

Independent Auditor's Report

to the shareholders of Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság

Report on the audit of the annual account

Opinion

We have audited the 2019 annual account of Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság ("the Company"), which financial statements comprise the financial position statements as at 31. December 2018 - which includes the Account related to the financial situation prepared for the report date of 31 December 2019 - where the final amount of assets and liabilities is HUF 41,340,929 thousand and the comprehensive profit for the year is HUF 1,661,208 thousand, the related comprehensive income statement for the financial year then ended, statement of changes in equity, statement of cash flow, and appendices to the financial statements, including a summary of significant accounting policies.

In our opinion, the annual account gives a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial situation related to the financial performance and cash flow for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU IFRS"), and the they were prepared in all material respects in accordance with the provisions of Act C of 2000 on Accounting (hereinafter: "Accounting Act") relevant to the annual account prepared in accordance with EU IFRS.

Basis for the opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing, and applicable laws and regulations in force in Hungary, including Regulation 537/2014/EU (6 April 2014) on specific requirements regarding statutory audit of public-interest entities (537/2014/EU Regulation). A detailed description of our responsibilities to comply with the standards is included in section "The auditor's responsibility for the audit of the annual account".

In accordance with the relevant legislation in force in Hungary and in accordance with the "Rules of Conduct (ethics) rules and the disciplinary action of the audit profession" of the Chamber of Hungarian Auditors and, with regard to the issues not settled in the above mentioned, in accordance with 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 we comply with the additional ethical principles laid down in the standards.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements of the current period. These matters in the auditor's report are in the context of us having audited and formed an opinion on the financial statements as a whole and we do not express a separate opinion on these matters. With regard to all below matters, this context was related to our audit approach.

We complied with our responsibilities specified in section "The auditor's responsibility for the audit of the annual account". Accordingly, our audit is inclusive of the performance of the procedures established based on our risk assessment related to significant faulty statements included in the annual account. The results of the audit procedures - including the procedures performed with regard to the below matters - support our auditor's opinion related to the annual account.

Evaluation of subsidiary ownership

The value of the Company's ownership in subsidiaries on 31 December 2019 was HUF 9,578,629 thousand, which was 23% of the balance sheet total. An evaluation model is prepared by the management on an annual basis with regard to the properties owned by the subsidiaries in order to consider whether the accounting of impairment is necessary for these ownerships. The matter of ownership shares in the subsidiaries needs significant consideration, and is very much dependent on the applied assessments. Due to the above, due to the significant rate of subsidiary ownership within assets, and the possible effect of the evaluation on the profit and loss account, we consider the evaluation of subsidiary ownership as a key audit matter.

Our audit procedures - besides other procedures - included that we also reevaluated the evaluation procedures and assumptions applied by the Company. We involved business evaluation experts and evaluated the suitability of the main inputs used in the evaluation model. We also evaluated the assumptions of the model prepared by the management and compared the same with the business plan also prepared by the management.

We assessed whether the Company presents all information related to subsidiary ownership in the supplementary annex appropriately, as specified by the EU IFRS.

The main accounting policy elements related to the ownership in the Company's subsidiaries, and the information related to the ownership in the subsidiaries can be found in Point 2.1.3 titled Capital investment and Point 17 titled Ownership shares.

Determination of the market value of investment properties

The value of the Company's investment properties on 31 December 2019 was HUF 8,791,832 thousand, which is 21% of the balance sheet total. With the involvement of an external expert, the management specifies the market value of investment properties on an annual basis in accordance with the real value model of Standard EU IFRS IAS 40 Investment properties.

The evaluation of investment properties includes significant estimates, the rate of the same within assets is significant, and the effect of the evaluation on the profit and loss account may also be significant, thus we concluded that the evaluation of investment properties is a key audit matter.

Our audit procedures - besides other procedures - included that we also reevaluated the evaluation procedures and assumptions applied by the Company. Involving business evaluation experts, we examined the suitability of the main inputs used in the evaluation model, as well as the assumptions made by the management and the external expert, and we also assessed the experiences of this external expert in such evaluation.

We assessed whether the Company presents all information related to investment properties in the supplementary annex appropriately, as specified by the EU IFRS.

The main accounting policy elements related to the Company's investment properties, and the information related to investment properties can be found in Point 2.1.5 Investment properties and Point 15 Income-generating investment properties.

Other matters

The Company's 2018 annual account was audited by another auditor, who issued the related unqualified opinion on 25 March 2019.

Other information

Other information includes the Company's 2019 business report. Management is responsible for the preparation of the business report in accordance with the Accounting Act and other pieces of legislation. In section "Opinion" of our report, our opinion related to the annual account shall not apply to the business report.

In relation to the audit of the annual account, it is our responsibility to read the business report and to assess whether

1) the business report significantly contradicts with the annual account, or our information gathered during the audit, or otherwise appears to be materially misstated, and also 2) whether the business report was prepared in accordance with the accounting act and the applicable requirements of other laws and regulations.

Our opinion on the business report shall cover the information specified in Section 95/B (2) e) and f) of the Accounting Act, and we shall also make a statement whether the information referred to in Section 95/B. (2) a)-d), g) and h) has been provided and also whether the business report includes the non-financial account specified in Section 95/C.

According to our opinion, the Company's 2019 business report, including the information specified in Section 95/B (2) e) and f) of the Accounting Act, are in compliance with the Company's 2019 annual account and the relevant requirements of the accounting act in all material aspects.

Since there are no additional legal requirements for the Company on the business report we do not express an opinion in this regard.

We also state that the Company provided the information specified in Section 95/B (2) e) and f) of the Accounting Act, and business report includes the non-financial account specified in Section 95/C of the accounting act.

On top of the above-mentioned, based on the information gathered about the Company and its environment during the audit, we need to report whether we found any significant faulty information (material faulty statement) in the business report, and if so, also communicate the type of such faulty note (faulty statement). In this regard, we have nothing to report.

Responsibilities of management and those charged with governance for the annual account

Management is responsible for the preparation and fair presentation of the annual account in accordance with EU IFRS, and the preparation of the annual account in accordance with the EU IFRS in line with the supplementary requirements related to the annual account, and for such internal control as management determines is necessary to enable the preparation of the annual account that are free from material misstatement, whether due to fraud or error.

When preparing the annual account, it is the responsibility of the management to assess the Company's ability to continue as a going concern as well as to disclose matters related to going concern and the management is responsible for the application of accounting based on the continuation of the business in the annual account, except for the case, when the Company or business-like activity is intended to be terminated by the management, or in case of no other rational option.

Those charged with governance are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the audit of the annual account

The objective of our audit is to obtain reasonable assurance about whether the annual account as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Hungarian National Standards of Auditing, and laws and regulations on audit - effective 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 could reasonably be expected to influence the economic decisions of users taken on Basis of the annual account.

As a part of an audit performed in accordance with the Hungarian National Standards of Auditing and laws and regulations on audit - effective in Hungary - including Regulation 537/2014/EU, we apply professional consideration, and apply professional scepticism during the entire course of the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the annual account, whether due to fraud or error, we 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 that 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 accounting policies applied and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the application of accounting by the management on the going concern basis 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 auditor's report to the related disclosures in the annual account or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the annual account, including the disclosures in the supplementary annex, and whether the annual account represent the underlying transactions and events in a manner that gives a true and fair view.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we inform them of all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related preventive measures.

From the matters communicated to those charged with governance, we determine the ones that were of most significance in the audit of the annual account of the current period and are therefore considered as key audit matters.

Report on Other Legal and Regulatory Requirements

Report in compliance with the obligatory content elements of the auditor's report in accordance with Regulation 537/2014/EU:

Nomination of the auditor

The General Meeting of the Company nominated us as the legal auditor of the Company on 14 October 2019. The entire period of our continuous assignment is one year with previous extensions and renewals.

Compliance with the supplementary report addressed to the Audit Committee

Our opinion specified in this auditor's report is in compliance with the supplementary report prepared in accordance with Article 11 of Regulation 537/2014/EU, addressed to the Audit Committee, dated on the same date as this report.

Non-auditor services

We represent that the prohibited, non-auditor services specified in Article 5, Paragraph (1) of Regulation 537/2014/EU were not provided by us to the Company or the businesses controlled by the same, and we were completely independent from the Company during the entire course of the audit.

We did not provide any other services to the Company and the businesses controlled by the same than those regulated by the law, specified in the business report or the annual account.

The responsible partner of the audit assignment resulting in this independent auditor's report is Tamás Lelkes.

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