrt. were purchased by the Company from KONZUM MANAGEMENT Kft. in the framework of an OTC transaction at the closing price recorded by BÉT on the previous day, i.e. HUF 638 per share. As a result of the transaction, the participation of KONZUM Nyrt. in Appeninn increased to 22.55 per cent and the joint holding of the Group in Appeninn changed to 51.4 per cent.

- On **12 March 2018**, KONZUM Nyrt. sold 2,020,372 dematerialised ordinary shares of HUF 100 par value issued by Appeninn to OTP Ingatlanbefektetési Alap within the framework of an OTC transaction. As a result of the transaction, the share of Konzum Nyrt. in Apeninn dropped to 18.28 per cent, and the Group's holding decreased to 46.46 per cent.

- On **3 April 2018**, KONZUM PE Private Equity Fund transferred its 100 per cent business quota held in Holiday Resort Kreischberg-MurauGmbh. to KONZUM Nyrt. within the framework of a private capital increase as contribution in kind. In addition, Wellnesshotel Építő Kft. contributed its outstanding receivable from KONZUM Nyrt. under the title of purchase price debt as contribution in kind. With that transaction, KONZUM Nyrt. acquired the ownership of Saliris Resort Spa&Conference Hotel and Hotel Alpenblick, also situated in Murau. The total contributions in kind amounted to HUF 3,571,602,580 according to the report by PricewaterhouseCoopers Magyarország Kft.

- On **3 April 2018,** the Company purchased 200,000 Appeninn ordinary shares at an average price of HUF 615.8 in a stock-exchange transaction, whereby the number of shares it holds increased to 8,860,027 and its holding reached 18.7%.

- On **2 May 2018**, KONZUM II Property Investment Fund increased capital in KONZUM Nyrt. by the contribution in kind of Bál Resort Hotel (situated in Balatonalmádi), which it owned, in the amount of HUF 1,988 million, also according to the report by PricewaterhouseCoopers Magyarország Kft.

- On **29 June 2018**, KONZUM Nyrt. acquired 100 per cent business share in Ligetfürdő Kft. through a sale and purchase agreement, thus obtaining direct and indirect holding and ownership of the following assets.

Direct or indirect acquisition (with indirect acquisition, KONZUM Nyrt. acquired ownership of the undertaking)	Degree of ownership or holding	Assets acquired by the Group as a result of the transaction
Direct	1/1 holding	HUNGUEST Hotel Forrás
Direct	1/1 holding	Napfényfürdő Aquapolis
Indirect (Heiligenblut Hotel GmbH)	100% holding	HUNGUEST Hotel Heiligenblut
Indirect (Heiligenblut Hotel GmbH)	100% holding	Landhotel Post
Indirect (HUNGUEST Hotels Montenegrod.o.o.)	100% holding	HUNGUEST Hotel Sun Resort

KONZUM PE Private Equity Fund paid a portion of the purchase price for the 100 per cent business quota of Ligetfürdő Kft. as a substitute. Following the payment of the purchase price, KONZUM PE Private Equity Fund made available its receivable from KONZUM Nyrt. for the payment of the purchase price within the framework of a private capital increase, as non-financial capital contribution.

- By its decision 4/2018, the General Meeting of the Company agreed to split by a factor of 10 the 29,284,159 ordinary shares of HUF 25 par value forming the equity capital of the Company. On the value date of the event, **12 October 2018**, each ordinary share of HUF 25 par value was replaced by 10 ordinary shares of HUF 2.5 par value each, thus the total number of equity shares increased to 292,841,590.

- On **17 October 2018,** the Board of Directors decided to start the preparatory work for a substantive decision on the merger of the Company with OPUS GLOBAL Nyrt. (Registered Office: 1062 Budapest, Andrássy út 59., Company Registration Number: 01-10-042533). Thus, a merger process unparalleled in the history of the Budapest Stock Exchange has started, prospectively leading to the emergence of a new, fourth largest issuer at the BSE with an equity capital of HUF 320 billion and planned EBITDA of HUF 30 billion.

- On **15 November 2018**, as a conclusion of the series of capital increases undertaken during the reporting year, KONZUM PE Private Equity Fund increased the capital of the Company by a receivable of HUF 10.538.5 million, of which HUF 9,677.3 million was a receivable related to the Ligetfürdő transaction.

- Also on 15 November 2018, Gellért Jászai and KONZUM MANAGEMENT Kft. increased the capital of the Company by a package of shares representing 100% ownership of BLT Group Zrt. (Registered Office: 1062 Budapest, Andrássy út 59., Company Registration Number: 01-10-049059) as a contribution in kind. The value of the capital increase was HUF 977,290,000.00, according to the business valuation provided by PricewaterhouseCoopers.

- At the extraordinary session of the General Meeting on **3 December 2018**, the owners of the Company decided on a merger of the Company with OPUS GLOBAL Nyrt. For the purposes of this merger by acquisition, the date of the draft statements of assets and liabilities is 31 December 2018. As a result of the merger by acquisition, the totality of assets of KONZUM Nyrt. will be assumed by OPUS Nyrt as successor company.

- On 28 December 2018, the Company entered into a sale and purchase agreement with HUNGUEST Hotels Szállodaipari Zrt. for all tourism-related assets it owned. These were:

  - Saliris Resort & Spa Conference Hotel – Egerszalók
  - Bál Resort Hotel – Balatonalmádi
  - Alpenblick Hotel – Murau, Austria
  - Holiday Resort Kreischberg-Murau Gmbh. 100% business share
  - 100% of BLT Group Zrt. ordinary shares and subsidiaries
  - 100% business share of Ligetfürdő Kft. and its subsidiaries

4. Resources, risks and results of the Company

4.1. Macroeconomic context

In 2018, the domestic economy continued to prosper, having surpassed international estimates and expectations over several years. Last year's economic growth reached 4.9%, up compared to the 4.5% market expectation. This rate of growth is outstanding not only in the region, but also within the entire EU. The Hungarian economy is highly likely to experience the second highest rate of increase after that of Poland. All sections of the economy contributed to the growth, in particular market-based services. As for individual industries, tourism and catering were segments of utmost importance for the Company, since these contribute to the results of the parent company in excess of 90%, as highlighted in previous consolidated accounts. Based on an annual analysis of the Hungarian Tourism Agency, tourism has produced record results in Hungary since 2010, with 2018 proving to be the best year for tourism so far. Revenues from commercial accommodation amounted to HUF 300.9 billion, of which 88.4% was registered by the hotel industry. The number of overnight stays also increased markedly, up 8.4% on 2017. Inbound tourism has seen a steady expansion since 2010, as well as domestic tourism, which is expected to receive further impetus from the changes introduced to the so-called cafeteria system in 2019.

Inflation continues to be low, although by the end of last year the consumer price index was close to the target inflation rate of 3%. Indeed, the National Bank indicated to market operators in a verbal communication that it was ready to tighten the monetary policy in case core inflation should exceed 3%.

Public deficit as a percentage of GDP decreased last year, contrary to expectations. It was down 2.0% from 2.4%, a significant reduction in relative terms and an altogether good result.

Public debt – bearing in mind the strong forint at the end of the year – was likely to decrease from 73.3% of GDP in 2017 to 71% in 2018, continuing the downward trend that began in 2011.

Employment figures in Hungary continued to improve over the last year and reached a level remarkable also from an EU perspective. While the EU expects to reach a 75% rate of employment for the 20-64 age group by 2020, Hungary has already registered a rate of 74.6%. In addition, unemployment figures hold further surprises by showing historically low rates. Between May and June 2018, the unemployment rate was 3.6%, the third lowest figure within the EU. The overall figure of 3.7% for January to December within the 15-74 age group is also remarkable.

4.2. Key financial indicators of the Company

The financial data presented below for KONZUM Befektetési és Vagyonkezelő Nyrt. are audited, unconsolidated financial data approved by the Board of Directors and the Supervisory Board of the Company. The 2018 report was prepared on the basis of IFRS-compliant financial statements as at 31 December 2018.

Given that the Company has kept its accounts in accordance with the IFRS since 2017, the data presented is comparable.

(data in thousand HUF)

	2018	2017	Change (2018/2017)
Long-term assets	29,069,165	2,230,172	1,303.45%
Current assets	24,316,424	688,553	3,531.53%
Total assets	**53,385,589**	**2,918,775**	**1,829.04%**
Equity	38,739,786	555,999	6,967.60%
Long-term liabilities	567,952	0	-
Short-term liabilities	14,077,851	2,362,776	595.82%
Total liabilities	**53,385,589**	**2,918,775**	**1,829.04%**
Net sales revenue	9,579,467	0	-
Goods and services sold	(9,420,374)	0	-
Material type expenses	(291,285)	(24,743)	1,177.24%
Personnel type expenses	(12,012)	(8,379)	143.36%
Other expenses	(89,777)	(500)	17,955.40%
Financial operations and Earnings before interest and tax	**(234,032)**	**(33,622)**	**696.07%**
Financial operations revenue	788,643	679	116,147.72%
Expenses on financial operations	(196,592)	(1,407)	13,972.42%
Profit or loss before taxation	**358,359**	**(34,350)**	**1,043.26%**
Tax liability (prompt and deferred)	(11,023)	79	-13,953.16%
Net profit or loss	**347,336**	**(34,271)**	**1,013.50%**
EBITDA	**(234,083)**	**(33,622)**	**696.22%**
EPS	17	(2)	850.00%

4.3. Presentation of the financial position of the Company

The volume of the series of capital increases announced at the end of 2017 and implemented in 2018 – along with that of the transactions carried out in parallel and presented in detail under Section 3 – and the impact on the corporate figures of the Company as a holding company is evident from the table presented in the previous section. To recap the most significant actual data and the context:

- The balance sheet total of the Company increased almost fivefold as a result of the capital increases implemented.

- Consequently, the equity of the Company increased from HUF 556 million to HUF 38,740 million, by a factor close to 70.

- At the balance sheet date, fixed assets included business shares, namely:

    - Share in Appeninn Nyrt. of a value of HUF 2.454 billion
    - Share in CIG Pannónia Nyrt. of a value of HUF 8.213 billion
    - Share in KZH Invest Kft. of a value of HUF 14.831 billion
    - Share in KZBF Invest Kft. of a value of HUF 1.336 billion
    - Share in BLT Group of a value of HUF 0.977 billion

- In contrast, liabilities increased only six-fold, from HUF 2.3 billion to HUF 14 billion in the reporting year. Thus, the financing obtained and assumed was substantially less in proportion as compared to the actual asset growth.

- From a financial perspective, therefore, the balance sheet structure is balanced, the Company's funding strategy is conservative.

- Under liabilities, HUF 3,118,331 thousand account for debts towards associated companies within the Group, at risk levels significantly lower than bank funding.

- The net sales revenue was almost exclusively attributable to the proceeds from the sale to HUNGUEST Hotels Szállodaipari Zrt. of Hotel Saliris and Hotel BÁL Resort, two out of the three hotels purchased for stock in the context of the capital increase. The same observation applies to the cost of sold goods.

- Material type expenses showed a marked increase, with expert fees and legal expenses accounting for 66% of such expenses.

- Other expenses also significantly increased and comprised an important portion of fiscal items related to real property (property tax, HIPA), as well as an important interest item paid to the seller for the protracted loan assumption process regarding the purchase of the Alpenblick Hotel (representing almost 50%). The latter item was reflected by the Company in the purchase price. The above listed items accounted for 87.85% of Other expenses.

- Revenues from financial operations included the result of the Appeninn share package sold to OTP Ingatlanbefektetési Alap, while expenses on financial operations included HUF 134,200 thousand of bank loan interest and HUF 62,003 thousand exchange losses and option premiums.

4.4. Risks associated with Company activities

The Company functions primarily as an investment holding company. Therefore, it is not directly affected by most risks related to operational functioning but, rather, indirectly, typically through its investments. Personnel risks related to the labour market, for instance, have no direct impact on the Company's operation as it does not have employees. On the other hand, HUNGUEST Hotels Szállodaipari Zrt., which is an investment of the Company and has a high demand for services and labour, is greatly exposed to these risks. The main types of risk factors with the most likely impact on the Company's operations are:

4.4.1. Environmental risk

This group includes all risk factors related to the operational environment of the Company. These are, above all, legal, regulatory, economic risks and those related to competitiveness. It is not possible to determine the direct impact of these factors on the Company. Indirect risk factors include a prognosis for domestic economic growth to slow down. This assumption is based on two risk factors. One is poorer short-term economic prospects on an international level, mainly a slowing down of European economies. The other is increased domestic use, which has started to impact negatively on the external balance through import demand. The latter raises the question whether the current dynamic of wage increases is sustainable. This particular group of risks is not material for the Company's operation. Another environmental risk which is relevant is inflation, albeit with indirect effects. In February 2019 the first warning signs have appeared, with indications that core inflation may reach or even exceed 3%, potentially prompting the central bank to tighten monetary policy. This, in turn, may lead to higher base rates. This is indeed a real risk for the Company, as its loans are pegged to BUBOR and a cycle of rising interest rates would lead an increase in financial expenditure. A third area of great importance would be exchange rates, although the Company itself has no currency exposure and, thus, related risks have no material impact on its business activities.

4.4.2. Management risk

Given that the organisational structure is basically operating under one governing board, no relevant organisational or holding risk can be identified.

4.4.3. Services risk

Under the given circumstances, this could be also termed portfolio risk, since the Company has no own product or service to offer. However, how it builds up its investment portfolio as the holding lead, is crucial. At present, the Company carries out investing activities in four segments:

- Tourism, catering
- Financial and capital markets
- Real estate investment

- Asset management

The Company would find itself in the safest position if these segments were, if not in equilibrium, then at least in a situation where its exposure to any of these segments is not accentuated significantly. Members of the HUNGUEST group, which are dominant operators in the tourism segment, are undergoing total consolidation at the moment, while Konzum Befektetési Alapkezelő Zrt., a representative of the financial and capital markets, operates with more modest volumes and figures. From the point of view of consolidation, CIG Pannónia Nyrt. and KONZUM MANAGEMENT Kft. are not within the asset management segment, although the 50,113,993 ordinary shares issued by OPUS GLOBAL Nyrt. and held by KONZUM MANAGEMENT Kft. do constitute a sizeable asset. Segment concentration must be balanced within a secure holding structure, and the forthcoming merger by acquisition – while equally justifiable by the economic rationale of risk minimisation – provides an excellent opportunity for this.

4.4.4. Financial risk

As mentioned earlier under environmental risks, an increase in the core inflation might entail central bank base rate increases, and the Hungarian Central Bank indeed informed the market of such intentions through informal verbal disclosure. The Company's current exposure is HUF 10.4 billion, and a 1 percentage point increase in the base rate would mean an additional annual expenditure of HUF 10 million. As far as funding is concerned, the loan related to the Saliris Resort is no longer a liability for the Company since the property sale was closed; however, the financing of the CIG Pannónia and Appeninn transactions is still exposed to such risk. The term structure of the latter two financing is also a potential financial risk for the Company, as these two business shares that it wishes to hold in the long term are backed up by short-term loan transactions. Although the financing strategy of the Company is conservative, these two transactions should be restructured in a way that the term structure and the ability to pay are aligned. Indeed, with the exception of the year 2018 when the Company had revenues from the use and sale of real estate, its income is typically generated by the dividend received after its investments, which must be also reflected in the financing structure.

5. Events after the balance sheet date and future plans of the Company

The two key events following the balance sheet date were the inclusion of the Company's shares in the FTSE index and the change in the person of the auditor responsible for the issuer within the auditing company, for reasons of internal work organisation.

Furthermore, the decision dated 6 March 2019 of the Company's Board of Directors and Supervisory Board was most significant, agreeing to the restructuring plan in relation to the merger with OPUS GLOBAL Nyrt., and calling for an extraordinary session of the General Meeting for the owners to take relevant decisions. The economic rationale behind the decision was presented above. Following the merger, the new company will be better capitalised and have greater and more diversified potential for income generation in respect of investments. Due to its size, it will be more attractive to international institutional investors, easier to introduce to international markets, and at the same time have better access to funds that will facilitate the implementation of its strategic objectives.

6. Diversity policy

The Company rejects any and all kind of discrimination based on gender, age, disability, ethnic origin, race, religious or sexual orientation, and rejects any form of discrimination at the workplace. Freedom from discrimination at the workplace and the equality of opportunities for all employees is a priority for the Company, also taking into account cultural and legal specificities.

The Company strives to ensure the full application of the principles of its diversity policy also in the current merger process.

The Articles of Association of the Company stipulate that the Company shall have a Board of directors composed of five members and a Supervisory Board of three members. At present, the Board of Directors has five members and the Supervisory Board three. There are altogether three female members of the governing board.

7. Disclosure in relation to environmental protection:

Between 1991 and 1998, the Company was the owner and user of the property situated at 8700 Marcali, Kossuth Lajos u. 39-41, where it conducted activities jointly with MM Rt. i.L. and MMW Fémipari Zrt. i.L. companies. Expert investigations carried out at the premises established the presence of soil pollution due to chlorinated and other hydrocarbons, to which the Company’s activities contributed by 2.88% according to professional estimates. Official decisions taken in the matter and subsequently reviewed by the Curia found that the three companies have joint obligation for indemnity and monitoring. Given that the above mentioned two businesses have since ceased to exist, the competent authority initiated a conciliation procedure in 2018 with a view to clarifying the circumstances. No substantive progress has been made in the matter since. The Company avails itself of all legal remedies in order to avoid disproportionate or unjust consequences from the outcome of the procedure. Considering the uncertainty surrounding the outcome and the material aspects of the consequences, the Company does not list this item in its accounts until the matter is closed. In accordance with the relevant standards, the Company did not create a provision for this judicial matter due to the uncertainty of the future outcome, since based on the available information it is not possible to provide a reliable estimate for expected future costs, and the probability of incurring such costs remains uncertain.

During the 2018 financial year, the Company did not encounter new events that might involve liability for environmental protection. The Company does not plan any environmental development in its current course of business, nor does it apply for relevant aid. The Company does not have a specific environmental policy.

8. Corporate governance statement

The Company declares that, to the best of its knowledge, the report prepared for 2018 in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit of the Company as an issuer and that the management report includes a fair review of the position, development and performance of the Company, together with a description of the principal risks and uncertainties that it faces.

The Company further declares that it will publish the corporate governance statement stipulated by Section 95/B (1) of Act C of 2000 on Accounting, with the content set out in Sub-Section (2) of the same act, in a Responsible Corporate Governance Report prepared pursuant to Section 3:289 of the Civil Code, and publish on the website of the Company and the Budapest Stock Exchange.

Budapest, 8 April 2019

Gellért Jászai	Aladin Linczényi
Chair of the Board of Directors	Director

KONZUM NYRT.

SEPARATE ANNUAL FINANCIAL STATEMENTS

IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

31 December 2018

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data in thousand HUF, unless otherwise indicated

Balance Sheet

	Note	31 December 2018	31 December 2017
ASSETS			
Long-term assets			
Intangible assets	3	429	
Properties	4	1,310,387	
Deferred tax receivables	5	23	50
Participations in affiliated companies	6	27,758,326	2,230,172
Total long-term assets		**29,069,165**	**2,230,222**
Current assets			
Trade receivables	7	91	1,586
Receivables from associated companies	8	24,258,345	66,753
Other short-term receivables	9	4,484	617,831
Prepayments and deferred expenses	10	10,606	2,097
Securities	11	200	200
Cash and cash equivalents	12	42,698	86
Total current assets		**24,316,424**	**688,553**
Total assets		**53,385,589**	**2,918,775**

The notes listed on pages 9 to 44 form an integral part of the accounts

data in thousand HUF, unless otherwise indicated

Balance Sheet

	Note	31 December 2018	31 December 2017
LIABILITIES			
Equity			
Subscribed capital	13	826,308	521,500
Capital reserve	13	37,458,643	
Profit reserve	13	107,499	68,770
Profit or loss in the current year	13	347,336	(34,271)
Total equity:		**38,739,786**	**555,999**
Long-term liabilities			
Long-term related liabilities	14	567,695	
Provisions for contingent liabilities	15	257	
Total long-term liabilities		**567,952**	**-**
Short-term liabilities			
Short-term credit and loans	16	10,385,472	2,195,003
Trade payables	17	965,820	3,760
Liabilities to associated companies	18	2,630,542	153,342
Other liabilities	19	85,614	4,704
Corporate tax liability	20	10,402	539
Accruals and deferred income	21		5,428
Total short-term liabilities		**14,077,851**	**2,362,776**
Total liabilities and equity		**53,385,589**	**2,918,775**

The notes listed on pages 9 to 44 form an integral part of the accounts

data in thousand HUF, unless otherwise indicated

Comprehensive profit and loss account

	Note	31 December 2018	31 December 2017
Net sales revenue	22	9,579,467	
Goods and services sold	23	(9,420,374)	
Material type expenses	24	(291,285)	(24,743)
Staff costs	25	(12,012)	(8,379)
Depreciation and impairment	26	(51)	
Other expenses / other revenues	27	(89,777)	(500)
Operating expenses		**(9,813,499)**	**(33,622)**
Operating profit or loss		**(234,032)**	**(33,622)**
Financial revenues	28	788,643	679
Finance costs	29	(196,252)	(1,407)
Profit or loss before taxation		**358,359**	**(34,350)**
Income tax	30	(11,023)	79
Profit or loss after taxation		**347,336**	**(34,271)**
Other comprehensive income		**-**	**-**
Total comprehensive income		**347,336**	**(34,271)**

The notes listed on pages 9 to 44 form an integral part of the accounts

data in thousand HUF, unless otherwise indicated

Statement of changes to equity

	Note	Registered capital	Capital reserve	Profit reserve	Profit or loss in the current year	Total equity
Balance at 31 December 2016		**521,500**		**89,536**	**(20,766)**	**590,270**
Transfer of profit or loss from the previous year				(20,766)	20,766	
Total comprehensive income					(34,271)	(34,271)
Balance at 31 December 2017		**521,500**		**68,770**	**(34,271)**	**555,999**
Transfer of profit/loss from the previous year				(34,271)	34,271	
Profit or loss in the current year					112,676	112,676
Capital increase						
10% share in KZBF Invest Kft. as a contribution in kind by Konzum PE Private Equity Fund		10,615	1,323,029			1,333,644
100% share in KZH Kft. as a contribution in kind by Konzum PE Private Equity Fund		118,046	14,713,204			14,831,250
Contribution in kind of Wellnesshotel Építő Zrt. receivable		21,287	2,653,185			2,674,472
100% share in Holiday Resort Kreischberg Murau GmbH as a contribution in kind by Konzum PE Private Equity Fund		7,140	889,990			897,130
Konzum II Ingatlan Befektetési Alap property contribution in kind		15,823	1,972,177			1,988,000
Contribution in kind of Konzum PE Private Equity Fund receivable		37,693	4,485,509			4,523,202

100% of BLT Group Zrt. shares as a contribution in kind by Konzum Management Kft. and Gellért Jászai	7,778	969,512			977,290
Contribution in kind of Konzum PE Private Equity Fund receivable	86,426	10,452,037			10,538,463
Dividends				234,660	234,660
Derecognition of supplementary payment			73,000		73,000
Balance at 31 December 2018	**826,308**	**37,458,643**	**107,499**	**347,336**	**38,739,786**

The annexes listed on pages 9 to 44 form an integral part of the accounts

data in thousand HUF, unless otherwise indicated

Cash Flow Statement

	31 December 2018	31 December 2017
Cash flow from operating activities		
Profit or loss after taxation	347,336	(34,271)
Adjustment:		
Depreciation for the year	51	
Deferred tax	27	(50)
Change in provisions	257	
Valuation of associates with the equity method		
Proceeds from the sale of tangible assets		
Changes in working capital		
Changes in inventories		
Changes in trade and other receivables	(23,574,659)	(98,926)
Changes in prepayments and deferred expenses	(10,600)	
Changes in trade payables	962,060	(1,729)
Other short-term liabilities and deferrals	2,781,969	155,689
Changes in accruals and deferred income	(5,428)	4,028
Tax paid	(10,996)	
Net operating cash flow	***(19,509,982)***	***24,741***
Cash flow from investment activities		
Purchases of tangible assets	(1,310,867)	
Proceeds from the sale of tangible assets		
Acquisition of non-current financial assets	(25,658,154)	(2,193,332)

Sale of non-current financial assets		
Net cash flow from investment activities	***(26,969,021)***	***(2,193,332)***
Cash flow from financing activities		
Borrowing/repayment of bank loans	8,758,164	2,188,178
Investment / (-) disinvestment	37,763,451	
Net cash flow from financing activities	***46,521,615***	***2,188,178***
Net change in cash and cash equivalents	42,612	(20,413)
Balance of cash and cash equivalents at the beginning of the year	86	20,499
Balance of cash and cash equivalents at the end of the year	**42,698**	**86**

The annexes listed on pages 9 to 44 form an integral part of the separate accounts

1. General part

1.1 Presentation of the undertaking

Name of Company:	KONZUM Befektetési és Vagyonkezelő Nyilvánosan Működő Részvénytársaság (hereinafter referred to as Company)
Registered office:	1062 Budapest, Andrássy út 59.
Website:	www.konzum.hu
Established on:	1 January 1988, as a legal successor to Konzum Áruház Szövetkezeti Közös Vállalat
Date of registration:	28 October 1988
Company Registration Number:	02-10-050623
Principal activity:	Renting and operating services of own and leased property
Officer authorised to sign the Annual Financial Statement:	Mr Gellért Zoltán Jászai, Director, and Aladin Ádám Linczényi, Director jointly
Name of person responsible for accounting:	Ms Katalin Kovács Registration number: 146499
Auditor:	ESSEL Audit Könyvvizsgáló Kft. MKVK registration number: 001109
Auditor responsible in person:	Dr László Sasvári MKVK registration number: 001630

The Board of Directors is responsible for the operational management of the Company. Control tasks related to the operation of the Company are carried out by the Supervisory Board, as set out in the Articles of Association.

Pursuant to decision 80/2018 of the Chief executive officer of the Budapest Stock Exchange Zrt., the shares issued by the Company are classified as premium category as of 7 March 2018.

1.1. Presentation of the business (continued)

The capital structure of KONZUM Nyrt. as a proportion of the total equity, as at 31 December 2018:

Name of owner	Capital ownership 2018	Capital ownership 2017	Share of votes 2018	Share of votes 2017
KONZUM PE Private Equity Fund	45.61%	40.31%	45.61%	40.31%
Lőrinc Mészáros	12.35%	19.57%	12.35%	19.57%
Gellért Zoltán Jászai	6.58%	10.43%	6.58%	10.43%
Free float	35.46%	29.69%	35.46%	29.69%
	100.00%	**100.00%**	**100.00%**	**100.00%**

1.2 The basis of the balance sheet

I) Acceptance and declaration of compliance with the International Financial Reporting Standards

The separate financial statements were accepted by the Board of Directors on 18 March 2019. The separate financial statements were prepared in accordance with the International Financial Accounting Standards, on the basis of the standards published and introduced in the Official Journal of the European Union (EU) in the form of a regulation. The IFRS includes standards and interpretations formulated by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

The Company is legally obliged to keep its accounts in accordance with the IFRS standards as of 1 January 2017.

The separate financial statements are presented in Hungarian forints, rounded to thousand forints, unless otherwise indicated.

1.2. The basis of the balance sheet (continued)

ii) The basis of the preparation of the accounts

The separate financial statements were prepared in accordance with the standards and IFRIC interpretations issued and effective as at 31 December 2018.

The accounts were prepared based on the principle of purchase value, except where the IFRS requires other valuation principles to be applied, as seen under the accounting policy. The financial year corresponds to the calendar year.

iii) The basis of valuation

The basis of valuation for the purposes of the separate financial statements is historical cost, except for the following assets and liabilities, presented at fair value: derivative financial instruments, financial instruments measured at fair value, and financial statements available for sale.

The preparation of the statements in accordance with the IFRS requires professional judgment, estimates and assumptions on the part of the management, which affects the accounting policy applied, as well as the amounts for assets, liabilities, revenues and expenses included in the financial statements. Estimates and related assumptions are based on past experience and various other factors that can be deemed reasonable under the given circumstances, which form the basis of evaluating the book value of assets and liabilities if it is not clearly available from other sources. Actual amounts may differ from these estimates.

The review of estimates and underlying assumptions is continuous. The amendments of accounting estimates are reported in the period of the relevant amendment if it only affects one year, and in both the amendment period and future periods affected by the amendment if the amendment affects both current and future years.

2. Accounting policy

The following is a presentation of the key elements of the Company's accounting policy applied for the preparation of the separate financial statements. Accounting policies were applied consistently for the periods included in the present consolidated financial statements. The main accounting principles applied for the preparation of the accounts were as follows:

2.1 Main elements of the accounting policy

2.1.1 **Participations in subsidiaries and associated companies**

The Company's separate financial statements recognise participations in subsidiaries and associated companies at cost, at values decreases by impairment loss.

2.1.2 **Reporting currency and foreign currency balances**

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

Exchange transactions not recorded in forints were recorded at the exchange rate applicable on the date of execution of such transactions. Receivables and liabilities in foreign currencies were calculated in HUF at the exchange rate applicable on the balance sheet date, regardless of whether the asset was deemed to be recoverable or not. The resulting exchange rate differences are presented in the profit and loss account under financial revenues and expenses.

The financial statements were prepared in Hungarian forint (HUF), rounded to the nearest thousand, unless otherwise indicated. The separate financial statements were prepared in Hungarian forint, which is the presentation currency of the Company.

Foreign currency transactions are recognised in the functional currency, applying the exchange rate between the foreign currency of the transaction and the reporting currency, applicable on the date of the transaction, to the amount in the foreign currency. The comprehensive profit and loss account presents exchange differences resulting from the use of exchange rates other than those applied for the initial recognition of the settlement of monetary items during the period, or in the previous financial statements, under revenue or expenditure in the period when these were created. Monetary assets and liabilities in foreign currency are calculated in the functional currency at the exchange rate applicable for the end of the reporting period. Items calculated at fair value in foreign currency are converted at the exchange rate applicable on the date of the assessment of the fair value. The exchange differences of trade receivables and trade payables are presented under operating profit or loss, while exchange differences of loans are recognised under revenues or expenses of financial operations.

2.1. Main elements of the accounting policy (continued)

2.1.3 Revenues

Revenues from sale transactions are recognised upon execution in accordance with the terms and conditions of the contracts of carriage. The revenues are not inclusive of value-added tax. All income and expenditure are recognised on the basis of the matching principle in the relevant period.

2.1.4 Property, plant and equipment

Tangible assets are presented at cost less any accumulated depreciation. Accumulated depreciation includes costs recognised for the depreciation incurred in relation to the continuous use and operation of the asset, and extraordinary depreciation recognised for significant damage to the asset as a result of unexpected, unusual events.

The purchase value of tangible assets includes acquisition costs, and for investments in own enterprise also the material and personnel type expenses and other direct costs incurred. Interest recognised for a tangible asset investment loan is added to the purchase value until such time as the asset is fit for its intended purpose.

The book value of tangible assets is reviewed at regular intervals to establish whether the book value exceeds the fair, market value, as in that case an extraordinary depreciation is in order to match the fair market value of the asset. The fair market value is the higher of the sale price or the value in use of the asset. The value in use is the discounted value of the future cash flows generated by the asset.

The discount rate includes the interest rate before corporate taxation, bearing in mind the time value of money and the effects of other risk factors related to the asset. Should the asset not be independently linked to future cash flows, the cash flow for the unit of which the asset is part of is considered. The impairment or extraordinary depreciation so calculated is presented in the profit and loss account.

The repair and maintenance costs of tangible assets and the replacement of spare parts are charged to the maintenance expenses. Value-added investments and renovations are capitalised. The cost and accumulated depreciation of assets sold or fully depreciated, not in use, is derecognised. All profit or loss that might be realised this way is part of the profit or loss of the year.

2.1. Main elements of the accounting policy (continued)

The depreciation loss of the value of the Company's assets is recognised using the straight-line method during the useful life of the assets. Useful life for classes of assets is as follows:

Buildings	50 years
Hotels	33 years
Rental property	10 years
Plant and equipment	3-7 years

2.1.5 **Impairment**

At the end of each reporting period the Company reviews whether there are any changes indicating impairment in any assets. In case of such changes, the Company estimates the expected recoverable amount. The recovery value of an asset or cash generating unit is the higher of the fair value less sale costs, or the value in use. The Company recognises impairment to the profit or loss if the expected recovery value is lower than the book value. The Company prepares the relevant calculations on the basis of the appropriately discounted long-term future cash flow plans.

2.1.6 **Intangible assets**

Individually purchased intangible assets are recorded at historical cost, and intangible assets acquired in a business combination are recorded at fair value at the time of acquisition. Assets are recorded in the books if their use is demonstrated to produce a future inflow of economic goods, and their cost can be clearly determined.

Once intangible assets are recorded, the cost model applies. The useful life of these assets is limited or unidentifiable. The amortisation of assets with a limited useful life is carried out using the straight-line method, on the basis of the best estimate for useful life. The amortisation period and the amortisation method are reviewed annually at the end of the financial year. Self-constructed intangible assets are not capitalised, with the exception of development costs; these are recognised to the profit or loss in the year when they are incurred. Intangible assets are reviewed annually from the point of view of impairment, either individually or at the level of the income generating unit.

The costs of trademarks, licences, goods and software under industrial property rights, are capitalised and written off by using the straight-line method for their estimated useful life:

Rights with an asset value, other rights, software	3-6 years

2.1.7 **Goodwill**

Goodwill is the positive difference between the historical cost and fair value of the identifiable net assets of an acquired subsidiary, associated company or jointly controlled company, on the date of acquisition. Goodwill is not depreciated, although the Company assesses each year whether there are signs indicating that the book value would never be recovered. Goodwill is recognised at cost less any depreciation.

2.1.8 **Receivables**

Receivables are presented in the statements at their nominal value less appropriate depreciation created for estimated losses. Based on a full review of receivables at year-end, an estimate was prepared for doubtful debt.

2.1.9 **Financial assets**

Financial assets in the context of IAS 39 can be classified in four groups: financial assets ("for trading purposes") valued at real value against profit or loss, loans and receivables, investments held to maturity, and marketable financial assets. At recognition, the initial evaluation of financial assets is at real value.

Following initial recognition, financial assets that are classified as "trading" or "marketable", are evaluated at real value; unrealised capital gains or losses on trading securities are recognised as miscellaneous revenue (expenditure); unrealised capital gains or losses on marketable securities are presented as separate equity items until the investment is derecognised from the books for sale or any other way, or until impairment is recognised for the given investment, at which point the accumulated profit or loss recognised for the equity is presented as revenue.

Other long-term investments that are held to maturity, such as certain bonds, are recognised at amortised cost following initial recognition. The amortised cost is calculated for the period until maturity by taking into account the discount or premium applicable at the acquisition. For investments recorded at amortised cost, the profit or loss realised at the derecognition of the investment, at impairment or during the amortisation period, is presented as revenue.

2.1. Main elements of the accounting policy (continued)

In the case of investments traded on the stock exchange, the market value is determined on the basis of the official price published on the balance sheet date. The market value of unlisted securities or those not traded on the stock exchange is the market value of a comparable/replacement financial investment; if this method is not applicable, the market value is calculated on the basis of the estimated future cash flow from an asset related to the investment.

At each balance sheet date, the Company considers whether to recognise impairment loss for its financial assets or group of assets. In the event that circumstances would warrant that an impairment loss be recognised for assets carried at amortised cost, the extent of such impairment is the difference between the carrying amount and the future cash flow from the asset, discounted using the original effective interest rate.

Impairment is recognised in the profit and loss account. If the amount of the recognised impairment is later decreased, it is reversed, but only to such extent that the carrying value of the asset should not exceed the amortised value at the balance sheet date.

Investments in securities are evaluated at execution day prices, and initially at cost. Short-term investments that include trading securities are presented at real market value at the date of the next accounts, and their value is calculated on the basis of the publicly listed prices applicable on the balance sheet date. Unrealised gains and losses are included in the profit and loss account.

For marketable securities, unrealised gains and losses (changes in real value) are recognised to the equity until such time as the securities are sold, or a decision is taken to calculate impairment, when the accumulated gains or losses recognised to the equity up to that point are presented in the profit and loss account.

2.1.10 **Financial liabilities**

The Company's statement of consolidated financial position includes the following financial liabilities: accounts payable and other short-term liabilities, loans and credits, bank overdraft and forward transactions. These are presented and measured in the Notes to the separate accounts as follows:

At initial recognition, the Company evaluates all financial liabilities at fair value. For credits, it takes into account transaction costs directly attributable to the assumption of the financial obligation.

Financial liabilities within the scope of IAS 39 are classified in the following categories: financial liabilities valued at real value against profit or loss, loans and credits and hedging instruments for hedge accounting. The classification of each financial liability is carried out at the time of their acquisition.

Financial liabilities valued at real value against profit or loss are liabilities acquired by the Company for trading purposes, or ones that it classified at initial recognition as valued at real value against profit or loss. Trading financial liabilities include liabilities purchased by the Company primarily for the expected profit from short-term price fluctuation. This category includes forward transactions that are not considered to be effective hedging instruments.

Loans and credits are presented in the statement of financial position at amortised cost calculated with the effective interest rate method. Gains and losses related to loans and credits are recognised in the statement of income, during amortisation calculated with the effective interest rate method, or the derecognition of a financial liability. Amortisation is recognised as a financial expense in the statement of income.

2.1.11 **Derivative financial instruments**

Derivative financial instruments are initially valued at cost and are revalued at fair market value at the time of the next accounts.

Changes to the fair market value of derivative financial instruments falling outside the scope of hedging transactions are presented in the profit and loss account.

2.1.12 **Provisions**

The Company recognises provisions for present (legal or construed) obligations as a result of past events that the Company is likely to have to settle, and if a reliable estimate can be made of the amount of the obligation.

The amount recognised under provisions is the best estimate for the expenditure required to settle a present obligation at the balance sheet date, taking into account the relevant risks and uncertainties. If the provision is valued on the basis of the likely cash flow necessary to settle the present obligation, the book value of the provision is the present value of these cash flows.

If another party is expected to reimburse the expenses necessary to settle the provision, in full or in part, that receivable is recognised as an asset if it is virtually certain that the entity will receive the reimbursement and the amount of the liability can be reasonably measured.

Present obligations from onerous contracts are recognised under provisions. The Company considers a contract onerous if the unavoidable costs of fulfilling the contractual obligations exceed the economic benefits expected from the contract.

Restructuring provision is reported if the Company has prepared a detailed and formal plan for restructuring, and by starting to implement the plan or announcing key aspects of the plan to interested parties it raised valid expectations from interested parties to the effect that it will indeed implement the restructuring. The restructuring provision is limited to direct expenses incurred in the context of the restructuring, which are inherent to the restructuring and are not related to the continuing operations of the entity.

2.1.13 **Corporate tax**

The corporate income tax rate is based on the tax liability established by the act on corporate income tax and the tax on dividends, as well as the local government decree on business tax, which is adjusted by the deferred tax. Corporate tax liability consists of elements pertaining to the current tax year and deferred taxes.

Current tax liability is established on the basis of the taxable profit for the year. Taxable profit is different from the profit or loss before taxation reported in the separate accounts, due to gains and losses not forming part of the tax base, and items that are taken into account in the taxable profit for other years. The Company's current tax liability is established on the basis of the tax rate effective or published (if publication is equivalent to becoming effective) up to the balance sheet date. Deferred taxes are calculated with the liability method.

Deferred taxes are created when there is a temporary difference in the recognition of an item in the annual accounts and in accordance with the tax law. Deferred tax assets and liabilities are established using the tax rates applicable for the taxable income of the years when the temporary difference is expected to be recovered. The amount of the deferred tax liabilities and assets reflects the Company's estimate for the realisation of the tax assets and liabilities at the balance sheet date.

2.1. Main elements of the accounting policy (continued)

Deferred tax assets in the context of deductible temporary differences, tax benefits that can be carried over, or tax losses are presented in the balance sheet only if it is likely that the Company will in the course of its future activities realise taxable profits, against which the deferred tax asset may be offset.

At each balance sheet date, the Company reviews the deferred tax assets that are not recognised in the balance sheet, as well as book value of the recognised tax assets. It records the portion of previously unreported receivables that is expected to be recovered as a decrease in the Company's future income tax. In contrast, the Company reduces its deferred tax receivables by an amount for the recovery of which it expects not to have sufficient after-tax profits available.

Current and deferred taxes are recognised directly against the equity, provided they refer to items that have been equally recognised against the equity in the current or a prior period, including adjustments to the opening value of reserves due to changes in the accounting policy with retroactive effect.

Deferred tax assets and liabilities may be recognised against each other only if the company has a statutory right to recognise its actual tax receivables and liabilities existing towards the same tax authority, and that the Company intends to apply netting off to these assets and liabilities.

2.1.14 **Leases**

A finance lease means that under the terms and conditions of the lease all risks and benefits related to the ownership of the asset are transferred to the lessee. All other leases are considered operating leases.

In the case of a finance lease, the assets leased by the Company are considered to be the Company's assets and are recognised at the market value applicable at the time of acquisition. The obligation towards the lessor is presented in the balance sheet as a finance lease liability. Expenses incurred in relation to the lease, which are the difference between the fair value of the acquired assets and the full lease liability, are recognised to the profit or loss for the full period of the lease, so that they constitute a regular fix expense in respect of the outstanding amount of the liability in any given period.

They are the difference between the full liability and the leased asset's market value at acquisition, or beyond the term to maturity of the relevant lease – in order to ensure traceability from time to time of the changes to the outstanding balance of the liability – or are recognised in the profit and loss account in the reporting periods.

2.1. Main elements of the accounting policy (continued)

2.1.15 **Off-balance-sheet items**

Off-balance sheet liabilities are not included in the balance sheet and profit and loss account provided under the annual separate accounts, unless acquired through business combinations.

These are reported in the notes, unless the probability of the outflow of resources constituting economic benefits is distant or minimal. Off-balance sheet assets are not included in the balance sheet and profit and loss account provided under the annual separate accounts, but should the inflow of economic benefits be probable, they are reported in the Notes.

2.1.16 **Repurchase of own shares**

The par value of repurchased own shares is deducted from the equity. The difference between the par value and the cost is recognised directly to the capital reserve.

2.1.17 **Dividends**

Dividends are recognised by the Company in the year when the owners approve it.

2.1.18 **Revenue from financial transactions**

The financial result includes interest and dividend income, interest and other financial expenses, gains or losses from the fair valuation of financial instruments, as well as realised and unrealised exchange differences.

2.1.19 **Government grants**

A government grant is recognised only when there is reasonable assurance that the grant will be received, and that the entity will comply with any conditions attached to the grant. A grant receivable as compensation for costs should be recognised as income in the period in which the compensated cost is incurred (under miscellaneous revenue). A grant relating to the acquisition of assets is recognised as deferred income and is recognised to the profit or loss in equal annual amounts during the useful life of the relevant asset.

2.1. Main elements of the accounting policy (continued)

2.1.20 **Events after the balance sheet date**

Events after the reporting period that provide further evidence of conditions that existed at the end of the reporting period (adjusting items) are presented in the accounts. Events after the reporting period which do not modify the accounts data are presented in the supplementary note, if material.

2.2 Changes in the accounting policy

The accounting policies of the Company correspond to those used in previous years.

New IFRS in effect, which the Company already used in 2018

IFRS 9 Financial Instruments: Recognition and Measurement (effective 1 January 2018)

The standard introduced new requirements for the recognition, measurement and impairment of financial assets and financial liabilities. The application of IFRS 9 has an impact on the classification and measurement of the Company's financial assets but does not affect the classification and measurement of its financial liabilities. The new standard does not have a significant impact on the Company's accounts.

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)

IASB issued a new standard on the recognition of revenue from contracts with clients on 28 May 2014. Companies applying the IFRS are obligated to apply the new revenue standard for reporting periods starting on or after 1 January 2018. The new standard replaces the current rules concerning the recognition of revenue as set out in IAS 18 Revenue and IAS 11 Construction Contracts. Under the new standard, companies have to apply a five-step model to determine when and how to recognise revenue. According to the model an entity will recognise revenue to depict the transfer of promised goods or services to customers (contractual obligation) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard does not have a significant impact on the Company's accounts.

IFRS 16 Leases (effective 1 January 2019)

IASB issued a new standard on the recognition of leases on 13 January 2016. IFRS reporters are required to apply the new lease standard for reporting periods starting on or after 1 January 2019. The new standard replaces the current rules contained in IAS 17 Leases and will fundamentally change the existing practice of recognising operating leases. The Company will consider the effects of the changes.

In the year 2018 the Company applied all IFRS standards, amendments and interpretations effective 1 January 2018, which are relevant for the operation of the Company.

International Financial Reporting Standards published but not yet in effect

At the time when these accounts were adopted, the following standards and interpretations had been issued but are yet to come into effect. Based on preliminary assessment, the Company considers that the application of the below standards will not have a material effect on profit or loss and the financial position of the Company:

- IAS 19 Employee benefits changes – amendment related to the changes to and recognition of retirement benefit schemes (effective in financial years starting on or after 1 January 2019; this amendment has not yet been approved by the EU).
- IFRS 17 Insurance contracts – recognition of insurance contracts (effective in financial years starting on or after 1 January 2021; this amendment has not yet been approved by the EU).

The Company is currently considering the potential impact of the following standards for the consolidated profit or loss and the financial position of the Company:

- IFRS 16 Leases - effective in financial years starting on or after 1 January 2019
- Amendments to the Framework – effective in financial years starting on or after 1 January 2020 (this amendment has not yet been approved by the EU)
- IFRS 3 Business combinations standard amendment – effective in financial years starting on or after 1 January 2020 (this amendment has not yet been approved by the EU)

2.3 Factors of uncertainty

In the application of the accounting policy set out under 2.1, estimates and assumptions are required for determining the value of certain assets and liabilities at a given time, if it is impossible to determine these clearly from other sources. The estimation process includes decisions based on the last available information, and relevant factors. These significant estimates and assumptions influence the value of the assets and liabilities, revenues and expenses presented in the financial statements and the presentation of contingent assets and liabilities in the notes. Actual amounts may differ from the estimates.

Estimates are continuously updated. Changes in the accounting estimates are to be taken into account in the period of the change if it affects only that period, or the period of the change and subsequent periods, if the changes affect both periods.

3. Intangible assets

	31 December 2018	31 December 2017
Microsoft software licence	429	0
Total	**429**	**0**

4. Properties

	31 December 2018	31 December 2017
Hotel Alpenblick	1,310,387	0
Total	**1,310,387**	**0**

5. Deferred tax receivables

In calculating deferred tax, the Company compares the tax base of each asset and liability with the corresponding the book value. If the difference is temporary, i.e. the variation will equal within a reasonable time period, it takes a deferred tax liability or income in accordance with its positive or negative sign. Recovery is scrutinised by the Company at the time when the asset is first recognised.

Deferred tax is calculated by the Company with a 9% tax rate, given that the specific assets and liabilities are converted into effective taxes in a period when the tax rate remains unchanged.

Assets are supported by a tax strategy prepared by the management, evidencing the recovery of the asset.

The following differences causing deductible and taxable tax differences were identified in 2018 and 2017:

	Opening 31.12.2017	**Changes to the scope of consolidation**	**Increase**	**Decrease**	**Closing 31.12.2018**
Impairment	50	-		50	0
Provision	-	-	23		23
Total	**50**	**-**	**23**	**50**	**23**

6. Shares

The Company's participations in businesss were as follows:

Name of Company	**31.12.2018**	**31.12.2017**
Appeninn Nyrt.	2,453,622	2,195,002
BLT Group Zrt.	977,290	0
CIG Pannónia Nyrt.	8,213,107	0
Konzum Áruház Kft.	0	30
Konzum Alapkezelő Zrt.	75,235	30,960
Konzum Management Kft.	900	900
KPRIA Magyarország Zrt.	580	580
KZBF Invest Kft.	14,701,249	0
KZBF Invest Kft.	1,336,343	2,700
Total	**27,758,326**	**2,230,172**

7. Trade receivables

	31.12.2018	31.12.2017
Trade receivables	91	2,140
Less: Impairment		(554)
Total	**91**	**1,586**

8. Receivables from associated companies

Name of Company	31.12.2018	31.12.2017
HUNGUEST Hotels Szállodaipari Zrt.	5,711,966	
BLT Group Zrt.	40,000	
Holiday Resort Kreischberg Murau GmbH	258,596	
Konzum Management Kft.	526,566	63,557
KONZUM PE Private Equity Fund	39	
KPRIA Zrt.	51,942	
Konzum Áruház Kft.	0	3,196
KZBF Invest Kft.	1,476,256	
KZBF Invest Kft.	15,672,279	
Ligetfürdő Kft.	267,459	
Relax Gastro Hotel Gmbh	253,242	
	24,258,345	**66,753**

9. Other short-term receivables

	31.12.2018	31.12.2017
Tüzépker receivable	0	563,121
Loans given	0	228
Loan to KPRIA	0	50,000
Status Power Invest Kft.	3,537	0
Advances given	948	0
Other	0	4,482
Total	**4,485**	**617,831**

10. Prepayments and deferred expenses

	31.12.2018	31.12.2017
Accrued turnover	10,249	6
Deferred costs	357	0
Total	**10,606**	**6**

11. Securities

	31.12.2018	31.12.2017
Securities	200	200
Total	**200**	**200**

Under securities, the Company records 20 shares with a par value of HUF 2,000, issued by SZIMFÉK Székesfehérvári Metál Fék- és Köszörűgyár Zrt.

12. Cash and cash equivalents

	31.12.2018	31.12.2017
Cash on hand	2	-
Bank account	42,696	86
Total	**42,698**	**86**

13. Registered capital and reserves

In 2018 the Company split by 10 the par value of its shares, so its registered capital is made up of 330,523,148 dematerialised, registered ordinary shares of HUF 2.5 par value.

In the course of the year, the Company issued new shares in several stages, raising its registered capital from HUF 521.5 million to HUF 826 million. The capital increases were implemented with share premiums, thus the capital reserve also significantly increased in the reporting year.

	31.12.2018	31.12.2017
Registered capital	826,308	521,500
Capital reserve	37,458,643	-
Profit reserve	107,499	68,770
Profit or loss in the current year	347,336	(34,271)
Total equity	**38,739,786**	**555,999**

14. Long-term related liabilities

	31.12.2018	31.12.2017
KONZUM PE Private Equity Fund loan	567,695	-
Total long-term liabilities	**567,695**	**-**

The loan provided by Konzum PE Private Equity Fund expires on 31 December 2022, the interest rate is the Central Bank base rate + 2%. Interest is due at expiry in a lump sum.

15. Provisions

	31.12.2018	31.12.2017
Provisions for contingent liabilities	257	-
Total provisions	**257**	**-**

16. Credit and loans

	31.12.2018	31.12.2017
Takarékbank Zrt. loan capital	4,816,016	2,195,003
Takarékbank Zrt. loan interest	10,255	-
Budapest Bank Zrt. loan capital	5,551,556	-
Budapest Bank Zrt. loan interest	7,645	-
Total short-term credit	**10,385,472**	**2,195,003**

Budapest Bank Zrt. credit

On 23 February 2018 Konzum Nyrt. entered into a HUF 8.2 billion loan agreement with Magyar Takarékszövetkezeti Bank Zrt. for the purchase of a 24.85% share in CIG Pannónia Nyrt. The credit is denominated in Hungarian forint, with an interest rate of 3-month BUBOR + 1.00%, the date of maturity is 22 February 2019. The nature of the guarantee is joint and several security up to HUF 8.2 billion capital plus interest and expenses. The guarantees are: Opus, Konzum and CIG shares in any proportion, securing 105% collateral. Takarékbank transferred the agreement to Budapest Bank Zrt. on 12 November 2018 under identical contract terms.

Konzum Nyrt. took out a HUF 1.4 billion loan from Budapest Bank Zrt. on 19 December 2018. The credit term 1 one year, with an interest rate of 3-month BUBOR + 2.5%. Konzum Nyrt. deposited CIG shares as security for the loan.

Takarékbank Zrt. credit

Konzum Nyrt. Entered into a HUF 4.8 billion short-term credit agreement with Takarékbank Zrt. on 2018 November 21 for the purchase of the business share in Saliris Resort - SPA Conference Hotel situated in Egerszalók. The credit interest rate is 3-month BUBOR + 2% interest rate spread, with a maturity of one year. The loan is secured by a mortgage on the property, a lien on the movable property located in the property and the receivables from the operating fee, as well as HUF 30 million deposit and an insurance premium income ceded to the bank.

17. Trade accounts receivable

	31.12.2018	**31.12.2017**
Wellnesshotel Építő Kft.	958,102	-
Other trade receivables	7,718	3,760
Total	**965,820**	**3,760**

18. Liabilities to associated companies

	31.12.2018	31.12.2017
KONZUM PE	442,798	135,392
Gellért Jászai	1,500	17,950
HUNGUEST Hotels Zrt.	1,811,244	-
Holiday Resort Kreischberg Murau GmbH	375,000	
Total	**2,630,542**	**153,342**

19. Other liabilities

The amount of other liabilities included the following items on 31 December 2018 and 2017:

	31.12.2018	31.12.2017
Salary owed to employees	532	292
Purchase price of business share	-	-
Guarantee		382
Tax liability	83,136	-
Other	1,946	4,030
Total	**85,614**	**4,704**

20. Corporate tax liability

	31.12.2018	31.12.2017
Corporate tax	10,402	539
Total	**136,832**	**3,760**

21. Accruals and deferred income

The amounts of accruals and deferred income included the following items on 31 December 2018 and 2017:

	31.12.2018	31.12.2017
Deferred costs	-	5,428
Total		**5,428**

22. Net sales revenue

	31.12.2018	31.12.2017
Sale of property	9,396 000	-
Operators fee	183,093	-
Mediated services	374	-
Total	**9,579,467**	**-**

23. Goods and services sold

	31.12.2018	31.12.2017
Properties	9,420,000	-
Mediated services	374	-
Total	**9,420,374**	**-**

24. Material type expenses

	31.12.2018	31.12.2017
Material costs	-	-
Services used	264,428	24,743
Other services	26,857	
Total	**291,285**	**24,743**

Services used included:

	31.12.2018	31.12.2017
Bank charges	16,818	412
Rental fees	248	184
Insurance premium	1,001	423
Maintenance costs	6	8
Expert fees	113,487	17,795
Advertising	12,574	-

Lawyers' and notaries' fees	105,229	-
Mail, telephone	(20)	10
Travel costs	14,767	-
Fees to authorities	3,808	-
Other	23,367	5,911
Total	**291,285**	**24,743**

25. Personnel type expenses

	31.12.2017	31.12.2016
Salaries	8,735	6,630
Other personnel expenses	1,298	248
Contributions	1,979	1,501
Total	**12,012**	**8,379**
Average employee number	**8**	**1**

26. Depreciation and impairment

The Company does not recognise impairment in 2018.

	31.12.2018	31.12.2017
Depreciation	51	-
Total	**51**	**-**

27. Other expenses / other revenues

	31.12.2018	31.12.2017
Fines paid	-	500
Business tax	26,450	-
Reversal of impairment for receivables	(554)	-
Profit or loss from assignment	4,887	-
Fines	7,614	-
Buildings tax	12,097	-
Debt assumed free of charge	36,732	-
Bad debt	-	-
Other	2,551	-
Total	**89,777**	**500**

28. Financial operations revenue

	31.12.2018	31.12.2017
Interest received	9,774	679
Dividends	234,660	
Exchange rate gains	544,209	-
Total	**788,643**	**679**

29. Expenses on financial operations

	31.12.2018	31.12.2017
Interest paid	134,220	1,407
Exchange rate losses	62,032	-
Total	**196,252**	**1,407**

30. Income tax

Expenses on income taxes consist of the following:

	31.12.2018	31.12.2017
Corporate tax	(10,996)	(29)
Deferred tax	(27)	(50)
Total	**(11,023)**	**79**

At present, the different types of taxes imposed by Hungarian tax authorities are governed by multiple legal acts. The scope of these acts includes value added tax, corporate and local taxes, as well as taxes and contributions related to salaries. The tax authorities have control power over tax-related accounts and are entitled to impose fines and other penalties within the limits prescribed by law for any non-compliance with the legal requirements or breaches of the law. The Management is convinced that the amount of tax liability presented in the accounts is in line with the legal requirements. However, tax authorities may form a different opinion, with potentially significant impact.

The tax calculation was as follows:

	2018	2017
Profit or loss before taxation	358,359	(34,271)
Tax liability calculated on the basis of the current tax rate (9%)	(32,252)	(3,084)
Unrecognised losses carried forward	3,789	3,034
Permanent differences	17,441	(29)
Total income tax	**(11,023)**	**(79)**

31. Risk management

The Company's assets include cash, securities, trade and other receivables, as well as other assets – except for taxes. The Company's liabilities include credits and loans, accounts payable and other liabilities, except for the profit or loss arising from the revaluation at fair value of taxes and financial liabilities.

The Company is exposed to the below financial risks:

- credit risk
- liquidity risk
- market risk

This chapter presents the above risks as pertaining to the Company, the Company's targets, policies, measurements of processes and risk management, as well as the Company's management capital. The Board of Directors has general responsibility for the establishment, supervision and risk management of the Company.

The purpose of the Company's risk management policy is to find and examine the risks the Company is exposed to, set the appropriate controls and supervise the risks. The risk management policy and system are revised in order to ensure that it reflects the changed market conditions and the Company's activities.

Capital management

The Company's policy is to maintain the equity, which is enough for investor and creditor trust to maintain the future development of the Company. The Board of Directors strives to maintain the policy whereby higher exposure arising from loans is only assumed at higher yields, based on the benefits and security provided by a strong capital position.

The Company's capital structure is made up of net external capital and the Company's equity capital.

In the context of capital management, the Company strives to ensure that the members of the Company can continue their activities while maximizing returns for the owners by the optimal balancing of loan capital and equity, and that an optimal capital structure is maintained in order to reduce the cost of capital. The Company also monitors whether the capital structures of its members comply with the local laws and regulations.

External capital at the end of the reporting period:

	31.12.2017	**31.12.2016**
Credit and loans	10,439,763	2,195,003
Less: Cash	(42,698)	(86)
Net debt	**10,397,065**	**2,194,917**
Equity	38,869,786	555,999
Net equity	**28,472,721**	**(1,638,918)**

Credit risk

Credit risk reflects the risk that debtors or partners do not fulfil their contractual obligations, causing financial losses to the Company. The financial assets exposed to credit risks may be short- or long-term placements, cash or cash equivalents, trade and other receivables.

The book value of financial assets reflects maximum risk exposure. The below table presents the Company's exposure to credit risk as at 31 December 2018 and 31 December 2017.

	31.12.2018	**31.12.2017**
Trade receivables	91	1,586
Other short-term receivables	4,484	617,831
Receivables from associated companies	24,258,345	66,753
Securities	200	200
Cash and cash equivalents	42,698	86
Total	**24,305,818**	**686,456**

Liquidity risk

Liquidity risk is the risk that the Company cannot pay its financial obligations when they fall due. The approach taken by the Company to liquidity management is to ensure, to the extent possible, appropriate liquidity for satisfying its obligations when they fall due, under both usual and stressed conditions, without realizing unacceptable losses or damaging the Group's reputation.

The Company aims to strike the right balance between the continuity of financing and flexibility in the context of shaping its stock of financial reserves and credits.

The Management does not expect difficulties in relation to liquidity, since revenues safely cover debt servicing and operating costs.

The Company fulfils its payment obligations within the deadline for payment, and had no debt outstanding as at 31 December 2017 and 2018.

The below table provides a summary of the maturity structure of contracted and actually payable (undiscounted) financial liabilities as at 31 December 2017 and 2018:

31.12.2017	**Due within the year**	**Due in 2 to 5 years**	**Due in more than 5 years**	**Total**
Trade receivables	1,586			1,586
Receivables from related parties	66,753			66,753
Other short-term receivables	617,831			617,831
Securities	200			200
Financial assets	**686,370**	**-**	**-**	**686,370**
Short-term credit and loans	2,195,003			2,195,003
Trade payables	3,760			3,760
Liabilities to related parties	153,342			153,342
Other liabilities	4,704			4,704
Corporate tax liability	5,428			5,428
Financial liabilities	**2,362,237**	**-**	**-**	**2,362,237**

31. Risk management (continued)

31.12.2018	Due within the year	Due in 2 to 5 years	Due in more than 5 years	Total
Trade receivables	91			**91**
Receivables from related parties	24,258,345			**24,258,345**
Other short-term receivables	4,484			**4,484**
Securities	200			**200**
Financial assets	**24,263,120**	**-**	**-**	**24,263,120**
Short-term credit and loans	10,385,472			**10,385,472**
Trade payables	982,330			**982,330**
Liabilities to related parties	2,646,427	567,695		**3,214,122**
Other liabilities	96,014			**96,014**
Financial liabilities	**55,210**	**567,695**	**-**	**14,677,938**

Member companies prepare cash flow plans that are kept up to date on a continuous basis. The Company uses a rolling forecast to assess the cash needs of the Company in order to secure adequate cash reserve for operation, and to monitor that financial indicators stipulated in the credit agreements are met. The cash surplus at Company level consists of deposit accounts, committed deposits and securities.

Market risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and the price of investments in investment funds, will impact on the profit or loss of the Company or the value of its investments in financial instruments. The aim of market risk management is to maintain and control exposure to market risks within acceptable limits, while optimising profit.

Sensitivity analysis

The Company found that its financial result is essentially subject to interest rate risk. A sensitivity analysis was carried out for this key variable.

The Company intends to ensure that interest rate risks are reduced primarily by committing free cash. The Company does not engage in hedging transactions.

31. Risk management (continued)

Results of the interest rate sensitivity analysis (as percentage of interest change). For continuing operations:

Effective interest rates	**31.12.2018**	**31.12.2017**
Profit or loss before tax - less interest expense	482,805	(32,894)
Net interest income	(124,446)	(728)
Profit or loss before taxation	**358,359**	**(33,622)**
1%		
Profit or loss before tax - less interest expense	482,805	(32,894)
Net interest expense	(125,690)	(735)
Profit or loss before taxation	**357,115**	**(33,629)**
Change in profit or loss before tax	***(1,244)***	***(7)***
Change in profit or loss before tax (%)	***-0.347%***	***0.022%***
5%		
Profit or loss before tax - less interest expense	482,805	(32,894)
Net interest charge	(130,668)	(764)
Profit or loss before taxation	**352,137**	**(33,658)**
Change in profit or loss before tax	***(6,222)***	***(36)***
Change in profit or loss before tax (%)	***-1.736%***	***0.108%***
10%		
Profit or loss before tax - less interest expense	482,805	(32,894)
Net interest expense	(136,891)	(801)
Profit or loss before taxation	**345,914**	**(33,695)**
Change in profit or loss before tax	***(12,445)***	***(73)***
Change in profit or loss before tax (%)	***-3.473%***	***0.217%***
-1%		
Profit or loss before tax - less interest expense	482,805	(32,894)
Net interest expense	(123,202)	(721)
Profit or loss before taxation	**359,603**	**(33,615)**

Change in profit or loss before tax	**1,244**	**7**
Change in profit or loss before tax (%)	***0.347%***	***-0.022%***
-5%		
Profit or loss before tax - less interest expense	482,805	(32,894)
Net interest expense	(118,224)	(692)
Profit or loss before taxation	**364,581**	**(33,586)**
Change in profit or loss before tax	**6,222**	**36**
Change in profit or loss before tax (%)	***1.736%***	***-0.108%***
-10%		
Profit or loss before tax - less interest expense	482,805	(32,894)
Net interest expense	(112,001)	(655)
Profit or loss before taxation	**370,804**	**(33,549)**
Change in profit or loss before tax	**12,445**	**73**
Change in profit or loss before tax (%)	***3.473%***	***-0.217%***

32. Financial instruments

Financial instruments include loans given, fixed financial assets, trade receivables, securities and cash, as well as credits and loans taken out and trade payables.

31.12.2017	**Book value**	**Fair value**
Financial assets		
Marketable investments carried at fair value		
Securities	200	200
Receivables from associated companies	66,753	66,753
Loans and receivables carried at amortised cost		
Trade and other receivables	617,831	617,831
Cash and cash equivalents	86	86
Financial liabilities		
Liabilities carried at amortised cost		
Financial liabilities	2,193,003	2,195,003
Trade payables	3,760	3,760

31.12.2018	Book value	Fair value
Financial assets		
Marketable investments carried at fair value		
Securities	200	200
Loans and receivables carried at amortised cost		
Trade and other receivables	24,263,029	24,263,029
Cash and cash equivalents	42,698	42,698
Financial liabilities		
Liabilities carried at amortised cost		
Financial liabilities	13,031,899	13,031,899
Trade payables	982,330	982,330

Fair value was measured at level 3 in both years.

33. Subsidiary businesses and associates of the Company

	Share of votes and ownership		
Subsidiary	**2018**	**2017**	**Address**
Ligetfürdő Ingatlanfejlesztő és Fürdőüzemeltető Kft.	100.00%	0.00%	6726 Szeged, Torontál tér 1.
Heiligenblut Hotel GmbH	100.00%	0.00%	9844 Heiligenblut Winkl 46, Austria
Hunguest Hotels Montenegro D.o.o.	100.00%	0.00%	Montenegro Herceg Novi, Sveta Bubala bb
Holiday Resort Kreischberg Murau GmbH	100.00%	0.00%	Kreischberg 2, 8861 St.Georgen ob Murau, Austria
BLT Group Zrt.	100.00%	0.00%	1062 Budapest, Andrássy út 59.
Balatontourist Idegenforgalmi és Kereskedelmi Kft.	100.00%	0.00%	8200 Veszprém, Kossuth L. u. 21.

Balatontourist Camping Kft.	100.00%	0.00%	8200 Veszprém, Kossuth L. u. 21.
Balatontourist Füred Club Camping Kft.	100.00%	0.00%	8200 Veszprém, Kossuth L. u. 21.
Konzum Befektetési Alapkezelő Zrt.	46.80%	45.80%	1062 Budapest, Andrássy út 59.
Appeninn Vagyonkezelő Holding Nyrt.	18.70%	23.86%	1062 Budapest, Andrássy út 59.
KZBF Invest Vagyonkezelő Kft.	100.00%	90.00%	1062 Budapest, Andrássy út 59.
KZBF Invest Kft.	100.00%	0.00%	1062 Budapest, Andrássy út 59.
Hunguest Hotels Szállodaipari Zrt.	100.00%	59.94%	2053 Herceghalom, Zsámbéki út 16.
Legatum ’95 Kft.	100.00%	36.00%	4200 Hajdúszoboszló, Mátyás király sétány 12-14.
Pollux Hotel Zrt.	100.00%	0.00%	1051 Budapest, Hattyú utca 14.
MB Hills Szállodaüzemeltető Kft.	100.00%	0.00%	8086 Felcsút, Fő utca 65.
Relax Gastro GmbH	100.00%	0.00%	Kreischberg 2/1, 8861 St., Austria Georgen am Kreischberg
Erkel Hotel Kft.*	0.00%	59.94%	5701 Gyula, Várkert 1.
Turizmus Stratégia Fejlesztő és Tanácsadó Kft.*	0.00%	59.94%	2053 Herceghalom, Zsámbéki út 16.

* Acquired by Hunguest Hotels Zrt. on 31.12.2017.

	Share of votes and ownership		
Associate	**2018**	**2017**	**Address**
Konzum Management Kft.	30%	30.00%	1062 Budapest, Andrássy út 59.
CIG Pannónia Biztosító Nyrt.	24.85%	0%	1033 Budapest, Flórián tér 1.

34. Transactions with related parties

Transactions with related parties were presented in the notes related to relevant balance sheet items.

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

	31.12.2018	31.12.2017
Benefits provided to Directors and Supervisory Board members	5,160	6,630
Total	**5,160**	**6,630**

36. Contingent liabilities

Site rehabilitation in Marcali

Between 1991 and 1998, the Company was the owner and user of the property situated at 8700 Marcali, Kossuth Lajos u. 39-41, where it conducted activities jointly with MM Rt. i.L. and MMW Fémipari Zrt. i.L. companies. Expert investigations carried out at the premises established the presence of soil pollution due to chlorinated and other hydrocarbons, to which the Company's activities contributed by 2.88% according to professional estimates. Official decisions taken in the matter and subsequently reviewed by the Curia found that the three companies have joint obligation for indemnity and monitoring. Given that the above mentioned two businesses have since ceased to exist, the competent authority initiated a conciliation procedure in 2018 with a view to clarifying the circumstances. No substantive progress has been made in the matter since. The Company avails itself of all legal remedies in order to avoid disproportionate or unjust consequences from the outcome of the procedure. Considering the uncertainty surrounding the outcome and the material aspects of the consequences, the Company does not list this item in its accounts until the matter is closed.

In accordance with the relevant standards, the Company did not create a provision for this judicial matter due to the uncertainty of the future outcome, since based on the available information it is not possible to provide a reliable estimate for expected future costs, and the probability of incurring such costs remains uncertain.

During the 2018 financial year, the Company did not encounter new events that might involve liability for environmental protection. The Company does not plan any environmental development in its current course of business, nor does it apply for relevant aid. The Company does not have a specific environmental policy.

Guarantees, sureties

The Company assumed guarantees and sureties to its long and short-term credits and loans. Contingent liabilities are presented in the notes to the Credit and loans balance sheet item. In addition to the latter, the Company has the following further contingent liabilities as at 31 December 2018.

Debtor	**Bank**	**Contracted amount**	**Lending**	**Maturity**	**Collateral**
KZBF Invest Kft.	Budapest Bank Zrt.	HUF 4.4 billion	04.07.2018	25.06.2033	Joint and severable guarantee Pledge in business share (KZH share)
KZBF Invest Kft.	Budapest Bank Zrt.	HUF 1.6 billion	04.07.2018	25.06.2033	Joint and severable guarantee Pledge in business share (KZBF share)
Appeninn Nyrt.	ERSTE Bank Zrt.	EUR 28.8 million	30.05.2018	31.03.2025	Garantor
Legatum ’95 Kft.	OTP Bank Nyrt.	HUF 400 million	09.06.2016	15.04.2026	Joint and severable guarantee
Ligetfürdő Kft.	OTP Bank Nyrt.	HUF 4.1 billion	15.12.2017	31.08.2027	Joint and severable guarantee Cash flow deficiency guarantee

37. Events after the balance sheet date

- At an extraordinary session of the General Meeting on 3 December 2018, the owners of the Company decided to merge the Company with OPUS GLOBAL Nyrt. For the purposes of the merger by acquisition, the date of the draft statements of assets and liabilities is 31 December 2018. As a result of the merger by acquisition, the totality of assets of KONZUM Nyrt. will be assumed by OPUS Nyrt as successor company. By a decision dated 6 March 2019, the Company's Board of Directors and Supervisory Board agreed to the restructuring plan in relation to the merger with OPUS GLOBAL Nyrt., and called for an extraordinary session of the General Meeting for the owners to take relevant decisions
- The Company's shares were included in the FTSE index,
- According to the notification received from the auditor of the Company, ESSEL Audit Könyvvizsgáló Korlátolt Felelősségű Társaság (registered office: 1162 Budapest, Fertály utca 5-7.; company registration number: 01-09-698566) on 1 March 2019, due to increased workload and a consequent internal reassignment of cases, as of 28 February 2019 the auditor bearing responsibility in person for auditing of the Company is Dr László Sasvári. The Auditor notified the Company that from 28 February 2019 Dr Anna Sasvári Hoffmann no longer performs the tasks of auditor responsible in person for the Company.

38. Verification of the accounts of the Company by auditing, remuneration of the auditor

The company and auditor with personal responsibility for auditing the Company's accounts is appointed by the General meeting of the Company. The General Meeting of the Company appointed the following company and person to carry out the auditing of the Company's business data for 2018:

- ESSEL Audit Könyvvizsgáló Kft. (registered office: 1162 Budapest, Fertály utca 5-7.; company registration number: 01-09-698566; chamber registration number: 001109; auditor with personal responsibility: Dr. László Sasvári (address: Budapest 1162 Budapest, Fertály utca 5-7., chamber of auditors certificate number: 001630)

The audit engagement includes the auditing of the Company's annual separate IFRS accounts, as well as the auditing of the consolidated financial statements of Konzum Nyrt. in accordance with the IFRS.

Remuneration of the auditor:

- the audit fee in respect of Konzum Nyrt.'s unconsolidated annual accounts prepared in accordance with the International Financial Reporting Standards adopted by the European Union and the provisions of Act C of 2000, as well as the consolidated IFRS accounts of Konzum Nyrt. is HUF 4,620 thousand plus VAT,

The auditors did not provide any other assurance or tax advisory services to the Company, nor any services outside the scope of the audit.

39. Authorisation of the financial statements for issue

The Board of Directors of the Company's parent company considered and approved the financial statements for publication in this form on 18 March 2019.

Budapest, 8 April 2019

KONZUM Nyrt.