Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.

Consolidated Financial Statements
prepared in accordance with the International Financial Reporting Standards
31 December 2017.
(audited)

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1. Consolidated statement of financial position

Budapesti Ingatlan Nyrt.
Balance sheet date of the business year: 31.12.2017.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Annex	data in th HUF 31.12.2017	data in th HUF 31.12.2016
ASSETS			
Non-current assets			
Investment properties	8	31 417 004	13 212 074
Intangible assets	9	490	-
Other properties and related rights representing assets	9	117 192	120 191
Technical and other PPE	9	127 240	79 940
Investments, renovations	9	733 251	30 692
Share in associate company	10	-	-
Deferred tax assets	11	338	2 829
Total Non-current assets		**32 395 516**	**13 445 727**
Current assets			
Inventories	12	1 565 750	1 927 133
Trade receivables	13	111 244	81 075
Other short term receivables and accrued assets	14	394 146	147 538
Cash and cash equivalents	15	1 790 344	3 760 163
Total Current assets		**3 861 485**	**5 915 909**
Total Assets		**36 257 001**	**19 361 636**
SOURCES			
Equity			
Issued capital	16	2 583 220	2 583 220
Capital reserve	16	594 752	594 752
Revaluation reserve	17	1 078 973	982 873
Repurchased treasury shares	18	- 2 846 120	- 49 000
Retained earnings	18	11 437 805	9 993 219
Profit in the subject year	18	12 926 468	1 395 057
Total Equity:		**25 775 098**	**15 500 121**
Long-term liabilities			
Financial liabilities	19	9 265 607	2 003 639
Provisions for expected liabilities	20	9 807	9 386
Deferred tax liabilities	21	-	527 571
Other long-term liabilities		-	-
Total Long-term liabilities		**9 275 414**	**2 540 596**
Short-term liabilities			
Financial liabilities	22	112 113	565 240
Trade payables	23	145 027	117 658
Other liabilities, accrued expenses and deferred income	24	949 349	638 021
Total Short-term liabilities		**1 206 489**	**1 320 919**
Total Liabilities and Equity		**36 257 001**	**19 361 636**

2. Consolidated statement of comprehensive income

Budapesti Ingatlan Nyrt.
Balance sheet date of the business year:
31.12.2017.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**Annex**	data in th HUF **31.12.2017**	data in th HUF **31.12.2016**
Net revenue from sales	25	3 805 550	2 754 918
Other operating income	27	10 607 646	4 953 000
Changes in the inventory of internally generated products	26	- 64 150	48 022
Material expenses	28	- 1 131 316	- 1 120 255
Personal expenses	29	- 210 030	- 358 453
Depreciation and amortization	30	- 24 663	- 32 280
Other operating expenses	31	- 287 436	- 4 704 362
Operating profit		**12 695 600**	**1 540 590**
Financial income	32	40 018	25 358
Financial expenses	32	- 143 066	- 92 870
Profit before taxes		**12 592 551**	**1 473 078**
Current tax expense	33	- 97 631	- 112 404
Deferred tax	34	431 548	34 383
Profit after taxes		**12 926 468**	**1 395 057**
from which:			
part attributable to the parent company		**12 926 468**	**1 395 057**
part attributable to external owners		**-**	**-**
Other comprehensive income		**96 100**	**10 678**
Changes in the fair value of other properties without taxes		-	-
Tax effects of the changes in the fair value of other properties	35	96 100	10 678
Total comprehensive income		**13 022 568**	**1 405 734**
from which:			
part attributable to the parent company		**13 022 568**	**1 405 734**
part attributable to external owners			
Weighted average of ordinary shares (number of shares)		24 187 027	25 766 763
Earnings per share (HUF)			
Base	36	534,44	54,14
Diluted	36	534,44	54,14

3. Consolidated statement of changes in equity

Annex	16	17	16	18	18	18			
data in th HUF	**Issued capital**	**Repurchased treasury share**	**Capital reserve**	**Revaluation reserve**	**Retained earnings**	**Profit in the subject year**	**Total equity attributable to the parent company**	**Non-controlling interest**	**Equity total**
01.01.2016	**2 583 220**	**0**	**594 752**	**972 196**	**9 934 024**	**59 195**	**14 143 387**	**0**	**14 143 387**
Reclassification of profit from previous years					59 195	-59 195	0		0
									0
Dividend							0		0
Repurchased treasury shares		-49 000					-49 000		-49 000
Total comprehensive income				10 678		1 395 057	1 405 734		1 405 734
31.12.2016	**2 583 220**	**-49 000**	**594 752**	**982 873**	**9 993 219**	**1 395 057**	**15 500 121**	**0**	**15 500 121**
Reclassification of profit from previous years					1 395 057	-1 395 057	0		0
Repurchased treasury shares		-2 797 120					-2 797 120		-2 797 120
Dividend							0		0
Correction for leaving consolidation					49 529		49 529		49 529
Total comprehensive income				96 100		12 926 468	13 022 568		13 022 568
31.12.2017	**2 583 220**	**-2 846 120**	**594 752**	**1 078 973**	**11 437 805**	**12 926 468**	**25 775 098**	**0**	**25 775 098**

4. Consolidated statement of Cash Flows

data in th HUF	notes	**2017**	**2016**
Profit before taxes		12 592 551	1 434 311
Interest expense	33	-394	-6 818
Non-cash items			
Depreciation	31	23 086	32 013
Impairment		1 577	268
Non-realized translation gains and losses		-4 586	-16 633
Profit from fair valuation		-10 904 588	189 452
Provision for liabilities	20	421	-6 852
Profit items related to non-operating cash flow			
Proceeds from selling PPE		0	-893 688
Net working capital changes			
Changes in trade receivables	13	-31 747	121 440
Changes in other current assets	10	114 774	937 066
Changes in trade payables	24	27 369	78 725
Changes in other short term liabilities	23	311 328	131 886
Changes in other long term liabilities		0	0
Interest paid		394	6 819
Income tax paid	34	-97 631	-112 404
Cash flows from operating activities		**2 032 556**	**1 895 585**
PPE procurement	9	-8 068 210	-805 801
Financial revenue from selling PPE		0	2 422 765
Leaving consolidation	11	49 529	
Cash flows from investing activities		**-8 018 681**	**1 616 964**
Income from capital issuance		0	0
Purchasing treasury shares	17	-2 797 120	-49 000
Loan repayment		0	-672 270
Proceeds from borrowings		6 813 427	0
Cash flows from financing activities		**4 016 307**	**-721 271**
Increase in cash and cash equivalents	33	-1 969 819	2 791 278
Opening cash and cash equivalents	15	3 760 163	968 885
Closing cash and cash equivalents		1 790 344	3 760 163

5. General information

5.1 Introduction of the company

Budapesti ingatlan Hasznosítási és Fejlesztési Nyrt. (1033 Budapest, Polgár u. 8-10.), (hereinafter: the “Company” or “Group”) was established by transformation on 31 January 1995. Its legal predecessor was Budapesti Ingatlanhasznosítási és Fejlesztési Kft., founded on 1 January 1994 by Állami Vagyonügynökség (State Property Agency) with an equity of th HUF 1 000.

Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt., founded on 31 January 1995, was incorporated with th HUF 2 363 220 of issued capital, then in August 1997 the issued capital was increased by th HUF 220 000. The issued capital of the Company has not changed since then: the issued capital of the Company on 31 December 2006 is th HUF 2 583 220, represented by 2 583 220 dematerialized personal ordinary shares with a par value of HUF 1 000 each. On 20 September 2007 the par value of the shares of the Company changed from HUF 1000 to HUF 100, so the present capital consists of 25 832 200 dematerialized ordinary shares with a par value of HUF 100 each.

The shares of the Company were introduced to Category ‘B’ of the Budapest Stock Exchange on 16 February 1998; presently the shares are being traded in the ‘STANDARD’ category of BÉT.

The Company works with the utilization of its own properties by giving them into lease.

According to the provisions of the IFRS the Company is obliged to prepare a Consolidated report from 1 January 2005.

The operative control of the Company is performed by the Board of Directors. The supervision tasks related to the operation of the Company are performed by the Audit Committee.

The National Tax and Customs Authority registered the parent company, Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt, as a Regulated Property Development Pre-Incorporation Company (SZIE) on 20 October 2017.

5.2 Company data

Name of the Company:	Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.
Abbreviated company name:	Budapesti Ingatlan Nyrt.
Company form:	Public limited liability company
Registered office:	1033 Budapest, Polgár u. 8-10.
Postal address (place of central administration):	1033 Budapest, Polgár u. 8-10.
Central electronic availability:	info@bif.hu
Website:	www.bif.hu
Registry court:	Budapest Capital Company Registry Court
Company registry number:	Cg. 01-10-042813
Statistical number of the company:	12041781-6820-114-01
Tax administration identification number:	12041781-2-41
Community tax number:	HU12041781
Date of the articles of association:	31.01.1995
Date when the Company started its operations:	01.05.1994
Date of stock exchange introduction:	16.02.1998.
Share capital of the Company:	HUF 2.583.220.000
Duration of the operation of the Company:	unspecified
Business year of the Company:	identical to the calendar year
Principal activity of the Company:	6820’08 Renting and operating of own or leased real estate

The average statistical number of employees is 24 persons on 31 December 2017. (24 persons on 31 December 2016).

5.3 Share information

Name of share:	BIF share
Share type	Ordinary share
Security type:	Personal
Security production method:	Dematerialized
Security code (ISIN):	HU 0000088760
Par value of shares:	HUF 100/share
Number of shares:	25.832.200 shares
Stock exchange category:	Standard
Date of introduction:	16.02.1998.
Repurchased treasury shares:	4.864.000 shares

Other information concerning shares:
Section 6 of the Articles of Association of the Company details the rights and obligations connected to the shares.

The shares are being traded in the 'STANDARD' category of the Budapest Stock Exchange and represent the entire issued capital; the Company has no other issued shares.

The trading of shares is not limited, pre-emption rights are not stipulated, but the transfer of shares is only possible by charging or crediting security accounts. When transferring shares the shareholder may only exercise shareholder rights against the Company if the name of the new owner was registered in the share register.

The share register of the Company is managed by KELER Zrt.

Special control rights are presently not stipulated. However, at the extraordinary general meeting of the Company held on 5 August 2017 the general meeting authorized the Board of Directors to increase the capital of the Company by issuing vote priority shares with the unchanged conditions specified in the relevant general meeting proposal related to schedule item 6 and published on 25 July 2017. The Board of directors did not exercise this authority in 2017.

We are not aware of any shareholder agreement related to control rights.

Presently, there is no employee shareholder system at the Group. However, at the extraordinary general meeting of the Company held on 15 August 2017 the general meeting authorized the Board of Directors to increase the capital of the Company by issuing employee shares with the unchanged conditions specified in the relevant general meeting proposal related to schedule item 6 and published on 25 July 2017. The Board of directors did not exercise this authority in 2017.

Minority rights: shareholders representing at least 1% of the votes might request summoning the general meeting of the Company at any time, indicating the reason and the purpose.

According to the Articles of Association the elected officials shall be elected by the General Meeting with simple majority.

At the extraordinary general meeting of the Company held on 15 August 2017 the general meeting authorized the Board of Directors to purchase treasury shares. According to the authorization the Board of Directors may decide about the Company's purchasing the personal, series 'A' ordinary shares issued by the Company with a par value of HUF 100. The lowest amount of consideration payable for one treasury share is HUF 1, that is, one forint, and the highest amount can be 150% of the stock exchange average exchange rate, weighted with 3 months' traffic before the date of concluding the transaction at the most. The authorization is for a specified term from the date of the general meeting until 14 February 2019. Based on the authorization the maximum amount of treasury shares that can be obtained by the Company may not exceed 25% of the base capital.

5.4 Scope of activities of the Company

Principal activity of the Company: 6820 '08 Renting and operating of own or leased real estate

Other activities of the Company, according to NACE:
- 6420 '08 Activities of holding companies
- 8110 '08 Combined facilities support activities
- 6832 '08 Management of real estate on a fee or contract basis
- 6810 '08 Buying and selling of own real estate

5.5 Auditor of the Company

INTERAUDITOR Neuner, Henzl, Honti Tanácsadó Kft. (registered office: 1074 Budapest, Vörösmarty utca 16-18. A. ép. fszt. 1/F.; company registry number: 01-09-063211; chamber registration number: 000171).
Person responsible for audition: Freiszberger Zsuzsanna (address: 2440 Százhalombatta, Rózsa u. 7.; membership number: 007229)

5.6 Officials, controlled companies

5.6.1 Officials in 2017

Members of the Board of Directors of the Company

Name	Position	Start of assignment	End of assignment
dr. Ungár Anna*	Chairperson	15.08.2017	15.08.2022
Berecz Kristóf*	Vice-chairperson	15.08.2017	15.08.2022
Tzvetkov Julian*	member	15.08.2017	15.08.2022
dr. Hárshegyi Frigyes*	member	15.08.2017	15.08.2022
Bajnok Judit	member	26.08.2016	15.08.2017
Horváth László	member	15.08.2017	20.11.2017
Vaszily Miklós	member	22.12.2017	15.08.2022

**dr. Ungár Anna, Berecz Kristóf, Tzvetkov Julian and dr. Hárshegyi Frigyes were recalled then reelected by the General Meeting held on 15 August 2017, for details, see Section 6.6.2.*

Members of the Audit Committee of the Company

Name	Position	Start of assignment	End of assignment
Tzvetkov Julian	member	15.08.2017	15.08.2022
dr. Hárshegyi Frigyes	member	15.08.2017	15.08.2022
Bajnok Judit	member	26.08.2016	15.08.2017
Horváth László	member	15.08.2017	20.11.2017
Vaszily Miklós	member	22.12.2017	15.08.2022

Ownership interest of executives, employees in strategic positions in the Company (31. December 2017)

Nature	Name	Positions	Start of assignment	End of assignment	Direct share property (number of shares)	Percentage of BIF shares with direct influence
ITT	Dr. Ungár Anna	BoD* chairperson	15.08.2017	15.08.2022	0	74,61%
ITT	Berecz Kristóf	BoD vice-chairperson	15.08.2017	15.08.2022	0	74,61%
ITT	Tzvetkov Julian	member of BoD, AC**	15.08.2017	15.08.2022	0	0
ITT	dr. Hárshegyi Frigyes	member of BoD, AC	15.08.2017	15.08.2022	0	0
ITT	Vaszily Miklós	member of BoD, AC	22.12.2017	15.08.2022	0	0
SP	Sajgál Gábor	CEO	01.12.2016	Unspecified***	0	0

**Board of Directors*
***Audit committee*
****nature of employment*

5.6.2 Changes in executives

The following changes occurred in 2017 concerning the members of the Board of Directors and the Audit Committee:

- The extraordinary general meeting of the Company held on 15 August 2017 recalled Berecz Kristóf, Tzvetkov Julian, dr. Hárshegyi Frigyes, Bajnok Judit and dr. Ungár Anna from their position as members of the board of directors of the Company, and recalled Tzvetkov Julian, dr. Hárshegyi Frigyes and Bajnok Judit from their position as members of the Audit Committee of the Company, effective from 15 August 2017, then elected Berecz Kristóf, Tzvetkov Julian, dr. Hárshegyi Frigyes, dr. Ungár Anna and Horváth László to be members of the Board of Directors for the period between 15 August 2017 and 15 August 2022 and elected Tzvetkov Julian, dr. Hárshegyi Frigyes and Horváth László to be members of the Audit Committee of the Company for the period between 15 August 2017 and 15 August 2022.
- In his letter dated 20 November 2017, Horváth László renounced his membership in the Board of Directors and the Audit Committee of the Company, effective from 20 November 2017.
- At the extraordinary general meeting held on 22 December 2017 the general meeting unanimously elected Vaszily Miklós to be a member of the Board of Directors and the Audit Committee, for the period between 22 December 2017 and 15 August 2022.
- In the period between 31 December 2017 and the preparation of the statement no changes occurred in the person of the executives.

A change occurred in the management of the company compared to the situation on 31 December 2016:

– The employment of Farkas Zoltán at the financial and accounting department of the Group was terminated by the Parties with mutual understanding, effective from 30 September 2017.

5.6.3 Remuneration for executives in 2017

At the ordinary general meeting of the Company in 2017 the general meeting decided that the members of the Board of Directors shall perform their tasks without remuneration in the business year of 2017 and the members of the Audit Committee shall perform their tasks with a monthly remuneration of gross HUF 300 000 (three hundred thousand forints) per member in the business year of 2017.

5.6.4 Person authorized to sign the statement

According to Section 15.2 of the articles of association the members of the Board of Directors are entitled to sign the statement together with either another BoD member or an employee with power of representation. The Board of Directors is entitled to decide about the person of the employees with power of representation.

5.6.5 Data of associates

		Voting rights and interest	
Subsidiary	**Registered office**	**2017**	**2016**
Harsánylejtő Kft.	1033 Budapest Polgár u. 8-10.	100,00%	100,00%

In 2017 the Company sold Kastélyszálló Kft and BPR Béta Kft.

Equity data of Harsánylejtő Kft. (2017) in thousand HUF:

Equity	1 722
Issued capital	3 000
Retained earnings	-2 924
Committed reserves	2 500
Profit after taxes	-854

5.6.6 Ownership structure on 31.12.2017

Owners of the Company with more than 5% of interest based on the 31 December 2016 and the 31 December 2017 share register and the individual statements of the owners

	31 December 2016		**31 December 2017**	
Shareholder	**Number of shares (piece)**	**Interest (%)**	**Number of shares (piece)**	**Interest (%)**
PIÓ-21 Kft.	7 700 858	29,81	11 691 807	45,26
BFIN ASSET MANAGEMENT AG*	0	0,00	6 792 915	26,30
FHB KERESKEDELMI BANK ZRT.	2 583 480	10,00	0	0,00
DONADÖME KFT.	6 247 515	24,18	0	0,00
Horváth László	4 376 039	16,94	1 288 812	4,99
Treasury share**	100 000	0,39	4 864 000	18,83
Other shareholders	4 824 308	18,68	1 194 666	4,62
Total	**25 832 200**	**100,00**	**25 832 200**	100,00

5.7 Publication

The disclosures of the Company are published on:

the BÉT (www.bet.hu) website, the MNB website (www.kozzetetelek.hu) and the company's own website (www.bif.hu).

6. Basis for the preparation of the statement

i) Acceptance and statement of compliance with the International Financial Reporting Standards

The Board of Directors accepted the Consolidated financial statements. The Consolidated financial statements were prepared according to the International Financial Reporting Standards, based on the standards announced as regulation in the Official Journal of the European Union (EU) and then introduced. The IFRS consists of the standards and interpretations drafted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

From 1 January 2005 the change in the Hungarian accounting act makes it possible for the Company to prepare the consolidated statements based on the IFRS announced as regulation in the Official Journal of the European Union. Presently, based on the introduction processes of the EU and the activities of the Company there is no difference between the IFRS policies accepted by the Company and the ones accepted by the EU. Disclosures in the financial statements are in compliance with the requirements specified in the single standards.

Legal requirements oblige the Group to prepare Consolidated IFRS reports from 1 January 2005.

The Consolidated financial statements are presented in Hungarian forints, rounded to a thousand forint, if not indicated otherwise.

The financial year of the Company is identical to the calendar one.

ii) Basis for the preparation of the statement

The Consolidated financial statements were prepared according to the effective standards and IFRIC interpretations issued on 31 December 2017.

The report was compiled based on the cost principle, except for cases where the IFRS requires the use of another evaluation principle, like presented in the accounting policy.

iii) Basis of evaluation

In the case of the Consolidated financial statements the basis for evaluation is the original cost, except for the following assets and obligations, presented at fair value: derivative financial instruments, financial instruments evaluated at fair value through profit and loss and marketable financial instruments.

In the course of preparing financial statements in compliance with the IFRSs it is necessary for the management to apply expert assessment, estimates and assumptions, with influence on the applied accounting policy and the amount of assets and liabilities, costs and expenses in the report. The estimates and related assumptions are based on past experience and several other factors, considered reasonable under the given circumstances, and the result of which serves as basis for estimating the book value of assets and liabilities that cannot be clearly determined from other sources. Actual results may differ from such estimates.

The estimates and the base assumptions are regularly reviewed. The modification of accounting estimates is presented in the period of the modification of the estimate if the modification only concerns the year in question and in the period of modification and in future periods if the modification concerns both the present and the future years.

7. Accounting policy

The significant accounting policies used in the course of preparing the financial statements are presented below. Accounting policies were consequently applied concerning the periods in these financial statements. The most important accounting principles used when compiling the financial report are the following:

7.1 Significant accounting policies

7.1.1 Basis for consolidation

Subsidiaries

The consolidated financial statements include the data of Budapesti Ingatlan Nyrt. and the subsidiaries under its control with 100% voting and interest proportion. These subsidiaries were fully consolidated in the course of consolidation.

The method of acquisition accounting was applied to the obtained interests, based on value conditions at the time of acquisition, taking as basis the market value of assets and resources at the date of acquisition, that is, the date of obtaining control. The cost of acquisition is the result of the consideration plus the amount of interest of non-controlling interests in the acquired business. Companies acquired or sold in the course of the year are presented in the consolidated financial statements starting from or until the date of transaction.

Transactions, balances, profit and loss between the consolidated companies and the non-realized earnings are eliminated except if such losses concern the depreciation of the related assets. When preparing the consolidated yearly report similar transactions and events are recorded following uniform accounting policies.

Capital and profit attributable to non-controlling owners is recognized in a separate line in the balance and the statement of profit and loss. Concerning business combinations non-controlling interest is determined as the amount of fair value of the net assets of the acquired company attributable to the non-controlling owners. After the acquisition the interest of the non-controlling owners is the originally recognized value, modified with the amount of changes in the equity of the acquired company attributable to the non-controlling owners. Non-controlling owners receive their share of the total comprehensive income in the period even if this leads to a negative balance of their interest.

Changes in the interest of the Group in subsidiaries that do not result in losing control are recognized as capital transactions. The interest of the Group and the non-controlling owners is modified so that it reflects the change in their interest in subsidiaries. The difference between the amount modifying the interest of non-controlling owners and the received or paid consideration is recognized in the capital as value attributable to the owners of the company.

7.1.2 Reporting currency and foreign currency balances

Considering the content and circumstances of the underlying economic events the functional and reporting currency of the parent company is Hungarian forint.

Initially, foreign currency dealings registered in currencies other than forint were registered on the foreign exchange rate effective on the day of performing such transactions. Receivables and liabilities in foreign currency were translated to forint using the exchange rate on the balance sheet date. The generated exchange rate differences are recognized in the statement of profit and loss among financial income and expenses.

The financial statements were prepared in Hungarian forint (HUF), rounded to the closest thousand value, except if indicated otherwise. The consolidated financial statements were prepared in Hungarian forint, the presentation currency of the Company.

Transactions in foreign currencies are accounted for in the functional currency, using the currency of the statements and the exchange rate of the foreign currency effective on the day of the transaction to the amount in foreign currency. In the comprehensive statement of profit and loss the translation gains and losses generated when arranging monetary items, initial recognition during the period or due to using an exchange rate different from the exchange rate used in the previous financial statements are recognized as income and expense in the period when they were generated. Monetary assets and obligations denominated in foreign currency are translated using the exchange rate of the functional currency effective at the end of the reporting period. Items in foreign currency valuated at fair value are translated using the exchange rate effective at the time of determining the fair value. Translation gains and losses of trade receivables and trade payables are recognized in the profit or loss from business activity while gains and losses of loans are recognized in the income or expense of financial transactions line.

7.1.3 Revenue

The revenue of the Group is primarily from services provided and products sold for its customers and other third parties. Revenue from services and product sales are recognized by the Group at a value decreased by the value added tax and discounts if the amount of revenue can be determined in a reliable manner. It is another condition that the Group shall have future economic benefits expected from the sale, and all other special conditions of the IAS 18 standard recognizing revenue concerning the sale of products and provision of services are met concerning the services provided and products sold by the Group and presented below.

7.1.4 Evaluation and depreciation of non-current assets

Three groups of properties are categorized separately:

- properties held for lease (and for a period longer than one year): these constitute the group of investment properties and are recognized in the investment property line of PPE,
- properties for selling goods and providing services (and held for a period longer than one year): these constitute the group of other properties and are recognized in the other property line of PPE,

- property held for sale (probably for less than one year): these constitute the group of properties purchased for distribution and are recognized in the asset line of current assets.

7.1.4.1 Investment properties

A property is recognized as investment property if the company keeps it to achieve income from rent or value increase or both and not for future sales, producing products or providing services or administration. We always hold investment properties for giving them into lease.

Investment properties shall be evaluated initially at cost, considering transaction costs as well. The Group chose the fair value model for the recognition of investment properties, differences from the changes in fair value are recognized at the charge/for the benefit of the profit or loss in the subject year against other operating income. Investment properties have no planned depreciation.

Euro-Immo Expert Kft. determines the fair value of investment properties owned by the Company. The actualization of the market value of properties is performed for 31 December each year. The evaluation is done considering the international evaluation norm. In the course of evaluation the three evaluation methods generally accepted in the international asset evaluation practice (cost approach, market comparison approach and income approach) are used, then the market value of properties is determined according to the principle of prudence. According to the SZIE Act, our Group has it evaluated quarterly.

Considering that to determine market value the IAS 40 standard recommends but does not require employing an independent valuator, in the case of investment properties where a decision was made about their sale and the selling procedure was started, the fair value calculation method considers it a starting point that the asset has an active market, that is, there are concluded sale and purchase contracts. To determine fair value, the actual market price, that is, the selling price in the already concluded sale and purchase contracts (the average price of them) provides the best basis.

Gains and losses from the changes in the fair value of investment properties is always accounted for (in the other operating incomes or other operating expenses line) in the gains and losses of the period when such changes were generated. Profit from the changes in fair value cannot be distributed to shareholders as dividend. The investment property must be derecognized when alienated, or when the investment property is finally removed from use and no future economic benefits can be expected from its alienation. Gains and losses from the derecognition and alienation of investment properties shall be accounted for as income or expense in the statement of profit or loss in the period in question.

7.1.4.2 Other properties

Properties held for use related to the sale of products or the generation and provision of services are qualified as other property at the Group.

The company group chose the fair value model for recognizing other properties, except for developed public utilities. Evaluation at fair value is performed considering international evaluation norms. In the course of evaluation the three evaluation methods generally accepted in the international asset evaluation practice (cost approach, market comparison approach and income approach) are used, then the market value of properties is determined according to the principle of prudence. Gains from the changes in the fair value of other properties are recognized directly as part of equity, as revaluation surplus.

Presently, the Group has no other property besides public utilities.

Public utilities are presented by the Company Group at cost, decreased by the amount of the yearly recognized amortization.

Depreciation is recognized for other properties. The basis for depreciation is fair value, and the cost in the case of public utilities. Depreciation is accounted for with straight line rates, the depreciation rate is 2%.

7.1.4.3 Other PPE

PPE besides properties is recognized at cost, decreased by the accumulated depreciation and impairment. Accumulated depreciation includes the recognized costs of planned depreciation related to continuous use and operation of the asset and of unplanned depreciation due to significant damage of the asset from unexpected, extraordinary events.

The cost (procurement, production) of the asset is the total amount of items that can be connected to the asset incurred for the procurement, establishment, putting into operation of the asset until the putting into operation or transportation into the warehouse.

The (procurement) cost includes the purchase price decreased by discounts, increased by additional charges, consideration, fees for transportation and loading, foundation laying, installation, putting into operation mediation activities in connection with the procurement, putting into operation, warehousing of the asset, the agent’s fee, taxes and parafiscal charges related to the procurement and customs charges.

Costs incurred later are only included in the book value of the asset or registered as a separate asset if it is probable that the item in question will provide future economic benefits for the company group and the cost of the item can be determined in a reliable manner. Costs of all other repairs and maintenances are accounted for in the statement of profit and loss as expense at the time they are incurred.

Additional expenses spent on existing assets that extend the useful life of the asset or expand the utilization options of the asset are capitalized by the company group. Maintenance and repair costs are accounted for as costs when incurred.

The book value of PPE is reviewed at specified intervals in order to determine whether the book value exceeds the fair, market value of the asset, since in this case the recognition of unplanned depreciation becomes necessary, to the fair, market value of the asset. The fair, market value of the asset is the higher of the selling price and the value in use of the asset. The value in use is the discounted value of future cash-flows generated by the asset. The discount rate includes the interest rate in the Group before taxes, considering the time value of money and the effect of other risk factors related to the asset as well. If independent future cash flow cannot be allocated to the asset then the cash flow of the unit the asset is a part of shall be used as basis. Depreciation, unplanned impairment determined this way is recognized in the statement of profit and loss.

Depreciation of PPE is accounted for according to the straight line method. The procurement cost of assets is depreciated from the date of putting into use during the useful life of the assets. The company group regularly reviews useful lives and residual values.

The Company recognizes unplanned depreciation for PPE in the case of which the net book value of the assets is not expected to be recovered based on their future ability to generate income. The Company prepares the necessary calculations based on the appropriate discounting of long term future cash flow plans.

When determining depreciation the expected useful life, deterioration time, physical and moral obsolescence is considered. Assets under th HUF 100 consolidated procurement value are recognized in one amount as depreciation when put to use, assets between th HUF 100 to 200 procurement value are depreciated in the course of two years, and the depreciation rate used for assets over th HUF 200 is 20% in the case of vehicles, 33% in the case of IT machinery, also 33% in the case of administration technology equipment and 14.5% in the case of other assets.

At the end of every reporting period the Company assesses whether any changes occurred that might indicate depreciation in the case of any asset. If such changes occurred, the Company estimates the expected recovery value of the asset. The expected recovery value of an asset or cash generating unit is the higher of the fair value decreased by selling costs and the value in use. The Company recognizes depreciation against the earnings if the expected recovery value of the asset is lower than the book value. The Company prepares the necessary calculations based on the appropriate discounting of long term future cash flow plans.

7.1.5 Intangible assets

The procured intangible assets are recognized at procurement price and intangible assets obtained in the course of a business combination are recognized at fair value at the time of acquisition. Recognition in the books happens when using the asset is proven to result in the inflow of future economic benefits, and the costs of the same can be clearly determined.

After procurement the cost model is applicable to the intangible assets. The duration of such assets is finite or cannot be determined. Assets with finite life are amortized with the straight line method, based on the best estimate concerning lifetime. The amortization period and the method of amortization are reviewed annually at the end of the financial year. Internally generated intangible assets are not capitalized with the exception of development costs, but are accounted for against the profit or loss in the year of their occurrence. Intangible assets are reviewed annually for depreciation on consolidation or CGU level.

The procurement costs of trade marks, licenses, assets and software under industrial property right protection are capitalized and are depreciated according to the straight line method during their estimated useful life:

Rights representing assets and other rights and software	3-6 years

7.1.6 Goodwill

Goodwill is the positive difference between the procurement value and the fair value of the identifiable net assets of the acquired subsidiary, associate Group or jointly controlled company on the day of acquisition. Goodwill is not amortized but the Company annually assesses whether there are any signs indicating that the book value will probably not be recovered. Goodwill is recognized at cost decreased by possible impairment.

7.1.7 Inventories

Inventories registered by the Company are evaluated according to the IAS 2 standard.

The inventory cost includes the costs of procurement, the costs of conversion and the costs necessary for the inventories to get to their present location and condition.

The cost cannot include losses on unusual amount of material, work and other production costs, warehousing costs, except if such costs are parts of the production process, administrative management expenses not incurred for getting the inventories to their present location and condition and sales costs.

7.1.8 Receivables

Receivables are presented in the statements at nominal value decreased by the appropriate amount of depreciation established for the estimated losses. Based on the full review of the outstanding amounts at the end of the year estimates were made concerning bad debts.

7.1.9 Financial assets

Financial assets in the scope of the IAS 39 standard can be classified in the following four Groups: financial assets evaluated at fair value through profit or loss ("trading assets"), loans and receivables, investments held to maturity and financial assets for sale. When recognizing financial assets their initial evaluation is at fair value.

After initial recognition the financial assets that qualify as "trading" or "for sale" are evaluated at fair value, the non-realized translation gains and losses achieved on trading securities is recognized as other income (expense), and the non-realized translation gains and losses achieved on securities for sale is recognized as a separate component of equity until the investment is sold or otherwise derecognized from the books or until depreciation is recognized on the investment in question at which time the accumulated loss or gain accounted for in equity is recognized as income.

Other long term investments qualifying as held to maturity, like certain bonds, are recognized after initial recognition at amortized cost. Calculation of the amortized cost is done considering the discount or premium at the time of acquisition during the period until maturity. Investments registered at amortized cost the profit or loss generated at the derecognition or depreciation of the investment or during the amortization period is recognized as income.

In the case of investments participating in foreign exchange trade the market value is determined based on the official exchange rate announced on the balance sheet date. In the case of securities not registered at the stock exchange or not traded, the market value is the market value of the similar/substitute financial investment; if this method is not applicable, then the market value is determined based on the estimated future cash flow of the asset connected to the investment.

The Company assesses it on every balance sheet date whether it is necessary to recognize depreciation for the financial asset or group of assets. If such circumstances arise in the case of assets recognized at amortized cost that make the recognition of depreciation necessary, the amount of this will be the difference between the amount of the book value of the asset and the future cash flows of the asset discounted by the original effective interest rate. The depreciation is recognized in the statement of profit and loss. If the amount of recognized depreciation decreases in the future, it is reversed, but only to the extent that the book value of the asset does not exceed the amortized value on the balance sheet date.

In the case of securities for sale the non-realized profit and loss is accounted for in the equity until the security is sold, a decision is made about accounting for depreciation, at which time the accumulated profit or loss that was accounted for in the equity until then will be accounted for in the statement of profit and loss of the period in question.

7.1.10 Financial liabilities

The consolidated statement of the Company concerning the financial situation includes the following financial liabilities: trade payables and other short term liabilities, loans, credits, bank current account credits and futures. The recognition and evaluation of the above is in the relevant parts of the annex in the consolidated statements, according to the following:

The Company evaluates all financial liabilities at fair value at initial recognition. In the case of loans even those transaction costs are considered that are directly attributable to obtaining the financial liability.

The Company classifies financial liabilities under IAS 39 into the following categories: financial liabilities evaluated at fair value through profit and loss, loans, credits and hedging instruments for hedge accounting purposes. The single financial liabilities are classified by the Company when acquired.

Financial liabilities evaluated at fair value through profit and loss are liabilities the Company obtained for trading, or that are classified as evaluated at fair value through profit and loss at initial recognition. Financial liabilities for trading include liabilities that the Group purchased primarily for the profit expected from short term exchange rate changes. Those futures that are not qualified as effective hedging instruments also belong in this category.

Loans and credits are recognized at amortized cost calculated with the effective interest rate method in the statement of financial situation. Gains and losses related to loans and credits are accounted for in the statement of profit and loss in the course of amortization calculated with the method of effective interest rate, and at the derecognition of the financial liability. The amortization is accounted for in the statement of profit and loss as financial expense.

7.1.11 Provisions

The Company creates provisions for the (legal or constructive) liabilities existing due to past events that the Group probably has to settle and if the amount of the obligation can be measured in a reliable manner.

The amount recognized as provision is the best estimate for the settlement of the existing obligation concerning the expense necessary on the balance sheet date, considering the risks and uncertainties characterizing the obligation. If the cash flow that is expected to be necessary for the settlement of the existing obligation is used for the evaluation of the provision, the book value of the provision is the current value of this cash flow.

If a part or all the expenses necessary for the settlement of the provision is expected to be recovered by another party, the receivable is recognized as an asset if it is certain that the entity will receive the compensation and the amount of the receivable can be measured in a reliable manner.

7.1.12 Corporate tax

The amount of the corporate tax is based on the tax payment liability defined in the Act on corporate and dividend tax, modified by the deferred tax. The tax payment obligation includes subject year and deferred tax components.

The tax payment obligation in the current year is determined based on the taxable profit in the subject year. The taxable profit is different from the profit before taxes recognized in the statements, due to gains and losses not constituting the tax base and due to other such items that are considered in the taxable profit of other years. The current tax payment obligation of the Company is determined based on the tax rate effective or announced until the balance sheet date, if the announcement is equivalent to becoming effective. Calculation of the deferred tax is calculated based on the liability method.

Deferred tax is generated in cases when there is a difference over time between the accounting for an item in the yearly statements and accounting for it in the settlement according to the tax law. The deferred tax asset and payable is determined using the tax rates concerning the taxable incomes of the years when the difference over time is expected to be recovered. The amount of the deferred tax asset and payable reflects the estimate of the Group on the balance sheet date concerning the realization of tax assets and liabilities.

Deferred tax assets concerning deductible differences over time, tax benefits that can be carried forward and negative tax base are only recognized in the balance if it is probable that the Company realizes profit constituting tax base in the course of its future activity, against which the tax asset can be enforced.

On every balance sheet date the Company assesses the deferred tax assets not recognized in the balance, and the book value of recognized tax assets. The part of receivables not recognized in the balance earlier that is expected to be recovered as decrease in the future income tax is recognized. Contrary to this, the deferred tax asset of the Company is decreased in the amount for the hedging of the recovery of which no profit after taxes is expected to be available.

The subject year and the deferred tax is accounted for directly against the equity, if it concerns items also accounted for against the equity in the same or another period, including the modifications of the opening value of the reserves due to the retroactively effective changes in the accounting policy.

Deferred tax assets and liabilities can be accounted for against each other if the Group has a legal right to account for its current tax assets and payables towards the same tax authority against each other and the Group intends the net settlement of such assets and liabilities.
Due to the SZIE transformation the Company derecognized the deferred tax liability recognized earlier, since it does not expect to have tax payment liabilities in the future.

7.1.13 Lease

We discuss financial lease in the case if all the risks and costs from possessing the asset according to the conditions of the lease are borne by the customer. All other leases qualify as operative leases.

In the case of a financial lease the assets leased by the Company qualify as the assets of the Company and are recognized at market cost at the time of acquisition. The liability towards the lessor is recognized in the balance as a financial lease liability. Costs incurred in connection with the lease, the differences between the fair value of the acquired assets and the full lease liability are recognized against the earnings during the full duration of the lease so that they represent a permanent, periodically appearing expense concerning the current amount of the liability in the single periods.

The difference between all the liabilities and the market value of the leased asset at the time of acquisition is recognized in the statement of profit and loss beyond the duration of the relevant lease – so that the change in the balance of the remaining liability can be tracked from time to time – or in the single reporting periods.

7.1.14 Earnings per share (EPS)

Definition of the earnings per share is done considering the profit or loss of the Company and the inventory of shares decreased by the average inventory of repurchased treasury shares in the period.

Diluted earnings per share are calculated in a similar manner as earnings per share. However, when calculating it, all the shares in trading that can be diluted are considered, increasing the proceeds that can be distributed after the ordinary shares by the dividend and proceeds of the shares that can be transformed and can be considered in the period in question, modified by the additional incomes and expenses from the transformation – increasing the weighted average number of shares in trading by the weighted average number of additional shares that would be in trading if all the shares that could be transformed were actually transformed. There were no such transactions in either the year ending on 31 December 2016 or in the year ending on 31 December 2017 that might dilute this EPS rate.

7.1.15 Off-balance items

Off-balance liabilities are not included in the balance and the statement of profit and loss, constituting parts of the consolidated yearly report, unless obtained in the course of business combinations. They are recognized in the annex except if the chance of the outflow of sources representing economic benefit is distant, minimal. Off-balance receivables are not included in the balance and the statement of profit and loss, constituting parts of the consolidated yearly report, but if the inflow of economic benefits is expected, they are recognized in the annex.

7.1.16 Repurchased treasury shares

The value of repurchased treasury shares is recognized in a separate line within the equity.

7.1.17 Dividend

Dividend is accounted for by the Group in the year when the owners approved it.

7.1.18 Income from financial transactions

The financial income includes interest and dividend income, interest and other financial expenses, gains and losses on the evaluation of financial instruments at fair value, and the realized and non-realized translation gains and losses.

7.1.19 Government grants

Government grants are accounted for when it can be assumed that the grant will be received and the conditions for the disbursement of the grant are met. When the grant is to compensate costs then it must be accounted for against the statement concerning income in the period when the cost to be compensated is incurred (among other incomes). When the grant is connected to asset procurement then it must be recognized as deferred income and is accounted for against the profit or loss in the course of the useful life of the related asset in equal yearly amounts.

7.1.20 Events after the balance sheet date

Events occurring after the end of the reporting period that provide additional information about the circumstances at the end of the reporting period of the Company (modifying items) were presented in the statements. Those events after the reporting period that do not modify data of the statements are presented in the annexes if significant.

7.2 Changes in the accounting policy

The Company compiled its statements in accordance with the provisions of all the standards and interpretations becoming effective on 1 January 2017.

The Company applies all the IFRS standards, amendments and interpretations becoming effective as of 1 January 2017 that are relevant from the perspective of the operation of the Company.

IAS 1 Compilation of financial statements (amended)
The IASB published the amendment of the IAS 1 in December 2014. The purpose of the amendment is to encourage the Groups to decide on a professional basis what information they disclose in their financial statements. The amendment clarifies that the threshold of significance is applicable to the full statement and that disclosing insignificant information might prevent the statements utilization. Additionally, the amendment clarifies that the Groups should make professional decisions about where and in what sequence they present their disclosures in the financial statements. The amendment needs to be applied in the statements concerning the years beginning on 1 January 2016 and afterwards. The financial statements of the Company are not expected to change due to the application of the amended standard. The European Union has not adopted the amendment of the standard yet.

IFRS 9 Financial instruments: classification and evaluation (effective date: 1 January 2018)
The standard introduces new requirements concerning the classification, evaluation and depreciation of financial assets and financial liabilities. The application of the IFRS 9 standard is expected to have effects on the qualification and evaluation of the financial assets of the Company; however, it is not expected to influence the qualification and evaluation of financial liabilities. The company will assess the effect of the amendment.
The new standard must be applied in the statements concerning the years beginning on 1 January 2018 or afterwards, earlier application is permitted. The application of the new standard is not expected to significantly influence the financial statements of the Company; the Company is presently assessing the effects. It is not yet applied by the Company for the year 2017.

IAS 16 PPE (amended) and IAS 38 Intangible assets (amended)
The IASB published the amendments of IAS 16 and IAS 38 standards in May 2014. Both standards consider the expected utilization of the future economic benefits of the asset as basis for the depreciation. The IASB clarified that the income based method of calculation of the depreciation of assets is not suitable, since income from activities in the course of which the asset is used usually reflects other factors as well besides the economic benefits represented by the asset. The IASB also clarified that income is usually not suitable basis for the measurement of the utilization of economic benefits represented by intangible assets. The amendments must be applied in the statements concerning the years beginning on 1 January 2016 or afterwards. The financial statements of the Company will not change because of the application of the amended standards, since it applies straight line depreciation.

IFRS 15 Accounting for income from customer agreements
In May 2014 the IASB and the FASB published a common standard. The basic principle of the new standard is that the Groups shall acknowledge their incomes according to the amount of goods handed over to or services provided for their customers, reflecting the consideration that the Company will probably be entitled for the good or services provided. The new standard results in a more detailed presentation of incomes, provides guidelines for transactions not clearly regulated before and provides new guidelines for multi-component agreements. The new standard must be applied in the statements concerning the years beginning on 1 January 2018 or afterwards, earlier application is permitted. Adoption of the new standard is not expected to have a significant effect on the financial statements of the Company. It is not yet applied by the Company for the year 2017.

IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures

The IASB publishes amendments for the IFRS 10 and IAS 28 standards. The amendments are aimed at the asset sales or transfers between the investor and its associate or joint venture. The main consequence of the amendments is that the total profit or loss is accounted for if the transaction includes business activities as well (regardless of whether it is in a subsidiary or no). Partial profit or loss is accounted for if the subject of the transaction is an asset that does not mean a business activity even if this asset belongs to a subsidiary. The amendments must be applied in the statements concerning the years beginning on 1 January 2016 or afterwards. The adoption of the amendments of the standards had no significant effect on the financial statements of the Company, since the Group has no associates or joint ventures.

IFRS 16 Lease (effective from 1 January 2019)

On 13 January 2016 the IASB issued a new standard concerning the accounting of leases. The application of the new lease standard will be mandatory for the Groups applying the IFRS in the reporting periods beginning on 1 January 2019 or afterwards. The new standard replaces the present regulation of the IAS 17 Lease standard and may fundamentally change the accounting of operative leases used so far.

7.3 Uncertainty factors

When applying the accounting policy presented in Section A 2.1 estimates and assumptions need to be applied when determining the value of certain assets and liabilities concerning a given time that cannot be determined clearly from other sources. The estimation process includes the decisions and relevant factors based on the latest available information. These significant estimates and assumptions influence the value of the assets and liabilities, incomes and expenses recognized in the financial statements and the presentation of the contingent assets and liabilities in the annex. The actual results might differ from the estimated data.

Estimates are continuously actualized. If the change only concerns the given period it must be considered in the period of the changes in the accounting estimates and if there are changes concerning both periods, it must be considered in the period of the change and in the future periods as well.

The main areas of the critical decisions taken in the field of estimate uncertainties and accounting policy that have the most significant effect on the amounts recognized in the financial statements are the following:

7.3.1 Depreciation recognized for non-recoverable and bad debts

The Company recognizes depreciation for non-recoverable and bad debts to hedge losses incurred due to the customers not being able to pay. The basis for the estimations used to evaluate the suitability of depreciation recognized for non-recoverable and bad debts is the ageing of receivables, the financial standing of the customer and the changes in the payment customs of the customer. There were no non-recoverable or bad debts at the Group in the period.

7.3.2 Determining fair value

The uncertainty of determining fair value comes from that the evaluation of the investment properties, constituting a significant proportion of the assets, is performed by a commissioned Company, which might pose a risk, but this is significantly mitigated by the following factors:

- the market value data is provided by an independent appraiser qualified and accepted by the market and the creditor banks alike,
- the appraisal methods are in line with the international standards,
- the Group performing appraisal generates fair value data from the data estimated with different methods according to the principle of prudence,

An additional uncertainty factor can be if unexpected market processes or unexpected crises occur, due to which the fair value of assets, properties would suddenly significantly change. The Group attempts to mitigate this risk by having the evaluation of the properties performed every year so the statements always contain the most up to date data.

7.3.3 Depreciation

PPE and intangible assets are recognized at cost and their depreciation is performed with the straight line method in the course of their useful lives. For the year ending on 31 December 2017 the Company recognized th HUF 24 663 depreciation and amortization expense. The useful life of assets is determined based on the earlier experiences concerning similar assets and the expected technological development and changes in the wider economic or industry factors. the estimated useful lives are reviewed each year.

7.4 Data of the business combination, consolidated entities

As subsidiary		Voting power	
	address:	**2017**	**2016**
Kastélyszálló Kft.	1033 Budapest Polgár u. 8-10.	0,00%	100,00%
BPR Béta Kft.	1033 Budapest Polgár u. 8-10.	0,00%	100,00%
Harsánylejtő Kft.	1033 Budapest Polgár u. 8-10.	100,00%	100,00%

BPR Béta Kft. and Kastélyszálló Kft.were sold in 2017, thereby removed from consolidation.

8. Investment properties

on 31 December 2016	**13 212 074**
Changes in fair value	10 705 800
Purchase	7 499 130
on 31 December 2017	**31 417 004**
Fair value	
on 31 December 2016	**13 212 074**
on 31 December 2017	**31 417 004**

Investment property data is prepared by the independent appraiser according to the following criteria:
Section 11 (1) of Act 102/2011 on regulated property investment companies
Evaluation of the properties in the portfolio of regulated property investment companies can be done

a) with a method based on market comparison,
b) with a method based on yield calculation, or
c) with a method based on reproduction cost

provided that the selected method of evaluation must be justified in detail and in the future it must be performed in each period with the same method for the property in question.

The changes in the fair value of investment properties in 2016 were from the following items:

The increase in the fair value of investment properties can be traced back to the increase in the fair value of properties in the portfolio. The increase in fair value is justified by the improving market expectations on the one hand, and the concluded lease agreements on the other (higher occupancy, expiration date of agreements) in the case of office buildings utilized by being rented out.

The significant decrease in the fair value of investment properties is primarily due to the sale of the Királyhágó tér and Sas utca properties (decrease of th HUF 1.200.000 and th HUF 1.080.000), and the sale of the offices, stores, garages and storage areas of Castrum House (decrease of th HUF 19.774).

The changes in the fair value of investment properties in 2017 were from the following items:

The increase in the fair value of investment properties can be traced back to the increase in the fair value of properties in the portfolio. The increase in fair value is justified by the improving market expectations on the one hand, and the concluded lease agreements on the other (higher occupancy, expiration date of agreements) in the case of office buildings utilized by being rented out.

In 2017 the evaluation method changed in the case of one of our properties from a method based on market comparison to a method based on reproduction cost since the role of the property itself also changed in the portfolio. This is our Bajcsy-Zsilinszky út building, where there will be significant developments and transformations in the future.

The significant increase in the fair value of investment properties was caused by the purchase of the Vigadó Palace (former KH seat).

Profit or loss of the investment properties

data in th HUF	31.12.2017	31.12.2016
Net revenue from sales	1 758 463	1 520 424
Other operating income	10 595 709	4 464 770
Changes in stocks of finished goods and in work in progress	0	0
Material expenses	-537 333	-576 275
Personal expenses	0	0
Depreciation and impairment	0	0
Other operating expenses	-91	-4 200 142
Income from financial transactions	0	0
Expenses of financial transactions	0	0
Tax payment liability	0	0
Profit	**11 816 576**	**1 208 777**

One of the reasons of the net revenue of investment property sales is the renegotiation of expiring lease agreements and the greater increase in the unit price of the same agreements and the other reason is the small-scale increase of occupancy.

9. Intangible assets and PPE

data in th HUF	Intangible assets	Other properties	Technical machinery and equipment	Unfinished investments and advances	Total
Gross book value					
on 31 December 2016	**27 071**	**201 915**	**179 233**	**30 692**	**438 911**
Increase and reclassification	586	1 967	81 634	1 149 000	1 233 187
Decrease and reclassification	-	-	-	-446 441	-446 441
31 December 2017	**27 657**	**203 882**	**260 867**	**733 251**	**1 225 657**
Depreciation					
on 31 December 2016	**27 071**	**81 724**	**114 026**	0	**222 821**
Yearly depreciation	96	4 966	19 601	-	24 663
Decrease	-	-	-	-	0
31 December 2017	**27 167**	**86 690**	**133 627**	**0**	**247 484**
Net book value					
31 December 2016	**0**	**120 191**	**65 207**	**30 692**	**216 090**
31 December 2017	**490**	**117 192**	**127 240**	**733 251**	**978 173**

From 2011 the public utilities developed and put into operation at the Harsány lejtő property are recognized in the other properties line.

A significant part of the increase in gross value was from purchasing 2 cars, investments performed in other properties, the procurement of IT devices and procuring equipment necessary for the operation of the hotel.

Public utility developments related to construction lots constitute a significant increase in unfinished investments, accounted for by the Company as investment, then a part of it (public lighting, roads, etc.) will be handed over to the municipality after completion.

10. Investments in associates

No amount is in the Investments in associates line in 2017 – just like in 2016 – considering that the Company fully consolidated its remaining subsidiary in 2017.

11. Deferred tax asset

When calculating deferred tax, the Company compares the value that can be considered from the perspective of taxation to the book value for each asset and liability. If the difference is a temporary difference, that is, the difference will be balanced within a foreseeable time, then according to its indication a deferred tax liability or asset is recognized. When recognizing the asset the Group assesses recovery separately. The assets are supported by a tax strategy prepared by the management that proves that the asset will be recovered.
The following deductible and taxable differences causing tax differences were recognized in 2017 and 2016:

data in th HUF	**31.12.2017**	**31.12.2016**
Depreciation of trade receivables	0	83
PPE	0	0
Losses carried forward	338	2 746
Provision	0	0
Total deductible difference	**338**	**2 829**
Deferred tax asset total	**338**	**2 829**

The deferred tax asset is from the losses of Harsánylejtő Kft. carried forward. BIF Nyrt does not recognize deferred tax liability due to SZIE status.

12. Inventories

data in th HUF	**31.12.2017**	**31.12.2016**
Raw materials	-	-
Unfinished production	529 993	714 221
Finished product	166 375	46 297
Goods	869 382	1 166 615
	1 565 750	**1 927 133**

The property developments related to Harsánylejtő that are realized and will be realized for reselling purposes constitute most inventories.

Increase in the value of finished goods and in works in progress and accounted for in connection with the Harsánylejtő lots awaiting further development is recognized in the unfinished production line, while the increase in the finished goods and in works in progress of the full public utility lots about to be sold are in the finished product line.

We recognize the lots at cost in the goods line.

The Harsánylejtő lots were transferred to the books of BIF Nyrt in 2014 with the merger of a former subsidiary of the Company (Katlan). The cost of the inventories classified earlier as investment properties in the subsidiary then transferred under IAS 2 inventories settlement is now the fair value at our Company recognized earlier based on IFRS standards in both our consolidated and our individual IDRS statement. We review the higher cost recognized this way at the end of each period and adjust it with the fair value attributable to the lot sales, thus receiving the market value of assets according to the IFRS.

No depreciation had to be recognized for the inventories in any of the years.

13. Trade receivables

data in th HUF	31.12.2017	31.12.2016
Trade receivables	75 315	83 039
Depreciation	-1 484	-13 895
Reclassification	37 413	11 931
	111 244	**81 075**

Trade receivables are the unpaid amounts of the December rents and operating fees, and of the mediated services (telephone and public utility fees) invoiced forward.

14. Other short-term liabilities and accrued assets

data in th HUF	31.12.2017	31.12.2016
Other receivables	123 718	19 976
Accrual	10 785	106 949
Advance payment	7 087	
Reclassification	252 556	20 613
	394 146	**147 538**

The amount of accrued income is significant in 2016, because in a significant part of the accrued invoices performances settled periodically were invoiced, the VAT of which concern the year 2017, therefore these invoices are accounted for in 2017 and accrued in 2016.

The tax assets and liabilities are not evaluated by tax form but in a consolidated manner and are classified depending on indication into the other receivable or other liability categories.

15. Cash and cash equivalents

data in th HUF	31.12.2017	31.12.2016
Cash	1 517	1 128
Bank	1 788 827	3 759 035
	1 790 344	**3 760 163**

The significant increase in cash in 2016 is caused by a significant part of the consideration for the sale of the Királyhágó tér and Sas utca properties is on the bank account.

16. Issued capital and capital reserve

The issued capital of the Company is th HUF 2,583220, the capital of the Company consists of 2,583,220,000 dematerialized ordinary shares with a par value of HUF 100 each. The capital according to the IFRS is equal to the capital registered at the registry court.

Issued capital

data in th HUF	31.12.2017	31.12.2016
Opening	2 583 220	2 583 220
Increase	0	0
Decrease	0	0
Closing	**2 583 220**	**2 583 220**

Capital reserve

data in th HUF	31.12.2017	31.12.2016
Opening	594 752	594 752
Increase	0	0
Decrease	0	0
Closing	**594 752**	**594 752**

The capital reserve includes the amount of the difference at the share issue between the par value of the shares and the consideration paid for them and the value of the cash, assets put into capital reserve.

17. Repurchased treasury share

On 31 December 2017 the Company had 4.864.000 treasury shares.

data in th HUF	31.12.2017	31.12.2016
Opening	-49 000	0
Increase	-2 797 120	-49 000
Decrease	0	0
Closing	**-2 846 120**	**-49 000**

18. Evaluation reserve, retained earnings and profit in the subject year

data in th HUF	31.12.2017	31.12.2016
Evaluation reserve	1 078 973	982 873
Closing	**1 078 973**	**982 873**

The Company recognizes the appreciation of 2 investment properties accounted for in the fair value model according to IAS 16 (adjusted with the deferred tax) as evaluation reserve.

data in th HUF	31.12.2017	31.12.2016
Retained earnings	11 437 805	9 993 219
Profit in the subject year	12 926 468	1 395 057
Closing	**24 364 273**	**11 388 276**

The retained earnings only changed with the net profit in the subject year each year.

19. Long term financial liabilities

data in th HUF	31.12.2017	31.12.2016
Long term loans	9 265 607	2 003 639
	9 265 607	**2 003 639**

The entire long term loans line consists of the long term part of bank loans:

1. Forint loan received from Takarékbank during 2017 for acquisition purposes: th HUF 7,379,750.
2. Value of loan received from CIB Bank at the end of the year: th HUF 1,997,970, value in Euros on 31 December 2017: EUR 6,442,154.02.

The entire long term loans line consists of the long term part of bank loans.
CIB Loan value in Euros on 31 December 2017: 6,442,154.02. This was divided into long and short term parts, since the loan will be refinanced by 29.03.2018. Long term part: EUR 6,080,662.44, short term part: EUR 361,491.58.

20. Provisions

data in th HUF	2017.12.31	2016.12.31
Provisions for expected liabilities	9 807	9 386
	9 807	**9 386**

The Company created provisions in the previous years for expected payment liabilities. The provision is released each year proportionate to the expected limitation of the liability.

21. Deferred tax liabilities

When calculating deferred tax, the Company compares the value that can be considered from the perspective of taxation to the book value for each asset and liability. If the difference is a temporary difference, that is, the difference will be balanced within a foreseeable time, then according to its indication a deferred tax liability or asset is recognized. When recognizing the asset the Group assesses recovery separately.
The assets are supported by a tax strategy prepared by the management that proves that the asset will be recovered.
The following deductible and taxable differences causing tax differences were recognized on 31 December 2016:

	31 December 2016
Depreciation of trade receivables	(1.251)
PPE	876.633
Losses carried forward	(348.656)
Provisions	845
Other	0
Total taxable difference	**527.571**
Deferred tax liability total	**527.571**

At the end of the year 2017 the deferred tax liability recognized by then was released, since due to the SZIE status the Group does not expect corporate tax liabilities in the future.

22. Short term financial liabilities

data in th HUF	31.12.2017	31.12.2016
Short term loans	112 113	565 240
	112 113	**565 240**

Reclassification of the short term part of bank loans (for details, see Section 19)

23. Trade payables

data in th HUF	31.12.2017	31.12.2016
Trade payables	145 027	117 658
	145 027	**117 658**

The amount of accounts payable in the subject year includes public utility, telephone and other used service liabilities related to properties and liabilities due to guaranteed retention.

24. Other liabilities, accrued expenses and deferred income

data in th HUF	31.12.2017	31.12.2016
Advances + VAT correction	426 354	429 259
Wages+taxes+contributions	357 639	49 747
Dematerialization-related liability towards owners	75 280	75 280
Accruals	43 004	71 286
Reclassification	46 580	11 956
Other	493	493
	949 349	**638 021**

The changes in other short term liabilities, accrued expenses and deferred income are mainly determined by the advances, dematerialization-related liabilities towards owners and accrued public utility and other costs. Most of the increase is from the increase in the amount of advances.

25. Revenue

data in th HUF	31.12.2017	31.12.2016
Income from leasing and operating fees	1 260 537	1 224 951
Income from parking fees	270 829	219 011
Income related to mediated services	225 437	215 994
Income related to services	540	1 080
Revenue from property sales	2 031 891	1 076 476
Other revenues	16 316	17 406
	3 805 550	**2 754 918**

The income only includes the gross recognized economic benefits received on the own account of the Company.

The mediated services line includes the public utility and telephone fees invoiced forward to lessees. Invoice forwarding is mostly from the forwarded invoices of the public utility consumption of the lessees of Flórián Udvar, the electricity consumption of the lessees in Victor Hugo utca and the public utility consumption of the leased hotel premises under the address Zágrábi út 1-3.

The cause of the significant increase in the revenue from lot sales is that in 2017 the Company divided a couple large lots into smaller ones and handed over possession of a large part of them, realizing revenue.

Income that cannot be classified in the previous groups is among the other revenues.

The revenue includes the service performed for the associate (Harsánylejtő Kft.) (th HUF 120) and the sale of eight lots, a total of th HUF 911,279.

26. Changes in stocks of finished goods and works in progress

data in th HUF	31.12.2017	31.12.2016
Changes in stocks of finished goods and works in progress	-64 150	48 022
	-64 150	**48 022**

In the changes in stocks of finished goods and works in progress line the Company recognizes the capitalization of the costs of finished goods and works in progress in lots in stock and the sold finished goods and works in progress.

27. Other operating income

data in th HUF	31.12.2017	31.12.2016
Fair valuation	10 595 538	2 531 941
Property sales		2 403 000
Other income	12 108	18 059
	10 607 646	**4 953 000**

Profit from the fair valuation and sale of investment properties and other income is recognized in the other operating income line. The profit from the sale of the Királyhágó tér and Sas utca properties according to IFRS was m HUF 2,403 in 2016.

28. Material expenses

data in th HUF	31.12.2017	31.12.2016
Material expenses	69 544	169 222
Value of used services	654 839	345 867
Value of other services	24 613	18 346
Cost of sold goods	133 980	371 262
Value of sold (mediated) services	248 340	215 558
	1 131 316	**1 120 255**

The amount of material expenses increases by m HUF 11, the largest item of which, with regards to the increase in used services, is that our advertisement costs significantly increased due to the Harsánylejtő project, sold using our own resources, and the initial costs of condominium building increased at both Companies.

The decrease in CoGS is due to the sale of less Harsánylejtő construction lots with lower cost.

29. Personal expenses

data in th HUF	31.12.2017	31.12.2016
Wages	156 189	266 611
Other personal expenses	16 273	17 414
Contributions	37 568	74 428
	210 030	**358 453**

The decrease in personal expenses was caused by the transformation of the management structure.

30. Depreciation

data in th HUF	31.12.2017	01.01.2016
Depreciation	24 663	32 280
	24 663	**32 280**

Depreciation accounted for after the non-investment PPE of the Company.

31. Other operating expenses

data in th HUF	31.12.2017	31.12.2016
Fair valuation	144 914	1 009 727
Property sales		447 343
PPA change due to property sales		1 243 177
Other expenses	142 522	2 004 115
	287 436	**4 704 362**

In 2016 a significant component of other operating expenses was the sale of the Királyhágó tér and Sas utca properties. In 2017 there were no sales of similar nature. The fair value adjustment is the effect of the evaluation of inventories based on the IFRS in both years (section 12).

32. Income and expense from financial transactions

Financial income

data in th HUF	31.12.2017	31.12.2016
Interest received	400	6 558
Translation gains	39 508	18 539
Other	109	
	40 017	**25 097**

Financial expenses

data in th HUF	31.12.2017	31.12.2016
Interest paid	84 973	87 522
Translation loss	13 376	5 347
Other	44 717	
	143 066	**92 869**

The increase in the income from financial expenses is caused by the positive changes in the HUF/EUR exchange rate, considering both the revaluation realized at loan repayment and at the end of the year.

The expenses of financial transactions include interests paid after bank loans and translation losses. The derecognition (due to sale) of additional payments given to the subsidiaries sold is recognized in the other financial expenses line.

33. Current tax expense

data in th HUF	31.12.2017	31.12.2016
Corporate tax	67 644	73 250
Local business tax	29 987	39 154
	97 631	**112 404**

Due to the SZIE status the Company is only obliged to pay corporate tax until obtaining SZIE status (20 October 2017). As SZIE, the Company is obliged to establish the corporate tax base in accordance with the provisions of the SZIT act, but only has corporate tax payment obligation after the tax base received this way in certain cases (e.g. revenue proportionate tax base from associates).

Based on Section 18/D (8) of Act 81/1996 and on Section 40/K (2) of Act 100/1990 a request is submitted to determine the tax for the transition period (exemption from tax payment for the previous period).

Breakdown of the corporate tax according to the 20 October 2017 conditions:

	data in th HUF
Adjusted profit before corporate tax	**623 673**
Increasing items total	321 640
Decreasing items total	589 893
Corporate tax base on 20.10.2017	**355 420**
Amount of corporate tax	9%
Corporate tax on 20.10.2017	**31 988**
Modifying items related to the end of the year	35 656
Corporate tax liability in the year 2017	**67 644**

The BIF only establishes tax payment obligation after the SZIE transformation after the tax base proportionate to the revenue form the associate.

34. Deferred tax

data in th HUF	31.12.2017	01.01.2016
Deferred tax	431 548	34 383
	431 548	**34 383**

In 2017 the deferred tax liability (th HUF 431.471) generated in the parent company in the previous years was reversed due to the SZIE status. Additionally, in 2017 the increase in the deferred tax recognized by Harsánylejtő Kft. in the subject year (th HUF 77) is recognized as receivable in the consolidated statements.

35. Tax effect of the changes in the current value of properties

data in th HUF	**31.12.2017**	**01.01.2016**
Tax effect of the changes in the current value of properties	96 100	10 678
	96 100	**10 678**

Here, the Company recognizes the changes in the deferred tax attributable to the appreciation of the 2 investment properties accounted for earlier in the fair value model according to IAS 16. In 2017 the deferred tax accounted for earlier was released due to SZIE status.

36. Earnings per share

	2 017	**2 016**
Taxable profit (th HUFt)	12 926 468	1 398 572
Weighted average of ordinary shares (db)	24 187 027	25 766 763
Earnings per share (base) (HUF)	**534,44**	**54,14**

No factors at the Group may dilute the earnings per share.

37. Segment information

All the properties of the Company are in Budapest and its agglomeration, so the geographical breakdown of incomes and expenses is not necessary. Considering that the activity of the Company includes the renting, utilization and trading of properties, the segments were created accordingly in 2017. Besides this, operating income from the operation of the Company that cannot be directly connected to properties is recognized separately.

The following table includes the changes of the incomes and expenses of the segments established according to the above-mentioned classification in 2016 and 2017:

31 December 2016 data in th HUF	**Harsány**	**Cash generating**	**Operating**	**Total**
Net revenue from sales	1 062 302	1 690 149	2 467	**2 754 918**
Other operating income	150	4 916 041	36 809	**4 953 000**
Changes in stocks of finished goods and works in progress	0	0	0	**0**
Material expenses	-343 763	-647 156	-81 314	**-1 072 233**
Personal expenses	0	0	-358 453	**-358 453**
Depreciation and impairment	0	0	-32 280	**-32 280**
Other operating expenses	-473 534	-4 200 142	-30 686	**-4 704 362**
Income from financial transactions	0	0	25 358	**25 358**
Expenses of financial transactions	0	0	-92 870	**-92 870**
	245 155	**1 758 892**	**-530 969**	**1 473 078**

31 December 2017 data in th HUF	**Harsány**	**Cash generating**	**Operating**	**Total**
Net revenue from sales	2 035 347	1 758 463	11 740	**3 805 550**
Other operating income	1 216	10 595 537	10 892	**10 607 645**
Changes in stocks of finished goods and works in progress	-64 150	0	0	**-64 150**
Material expenses	-818 609	-537 333	224 626	**-1 131 316**
Personal expenses	0	0	-210 030	**-210 030**
Depreciation and impairment	0	0	-24 663	**-24 663**
Other operating expenses	-144 913	-91	-142 431	**-287 435**
Income from financial transactions	0	0	40 018	**40 018**
Expenses of financial transactions	0	0	-143 066	**-143 066**
	1 008 891	**11 816 576**	**-232 914**	**12 592 553**

38. Risk management

The assets of the Company include cash, securities, trade and other receivables and other assets, except for taxes. The resources of the Company include loans and credits, trade and other liabilities, except for taxes and profit or loss from the revaluation of financial liabilities at fair value.

The Company is exposed to the following financial risks:

- credit risk
- liquidity risk
- market risk

This section presents the above risks of the Company, the goals, policies of the Company, process assessment and risk management and the management capital of the Company. The Board of Directors bears general responsibility concerning the incorporation, supervision and risk management of the Company.

The purpose of the risk management policy of the Company is to screen and investigate risks the Group faces and to set the appropriate controls and control risks. The risk management policy and system are reviewed to reflect the changed market circumstances and the activities of the Company.

38.1 Capital management

It is the policy of the Company to preserve the capital stock which is enough for the trust of investors and creditors to maintain the future development of the Group. The Board of Directors strives to maintain the policy to only accept higher levels of exposure from loans in the case of a higher yield, based on the benefits provided by a strong capital position and security.

The capital structure of the Company consists of the net debt and the equity of the Company (this one includes the issued capital, the reserves and the interest of non-controlling shareholders).

When managing risks, the Company strives to ensure that the members of the Company can continue their activities and at the same time maximize recovery for owners by balancing loan capital and equity in the best possible way and to keep the best capital structure to decrease capital costs. The Company also considers whether the capital structure of its member companies is in compliance with the local legal regulations.

The capital risk of the Company in 2016 and 2017 was not significant. The debt at the end of the reporting period was as follows:

data in th HUF	31.12.2017	31.12.2016
Credits, loans	9 377 720	2 568 879
Cash	1 790 344	3 760 163
Net debts	**-7 587 376**	**1 191 284**
Equity	25 775 098	15 500 121
Net equity	**33 362 474**	**14 308 837**

38.2 Credit risk

Credit risk means the risk that the debtor or partner will not perform their contractual obligations, which results in financial loss for the Company. Cash exposed to credit risks can be long or short term placements, cash and cash equivalents, trade and other receivables.

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

data in th HUF	31.12.2017	31.12.2016
Trade receivables	111 240	81 075
Cash	1 790 344	3 760 163
	1 901 584	**3 841 238**

38.3 Liquidity risk

The liquidity risk is the risk of the Company not being able to perform its financial liabilities in due time. The liquidity management approach of the Company is to provide appropriate liquidity for the performance of its liabilities in due time at all times, to the extent possible, under both usual and stressed circumstances without incurring unacceptable losses or risking the reputation of the Company.

The member companies of the Company prepare cash-flow plans, to be continuously updated. The Company reviews the cash requirements of the Company in order to provide the cash necessary for operation and meeting the financial indicators specified in the credit agreement with rolling forecast. Cash surplus on Company level manifests on depository accounts, in fixed-term deposits.

38.4 Market risk

Market risk is the risk that the market prices, like exchange rates, interest rates and prices, changes of investments into investment funds will influence the profit of the Company or the value of its investments in financial instruments. The purpose of market risk management is to manage and control exposure to market risks within acceptable limits, while optimizing profit.

39. Sensitivity analysis

The Company determined that its profits depend on two key financial variables mostly: interest risk and foreign currency risk. The sensitivity analyses were performed for these key variables.
The Company strives to ensure the decrease of interest risks primarily by the commitment of liquid assets. The Company does not enter into transactions for the hedging of exchange rates.

39.1 Results of the interest sensitivity analysis (in the percentage of interest changes):

With current interests	**31.12.2017**	**31.12.2016**
Earnings before taxes (without interest)	12 677 524	1 475 759
Net interest expense	-84 973	-80 702
Earnings before taxes	**12 592 551**	**1 395 057**
Assets total	**36 257 001**	**19 361 636**
1%		
Earnings before taxes (without interest)	12 677 524	1 475 759
Net interest expense	-85 822	-81 509
Earnings before taxes	**12 591 702**	**1 394 250**
Changes in earnings before taxes	**-850**	**-807**
Changes in earnings before taxes (%)	**-0,007%**	**-0,058%**
Net assets	**36 256 151**	**19 360 829**
Changes in net assets	**-850**	**-807**
Changes in net assets (%)	**-0,002%**	**-0,004%**
5%		
Earnings before taxes (without interest)	12 677 524	1 475 759
Net interest expense	-89 221	-84 737
Earnings before taxes	**12 588 303**	**1 391 022**
Changes in earnings before taxes	**-4 249**	**-4 035**
Changes in earnings before taxes (%)	**-0,034%**	**-0,289%**
Net assets	**36 252 752**	**19 357 601**
Changes in net assets	**-4 249**	**-4 035**
Changes in net assets (%)	**-0,012%**	**-0,021%**

10%		
Earnings before taxes	12 677 524	1 475 759
Net interest expense	-93 470	-88 772
Earnings before taxes	**12 584 054**	**1 386 987**
Changes in earnings before taxes	**-8 497**	**-8 070**
Changes in earnings before taxes (%)	**-0,067%**	**-0,578%**
Net assets	**36 248 504**	**19 353 566**
Changes in net assets	**-8 497**	**-8 070**
Changes in net assets (%)	**-0,023%**	**-0,042%**
-1%		
Earnings before taxes	12 677 524	1 475 759
Net interest expense	-84 123	-79 895
Earnings before taxes	**12 593 401**	**1 395 864**
Changes in earnings before taxes	**850**	**807**
Changes in earnings before taxes (%)	**0,007%**	**0,058%**
Net assets	**36 257 851**	**19 362 443**
Changes in net assets	**850**	**807**
Changes in net assets (%)	**0,002%**	**0,004%**
-5%		
Earnings before taxes	12 677 524	1 475 759
Net interest expense	-80 724	-76 667
Earnings before taxes	**12 596 800**	**1 399 092**
Changes in earnings before taxes	**4 249**	**4 035**
Changes in earnings before taxes (%)	**0,034%**	**0,289%**
Net assets	**36 261 250**	**19 365 671**
Changes in net assets	**4 249**	**4 035**
Changes in net assets (%)	**0,012%**	**0,021%**
-10%		
Earnings before taxes	12 677 524	1 475 759
Net interest expense	-76 475	-72 632
Earnings before taxes	**12 601 049**	**1 403 127**
Changes in earnings before taxes	**8 497**	**8 070**
Changes in earnings before taxes (%)	**0,067%**	**0,578%**
Net assets	**36 265 498**	**19 369 706**
Changes in net assets	**8 497**	**8 070**
Changes in net assets (%)	**0,023%**	**0,042%**

39.2 Result of the foreign currency change sensitivity analysis (in the percentage of the changes in the exchange rate):

With current exchange rates	**2017.12.31**	**2016.12.31**
Non-monetary assets and assets denominated in HUF	36 070 089	18 949 589
Foreign currency assets	186 912	412 047
Liabilities denominated in HUF	10 481 903	1 286 793
Foreign currency liabilities	1 997 970	2 574 722
Net assets	**23 777 128**	**15 500 121**
Earnings before taxes	**12 926 468**	**1 395 057**
1%		
Non-monetary assets and assets denominated in HUF	36 070 089	18 949 589
Foreign currency assets	188 781	416 167
Liabilities denominated in HUF	10 481 903	1 286 793
Foreign currency liabilities	2 017 949	2 600 469
Net assets	**23 759 018**	**15 478 494**
Changes in net assets	**-18 111**	**-21 627**
Changes in net assets (%)	**-0,076%**	**-0,140%**
Earnings before taxes	**12 908 358**	**1 373 430**
Changes in earnings before taxes (%)	**-0,140%**	**-1,550%**
5%		
Non-monetary assets and assets denominated in HUF	36 070 089	18 949 589
Foreign currency assets	196 257	432 649
Liabilities denominated in HUF	10 481 903	1 286 793
Foreign currency liabilities	2 097 868	2 703 458
Net assets	**23 686 575**	**15 391 987**
Changes in net assets	**-90 553**	**-108 134**
Changes in net assets (%)	**-0,381%**	**-0,698%**
Earnings before taxes	**12 835 916**	**1 286 923**
Changes in earnings before taxes	**-90 553**	**-108 134**
Changes in earnings before taxes (%)	**-0,701%**	**-7,751%**
10%		
Non-monetary assets and assets denominated in HUF	36 070 089	18 949 589
Foreign currency assets	205 603	453 252
Liabilities denominated in HUF	10 481 903	1 286 793
Foreign currency liabilities	2 197 767	2 832 194
Net assets	**23 596 022**	**15 283 854**
Changes in net assets	**-181 106**	**-216 268**
Changes in net assets (%)	**-0,762%**	**-1,395%**

Earnings before taxes	**12 745 363**	**1 178 790**
Changes in earnings before taxes	**-181 106**	**-216 268**
Changes in earnings before taxes (%)	**-1,401%**	**-15,502%**
-1%		
Non-monetary assets and assets denominated in HUF	36 070 089	18 949 589
Foreign currency assets	185 042	407 927
Liabilities denominated in HUF	10 481 903	1 286 793
Foreign currency liabilities	1 977 990	2 548 975
Net assets	**23 795 239**	**15 521 748**
Changes in net assets	**18 111**	**21 627**
Changes in net assets (%)	**0,076%**	**0,140%**
Earnings before taxes	**12 944 579**	**1 416 684**
Changes in earnings before taxes	**18 111**	**21 627**
Changes in earnings before taxes (%)	**0,140%**	**1,550%**
-5%		
Non-monetary assets and assets denominated in HUF	36 070 089	18 949 589
Foreign currency assets	177 566	391 445
Liabilities denominated in HUF	10 481 903	1 286 793
Foreign currency liabilities	1 898 071	2 445 986
Net assets	**23 867 681**	**15 608 255**
Changes in net assets	**90 553**	**108 134**
Changes in net assets (%)	**0,381%**	**0,698%**
Earnings before taxes	**13 017 021**	**1 503 191**
Changes in earnings before taxes	**90 553**	**108 134**
Changes in earnings before taxes (%)	**0,701%**	**7,751%**
-10%		
Non-monetary assets and assets denominated in HUF	36 070 089	18 949 589
Foreign currency assets	168 220	370 842
Liabilities denominated in HUF	10 481 903	1 286 793
Foreign currency liabilities	1 798 173	2 317 250
Net assets	**23 958 234**	**15 716 389**
Changes in net assets	**181 106**	**216 268**
Changes in net assets (%)	**0,762%**	**1,395%**
Earnings before taxes	**13 107 574**	**1 611 325**
Changes in earnings before taxes	**181 106**	**216 268**
Changes in earnings before taxes (%)	**1,401%**	**15,502%**

40. Financial instruments

Loans given, invested financial assets, the trade receivables, securities and cash from the current assets and credits received, loans and trade payables qualify as financial instruments.

31 December 2017 **data in th HUF**	**Book value**	**Fair value**
Financial assets		
Loans and receivables registered at amortized cost		
Trade receivables	112 728	111 244
Cash and cash equivalents	1 790 344	1 790 344
Financial liabilities		
Liabilities registered at amortized cost		
Financial liabilities	9 377 720	9 377 720
Trade payables	145 027	145 027

31 December 2016 **data in th HUF**	**Book value**	**Fair value**
Financial assets		
Loans and receivables registered at amortized cost		
Trade receivables	94 970	81 075
Cash and cash equivalents	3 760 163	3 760 163
Financial liabilities		
Liabilities registered at amortized cost		
Financial liabilities	2 568 879	2 568 879
Trade payables	117 658	117 658

Fair value was determined at fair value according to the 2nd level in both years.

41. Remuneration for the Board of Directors and the Supervisory Board

In 2017 the members of the Board of Directors at the parent company performed their tasks without salary in the business year of 2017 and the members of the Audit Committee performed their tasks with a monthly salary of HUF 300 000/month per member. There is no Supervisory Board at the Company and the consolidated subsidiary. The management (including the Board of Directors and the CEO, due to the company form) performs its tasks without remuneration.

42. Off-balance items

42.1 Off-balance items that might influence the future liabilities of the Company:

On 31 December 2017 the following mortgage rights are registered on certain property items of the company group:

Name of beneficiary	**Loan 1**
	CIB Bank Zrt.
Name of mortgaged item, right (interest)	Budapest property under lot number 28912 (1060 Budapest, Bajcsy-Zs. út 57.) Budapest property under lot number 6979 (1120 Budapest, Városmajor u. 12.) Budapest property under lot number 34637/0/A/107 (1081 Budapest, Rákóczi út 57.) Verseg periphery property under lot number 0122/2 (Versegi Kastélyszálló) Budapest property under lot number 25351/1 (45/100th of ownership) (1130 Budapest, Pannónia u. 45. - Victor Hugo u. 18-22.) Budapest property under lot number 18059 (8454/10000th of ownership) (1033 Budapest, Polgár u. 8-10.) Budapest property under lot number 28613 (1062 Budapest, Andrássy út 82.)
Identifiers (date, number, name) of the contract including the secured claim	Loan contract: Date: 15 January 2007 Identifiers of security contracts: Property block security mortgage contract: Date: 15 January 2007 Property purchase option contract: Date: 15 January 2007 Loan contract (amendment): Date: 26 June 2008 Identifiers of security contracts: Property block security mortgage contract: Date: 26 June 2008 Property purchase option contract: Date: 26 June 2008
Amount of the secured claim / registered burden	EUR 30.000.000, that is, a capital debt of thirty million euros and its contributions

Name of beneficiary	**Loan 2** **Magyar Takarékszövetkezeti Bank Zrt.**

Name of mortgaged item, right (interest)

Budapest property under lot number 24393/0/A/1 (1052 Budapest, Aranykéz u. 4-6.)
Budapest property under lot number 34214/3 (1070 Budapest, Madách Imre tér 3.)
Budapest property under lot number 24408/4 (1052 Budapest, Türr István utca 6.)

Identifiers (date, number, name) of the contract including the secured claim

Loan contract:
Date: 24 November 2007
Identifiers of security contracts:
Property block security mortgage contract:
Date: 24 November 2007
Property purchase option contract:
Date: 24 November 2007

Amount of the secured claim / registered burden

HUF 8.000.000.0000, that is, a capital debt of eight billion forints and its contributions

42.2 Information from the legal representative

On 31 December 2017, Budapesti Ingatlan Nyrt. was a party to the following litigation proceedings as defendant

Litigation:

Legitimacy litigation proceedings in progress:

1: Plaintiff: Tőzsdei Egyéni Befektetők Érdekvédelmi Szövetsége (Advocacy Association of Stock Market Investors), shareholder; defendant: Budapesti Ingatlan Nyrt. (court of arbitration proceedings)

Subject of the lawsuit: Action initiated to render certain 2016 resolutions of the general meeting and board of directors of the Company and to suspend the execution of the same. No significant event happened in 2017 concerning the lawsuit, no significant measures were taken or decisions passed at the hearings.

2. Plaintiffs: Lehmann Judit and Lehmann Lászlóné defendant: Budapesti Ingatlan Nyrt., intervening party: Strabag MML Kft. contractor.

Subject of the lawsuit: HUF 5.000.000 as compensation. The lawsuit was suspended in 2012 and restarted in 2017, its results are uncertain. Analyzing the expected judicial decisions the Company estimated the expected payment obligation to be HUF 1 000 000 in the lawsuit in the case of losing it and created provisions for this purpose.

3. Judicial review proceedings in progress: (acting court: Fővárosi Törvényszék Cégbírósága (Company Registry Court of Budapest-Capital Regional Court)):

1.) Applicant: Tőzsdei Egyéni Befektetők Érdekvédelmi Szövetsége defendant: Budapesti Ingatlan Nyrt.
Subject: Request to view the year 2016 board of directors' protocols and other documents. The Registry Court denied the request, against which the applicant appealed, as a result of which the Regional Court of Appeal of Budapest ordered the Budapest-Capital Regional Court to conduct a new procedure.
2.) Applicant: Tőzsdei Egyéni Befektetők Érdekvédelmi Szövetsége defendant: Budapesti Ingatlan Nyrt.
Subject: Request to view the year 2016 board of directors' protocols and other documents. The Registry Court denied the request, against which the applicant appealed.

43. Events after the balance sheet date

Significant events at the Group between the balance sheet date and the date of the preparation of the balance:

Date of disclosure	Subject of the disclosure
04 April 2018	On 4 April 2018 the Company concluded an exchange agreement with Waybridge Estates Kft According to the exchange agreement the parties exchange the ownership of the properties owned exclusively by Waybridge Estates Kft. under lot numbers Budapest, District 6, urban area, 28614/0/A/1; 28614/0/A/2; 28614/0/A/3; 28614/0/A/5; 28614/0/A/6 and 28614/0/A/7, under the address 1062 Budapest, Andrássy út 80. szám to the ownership of the 400 000 Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. personal dematerialized ordinary shares with a par value of HUF 100 each and owned by the Company (ISIN code: HU0000088760).
26 March 2018	On this day, Magyar Takarékszövetkezeti Bank Zrt. provided a HUF based loan of HUF 2.022.766.172 for the Company for the final payoff of the EUR loan debt of the Company towards CIB Bank Zrt.
19 March 2018	The Deputy CEO, CFO of Budapesti Ingatlan Nyrt. is Hrabovszki Róbert as of 19 March 2018.
06 March 2018	According to Section 15 (1) of Act 102/2011 on regulated property investment groups, Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. prepared and disclosed its audited interim balance with the date of being registered as a regulated property investment pre-incorporation company as balance sheet date (20.10.2017).
02 February 2018	Extraordinary information, owner's announcement, disclosure of changes in the extent of voting rights

44. Authorizing the disclosure of the financial statements

The Board of Directors of the Company discussed the financial statements on its 4 April 2018 meeting and authorized it for disclosure in the present form on 5 April 2018.

Declaration of liability

Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. hereby declares that the year 2017 audited Consolidated Yearly Financial Statements of the Company, prepared in accordance with IFRS, contain real data and statements and do not omit any facts that might have any significance concerning the assessment of the situation of the Company and its subsidiary. The Company is responsible for the reimbursement of damages caused by failing to provide regular and extraordinary information or the misleading content of the same.

Budapest, 5 April 2018

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dr. Ungár Anna	Sajgál Gábor
chairperson of the Board of Directors	CEO