APPENINN HOLDING NYRT.

STAND-ALONE ANNUAL FINANCIAL STATEMENTS

IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS REPORTING STANDARDS
31 DECEMBER 2018

WITH A COMPARABLE PERIOD ENDING ON 31 DECEMBER 2017

Contents

Balance Sheet

Assets	Notes	31.12.2018 HUF thousand	31.12.2017 HUF thousand
Income generating investment property	15	8,311,034	1,566,207
Tangible assets	16	50,542	1,691
Participations	17	8,107,100	5,716,564
Total fixed assets		**16,468,675**	**7,284,462**
Trade receivables	18	51,428	-
Other short-term receivables	19	29,468	3,934
Liabilities from related parties	20	3,199,907	1,365,571
Short-term loans given	21	2,247	2,199
Accruals and deferrals	22	6,031	-
Income tax assets		12,823	8,172
Cash and cash equivalents	23	2,791	4,138
Total current assets		**3,304,695**	**1,384,014**
Assets classified as held for sale	8	-	76,080
Total Assets		**19,773,370**	**8,744,556**
Capital and liabilities			
Subscribed capital	24	4,737,142	4,089,255
Treasury shares	25	(1,114)	-
Reserves	26	8,095,844	3,630,418
Accumulated profit	27	2,085,818	696,287
Capital allocated to shareholders		**14,917,690**	**8,415,960**
Deposits provided by the tenants	28	11,937	-
Other long-term liabilities vis-à-vis related parties	29	2,733,171	-
Deferred tax liabilities	30	115,197	643
Total long-term liabilities		**2,860,305**	**643**
Short-term bank loans	31	1,612,694	-
Other current liabilities	32	39,268	25,569
Current liabilities vis-à-vis related parties	29	260,890	161,103
Accounts payable	33	16,531	10,923
Debts from issued bonds	34	-	62,028
Tax liability, duties	35	-	57,518
Deferred income and accrued expenses (Accrued and deferred liabilities)	36	65,992	10,812
Total current liabilities		**1,995,375**	**327,953**
Total liabilities		**4,855,680**	**328,596**
Total capital and liabilities		**19,773,370**	**8,744,556**

The notes on pp. 7-56 constitute an integral part of the stand-alone financial accounts.

Comprehensive income statement	**Notes**	**for the financial year ending on 31.12.2018 HUF thousand**	**for the financial year ending on 31.12.2017 HUF thousand**
Income from property leasing	3	402,426	156,623
Direct costs of property leasing	4	(112,986)	(13,937)
Direct collateral		**289,440**	**142,686**
Service fees from subsidiaries	5	176,000	63,000
Administrative costs, services fees and wages	6	(378,134)	(56,759)
Other revenues/(expenses)	7	(3,093)	158,276
Profit from/Loss on the sale of subsidiaries, investments	8	13,920	(162,848)
Revaluation of income-generating investment property	9	2,144,827	(17,588)
Improvements to real property (capital expenditure items)	10	(12,375)	-
Operating profit/loss		**2,230,585**	**126,767**
Depreciation and amortisation	16	(4,653)	(640)
Other (expenses on) income from financial operations	11	(175,912)	(2,227)
Balance of interest income and interest expense	12	(22,092)	19,213
Profit/Loss before taxation		**2,027,928**	**143,113**
Income taxes	13	(126,505)	(11,957)
Profit/Loss for the year		**1,901,423**	**131,156**
Other comprehensive income (profit/loss)			
Exchange rate differences upon foreign currency translation		-	-
Reporting year’s other comprehensive income (profit/loss) less tax		**-**	**-**
REPORTING YEAR’S TOTAL COMPREHENSIVE INCOME		**1,901,423**	**131,156**

The notes on pp. 7-56 constitute an integral part of the stand-alone financial accounts.

Changes in equity (All data in HUF thousands)	**Subscribed capital**	**Reserves**	**Treasury shares Own Shares**	**Accumulated profit**	**Total equity**
Balance as at 1 January 2017	**3,980,000**	**2,889,673**	**(65.368)**	**762.463**	**7.566.768**
Reporting year's comprehensive income					
Profit/Loss for the year				**131.156**	**131.156**
Transactions with owners	**109,255**	**740,745**	**65.368**	**(197.332)**	**718.036**
Purchase of own shares shares			(886.399)		(886.399)
Sale of own shares			127.660	25.377	153.037
Interest settled with owners				38.943	38.943
Dividends			824,107	(261.652)	562.455
Capital increase through share premium	109,255	740,745			850.000
Balance as at 31 December 2017	**4,089,255**	**3,630,418**	**-**	**696.287**	**8.415.960**
Balance as at 1 January 2018	**4,089,255**	**3,630,418**	**-**	**696.287**	**8.415.960**
Reporting year's comprehensive income					
Profit/Loss for the year				**1.901.423**	**1.901.423**
Transactions with owners	**647,887**	**4,465,426**	**(1.114)**	**(511.892)**	**4.600.307**
Purchase of own shares shares			(49.940)		(49.940)
Sale of own shares			48.826	1.421	50.247
Reclassification		513,313		(513.313)	-
Capital increase	647,887	3,952,113			4.600.000
Balance as at 31 December 2018	**4,737,142**	**8,095,844**	**(1.114)**	**2.085.818**	**14.917.690**

The notes on pp. 7-56 constitute an integral part of the stand-alone financial accounts.

Cash flow All data in HUF thousands	Notes	for the financial year ending on 31.12.2018	for the financial year ending on 31.12.2017
Profit/Loss before taxation		**2,027,928**	**143,113**
Revaluation of income-generating investment property	9	(2,144,827)	17,588
Depreciation	16	4,653	640
Deferred taxes	13	(114,555)	-
Profit from/Loss on the sale of subsidiaries	8	(13,920)	162,848
Interest income	12	(97,695)	(8)
Interest expense	12	102,867	8,142
Changes in receivables and other current assets	20	(87,644)	(227,612)
Changes in liabilities and accruals and deferrals	39	2058097,	(143,740)
Tax on profit		11/950	(11,957)
Net operating cash flows		**2,393,240**	**(50,986)**
Forfeit received	7	-	139,365
(Acquisition)/Sale of securities	12	-	(502)
Purchase of tangible assets	16	53,503	-
Loans to related parties	20	1,834,336	(27,922)
Net investment cash flow		**(1,887,839)**	**110,941**
Dividend payments	27	-	(116,883)
Repayment of debts from issued bonds	34	(62,028)	(71,030)
Changes in loans given (received)	21	(48)	-
Increase in credit, leases and loans	31	4,345,866	-
Purchase of own shares	25	49,940	-
Sale of Treasury shares	25	(48,826)	69167
Interest expense	12	(102,867)	(9,575)
Exchange rate difference	11	-	(205)
Interest income	12	97,695	8
Net cash flows from financial activities		**4,279,732**	**(128,518)**
Changes in liquid assets	**23**	**(1,347)**	**(68,563)**
Liquid asset balances:			
Opening balance of liquid assets as at the beginning of the year	23	4,138	72,701
Closing balance of liquid assets as at year-end	23	2,791	4,138

The notes on pp. 7-56 constitute an integral part of the stand-alone financial accounts.

1. General

1.1 Introduction to the company

Appeninn Vagyonkezelő Holding Nyrt. (the "Company") was incorporated on 1 December 2009. The Company was registered by the Court of Registry under Cg. 01-10-046538 on 7 December 2009. On 19 May 2011, Rotux Zrt. (company registration number: 01-10-045553) merged into Appeninn Nyrt. (company registration number: 01-10-045553).

The Company's registered seat is at 1062 Budapest, Andrássy út 59.

Owners holding a share of over 5% each in the Company as at 31 December 2018:

Owner's name	Number of shares	Ownership share %
BDPST Zrt.	9,755,567	20.59%
KONZUM Nyrt.	8,860,027	18.70%
KONZUM II. Property Investment Fund	6,478,874	13.68%
OTP Property Investment Fund	2,420,372	5.11%
Own shares	409,705	0.87%
Public float	19,446,874	41.05%
Total	**47,371,419**	**100.00%**

1.2 Basis of the financial statements

i) Approval and declaration on compliance with the International Financing Reporting Standards

The stand-alone financial statements were approved by the Board of Directors on 22 March 2019. The stand-alone financial statements were prepared in compliance with the International financial Accounting Standards, as promulgated and enacted in a regulation in the official journal of the European Union (EU). The IFRS consists of the standards and interpretations developed by the International Accounting Standards Board (IASB) and the International Financing Reporting Interpretations Committee (IFRIC).

All data in the Company's stand-alone financial statements are in HUF thousand. All amounts are rounded to the nearest euro amount in the statements.

ii) Basis of the financial statements

The stand-alone financial statements were prepared on the basis of the standards issued and effective on 31 December 2018 and according to the IFRIC interpretations. The notes to the financial statements also comprise the disclosures in keeping with the requirements of the Hungarian Accounting Act.

The financial year is identical with the calendar year.

iii) Basis of the valuation

The basis of measurement in the stand-alone financial statements is historical cost.

While preparing the financial statements in compliance with IFRS the management must apply a professional judgement, estimates and assumptions, which have an impact on the applied accounting policy and on the amounts of assets and liabilities, revenues and expenses stated in the financial statements. The estimates and related assumptions are based on historical experience and numerous other factors, which may be deemed reasonable under the given circumstances and the result of which is the basis of the estimated book value of the assets and liabilities that cannot be defined clearly from other sources. The actual results may be different from these estimates.

The estimates and underlying assumptions are regularly reviewed. The modification of accounting estimates is presented in the period of the modification of the estimate when the modification relates only to the particular year or during the period of the modification and in the subsequent periods when the modification affects both the current and future years.

2. Accounting Policy

Below we present the major accounting policies that were applied by preparing the separate financial statements. The accounting policies were applied consistently for the periods covered by these separate financial statements. The most important accounting principles applied during the preparation of the financial statements were as follows:

2.1 Main components of the accounting policy

2.1.1 Reporting currency and FX balances

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

Initially, the foreign currency transactions not recorded in HUF were recorded at the exchange rate, valid on the date of execution of such transactions. Receivables and liabilities in foreign currencies were translated into HUF at the exchange rate prevailing as at balance sheet date. The resulting exchange rate differences are shown in the profit and loss account among the financial revenues or financial expenses.

The financial statements were prepared in Hungarian forints (HUF), rounded to the nearest one thousand, except otherwise indicated.

The Company applies the foreign exchange rate quoted by the National Bank of Hungary.

The transactions executed in foreign currencies are recognised in the functional currency, applying the exchange rate of the reporting currency to the foreign currency, effective on the date of the transaction, to the amount stated in the foreign currency. In the comprehensive income statement the exchange rate differences that result from the use of an exchange rate other than the exchange rate applied during the settlement of the monetary items, at the initial presentation during the period or in the previous financial statements are stated either as revenues or as expenses during the period when they occurred. The monetary assets and liabilities defined in foreign currencies are converted at the exchange rate of the functional currency effective at the end of the reporting period. The items defined in foreign currencies and valued at fair value are converted at the exchange rate effective at the time of establishment of the fair value.

2.1.2 Sales revenue

Revenues from sales are recorded when the respective conditions of the individual supply contracts are met. Net sales revenues are exclusive of value added tax. All revenues and expenses are recognised in the corresponding period in compliance with the matching principle.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

This core principle is delivered in a five-step model framework:
- Identifying the contract(s) with a customer
- Identifying the performance obligations in the contract
- Determining the transaction price
- Allocating the transaction price to the performance obligations in the contract
- Recognising revenue when (or as) the entity satisfies a performance obligation.

Performance obligations

At the inception of the contract, the Company should identify the goods or services that have been promised to the customer, i.e. performance obligations. The Company may recognise revenue when it satisfies its performance obligations by delivering the promised goods and provided the promised services. Delivery means customers gaining control over assets (services), i.e. a point in time when

- the Company has an existing right to payment for the asset;
- the customer has legal title to the asset;
- the company has transferred physical possession of the asset;
- the customer has the significant risks and rewards related to the ownership of the asset;
- the customer has accepted the asset.

Determination of transaction price

When a contract is performed, the Company must recognise revenue from delivery, i.e. the transaction price allocated to the performance obligation. The transaction price is the amount to which the Company expects to be entitled in exchange for the transfer of goods and services. When determining the transaction price, it is important that the components of variable consideration (e.g. rebates and price concessions) should be taken into account. Where a contract contains elements of variable consideration, the Company will estimate the amount of variable consideration to which it will be entitled under the contract by using probability weighting.

The Company availed itself of the possibility of simplified initial application, i.e. the contracts not performed before 1 January 2018 were recognised as if they had been recognised in accordance with IFRS 15 since their respective contract dates. The application of the new standards did not exert any significant impact on the Company's stand-alone financial statements.

Lease fee income

The Company earns income from the sale of property by leasing office space and commercial property. The recognition of sales revenue is prorated from the date when the right of collecting lease fees starts to be exercised on account of property handed over for use. The Company collects lease fees in advance. The recognition of revenue is prorated independently of payment and billing. The financial statements present the recoverable lease fees due on the period covered by the financial statements.

Revenue from operating leasing

Income from the early termination of operating lease transactions is recognised when earned. Lease fees from operating leases is recognised with the straight line method over the term of the lease in question. Direct costs associated with initial negotiations and agreements related to operating leases are added to the carrying value of the leased asset and recognised with the straight line method over the term of the lease in question. Discounts to tenants are accrued and deferred in respect of the term of the lease agreement even if such is contrary to the relevant financial schedule.

Income from property operation

The Company is the owner of built-in equipment (mechanical installations). Mechanical equipment constitutes the controlled assets of the subsidiaries. It included as electricity supply, network supply connections, places of distribution, water network connections (kitchens, bathrooms), heating systems and boilers. The Company grants right of use in respect of the assets under its control, and tenants pay for the use of such assets on the basis of use. The Company treats the energy (gas, water and electricity) purchased for the equipment as services purchased for the equipment rather than materials sold independently. The Company does not sell any customer energy independently without such customer using the property. When operating property, the Company relies on the expertise, means and management system of its subsidiaries. Therefore, the Company treats income from operating property as its own income and performance. The Company bears the risk of the income from the recharging of the operating costs incurred not covering its operating costs, therefore, it is the original obligor of the transaction rather that its agent.

The Company recognises income from property operation costs when its costs from property operation are incurred.

Dividend and interest income

Dividends on investments are recognised when shareholders become entitled to disbursement (provided that it is probable that future economic benefits will flow to the entity, and the amount of the income can be reliably measured).

Income from other financial assets

Interest income from other financial assets is recognised when it is probable that future economic benefits will flow to the entity, and the amount of the income can be reliably measured. Interest income is accrued and deferred at the relevant effective interest rate in a prorated manner with the outstanding amount of the principal taken into account. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

2.1.3 Measurement of capital investments

When measuring and presenting investments in the stand-alone financial statements, the entity can choose one of the following possibilities:

- historical cost,
- historical cost as per IFRS 9 Financial instruments,
- equity method outlined in IAS 28 Investments in associates and joint ventures.

The Company must apply the same method of recognition to the individual investment categories.

The Company uses the historical cost.

When calculating depreciation, the Company must assess the recovery value of the cash-generating units. The value in use is the discounted value of the future cash flows generated by the asset.

An impairment test must be performed in respect of ownership shares in subsidiaries, joint ventures and affiliates if signs of potential impairment are identified. If signs of potential impairment are identified, the recovery value of such ownership shares must be determined and compared with the net recovery value of the ownership share in question. If the recovery value of the share is permanently and substantially lower than its net value, impairment must be recognised.

If the recovery value of the share is permanently and substantially higher than its net value, the reversal of the impairment must be recognised.

Entities compiling their stand-alone financial statements in accordance with IFRS test the value of subsidiaries (investments) compared with the value of the capital invested. The

Company treats the net capital value of subsidiaries as their market value. It is often the case that the only key assets of subsidiaries are assets held for investment purposes under IAS 40 the value of which is recorded at the price adjusted for changes in market prices and returns. The other fixed assets of the subsidiaries are not significant (tangible assets). Receivables and liabilities are recorded at amortised cost with the foreign currency-denominated items revalued as at the record date. If the value of the capital invested is below the carrying value recorded by the entity, the Company recognises impairment on the investment concerned. If the difference between expected future and past capital values can be estimated reliably because of the planned contracts of the management, an appraisal of the investments is carried out in accordance with the investment valuation model, which serves as a basis for investment valuation.

2.1.4 Real estate, machines, equipment

The tangible assets are stated at historical cost less accumulated depreciation. Accumulated depreciation comprises the costs recognised as ordinary depreciation relating to the continuous use and operation of the asset as well as the costs of accelerated depreciation, recognised due to major damage to the asset occurring as a result of an unexpected extraordinary event.

The historical cost of tangible assets consists of the purchased cost of the asset or, in the case of a capital investment of the Company, the incurred material and wage-type expenses and other direct expenses. The interest recognised on the loan taken for the investment into the tangible asset increases the historical cost of the asset until it reaches a condition suitable for ordinary use.

The book value of tangible assets is reviewed periodically in order to conclude whether or not the book value is higher than the fair market value of the asset, in which case extraordinary depreciation must be recognised until the asset reaches its fair market value. The fair market value of the asset is either the sales price or the value in use of the asset, whichever is higher. The value in use is the discounted value of the future cash flows generated by the asset.

The discount rate contains the interest rate before corporate taxation, taking into account the time value of money and the impact of other risk factors associated with the asset. If no future cash flow can be assigned to the asset separately, than the cash flow of that unit must be used, of which the asset is a part. The impairment thus determined is presented in the profit and loss account.

The costs of repair and maintenance as well as replacement of spare parts of tangible assets are charged to the maintenance expenses. The value added investments and refurbishment are capitalised. The historical cost and accumulated depreciation of assets sold, written down to zero or not in use are derecognised. Any possible profit or loss generated in that manner is part of the profit/loss of the current year.

The Company writes off the value of its assets with the straight-line method during the useful life of the assets. The Company recognises the historical cost of assets with an individual value of below HUF 100,000 as lump sum depreciation. The life of assets by asset category is as follows:

Asset type	Useful life
Machinery and equipment	3-7 years
Leased plant and machinery	5 years
Office equipment and fittings	3-7 years

The useful lives and depreciation methods are reviewed at once a year based on the actual economic benefit provided by the particular asset. If required, the modification is accounted against the profit/loss of the current year.

2.1.5 Investment property

Investment property is property held to earn rentals or for capital appreciation (including investment property in the process of construction). Initially, an investment property is measured at historical cost, taking transaction costs into account as well. Subsequent to initial recognition investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property must be included as profit from/loss on the revaluation of income-generating investment property in net profit or loss for the period in which it arises.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised as income or expense in the income statement for the year when the real property is derecognised.

2.1.6 Impairment of non-financial assets

The Company assesses at the end of each reporting period whether or not a change triggering impairment has occurred in relation to any asset. If such a change occurred, the Company estimates the estimated recovery value of the asset. The estimated recovery value of an asset or cash-generating unit is either the fair value less the costs of sales or the value in use, whichever is higher. The Company recognises impairment against the profit if the estimated recovery value of the asset is lower than its book value. The Company prepares the required calculations based on adequately discounting the long-term future cash flow plans.

2.1.7 Intangible assets

The individually purchased intangible assets are entered into the books at purchase price, while intangible assets acquire during business combination are entered into the books at fair value at the time of their acquisition. The assets are entered into the books when the use of the asset provably results in the influx of future economic goods and its cost can therefore be clearly identify.

Following the initial recognition the historical cost model applies to intangible assets. The lifetime of these assets is finite or cannot be defined. The assets of a finite lifecycle are depreciated with the straight-line method according to the best estimate for the lifetime. The depreciation period and the depreciation method are reviewed annually at the end of the financial year. The intangible assets produced by the Company less development costs are not capitalised, rather they are recognised in the profit/loss in the year when they are produced. The intangible assets are reviewed annually in terms of impairment on individual basis or at the level of the income generating unit.

The purchase costs of goods and software falling within the scope of trademarks, licences and industrial right protection are capitalised and written down with the straight-line method during their estimated useful life.

Rights and titles as well as software	3 years

2.1.8 Receivables

The receivables are stated in the financial statements and nominal value less impairment recognised for estimated losses. Based on the review of all outstanding receivables prevailing at the end of the year an estimate was made for the value of receivables.

2.1.9 Financial instruments

Financial assets covered by IFRS 9 are measured with one of the following three methods of measurement:
- assets measured at amortised cost after their first recognition;
- financial assets measured at fair value through other comprehensive income (FVOCI);
- assets measured at fair value through profit or loss (FVPL).

Classification depends on the cash flow characteristics of the financial asset in question. In the case of the debt instruments that the Company intends to measure at amortised cost or at fair value through other comprehensive income, it has to test whether the cash flows of the financial instruments are solely for payments of principal and interest under IFRS 9 (SPPI). Principal is defined as being the fair value of the financial asset at initial recognition. Interest is defined narrowly as being compensation for the time value of money and credit risk although it can also include compensation for other lending risks such as liquidity, administrative costs and a profit margin.

When checking compliance with the SPPI requirements, the Company checks whether cash flows from the contract are consistent with the basic lending arrangements.

In order to be able to establish whether contractual cash flows only contain principal and interest, the Company checks the contractual terms and conditions of the financial instrument. It also checks whether the contract contains contractual terms and conditions that make the amount or timing of the contractual cash flows change in a manner that prevents the financial instrument from meeting the SPPI criterion.

All other debt instruments must be measured at fair value through profit and loss (FVTPL).

All equity instruments must be measured at fair value in the balance sheet, and recognise the impact in the change in fair value directly in the profit and loss accounts except for the equity instruments in respect of which the entity uses the Other comprehensive income option (FVOCI). The Company did not avail itself of the FVOCI option.

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when the Company currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The adoption of IFRS 9 in the reporting year did not exert any significant impact on the Company’s financial statements.

2.1.10 Financial liabilities

The Company’s statements presenting its stand-alone financial position contain the following liabilities: trade payables and other current liabilities, loans, credit and current account overdrafts. They are presented and measured in the respective parts of the notes to the financial statements as specified below:

The Company values each financial obligation at fair value at the time of the initial recognition. For loans the transactions costs are also taken into account that are directly associated with obtaining the financial obligation.

Financial assets covered by IFRS 9 are measured with either of the following two methods of measurement: at amortised cost after recognition, at fair value through profit or loss after recognition (FVPL). The Company defines the category of the financial liabilities when they are acquired.

The loans and borrowings appear in the statement reflecting the financial position at amortised historical cost, calculated with the effective interest method. The gains and losses on loans and borrowings are recognised in the statement of income in the course of amortisation calculated with the effective interest method and during the derecognition of the financial liability. The amortisation is recognised as a financial expense in the statement of income.

2.1.11 Provisions

The Company recognises provisions on its existing (legal or assumed) commitments resulting from historic events, which the Company is likely to have to settle and when the amount of the obligation can be reliably measured.

The amount recognised as provisions is the best estimate of the expense required on the balance sheet date to settle an existing obligation, taking into account the risks and uncertainties that characterise the obligation. If the provisions are calculated on the basis of the cash flow, likely to be required for the settlement of an existing obligation, the book value of the provisions equals the present value of those cash flows.

If another party is likely to reimburse the expenses required for the settlement of the provisions in part or in full, the receivable can be recognised as an asset when it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

The existing obligations arising from detrimental contracts are recognised as provisions. The Company deems a contract detrimental when the unavoidable costs of the fulfilment of the obligations arising from it exceed the economic benefits likely to occur as a result of the contract.

Restructuring provisions are recognised when the Company has prepared a detailed or formal restructuring plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The restructuring provisions include the direct expenses incurred in relation to restructuring and which are necessary for restructuring and do not relate to the continuous activity of the business unit.

2.1.12 Corporate tax and income tax

The corporate tax rate is based on the act on corporate and dividend tax and the tax liability imposed in a local bylaw on local business tax and is modified by the deferred taxes. The Company decided to treat corporate tax and local business tax as income tax under its accounting policy. The corporate tax liability contains tax components for the current year and deferred items.

The tax liability for the current year is calculated on the basis of the taxable profit of the current year. The taxable profit is different from the profit before taxation recognised in the stand-alone financial statements due to gains and losses not included in the tax base and due to items that are recognised in the taxable profit of other years. The current tax liability of the Company is calculated on the basis of the tax rate effective or announced by the balance sheet date (provided that the announcement is equivalent to entry into force). The deferred tax is calculated with the liability method.

Deferred tax occurs when there is a time difference in the recognition of an item in the annual report and in the financial statements prepared according to the tax law. A deferred tax asset and liability is established by applying the tax rates to the taxable income of the years when the difference caused by the time difference is likely to be recovered. The deferred tax liability and tax asset reflects the Company's estimate for the method of realisation of tax assets and liabilities prevailing on the balance sheet date.

A deferred tax asset is included in the balance sheet with respect to deductible time differences, tax benefits allowed to be carried forward and tax losses when it is likely that the Company will realise profit in the course of its future operations against which the deferred tax asset can be settled.

On each balance sheet date the Company takes into account the deferred tax assets not recognised in the balance sheet and the book value of the recognised tax assets. It enters into the inventory those assets not yet recognised in the balance sheet which may be recovered as a reduction of its future profit tax. On the contrary, the Company reduced its deferred tax assets to such an extent that its recovery is unlikely to be funded from taxed profit.

The current and deferred tax is recognised directly against the equity when it relates to items which were also recognised against equity in the same or a different period, also including modifications in the opening value of reserves due to any change made in the accounting policy with retroactive effect.

The deferred tax assets and liabilities can be offset against each other when the company has a right granted by the law to offset its actual tax assets and liabilities relating to the same tax authority against each other and when the Company intends to account for those assets and liabilities on net basis.

2.1.13 Leasing

Financial leasing means that all risks and expenses relating to the possession of the asset are borne by the lessee according to the terms and conditions of the lease. A lease is classified as a finance lease if it meets the classification criteria described in the standard. All other leases are classified as operating leases.

In the case of financial leasing the assets leased by the Company are considered the assets of the Company and are recognised at acquisition, market value. The liability to the lessor is recognised on the balance sheet as a financial lease liability. The expenses of the leasing which are differences between the fair value of the acquired assets and the total lease liabilities are recognised against to the profit during the entire term of the leasing to make sure that they represent a constant, periodically occurring expense in relation to the existing liability amount in the various period.

Such expenses result from the difference between the total liabilities and the market value of the leased asset at the rime of acquisition and are recognised in the profit and loss account either over the relevant leasing tenor, in order to facilitate the monitoring of the changes in the balance of the outstanding liability from time to time or in the individual reporting periods.

2.1.14 Earning per share (EPS)

The earning/share is established on the basis of the Company’s profit and the shares less the temporary average portfolio of repurchased own shares.

The diluted earning/share is calculated similarly to the earning/share. However, during the calculation all shares in distribution, suitable for dilution are taken into account, and the dividend that may be distributed on common shares is increased by the dividend and return on the convertible shares taken into account during the applicable period, modified by further income and expenses on conversion; the weighted average number of shares in distribution is increased by the weighted average number of further shares which would be in distribution if all convertible shares were converted. There were no transactions which would dilute the value of this EPS rate either in the year ending on 31 December 2017 or the one ending on 31 December 2018.

2.1.15 Deposits provided by the tenants

Deposit from tenants are recognised at fair value upon initial recognition. They were measured at amortised cost determined with the effective interest rate method in subsequent periods. The deposits by tenants linked to long-term leases are presented as long-term liabilities. The remaining deposits from tenants are presented as other liabilities in the consolidated in the stand-alone financial statements.

2.1.16 Off-balance sheet items

The off-balance sheet liabilities are not included in the balance sheet or profit and loss account that constitute parts of the stand-alone financial statements unless they were acquired during business combinations. They are presented in the notes to the financial statements unless the possibility of outflow of sources representing economic benefits is remote and negligible. The off-balance sheet receivables are not included in the balance sheet or profit and loss account constituting parts of the stand-alone annual financial statements but if the influx of economic benefits is likely, they are presented in the notes to the financial statements.

2.1.17 Treasury shares

The face value of Treasury shares is deducted from the registered capital. Any difference between face value and historical cost is recognised directly in the retained earnings.

2.1.18 Dividends

The Company recognises dividend in the year when it is approved by the shareholders.

2.1.19 Profit/Loss on financial transactions

The financial profit/loss includes interest and dividend revenues and other financial expenses, the gains and losses of fair valuation of financial instruments and realised and unrealised exchange rate differences.

2.1.20 Events subsequent to the accounting reference date

The events occurring after the end of the reporting period that provide additional information about the conditions prevailing at the end of the Company's reporting period (amending items) are all presented in the report. Those events occurring after the reporting period that do not modify the data of the report are presented in the notes to the financial statements when they are important.

2.2 Changes in the Accounting Policy

The Company prepared its financial statements in compliance with the provisions of all standards and interpretations that had entered into force by 31 December 2018.

The Company's accounting policy is consistent with the one used in previous years with the following exceptions:

a) *Before the publication of the report the following standards and interpretations had entered into force and been adopted by the Company upon their entry into force:*

IFRS 9: Financial instruments: Recognition and Measurement (effective from 1 January 2018)
The standard introduced new requirements for the classification, valuation and impairment of financial assets and financial liabilities. The application of the IFRS 9 standard is likely to have an impact on the classification and valuation of the Company's financial assets but is unlikely to affect the classification or valuation of financial liabilities. The new standard did not exert any significant impact on the Company's stand-alone financial statements.

IFRS 15 Revenues from contracts with customers (effective from 1 January 2018)
The IASB issued a new standard on 28 May 2014 on the recognition of revenues from contract with customers. The application of the new revenue standard will be mandatory for companies using IFRS in the reporting periods starting on 1 January 2018 or later. The new standard will replace the currently effective regulations of IAS 18 Revenues and IAS 11 Investment contracts in the recognition of revenues. According to the new standard the companies will use a "five-step model" to define when and in what amount they should recognise the revenues. According to the model the revenues must be recognised to express the "promised" transfer of goods or services in the amount to which the company will be entitled to according to its expectations. The new standard did not exert any significant impact on the Company's stand-alone financial statements.

b) *Before the publication of the report the following standards and interpretations had been issued, but not yet in force. The Company is planning to adopt these standards upon their entry into force.*

IFRS 16 Leasing (effective from 1 January 2019)

The IASB issued a new standard on the recognition of leasing on 13 January 2016. The application of the new leasing standard will be mandatory for companies using IFRS in the reporting periods starting on 1 January 2019 or later. The new standard will replace the currently effective provisions of the IAS 17 leasing standard and will fundamentally change the previous recognition of operative leasing.

The Company assessed the impact of the modification on the report and found it insignificant.

c) *The standards and interpretations published by IASB and adopted by the EU, but not yet in force, and unlikely to influence the Company's financial statements:*
   - IFRIC 23 Uncertainty over Income Tax Treatments (Effective for annual periods beginning on or after 1 January 2019; certain temporary exemptions are permitted).
   - Modifications of IFRS 9: Prepayment Features with Negative Compensation. (Effective after 1 January 2019 and full retrospective application of modifications is permitted. Earlier application is permitted.)

d) *The standards and interpretations published by IASB and not yet adopted by the EU, unlikely to influence the Company's financial statements:*
   - IFRS 17 Insurance contracts (Effective for annual reporting periods beginning on or after 1 January 2022 with comparable data restated);
   - Modifications of IAS 28: Investments in Associates and Joint Ventures (Effective after 1 January 2019 and full retrospective application of modifications is permitted. Earlier application is permitted.)
   - Modifications of IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (IASB postponed the entry into force of these modifications for an indeterminate period of time; however, if an entity decides on the early adoption of the modifications, it will have to apply the modifications with retroactive force);
   - Modifications of IAS 19: Plan Amendment, Curtailment or Settlement (An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. Early application is permitted but must be disclosed.)
   - Annual improvements to IFRS Standards 2015–2017 Cycle (published in December 2017) As a result of the IFRS Update Project, the modifications of the individual standards (IFRS 3, IFRS 11, IAS 12 and IAS 23) aim primarily at eliminating inconsistencies and clarify explanations (to be applied to reporting periods starting on or after 1 January 2019).

In 2018 the Company applied all IFRS standards, modifications and interpretations that were effective on 1 January 2018 and were relevant for its operation.

2.3 Uncertainties

During the application of the accounting policy described in Section 2.1 estimates and assumptions must be applied for the establishment of the values of individual assets and liabilities at a particular time that cannot be clearly valued from other sources. The estimation process contains the decisions based on the last available information and relevant factors. These main estimates and assumptions affect the values of assets and liabilities, revenues and expenses recognised in the financial statements and the presentation of contingent assets and liabilities in the notes to the financial statement. The actual results may be different from the estimated data.

The estimates are regularly updated. If a change affects only the particular period, it should be taken into account during the period of the change occurring in the accounting estimates and if the change affects both periods, it must be taken into account in the period of the change as well as subsequent periods.

The main aspects of critical decisions adopted in terms of the uncertainties of estimates and accounting policy that have the greatest impact on the amounts presented in the separate financial statements are as follows:

2.3.1 Real property classification

The real properties owned by the Company are classified as investment property and property for development upon recognition as follows:

- Investment property is property (land and/or buildings) held to earn rentals or for capital appreciation. The Company does not utilise these properties (typically office buildings, commercial outlets, warehouses and factory buildings) for its own purposes.
- Development properties are properties to be invested in, developed and sold by the Company in the near future.

2.3.2 Fair value of investment property

The determination of the fair value of investment property is largely based on estimates and assumptions, therefore, the actual value may differ significantly from the estimated value. The determination of the fair value of investment property is based on the Company's own appraisals and those by independent experts.

2.3.3 Depreciation and amortisation

Properties, machines and equipment and intangible assets are recognised at historical cost and are depreciated with the straight-line method during their useful life. The Company recognised depreciation and amortisation costs in the amount of the HUF 4,653 thousand in the year ending on 31 December 2018 and HUF 640 thousand in the year ending on 31 December 2017. The useful life of assets is defined on the basis of former experience relating to similar assets and estimated technological development as well as changes in the larger economic or industry factors. The estimated useful lives are reviewed annually.

3. Income from leased properties

The Company's activities include renting and operating of own or leased real estate as well as asset management and corporate management.

Regarding renting and operating of own or leased real estate, the Company's real properties are located in Budapest and Kecskemét, Hungary.

- The Company earned income from the real property at 48 Üllői út provided as in-kind contribution in April 2018 and real properties in Kecskemét in 2018.
- The Company has been earning income from the real property provided as in-kind contribution in April 2018 since 11 April 2018.
- The Company has been earning income from the real property at 105 Andrássy út provided as in-kind contribution in December 2017 and renovated in the reporting year since 1 September 2018.

All data in HUF thousands	for the financial year ending on 31 December 2018	for the financial year ending on 31 December 2017
Letting of office space	314,170	153,159
Letting of parking space	27,572	1,254
Letting of warehouses	10,820	2,359
Income from recharging utility fees	31,224	(149)
Income from facility operation	18,640	-
Total	**402,426**	**156,623**

4. Direct costs of property leasing

The direct costs of renting of real estate increased significantly in proportion to sales thanks to portfolio cleaning and an increase in the real property portfolio.

All data in HUF thousands	for the financial year ending on 31 December 2018	for the financial year ending on 31 December 2017
Building tax, land tax	(20,103)	(3,123)
Water, gas, electricity	(6,098)	(1,523)
Facility operation, maintenance, materials and services	(49,886)	(1,440)
Insurance premium	(7,705)	(152)
Impairment on accounts receivable	-	(60)
Central fees from property operation	(29,194)	(7,639)
Total	**(112,986)**	**(13,937)**

5. Service fees from subsidiaries

All data in HUF thousands	for the financial year ending on 31 December 2018	for the financial year ending on 31 December 2017
Appeninn Property Vagyonkezelő Zrt.	5,000	500
Appeninn-Bp1047 Zrt.	5,000	3,000
Appeninn E-Office Zrt.	50,000	6,000
Appeninn Üzemeltető Zrt.	35,000	500
Bertex Kft.	5,000	5,500
Curlington Kft.	5,000	5,000
Szent László Téri Szolgáltató Ház Kft.	10,000	2,000
Felhévíz-Appen Kft.	5,000	500
Appeninn Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft.	15,000	1,000
APPEN-Retail Kft.	5,000	1,000
Sectura Ingatlankezelő Kft.	5,000	1,000
Várna 12 Holding Zrt.	-	1,000
VCT78 Ingatlanhasznosító Kft.	5,000	3,000
Appeninn A59 Kft.	10,000	-
Appeninn Project-BTBG Kft.	1,000	-
Appeninn Project-EGRV Kft.	5,000	-
Appeninn Project-MSRC Kft.	5,000	-
Appeninn BLT Kft.	5,000	-
Total	**176,000**	**63,000**

6. Administrative costs, services fees and wages

All data in HUF thousands	for the financial year ending on 31 December 2018	for the financial year ending on 31 December 2017
Advertising, promotion	-	(1,054)
Other	(788)	(354)
Bank charges	(7,416)	(1,428)
Accounting, auditing, legal, attorney fees	(149,593)	(22,780)
Asset management and consultancy	(46,901)	-
Shares (KELER, BSE, securities fee)	(10,500)	(10,050)
Rentals, office supplies	(12,122)	(446)
Liability insurance	(1,026)	(3,636)
Authority fees and duties	(21,762)	(329)
Education, IT and other services	(38,018)	(15,144)
Personnel costs, wages and taxes	(90,008)	(9,177)
Own overheads allocated to property operation	-	(7,639)
Total	**(378,134)**	**(56,759)**

Bank charges, legal and attorney fees represent a large portion. They are related to the transactions conducted in 2018 H1 and the refinancing of large amount bank loans.

7. Balance of other income and other expenses

All data in HUF thousands	for the financial year ending on 31 December 2018	for the financial year ending on 31 December 2017
Default Interest	-	20,000
Cancellation of contracts, forfeit	-	139,365
Profit on forgiven receivables	-	1,909
Other low amount disbursement of costs	109	380
Default interest, late payment surcharge, liquidated damages	(3,202)	(3,378)
Total	**(3,093)**	**158,276**

In 2017, the Company charged late payment penalty interest on transactions conducted with a delay, In 2017, the Company received liquidated damages and cancellation penalties owing to contract cancellation.

8. Profit from/Loss on the sale of subsidiaries, investments

All data in HUF thousands	for the financial year ending on 31 December 2018	for the financial year ending on 31 December 2017
Impairment on Appeninn Property Vagyonkezelő Zrt.	-	(3,500)
Impairment on Szent László Téri Szolgáltató Ház	-	(50,140)
Vár-Logisztika Zrt.	-	(41,288)
Proceeds from/Impairment on the sale of Appeninn Credit Zrt.	13,920	(67,920)
Total	**13,920**	**(162,848)**

The Appeninn Nyrt. recorded its 100% share in Appeninn Credit Zrt. as a short-term investment in 2017, The share in Appeninn Credit Zrt. was sold in 2018, The Company recognised HUF 13,920 thousand in profit on the sale.

The Company established Appeninn Project-K39 Kft. with its subscribed capital amounting to HUF 3,000,000 and sold it for HUF 3,000,000 on 14 December 2018.

9. Revaluation of income-generating investment property

The fair value of the Company's assets is determined annually, Based on the results of fair value valuation, the Company 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 Company states the lower of the fair value and the price of the purchase right in the balance sheet.

All data in HUF thousands	**for the financial year ending on 31 December 2 018**	**for the financial year ending on 31 December 2 017**
6000 Kecskemét, Kiskőrösi utca 30,	347,093	(1,980)
1062 Budapest, Andrássy út 105,	385,497	(15,608)
1082 Budapest, Üllői út 48,	1,412,237	-
Total changes in fair value	**2,144,827**	**(17,588)**

Each year, the Company determines the fair value of the properties, In addition to the appraisal performed by the Company, an independent expert also reviewed the value of the real property portfolio. The value determined by the independent appraiser is consistent with the values in the financial statements, Jones Lang LaSalle Kft. (Széchenyi tér 7-8., 1051 Budapest, hereinafter: JLL Kft.) acted as independent appraiser for the Company between 2014 and 2018. In 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.

Valuation principles:
The fair value of completed investment properties and those under construction, if the fair value of the latter can be determined reliably, is determined on the basis of market price-based appraisals. If the fair value of an investment property under construction cannot be determined reliably (due to a low level of completion, the unique character of the real property and/or the complete lack of market transactions), the carrying value is measured at cost less any potential impairment.

Methods of measurement:

Measurements are based on the income approach and discounted cash flow method. The method is based on periodic cash flows generated by real properties. The present value cash flows generated by real properties is determined at a market-based discount rate reflecting investors' return expectations. Periodic cash flows is income less costs related to the operation and maintenance of the property, with any unused space excluded. The fair value of the real property is the sum of periodic cash flows and residual value determined at the end of the period when estimates are made discounted to present value.

The valuation model used same variables in years 2017 and 2018: 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. Due to such adjustments, all the variables used were classified as level 3.

Valuation methods remained unchanged in 2017 and 2018. The valuation method applied is consistent with the valuation techniques described in IFRS 13.

The valuation expressed on the face of the valuation the marketable comparable prices.

Testing sensitivity:

The DCF model variables used, and values resulted are presented in the previous table. Shifts in the variables of the model were tested. The aggregation of the variables of the DCF model leads to a terminal value. Another sensitive variable of the value of the model is the annual rental 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.

Seq,		type	2018				Changing mean values in the DCF model		Test for changes in the terminal value (-5%), Test for changes in rentals (-5%)	Test for changes in the terminal value (+5%) Test for changes in rentals (+5%)	Discount rate	Mortgage
			Comparable price EUR	DCF model value EUR	Record date value EUR	Method of valuation	Terminal value	Rental EUR/m2/month,				
10	6000 Kecskemét, Kiskőrösi utca 30,	premises	2,600,000	3,500,000	3,500,000	DCF model	11.00%	office: 4, warehouse: 2	3,325,000	3,675,000	11.50%	yes
11	6000 Kecskemét, Kiskőrösi utca 30, (discounted value of call option)	premises	(250.000)		(250.000)	option discount			-	-		
12,	1062 Budapest, Andrássy út 105,	office:	3,900,000	3,900,000	3,900,000	DCF model	7.00%	office: 14	3,705,000	4,095,000	7.50%	none
13	1082 Budapest, Üllői út 48,	office:	18,700,000	16,200,000	16,200,000	comparable			15,390,000	17,010,000		yes
					25,850,000							

10. Capital investment in properties

All data in HUF thousand	for the financial year ending on 31 December 2018	for the financial year ending on 31 December 2017
Capital investment in properties	(12,375)	-
Total	**(12,375)**	**-**

The Group performs regular maintenance of investment properties. Maintenance is needed for the preservation of the value of the real properties and means the adjustment of their condition to market classification. The Company hires contractors usually carrying out complex work for the Company 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 Company 's fair value valuation based on future cash flows is in keeping with the Group's realised profit and cash flow expenses.

11. Other expenses on and income from financial operations

All data in HUF thousands	for the financial year ending on 31 December 2018	for the financial year ending on 31 December 2017
Exchange rate difference on financially settled items	12,873	(2,227)
End-of-year revaluation of assets and liabilities denominated in foreign currency	(188,785)	-
Total	**(175,912)**	**(2,227)**

12. Balance of interest income and interest expense

All data in HUF thousands	for the financial year ending on 31,12,2018	for the financial year ending on 31.12.207
Interest received (due) from related companies (interest payable/paid)		
Appeninn Property Vagyonkezelő Zrt.	7,484	4,083
Appeninn Property Vagyonkezelő Zrt.	(149)	(11)
Appeninn-Bp1047 Zrt.	349	540
Appeninn E-Office Zrt.	7,835	1,864
Appeninn Üzemeltető Zrt.	(767)	(788)
Bertex Kft.	(1,970)	(1,082)
Bertex Kft.	60	-
Curlington Kft.	10,976	5,177
Szent László Téri Szolgáltató Ház Kft.	13,315	8,030
Felhévíz-Appen Kft.	3,489	3,333
APPEN-Retail Kft.	(1,009)	(315)
APPEN-Retail Kft.	156	-
Sectura Ingatlankezelő Kft.	81	19
Várna 12 Holding Zrt.	-	1,699
Várna 12 Holding Zrt.	-	(425)
VCT78 Ingatlanhasznosító Kft.	356	35
Appeninn A59 Kft.	(613)	-
Appeninn Project-BTBG Kft.	215	-
Appeninn Project-EGRV Kft.	1,009	-
Appeninn Project-MSRC Kft.	7,514	-
Appeninn BLT Kft.	5,670	-
Interest received (due) from other companies		
LEHN Consulting AG interest received	-	832
LEHN Consulting AG interest paid	-	(706)
Konzum PE Private Capital Fund	(32,408)	(32)
Appeninn Credit Zrt.	(457)	(380)
Bank interest	(39,796)	8
Interest from contractors	48	2,485
Interest on issued bonds	(25,700)	(35,764)
Interest on issued called bonds	22,220	30,611
Interest income and interest expense	**(22,092)**	**19,213**
Total interest received	80,777	58,716
Total interest paid	(102,869)	39/503
Interest income and interest expense	**(22,092)**	**19,213**

13. Income taxes

The expenses relating to income taxes consist of the following items:

All data in HUF thousands	for the financial year ending on 31 December 2018	for the financial year ending on 31 December 2017
Corporate tax	(1,246)	(8,136)
Deferred taxes	(114,554)	-
Business tax	(10,705)	(3,821)
Total	**(126,505)**	**(11,957)**

Appeninn Nyrt. had deferred tax assets due to its negative tax base before 2014 and can use them until 2025 under the corporate tax act.

The balance of deferred losses carried over was HUF 863,927 thousand and HUF 773,524 thousand on 31 December 2018 and 31 December 2017, respectively.

The tax was calculated as follows:

All data in HUF thousands	for the financial year ending on 31 December 2018	for the financial year ending on 31 December 2017
Profit/Loss before taxation	2,027,928	143,113
Tax liability is determined at the current 9% rate,	(182,513)	(12,880)
Business tax	(10,705)	(3,821)
Accrual and deferral of losses not capitalised earlier	66,713	4,744
Total income taxes	**(126,505)**	**(11,957)**

)

Tax rates applied	**for the financial year ending on 31.12.2018**	**for the financial year ending on 31.12.2017**
Local business tax	2%	2%
Corporate tax	9%	9%

The table below shows the calculation of the difference between the tax liability calculated on the basis of the accounting profit and the actual tax liability.

	data in HUF thousands
Pre-tax profit/loss under IFRS	**2,027,928**
Inclusion of business tax in the tax base	(10,703)
Profit on the sale of own shares and business interests recognised in equity	1,421
Recognition of impairment on assets measured under IAS 40	(181,032)
Impact of fair value measurement under IAS 40	(2,028,520)
Recognition of unused holiday entitlement	2,942
Adjusted pre-tax profit/loss	**(187,964)**
Depreciation under the Corporate Tax Act	182,573
Items decreasing the tax base	**182,573**
Depreciation under the Accounting Act	185,499
Costs incurred for reasons other than in the interest of the company	21,257
Fine established by a final and binding ruling	501
Items increasing the tax base	**207,258**
Tax base under the Corporate Tax Act	**(163,280)**
Expected tax	
Total income	692,435
Tax base in accordance with the income (profit) minimum	13,849
Tax (9%)	**1,246**

14. Earning per share (EPS)

To calculate the basic earning from share the profit after tax, available for distribution to the shareholders must be taken into account and the annual average number of the issued ordinary shares, which does not contain the own shares.

	for the financial year ending on 31. 12. 2018	**for the financial year ending on 31. 12. 2017**
Taxed profit (HUF thousand)	1,901,423	131,156
Weighted average number of issued ordinary shares (number of shares)	44,913,953	38,996,569
Earning per share (basic) (HUF)	**42,33**	**3,21**

There were no factors at the Company, either in 2018 or 2017, which would dilute the earning/share.

15. Income generating investment property

Changes in the opening and closing value of the Company's investment property portfolio were as follows:

All data in HUF thousands	**for the financial year ending on 31.12.2018**	**for the financial year ending on 31.12.207**
Opening value	**1,566,207**	**699,795**
6000 Kecskemét, Kiskőrösi utca 30,	697,815	699,795
1062 Budapest, Andrássy út 105,	868,392	-
Annual changes		
Real properties taken over as in-kind contribution	**4,600,000**	**884,000**
1082 Budapest, Üllői út 48,	4,600,000	-
1062 Budapest, Andrássy út 105,	-	884,000
Changes in fair value	**2,144,827**	**(17,588)**
1082 Budapest, Üllői út 48,	1,412,237	-
1062 Budapest, Andrássy út 105,	385,497	(15,608)
6000 Kecskemét, Kiskőrösi utca 30,	347,093	(1,980)
Closing value	**8,311,034**	**1,566,207**
1082 Budapest, Üllői út 48,	6,012,237	-
1062 Budapest, Andrássy út 105,	1,253,889	868,392
6000 Kecskemét, Kiskőrösi utca 30,	1,044,908	697,815

The Company's portfolio of income-generating assets grew significantly by a total amount of EUR 4,6 million through the in-kind contribution of Ü48 Office Block in 2018. However, these real properties only started to generate income on 11 April.

16. Depreciation of property, plants and equipments and other intangible assets

The Company records equipment and office supplies as tangible assets.

All data in HUF thousands	**Total**
Gross value	
As at 31 December 2016	**6,596**
Growth and reclassification	713
Decrease and reclassification	
As at 31 December 2017	**7,309**
Growth and reclassification	53,504
Decrease and reclassification	
As at 31 December 2018	**60,813**
Accumulated depreciation	
As at 31 December 2016	**4,978**
Annual description	640
Decrease	
As at 31 December 2017	**5618**
Annual description	4,653
Decrease	
As at 31 December 2018	**10,271**
Net book value	
As at 31 December 2016	**1,618**
As at 31 December 2017	**1,691**
As at 31 December 2018	**50,542**

17. Ownership shares

All data in HUF thousands	for the financial year ending on 31.12.2018	for the financial year ending on 31.12.2017	Ownership share 2018	Ownership share 2017
Appeninn Property Vagyonkezelő Zrt.	166,366	-	100%	100%
Appeninn-Bp 1047 Zrt.	30,508	30,508	100%	100%
Appeninn E-Office Vagyonkezelő Zrt.	5,256,668	5,256,668	100%	100%
Appeninn Üzemeltető Zrt.	-	-	100%	100%
Bertex Ingatlanforgalmazó Zrt.	212,062	212,062	100%	100%
Curlington Ingatlanfejlesztési Kft.	44,096	44,096	100%	100%
Szent László téri Szolgáltatóház Kft.	173,230	173,230	100%	100%
Appeninn A59 Kft.	2,212,170	-	100%	-
Appeninn Project-BTBG Kft.	3,000	-	100%	-
Appeninn Project-EGRV Kft.	3,000	-	100%	-
Appeninn Project-MSKC Kft.	3,000	-	100%	-
Appeninn BLT Kft.	3,000	-	100%	-
Total ownership shares	**8,107,100**	**5,716,564**		

The Company performed a capital increase in Appeninn Property Vagyonkezelő Zrt. in 2018.

Appeninn Project-BTBG Kft., Appeninn Project-EGRV Kft., Appeninn Project-MSKC Kft. and Appeninn Project-BLT Kft. were incorporated in 2018.

The 100% stake of Appeninn A59 Kft. was purchased.

The Company established Appeninn Project K39 Kft. with its subscribed capital amounting to HUF 3,000,000 and sold it for HUF 3,000,000 on 14 December 2018.

The Company's indirect business interests are as follows:

Name of subsidiary	Parent company	Ownership and voting ratio 2018	2017	Address
Appeninn Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft.	Curlington Ingatlanfejlesztési Kft.	100%	100%	1062 Budapest, Andrássy út 59,
Appen-Retail Kft.	Appeninn Property Vagyonkezelő Zrt.	100%	100%	1062 Budapest, Andrássy út 59,
Felhévíz-Appen Kft.	Appeninn Property Vagyonkezelő Zrt.	100%	100%	1062 Budapest, Andrássy út 59,
Sectura Ingatlankezelő Kft.	Szent László téri Szolgáltatóház Kft.	100%	100%	1062 Budapest, Andrássy út 59,
VCT78 Ingatlanhasznosító Kft.	Szent László téri Szolgáltatóház Kft.	100%	100%	1062 Budapest, Andrássy út 59,

18. Trade receivables

All data in HUF thousands	for the financial year ending on 31 December 2018	for the financial year ending on 31 December 2017
Mikepércsi út 132 Kft.	4,512	4,512
Takarék Jelzálogbank Nyrt.	50,219	-
Takarékinfo Zrt.	870	-
Mészáros és Mészáros Kft.	135	-
Remmers Ungarn Kft.	204	-
Impairment (Mikepércsi út 132 Kft.)	(4,512)	(4,512)
Total net trade receivables:	**51,428**	**-**

19. Other receivables

All data in HUF thousands	for the financial year ending on 31 December 2018	for the financial year ending on 31 December 2017
Tax receivables	29,468	-
Claims for damages from insurance companies	-	3,377
Claims for reimbursement of costs	-	557
Total	**29,468**	**3,934**

20. Liabilities from related parties

Claims from related companies included invoiced holding fees, interest and principal debt, dividends from subsidiaries and other claims.

The Company acquired its liabilities to the former owners of the purchased subsidiaries at a price below the book value of the liabilities. The values presented are the difference between the purchase price of the receivables and the value of the liabilities recorded by the subsidiary and booked by the Company as a discount.

All data in HUF thousands	Trade and other receivables		Receivables from loans and interest		Total	
	for the financial year 31.12.2018	for the financial year 31.12.2017	for the financial year 31.12.2018	for the financial year 31.12.207	for the financial year 31.12.2018	for the financial year 31.12.2017
Appeninn-Bp 1047 Zrt.	8,810	3,810	23,054	15,793	**31,864**	**19,603**
Appeninn Property Vagyonkezelő Zrt.	6,905	161,905	132,006	76,749	**138,911**	**238,654**
Bertex Ingatlanforgalmazó Zrt.	12,904	7,904		-	**12,904**	**7,904**
Appeninn E-Office Zrt.	79,666	174,380	339,530	147,537	**419,196**	**321,917**
Felhévíz-Appen Kft.	5,635	1,270	122,246	99,901	**127,881**	**101,171**
APPEN-Retail Kft.	6,270	1,270		-	**6,270**	**1,270**
Sectura Ingatlankezelő Kft.	6,270	1,270	2,459	2,378	**8,729**	**3,648**
Szent László Téri Szolgáltató Ház Kft.	17,630	144,130	299,482	149,709	**317,112**	**293,839**
VCT78 Ingatlanhasznosító Kft.	8,810	3,810	13,537	5,529	**22,347**	**9,339**
Curlington Kft.	5,000	44,400	166,022	93,541	**171,022**	**137,941**
Appeninn Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft.	16,270	850	193,056	226,515	**209,326**	**227,365**
Appeninn Üzemeltető Zrt.	35,000	2,917			**35,000**	**2,917**
Appeninn Credit Zrt.				3	**-**	**3,**
Appeninn A59 Kft.	10,000				**10,000**	**-**
Appeninn Project-BTBG Kft.	1,000		51,865		**52,865**	**-**
Appeninn Project-EGRV Kft.	5,000		111,974		**116,974**	**-**
Appeninn Project-MSKC Kft.	5,000		537,752		**542,752**	**-**
Appeninn BLT Kft.	5,000		971,754		**976,754**	**-**
Total receivables	**235,170**	**547,916**	**2,964,737**	**817,655**	**3,199,907**	**1,365,571**

from related companies						

Discounted values recorded in respect of purchased receivables

Appeninn E-Office Zrt.	403,611	376,990
Curlington Kft.	181,922	182,001
Szent László Téri Szolgáltató Ház Kft.	105,306	105,306
Appeninn Property Vagyonkezelő Zrt.	-	87,749
Total discount	**690,839**	**752,046**

21. Short-term loans and borrowings

All data in HUF thousands	for the financial year ending on 31 December 2018	for the financial year ending on 31 December 2017
Mikepércsi út 132 Kft.	21,788	21,788
Mikepércsi út 132 Kft. impairment	(21,788)	(21,788)
Hattyúház Társasház Közösség	2,247	2,199
Total	**2,247**	**2,199**

22. Accruals and deferrals

All data in HUF thousands	for the financial year ending on 31 December 2018	for the financial year ending on 31 December 2017
Accrued incomes	2,857	-
Prepaid expenses	3,174	-
Total	**6,031**	**-**

23. Cash and cash equivalents

All data in HUF thousands	for the financial year ending on 31 December 2018	for the financial year ending on 31 December 2017
Cash on hand	11	4
Cash at bank HUF	2,490	4,068

Cash at bank EUR	290	66
Total	**2,791**	**4,138**

24. Subscribed capital

The shares of Appeninn Vagyonkezelő Holding Nyrt. were listed for public trading at the Budapest Stock Exchange on 2 July 2010.

Share data of Appeninn Nyrt.	
face value	100
currency	HUF
ISIN code:	HU0000102132
trading venue	Budapesti Értéktőzsde Zrt.
	share section
starting date of trading	02 July 2010
shareholders' registered kept by	Appeninn Nyrt. Board of Directors
	1062 Andrássy út 59,
Number of free floats as at 31.12.2018 (number of items)	47,371,419
Number of free floats as at 31.12.2017 (number of items)	40,892,545

All data in HUF thousands	**for the financial year ending on 31.12.2018**	**for the financial year ending on 31.12.2017**
Value of subscribed capital		
Opening balance as at 1 January	4,089,255	3,980,000
Issuance	647,887	109,255
Closing balance as at 31 December 2018	4,737,142	4,089,255

The Company's registered capital was thHUF 4,737,142 (2017: thHUF 4,089,255) comprising 47,371,419 (2017: 40,892,545) shares each with a face value of HUF 100.

Based on the decision taken by the General Meeting of Shareholders on 21 April 2018, the Company decided to issue 6,478,874 ordinary shares, which was registered by the Budapest Court of Registration on 9 May 2018.
The Company and KONZUM II Real Property Investment Fund entered into an agreement on in-kind contributions on 11 April 2018 to the effect that the Fund places the real property located at 1082 Budapest, Üllői út 48., topographical lot number 36372, within the city limits of Budapest, as in-kind contribution at the Company's disposal. As a result of the transaction, the Company increased its share capital and issued 6,478,874 dematerialised ordinary shares each with a face value of HUF 100 simultaneously. By purchasing” Ü48 Irodaház” with a floor area of 8,145 m2, the Company included another category “A” office building in its property portfolio.

Based on the decision taken by the General Meeting of Shareholders on 1 December 2017, the Company decided to issue 1,092,545 ordinary shares, which were registered by the Budapest Court of Registration on 6 December 2017.

25. Treasury shares

	for the financial year ending on 31.12.2018		for the financial year ending on 31.12.2017	
	HUF thousand	number	HUF thousand	number
Opening value	-	-	65,368	285,470
Purchase of Treasury shares	49,940	82,656	886,399	3,913,608
Handover of own shares for dividend payment	(822)	(1,174)	(127,660)	(580,602)
Sale of Treasury shares	(48,004)	(79,634)	(824,107)	(3,618,476)
Closing value	**1,114**	**1,848**	**-**	**-**

26. Reserves

	for the financial year ending on 31.12.2018			for the financial year ending on 31.12.2017		
	HUF thousand	number of shares issued (number of shares)	Share premium (HUF/share)	HUF thousand	number of shares issued (number of shares)	Share premium (HUF/share)
Opening balance	**3,630,418**	**40,892,545**	**89**	**2,889,673**	**39,800,000**	**73**
Issuance of shares with share premium 01/12/2017				740,745	1,092,545	678
Issuance of shares with share premium 11/04/2018	3,952,113	6,478,874	610			
Reclassification retained earnings	513,313					
Closing balance as at 31 December:	**8,095,844**	**47,371,419**	**171**	**3,630,418**	**40,892,545**	**89**

27. Accumulated profit

All data in HUF thousands	for the financial year ending on 31.12.2018	for the financial year ending on 31.12.2017
Opening balance	**696,287**	**762,463**
Result for the year	1,901,423	131,156
Sale of Treasury shares	1,421	25,377
Interest settled with owners	-	38,943
Dividends paid to owners	-	(261,652)
Reallocation to capital reserves	(513,313)	-
Closing value	**2,085,818**	**696,287**

The Company sold its own shares in 2017, The Company states profit generated on own its own shares in the retained earnings.

The 2017 general meeting of the parent company of the Company decided on the disbursement of dividends in the amount of HUF 261,652 thousand charged to the retained earnings for 2016.

Equity reconciliation table:

Pursuant to Section 114/B, annual financial statements shall contain the calculation of the difference between equity under the Hungarian accounting standards and equity under IFRS.

All data in HUF thousands	**IFRS**	**Reclassification**	**In accordance with the Hungarian rules of classification**
Subscribed capital	4,737,142		4,737,142
Subscribed capital called but not paid	-		-
Treasury shares	(1,114)	1,114	-
Capital reserves	8,095,844		8,095,844
Reserves			
Retained earnings	2,085,818	(1,901,423)	184,395
Valuation reserves	-		-
Tied up reserves	-		-
Taxed profit	-	1,901,423	1,901,423
Balance as at 31 December 2018	**14,917,690**	**1,114**	**14,918,804**

Retained earnings freely available for dividend payment	
IFRS retained earnings	2,085,818
Less: the amount of unrealised accumulated profit recognised due to increase in fair value under IAS 40 Investment property	(2,233,341)
Plus: the accumulated amount of income tax recognised in accordance with IAS 12 Income taxes	115,197
Retained earnings freely available for dividend payment	**(32,326)**

28. Deposits provided by the tenants

All data in HUF thousands	for the financial year ending on 31.12.2018	for the financial year ending on 31.12.2017
Deposits by tenants	11,937	-
Total	**11,937**	**-**

The Company records the security deposits paid by tenants here.

29. Long-term and current liabilities to related parties

All data in HUF thousands	Trade payable and other liabilities		Loans and interest payment obligations		Total	
	for the financial year ending on 31.12.2018	for the financial year ending on 31.12.2017	for the financial year ending on 31.12.2018	for the financial year ending on 31.12.2017	for the financial year ending on 31.12.2018	for the financial year ending on 31.12.2017
Bertex Ingatlanforgalmazó Zrt.			65,147	55,073	**65,147**	**55,073**
Appeninn E-Office Zrt.			5,812	5,812	**5,812**	**5,812**
Felhévíz-Appen Kft.			42,940		**42,940**	**-**
APPEN-Retail Kft.			14,519	41,715	**14,519**	**41,715**
Appeninn Üzemeltető Zrt.	11,805		23,315	22,549	**35,120**	**22,549**
Appeninn Credit Zrt.			457	23,380	**457**	**23,380**
Konzum PE Private Capital Fund				32	**-**	**32,**
KONZUM II, Real Estate Fund	18,676				**18,676**	**-**
Dividend debt	11,475	12,542			**11,475**	**12,542**
Appeninn A59 Kft.	10,416		56,328		**66,744**	**-**
Total current liabilities vis-à-vis related parties	**52,372**	**12,542**	**208,518**	**148,561**	**260,890**	**161,103**
Konzum PE Private Capital Fund			2,733,171	-	**2,733,171**	-
Total long-term liabilities related parties	**-**	**-**	**2,733,171**	**-**	**2,733,171**	**-**

Konzum PE Private Equity Fund extended an investment loan to the Company at the Central Bank base rate +2,5%, The expiry date of the loan is 31 December 2020, no collateral was stipulated.

30. Deferred tax liabilities

In the course of calculation of referred tax the Company compares the value that can be taken into account for taxation to the book value by asset and liability. If the difference is a temporary difference, i.e., it will be offset within a foreseeable time, then it will take a deferred tax liability or asset, depending on the prefix. When an asset is recorded, the Company examines recovery separately.

Appeninn Nyrt. had deferred tax assets due to its negative tax base before 2014 and can use them until 2025 under the corporate tax act,.

The balance of deferred losses carried over was HUF 863,927 thousand and HUF 773,524 thousand on 31 December 2018 and 31 December 2017, respectively.

The balance of the deferred taxes as at 31 December 2016 and 2015 in the presentation of the financial situation was as follows:

All data in HUF thousands	2018				2017			
	Balance as per the report	Balance as per the tax	Deferred tax base	Deferred taxes	Balance as per the report	Balance as per the tax	Deferred tax base	Deferred taxes
Income generating investment property	8,311,034	6,159,686	(2,151,348)	(193,621)	1,566,207	1,570,943	4,736	426
Trade and other receivables and assets	3,304,695	3,309,207	4,512	406	1,371,704	1,398,003	26,299	2,283
Receivables from deferred losses	-	863,927	863,927	77,753	-	-	-	-
Trade payable and other liabilities	3,061,797	3,058,853	(2,944)	265	-	-	-	-
Net deferred taxes, total				**(115,197)**				**2,283**
Deferred tax assets in the balance sheet				**-**				**-**
Deferred tax liabilities in the balance sheet				**115,197**				**643**
Net deferred taxes				**(115,197)**				**(643)**
Changes in the balance of deferred taxes				**(114,554)**				
Of this:								-
Recognised in the profit/loss				(114,554)				-

31. Short-term loans

All data in HUF thousands	**for the financial year ending on 31.12.2018**	**for the financial year ending on 31.12.2017**
Magyar Takarékszövetkezeti Bank Zrt.	1,612,694	-
Total	**1,612,694**	**-**

The short-term loan was provided on 23 April 2018, its date of expiry is 19 March 2019, at 3-month EURIBOR + 3.5% Security Mortgage lien on real property, ban on disposal and encumbrance, mortgage lien on business interest, mortgage lien on claims for compensation for insurance incidents Suretyship: Appeninn A59 Kft.

32. Other current liabilities

All data in HUF thousands	**for the financial year ending on 31.12.2018**	**for the financial year ending on 31.12.2017**
Prorated interest on issued bonds	-	10,611
Prorated interest on recalled portion of issued bonds	-	(9,196)
Loan received and interest thereon	12,062	-
Debt to Building Cleaning Zrt. to receivables carried at cost	11,411	11,411
Liabilities from remuneration	5,604	4,099
Obligation on account of unused holiday entitlement	2,283	-
Obligations arising under the bills of exchange	-	1,309
Other	7,247	7,247
Total	**39,268**	**25,569**

33. Accounts Payable

All data in HUF thousands	**for the financial year ending on 31.12.2018**	**for the financial year ending on 31.12.2017**
Accounts payable	16,531	10,923
Closing value	**16,531**	**10,923**

34. Debts from bonds issued

The HU0000356639 interest-bearing EURO bond issued by Appeninn Nyrt. on 11 September 2015 expired on 10 September 2018, with the outstanding EUR 200,000 bond debt settled.

The Company complied with its principal and interest payment obligations arising from the HU0000354337 bond in February 2017. It complied with its principal and interest payment obligations arising from the HU0000354337 bond on 10 September 2018.

	HU0000356639		**HU00003543337**		**Liability as at record date**
	HUF thousand	**number**	**HUF thousand**	**number**	**HUF thousand**
Closing balance of free floats as at 31.12.2016	***64633***	***200,000***	***71,030***	***7,103***	***135,663***
Repaid upon expiry 26,02,2017			(71,030)	(7,103)	(71,030)
Impact of exchange rate fluctuations	2/605				(2,605)
Closing balance of free floats as at 31.12.2017	***62,028***	***200,000***	***-***	***-***	***62,028***
Repaid upon expiry 10,09,2018	(62,028)	(200,000)			(62,028)
Closing balance of free floats as at 31.12.2018	**-**	**-**	**-**	**-**	**-**

35. Tax liability, duties

All data in HUF thousands	**for the financial year ending on 31.12.2018**	**for the financial year ending on 31.12.2017**
VAT liability	-	23,316
Business tax	-	(487)
Property tax imposed on the real property in Andrássy út	-	34,000
Personnel - contributions and tax	-	689
Total	**-**	**57,518**

In 2018 the company had tax assets, therefore, they were presented as current receivables.

36. Accruals and deferred income

All data in HUF thousands	for the financial year ending on 31,12,2018	for the financial year ending on 31.12.2017
Accrued costs and charges	37,306	10,812
Deferred income	14,104	-
Accrued and deferred interest payable	14,582	-
Total	**65,992**	**10,812**

37. Transactions with related parties

Transactions with related parties were presented in the notes pertaining to the corresponding balance sheet lines.

38. Remuneration of key executive officers

Members of the board of directors (6 persons) received remuneration in the amount of HUF 300,000 per person in 2017 and 2018, 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.

	2018 (th HUF/year/person)	2017 (th HUF/year/person)
Remuneration of the members of the board of directors employed under contract (5/6 persons)	300	300
Remuneration of the members of the audit committee employed under contract (3 persons)	100	400

39. Risk management

The Company's assets contain liquid assets, loans trade and other receivables and other assets excluding taxes. The Company's resources include loans and borrowings, supplier and other payables, excluding the gains or losses arising from the revaluation at fair value of taxes and financial liabilities.

The Company is exposed to the following financial risks:

- credit risk
- foreign currency risk
- interest risk

- liquidity risk
- market risk
- business risk

This Chapter describes the Company’s risks specified above, the Company’s objectives and policies, measurement of the processes and risk management, as well as the capital management of the Group. The Board of Directors has overall responsibility for the establishment, supervision and risk management of the Company.

The objective of the Company's risk management policy is to identify and examine the risks the Company faces, to set the appropriate controls and to monitor the risks. The risk management policy and the system are reviewed so that it does reflect the changed market conditions and the Company's activities.

39.1 Capital management

The Company's policy is to preserve its equity in an amount that is sufficient for investor and creditor confidence in the future to sustain the future development of the Company.

The Company’s capital comprises net external funds and the Company’s share capital (the latter comprises registered capita and reserves).

The Company’s capital management strives to ensure that the individual members of the Company are able to engage in their respective operations and maximise profit for the shareholders by striking a balance between loan capital and equity. Furthermore, it also strives to maintain an optimal capital structure in order to reduce capital costs. The Company also carries out monitoring which aims to ensure that its member companies’ capital structure complies with the local legal requirements.

39.2 Lending risk

Lending risk is risk arising from the failure of the borrower or partner to fulfil its contractual obligations, which in turn, results in a financial loss for the Company. Financial instruments that are exposed to credit risks may be long or short-term placements, cash and cash equivalents, trade and other receivables.

The book value of financial instruments shows the maximum risk exposure. The table below shows the maximum credit risk exposure of the Company on 30 June 2018 and 31 December 2017.

Maximum exposure to receivables	for the financial year ending on 31.12.2018	for the financial year ending on 31.12.2017
Trade receivables	51,428	-
Other receivables	29,468	3,934

Liabilities from related parties	3,199,907	1,365,571
Short-term loans and borrowings	2,247	2,199
Cash and cash equivalents	2,791	4,138
	3,285,841	**1,375,842**

39.3 Market risk

Market risk is the risk that a change in the market prices, such as exchange rates, interest rates and prices of investments in mutual funds will affect the Company's profit or the value of its investments made in financial instruments. Market risk management is aimed at managing market risk exposure and keeping it at an acceptable level while optimising profitability.

39.4 Business risk

The Company applies consistent, predictable and competitive rents to its tenants. The currently applied rents match the physical situation and quality of the properties. With respect to the current global environment and current supply in the office property market in Budapest, however, nothing guarantees that current rents and conditions can be sustained in the future.

39.5 Interest risk

The interest rate risk reflects the risk that the future cash flows of certain financial assets and liabilities will fluctuate as a result of changes in market interest rates. The fluctuation of market interest rates, variable rate loans and the obligations arising from the issue of bonds are potential risks for the Company. The Company pays 3.11%/ 3.19% interest on the loans taken out on average. A 0.5% rise in interest would impose HUF 97 million in interest charges on the member companies of the Company.

39.6 Foreign currency risk

The Company has concluded that, fundamentally, its profit much depends on key variables of a financial nature and on the interest rate risk; therefore, it has carried out sensitivity analyses in these key variables.

Conversion of book entries denominated in HUF 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 entries and the average daily MNB exchange rate for the profit entries.

Type of exchange rate	31.12.2018	Changes in EUR	Change%	31.12.2017
Closing	321.51	11.37	3.67%	310.14
Average	318.87	9.66	3.12%	309.21
Closing and average difference	2.64	1.71	184.34%	0.93

The transactional currency is EUR, therefore exchange rate exposure is determined by quantifying fluctuations in its exchange rate. In 2018, exchange rate risk is not significant as all the receivables and liabilities of the Company are HUF denominated. As exchange rate risk is key to the fair value measurement of income generating investment properties, and as measurement is EUR based, we took EUR-based real property value into consideration.

Exchange rate fluctuations	Exchange rate	Changes in EUR	Real property balance sheet value EUR	Computed impact on profit/loss HUF thousand
-1%	318,2949	-3,2151		(83,110)
-0.50%	319,90245	-1,60755		(41,555)
31/12/2018 NBH	321,51		25,850,002	
+0.5%	323,11755	1,60755		41,555
+1%	324,7251	3,2151		83,110

39.7 Liquidity risk

Liquidity risk is the risk that the Company is unable to fulfil its financial obligations by the due date. Under the Company’s liquidity management approach, there should always be sufficient liquidity available to cover the Company’s obligations when they fall due under both standard and stressed circumstances without the Company’s incurring unacceptable losses or risking its reputation.

The table below summarises – in respect of 31 December 31 2018 and 2017 – the maturity profile of the actual (undiscounted) payment obligations arising from contracts.

31.12.2018	current	due in 2–5 years	due in over 5 years	Total
Financial instruments				
Trade receivables	51,428			51,428
Other receivables	29,468			29,468
Liabilities from related parties	3,199,907			3,199,907
Short-term loans and borrowings	2,247			2,247
Cash equivalents	2,791			2,791
Financial instruments	***3,285,841***	**-**	**-**	***3,285,841***
Financial liabilities				
Loans and leases	1,612,694			1,612,694
Deposits provided by the tenants		11,937		11,937
Related liabilities	260,890	2,733,171		2,994,061
Accounts payable	16,531			16,531
Financial liabilities	***1,890,115***	***2,745,108***	**-**	***4,635,223***

12.31.2017	current	due in 2–5 years	due in over 5 years	Total
Financial instruments				-
Tax receivables	3,934			3,934
Liabilities from related parties	1,365,571			1,365,571
Income tax assets	8,172			8,172
Short-term loans and borrowings	2,199			2,199
Cash equivalents	4,138			4,138
Financial instruments	***1,384,014***	**-**	**-**	***1,384,014***
Related liabilities	161,103			161,103
Other current liabilities	25,569			25,569
Accounts payable	10,923			10,923
Debts from bonds issued	62,028			62,028
Tax liability, duties	57,518			57,518
Financial liabilities	***317,141***	**-**	**-**	***317,141***

40. Financial instruments

Financial instruments include trade receivables, loans extended and liquid assets, borrowings and trade payables.

31.12.2018	Measured at fair value vis-à-vis profit/loss	Recorded at amortized historical cost	Measured at fair value vis-à-vis other comprehensive income
Financial instruments			
Trade receivables		51,428	
Other receivables		29,468	
Liabilities from related parties		3,199,907	
Short-term loans and borrowings		2,247	
Cash equivalents	2,791		
Financial instruments	***2,791***	***3,283,050***	-
Financial liabilities			
Loans and leases		1,612,694	
Deposits provided by the tenants		11,937	
Related liabilities		2,994,061	
Accounts payable		15,531	
Financial liabilities	-	***4,634,223***	-

31.12.2017	Measured at fair value vis-à-vis profit/loss	Recorded at amortized historical cost	Measured at fair value vis-à-vis other comprehensive income
Financial instruments			
Tax receivables		3,934	
Liabilities from related parties		1,365,571	
Income tax assets		8,172	
Short-term loans and borrowings		2,199	
Cash equivalents	4,138		
Financial instruments	***4,138***	***1,379,876***	-
Related liabilities		161,103	
Other current liabilities		25,569	
Accounts payable		10,923	
Debts from bonds issued		62,028	
Tax liability, duties		57,518	
Financial liabilities	-	***317,141***	-

Fair value was determined at a fair value corresponding to level 3, in both years.

41. Contingent liabilities

Obligation of share purchase

On behalf the Company, Appeninn Nyrt. and its Felhévíz-APPEN Kft. subsidiary undertook an obligation on 4 August 2016 to repurchase Appeninn'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 obligee did not exercise the above right until 31 12 2017. The maximum number of the shares outstanding as at 31 December 2017, in respect of which there was a purchase obligation, was 88,108. The Company generated HUF 0 in respect of purchase obligations for the record date on 31 12 2017.

In 2018, the Company repurchased all the shares; thus, the Company discharged its repurchase obligation.

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

Appeninn Nyrt. as owner for VÁR- Logisztika Zrt. (formerly: Appeninn Logisztika Zrt.., currently: VÁR- Logisztika Zrt.) with effect from 27 June 2013 for Orgovány és Vidéke Takarékszövetkezet as guarantor and mortgagor in the contract concluded with the credit institution remained a contracting party even after the sale of Appeninn Logisztika Zrt. On 06 December 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 Appeninn Nyrt. vis-á-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 record date was HUF 77 million.

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 HUF was stated in the balance sheet in connection with the guarantorship.

Collateral granted to the subsidiary investors

Appeninn E-Office Zrt. as customer entered into contract on 01.12.2017. The object of the contract was for a heating/cooling system to be installed in the real properties held by Appeninn E-Office Zrt., i.e. the supply and instalment of the systems. The term of contract for the operation of the systems tailored to the needs of the customer's buildings corresponds the entire technical and economic useful life of the systems. The systems will be transferred into the ownership of the customer and the customer is obliged an exit price if it cancels the contract. Appeninn Nyrt.'s obligation is unlimited obligation without the observance of seniority, i,e, it includes annual fees and exit fees and the transfer or closure of the contract if the real property is sold.

Appeninn E-Office Zrt. undertook to maintain the contract and honour future payment obligations. Relying on the information available on 31.12.2018, the management of the parent company assessed the losses that might arise if the guarantee were exercised. In light of the subsidiary's payment discipline and cash flow and operating income, the management of the parent company did not find losses likely, therefore this liability was stated at zero in the balance sheet. The full exposure of the Company was HUF 89 million.

Collateral granted to the credit institutions of the subsidiaries
Appeninn Nyrt. granted guarantee to collateralise the loans of its subsidiaries from financial institutions.

Details of the loans:

Creditors	Primary debtor company	current 31.12.2018	long-term 31.12.2018
		EUR	EUR
Magyar Takarékszövetkezeti Bank Zrt.	Szent László Téri Szolgáltató Ház	96,308	131,338
Magyar Takarékszövetkezeti Bank Zrt.	VCT78 Ingatlanhasznosító Kft.	118,115	1,826,443
Magyar Takarékszövetkezeti Bank Zrt.	Appeninn-Bp 1047 Zrt.	40,146	726,403
Magyar Takarékszövetkezeti Bank Zrt.	Appeninn Property Vagyonkezelő Zrt.	33,374	603,459
Magyar Takarékszövetkezeti Bank Zrt.	Appen-Retail Kft.	76,194	397, 1
Magyar Takarékszövetkezeti Bank Zrt.	Bertex Zrt.	23,542	433,222
Magyar Takarékszövetkezeti Bank Zrt.	Curlington Kft.	4,358	75,211
Magyar Takarékszövetkezeti Bank Zrt.	Felhévíz-Appen Kft.	8,799	153,816
MFB-Erste Bank syndicated	Appeninn E-Office Zrt.	593,741	7,114,892
Erste Bank Zrt.	Appeninn E-Office Zrt.	1,569,636	27,015,434
Total bank loans		**7,580,212**	**39,477,535**

42. Environmental impacts in light of the Company's activities

The Company does not have any tangible assets directly protecting the environment. Neither hazardous waste nor materials harmful to the environment are generated during the Company's activities, therefore, it has no inventories of this kind. We are not aware of any obligation related to environmental protection, therefore, no provision of this type was generated and no costs of this type were incurred in the reported year.

43. Events after the balance sheet date

On 28 January 2019 the transaction aimed at the acquisition of PRO-MOT HUNGÁRIA Ingatlanfejlesztő Kft.'s 74.99% stake and the debt of shareholders vis-à-vis PRO-MOT HUNGÁRIA Kft by Appeninn BLT Kft., the Company's single-person subsidiary was completed. As a result of the transaction, the direct ownership of a part of approximately 37 hectares of the properties constituting part of Club Aliga (address: 8171 Balatonvilágos, Aligai út 1,) and the asset management right of the remaining approximately 10-hectare area were acquired by the Company. The transactional value was EUR 14,328,246,-.

The Company sold 407,857 ordinary shares each with a face value of HUF 100 for HUF 551.36 per share on 7 February 2019.

The company sold its 100% ownership share in Appeninn Project BTBG Kft. on 15 February 2019.

No other significant event occurred after the record date.

44. Information on the compilation of the stand-alone financial statements

In compiling the consolidated financial statements for the financial year ending on 31 December 2018, in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU, the basis of the compilation was the GL and sub-ledger accounting entries compiled by the accounting firm engaged by the Company, the accounting records kept in accordance with the Hungarian accounting procedures, the accounts receivable recorded by the Company and the agreements concluded. The compilation of these statements is the responsibility of K&T Gazdasági Tanácsadó Kft., an accounting service provider (from October 2018) and Multiservice Kft. (from 1 January 2018 to end-October 2018) name and registration number of chartered accountant: Márta Hullay (registration No,: 122360).

In order to have the accounts prepared in accordance with the Accounting Act aligned with IFRS, the Company engaged an IFRS-registered accounting expert. Person personally responsible for the preparation of the IFRS statements shall be Ildikó Rózsa (registration number: 136860). The engagement of the accounting expert is limited to identify the differences between the IFRS and HAS and to the compilation of stand-alone accounts in Hungarian based on the effective IFRS standards accepted by the EU.

45. Audit of the stand-alone statements, auditor's remuneration

The auditor responsible for 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 business data:

- BB-ESSEL Audit Kft., legal successor through merger of BB-ESSEL Adótanácsadó és Könyvvizsgáló Kft. (company registration number: 01-09-698566; address: 1162 Budapest, Fertály utca 5-7, CoHA registration number: 001109 Auditor personally responsible for the audit: Dr László Sasvári (address: 1162 Budapest, Fertály utca 5-7, CoHA registration number: 001630)

Audit fees:

- HUF 5,500,000 + VAT was charged for the statutory audit of the Appeninn Nyrt.'s stand-alone annual accounts prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU and Act C of 2000 on Accounting and Appeninn Nyrt.'s stand-alone IFRS annual accounts.
- HUF 1,500,000 + VAT was charged for the statutory audit of the Appeninn Nyrt.'s stand-alone semi-annual accounts prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU and Act C of 2000 on Accounting, and Appeninn Nyrt.'s consolidated IFRS semi-annual accounts.

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

46. Approval of the disclosure of the financial statements

Appeninn Vagyonkezelő Holding Nyrt. At its meeting held on 23 March 2019, Appeninn Vagyonkezelő Holding Nyrt.'s Board of Directors approved the Company's 2018 stand-alone 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 stand-alone accounts of the Company. However, the annual general meeting of the owners entitled to approve them may request modifications before the approval.

47. Declarations

We wish to note that a number of important factors may cause actual profit/loss to differ from that foreseen in statements made in respect of the future materially.

Declaration on Liability Based on the accounting criteria adopted, the Stand-alone annual accounts provide a true and fair view of the assets, liabilities, financial situation and profit/loss as well as the situation, development and performance of the consolidated companies of Appeninn Vagyonkezelő Holding Nyrt. while also presenting key risks and uncertainties.

Budapest, 23 March 2019

Gellért Jászai	**Aladin Linczényi**
Chair of the Board of Directors	**Member of the Board of Directors**