



Appeninn
Holding

APPENINN HOLDING NYRT.

CONSOLIDATED

FINANCIAL STATEMENTS

for the year ending on 31 December 2017

based on the International Financial Reporting
Standards (IFRS)

The auditor's report concerns the 56 page financial statements.

Budapest, 26th March 2018

Zoltán Prutkay

as member of the Audit Committee

Gábor Székely

Chairman of the Audit Committee



General information

The Appeninn Vagyonkezelő Holding Nyrt. was founded on 1 December 2009. On 7 December 2009 the Company was registered by the Court of Registration under the Company registration number Cg. 01-10-046538. On 19.05.2011 Rotux Zrt. (Company registration number: 01-10-045553) has merged into Appeninn Nyrt.

Registered office of the Company: H-1022. Budapest, Bég st. 3-5.
Webpage: <http://www.appeninn.hu>

Core activity: TEÁOR '08 6810 Sale of own property
Form of operation: Public Limited Company
Tax number: 11683991-2-41
Company Registration Number: 01-10-046538
The Company's subscribed capital: 31.12.2017 the subscribed capital is 4,089,255 thousand HUF, which consists of 40,892,545 ordinary shares of HUF 100 face value each, with the identifier HU0000102132. In 2017 the number of traded share grew by 109,255 on the basis of the General Meeting Resolution of 01.12.2017.

Marketing of the Company shares:
Shares kept in trade by the Budapest Stock Exchange Co. Ltd.

Company management: Board of Directors (12.03.2010 -)

Board members - right of representation (start-end):
ifj. Ádámosi György – joint (21.12.2017 –)
Juhász Sándor- joint (21.12.2017 –)
Székely Gábor - joint (13.04.2013 –)
Prutkay Zoltán - joint (18.05.2015 –)
Kovács Attila Gábor - joint (15.04.2016 –)

Éder Lőrinc – joint (12.04.2013 - 21.12.2017)
Szabó Balázs – joint (12.04.2013 – 21.12.2017)
ifj. Ádámosi György – individual (05.08.2014 - 21.12.2017)

Name and address of the person entitled to sign the report:
Székely Gábor – joint (2750 Nagykőrös, Filő L. u. 20.), as chairman of the Audit Committee
Prutkay Zoltán - joint (1101 Budapest, Albertirsai út 6.), as member of the Audit Committee
furthermore as Board members

The Company's accountant: KAT Zrt. H-1022. Budapest, Bég st. 3-5.

The Company's auditor: MOBILCONSULT Könyvvizsgáló és Gazdasági Tanácsadó Korlátolt Felelősségű Társaság
(registered seat: H-1106 Budapest, Fehér út 10., II/206., company registry number: 01-09-079760, chamber of auditors' license number: 001168) person bearing responsibility for the audit:
Judit Nagy (address: H-1165 Budapest, Vak Bottyán u. 25., chamber of auditors' membership number: 007070)

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1 Consolidated comprehensive profit and loss account for the period between 1 and 31 December 2017 and for its reference period

Income Statements	Note	Dec 31, 2017 by the	Dec 31, 2016 by the
		end of business year	end of business year
		EUR	EUR
Property rental revenue	6	4 933 089	4 630 116
Property related expense	7	(1 420 286)	(1 777 439)
Direct contribution from rental activities		3 512 803	2 852 677
Administration expense	8	(526 990)	(489 310)
Employee related expense	9	(81 359)	(23 540)
Other income/(expense)	10	799 481	269 937
Gain (loss) on sale or purchase of subsidiary	11	(1 018)	11 164
Gain (loss) on sale of investment property	12	(535 868)	5 972
Fair value differences on investment property	12	2 458 897	2 590 002
Expenses for maintaining investment property conditions	12	(562 051)	(339 008)
Losses on investments	13	(657 274)	(2 149 186)
Gross operating profit (EBITDA)**		4 406 621	2 728 708
Depreciation and amortization	14	(3 332)	(9 622)
Other financial income/(expense)	15	(19 677)	(205 062)
Interest incomes (expenses) total	16	(1 094 534)	(818 619)
Profit before tax		3 289 078	1 695 405
Income tax expenses	17	(740 810)	912 591
Profit for the year		2 548 268	2 607 996
Other comprehensive income			
Exchange differences on translating operations		-	-
Other comprehensive income, net of taxes		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2 548 268	2 607 996
Attributable to:			
Non-controlling interest	18	-	129 935
Owners of the Company	18	2 548 268	2 478 061
Earnings per share and Diluted earnings per share (EURcent/pcs)	19	6,53	6,82
Net asset value by shares	19	0,79	0,71

** non IFRS classification term

Annexes on pages 11 to 56 are integral part of this consolidated financial statement.

2 Consolidated comprehensive financial situation (Balance sheet) for the year ending on 31 December 2017 and for its reference period

Balance Sheet			Dec 31, 2017	Dec 31, 2016
	Note		EUR	EUR
Assets				
Investment properties	13		62 990 000	62 040 000
Property, plants and equipment	14		72 147	-
Deferred tax assets	19		-	-
Other long term financial assets	20		-	978 639
Non-current assets			63 062 147	63 018 639
Trade receivables	21		159 143	267 000
Other short term receivables	20		226 607	2 400 863
Loans given	22		7 090	296 571
Prepayments and accrued income	23		71 260	46 374
Cash and cash equivalents	24		8 757 651	1 151 876
Current assets			9 221 751	4 162 684
Assets classified as held for sale	25		245 309	462 993
Total assets			72 529 207	67 644 316
Balance Sheet				
	Note		Dec 31, 2017	Dec 31, 2016
			EUR	EUR
Equity and liabilities				
Issued capital	26		13 245 347	12 893 071
Treasury shares	27		-	(234 863)
Other reserves	28		13 618 106	11 229 685
Retained earnings	29		5 323 196	4 319 450
Shareholder's equity			32 186 649	28 207 343
Non-controlling interests	18		-	148 095
Total equity and reserves			32 186 649	28 355 438
Long-term bank loans and leasing	30		32 675 643	32 271 782
Issued corporate bonds	31		-	200 000
Tenants deposits	32		853 195	858 865
Deferred tax liabilities	17		1 918 136	1 701 345
Total non-current liabilities			35 446 974	35 031 992
Short-term bank loans and leasing	30		1 702 008	1 521 378
Other payables	33		1 790 318	897 350
Trade accounts payables	34		194 213	351 278
Issued corporate bonds	31		200 000	228 378
Current tax liability	17		537 265	262 443
Deferred revenue and accrued expense	35		471 780	996 059
Total current liabilities			4 895 584	4 256 886
Total liabilities			40 342 558	39 288 878
Total equity and liabilities			72 529 207	67 644 316

Annexes on pages 11 to 56 are integral part of this consolidated financial statement.

3 Consolidated cash-flow

for the year ending on 31 December 2017 and for its reference period

Cash- Flow	Note	Dec 31, 2017 by the	Dec 31, 2016 by the
		end of business year	end of business year
		EUR	EUR
Profit before tax		3 289 078	1 695 405
Net result from the revaluation of income- generating investment	12	(2 458 897)	(2 590 002)
Exchange rate difference non realised		(77 073)	133 396
Depretiation and amortization	14	3 332	9 622
Impairment of trade receivables	21	205 716	147 197
Impairment of goodwill assets	15	-	2 149 186
Gain (loss) on diposal of subsidiaries	11	1 018	(11 164)
Interest received	16	(10 594)	(21 054)
Interest paid	16	1 105 128	839 673
Changes in trade and other receivables	20	3 394 598	(2 069 507)
Changes in prepayments and accrued income	23	(24 886)	43 793
Changes in inventories	23	-	3 737
Changes in deferred income and liabilities	33	(352 756)	1 069 314
Changes in deposit from tenants	32	(5 670)	87 889
income taxes paid	17	(740 810)	912 591
Net cash generated by operating activities		4 328 184	2 400 076
Net cash outflow on acquisition of joint ventures	11	(1 018)	11 164
Maintain and development of investment property	12	(562 051)	(339 008)
Proceeds from disposal of property, plant and equipment		(72 147)	-
Net cash outflow on acquisition of investment property	13	(5 009 038)	(526 865)
Proceeds from disposal of investment property		9 820 683	64 272
Proceeds from disposal of assets held for sale	25	-	(462 993)
Net cash generated by investing activities		4 176 429	(1 253 430)
Payments for dividends	29	(843 658)	-
Payments for corporate bonds	31	(228 378)	(475 095)
Cash inflow from loans given	24	289 481	68 357
Bank loans received	30	3 072 444	-
Repayment of bank loans	32	(2 716 550)	(1 323 649)
Increase of financial lease	30	305 670	-
Purchase of treasury shares	30	(2 839 405)	(1 364 284)
Sale of treasury shares	30	3 156 092	3 499 751
Interest paid	18	10 594	21 054
Interest received	18	(1 105 128)	(839 673)
Net cash used in financing activities		(898 838)	(413 539)
Net Increase (decrease) in cash and cash equivalents	26	7 605 775	733 107
Cash and cash equivalents:			
At the beginning of the year	26	1 151 876	418 769
At the end of the year	26	8 757 651	1 151 876

Annexes on pages 11 to 56 are integral part of this consolidated financial statement.

4 Consolidated changes in Equity

for the year ending on 31 December 2017 and for its reference period

EUR	Issued capital	Treasury shares	Other reserves	Retained earnings	Shareholder's equity	Non-controlling interests	Total equity and reserves
Balance at Jan 01, 2017	12 893 071	(234 863)	11 229 685	4 319 450	28 207 343	148 095	28 355 438
Total comprehensive income for the year							
Profit for the year	-	-	-	2 548 268	2 548 268	-	2 548 268
Transactions by the equity holders of the Company:							
Discounts for long term receivables from shareholders				125 210	125 210		125 210
Transfer of equity components by the sale of non controlling interest	-	-	-	(1 055 993)	(1 055 993)		(1 055 993)
Acquisition of non-controlling interest				148 095	148 095	(148 095)	-
Purchase of treasury shares		(2 839 405)			(2 839 405)		(2 839 405)
Sale of treasury shares		3 074 268		81 824	3 156 092		3 156 092
Increase by owners for the advance of issued capital and other reserves	352 276		2 388 421		2 740 697		2 740 697
Dividend paid				(843 658)	(843 658)		(843 658)
Balance at Dec 31, 2017	13 245 347	-	13 618 106	5 323 196	32 186 649	-	32 186 649
Balance at Jan 01, 2016	11 850 483	(2 370 330)	10 081 366	1 296 357	20 857 876	741 962	21 599 838
Total comprehensive income for the year							
Profit for the year	-	-	-	2 478 061	2 478 061	129 935	2 607 996
Transactions by the equity holders of the Company:							
Discounts for long term receivables from shareholders	-	-	-	157 088	157 088		157 088
Discounts for long term receivables from shareholders	-	-	-	(125 210)	(125 210)		(125 210)
Transfers between shareholders	-	-	-	723 802	723 802	(723 802)	-
Purchase of treasury shares		(1 364 284)			(1 364 284)		(1 364 284)
Sale of treasury shares		3 499 751			3 499 751		3 499 751
Loss recognised on treasury shares				(210 648)	(210 648)		(210 648)
Increase by owners for the advance of issued capital and other reserves	1 042 588		1 148 319		2 190 907		2 190 907
Balance at Dec 31, 2017	12 893 071	(234 863)	11 229 685	4 319 450	28 207 343	148 095	28 355 438

Annexes on pages 11 to 56 are integral part of this consolidated financial statement.

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5.1 General information

5.1.1 Company information

Appennin Asset Management Public Limited Company by Shares ("the Company") is incorporated under the laws of the Republic of Hungary. Registered office of the Company: H-1022 Budapest, Bég st. 3-5.

Main activities of the Company is managing and letting out office buildings, commercial properties, warehouses and other properties owned by the subsidiaries of the Company.

According to the Company's 21.12.2017 announcement, shareholders with more than 5% of the shares:

	Pieces of shares	% ownership (compared to the total amount of shares issued)
Konzum PE Magántőkealap (registration number : 6122-44; represented by: Konzum Befektetési Alapkezelő Zártkörűen Működő Részvénytársaság), KONZUM Nyrt. (address: 1065Budapest, Révay utca 10. II. em., company registration number.: 01-10-049323)	9 755 567	23,86%
Managed ownership by agreement between the owners (voting together)	19 511 134	47,71%
Owners each below 5%	21 381 411	52,29%
from which belong to the management of the company:	40 892 545	100,00%
Gábor Székely	291 139	0,71%
Zoltán Prutkay	83 000	0,20%
Attila Kovács Gábor	105 000	0,26%
	103 139	0,25%

Notes to the date presented in Section 5.1.2

Changes in the Group members during 2017:

- The Company has sold VÁR –Logisztika Zrt. (earlier Appennin- Logisztika Zrt.). Details and outcome of the sale transaction are presented in Sections 11. .
- The Group has acquired one share of Appennin E-Office Zrt., and all shares/participations in Várna 12 Holding Zrt., Sectura Ingatlanközvetítő Zrt, a VCT78 Ingatlanhasznosító Kft, and APPENINN Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft. Details of these acquisitions are presented in Section 13.2.
- In 2017 the Group has established APPEN-RETAIL Kft by way of founding.
- As of 31.12.2017 Várna 12 Holding Zrt merged into Appennin Property Zrt. (earlier Appennin Angel Zrt.).

Changes in the Group members during 2016:

- The Group has acquired all shares in Appennin Credit Zrt. (on 20.10.2016 Milton Finanszírozási Zrt.). The Company's net asset value is presented as assets held for sale in Section 25.
- The Group has taken over as non-financial contribution the entire equity of Pontott Termelő és Szolgáltató kft. and Appennin-Investment Zrt. Participations were fully sold as of 29.11.2016. Details and outcome of the sale transaction are presented in Sections 11. .

5.1.2 Introduction to the Group

Companies considered as members of the Appeninn Groups in years 2016 and 2017

Name of the Company	Note	Changes in the control	Company registry number	% of Control	Controlling entity	Address
APPENINN Property Vagyonkezelő Zrt. (name before Jan 18, 2018: Appeninn Angel Zrt.)		... / starting before Jan 01, 2016	01 10 048362	100%	Appeninn Nyrt.	1022 Budapest, Bég u. 3-5
Appeninn - Bp 1047 Zrt.		... / starting before Jan 01, 2016	01 10 047160	100%	Appeninn Nyrt.	1022 Budapest, Bég u. 3-5
Appeninn E-Office Zrt.	13.1	(increase of capital Dec 31, 2016, purchase of 1 ps share Aug 23, 2017 / starting of ownership before Jan 01, 2016	01 10 047783	100%	Appeninn Nyrt.	1022 Budapest, Bég u. 3-5
W.GO 2000 Zrt. (merged in Appeninn E-Office Zrt. On Sep 30, 2016)	13.1	merged in Appeninn E-Office Zrt. On Sep 30, 2016/ starting before Jan 01, 2016	01 09 687034	100%	merged in other company	1022 Budapest, Bég u. 3-5
VÁR - Logisztika Zrt. (company name before Nov 14, 2017: Appeninn Logisztika Zrt.)	11	disposal 100% ownership by Nov 14, 2017 / starting of realtion before Jan 01, 2016	01 10 046822	0%	disposed 100% ownership in the year 2017, before 100% Appeninn Nyrt.	1022 Budapest, Bég u. 3-5
Appeninn Üzemeltető Zrt. (company name before Nov 22, 2017 : Appeninn Solaris Zrt.)		... / starting before Jan 01, 2016	01 10 047055	100%	Appeninn Nyrt.	1022 Budapest, Bég u. 3-5
Appeninn Vagyonkezelő Holding Nyrt.		reporting the consolidated statements	01 10 046538	100%	reporting the consolidated statements	1022 Budapest, Bég u. 3-5
Bertex Kft.		... / starting before Jan 01, 2016	01 10 045752	100%	Appeninn Nyrt.	1022 Budapest, Bég u. 3-5
Curlington Kft.		... / starting before Jan 01, 2016	01 09 728951	100%	Appeninn Nyrt.	1022 Budapest, Bég u. 3-5
Szent László Téri Szolgáltató Ház Kft.		... / starting before Jan 01, 2016	01 09 947093	100%	Appeninn Nyrt.	1022 Budapest, Bég u. 3-5
APPENINN Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft. (company name before Nov 14, 2017: Pontott Termelő és Szolgáltató Kft.)	13.1, 11.	... / acquisition steps: July 12, 2017 (74% ownership), Nov 14, 2017 (100% ownership)	01 09 731476	100%	Curlington Kft.	1022 Budapest, Bég utca 3-5.
Appeninn-Investment Zrt.	11	disposed on Nov 28, 2016/ received 100% ownership on June 09, 2016 as increase of capital	01 10 046926	0%	disposed 100% ownership in the year 2016, before 100% Appeninn Nyrt.	1022 Budapest, Bég utca 3-5.
FELHÉVÍZ-APPEN Kft.		... / established on Aug 01, 2016, acquired by Appeninn Solaris Zrt on Aug 02, 2016, 100% control taken over by Appeninn Angel Zrt by Dec 19, 2017	01 09 285651	100%	APPENINN Property Vagyonkezelő Zrt. (name before Jan 18, 2018: Appeninn Angel Zrt.)	1022 Budapest, Bég u. 3-5
Appeninn Credit Zrt. (company name before Jan 20, 2016: MILTON Hitelezési Zrt.)	13	... / acquisition of 100% on Oct 20, 2016	01 10 045678	100%	Appeninn Nyrt.	1044 Budapest, Váci út 76-80.
APPEN-RETAIL Kft.		... / established on Jan 23, 2017 by Appeninn- Solaris Zrt., Dec 19, 2017 100 % ownership taken over by Appeninn Angel Zrt.	01 09 292725	100%	APPENINN Property Vagyonkezelő Zrt. (name before Jan 18, 2018: Appeninn Angel Zrt.)	1022 Budapest, Bég utca 3-5.
Várna 12 Holding Zrt. (on Dec 31, 2017 merged in Appeninn Property Vagyonkezelő Zrt.)	13.1	on Dec 31, 2017 merged in Appeninn Property Vagyonkezelő Zrt. / acquisition of 100% ownership Jan 31, 2017	01 10 048812	100%	APPENINN Property Vagyonkezelő Zrt. (name before Jan 18, 2018: Appeninn Angel Zrt.)	1022 Budapest, Bég utca 3-5.
Sectura Ingatlankezelő Kft. (Name before March 14, 2017: Estate Pest Office Kft.)	13.1	... / Marc 14, 2017 acquisition of 10% ownership	01 09 297215	100%	Szent László Téri Szolgáltató Ház Kft.	1022 Budapest, Bég utca 3-5.
VCT78 Ingatlanhasznosító Kft.	13.1	... / July 03, 2017 acquisition of 10% ownership	01 09 911556	100%	Szent László Téri Szolgáltató Ház Kft.	1022 Budapest, Bég utca 3-5.

5.1.3 Statement on compliance with IFRSs

Financial statements on Appennin Vagyonkezelő Holding Nyrt. and its consolidated subsidiaries have been prepared in accordance with International Financial Reporting Standards (hereinafter the IFRS), during which we used the text adopted by the European Union.

IFRS are standards adopted by the International Accounting Standard Committee (IASC), and the International Financial Reporting Interpretations Committee (IFRIC)(IFRSs and IASs) and interpretations (IFRICs and SICs).

The management has made the above statement being aware of its liability for the compilation of the financial statements.

5.1.4 Basis for preparing a report, business continuity and consolidation basis

The reporting year has ended on 31 December 2017. This financial report has been prepared on the basis of the business continuity principle since the Group's management considers that it will be able to continue its activity in the foreseeable future. Figures in the group's consolidated financial statements are in euro (EUR). All amounts in the statements are rounded to the nearest euro

5.1.5 Basis of consolidation

The consolidated financial statements present the net assets and overall profit of Appennin Asset Management Holding Plc (parent company) and its subsidiaries, over which the Group's parent company has direct or indirect control. The Group understands the ability to control as the capability of controlling the subsidiary (has power over it), while it is exposed to a variable yield, and it can determine the ultimate utilization of the generated variable yield. When defining this level of control, we have taken into account the rights that can currently be exercised or be transformed into a right to vote, which existed and were of a substantive nature as of 31 December 2017 (i.e. control was actually ensured or there were no limits narrowing the effective exercise of the rights in question). In addition to the presented details, there are no other related parties over which the Group would have had such influence. The reporting date of the subsidiaries' financial statements was the same as the parent company's balance sheet date, and the accounting policy applied to the subsidiaries was identical to the parent company's accounting policy.

The so-called acquisition method was used in the consolidated financial statements. The consolidated companies are detailed as part of the supplementary notes. During the consolidation, all intra-group balances and transactions were eliminated.

Non-controlling interest shows the share of external shareholders in the net assets of the consolidated subsidiaries, which are included in the consolidated balance sheet within equity, separately from the parent's equity. In the consolidated comprehensive profit & loss account, the portion of non-controlling interest is also separately presented (for net profit and for other overall result).

When assessing non-controlling interest, we take into account the proportionate part of the net asset value per share (we do not determine and allocate the goodwill assignable to the non-controlling interest).

The consolidated financial statements of the Company and its subsidiaries ("the Group") have been prepared by taking into account the historical cost principle, except in the case of investment properties and futures or forward contracts that have been presented at fair value.

On the basis of the economic events and circumstances that characterize the Group's activities, Euro ("EUR") has been defined as the settlement and reporting currency. Consequently, the figures in the consolidated financial statements are in EUR, except where other relevant information is provided.

Since the registration of the Company, it has compiled its financial statements in conformance to the IFRS principles, so IFRS 1 standard (first-time adoption of International Financial Reporting Standards) has not been used.

5.1.6 Accounting policy

Changes in accounting policies, the foreseeable effects of IFRSs and IFRICs not yet effective on the date of the financial statements, past applications

For 2017, the Group did not change its accounting policies applied in 2016.

5.1.7 Published but not yet effective International Financial Reporting Standards

Issued but not yet effective International Financial Reporting Standards and Amendments At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective. Based on preliminary assessment the group believes that the adoption of the following standards will not have significant impact on its consolidated results and financial position:

- IFRS 2 Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions (effective for business years beginning on or after 1 January 2018, this amendment has not been approved by the EU yet).
- IFRS 4 Insurance contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9 (effective for annual periods beginning on or after 1 January 2018, this standard has not been approved by EU yet)
- Annual Improvements to IFRS Standards 2014–2016 Cycle (effective for annual periods beginning on or after 1 January 2018)

The Group is currently considering the implications of the following standard which is expected to have an impact on the Group's consolidated results and financial position:

- IFRS 9 Financial Instruments: Classification and Measurement IFRS 9 covers the classification, measurement and derecognition of financial instruments, new impairment methodology and a new hedge accounting model. IFRS 9 is intended to replace IAS 39 Financial instruments: Classification and valuation standard and all earlier versions of IFRS 9. Effective for business years beginning on or after 1 January 2018.
- IFRS 15 Revenue from Contracts with Customers IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 will replace IAS 18 Revenue and IAS 11 Construction contracts. Effective for business years beginning on or after 1 January 2018.
- IFRS 16 Leases Effective for business years beginning on or after 1 January 2019.
- IAS 40 Amendment to investment property (Effective for business years beginning on or after 01 January 2018, this amendment has not been approved by the EU yet)
- IAS 28 Amendments to Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 01 January 2019)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 01 January 2018, this amendment has not been approved by EU yet)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 01 January 2019, this amendment has not been approved by EU yet)
- Annual Improvements to IFRS Standards 2014–2016 Cycle (effective for annual periods beginning on or after 1 January 2018, not approved by EU yet)

5.2 Summary of accounting policies

5.2.1 Translation of foreign currency

The FX assets and liabilities of the Group are revaluated on the exchange rate published by the National Bank of Hungary on the balance sheet date. It recognises the revaluation gains and losses netted, in the other revenues from/expenditure on financial transactions line of the current year profit and loss account.

The currency used by Appenninn Asset Management Holding Plc and its subsidiaries for accounting and reporting purposes is Euro (EUR). Non-monetary assets and liabilities existing on the balance sheet date and incurred in foreign currencies are converted into Euro at the exchange rate prevailing on the date reporting date. Monetary assets and liabilities incurred in foreign currencies are converted into Euro at the closing exchange rate on the balance sheet date. Any resulting exchange rate difference is to be recognised against the profit and loss account (thus providing the closest estimate for the continuous EUR exchange at historic exchange rate; any exchange rate difference is to be presented against the profit and loss account). Non-monetary assets and liabilities denominated in foreign currencies, valued at fair value are converted at the exchange rates prevailing at the time when the fair value is determined: any difference should be recognized against the item against which the difference due to the change of fair value is to be settled.

At the exchange rate prevailing on the balance sheet date, the Group converts the balance sheet data of the subsidiaries' annual financial statements denominated in HUF into Euro currency applied by Appenninn Plc. The data of the profit & loss account are converted at the average exchange rate during the reporting period (if it is required by volatility, then the average is determined for a period that is shorter than one year). The exchange difference arising from the conversion of the individual companies' financial statements into Euro is presented against the profit of other financial income (expense) of the period under review.

Operating currencies (functional):

- Hungary - Hungarian Forint
- EURO

If the transaction is to be settled in any foreign currency, the transaction will be presented on the transaction date at the exchange rate prevailing at the time of settlement. By the end of the reporting period, all monetary items are revaluated to the exchange rate prevailing at the end of the period. Non-monetary items are not revaluated.

For the purposes of consolidation, the result items of the net asset value of companies with non-EUR functional currency are reconverted. The assets and liabilities are revaluated at the exchange rate prevailing at the end of the period. Capital items remain at the historical exchange rate. The items of overall result are translated at the average exchange rate of reporting. Goodwill is revaluated at the end of each period, the difference being presented against other overall result, accumulating within equity.

5.2.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets and transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets and liabilities, and assets and liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based payment;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain, purchase gain.

When consideration transferred by the Group in a business combination includes assets and liabilities resulting from a contingent consideration arrangement, the contingent consideration measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the „measurement period“ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date (the date when the controlling right is acquired) fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

5.2.3 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. The carrying value of goodwill arising from the acquisition of a business is the value recognised on the acquisition date of the business, minus the accumulated impairment. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. Any impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

5.2.4 Acquisition of properties and participations

The Group acquires interest in those subsidiaries, which has properties. At the time of the acquisition the Group decides whether shares in the acquired subsidiary are part of the Group's operational activity. If the Group acquired shares related to the property management segment than the acquisition classifies as business combination. To make sure that the Group acquired shares in the property management segment of a subsidiary it should review, which are those significant property management activities over which a control was obtained (ie. property repair and maintenance, property management, leasing activity, cleaning, security guarding). In case of the significance of any acquired business activity the Group shall consider the principles of IAS 40.

5.2.5 Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group sells some of its interest in an associate and its constitutes significant loss of influence, and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

5.2.6 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

5.2.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Criteria set for the recognition of revenues are as follows:

Rental income

The Group realizes real-estate property sales revenues by leasing offices and logistic properties. Sales revenue is recognised on pro rata temporis basis; upon transferring the properties into use the entitlement for collecting rents is established. The Group collects rents in advance for the periods concerned, revenues are recognised on pro rata temporis basis, irrespective of invoicing and payments. In the report rents falling, due, and recovered in the reporting period are recognised..

Revenues from operative leases

Revenues from the early termination of an operating lease are recognised upon their occurrence. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. All discounts provided to the tenants accrued and recognised during the lease term, though it is not accordance

with the financial settlement. Incomes from the termination of operating lease contracts recognised at the time of their occurrence.

Revenues from property operation

The Company has disposal rights of the assets and equipment integrated in the properties. Equipment such as electricity supply, network access locations, distribution locations, water network use locations (kitchens, lavatories), heating network and heater networks are the Company's controlled assets. The Company creates a right of use for the controlled assets for lessees, and the lessees reimburse the Company for a contribution to the use of these assets on the basis of their use to the Company. The Company considers any purchased energy (gas, water, electricity) used for the equipment as services purchased in connection with the equipment rather than material sold independently. The Company sells no energy products to any customer individually, without the use of a property. Via its subsidiaries the Company holds all knowledge, assets and governance system required for the performance of the property operation tasks, therefore operational revenues are considered to be the Company's own revenue and performance. The Company bears the risk that the income from recharged operation expenses not covers the related operation expenses, so in this transaction the Company is not an agent but a supplier.

Income from operation expenses in relation to office rental is recognised in the same period when the related operation expenses occurred.

Dividend and interest income

Dividends from investments are recognised when the owner's entitlement for the payment opens up (provided it is probable that economic benefits will flow in to the Group and the revenue can be reliably measured).

Revenues from other financial instruments

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

5.2.8 Segment information

We developed the units presented in the segment report in line with the structure of the report to inform the decision-maker, in line with IFRS 8 requirements. The units in the segment report are handled separately due to the differences in the service provided by the segment. Segments indicate activities providing various services to strategically different markets.

The Group set two directions in the segment report:

- Office rental services
- Logistics property rental services

P/L of segments consist of revenues and expenditure that can be directly attributed to them, as well as P/L items from the total company P/L that can be attributed to the segment (arising from external transactions or from transactions with other segments of Group companies).

Undistributed items contain overhead costs for the Group as a whole, as well as assets not directly attributable to the segments' operation. Segment P/L is determined gross, before deducting any non-controlled participation. The investment costs (Capex) are the total cost paid for the acquisition of segment items taken into permanent use during the period.

5.2.9 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as Lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. The Group was not involved in finance lease transactions as a Lessor on 31 December 2017, and 31 December 2016.

The Group as Lessee

The Group reviews its lease contracts based on the principles of IFRIC 4 and classifies its leases as per IAS 17 as operating lease or finance lease.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

5.2.10 Share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in the fair value recognised in profit or loss for the year.

5.2.11 Taxation

Current tax:

Subsidiaries of the Group pay corporate income tax to the Hungarian Tax Authority and local municipality tax to the Local Municipality. Base of the corporate income tax is the taxable profit modified by tax increasing and tax decreasing items. Base of the local municipality tax is the revenue decreased by different types of costs and expenses (gross margin).

Deferred tax:

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit (or reversing deferred tax liabilities) will be available against which the temporary differences can be utilised.

In the case of any investment property for which a fair value model according to IAS 40 investment property has been applied, the fair value model assumes that they will be recovered over time through selling, and this principle is also applied for deferred tax calculation. Deferred tax payables and deferred tax receivables must be determined on the basis that they will be recovered through sale. If the investment properties are presented at fair value in accordance with IAS 40, the Company recognizes deferred tax payables and deferred tax receivables in jurisdictions where tax is not imposed on the selling of investment properties (currently the Hungarian tax system does act in this way) for gains and losses incurred in connection with fair valuation.

5.2.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank, short-term bank deposits with less than three month to maturity and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

5.2.13 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the underlying arrangement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments as well as historical collections are considered indicators that the trade receivable may have been impaired. Provisions for impairment of trade receivables classified in the consolidated financial statements based on the original classification of the related receivable, so the provision for impairment can be classified as an expense related to vehicle lease or as operating expense of rentals.

5.2.14 Property, plant and equipment

Properties are carried at initial cost less accumulated depreciation and recognised impairment loss, if any. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets, any gain or loss arising on the disposal or retirement of an item is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised among other income or other expenses.

The initial cost of assets comprises its purchase price, including duties and non-refundable purchase taxes and any directly attributable costs bringing the asset to its working condition and location for its intended use, such as borrowing costs.

Replacements and improvements, which prolong the useful life or significantly improve the condition of the asset are capitalised. Maintenance and repairs are recognised as an expense in the period in which they are incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. General depreciation rules are stated as follows:

Type of asset	Useful life
Intangible asset	3 years
Equipment	3-7 years
Machinery for rental purposes	5 years
Office equipment	3-7 years

5.2.15 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of the future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The Group recognises impairment loss immediately in profit or loss among other income or other expense.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss among other income or other expense.

5.2.16 Investment in property plant

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

5.2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period.

- Provisions are booked at the value of our best estimate as necessary to settle the outstanding liabilities existing as of the balance sheet date.
- The Group raises provisions for fines and penalties whenever they can be legally required, or when they represent a payment obligation to the authorities.
- The Group raises provisions for expected costs in view of exiting employees whenever the related decision is made before the balance sheet date.
- The Group raises provisions for loans granted to key personnel for motivational purposes and in order to promote loyalty. The Group raises provisions for litigations, in cases involving claims by third parties in the ongoing legal proceedings phase, and when it has sufficient information to carry out reliable estimates, which is supported by the legal counsel that it is expected to result in a payment obligation.
- The Group raises provisions to cover its guarantees to its customers in relation to its activities. The amount of the provision is determined individually on the basis of the sales revenue and the amount of liabilities previously incurred with the guarantees.

5.2.18 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the asset of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Loans and other borrowings

Borrowings are recognised initially at fair value less transaction costs, and subsequently measured at amortised costs using the effective interest rate method. The effective interest is recognised in the income statement (finance expenses) over the period of the borrowings.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5.2.19 Equity

Subscribed capital is presented at the balance sheet date value of shares issued. Additional yield above the face value from the equity issue is recognised as premium.

5.2.20 Treasury shares

Treasury shares are recognised at cost, each purchase distinguished individually. Treasury stock represents the cost of shares repurchased and is displayed as a reduction of shareholder's equity. Premiums and discounts on disposal are credited and debited respectively directly to retained earnings.

5.2.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5.2.22 Deposit from tenants

Deposit from tenants is recognised initially at fair value and subsequently measured at amortised costs using the effective interest rate method. Deposits from tenants related to contracts over one year period are classified as long-term liabilities, while other deposits from tenants are classified as short-term liabilities in the consolidated financial statements.

5.2.23 Earnings per share, EPS

Earnings per share are derived from the ratio of the weighted average of the distributable profit and loss and the ordinary shares in circulation during the year (apart from shares repurchased as treasury shares). The calculation of the diluted earnings per share, similarly to the calculation of the earnings per share, is based on the average number of shares in circulation (weighted period average), adjusted by the number of all assumed issues or conversion of shares with diluting effect. Diluted earnings per share is calculated considering the weighted average number of diluting share options (if any) in addition to the number of common stocks outstanding.

5.2.24 Off balance sheet items

Off-balance-sheet liabilities are such items not stated in the financial statements, and are not presented only when the outflow of assets carrying economic benefits is time away. Off-balance-sheet assets are not stated in the financial statements, but if they are likely to have an inflow of economic benefits, they will be presented.

5.2.25 Events after the reporting date

Events after the reporting date (correction events) are presented in the financial statements. Events with non-corrective effect after the reporting date (if significant) are shown in the annexes.

5.2.26 Comparative data

In order to compare the data of the year under review and the previous year, in some cases reclassification was necessary among the comparative balances.

5.3 Accounting estimates and uncertainties

In the course of applying the Group's IFRS accounting policies the management has to make decisions, estimates and assumptions with regard to the carrying value of assets and liabilities that are not obvious from other sources. These estimates and the related assumptions are based on past experience and other factors that are considered relevant. Actual results may differ from those estimates.

Estimates and the underlying assumptions need to be reviewed on an ongoing basis. Amendments to the accounting estimates must be recognised in the period of the relevant amendment where the amendment affects that period exclusively, or in the amendment period and in subsequent periods where the amendment affects the present period and also future ones.

5.3.1 Decisions in the accounting

Details of critical decisions other than those involving estimates (see the note on accounting estimates) that were made by the Group during the application of its accounting policies and had the most significant effect on the amounts presented in the financial statements, are presented below:

5.3.1.1 Functional and reporting currency

On the basis of the economic events and circumstances that characterize the Group's activities, Euro ("EUR") has been defined as the settlement and reporting currency. Consequently, the figures in the consolidated financial statements are in EUR, except where other relevant information is provided. To the 2017 report we used the following NBH HUF/EUR exchange rates for the conversion of accounting data kept by Group members in non-EUR currency, in the view of the reporting date:

FX rates NBH (National Bank of Hungary)	FX rates, Dec 31, 2017	Changes in FX rates	% of Changes	FX rates, Dec 31, 2016
Closing	310,14	-0,88	-0,28%	311,02
Average (daily)	309,21	-2,25	-0,01	311,46
Difference of closing and average	0,93	1,37	-309,10%	-0,44

5.3.1.2 Classification of properties

Properties held by the Group are classified at initial recognition as investment properties or development properties, as it follows:

- Investment properties are properties, which are bought by the Group with the primary intention of consume substantially all of the economic benefits earned through rental or increase in value over time. These properties (offices, warehouses and industrial properties) are not in use by the Group in the long run and there is no intention of sales in the near future.
- Development properties are properties, which are bought by the Group with the intention of development and future sale (mainly building of a residential property).

On 31 December 2017 and on 31 December 2016 the Company held no development purpose property. In the event of a change in the properties' function or other circumstances this classification is subject to a review.

5.3.2 Accounting estimates

The Management of the Group had certain assumptions when applying the accounting policy. Details of those critical accounting estimates which, have the most important effect on the amounts in the financial statements, presented below:

5.3.2.1 Impairment of goodwill

Goodwill arising on the purchase of shares, reviewed once in a year at the time of the preparation of the consolidated financial statements. Determining whether the goodwill is impaired an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash-flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. As of 31.12.2016 the Company does not carry any goodwill asset.

5.3.2.2 Useful life of property, plant and equipment

In accordance with IFRS, the Group reviews the estimated useful lives and residual values of property, plant and equipment at the end of each reporting period. The Board of Directors concluded that there is no need to amend the useful life and residual value of properties, plants and equipments in the current year.

5.3.2.3 Fair value of investment properties

Fair value determination of investment properties are mainly based on estimates and assumptions, therefore the actual value can be significantly different from the value resulting from the estimate.

Fair value of investment properties is set by the Group's in-house evaluations and appraisals made by independent appraisers.

5.3.2.4 Financial guarantees

The valuation of financial guarantees takes place by fair valuation. Fair valuation is the sum of discounted values to the time of the product of PD (probability of default) X LGD (loss given default) X EAD (exposure of default). For uncalled lending / guarantee commitments, in the course of estimating the expected lending losses the possible lender needs to estimate the part of its lending commitments that will be called by the other party, then to calculate the (weighted) present value of cash flow differences in the event of the eventual call of the above estimated part.

It quantified the Group's guarantee exposures (EAD). The Group prepared a cash-flow estimate for the business of the controlled company, from which the negative cash-flow balance suggested the LGD in the event of default. Primary obligors of guarantees, when they are fully controlled, were valuate on the basis of the cash-flow plan from the business plan and established whether a default exists. It is a Group management decision to take the PD into account at zero probability if, subject to foreseeable business conditions, if the positive cash-flow is valid for the entire term of commitments.

The initial recognition date is the day when the (irrevocable) commitment was concluded. The estimate period of expected lending losses is the maximum contract period, during which the contractual obligation exists.

Upon the valuation of expected lending losses the cash flow difference is the difference between the cash flows expected to pay (indemnification) and the expected cash flow in the context of the transaction (from anybody) . Contractual cash flows and the assumed actual cash-flows to be disbursed in the future.

The discount rate of the expected lending losses is the actual rate reflecting the risk of cash flows.
The examination of the significant increase in the credit risk is ongoing, subject to taking into account the debtor's default.

The Group assessed to what companies controlled by the Group or other companies it extended guarantees. Cases for the Company assessment are presented in Section 40.

5.3.2.5 Appeninn Nyrt. share circulation data

The Group applied a Monte Carlo simulation for the share purchase obligation. The value affecting the outcome of the simulation is the 12 month volatility of the Company's share price which was between -21,1- 200% and for a longer outlook it exceeded 200%.

Shares information of APPENINN, data in HUF

Date YYYY.MM.DD	Openin share price	Closing share price	Minimum price	Maximum price	Turnover (pcs)
2016.08.04	211.0000	211.0000	209.0000	212.0000	24 641
2016.12.30	223.0000	230.0000	221.0000	230.0000	80 660
2017.12.29	722.0000	719.0000	705.0000	724.0000	156 917
2018.02.12	678.0000	680.0000	660.0000	703.0000	582 859

Daily statistics of Budapest Stock Exchange - Feb 13, 2018.

changes of stock prices within:

1 mont	-1.7 %
3 months	-21.1 %

12 months 206%

Volatility calculated for :

1 ments	6900%
3 months	5090%
12 months	6640%

6 Segment information

Information reported to the chief operating decision maker – Board of Directors – for the purpose of resource allocation and assessment of segment performance focuses on the types of services delivered or provided. The Group's reportable segments under IFRS 8 are as follows:

- Office rental services
- Logistics property rental services

Consolidated segment revenues and results for year ended 31 December 2017

Dec 31, 2017 by the end of business year	Office	Logistics property	Non segment items	Total
EUR				
Property rental revenue	3 971 989	961 100	-	4 933 089
Property related expense	(1 327 328)	(48 765)	(44 193)	(1 420 286)
Direct contribution from rental activities	2 644 661	912 335	(44 193)	3 512 803
Non classified items			(223 725)	(223 725)
Profit before tax	2 644 661	912 335	(267 918)	3 289 078
Income tax expenses	-	-	(740 810)	(740 810)
Profit before tax from continuing operations	2 644 661	912 335	(1 008 728)	2 548 268

Consolidated segment revenues and results for year ended 31 December 2016

Dec 31, 2016 by the end of business year	Office	Logistics property	Non segment items	Total
	EUR	EUR	EUR	EUR
Property rental revenue	3 811 996	818 120	-	4 630 116
Property related expense	(1 547 571)	(229 743)	(125)	(1 777 439)
Direct contribution from rental activities	2 264 425	588 377	(125)	2 852 677
Non classified items				(1 157 272)
Profit before tax	2 264 425	588 377	(125)	1 695 405
Income tax expenses	-	-	912 591	912 591
Profit before tax from continuing operations	2 264 425	588 377	912 466	2 607 996

7 Incomes and costs of property rental primary activity

7.1 Income from leased properties

The Group realizes real-estate property sales revenues by leasing offices and logistic properties, as well as providing associated operating services.

The Group's income from property lease agreements, the utilisation rate (Kecskemét, property for logistic purposes) and the number of new real properties (office space) – see purchased and new real property in point 12. grew in 2017 compared with 2016.

Property rental revenue	Dec 31, 2017 by the end of business year EUR	Dec 31, 2016 by the end of business year EUR
Office	3 971 989	3 811 996
Logistics property	961 100	818 120
	4 933 089	4 630 116

The properties of the Group are characterized by short vacant periods between tenancies, and due to the good positioning of the properties they carry a high quality, sufficiently solvent tenant portfolio.

7.2 Direct costs of property leasing

(1) Building tax corresponds to Appeninn E-Office Ltd's assessed and unpaid building tax amount for the previous years, while the associated supplementary burdens were imposed in 2016, in an amount of EUR 96,000.

(2) Impairments of accounts receivable represent in all cases the amount of impairment losses recognized during the period under review in view of receivables from rental or recharged operating costs to tenants of properties. For any accounts receivable older than 365 days, an impairment loss of 100% was raised. In 2016, an agreement was concluded with a major tenant that the Group would fulfil its accounts receivables generated during the period of the leased property's former owner by reducing the rent for the period under review. The Board of Directors considers that the amount of the impairment loss on receivables is covered by the portions of the purchase price retained by the Group.

Property related expense	Note	Dec 31, 2017 by the end of business year EUR	Dec 31, 2016 by the end of business year EUR
Utility costs (water, gas, electricity)		(752 633)	(800 457)
Property management fee		(369 790)	(407 194)
Taxes for properties	(1)	(251 053)	(371 077)
Write off and write back of receivables	(2)	11 968	(51 095)
Write off overdue and expired receivables	(2)	-	(96 102)
Repair and maintenance		(18 649)	(1 702)
Property insurance fee		(10 983)	(11 979)
Cost of security activities		(18 391)	(11 225)
Other costs		(10 755)	(26 608)
		(1 420 286)	(1 777 439)

8 Administrative expenses

Administration expense	Note	Dec 31, 2017 by the end of business year EUR	Dec 31, 2016 by the end of business year EUR
Financial audit, Accounting and book keeping services	(1)	(170 718)	(147 882)
Bank charges		(56 182)	(43 864)
Legal fee	(1)	(80 914)	(44 757)
Cost of PR, business related support and valuation services	(1)	(52 964)	(8 544)
Stock exchange presentation and exchange fee		(36 498)	(14 313)
IT services fee		(6 649)	(6 461)
Telephone and internet fees		(4 763)	(1 298)
Duties and levies		(12 498)	(13 362)
Stationery and material costs		(7 900)	(10 786)
Cost of guarantees	(2)	(76 573)	(152 038)
Other expenses		(21 331)	(46 005)
		(526 990)	(489 310)

(1) The Group conducted corporate transactions in 2017. Costs in 2017 included those of the work preparing the transactions.

(2) As a collateral for the consolidation loan of the EUR loan portfolio, granted by the ERSTE Bank disbursed on 15.12.2015, and besides the Group entities LEHN Consulting Ag granted further guarantees. The guarantee scheme was changed with effect from 31 12 2017 as the Group tapped other funds for guarantees. LEHN Consulting Ag. charged the financing costs of the guarantees to the Group in EUR 12,679 monthly instalments until 30 06 2017. As at 31 12 2017, the Group's liabilities were set off against its outstanding receivables.

9 Employee related expense

Since December 2017 property operation, which used to be outsourced, has been carried out by a company consolidated by the Group. When Appenninn Üzemeltető Zrt. (formerly known as Appenninn Solaris Zrt.) started out, it had 20 employees.

Employee related expense	Note	Dec 31, 2017 by the end of	Dec 31, 2016 by the end of
		business year	business year
		EUR	EUR
Wages and salaries		(65 139)	(18 398)
Charges, taxes		(15 341)	(5 142)
Others		(879)	-
		(81 359)	(23 540)

Number of headcount	Dec 31, 2017 by the end of	Dec 31, 2016 by the end of
	business year	business year
Average headcount (person)	1,72	1
Closing headcount (person)	19,35	1
from which:		
Appenninn Üzemeltető Zrt.	16,00	-
Appenninn Vagyonkezelő Holding Nyrt.	3,35	1

With effect from 1 December 2017, the Company's responsibility is the complex management and technical operation of entire real property portfolio. The launch of the new business line is planned to provide improved quality and more cost efficient operation for the Group's clients.

10 Other revenues and other expenses

The Group states its revenues other than revenues from real property leasing as other revenues (expenses). Exceptionally high revenues that affect the performance of the entire reporting period in terms of value or type are recorded separately in the main statements.

Revenues not classified elsewhere and revenues not separated from other revenue types are presented here.

(1) The Group sold its own shares in 2016. Due to delays in payments for the shares, late payment penalty interest in the amount of EUR 65,000 was charged in 2017.

(2) The Group sold its business partners purchase rights in 2016. The Group accounted for the fees for the purchase rights in 2016.

(3) The Group derecognised all its liabilities incurred before 2011 due to statute of limitation lapse.

(4) One of the Group's

contracted parties cancelled a contract unlawfully and, therefore, failed to meet the terms of the contract. As a result, it paid the Group EUR 538,000 in liquidated damages.

(5) According to earlier records, the Group's liabilities exceeded its lawful claims, therefore, it derecognised liabilities in the amount of EUR 100,000 in the absence of lawful claims.

(6) The Group evaluated its other receivables on 31 December 2017 and recognised impairment loss on their recoverable portion.

Other income/(expense)	Note	Dec 31, 2017 by the end of	Dec 31, 2016 by the end of
		business year	business year
		EUR	EUR
Other income			
Late payment interest	(1)	64 681	-
Fee for property buy option sale	(2)	-	246 409
Write-off expired liabilities	(3)	202 865	44 323
Received penalty	(4)	538 116	-
Revenue related to damages		7 422	6 006
Non used provision		77 447	-
Other	(5)	100 394	24 262
		990 925	321 000
Other expenses			
Impairment accounted on other receivables	(6)	(175 164)	-
Late payment charges		(10 999)	(2 466)
Fines and penalties		(5 281)	(47 667)
Other expenses		-	(930)
		(191 444)	(51 063)
		799 481	269 937

11 Gains and losses from sale of subsidiaries

Gain (loss) on sale or purchase of subsidiary	Note	Dec 31, 2017 by the end of business year	Dec 31, 2016 by the end of business year
		EUR	EUR
Subsidiaries disposed:			
VÁR - Logisztika Zrt.	(1)	(1 018)	-
Kranservice Zrt.	(2)	-	(80 905)
Appennin-Investment Zrt.	(3)	-	75 094
Pontott Termelő, Szolgáltató és Kereskedelmi Kft.	(3)	-	16 975
		(1 018)	11 164

(1) In 2017, the Company sold VÁR – Logisztika Zrt. (formerly known as Appennin Logisztika Zrt.). The table below shows the value, and price of the derecognised assets and the amount earned. The value of the real property owned by the company sold amounted to EUR 690,000. The sale also meant the derecognition of bank loans in the amount of EUR 277,000 from the Group's balance. The aggregate balance of the assets and liabilities transferred amounted to EUR 395,000.

(2) In the sales agreement of 2014 for the 100% business share of Kranservice Ltd, the Group furnished an income guarantee for the 2015 revenues of the sold activity. In 2016, the buyer company announced its guarantee claim, which was acknowledged by the seller, and financially settled in 2016.

(3) Appennin-Investment Ltd and Pontott Termelő, Szolgáltató és Kereskedelmi Ltd shares were fully transferred to Appennin Plc in the context of the capital increase by share premium, on the basis of the Annual General Meeting's resolution on 20 May 2016. In 2016, Appennin Plc sold the two companies in excess of the assets recognized in the capital increase, with a total profit of EUR 92,062.

VÁR - Logisztika Zrt. (company name before Nov 14, 2017: Appennin Logisztika Zrt)			
Property acquired / disposed:		Nagykanizsa, Vár utca 12.	
	Appennin Vagyonkezelő Holding Nyrt.		Total
Selling company:			
	XP-Banktechnika Kereskedelmi és Szolg. Zrt.	Lehn Consulting Ag.	
Acquiring company:			
Date of contract: 2017.11.14			
Control transferred: 74% 26% 100%			
Acquisition cost of total assets: 293 416 103 179 396 595			
from which:			
receivables:			
interest in subsidiary: 293 416 103 179			
property tax base: - -			
property tax 4%: - -			
accruals of taxes: - -			
Settlement of acquisition costs:			
share price of Appennin shares in the transaction: - -			
number of Appennin shares in the transaction: - -			
nr of shares multiplied by the price: - -			
finances from bank loans: - -			
Compensated purchase price: 293 416 103 179			
Transfer of purchase price: - -			
Tax effects and post purchase price: - -			
Tax paid in 2017: - -			
Net asset value 100%: 395 722			
from which:			
Investment property: 690 000			
Trade and other receivables: 19 814			
Shares, Appennin treasury shares: -			
Tax receivables: 4 907			
Cash and cash equivalents: 288			
Bank loans: (277 781)			
Other short term receivables: (1 419)			
Payables from the post or current owners: -			
Tenants deposits: (13 964)			
Provisions: -			
Tax liability: (26 125)			
Trade accounts payable: 23			
Profit for the controlled period			
Net asset value from the past			
Non controlling interest (acting as majority shareholder)			
Non controlling interest (before 100% ownership)			
Net of received assets			
Total of net asset value: (395 722)			
Total of assets given for consideration received: 396 595			
Net gain (loss) on consideration received: 873			
Discounts on receivables: -			
Gains (losses) total included receivables discounts: 873			
FX difference: (1 891)			
Total gain (loss) in the current year profit and loss statement: (1 018)			
Total gain (loss) allocated to the Equity			

12 Investment property

12.1 Sale of investment property

The Group credited/debited the difference between the price of the investment properties sold in the reporting period and their fair value presented as at the closure of the previous period the profit/loss of the reporting period.

The Group charged the commission paid in connection with and directly related to sales to its profit.

Gain (loss) on sale of investment property	Dec 31, 2017 by the end of business year	Dec 31, 2016 by the end of business year
	EUR	EUR
Consideration received in cash or cash equivalents	9 820 683	5 972
Investment property value disposed	(10 100 000)	-
Gain (loss) on sale of investment property	(279 317)	5 972
Service cost and fees paid as success fee on the transaction	(256 551)	-
Gain (loss) on sale of investment property	(535 868)	5 972

12.2 Investment property in the Group's balance sheet

The Group presents the purchase and sale of its investment properties and changes in value due to evaluations.

2017: derecognition through the sale of investment properties: The Company sold three investment properties at a combined fair value of EUR 10,790,000. Profit/Loss on the sale of real properties during the year is shown in point 12.1.

2017: real properties derecognised through the sale of subsidiaries: The Group sold the 100% ownership share of Appenninn Logisztika Zrt. The sale of the subsidiary meant the sale of real property with a fair value of 690,000.

2017: Investment property purchased in the reporting period: The Group purchased property in the amount of EUR 9,281.1 thousand in 2017. The value of the real property purchased by the company amounted to EUR 6,431,000. The Company improved the real properties that it had purchased and included them in its portfolio. The value of the real property at Budapest, 1062 Andrásy út 105. taken over as in-kind contribution in a capital increase exercise in 2017 was EUR 2,850. The Company started to survey and improve the property and customise it to satisfy high market end consumer needs. Full occupancy of the real property is expected to materialise from 2018 Q2.

Investment properties	Dec 31, 2017	Dec 31, 2016
	EUR	EUR
Opening value at the beginning of the year	62 040 000	58 920 000
<i>changes in the year:</i>		
Disposal of property	(10 100 000)	-
Budapest, Mérleg utca 4. teljes ingatlan	(9 200 000)	-
Budapest, Kelénhegyi út 43. értékesített részek	(900 000)	-
Disposal as sale of subsidiary	(690 000)	-
Nagykanizsa, Vár utca 12. (Appenninn Logisztika Zrt).		
Property acquired in the reporting period	6 430 777	529 998
1023 Budapest, II. Felhévi utca	-	529 998
1139 Budapest, Frangepán u. 19.	1 652 180	-
1149 Budapest, Várna u. 12-14.	1 488 731	-
1121 Budapest, Menyét út 5.	838 331	-
1105 Budapest, Bányai utca	357 210	-
1044 Budapest, Váci út 76-80.	2 094 325	-
Property received as increase of capital (AG decision: Dec 01, 2017)	2 850 326	-
1044 Budapest, Váci út 76-80. tax on acquired property	109 629	-
1062 Budapest, Andrásy út 105.	2 740 697	-
Classified to Assets held for sale	-	-

Fair value differences on investment property	Dec 31, 2017	Dec 31, 2016
	EUR	EUR
Changes in the fair values:	2 458 897	2 590 002
<i>from which:</i>		
Fair value increase adjustments	3 026 433	4 540 002
Fair value (decrease) adjustments	(567 536)	(600 000)
Adjustments of the option price	-	(1 350 000)
<i>changes total:</i>	950 000	3 120 000
Closing balance	62 990 000	62 040 000

In 2016, the Group purchased the real-estate property located in Felhévizi Street with an area over 800 square meters, via the subsidiary of Felhévizi-APPEN Ltd. The properties of the office are favourable, as it is located in a prominent part of Rózsadomb (above the Daubner Confectionery). For Appenninn, the full payback of the purchase price can potentially be realized in 7 years. The occupancy rate of the property is 95%.

Changes in fair value charged or debited to profit/loss:

2017: The fair value increase of the properties between 2016 and 2017 was EUR 2,458,897 while for certain properties a decrease of EUR 567,536 occurred. For breakdown by real property, see the point below.

12.3 Changes in fair values 2017- 2016.

The fair value of the Group's assets is determined annually. Based on the results of fair value valuation, the Group charges each change to profit/loss. Regarding purchase rights on real properties, if they are lower than the fair value of the real properties and the buyer has paid the owner the fee charged for the purchase right, the Group states the lower of the fair value and the price of the purchase right in the balance sheet.

The real properties indicated under sequence numbers 13 to 18 were placed under the Group's management after 1 January 2017. Changes in fair value was compared with the fair value recorded upon purchase.

A purchase right was recorded in respect of real property sequence no. 5 (Kecskemét, Kiskőrösi utca) with 31 October 2019 as the date of expiry of the exercise of the right. The buyer paid the fee charged for the right in 2016, so he can exercise the right. The Group presents the real property in Kecskemét at the purchase price paid by the buyer. After the option expires, the Company will switch back to fair value valuation. Fair value valuation in 2017: EUR 3.1 million (2016: EUR 3.6 million). The underlying reason for the change was a change in occupancy. As at the date of the valuation and the closing of the consolidated statements, the real property was available for lease, i.e. temporarily vacant.

The change regarding real property sequence number 11 at Kelenhegyi út 43. was attributable to the fact that a portion of the real property recorded at EUR 7,000 in 2016 was sold for EUR 900 in 2017. There was no change in fair value in respect of the remaining portion of the real property. The fair value of the real property that remained in the Group's ownership was EUR 6.1 million. Purchase right on a portion of the real property at Budapest, Kelenhegy, EUR 7 million, and date of expiry: 5 July 2019 (with an option to extend the term of the right with another 2 years). While carrying out fair value valuation, the Company took account of the purchase rights.

Liens: The properties (with the exception of real properties recorded under sequence numbers 5, 15 and 18) are encumbered with liens securing the bank loans of the companies owning the real properties. The real properties also serve as coverage for the entire amount of the principal of and of the interest on the bank loan portfolio.

Address: city, street	Asset / Investment owner	Classification of property	Area for rent	Value previous year	Fair Valuation	Changes in Fair Value	
				EUR	Dec 31, 2017 EUR	in 2017	in 2017
1023 Budapest, Bég u. 3-5.	Appennin E-Office Zrt.	Office	4 109	8 200 000	8 900 000	700 000	-
1022 Budapest, Bég u. 4	Appennin E-Office Zrt.	Office	1 694	3 700 000	3 300 000	-	(400 000)
1133 Budapest, Visegrádi u. 110-112.	Appennin E-Office Zrt.	Office	3 350	5 100 000	5 100 000	-	-
1094 Budapest, Páva u. 8.	Appennin E-Office Zrt.	Office	3 532	4 700 000	4 700 000	-	-
6000 Kecskemét, Kiskőrösi utca 30.	Appennin Vagyonkezelő Holding Nyrt.	Store and Logistic	6 024	3 600 000	3 100 000	-	(500 000)
6000 Kecskemét, Kiskőrösi utca 30. (vételi jog diszkont értéke)	Appennin Vagyonkezelő Holding Nyrt.	Store and Logistic		(1 350 000)	(850 000)	-	500 000
1015 Budapest, Hattyú utca 14.	Appennin E-Office Zrt.	Office	7 815	14 100 000	14 500 000	400 000	-
1047 Budapest, Schweidel utca 3.	Appennin - BP 1047 Zrt.	Office	6 574	2 300 000	2 300 000	-	-
1147 Budapest, Egyenes u. 4.	Curlington Kft.	Office	2 061	1 200 000	1 100 000	-	(100 000)
2051 Biatorbágy, Tomásrét u.2.	Bertex Kft.	Store and Logistic	1 273	800 000	900 000	100 000	-
1105 Budapest, Bánya utca	Szent László Téri Szolgáltató Ház Kft.	Store and Logistic	5 107	1 900 000	1 900 000	-	-
1118 Budapest, Kelenhegyi út 43.	Appennin E-Office Zrt.	Office	3 375	6 100 000	6 100 000	-	-
1023 Budapest, Felhévizi u. 24	Felhévíz Appen Kft.	Office	732	900 000	1 100 000	200 000	-
1139 Budapest, Frangepán u. 19.	APPEN-RETAIL Kft.	Office	2 983	1 652 180	2 900 000	1 247 820	-
1149 Budapest, Várna u. 12-14.	Várna 12 Holding Zrt. (on Dec 31, 2017 merged in Appennin Property Vagyonkezelő Zrt.)	Office	2 732	1 488 731	1 750 000	261 269	-
1121 Budapest, Menyét út 5.	APPENININ Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft. (company name before Nov 14, 2017: Pontott Termelő és Szolgáltató Kft.)	Building field	1 183	838 331	950 000	111 669	-
1105 Budapest, Bánya utca	Sectura Ingatlankezelő Kft. (Name before March 14, 2017: Estate Pest Office Kft.)	Office	619	357 210	340 000	-	(17 210)
1044 Budapest, Váci út 76-80.	VCT78 Ingatlanhasznosító Kft.	28% Store place, 72% Office	2 330	2 094 325	2 100 000	5 675	-
1062 Budapest, Andrássy út 105.	Appennin Vagyonkezelő Holding Nyrt.	Office	993	2 850 326	2 800 000	-	(50 326)
				60 531 103	62 990 000	3 026 433	(567 536)

12.4 Investment property (IAS 40) valuation methodology (IFRS 13)

Each year, the Company determines the fair value of the properties. Besides the value estimate made by the Company, the portfolio value of the properties was reviewed by an independent appraiser appointed by the Company. The values determined by the independent appraiser are in line with the values stated in the financial statements. Between 2014 and 2017, the independent appraiser appointed for such valuation was Jones Lang LaSalle Ltd (H-1051 Budapest, Széchenyi tér 7-8). In 2016 and 2017, an expert opinion was provided in a manner that a desk top review of the market value of the real properties in the property portfolio of Robertson Hungary Kft. was performed. The review established that the analysis conducted by JLL Kft. was as follows:

- the appraiser's method and the application of the method were in conformity with the approach adopted in national and international practice.
- The mean values derived from the market price in the appraiser's report by JLL Kft. are identical to those determined by Robertson Hungary Kft. in respect of the individual real properties, and the values were all within the valuation band.
- The lease fees charged were in conformity with the current market fees.
- Investors' return expectations: the rates included in the appraiser's capitalised rate and discount rate are in conformity with the public data on transactions conducted in the individual real property types over the past 12 months.
- In the case of a development lot (1121 Budapest, Menyét utca), relying on public sources, Robertson Hungary checked data on the market supply of land and real property at similar locations, and the development rate that can be derived from site coverage data of the real property concerned. Based that we established that the value determined by JLL Kft. was appropriate.

Principles of value appraisal:

In the case of completed investment properties, as well as for investment properties under construction, where the respective fair values can be reliably determined, they are established on the basis of the fair market value approach of appraisals. For investment properties under construction, where the fair values cannot be reliably determined (due to low completion level, the unique character of the property and/or the complete lack of market transactions), the book value corresponds to the historical cost less any impairment loss.

Valuation methodologies:

The valuations are made using the income approach, the discounted cash flow method. This method is based on the estimation of periodic cash flows originating from property. The present value of cash flows from the property is determined with the application of the market-based discount rate reflecting investors' yield expectations. The periodic cash flow is estimated as gross income without vacancy less costs incurred with the operation and maintenance of the property. A series of periodic net operating incomes, alongside the estimate of the value anticipated for the end of the projection period, is discounted to present value.

Valuation model used same variables in year 2016 and 2017: average rental fee, market fee, usage of the property (occupancy) and exit yield with discount rate. These values are current prices in the property market, which had to be adjusted due to the local differences of the properties. **Since corrections were necessary for the observable variables the model variables become "level 3" type.**

Valuation method unchanged from year 2016 to -2017, in both year the applicable model was DCF model. The valuation model applied are in line with the valuation modelling processes presented by IFRS 13.

The valuation expressed on the face of the valuation the marketable comparable prices. The Company used DCF in line with the long term goal of the Company which is to keep in house the properties and use and rent them.

Testing sensitivity: impact of changes in return on the value of the portfolio

The DCF model variables used, and values resulted are presented in the previous table. Sensitivity test was performed to make a DCF sensitivity analysis. The aggregation of the DCF model variables ends in the exit yield, and the other sensitive element of the model is the annual rent fee. The impact in a breakdown by real property of a minus 5% and a plus 5% shift in model variables on fair value valuation and fair values is presented on the basis of the matrix of the shifts in these two model variables.

Investment property			2017				Model variables used in DCF			Sensitivity of exit yield: (0.5%)	Sensitivity of exit yield: (+0.5%), Sensitivity of rental income (+0.5%)	Discount rate
nr.	Address: city, street	Market price	DCF	Fair value	method of valuation	Changes in valuation method	Exit yield	Rent income EUR/m ² /month, for office and store places	Sensitivity of rental income (-0.5%)			
1	1023 Budapest, Bégu. 3-5.	8 900 000	8 900 000	8 900 000	DCF	same as 2016	7,25%	office 12, store 6	8 500 000	9 400 000	7,50%	
2	1022 Budapest, Bégu. 4.	3 200 000	3 300 000	3 300 000	DCF	same as 2016	7,25%	office 11	3 100 000	3 500 000	7,50%	
3	1133 Budapest, Visegrádi u. 110-112.	4 700 000	5 100 000	5 100 000	DCF	same as 2016	7,40%	iroda10, store 4.5	4 900 000	5 400 000	7,65%	
4	1094 Budapest, Páva u. 8.	4 600 000	4 700 000	4 700 000	DCF	same as 2016	8,00%	office 9.5, store 6	4 400 000	4 900 000	8,25%	
5	6000 Kecskemét, Kiskőrösi utca 30.	2 800 000	3 400 000	3 100 000	average of DCF and market price	same as 2016	11,00%	iroda 4, store 2, Foldó5	3 200 000	3 600 000	11,50%	
5	6000 Kecskemét, Kiskőrösi utca 30.			(850 000)	option price is applicable	same as 2016						
6	1015 Budapest, Hatfői utca 14.	14 500 000	14 500 000	14 500 000	DCF	same as 2016	7,50%	office 11.5, store 6	13 700 000	15 300 000	7,50%	
7	1047 Budapest, Schweidel utca 3.	2 300 000	2 300 000	2 300 000	DCF	same as 2016	9,00%	store 3.3	2 200 000	22 500 000	9,50%	
8	1147 Budapest, Egryes u. 4.	1 000 000	1 100 000	1 100 000	DCF	same as 2016	9,00%	store 4.75	1 000 000	1 200 000	9,50%	
9	2051 Bialtorbágy, Tormásréti u.2.	820 000	900 000	900 000	DCF	same as 2016	8,25%	office 4	800 000	900 000	8,50%	
10	1105 Budapest, Bányai utca	1 800 000	1 900 000	1 900 000	DCF	same as 2016	8,75%	office 3.8, store 3.5-3.2	2 500 000	1 700 000	9,00%	
11	1118 Budapest, Kelenhegyi út 43.	6 100 000	6 100 000	6 100 000	DCF	same as 2016	8,00%	office 12.5, Flat 8, store 6	6 600 000	7 400 000	8,25%	
12	1023 Budapest, Felhévizi u. 24	1 100 000	1 100 000	1 100 000	DCF	same as 2016	8,00%	office 10	1 000 000	1 100 000	8,25%	
13	1139 Budapest, Frangepán u. 19.	3 100 000	2 900 000	2 900 000	DCF	first valuation in 2017	8,00%	office 7	2 800 000	3 100 000	8,50%	
14	1149 Budapest, Váma u. 12-14.	1 900 000	1 600 000	1 750 000	average of DCF and market price	first valuation in 2017	8,00%	office 7.5, store 4	1 500 000	1 700 000	8,50%	
15	1121 Budapest, Menyét út 5.	-	-	950 000	cost pricing	first valuation in 2017	0,00%	nincs	nincs	nincs	0,00%	
16	1105 Budapest, Bányai utca	340 000	340 000	340 000	DCF	first valuation in 2017	9,25%	office 6.5	320 000	340 000	9,75%	
17	1044 Budapest, Váci út 76-80.	2 200 000	2 100 000	2 100 000	DCF	first valuation in 2017	775,00%	office 10, store 6.4 other 4.5	2 000 000	2 200 000	8,00%	
18	1062 Budapest, Andrássy út 105.	3 400 000	2 200 000	2 800 000	average of DCF and market price	first valuation in 2017	7,00%	office 9.87, other 5	2 100 000	2 200 000	7,50%	
				62 990 000								

Investment property			2016				Model variables used in DCF			Exit yield test (-0.5%), Rent fee test (-0.5%)	Exit yield test (+0.5%), Rent fee test (+0.5%)	Discount rate
nr.	Address: city, street	Market price	DCF value	Fair value	method of valuation	Értékelési módszer azonosság	Exit yield	Rent income EUR/m ² /month, for office and store places				
1	Budapest, Bégu utca 3-5.	8 700 000	8 200 000	8 200 000	DCF modell	same as 2015	7,25%	office 12, store 6	7 800 000	8 600 000	7,50%	
2	Budapest, Bégu utca 4.	3 200 000	3 700 000	3 700 000	DCF modell	same as 2015	7,25%	office 11, parking 100E	3 500 000	3 800 000	7,50%	
3	Budapest, Visegrádi utca 110-112	3 500 000	5 100 000	5 100 000	DCF modell	same as 2015	7,40%	office 10, store 4.5	4 900 000	5 400 000	7,65%	
4	Budapest, Páva utca 8.	3 500 000	4 700 000	4 700 000	DCF modell	same as 2015	8,00%	office 9.25, store 6	4 500 000	4 900 000	8,25%	
disposed in 2017	Nagykanizsa, Vár utca 12.	870 000	690 000	690 000	DCF modell	same as 2015	9,25%	office 3.5, store 2.5	640 000	730 000	9,50%	
5	Kecskemét, Kiskőrösi utca 30.*	1 800 000	3 600 000	3 600 000	DCF modell	same as 2015	10,00%	office 4, store 3	3 400 000	3 800 000	10,25%	
6	Budapest, Hatfői utca 14.	14 000 000	14 100 000	14 100 000	DCF modell	same as 2015	7,50%	office 12, store 6	13 300 000	14 800 000	7,50%	
7	Budapest, Schweidel utca 3.	2 100 000	2 300 000	2 300 000	DCF modell	same as 2015	9,00%	store 3.2	2 100 000	2 400 000	9,25%	
8	Budapest, Egryes utca 4.	920 000	1 200 000	1 200 000	DCF modell	same as 2015	9,00%	store 4.75	1 100 000	1 200 000	9,25%	
disposed in 2017	Budapest, Méleg utca 4.	7 300 000	9 200 000	9 200 000	DCF modell	same as 2015	7,25%	office 15.25	8 800 000	9 700 000	7,50%	
9	Bialtorbágy, Tormásréti 2.	700 000	800 000	800 000	DCF modell	same as 2015	8,50%	office 4.5, store 4.5	800 000	900 000	8,75%	
10	Budapest, Bányai u.	2 200 000	1 900 000	1 900 000	DCF modell	same as 2015	8,75%	office 3.5, store 3-3.2	1 800 000	2 000 000	9,00%	
11, részben értékesítve	Budapest, Kelenhegyi út 43.**	6 900 000	7 000 000	7 000 000	DCF modell	same as 2015	8,00%	office 13	6 600 000	7 300 000	8,25%	
12	1023 Budapest, II. Felhévizi út	869 000	900 000	900 000	DCF modell	same as 2015	8,00%	office 9.5	800 000	900 000	8,25%	

12.5 Improvements to real property (capital expenditure items)

The Group performs regular improvements to investment property. Maintenance is needed for the preservation of the value of the real properties and means the adjustment of their condition to market classification. The Group hires contractors usually carrying out complex work for the Group to perform maintenance. The future value of maintenance expenses constitutes part of the Company's property appraisal and is included in the calculation of future cash flows as periodic expenses charged to income. As a result, the Group's fair value valuation based on future cash flows is in keeping with the Group's realised profit and cash flow expenses.

Expenses for maintaining investment property conditions	Dec 31, 2017 by the end of business year		Dec 31, 2016 by the end of business year	
	EUR		EUR	
Maintaining of property conditions	(562 051)		(210 804)	
Maintaining of property conditions, form past years	-		(128 204)	
	(562 051)		(339 008)	

13 Recognised losses realised on ownership shares

Here the Group presents the recognition of goodwill (31 December 2016: zero) in the Group's balance sheet, impairment loss on ownership shares held for trading and the new details of recognised profit/loss. Any difference in respect of the acquisition of assets allocated to uncontrolled business interests was accounted for as retained earnings, see point 18.

(1) In 2016, the Company derecognised the goodwill of the companies purchased earlier.

(2) Impairment loss in the amount of EUR 219,000 on the assets of Appenninn Credit Zrt. included in the group offered for sale was recognised.

(3) In 2017, the Group recognised the profit/loss on the difference between the net asset value as at the date of the purchase and the purchase price.

Losses on investments	Note	Dec 31, 2017	Dec 31, 2016
		EUR	EUR
Goodwill recognised and impaired balance at Dec 31, 2016	(1)		
Goodwill recognised		-	8 063 280
Goodwill impaired		-	(8 063 280)
Goodwill closing amount		-	-
Goodwill impairment total		-	(2 149 186)
Investment in assets Dec 31, 2017			
Impairment losses on assets for sale (Appenninn Credit Zrt. Net assets)	(2)	(219 662)	-
Total of gains (losses) realised on new investment assets	(3)	(437 612)	-
from which:			
Várna 12 Holding Zrt.		9 990	-
Sectura Ingatlankezelő Kft.		(94 621)	-
Appenninn Hegyvidék Kft.		(159 473)	-
VCT78 Kft.		(193 508)	-
Total gains (losses) in the profit and loss statement		(657 274)	(2 149 186)

In 2017, the Company recognised losses in the amount of EUR 657,000 on investments (2016: EUR 2,149). For the details of the differences by company, see the points below.

13.1 Recognition of 2016 losses on business combinations (derecognition of goodwill charged to profit/loss)

On 31.12.2016, during the annual review of goodwill, the Board of Directors decided on the recognition of impairment loss in the amount of EUR 2,149,186 (2015: EUR 3,473,262), due to the fact that respective values of the company as per the previous estimates were fully reflected in real-estate property values for the year of 2016, the value of the properties fully expressed the returning amount of the cash-generating units of the company's management.

W-GO 2000 Zrt merged in Appenninn E – Office Zrt. at the time of 30th September 2016.

	31st Dec. 2015	changes in 2016	Dec 31, 20176
	EUR	EUR	EUR
Appenninn - BP 1047 Zrt.	437 238	(437 238)	-
W-GO 2000 Zrt.	-	-	-
E-Office Zrt. (Budapest, Páv	322 170	(322 170)	-
E-Office Zrt. (Visegrádi utca	294 637	(294 637)	-
E-Office Zrt. (Budapest, Mé	107 235	(107 235)	-
E-Office Zrt. (XI. Budapest,	979 173	(979 173)	-
Appenninn Logisztikai Zrt.	8 733	(8 733)	-
	2 149 186	(2 149 186)	-

13.2 Business combinations in 2017, acquisition of minority shareholdings

Business combinations acquired in 2017:

On the basis of temporary valuations, losses on the companies acquired in 2017 were recognised in the amount of EUR 438 thousand. The net asset value of the acquired ownership shares exceeded the price of the shares (EUR 9.9) in the case of Várna 12. By contrast, net asset values remained below the respective purchase prices in the case of Sectura, Appenninn Hegyvidék and VCT78, therefore, losses had to be recognised (in the amount of EUR 447,000).

Total of gains (losses) realised on new investment assets	Total of net asset value	Total of assets given for consideration received	Discounts on receivables	FX difference	Total gain (loss) in the current year profit and loss statement
Impairment losses on assets for sale (Appenninn Credit Zrt. Net assets)	245 309	(462 993)	-	(1 978)	(219 662)
Várna 12 Holding Zrt. 100% interest (merged in Appenninn Property Vagyonkezelő Zrt. By Dec 31, 2017)	1 203 866	(1 476 833)	282 932	25	9 990
Sectura Ingatlankezelő Kft. 100% interest (name before Marc 14, 2017: Estate Pest Office Kft.)	359 386	(453 724)	-	(283)	(94 621)
APPENNINN Hegyvidék Kft. 100% interest (name before Nov 14, 2017: Pontott Termelő és Szolgáltató VCT78 Ingatlanhasznosító Kft. 100% interest	14 233	(173 068)	-	(638)	(159 473)
	(131 385)	(61 494)	-	(629)	(193 508)
Total of interest acquired in 2017	1 446 100	(2 165 119)	282 932	(1 525)	(437 612)

Acquisition of minority shareholdings charged to the retained earnings in 2017

Items related to one Appenninn E-Office Zrt. share purchased from LEHN Consulting Ag. in 2017 were charged to the retained earnings. See point 29.

	Appenninn E-Office Zrt. 1 pcs share
Property acquired / disposed:	
Selling company:	Lehn Consulting Ag.
Acquiring company:	Appenninn Vagyonkezelő Holding Nyrt.
Date of contract:	2017.08.23
Control transferred:	0.0120%
Acquisition cost of total assets:	1 183 322
from which:	
receivables:	
interest in subsidiary:	1 183 322
property tax base:	
property tax 4%:	
accruals of taxes:	
Settlement of acquisition costs:	
share price of Appenninn shares in the transaction	
number of Appenninn shares in the transaction	
nr of shares multiplied by the price	
finances from bank loans	
Compensated purchase price:	1 183 322
Transfer of purchase price:	
Tax effects and post purchase price:	
Tax paid in 2017:	
Net asset value 100%:	15 751 944
from which:	
Investment property:	51 152 189
Trade and other receivables:	313 123
Shares, Appenninn treasury shares:	
Tax receivables:	
Cash and cash equivalents:	353 685
Bank loans:	(90 574 860)
Other short-term receivables:	(319 417)
Payables from the post or current owners:	(2 313 126)
Tenants deposits:	(729 042)
Provisions:	(84 488)
Tax liability:	(1 413 807)
Trade accounts payable:	(532 314)
Profit for the controlled period	
Net asset value from the past	
Non controlling interest (acting as majority shareholder)	
Non controlling interest (before 100% ownership)	15 751 944
Net of received assets	123 760
Total of net asset value	123 760
Total of assets given for consideration received	(1 183 322)
Net gain (loss) on consideration received	(1 059 562)
Discounts on receivables:	
Gains (losses) total included receivables discounts	(1 059 562)
FX difference:	3 569
Total gain (loss) in the current year profit and loss statement	
Total gain (loss) allocated to the Equity	(1 055 993)

14 Depreciation of property, plants and equipments and other intangible assets

The Group stated the vehicles and office equipment purchased for the purpose of facility operation as tangible assets. The Group's leased vehicles serve as collateral securing its liabilities stemming from the lease contract. The data used for the simulation are presented in point 30. The leased assets collateralise the lease payment obligations.

Cost EUR	Office equipments	Leased cars	Total	Depretiation EUR	Office equipments	Leased cars	Total
Balance at Jan 01, 2016	406 926	-	406 926	Egyenleg 2016. 01. 01.	(336 062)	-	(336 062)
Acquisition	-	-	-	Depretiation	(9 622)	-	(9 622)
Decrease	(406 926)	-	(406 926)	Reclassification	345 684	-	345 684
Balance at Dec 31, 2016	-	-	-	Balance at Dec 31, 2016	-	-	-
Increase	-	65 974	65 974	Depretiation	(3 290)	(42)	(3 332)
Reclassification	9 505	-	9 505	Reclassification	-	-	-
Balance at Dec 31, 2017	9 505	65 974	75 479	Balance at Dec 31, 2017	(3 290)	(42)	(3 332)

Net value in EUR	Office equipments	Leased cars	Total
Balance at Jan 01, 2016	70 864	-	70 864
Balance at Dec 31, 2016	-	-	-
Balance at Dec 31, 2017	6 215	65 932	72 147

15 Other financial income and expenses

Other financial income/(expense)	Dec 31, 2017 by the end of business year EUR	Dec 31, 2016 by the end of business year EUR
Fx gains (losses)	33 699	1 573
Fx difference on receivables and payables	(96 750)	(71 666)
Fx difference on settled items	43 374	(134 969)
	(19 677)	(205 062)

16 Interest income and interest expense

Interest incomes (expenses) total	Note	Dec 31, 2017 by the end of business year EUR	Dec 31, 2016 by the end of business year EUR
Interest incomes		10 594	21 054
Interest received from banks		71	196
Other interest received		10 523	20 858
Interest expenses		(1 105 128)	(839 673)
Interest paid on bank loans	(1)	(1 084 018)	(552 777)
Interest of corporate bonds	(2)	(16 666)	(142 364)
Interest for other parties		(4 444)	(144 532)
Interest incomes (expenses) total		(1 094 534)	(818 619)

(1) Point 30 presents the bank and other funding of the Company.

(2) Point 0 presents the bonds issued by the Company's parent company.

17 Income tax expense

17.1 Taxes in the Group's income statement

The Group charged EUR 741,000 in taxes to the profit/losses of the reporting period. Since there may be a dispute about the interpretation of tax laws and regulations pertaining to individual transactions, the tax balances in the financial statements might be changed later by the tax authorities.

Profit for the year	Note	Dec 31, 2017 by the end of business year EUR	Dec 31, 2016 by the end of business year EUR
Profit before tax		3 289 078	1 695 405
Other comprehensive income		-	-
Income tax calculated (2017: 9%; 2016: 10%)		(296 017)	(169 541)
Adjustments of income tax base		296 040	186 661
Fx difference		(24)	(151)
Total calculated income taxes		(409 429)	(50 805)
Deferred tax assets	(17.2)	-	(52 670)
Deferred tax liability	(17.4.1)	92 790	1 210 811
Deferred tax liability	(17.4.1)	(331 669)	(124 547)
FX difference		277	
Local taxes		(92 778)	(87 167)
Income tax expenses		(740 810)	912 591

Income tax ratio	Dec 31, 2017 by the end of business year	Dec 31, 2016 by the end of business year
Local municipality tax rate	2%	2%
Corporate income tax	9%	10%

17.2 Deferred tax asset in the balance sheet

Deferred tax assets presented on 31.12.2015 were derecognised in 2016. Each company of the Group assessed the extent to which their negative tax base would be able to reduce their positive tax base (the use of a negative tax base is subject to statute of limitations and up to 50% of profits). As a result of the assessment, no tax assets were recognised in 2016 and 2017. Items similar to tax assets capable of counterbalancing tax losses were included in the calculation of deferred tax liabilities.

Appenninn E-Office Zrt. pooled the negative tax bases that had emerged as a result of the merger of W-GO 2000 Zrt. This created a situation where tax assets could be used to offset the two companies' consolidated tax liabilities. See deferred tax liabilities

Deferred tax assets	Dec 31, 2017 EUR	Dec 31, 2016 EUR
Opening	-	52 670
Adjustments	-	(52 670)
Curlington Kft.	-	(51 009)
Appenninn Üzemeltető Zrt. (company name before Nov 2:	-	(1 661)
Closing	-	-

17.3 Unused negative tax balances

The cumulative accrued negative tax base of the Companies on 31 December 2017, from which deferred tax payables for investment property could be deducted, when calculating the deferred tax. The use of accrued negative tax bases is subject to the rules in effect in the year when they arise, with the order of utilisation being defined by FIFO.

year of losses	Appennin Property Zrt.	Appennin - Bp 1047 Zrt.	Appennin E-Office Zrt.	Appennin Üzemeltető Zrt.	Appennin Vagyongazdálkodó Holding Nyrt.	Curlington Kft.	Szent László Téri Szolgáltató Ház Kft.	APPENNIN Hegyvidék Kft.	FELHÉVIZ-APPEN Kft.	Sectura Ingatlankezelő Kft.	VCT78 Ingatlanhasznosító Kft.
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
2007	-	-	(46 775)	-	-	(41 570)	-	-	-	-	-
2008	-	-	-	-	-	(37 461)	-	-	-	-	-
2009	-	-	-	-	-	(11 060)	-	-	-	-	-
2010	-	-	-	-	-	(27 699)	-	-	-	-	-
2011	-	-	(2 250 794)	-	-	-	-	-	-	(3 166)	-
2012	-	-	(1 401 006)	-	-	(21 574)	-	-	-	-	-
2013	-	-	(9 518 201)	(34 519)	(481 605)	(43 431)	(20 822)	-	-	-	-
2014	-	-	(2 872 478)	(22 291)	(2 785 603)	-	(101 080)	-	-	-	-
2015	(2 164)	-	(4 256 485)	(114 825)	119 301	-	(95 708)	-	-	-	-
2016	(2 717)	-	-	-	362 301	-	-	(1 912)	(57 726)	-	(150 271)
2017	(98 664)	(9 054)	3 794 514	(15 013)	291 494	(66 870)	(47 150)	1 780	28 674	(767)	150 271
	(103 545)	(9 054)	(16 551 225)	(186 648)	(2 494 112)	(249 665)	(264 760)	(132)	(29 052)	(3 934)	-
<i>from which in Deferred tax calculation:</i>											
accounted		(9 054)	(1 361 915)	-	-	(104 059)	(265 377)	(132)	-	-	-
non accounted	(103 545)	-	(15 189 310)	(186 648)	(2 494 112)	(145 606)	617	-	-	(3 934)	-

17.4 Deferred tax liability

Deferred tax liabilities	Dec 31, 2017 EUR	changes EUR	Dec 31, 2016 EUR
Balance at Jan 01	1 701 345		2 787 609
<i>recognition:</i>			
Derecognised by disposal of subsidiary (Appennin Logisztika Zrt.)	(26 125)		-
Derecognised on the basis of actualized calculation (profit - loss)	(92 790)		(1 210 811)
Recognition on the basis of new calculation (profit - gain)	331 669		124 547
FX difference	4 037		-
Balance at Dec 31	1 918 136		1 701 345
<i>from which:</i>			
Appennin - Bp 1047 Zrt.	73 096	7 670	65 426
Appennin E-Office Zrt.	1 304 355	(80 776)	1 385 131
Appennin Üzemeltető Zrt.	2 251	2 251	-
Appennin Vagyongazdálkodó Holding Nyrt.	2 069	5	2 064
Bertex Kft.	49 448	11 303	38 145
Curlington Kft.	54 661	(6 596)	61 257
Szent László Téri Szolgáltató Ház Kft.	88 178	(784)	88 962
APPENNIN Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft.	10 040	10 040	-
FELHÉVIZ-APPEN Kft.	49 298	15 063	34 235
APPEN-RETAIL Kft.	130 225	130 225	-
Várna 12 Holding Zrt.	128 887	128 887	-
Sectura Ingatlankezelő Kft.	25 628	25 628	-
VÁR - Logisztika Zrt.	-	(26 125)	26 125

17.4.1 Presentation of deferred tax liabilities in a breakdown by company

2017

Dec 31, 2017	EUR	Note	Accounting Balance	Appennin - BP 1047 Zrt.	Appennin E-Office Zrt.	Appennin Üzemeltető Zrt.	Appennin Vagyonekező Holding Nyrt.	Bertex Kft.	Curlington Kft.	Szent László Téri Szolgáltató Ház Kft.	APPENNIN Hegyvidék Kft.	FELHÉVİZ-APPEN Kft.	APPEN-RETAIL Kft.	Várna 12 Holding Zrt.	Sectura Ingatlankezelő Kft.	VCT78 Ingatlanhasznosító Kft.	Disposed: Appennin Logisztika /rounding	Tax asset	Deferred tax base	Calculated deferred tax	
Investment properties		(1)	62 040 000	(828 087)	(26 775 845)	-	20 725	(553 278)	(209 080)	(958 311)	(111 669)	(605 481)	(1 446 943)	(1 152 524)	(284 760)	157 506	-	29 292 251	(32 747 749)		
Property, plant		(2)	72 147	-	-	(25 015)	-	-	-	-	-	-	-	-	-	-	-	47 132	(25 015)		
Trade receivables		(3)	2 667 863	15 904	127 435	-	84 797	3 859	84 515	52 728	-	-	-	3 383	-	3 131	-	3 043 815	375 752		
Retained earnings		(4)	4 319 450	9 054	10 944 510	-	-	-	104 059	265 377	132	29 051	-	-	-	-	-	15 671 634	11 352 184		
Bank loans and lease		(5)	33 793 160	-	2 419 340	-	-	-	-	-	-	-	-	-	-	-	-	36 212 500	2 419 340		
Trade and other receivables		(6)	1 248 628	-	(1 215 549)	-	-	-	(586 835)	(339 544)	-	-	-	(282 932)	-	-	-	(1 176 232)	(2 424 860)		
Deferred revenue and accrued expense		(7)	996 059	-	7 273	-	-	-	-	-	-	-	-	-	-	-	-	1 003 332	7 273		
Deferred tax base				(803 129)	(14 492 837)	(25 015)	105 522	(549 419)	(607 341)	(979 751)	(111 537)	(576 430)	(1 446 943)	(1 432 073)	(284 760)	160 637	-	84 094 231	(21 043 077)		
Deferred tax asset calculated				-	-	-	9 497	-	-	-	-	-	-	-	-	14 457	-	23 954	-		
Deferred tax liability calculated				(72 282)	(1 304 355)	(2 251)	-	(49 448)	(54 661)	(88 178)	(10 038)	(51 879)	(130 225)	(128 887)	(25 628)	-	-	(1 917 832)	-	(1 633 092)	
Deferred tax asset - opening				-	-	-	-	-	-	51 009	-	-	-	-	-	-	-	-	-	51 009	
Deferred tax asset decreasing (losses for the profit in actual year)				-	-	-	-	-	-	(51 009)	-	-	-	-	-	-	-	14 457	-	(36 552)	
Deferred tax asset - closing				-	-	-	-	-	-	-	-	-	-	-	-	-	-	14 457	-	14 457	
																					Árf. Eltérés
Opening				(65 426)	(1 385 131)	-	(2 064)	(38 145)	(61 257)	(88 962)	-	(34 234)	-	-	-	-	(26 125)	(1)	-	(1 701 345)	
Deferred tax liability decreasing (gain in profit for actual year)				-	80 776	-	-	-	6 596	784	-	-	-	-	-	-	-	-	-	88 156	
Deferred tax liability increasing (loss for actual year profit)				(6 856)	-	(2 251)	-	(11 303)	-	-	(10 038)	(17 645)	(130 225)	(128 887)	(25 628)	-	-	1 760	-	(331 073)	
Disposed subsidiary				-	-	-	-	-	-	-	-	-	-	-	-	-	26 125	-	-	26 125	
Deferred tax liability - closing				(72 282)	(1 304 355)	(2 251)	(2 064)	(49 448)	(54 661)	(88 178)	(10 038)	(51 879)	(130 225)	(128 887)	(25 628)	-	-	1 760	-	(1 918 136)	

2016

	Accounting Balance	Appennin Angel Zrt.	Appennin - BP 1047 Zrt.	Appennin E-Office Zrt.	Appennin Logisztikai Zrt.	Appennin Solaris Zrt.	Appennin Vagyonekező Holding Nyrt.	Bertex Kft.	Curlington Kft.	Szent László Téri Szolgáltató Ház Kft.	Felhévíz Appen Kft.	Adó szerinti egyenleg	Deferred tax base	Calculated deferred tax
Investment properties	62 040 000	-	(774 863)	(37 406 334)	(321 657)	-	(21 893)	(427 587)	(275 925)	(929 352)	(380 382)	21 502 007	(40 537 993)	
Trade receivables	2 667 863	-	47 912	136 413	3 736	-	(1 035)	3 749	76 706	61 859	-	2 997 203	329 340	
Retained earnings	4 319 450	-	-	20 345 740	27 642	-	-	-	103 765	217 610	-	25 014 207	20 694 757	
Long-term loans	33 793 160	-	-	2 665 632	-	-	-	-	-	-	-	36 458 792	2 665 632	
Trade accounts payables	1 272 831	-	-	(1 216 041)	-	-	-	-	(585 175)	(338 583)	-	(866 968)	(2 139 799)	
Deferred revenue and accrued expens	996 059	-	-	84 249	-	-	-	-	-	-	-	1 080 308	84 249	
Deferred tax base			(726 951)	(15 390 341)	(290 279)		(22 928)	(423 838)	(680 629)	(988 466)	(380 382)		(18 903 814)	
Deferred tax asset calculated			-	-	-	-	-	-	-	-	-	-	-	
Deferred tax liability calculated			(65 426)	(1 385 131)	(26 125)	-	(2 064)	(38 145)	(61 257)	(88 962)	(34 235)	-	-	(1 701 345)
Deferred tax asset - opening			-	-	-	-	1 661	-	51 009	-	-	-	-	52 670
Deferred tax asset decreasing (losses for the profit in actual year)			-	-	-	-	(1 661)	-	(51 009)	-	-	-	-	(52 670)
Deferred tax asset - closing			-	-	-	-	-	-	-	-	-	-	-	
Deferred tax liability - opening			(68 322)	(2 534 230)	(8 891)	-	(19 376)	(79 650)	-	(77 140)	-	-	-	(2 787 609)
Deferred tax liability decreasing (gain in profit for actual year)			2 896	1 149 099	-	-	17 312	41 505	-	-	-	-	-	1 210 812
Deferred tax liability increasing (loss for actual year profit)			-	-	(17 234)	-	-	-	(61 257)	(11 822)	(34 235)	-	-	(124 548)
Deferred tax liability - closing			(65 426)	(1 385 131)	(26 125)	-	(2 064)	(38 145)	(61 257)	(88 962)	(34 235)	-	-	(1 701 345)

(1) The difference between the change in the value of income generating investments due to fair value valuation (profit) and the purchase price as defined by the tax act (purchase price less depreciation as defined in accordance with the tax act) was treated as a deferred base.

(2) As regards tangible assets the difference between the purchase price less depreciation as defined in accordance with the tax act and the book value less depreciation under the accounting act was treated as a deferred base.

(3) The impairment loss on the accounts receivable will be a recognised item under the tax act, therefore, it was taken account of in the calculation of deferred tax.

(4) Regarding retained earnings, an amount in the negative tax base determined in accordance with the tax act in the previous years that is covered by the B/S items of the company taking account of the fact that the tax act permits the company to recognise earlier losses up to 50% of its profits.

(5) The exchange rate differences are included in the temporary tax differences of loans and leases that the tax act will recognise in proportion with the repaid amount of the principal of the loans in the future. This difference is subject to future exchange rate (HUF/EUR rate) fluctuations.

(6) Tax losses will materialise if liabilities comprising temporary differences are forgiven in the future. The materialisation of the tax losses is attributable to the fact that the tax base will have to include the item accounted for as profit as a result of the liabilities to be forgiven. Since the entity forgiving the liabilities may not as a member of the Group reduce its tax base by the amount forgiven, the tax liability to which the forgiven amount is subject is presented in the Group's balance sheet.

(7) Accruals and deferred income as well as retained earnings will be stated in the income statement and included in the tax assessment.

17.5 Taxes and duties in the balance sheet

Current tax liability	Dec 31, 2017 EUR	Dec 31, 2016 EUR
VAT payable	89 591	108 745
Income tax payable	39 763	23 720
Local tax payable after investment property	30 664	94 766
Local municipality tax	6 363	11 009
Taxes on wages and salaries	9 225	-
Other taxes (see the notes below)	361 659	24 203
	537 265	262 443

Duties include the 4% property tax imposed on the real properties purchased by the Group in 2017 Q4.

18 Capital items allocated to non-controlling shares

Non-controlling interests	Note	Dec 31, 2017 EUR	Dec 31, 2016 EUR
Opening value at the beginning of the year		148 095	741 962
		-	(707 748)
Restated opening amount		148 095	34 214
Transfers between equity items		-	(723 802)
from which:		-	-
Transfer of equity components by the sale of non controlling interest		-	-
Transfer with merger activity	(1)	-	(723 802)
Transfer of profit for period		-	129 935
from which:		-	-
W-GO 2000 Zrt. (12.hó)	(2)	-	-
W-GO 2000 Zrt. (Jan- Sept, 40% NCI)	(3)	-	77 560
Appennin E-Office Zrt. (Oct- Dec, 1/73 ratio)		-	52 375
Acquisition of non controlling interest	(4)	(148 095)	-
Closing balance		-	148 095

(1) The Group sold 40% of its 100% stake in W-GO 200 Ltd in December 2015. On 30 September 2016, W-GO 200 Ltd merged into Appenninn E-Office Ltd, in which the minority share acquired by Lehn Consulting Ltd is 1/73, after the merger and capital increase. There was an EUR 723,802 change in the 2015 share of W-GO 2000 Zrt. on its non-controlling stake as a result of a new appraisal upon merger.

(2) In 2016, for the minority share, in the first 9 months, the 40% share in W-GO 2000 Ltd was EUR 77,560.

(3) In October–December 2016, in respect of the minority share, the share in Appenninn E-Office Zrt. was EUR 52,375.

(4) In 2017, Appenninn Plc effectuated capital increase in Appenninn E-Office Ltd. Following the capital increase, the share of LEHN Consulting Ag. changed to 1/83. In 2017, Appenninn Nyrt. repurchased that 1 share. See point 29.

19 Earnings per share and net asset value

19.1 EPS

Earnings per share and Diluted earnings per share (EURcent/pcs)	Dec 31, 2017 by the end of	Dec 31, 2016 by the end of
	business year	business year
	EUR	EUR
Net profit from continuing activity	2 548 268	2 478 061
Net profit from discontinued activity	-	-
Weighted average number of ordinary shares	38 996 569	36 324 574
Basic earnings per share for continuing operation (EUR cent)	6,53	6,82
Basic earnings per share for discontinued operation (EUR cent)	-	-
Weighted average number of diluted ordinary shares	38 996 569	36 324 574
Diluted earnings per share for continuing operation (EUR cent)	6,53	6,82

The Company did not have a share option, therefore the Fund and diluted earnings per share were identical.

19.2 Asset value

Net asset value per share	Dec 31, 2017 by the end of	Dec 31, 2016 by the end of
	business year	business year
	EUR	EUR
Net asset value	32 186 649	28 207 343
Number of ordinary shares at year end	40 892 545	39 800 000
Net asset value per share	0,79	0,71

20 Other short and long term receivables

Other long term financial assets	Note	Dec 31, 2017 EUR	Dec 31, 2016 EUR
Receivables from Lehn Consulting Ag.			
Receivables from sale of investments	(1)	-	978 639
		-	978 639

(1) In 2015, the Group sold 40% of the share in W-GO 2000 Ltd, the buyer paid the purchase price in 2017.

Other short term receivables	Note	Dec 31, 2017 EUR	Dec 31, 2016 EUR
LEHN Consulting Ag. Liabilities payable after purchase of shares	(1)	-	310 851
Receivables from sale of treasury shares	(2)	-	2 053 726
Tax overpayments	(3)	209 962	15 257
Deposit		16 645	21 029
		226 607	2 400 863

(1) The liability presented in Note 18(1) is stated at a discounted value among short-term and long-term liabilities. The annual discount rate: 3%. The discounted value (interest) was stated in the principal until 30 06 2017. Debts (principal and interest) were settled on 31 12 2017, therefore, they were derecognised.

(2) The selling of treasury shares was realized in 2017 by the buyer's bill of exchange. In 2017, the bill of exchange was settled by the holder.

(3) Tax assets include tax overpayments paid by the member companies of the Group that cannot be book transferred between the member companies. VAT: EUR 127,000, local taxes: EUR 15,000 and corporate tax: EUR 65,000.

21 Trade receivables

Trade receivables	Dec 31, 2017 EUR	Dec 31, 2016 EUR
Carrying amount of trade receivables	425 860	572 107
Opening of write off trade receivables	(305 107)	(276 622)
write off trade receivables	(58 424)	(126 101)
write back of trade receivables	96 814	97 616
Closing of trade receivables	(266 717)	(305 107)
	159 143	267 000

22 Short term loans

Loans given	Note	Dec 31, 2017 EUR	Dec 31, 2016 EUR
Building Celaning Zrt.	(1)	-	90 359
Mikepércsi út 132 Kft.	(2)	112 463	112 463
Write off for other receivables	(2)	(112 463)	(109 824)
Hattyúház Társasház Közösség		7 090	6 915
Loans and receivables receivable from Lehn Consulting Ag.	(3)	-	196 658
		7 090	296 571

(1) In 2017, Building Cleaning Zrt., the contractors repaid the loan granted to it.

(2) In 2017 the loan granted to Mikepércsi út 132 Kft. and the related interest was fully impaired.

(3) The loan granted to LEHN Consulting Ag. was compensated for.

23 Accruals of incomes and costs

Prepayments and accrued income	Dec 31, 2017 EUR	Dec 31, 2016 EUR
Non invoiced, actual period sales revenues	56 171	32 112
Invoices non actual period costs	15 089	14 262
	71 260	46 374

24 Cash and cash equivalents

Cash and cash equivalents	Dec 31, 2017 EUR	Dec 31, 2016 EUR
Petty cash in HUF	11 794	29 707
Petty cash in EUR	700	593
Bank accounts in HUF	373 101	734 080
Bank accounts in EUR	8 372 056	387 496
	8 757 651	1 151 876

Bank balances include the proceeds from the real property sold by Appeninn E-Office Zrt. The company intends to use the proceeds to amortise principal and buy real properties.

25 Assets classified as held for sale

Assets classified as held for sale	Note	Dec 31, 2017 EUR	Dec 31, 2016 EUR
Appeninn Solaris Zrt. Investments property	(1)	-	64 272
Disposed investment property	(1)	-	(64 272)
Appeninn Credit Zrt. Net asset value	(2)	462 993	462 993
Impairment	(3)	(217 684)	-
		245 309	462 993

(1) In 2015, the Group signed a sales contract for the sale of its property called Solaris Ltd. Sales (currently Appeninn Üzemeltető Zrt.). Sales transaction was completed in 2016 Q1 (the purchase price in 2016 was EUR 64,272).

(2) In 2016, the Group acquired 100% share of Appeninn Credit Ltd (Milton Finanszírozási Ltd, 10 October 2016), the value of the share covered the operating environment and personnel of financial company, financial enterprise; MNB license, the right to use software (AdviseSoft) that records the activities of the financial enterprise, and management data. The selling of the investment is actively carried out by the Board of Directors.

(3) The net asset value of Appeninn Credit Zrt.'s assets fell by EUR 218 thousand in 2017. The reduction was attributable to the closing of the loan transactions and the incurrance of operating losses. The Group still intends to sell the investment and is in search of market opportunities to be able to do so.

26 Share capital

The shares of Appeninn Asset Management Holding Plc were introduced for public trading to the Budapest Stock Exchange on 2 July 2010.

Appeninn Plc. Details of shares	
Nominal value	100
Issue currency	HUF
ISIN	HU0000102132
Capital market	Budapest Stock Exchange
First trading date	2. July 2010
Shareholders registering	Appeninn Plc. Board of Directors 1022 Budapest Bélg utca 3-5.
Shares by Dec 31, 2016 (pieces)	39 800 000
Shares by Dec 31, 2017 (pieces)	40 892 550

Issued capital	Dec 31, 2017	Dec 31, 2016
	EUR	EUR
Issued shares on nominal value		
Opening	12 893 071	11 850 483
Issued shares May 20, 2016	-	1 042 588
Issued shares Dec 01, 2017	352 276	-
Closing	13 245 347	12 893 071

	Dec 31, 2017	Dec 31, 2016
Issued treasury shares (each by 100 HUF) Piece:		
Opening Piece:	39 800 000	36 500 000
Issued Piece:	1 092 545	3 300 000
Closing Piece:	40 892 545	39 800 000
Calculation to EUR		
HUR - EUR translation FX rated:		
Opening capital value average FX rate	308,69	308,00
Issue (Hungarian National Bank) FX rate		316,52
Closing capital value average FX rate	308,73	308,69
Opening issued capital value in THS HUF		
Opening	3 980 000	3 650 000
New shares issue	109 255	330 000
Closing	4 089 255	3 980 000

Registered capital of the Company: HUF 40,892,545,000 (2016: HUF 3,980,000,000), i.e. 40,892,545 pieces (2016: 39,800,000 pieces) of shares, with a nominal value of HUF 100 each.

Based on the General Meeting of Shareholders on 01 December 2017, the Company decided to issue 109,255 ordinary shares, which were registered by the Budapest Court of Registration on 6 December 2017.

Based on the General Meeting of Shareholders on 20 May 2016, the Company decided to issue 330,000 ordinary shares, which were registered by the Budapest Court of Registration on 23 June 2016.

	Dec 31, 2017	Dec 31, 2016
	EUR	EUR
100% interest in Pontott Termelő Kft.	-	157 061
100% interest in Appenninn Invest Zrt.	-	760 175
90 pcs Bound EUR	-	900 000
100 pcs HUF bound	-	3 159
Receivables	-	370 512
Property	2 740 697	-
Increase value of capital	2 740 697	2 190 907
from which issued capital	352 276	1 042 588
from which capital reserve	2 388 421	1 148 319

27 Treasury shares

Treasury shares	Dec 31, 2017		Dec 31, 2016	
	EUR		EUR	
	Cost	Piece	Cost	Piece
Opening	234 863	2 814 280	2 370 330	2 814 280
Treasury shares increased by purchase	2 839 405	341 325	1 364 284	1 846 089
Treasury shares sold	(3 074 268)	(3 155 605)	(3 499 751)	(4 347 347)
Closing	-	-	234 863	313 022
from which belongs to:				
Bertex Kft.	-	-	216 112	285 470
FELHÉVÍZ-APPEN Kft.	-	-	18 751	27 552

28 Other equity reserves

Other reserves	Dec 31, 2017	Dec 31, 2016
	EUR	EUR
Opening of premium	11 229 685	10 081 366
Premium from new Issue of shares at 20th May 2016	-	1 148 319
Issue of new shares with premium (decided on Dec 01, 2017 9.	2 388 421	-
	13 618 106	11 229 685

Point 26. shows the details of .the capital increase by share premium in 2016 and 2017.

29 Retained earnings

Retained earnings	Note	Dec 31, 2017	Dec 31, 2016
		EUR	EUR
Opening value at the beginning of the year		4 319 450	1 296 357
<i>changes in the year:</i>			
Profit for the year	(1)	2 548 268	2 478 061
Discounts for long term receivables from shareholders	(2)	125 210	(125 210)
Transfer of equity components by the sale of non controlling interest	(3)	(1 055 993)	-
Transfers between shareholders	(4)	148 095	723 802
Loss recognised on treasury shares	(5)	81 824	(210 648)
Dividend paid	(6)	(843 658)	-
Discounts for long term receivables from shareholders	(2)	-	157 088
Closing value at the end of the year		5 323 196	4 319 450

(1) The components of the profit and loss of the year under review are presented in notes no. 6 to 20.

(2) The discounted value of the liabilities towards the Shareholders are presented in section 20.

(3) In 2017, Appenninn Nyrt. purchased Appenninn E-Office Zrt.'s only share from Lehn Consulting Ag. (the sales transaction took place in 2015). The purchase price of the investment purchased exceeded the value of the capital allocated from Appenninn E-office Zrt. to minority interest by EUR 1,056,000 (4), therefore, losses on the difference charged to the Group' profit were recognised.

	Total of net asset value	Total of assets given for consideration received	Discounts on receivables	FX difference	Total gain (loss) in the current year profit and loss statement
Appenninn E-Office Zrt. Acquisition of 1 pc of 83 shares	123 760	(1 183 322)	-	3 569	(1 055 993)

(5) The Group sold its own shares. The Group states profit generated on own its own shares in the retained earnings.

(6) In 2017, the general meeting of the parent company of the Group decided on the disbursement of dividends in the amount of EUR 844,000 charged to the retained earnings for 2016.

30 Short-term and long-term loans and leases

Leases

Financial lease liabilities	Minimum lease payments		Present value of lease payments	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
	EUR	EUR	EUR	EUR
Not later than one year	83 133	-	65 190	-
Later than one year and not later than five years	266 506	-	240 480	-
Later than five years	-	-	-	-
	<u>349 639</u>	<u>-</u>	<u>305 670</u>	<u>-</u>
Less: future finance charges	(43 969)	-	-	-
Present value of minimum lease payments	305 670	-	305 670	-
Included in the consolidated financial statements as:				
current borrowings			65 190	-
non-current borrowings			240 480	-
			<u>305 670</u>	<u>-</u>

Appenninn Üzemeltető Zrt., a member company of the Group leased the vehicles needed for its activities. The longest term of the contracts is 5 years.

Appenninn E-Office Zrt. a member company of the Group leased the machines (boilers) installed in its buildings.

In both cases the leased assets collateralise the liabilities arising from leasing.

Notes to the table on the next page.

(1) On 19 01 2018 the Company and Magyar Takarékszövetkezeti Zrt. entered into a refinancing agreement to refinance the loans taken out by the subsidiaries. As a result of the refinancing, the collateral regime as at 31 12 2017 is terminated, and under new collateral regime the primary and sole obligor of the loans is the debtor. Appenninn Nyrt.'s guarantorship and the pledge on capital contributions as set out in the earlier loan agreements will be terminated in respect of the shares/core deposits of the investments of the buyer involved in refinancing. The terms and conditions of the refinancing loan contract are as follows:

Base interest rate 3m BUBOR
Interest rate surplus 2.5%
Currency HUF

Company	Planned loan EUR	warrant 3mnts fee EUR
Curlington Kft.	91 222	1 470
Appenninn-BP1047 Zrt.	845 764	13 629
Bertex Zrt.	495 815	7 893
FELHÉVIZ-APPEN Kft.	184 249	2 970
APPENNINN- Property Zrt.	697 307	11 237
APPEN-RETAIL Kft.	1 592 829	25 666
	3 907 185	

Clause 30 Continued

Financing Bank	Note	First obligation holder	at the date of Dec 31, 2017	at the date of Dec 31, 2017	at the date of Dec	at the date of Dec 31,	Contracting Currency	Interest %	Expiry date	Collaterals
			due within one year	due longer than one year	31, 2016,	2016, due longer than				
			EUR	EUR	EUR	EUR				
OTP Bank Zrt.	(1)	Curlington Kft	20 049	69 502	19 992	113 288	HUF	2,5% fix.	2023.08.30	bail of shares max 20% of actual capital, block security pledge of assets, surety of Appennin Plc., collateral on investment
Magyar Takarékszövetkezeti Bank Zrt.		Szent László Tér Szolgáltató Ház	99 838	230 549	99 556	324 026	HUF	3 months EURIBOR+RKV+ 1,9%, 3h BUBOR +3%	2021.05.17 / 2021.03.31.	call option right, collateral on the trade receivables, assigned revenues
K&H Bank Zrt.	(1)	Appennin - Bp 1047 Zrt.	65 836	766 879	137 457	790 447	EUR	3months EURIBOR+ 2%	2023.07.05	surety of Appennin Plc., block security pledge of assets, bail of shares, assigned revenues
Orgovány és Vidéke Takaréék		Appennin-Logisztika Zrt	-	-	38 583	268 678	HUF	1 month BUBOR +2,5%	2023.06.15	block security pledge of assets, bail of shares, assigned revenues
Oberbank AG	(1)	Bertex Zrt	29 702	456 041	41 668	473 033	EUR	1 month EURIBOR + 2,5%	2031.10.31	block security pledge of assets, bail of shares, assigned insurance
ERSTE Bank Zrt.		Appennin E-Office	1 214 611	28 123 603	1 184 122	30 302 310	EUR	3 months EURIBOR (min. 0) +3,5%	2025.03.31	pledge of property assets, collateral on the trade receivables, surety of Appennin Plc, surety of Lehn Consulting Ag (replaced in 2017) deposit of treasury shares, insurance
OTP Bank Zrt.		APPENNIN Property Vagyonkezelő Zrt. (name before Jan 18, 2018: Appennin Angel Zrt.)	49 423	643 826	-	-	HUF	1 months EURIBOR + 2,5%	2019.05.31	pledge of property assets, aval and guarantee form Curlington Kft. Appennin Nyrt.
Unicredit Bank Zrt.	(1)	FELHÉVÍZ-APPEN Kft.	36 848	138 188	-	-	HUF	2 months BUBOR +2,75%	2022.08.30	pledge of property
Magyar Takarékszövetkezeti Bank Zrt.		YCT78 Ingatlanhasznosító Kft.	120 510	2 006 576	-	-	HUF	1 month BUBOR + 1,25%	2029.12.31	pledge of property: Váci úti, Bánya út , aval: Szent László Tér Szolgáltatóház Kft. Appennin Nyrt.
			1 636 817	32 435 164	1 521 378	32 271 782				

31 Bounds

ISIN	HU0000356639	HU0000354337
Name of policy	Appennin Nyrt. EUR bond	Appennin Nyrt. HUF bond
Short name of the bond	Appennin Nyrt. EUR bond	Appennin Nyrt. HUF bond
Nominal value of the bond	EUR 10 000	HUF 10 000
Piece number	150	HUF 150 000 000
Total nominal value	EUR 1 500 000	150.000.000,- HUF
Manner of distribution	subscription	executive selection
Type of distribution	exclusive section 14 (1) c of the Tpt Act	dematerialized
Subscription period	Sept 2, 2015- Sept 10, 2015	none
Duration	3 years (Sept 11, 2015- Sept 10, 2018)	3 years (Feb 26, 2014 - Feb 26, 2017)
Expiry	Sept 10, 2018	Feb 26, 2017
Interest rate	7.5 % p. a.	5% p.a.
Interest payment	Yearly, on Sept 10 every year	yearly, on Feb 26 every year
Production policy	dematerialized	dematerialized
Transfer limitation	none	none
Value date	Sept 11, 2015	Feb 26, 2014
Purpose of issue	Additional capital sourcing	Additional capital sourcing

	HU0000356639		HU0000354337		EUR	Liability EUR
	EUR bond	Piece from bond	HUF bond (value in HUF)	Piece from bond		
Issue date Feb 26, 2014	-	-	150 000 000	15 000		
Acquisition of bond in 2014.	-	-	(53 970 000)	(5 397)		
Issued by the date of Dec 31, 2014	-	-	96 030 000	9 603	304 964	304 964
Issue on Sept 10, 2015	1 500 000	150	-	-		
Acquisition of bond in 2015.	-	-	-	-		
Issued by the date of Dec 31, 2015	1 500 000	150	96 030 000	9 603	306 688	1 806 688
Acquisition June 09, 2016	-	-	(24 000 000)	(2 400)		
Received as capital increase May 05, 2016	(900 000)	(90)	(1 000 000)	(100)		
Acquisition Dec 14, 2016	(400 000)	(40)	-	-		
Issued by the date of Dec 31, 2016	200 000	20	71 030 000	7 103	228 378	428 378
Paid and closed on Feb 26, 2017	-	-	(71 030 000)	(7 103 000)	(228 378)	
Closed on Feb 26, 2017	-	-	(78 970 000)	(7 897)	-	
Closed total in 2017	-	-	(150 000 000)	(7 110 897)	(228 378)	
Issued by the date of Dec 31, 2017	200 000	20	-	-		200 000
Closed bonds	-	-	-	-		
Total bonds legally existing	200 000	20	-	-		
Non issued bond (hold by the issuer company)	1 300 000	130	-	-		

The Company fulfilled its principal and interest payment obligations resulting from the HU0000354337 bonds on February 2017.

The Company does not intend to sell its own bonds (130 pcs), therefore the related liabilities (capital and interest) are not stated in the financial statements for the bond items with the Company, at the account of liabilities and profit.

32 Deposit from tenants

Tenants deposits	Dec 31, 2017	Dec 31, 2016
	EUR	EUR
Opening	858 865	770 976
New contracts or new company integrated	194 598	165 658
Decreasing by closing contract	(186 343)	(77 769)
Decreasing by sale of subsidiary	(13 925)	-
Closing	853 195	858 865

33 Other short term liability

Other payables	Note	Dec 31, 2017 EUR	Dec 31, 2016 EUR
Personal cost and related payables	(1)	55 733	382
Payables for acquired investments	(2)	23 366	254 431
Payables of issued bill of exchange	(3)	1 635 840	-
Payables for Appeninn Credit Zrt.	(4)	75 379	-
Lehn Consulting Ag. Guarantee fee payables	(5)	-	158 599
LEHN Consulting AG. Loans	(5)	-	256 337
LEHN Consulting AG. Interest	(5)	-	7 555
Advance payments		-	21 590
Payables for Building Cleaning Zrt. (share base settlement)	(6)	-	198 456
		1 790 318	897 350

(1) Since December 2017, the Group has been employing employees due to an expansion of its activities. For further data see **point 9**

(2) In 2017, a purchase price payment obligation of EUR 175,000 was settled through the transfer of own share. The liability connected with the share purchase (HUF 79,133,000) originated from the acquisition of Tavig Ltd and Curlington Ltd; Appeninn E-Office Ltd is the legal successor of these companies. In the case of Tavig Ltd, the purchase price was 1,700,000 pieces of shares; in the case of Curlington Ltd, it was HUF 7,247,000.

(3) The Group settled the purchase price of APPENINN-Retail Kft. at 19 Frangepán utca through the issue of an own bill of exchange. The own bill of exchange in the amount of EUR 1,635,840 was settled by a bank loan provided by Magyar Takarékszövetkezeti Bank Zrt. For old and new loans, see **point 30**.

(4) Appeninn Credit Zrt.'s receivables from loans granted are closed/refinanced, which generated freely available funds for Appeninn Credit Zrt. These funds were made available for Appeninn Nyrt.

(5) The Group repaid its debts to LEHN Consulting Ag. through an offset.

(6) The Group repaid its debts to Building Cleaning Zrt. through an offset.

34 Trade accounts payables

Trade accounts payables	Dec 31, 2017 EUR	Dec 31, 2016 EUR
Trade accounts payables	194 213	351 278
will be due in :		
0- 30 days	101 758	-
31- 60 days	24 411	152
61- 90 days	27 777	14 660
91- 180 days	20 166	9 848
181-360 days	20 101	20 026
longer than 360 days	-	29 102
	194 213	351 278

35 Deferred items and provisions

Deferred revenue and accrued expense	Dec 31, 2017	Dec 31, 2016
	EUR	EUR
Dividend payable for the year 2016	40 438	-
Deferred expenses	277 324	120 383
Deferred interest expenses	9 619	14 301
Deferred asset cost	7 385	9 704
Deferred incomes - invoiced for the future periods	137 014	387 714
Deferred incomes - invoiced for the future periods - Kecskemét rent fee	-	379 708
Provision for expected losses from legal case	-	84 249
	471 780	996 059

36 Related party items

Transactions with consolidated companies were eliminated.

Transactions not included in the consolidation, but conducted with related parties are presented in the notes relating to the relevant balance sheet rows.

	Dec 31, 2017	Dec 31, 2016
	EUR	EUR
Receivables		
LEHN Consulting Ag. Receivables from selling of shares	-	310 851
Liabilities		
Long term liability Lehn Consulting Ag.	-	-
Lehn Consulting AG. Guarantee fee payables	-	(158 599)
Lehn Consulting AG. Loans	-	(256 337)
Lehn Consulting AG. Interest	-	(7 555)
Cost spent by managers	-	21 319
Payables for Appenninn Credit Zrt. (loan and interest)	75 379	-

37 Remuneration of key executive officers

Members of the board of directors (6 persons) received HUF 300,000 per person in 2016 and 2017, and those of the audit committee received an additional HUF 100,000 per person. A BoD member providing business and operational management advisory services received HUF 1,7 million + VAT in advisory fees in 2017. The Company did not enter into an agreement with any one of the executive officers that could generate, through changes in the existing contracts, any binding obligation on the Company in the future.

	2017 (th HUF/year/person)	2016 (th HUF/year/person)
Remuneration of the members of the board of directors employed under contract (6 persons)*	300	300
Remuneration of the members of the audit committee employed under contract (3 persons)	400	400

* 3 of the members of the board of directors also serve on the audit committee and remunerated at HUF 400,000 p.a.

38 Financial risk management

The Group is exposed to risks arising from the changes in market and financial conditions. These changes may influence results, the values of the assets and liabilities. The purpose of the management of financial risks is that risks should be continuously mitigated via operating and financing activities. Hereunder, the market risks affecting the Group are described.

38.1 Maximum of financial risk

Maximum risk from receivables	Note	Dec 31, 2017, EUR	Dec 31, 2016, EUR	31st Dec. 2015 EUR
Trade receivables	21	159 143	267 000	338 151
Other short term receivables	20	226 607	2 400 863	346 749
Loans given	22	7 090	296 571	364 928
Prepayments and accrued income	23	71 260	46 374	90 167
Cash and cash equivalents	24	8 757 651	1 151 876	418 769
		9 221 751	4 162 684	1 558 764

Maximum risk of liability	Note	Dec 31, 2017, EUR	Dec 31, 2016, EUR	31st Dec. 2015 EUR
Long-term bank loans and leasing	30	32 675 643	32 271 782	33 613 507
Loing-term non bank loans	31	-	-	75 656
Issued corporate bonds	31	-	200 000	1 806 688
Tenants deposits	32	853 195	858 865	770 976
Short-term bank lonas and leasing	30	1 702 008	1 521 378	1 294 250
Other payables	33	1 790 318	897 350	889 108
Trade accounts payables	34	194 213	351 278	603 598
Issued corporate bonds	31	200 000	228 378	-
Current tax liability	17	537 265	262 443	204 329
Deferred revenue and accrued expense	35	471 780	996 059	267 658
		38 424 422	37 587 533	39 525 770

38.2 Rent-related risks

The Group establishes consistent, calculable and competitive rents for the tenants. The current amounts of the rents are in line with the environment and quality of the properties. Considering the current global economic climate and oversupply of Budapest office space market, however, there is no assurance that current rental prices and conditions can be maintained in the future.

38.3 Foreign exchange risks

As in 2013, EUR became the Group's functional currency, foreign exchange risks can arise from HUF- and CHF-denominated credits and liabilities. Appenninn Nyrt.'s FX-based investment loans are typically denominated in EUR following the successful restructuring of the credit portfolio during 2015.

Conversion of HUF items used for the preparation of the report was carried out by the Group at the following exchange rates. The Group applied the closing MNB exchange rate for the balance sheet items and the average daily MNB exchange rate for the profit items.

The transaction currency was HUF, our foreign exchange exposure was performed by quantifying the currency.

When preparing the accounts, the Company recognised the difference between the amounts determined in EUR and recognised in equity and the current closing EUR-HUF exchange rate through the annual profit/loss. The translation of the Company's balance sheet items incurred a difference in the amount of EUR 161,000 in 2017 (in the aggregate in the balance sheet). The sensitivity of the Company's balance sheet to EUR-HUF exchange rate fluctuations is presented on the basis of the exposed amount. The EUR amount serving as a basis of the change in the 2017 balance sheet was EUR 32.9 million. Changes were examined through responses to a 0.05–1.00% shift. In 2017 there was a 0.28% shift compared with 2016. (between the tested values) The Company's exposed amount is EUR 330,000 provided there is a 1% shift in FX conversion.

FX rates NBH (National Bank of Hungary)	FX rates, Dec 31, 2017	Changes in FX rates	% of Changes	FX rates, Dec 31, 2016	FX rates, Dec 31, 2015	FX rates, Dec 31, 2014
Closing	310,14		-0,88	-0,28%	311,02	313,12
Average (daily)	309,21		-2,25	-0,01	311,46	314,89
Difference of closing and average	0,93		1,37	-309,10%	-0,44	3,22
Eltérés EUR- HUF						
Changes in FX rate	FX rates	Changes in EUR rate	Total of non EUR position (net asset position)	Calculated gain (loss) in EUR		
-1%	307,03860	(0,01000)		329 664		
-0,50%	308,58930	(0,00500)		164 832		
2017. 12. 31. MNB	310,14000	-	32 966 448	-		
0,50%	311,69070	0,00500		(164 832)		
1%	313,24140	0,01000		(329 664)		

The Company's balance sheet items exposed to FX fluctuation are balances denominated in currencies other than EUR. As at

Assets	EUR	HUF
Investment properties	62 990 000	-
Property, plants and equipment	-	72 147
Deferred tax assets	-	-
Other long term financial assets	-	-
Non-current assets	62 990 000	72 147
Trade receivables	-	159 143
Other short term receivables	-	226 607
Loans given	-	7 090
Prepayments and accrued income	-	71 260
Cash and cash equivalents	8 372 756	8 757 651
Current assets	8 372 756	9 221 751
Assets classified as held for sale	-	245 309
Total assets	71 362 756	9 539 207

31.12.2017 EUR 33 million.

Equity and liabilities	EUR	HUF
Issued capital	-	13 245 347
Treasury shares	-	-
Other reserves	-	13 618 106
Retained earnings	-	5 323 196
Shareholder's equity	-	32 186 649,00
Non-controlling interests	-	-
Total equity and reserves	-	32 186 649,00
Long-term bank loans and leasing	29 823 552	2 852 091
Issued corporate bonds	-	-
Tenants deposits	-	853 195
Deferred tax liabilities	-	1 918 136
Total non-current liabilities	29 823 552	5 623 422
Short-term bank loans and leasing	-	1 702 008
Other payables	-	1 790 318
Trade accounts payables	-	194 213
Issued corporate bonds	200 000	-
Current tax liability	-	537 265
Deferred revenue and accrued expense	-	471 780
Total current liabilities	200 000	4 695 584
Total liabilities	30 023 552	10 319 006
Total equity and liabilities	30 023 552	42 505 655
FX position (Assets and Liabilities net)	(41 339 204)	32 966 448

38.4 Interest rate risks

Interest rate risks represent the risk that the future cash flows of certain assets and liabilities fluctuate as a result of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates to primarily to the Group's long-term debt obligations with floating interest rates and finance lease liabilities. On the average, the Group pays 3.19 % interest on its credits. A 50 basis point shift in interest would lead to the following changes in the Group's profitability:

Average interest rate calculation	EUR	Interst %	+0,5% (interst)	EUR
Loan Jan 01, 2017	33 793 160			
Loan Dec 31, 2017	34 071 981			
Loan average	33 932 571	3,19%	3,69%	
Interest expense 12 months	1 084 018			1 253 681
Increase of interest				169 663

38.5 Credit risk

Crediting risk is the exposure wherein a partner fails to fulfil its payment obligation connected with any financial asset or customer agreement, thereby causing financial loss. The Group is exposed to crediting risks in association with its lease-out and financial operations (including bank deposits and financial investments).

38.6 Tenant receivables

Credit risk is managed by requiring tenants to pay deposits or give bank guarantees in advance, depending on the credit quality of the tenant assessed at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored.

38.7 Cash deposits and financial investments

Credit risk from balances with banks and financial investments is managed in accordance with the Group's conservative investment policy. To mitigate crediting risks, the Group keeps its financial reserves in cash or bank deposits at reputed financial institutions.

38.8 Liquidity risk

The Group has the objective to maintain equilibrium between the continuity and flexibility of financing when the volumes of financial reserves and credits are shaped.

The management opines that difficulties in liquidity cannot be expected, because revenues safely cover debt services and operating costs.

The Group settles its payment obligations within the payment term, and had no overdue payables as of 31 December 2016, and 2017.

The two tables below summarize the maturity profile of financial liabilities based on contractual undiscounted payments as of December 31, 2017 and 2016 .

Dec 31, 2017	Due date 1yr	within 2- 5 year	Due date after 5 yr	Total	Interst
Financial assets					
Trade receivables	159 143	-	-	159 143	-
Other short term receivables	226 607	-	-	226 607	-
Loans given	7 090	-	-	7 090	-
Financial assets	392 840	-	-	392 840	-
Financial liability					
Loans and borrowings	1 636 817	6 016 630	26 418 534	34 071 981	-
Leasing	65 191	240 479	-	305 670	-
Tenants deposits	-	853 195	-	853 195	-
Issued corporate bonds	200 000	-	-	200 000	-
Other payables	1 790 318	-	-	1 790 318	-
Current tax liability	537 265	-	-	537 265	-
Deferred revenue and accrued expense	471 780	-	-	471 780	9 619
Financial liability	4 229 591	7 110 304	26 418 534	38 230 209	9 619

Dec 31, 2016	Due date 1yr	within 2- 5 year	Due date after 5 yr	Total	Interst
Financial assets					
Other long and short term liability	310 851	606 256	372 383	1 289 490	31 878
Trade receivables	267 000	-	-	267 000	-
Other short term receivables	2 090 012	-	-	2 090 012	-
Loans given	296 571	-	-	296 571	-
Financial assets	2 964 434	606 256	372 383	3 943 073	31 878
Financial liability					
Loans and borrowings	1 749 756	1 309 623	31 162 159	34 221 538	-
Tenants deposits	-	858 865	-	858 865	-
Trade accounts payables	351 278	-	-	351 278	-
Issued corporate bonds	228 378	200 000	-	428 378	-
Current tax liability	262 443	-	-	262 443	-
Deferred revenue and accrued expense	996 059	-	-	996 059	14 301
Financial liability	3 587 914	2 368 488	31 162 159	37 118 561	14 301

39 Capital risk management

The management's objectives when managing capital are to safeguard the ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the management monitors capital structure based on the debt service cover ratio (DSCR) and the loan-to-value ratio (LTV). DSCR is calculated as cash available for debt service (rental revenues less operating and other costs) divided by debt service (capital plus interest), while LTV is calculated as the ratio between the sum of the outstanding balances of the loan and the market value of the property.

Client base of the Group is diverse and varied, so the financial realisation of the income does not depend on the liquidity of one or more bigger clients

40 Guarantees and collateral

40.1 Obligation to repurchase own shares, guaranteed purchase price of own shares

On 04.08.2016, on behalf of the Group, Appenninn Nyrt. (hereinafter in this section: the „Company”) and its Felhívíz- APPEN Kft. undertook an obligation to repurchase Appenninn's ordinary shares at HUF 210 per share as settlement price and if the shares are delisted, at the prevailing settlement price. The obligation covered 201,684 shares. The maximum number of the shares covered by the obligation in the first 12 months was 8,809 shares per month, and from the 13th month onwards 3,334 shares per two months. The obligation is conditional, i.e. it must only be complied with if the prevailing traded price in respect of the maximum amount of shares to be repurchased is below HUF 210 per share. The commitment is subject to the payment of consideration, i.e. the purchase price must be paid by the obligor; furthermore, the obligor may transfer the proceeds of the transaction less taxes and costs realised by the obligee to the obligor during the term of the commitment to transfer the primary obligor, i.e. Felhívíz – APPEN Kft. The obligee did not require the obligation to be fulfilled until 31 12 2017. The maximum number of the shares outstanding as at 31 12 2017, in respect of which there was a purchase obligation, was 88,108.

The BÉT traded price of the Appenninn ordinary shares fluctuated between HUF 211 per share and HUF 680 per share as closing prices between August 2016 and January 2018. It closed the trading at HUF 719 per share on 29 12 2017.

Volatility in respect of the shares is distributed in a 1-200% range. Due to significant volatility, based on the call option received through Monte Carlo simulation, the market price of the Company's shares exceeds the obligor's purchase price during the entire term of the purchase obligation.

The Company generated HUF 0 in respect of purchase obligations for the record dates on 31 12 2016 and 31 12 2017. The Company presents the price of the option as an item of profit character realised and pertaining to the past as profit in accordance with the financial settlement with the option holder. No item representing profit was generated in excess of the recognised and realised amount of profit, i.e. on a forward-looking basis.

Year	Exercised	Obligation to buy (piece)	Obligation to buy (HUF/ piece)
2016- 2017.	none	113576	210
Year	Exercised	Obligation to buy (piece)	Obligation to buy (HUF/ piece)
2 018	12	23 604	210
2 019	12	23 604	210
2 020	12	23 604	210
2 021	5	17 296	210
Összesen:		88 108	

The data used for the simulation are presented in point 5.3.2.5.

40.2 Guarantee to back the liabilities of the sold member company vis-à-vis a credit institution

Appenninn Nyrt. as owner for VÁR- Logisztika Zrt. (formerly: Appenninn Logisztika Zrt.) with effect from 27.06.2013 for Orgovány és Vidéke Takarékszövetkezet as guarantor and mortgagor in the contract with the credit institution remained a party after the sale of Appenninn Logisztika Zrt. On 06.12.2017, entering into an agreement on the assumption of liability, the owners of VÁR-Logisztika Zrt. granted guarantee in respect of all the liabilities of Appenninn Nyrt. vis-à-vis Takarékszövetkezet. The Company's guarantorship expires on 15 June 2023 or upon the discharge of the liability. The exposure of the Company as at the balance sheet date was EUR 293,000. The Company checked the financial capability of the guarantors and as at the record date of these accounts the management of the Company assigned zero insolvency likelihood to the liability stemming from guarantorship. Therefore, zero was stated in the balance sheet in connection with the guarantorship.

41 Events after the balance sheet date

No significant event occurred after the balance sheet date. The Group will continue to prepare the purchase of portfolio items tailored to its acquisition strategy, primarily in the office and industrial-logistics sector of the real-estate property market.

42 Compilation of the Consolidated Financial Statements

The Group used - during the compilation of the Financial Statements for the year ended 31 December 2017 according to the International Financial Reporting Standards (IFRS) - the financial statements of parent companies and subsidiaries compiled based on the Hungarian Accounting Standards (HAS). The name and registration number of the chartered accountant responsible for the compilation of these statements: Zoltán Szilasi (registration number: 1197528).

In order to have the accounts prepared in accordance with the Accounting Act aligned with IFRS, the Group engaged an IFRS-registered accounting expert. The chartered accountant personally responsible for the compilation of the accounts in accordance with IFRS is Anita Lénárt (registration number is: 186427). The engagement of the accounting expert is limited to identify the differences between the IFRS and HAS and to the compilation of the consolidated Financial Statements based on the effective IFRS standards accepted by the EU. The engagement of the accounting expert does not cover formulating schemes and methods in connection with accounting policies, the book-keeping of the accounting documents of the Groups and Companies on a consolidated basis, establishing and updating rules and regulations concerning the system of accounts, including ledger accounts and records, drafting executive summaries and reports and annual accounts, analysis of data shown in the annual account, in bookkeeping records, including scripts of conclusions based on which to make economic decisions.

43 Audit of the consolidated statements, auditor's remuneration

The auditor conducting the audit of the Company and the person personally responsible for the audit are elected by the general meeting of the Company: The auditor appointed by the Company's general meeting to audit economic data:

- MOBILCONSULT Könyvvizsgáló és Gazdasági Tanácsadó Korlátolt Felelősségű Társaság (registered seat: H-1106 Budapest, Fehér út 10., II/206, company registry number: 01-09-079760, chamber of auditors' license number: 001168)
- Auditor personally responsible for the audits: Judit Nagy (address: Budapest 1165, Vak Bottyán utca 25., CoHA number: 007070)
-

The engagement of the auditor covers the audit of the Company's annual accounts compiled by the Hungarian statutory regulation and **Appennin Holding Nyrt.'s** consolidated financial statements compiled in accordance with IFRS.

Audit fees:

- HUF 3,500,000 + VAT was charged for the statutory audit of the Appennin Nyrt.'s non-consolidated annual accounts prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU and Act C of 2000 on Accounting.
- The fee charged for the audit of Appennin Nyrt.'s consolidated financial statements prepared in accordance with IFRS: HUF 1,000,000 + VAT.

The auditors did not provide any other assurance or tax advisory services or services other than auditing for the Company.

44 Approval of financial statements

At its meeting held on 26 March 2018, Appenninn Vagyonkezelő Holding Nyrt.'s Board of Directors approved the Group's 2016 consolidated annual accounts prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU. The Board of Directors approved the publication of these consolidated accounts of the Group. However, the annual general meeting of the owners entitled to approve them may request modifications before the approval.

45 Statements

We would like to note that a number of important factors could cause actual results to differ materially from statements for the future.

Statement of responsibility – We declare that the Consolidated Financial Statements which have been prepared in accordance with the applicable accounting standards and the best knowledge, give a true and fair view of the assets, liabilities, financial position and profit or loss of Appenninn Vagyonkezelő Holding Nyrt. and its undertakings included in the consolidation, development and performance of the Company and its undertakings included in the consolidation, together with a description of the principal risks and uncertainties of its business.

Budapest, 26th March 2018

Zoltán Prutkay

Member of the Board of Directors

Gábor Székely

Chairman of Audit Committee