



« MOBILCONSULT »

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ESTABLISHED: 1991

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Appeninn Nyrt.

Opinion

We have carried out the audit of the 2017 consolidated financial statements of Appeninn Nyrt. (the "Company") and its subsidiaries (together, the "Group"), which consolidated financial statements comprise the consolidated financial statement drawn up as at 31 December 2017 as the reference date, in which the total assets amount to 75,529,207 EUR and the profit for the year is 2,548,268 EUR, and the statement on the overall income of the business year ended on the same date, the statement on the development of the equity, the consolidated cash flow statement, as well as the consolidated notes on accounts setting out a summary of the key elements of the accounting policy.

In our opinion, the accompanying consolidated financial statements give a true and reliable view of the consolidated assets and financial position of the Group as at 31 December 2017, its consolidated income position regarding the business year then ended and its cash flows in accordance with the International Financial Reporting Standards, as approved by the European Union (the "EU IFRS"), and that such statements were drawn up in all material respects in accordance with the provisions of Act C of 2000 on Accounting (the "Accounting Act"), being in force in Hungary, which apply to economic operators drawing up consolidated annual accounts pursuant to the EU IFRS.

Basis for the opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the laws and regulations applicable to auditing, which are in force in Hungary, including Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation 537/2014/EU"). A more detailed description of our responsibility under these standards is given in the section entitled "Auditor's responsibility for the audit of the consolidated financial statements".

In accordance with the legislation in force in Hungary applicable to the company and in accordance with the "Policy on the (ethics) rules of conduct of the auditor profession and the disciplinary procedure" of the Hungarian Chamber of Auditors and, with regard to matters not provided for therein, the Handbook of the Code of Ethics for Professional Accountants (IESBA Code) issued by the International Ethics Standards Board for Accountants, we are independent of the company and comply with the additional ethics principles laid down in these standards..

We are confident that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are matters which, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were analysed in the context of us having audited the consolidated financial statements as a whole and forming our relevant opinion, and we do not express a separate opinion on these matters.

We have complied with our obligation set forth in the section "Auditor's responsibility for the audit of the consolidated financial statements", including the matters detailed below. Accordingly, our audit includes the implementation of the procedures developed based on our risk assessment concerning material errors included in the consolidated financial statements. The results of our audit procedures, including the procedures carried out to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Key audit area	Audit processed related to the area
<p>Sale of investment properties In the Group's consolidated financial statements, the balance sheet value of the investment properties was 62,990,000 EUR on 31 December 2017. The balance sheet value above reflects the estimated fair value of investment properties, noting that the Group engaged an independent external valuation expert to determine this value. As a result of the evaluation, a revaluation difference of 950,000 EUR was accounted. The evaluations were made by applying the income approach, discounted cash flow method. The property portfolio of the Group is presented in Section 13 of the Notes on accounts.</p>	<p>We evaluated the professional competence, expertise and objectivity of the external assessor. We evaluated the methodology used by the assessor and the appropriateness of the main assumptions based on our understanding of the real estate industry, and we also engaged an own expert. We reviewed the accuracy and relevance of the basic data used to determine the balance sheet value of the investment properties.</p>
<p>Loans The Group's outstanding (short and long term) loans amounted to 34,377,651 EUR at the end of the current year. Loans amount to 85% of all liabilities, hence they are considered a key area. A detailed description of the loans is given in Section 30 of the Notes on accounts.</p>	<p>During our procedures to review the loans, we requested confirmation from the lending financial institutions. We asked for the loan agreements and the relevant accounting, and examined compliance with the terms and conditions and the loan covenants. We also verified the need to account for interest and the reclassification of the instalments due in subsequent years. We also asked for the loan agreements which were refinanced in 2018.</p>

Other information Consolidated business report

Other information includes the 2017 consolidated business report of Appennin Nyrtr. and the management report under Schedule 1 of PM Decree 24/2008. (VIII.15.), which we received before the date of the auditor's report. The management is responsible for the presentation of the consolidated financial statements in accordance with the provisions of the Accounting Act and other applicable legislation. Our opinion concerning the consolidated financial statements in the "Opinion" section of our independent auditor's report does not apply to the consolidated business report and the management report.

Regarding our audit of the consolidated financial statements, our responsibility is to review the consolidated business report and the management report and, in this context, to balance if the consolidated business report or the management report materially contradicts the consolidated financial statements or the knowledge we obtained in the course of the audit, or if it otherwise appears to be material misstated. If, on the basis of our work, we conclude that the other information is materially misstated we are obliged to report on this and the nature of the misstatement.

Since the company's transferable securities are listed for trading on the regulated market in a Member State of the European Economic Area, our opinion on the consolidated business report must cover the information in points e) and f) of Section 95/B(2) and we must declare if the information in points a)-d) and g)-h) of Section 95/B(2) were made available to us. In our opinion, the company's 2017 consolidated business report, including the information required under points e) and f) of Section 95/B(2) of the Accounting Act, is consistent with the Company's 2017 consolidated financial statements and the consolidated business report was drawn up in accordance with the requirements of the Accounting Act.

As there is no other legislation which provides for additional requirements concerning the consolidated business report, we do not express an opinion in this respect.

We also declare that the Company has made available the information required under points a)-d) and g)-h) of Section 95/B(2) of the Accounting Act.

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

Responsibility of management and those charged with governance for the consolidated financial statements

The management is responsible for the preparation of the consolidated financial statements which give a true and fair view in accordance with the International Financial Reporting Standards adopted by the European Union and the additional requirements of the Accounting Act concerning annual reports drawn up in accordance with the EU IFRS, and for such internal control as the management determines is necessary to enable the preparation of financial statements which are free from material misstatement, whether due to fraud or error.

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

The persons charged with governance are responsible for supervising the Company's consolidated financial reporting procedure.

Responsibility of the auditor for the audit of the consolidated financial statements

In the course of the audit our purpose was to obtain reasonable assurance whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or errors, and based on this, to give an independent auditor's report containing our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Hungarian National Standards on Auditing and the other laws and regulations concerning auditing in force in Hungary, including Regulation 537/2014/EU, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they can reasonably be expected to influence the economic decisions of users taken on basis of the consolidated financial statements.

We apply professional judgement and reserve professional scepticism throughout the audit conducted in accordance with the Hungarian National Standards on Auditing and the other laws and regulations concerning auditing in force in Hungary, including Regulation 537/2014/EU.

We also:

- Identify and evaluate the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures which are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of the accounting policies applied by the management and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate in this respect, to qualify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures in the Notes on accounts, and evaluate whether the financial statements represent the underlying transactions and events in a manner which gives a true and fair view.

We communicate to those charged with governance, among other matters, the planned scope and timing of the audit and significant findings of the audit, including any significant deficiencies in internal control, if any, which we identify during our audit.

We declare to those charged with governance that we comply with the relevant ethics requirements regarding independence and communicate to them all the relations and other matters, which can reasonably be expected to influence our independence and, where appropriate, the related safeguards.

Of the matters communicated to those charged with governance, we determine the matters which were the most important one and, therefore, were the key audit matters during the audit of the consolidated financial statements of the current period. In our auditor's report, we discuss these matters, unless law or regulation prevents the specific matter from public disclosure or if, in extraordinary circumstances, we determine that we should not communicate a particular question in the auditor's report because, based on reasonable expectations, the negative consequences thereof would be more severe than the public-interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with Article 10(2) of Regulation 537/2014/EU of the European Parliament and of the Council, we make the following declarations in our independent auditor's report beyond our reporting obligations laid down by the Hungarian National Standards on Auditing:

Appointment and duration of mandate of the auditor

The Company appointed us as its statutory auditor at its general meeting on 28 April 2017. Our mandate is for 1 year until the approval of the 2017 annual accounts.

Consistency of the auditor's report and the additional report addressed to the audit committee

We confirm that our auditor's report regarding the consolidated financial statements included in the present auditor's report is consistent with the additional report addressed to the Company's audit committee, which we issued on 26 March 2018, on accordance with Article 11 of Regulation 537/2014/EU of the European Parliament and of the Council.

Provision of non-audit services

We declare that we have not provided any non-audit service to the Company which is prohibited under Article 5(1) of Regulation 537/2014/EU of the European Parliament and of the Council. We also declare that we have not provided any other non-audit service to the Company and its controlled undertakings which are not included in the consolidated business report.

The signatory of this report is considered the responsible partner for the audit assignment resulting in the present independent auditor's report.

Budapest, 26 March 2018



Nagy Judit

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