Appeninn Holding

APPENINN HOLDING NYRT.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

31 DECEMBER 2019

IN COMPARISON TO THE YEAR ENDED 31 DECEMBER 2018

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Consolidated Balance Sheet

Assets	Note	31/12/2019 EUR	31/12/2018 amended (Note 46) EUR
Income-generating investment properties	17	147,670,000	117,820,822
Tangible assets	18	177,664	278,421
Deferred tax assets	19	92,693	44,386
Fixed (non-current) assets, total		**147,940,357**	**118,143,629**
Inventories	20	160,040	161,738
Trade receivables	21	409,083	493,276
Other short-term receivables	22	442,390	3,302,286
Shot-term loans granted	23	49,537	6,988
Accruals	24	255,653	59,302
Income tax assets		296,583	198,875
Cash and cash equivalents	25	40,991,952	2,968,906
Current assets, total		**42,605,238**	**7,191,371**
Assets, total		**190,545,595**	**125,335,000**
Equity and liabilities			
Subscribed capital	26	15,217,006	15,217,006
Own shares repurchased	27	(1,171)	(305,660)
Capital reserve	28	25,645,230	25,645,230
Translation reserve	30	(2,710,880)	(810,849)
Accumulated P/L	29	34,925,192	22,539,954
Equity due to the Company's shareholders		**73,075,377**	**62,285,681**
Non-controlling interests	31	730,936	-
Capital and reserves, total		**73,806,313**	**62,285,681**
Long-term bank loans and leasing liabilities	32	31,751,611	39,740,555
Debt on bonds	33	60,940,494	-
Deposits provided by tenants	34	301,775	826,117
Long-term liabilities to related companies	35	10,503,256	8,501,046
Deferred tax liabilities	36	3,565,003	4,331,140
Long-term liabilities, total		**107,062,139**	**53,398,858**
Short-term bank loans and leasing liabilities	32	7,139,967	7,655,033
Other short-term liabilities	37	614,028	158,814
Short-term liabilities to related companies	35	36,003	95,198
Liabilities to suppliers	38	993,818	405,002
Tax payment liabilities	39	398,513	747,850
Corporate income tax liabilities		140,089	65,566
Accrued expenses and deferred income	40	354,725	522,998
Current liabilities, total		**9,677,143**	**9,650,461**
Total liabilities		**116,739,282**	**63,049,319**
Equity and liabilities, total		**190,545,595**	**125,335,000**

The annexes on pages 9-75 constitute inseparable parts of the consolidated report.

Consolidated comprehensive income statement	Note	For the year ended 31/12/2019 EUR	For the year ended 31/12/2018 amended (Note 46) EUR
Income from the lease of property	3	7,402,438	5,776,756
Direct costs of property letting	4	(1,007,627)	(1,559,283)
Direct coverage		**6,394,811**	**4,217,473**
Administration costs	5	(1,053,062)	(1,252,527)
Staff costs	6	(757,075)	(719,054)
Other revenues/(expenditures)	7	1,137,102	125,151
Profit (loss) on the sale of subsidiaries and investments	8	75,527	145,835
Revenue from the sale of investment properties	9	147,285	484,113
Profit on the revaluation of income-generating investment properties	10	7,938,381	18,770,891
Capital projects on real property	11	(86,139)	(18,905)
Operating P/L		**13,796,830**	**21,752,977**
Depreciation and amortization	18	(72,821)	(40,541)
Other expenses on financial operations	12	99,991	(1,065,573)
Balance on interest revenues and (expenses)	13	(2,121,026)	(1,141,805)
P/L before taxes		**11,702,974**	**19,505,058**
Income taxes	14	412,255	(2,126,656)
P/L for the reporting year		**12,115,229**	**17,378,402**
Other comprehensive income			
Other comprehensive income to be recognised in the statement of consolidated income for the next period:			
Exchange rate differences incurred during the conversion of foreign exchange for various activities		(1,900,031)	(972,493)
Other comprehensive P/L less taxes, for the reporting year		**(1,900,031)**	**(972,493)**
TOTAL COMPREHENSIVE RESULT OF THE REPORTING YEAR		**10,215,198**	**16,405,909**
Of the P/L after taxes:			
Part per non-controlling shares		120,310	-
Part due to the Company' owners		11,994,919	16,405,909
Of the total comprehensive income:			
Part per non-controlling shares		120,310	-
Part due to the Company' owners		10,094,888	16,405,909
Basic earnings per share, EUR cent	15	**25.60**	**36.53**
Diluted earnings per share, EUR cent	16	**25.60**	**36.53**

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Change in the consolidated equity (EUR)	**Subscribed capital**	**Capital reserve**	**Repurchased own shares (-)**	**Translation reserve**	**Accumulated P/L**	**Non-controlling interests attributable to parent company owners**		**Equity, total**
Balance as at 1 January 2018, original	**13,245,347**	**13,618,106**	**-**	**-**	**5,323,196**	**32,186,649**	**-**	**32,186,649**
Switch to the presentation currency (Note 46)	**-**	**-**	**-**	**161,644**	**(161,644)**	**-**		**-**
Balance as at 1 January 2018, amended	**13,245,347**	**13,618,106**	**-**	**161,644**	**5,161,552**	**32,186,649**	**-**	**32,186,649**
Comprehensive income in the reporting year								
Comprehensive income in the reporting year	**-**	**-**	**-**	**(972,493)**	**17,378,402**	**16,405,909**		**16,405,909**
Transactions with owners	**1,971,659**	**12,027,124**	**(305,660)**	**-**	**-**	**13,693,123**	**-**	**13,693,123**
Purchase of equity			(305,713)			(305,713)		(305,713)
Sale of equity shares			53			53		53
Capital increase	1,971,659	12,027,124				13,998,783		13,998,783
Balance as at 31 December 2018	**15,217,006**	**25,645,230**	**(305,660)**	**(810,849)**	**22,539,954**	**62,285,681**	**-**	**62,285,681**
Balance as at 1 January 2019	**15,217,006**	**25,645,230**	**(305,660)**	**(810,849)**	**22,539,954**	**62,285,681**	**-**	**62,285,681**
Comprehensive income in the reporting year								
Comprehensive income in the reporting year				**(1,900,031)**	**11,994,919**	**10,094,888**	**120,310**	**10,215,198**
Transactions with owners	**-**	**-**	**304,489**	**-**	**390,319**	**694,808**	**610,626**	**1,305,434**
Sale of equity shares			304,489		390,319	694,808		694,808
Acquisition of a subsidiary (PRO-MOT)							610,626	610,626

Balance as at 31 December 2019	**15,217,006**	**25,645,230**	**(1,171)**	**(2,710,880)**	**34,925,192**	**73,075,377**	**730,936**	**73,806,313**

The annexes on pages 9-75 constitute inseparable parts of the consolidated report.

Consolidated Cash Flow,	Note	For the year ended 31/12/2019 EUR	For the year ended 31/12/2018 amended (Note 46) EUR
P/L before taxes		**11,702,974**	**19,505,058**
Profit on the revaluation of income-generating investment properties	17	(7,938,381)	(18,770,891)
Changes in the translation reserve	30	(1,900,031)	(972,493)
Non-realised year-end foreign exchange revaluation	12	3,034,839	2,416,457
Depreciation	18	72,821	40,541
Negative goodwill	12	(1,792,478)	-
Deferred tax	14	751,349	(1,877,039)
Profit (loss) on the sale of subsidiaries	8	(75,527)	(484,113)
Interest earnings	13	(72,735)	69,873
Interest expenses	13	2,193,761	1,071,932
Change in receivables and other current assets	22	2,948,976	(3,653,073)
Change in prepayments and accrued income	24	(191,609)	11,958
Change in inventories	20	1,698	(161,738)
Change in liabilities, prepayments and accrued income	40	(14,651,312)	8,524,448
Changes in tenant deposits	34	524,342	27,078
Income tax paid	14	(339,094)	(249,617)
Net cash generated from operating activities		**(5,730,407)**	**5,498,381**
Revenues from the sale of tangible assets	18	277,780	-
Costs of capital investments in properties	18	(86,139)	(18,905)
Acquisition of a subsidiary	2.4.	(61,041)	-
Purchase of tangible assets	18	(163,703)	(227,910)
Acquisition of investment property	17	-	(24,340,822)
Revenues realised on the sale of property	9	1,247,285	1,408,117
Net cash flow from investment activity		**1,214,181**	**(23,179,520)**
Repayment of own-issued bonds	33	-	(200,000)
Bond issue	33	60,940,494	-
Change in loans granted	22	(42,549)	102
Increment on loans, leases and credits	32	-	12,702,026
Loan redemption	32	(16,335,533)	630,345
Purchase of equity	27	-	(115,243)
Sale of equity	27	97.886	16.970
Interests expenses	13	(2,193,761)	(1,071,932)
Interest earnings	13	72,735	(69,873)
Net cash-flow from financial activity		**42,539,272**	**11,892,395**
Change in liquid assets	**25**	**38,023,046**	**(5,788,745)**
Balance of financial assets:			
Financial assets at the beginning of the year	25	2,968,906	8,757,651
Financial assets at the end of the year	26	40,991,952	2,968,906

The annexes on pages 9-75 constitute inseparable parts of the consolidated report.

1. General information

1.1 Description of the company

Appeninn Vagyonkezelő Holding Nyrt. ("Company" or "Group") was established on 1 December, 2009. The Company was registered by the Companies Court on 7 December 2009 under registration number 01-10-046538. On 19 May 2011, during transformation, Rotux Zrt. (company registration number: 01-10-045553) merged into Appeninn Nyrt.

The registered office of the Group is located at: H-1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1

On 31 December 2019, the Company had the following owners holding more than 5 per cent of the shares:

Owner's name	Number of shares	Shares held, %
BDPST Zrt.	13,879,524	29.30%
KONZUM II. Property Investment Fund	8,684,268	18.33%
OTP Property Investment Fund	2,410,372	5.09 %
Own shares	-	0.00%
Ratio of publicly held shares	22,397,255	47.28%
Total	**47,371,419**	**100.00%**

1.2 Basis of balance sheet compilation

i) Approval and statement on compliance with the International Financial Reporting Standards

In the opinion of the management, the consolidated financial statements of the Group have been compiled in agreement with the principle of going concern. The Board of Directors approved of the consolidated financial statements on 26 March 2020. The consolidated financial statements are prepared on the basis of the Financial Reporting Standards promulgated and filed in the form of a regulation in the Official Journal of the European Union (EU). IFRS comprises standards and interpretations worded by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

The data specified in the consolidated financial statements of the Group are in EUR. All the amounts are rounded to the closest EUR amount in the financial statements

ii) Basis of preparing the report

The consolidated financial statements were prepared according to the standards and on the definitions given by IFRIC as released on and in force since it was released on 31 December 2019.

The financial year corresponds to the calendar year.

iii) Basis of valuation

During the compilation of the financial statements compliant with the IFRS standards the management needs to apply professional judgment, estimates and assumptions that have an impact on the applied accounting policies and on the sum total of the assets and liabilities, revenues and costs recognized in the report. The estimates and related assumptions are based on past experiences and numerous other factors, which can be considered as reasonable under the given conditions, and which have a result that lays the ground for the estimate of the book value of the assets and liabilities that cannot otherwise be clearly specified from other sources. The actual results may differ from these estimates.

Estimates and basic assumptions are regularly reviewed. Modifications of the accounting estimates are disclosed in the period when a particular estimate is modified if the modification only affects the given year and in the period of modification as well as in future periods if the modification affects both the current and the future years.

2. Accounting policy

The most important accounting policy principles applied during the preparation of the consolidated financial statements are described below. The accounting policies have been applied consistently for the periods reported in these consolidated financial statements. The most important accounting principles applied in the course of compiling the financial report include the following:

2.1 Key elements of the accounting policy

2.1.1 **Basis of consolidation**

Subsidiaries

The consolidated annual report presents the data of Appeninn Nyrt. and its subsidiaries under its control. Control usually means that the Group has direct or indirect possession of more than 50 per cent of the company’s voting rights and through its influence on the company’s financial or operative activity, its enjoys benefits from its activity.

Acquisition accounting applies to the acquired business shares on the basis of the values at the time of the acquisition taking account of the market value valid on the acquisition of the assets and liabilities, i.e. on the day of obtaining control. The acquisition cost is the sum total of the consideration and the ratio of non-controlling interests in the acquired share. The companies acquired or sold during the year are represented in the consolidated financial statements from the date of the transaction or up to the date of the transaction.

The transactions between the companies included in the consolidation, their balances and results and any unrealized profits or losses are filtered out. During the compilation of the consolidated annual report, similar transactions and events are recorded in accordance with uniform accounting principles.

In the balance sheet and in the income statement, the equity and the P/L applicable to non-controlling owners are recognized in separate lines. In relation to business combinations, non-controlling interests are specified at fair value of non-controlling interests or at the value falling on non-controlling shareholders from the fair value of the net assets of the acquired company. The valuation method is selected individually for each business combination. Following acquisition, non-controlling owners' share is the originally recorded value modified by the amount of changes in the acquired company's capital relative to non-controlling owners. The holders of non-controlling shares also have a share in the total comprehensive income of the period even if this results in a negative balance for their share.

The changes in the Group's participations in its current subsidiaries that do not result in a loss of control are recognized as capital transactions. The non-controlling participations of the Group and of the owners will be modified to have them reflect the changes in their participations in the subsidiaries. The difference between any amount modifying the owners' non-controlling participations and the consideration received or paid is recognized in the capital as a value due to the company's owners.

2.1.2 Reporting currency and foreign exchange balances

With a view to the content and circumstances of the underlying business events, the euro is used both as the parent company's functional currency and as the reporting currency of each member of the Group. In previous years the Group has incorrectly used EUR as its functional currency. The Group has corrected the mistake and the effects of the correction are described in Note 46.

The foreign exchange transactions performed in a currency other than HUF were initially recognised at the exchange rate valid on the day of performing such transactions. The accounts receivable and liabilities not incurred in HUF were converted to forint at the exchange rate valid on the balance-sheet cut-off date. The exchange rate differences arising are recognized in the income statement among financial revenues and expenses.

The Group revaluates its assets and liabilities on the balance sheet date at the exchange rate issued by the National Bank of Hungary. Exchange rate gains and losses arising from the revaluation are recorded in net amounts in the row of other revenues/expenses of financial transactions in the profit and loss account for the year.

The transactions performed in a currency other than HUF are recognized in the functional currency - the non-HUF amount considered at the exchange rate between the reporting currency and the currency other than HUF valid on the transaction date. In the comprehensive income statement the exchange rate differences arising during the arrangement of monetary items, on the initial presentation of the period or from the use of an exchange rate other than the exchange rate applied in the previous financial statements, are recognized as financial revenues or expenditures in the period when they are generated. The monetary instruments and liabilities denominated in a currency other than HUF are converted at the exchange rate valid at the end of the reporting period. The items valuated at fair value and denominated in a currency other than HUF are converted at the exchange rate valid on the date of determining the fair value. Exchange rate margins are recognised in the line of revenues from or expenditures on financial operations.

The Group applies the exchange rate valid on the balance sheet date with regard to the EUR conversion of the balance sheet data indicated in the annual statements of the companies prepared in HUF. The data included in the profit and loss account are exchanged at the exchange rate applicable during the reporting period. The exchange rate difference arising from the exchange of the statements of separate corporations to EUR are indicated in the Exchange rate reserves (Equity).

2.1.3 **Sales revenue**

The revenues realized on sales transactions appear when the conditions of the contracts are appropriately met. Sales revenues are exclusive of the value added tax. All revenues and expenditures are recognized in the relevant period on the basis of the principle of matching.

The basic principle of the IFRS 15 standard is that companies recognise revenue to depict the transfer of goods handed over or services provided to their customers in an amount that reflects the consideration (i.e. payment) to which the entity expects to be entitled in exchange for those goods or services. Revenues have been recognised in an amount that reflects the consideration the Group is expected to be entitled to in consideration of the particular products or services. However, price revenues are recognised if the Company is likely to realise an economic benefit in relation to the transaction, and its amount is appropriately measurable. The price revenue is recognised when control over the goods and the services is transferred to the buyer.

A new model coined the 5-step model was developed under this standard, including the identification of contract(s), the identification of the separate performance obligations, setting the transaction price, the allocation of the transaction price to the individual components, and the recognition of the price revenue allocated to the individual obligations.

Performance obligations

On conclusion of a contract, the Group must identify the goods and services it has promised to the buyer, in other words, the performance obligations it has undertaken. The Group can recognise the revenue when it has satisfied its performance obligation by delivering the goods promised or providing the service promised. Performance is completed when the buyer has obtained control over the asset (service), as indicated by:

- The Group has an existing title to receive the consideration for the asset.
- The proprietary title to the buyer,
- The Group has physically transferred the asset,

- The buyer has a significant risk and capacity to benefit from the possession of this asset,
- The buyer has accepted this asset.

Setting the transaction price

When a contract has been performed, the Group must recognise revenue from delivery, i.e. the transaction price allocated to the performance obligation. The transaction price is the amount to which the Group 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. An expected value was calculated for an estimate of variable consideration, which was weighted by the Group by probability factors.

Income from rent

The Group earns income from the sale of property by leasing office space and logistics 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 Group collects lease fees in advance, and 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.

Property operation revenues

The Group is the owner of built-in equipment (mechanical installations). Mechanical equipment constitutes the controlled assets of the subsidiaries and includes electricity supply, network supply connections, places of distribution, water network connections (kitchens, bathrooms), heating systems and boilers. The Group grants right of use to the tenants in respect of the assets under its control, and the tenants reimburse the Group for the use of such assets on a pro rata basis of use. The Group treats the energy (gas, water and electricity) purchased for the equipment as services purchased for the equipment rather than materials sold independently. The Group does not sell energy to any customer independently and without such customer using the property. When operating property, the Group relies on the expertise, means and management system of its subsidiaries. Therefore, the Group treats income from operating property as its own income and performance. The Group recognises the revenues raised from property management in the period when the Group incurs the costs from property management.

In addition to the above, the Group has other operation-related costs it re-invoices to its customers. In the course of such re-invoicing, the Group acts as an agent and therefore the related costs and revenues are recognised netted in the sales revenue, and consequently, the sales revenue only contains the net effect (profit). In previous years the Group incorrectly recognised these re-invoicing items in gross amounts, and the effects of the retroactive correction are included in Note 46.

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

Income realised on other financial services
Interest income from other financial assets is recognised when it is probable that future economic benefits will be paid to the Group, 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 presented pro rata with due consideration to the relevant effective interest rate, which 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.

2.1.4 **Property, plant and equipment**

Intangible assets are recognized at value at direct cost reduced by accumulated depreciation. Accumulated depreciation includes the recognized costs of non-accelerated depreciation incurred in relation to the continuous use and operation of the asset and of accelerated impairment required by the significant damage or injury to the asset due to an unexpected, extraordinary event.

The direct cost of tangible assets include the cost of purchasing the asset, and in the case of a capital investment project implemented by the business on its own, the material and staff costs as well as other direct costs incurred. The interest accounted on a loan taken for a tangible asset investment project increases the cost of the asset until the asset is brought to the condition corresponding to its intended purpose.

The book value of tangible assets is revised annually in order to establish if the book value exceeds the fair market value of the asset, and if it does, impairment is required to the fair market value of the asset. The fair market value of the asset is the higher of the sales price or the use value of the asset. Use value is the discounted value of future fund flows generated by the asset.

A discount rate includes the interest rate before corporate taxes, with a view to the time value of money and the effects of other risk factors related to the asset. If no future cash flow can be assigned to the asset independently, the cash flow of the unit that includes the asset must be taken as a basis. The impairment determined by this method is recognized in the income statement.

The repair and maintenance cost of tangible assets and the costs of replacing spare parts are accounted to the debit of maintenance expenses. Value-increasing investments and renovations were capitalized. The direct costs and accumulated depreciation of assets sold are derecognized. Any profit or loss made in this way is part of the P/L for the reporting year.

The value of the Group's assets is written off by the linear method during the useful life of the assets. Life in a breakdown of asset groups is as follows:

Asset type	**Useful economic life**
Machinery & equipment	3-7 years
Leased real properties	5-year
Office equipment and fixtures and fittings	3-7 years

Useful lives and the depreciation methods are revised at least once every year on the basis of the actual economic benefit provided by the given asset. If required, the modification is offset against the profit of the reporting 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). At the time of their initial appearance, investment properties are measured at prime cost, including transaction cost. Subsequently to the initial recognition, the investment property is measured at fair value, and the Group has selected the fair value method. 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.

If the investment property is transferred to a company's own use, it is re-rated and classified among property, machinery and equipment. 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.

The criteria for determining the fair value related to the measurement of investment properties are given in Section 2.3.

2.1.6 **Impairment of non-financial assets**

At the end of each reporting period the Company Group assesses whether any change suggesting impairment has happened to any asset. If such a change has taken place, the Group estimates the value of the expected return on the asset. The expected return on an asset or cash-generating unit is the higher of the fair value less sales costs or the use value. The Group recognizes impairment to the debit of the profit if the expected return on the asset is less than its book value. The Group performs the required calculations on the basis of an appropriate discounting of long-term future cash flow plans.

2.1.7 Intangible assets

Individually obtained intangible assets are recognized at cost, while the intangible assets acquired in the course of business combinations are disclosed at fair value at the time of the acquisition. An asset may be included in the books if its use can be proven to result in the future inflow of business benefits and its cost can be clearly established.

Following acquisition, the direct cost method applies to the intangible assets. The lives of these assets are either limited or cannot be determined. Assets with limited lives are depreciated by the linear method based on the best estimate of their lives. The period and method of amortisation are revised annually, at the end of each financial year. Disregarding development costs, own manufactured intangible assets are not capitalised but are offset against the P/L in the year when they are incurred. Intangible assets are revised annually for impairment, either separately or at the level of the income-generating unit.

The costs of goods and software falling within the scope of brand names, licenses and industrial property rights are capitalised and linearly derecognised during their useful life:

Concessions, licences and similar rights, and software	3-year

2.1.8 Goodwill

Goodwill is the positive difference between the identifiable cost and the fair value of the net assets of the acquired subsidiary, affiliated company or jointly controlled company on the day of acquisition. Goodwill is not depreciated, but the Group examines every year if there are any signs suggesting that the book value will not be recovered. Goodwill is recognised at the direct cost less any impairment.

2.1.9 Impairment of receivables

Liabilities are recognized in the statements at a nominal value reduced by the appropriate impairment generated for estimated losses. Based on the review of all outstanding receivables prevailing at the end of the year the Group made an estimate for the value of receivables. Impairment is established in a situation (for example in the case of insolvency or the debtor’s significant financial difficulties) that suggests that the Group will be unable to recover the amount according to the original conditions of the invoice. An account receivable already written off is derecognised if it is rated irrecoverable.

2.1.10 Financial assets

The Group’s statement of the consolidated financial position includes the following financial instruments: trade receivables, loans granted, financial instruments and cash equivalents. The financial assets falling within the scope of the IFRS 9 standard can be classified into three measurement categories: assets measured at amortised cost after acquisition; assets measured at fair value through other comprehensive income after acquisition (FVOCI) and assets measured at fair value through profit or loss after acquisition (FVTPL).

The Group's financial assets are classified upon initial valuation in accordance with their nature and objectives. In order to determine the category of a financial instrument, first it needs to be clarified if the given financial asset is a debt instrument or a capital investment. Capital investments must be measured at fair value through the P/L, but at the time of initial recognition the business may decide to measure capital investments not held for trading at fair value through the other comprehensive P/L. If the financial asset is a debt instrument, the following considerations apply to their rating and classification.

Amortised prime cost
Financial assets must be measured at amortised prime costs if they are held on the basis of a business model to collect contractual cash flows, and the contractual conditions of the financial asset generate cash flows, at a specified point in time, that only constitute payments of the principal and the interest on any principal outstanding.

Fair value through other comprehensive profit or loss.
Assets measured at fair value other comprehensive P/L are financial instruments held on the basis of a business model that achieves its objective by collecting contractual cash flows and the sale of financial assets, and the contractual conditions of the financial asset generate cash flows, at a specified point in time, that only constitute payments of the principal and the interest on any principal outstanding.

Fair value to P/L
The category of financial assets measured at fair value through the P/L includes financial assets not included in any of the above two categories of financial assets, or at the time of their initial presentation they were specified as measured at fair value through the P/L.

When checking compliance with the SPPI requirements, the Group 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 Group 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. The Group did not use 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 Group 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.

2.1.11 **Financial liabilities**

The Group's consolidated statement of the financial position includes the following financial liabilities: accounts payable and other short-term liabilities, loans, issued own shares, and bank overdrafts. Their recognition and valuation are included in the relevant parts of the Notes to the financial statements as follows:

The Group valuates each financial liability at its fair value valid at the time of its initial recognition. In the case of loans and debts on issued bonds, the transactions costs directly attributable to the acquisition of the financial liability are also taken into consideration.

The financial liabilities subject to the IFRS 9 standard can be classified into two measurement categories: liabilities measured at amortised cost after acquisition, and liabilities measured at fair value through profit or loss after acquisition (FVTPL). The Group determines the classification of the individual financial liabilities when they are acquired. The Group did not use the FVTPL option.

Loans, advances and issued bonds are recognized in the statements of the financial position at the amortised cost calculated by the effective interest rate method. The profits and losses related to loans, advances and bonds are recognized in the income statement during the calculation of depreciation by the effective interest rate method and when the financial liability is deregulated. Amortization is accounted as financial expenditure in the statement on income.

2.1.12 **Provisions**

The Group recognizes provisions for (legal or assumed) commitments incurred as a result of past events the Group is probably required to pay, provided that the amount of the commitment is reliably measurable.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, taking the risks and uncertainties characteristic of the obligation into account. If a provision is measured using the cash flow probably required for the payment of the existing commitment, the book value of the provision is the present value of such cash flows.

If some or all of the expenditures required to settle a provision is expected to be reimbursed by another party, such a receivable is recognized as an asset if it is virtually certain that the entity will receive the reimbursement and the amount receivable is reliably measureable.

Existing obligations arising from onerous contracts are recognized as provisions. The Group considers a contract onerous if the unavoidable costs of meeting the obligations undertaken in the contract exceed the economic benefits expected to be received from the contract.

A restructuring provision is recognized if the Group has prepared a detailed formal restructuring plan and when the implementation of the plan is started or the main features of the plan are announced to the stakeholders, expectations are triggered in the stakeholders regarding the implementation of the transformation. The reorganization only includes direct expenditures incurred in relation to reorganization and are indispensable for reorganization, and do not relate to the business entity's activity continued as a going concern.

2.1.13 **Income taxes**

The amount payable as corporate tax is based on the act on dividend tax and on tax payment liability specified by the act on local business taxes, and is modified by the deferred tax. In its accounting policy, the Group decided to consider corporate tax and local business tax and income taxes. The corporate income tax liability includes tax components due in the reporting year and deferred taxes.

The tax payable for the current year is determined on the basis of the taxable profit of the reporting year. The taxable profit differs from the profit before taxes recognized in the consolidated report, due to profits and losses not constituting a tax base and to items that are recognized in the taxable profits of other years. The Group's current tax payment liability is determined on the basis of the tax rate in force or announced (provided that announcement is equivalent to entry into force) up to the balance-sheet cut-off date. Deferred tax is calculated by the liability method.

Deferred tax liability is incurred when there is a temporary difference between the recognition of an item in the annual report and its reconciliation according to the Act on Taxation. Deferred tax assets and tax liabilities are established using the tax rates applicable to the taxable revenues in years when recovery of the difference is expected due to the time displacement. The amount of deferred tax liabilities and tax assets reflect the Group's estimate on the method of realizing tax assets and tax liabilities on the balance-sheet cut-off date.

Deferred tax assets are only included in the balance sheet with reference to deductible temporal differences, transferable tax benefits and a negative tax base, if in the course of its future activity the Group presumably realizes profit serving as a tax base and the deferred tax asset can be offset against it.

On every balance-sheet date the Group takes account of the deferred tax assets not recognized in the balance sheet and the book value of the recognized tax assets. It inventorizes that part of the receivables not previously included in the balance sheet on which recovery is expected as a reduction in the future income tax. In contrast, the Group's deferred tax assets must be reduced by any amount not expected to be covered by any available taxable profit.

The tax due in the reporting year and deferred tax are offset against the equity if they refer to items also offset against the equity in the same or in another period.

Deferred tax assets may be offset against deferred tax liabilities if a given company is authorized by law to offset its actual tax assets and tax liabilities due from and to the same tax authority, and the Group intends to recognize these assets and liabilities on a net basis.

2.1.14 **Leasing**

For the first time the Group applied the new leasing standard as from 1 January 2019 (Note 2.2). According to the IFRS 16 standard on leases, the lessee must simultaneously account and quantify a right to use among assets and a related financial liability among liabilities. The right-to-use asset is measured similarly to other non-financial assets and depreciation is also recognised accordingly. Initially, lease liabilities are measured at present value during the lease term, and this present value is calculated with the help of the implicit interest rate if such an interest rate can be accurately specified. If this interest rate is difficult or impossible to determine, the lessee may use the incremental borrowing rate for discounting purposes.

The Group has decided not to recognise assets encumbered by use rights and leasing liabilities in the case of small-value assets and short-term leases. The Group recognises the lease charges related to such a leasing as costs by the linear method during the lease term. The Group present the assets encumbered by the right of use under leasing in the balance sheet line “Tangible assets”, in the same line where other assets of the same character are presented.

Leasing liabilities were determined at the present value of the remaining lease charges, discounted by the borrowing rate of interest valid on 1 January 2019. Previously, in the case of assets recognised as financial leasing the Group determined the book value of the leasing liability directly at the book value of the asset encumbered by use rights and of the leasing liability presented before the adoption of the new system, at the time of the initial application.

The Group applied the following practical solutions allowed by the standard during the first application of IFRS 16:

- reliance on the previous measurements in relation to deciding whether a contract was a lease contract or included leasing,
- the recognition of operative leasing with a term to maturity less than one year on 1 January 2019 is considered as short-term leasing
- dispensing with the initial direct costs in the determination of the right to use at the time of initial application and
- the application of subsequent measurement when the term of the leasing is set, if the contract includes options for the renewal or termination of the leasing.

2.1.15 Earnings per share (EPS)

The return on a share is determined with a view to the Group's profit and shares reduced by the average portfolio of own shares repurchased in the period reviewed.

The diluted earnings per share are calculated similarly to the earnings per share. However, during calculation all the outstanding shares suitable for dilution are taken into account, increasing the return payable on ordinary shares by the dividend and return on the convertible shares that can be taken into account in the given period, modified by any additional revenues and expenditure arising from conversion, increasing the weighted average number of outstanding shares by the weighted average number of those shares that would be outstanding if all the convertible shares were converted. No transaction was concluded either in the year ended 31 December 2018 or in the one ended 31 December 2019 that would dilute the value of the EPS ratio.

2.1.16 Deposits provided by tenants

Deposits placed by tenants are recognised at their initial fair value, and they are presented at amortised cost determined at the effective interest rate method in subsequent periods. Deposits placed by tenants in relation to long-term leases are presented as long-term liabilities. The remaining deposits by tenants are presented as other liabilities in the consolidated financial statements.

2.1.17 Inventories

Inventories are recorded at the lower of purchase value and net realisable value. Net realisable value corresponds to the sales price estimated during normal business practice, decreased by the estimated costs of completion, and the costs arising as a result of the sale.

2.1.18 Off-balance sheet items

Off-balance sheet liabilities are not included either in the balance sheet or in the income statement comprising the consolidated annual report, unless they have been obtained in the course of business combinations. They are presented in the Notes, unless the outflow of funds representing economic benefit is a remote option of a very slight probability. Off-balance sheet items are not included in the consolidated financial statements; however, if the influx of business benefits is likely, they are presented in the Notes.

2.1.19 Repurchased own shares

Repurchased equity shares are deducted from the equity. The difference between the nominal value and direct cost is recognised directly in the capital reserve in the course of sale.

2.1.20 **Dividend**

The Company accounts for dividend in the year it is approved by the owners.

2.1.21 **P/L on financial operations**

The financial P/L includes interest, dividend revenues and the amount of the negative goodwill, recognised with the effective interest rate method, interest and other financial expenditures recognised with the effective interest rate method, profit and loss on the fair valuation of financial instruments, and any realized or non-realized exchange rate differences.

2.1.22 **Events after the balance-sheet cut-off date**

The events that took place after the end of the reporting period and provide additional information about the circumstances prevailing at the end of the Group's reporting period (amending items) are presented in the report. The events that took place after the reporting period and not requiring the modification of the reporting data are presented in the Notes, if relevant.

2.2 Changes in the accounting policy

The Group has compiled its financial statements in accordance with the provisions of all the standards and interpretations that entered into force on 31 January 2019.

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

IFRS 16 Leasing (effective as from 1 January 2019)
On 13 January 2016, IASB published a new standard about the recognition of leasing transactions. The application of the new leasing standard will be mandatory for the companies that adopt the IFRS in respect of the reporting periods beginning on or after 1 January 2019. The new standard replaced the previous regulations set out in IAS 17 and IFRIC 4 on lease, and fundamentally changed the previous practice of accounting operative leasing.

The Group analysed the effects of the amendments and found that they had an insignificant impact on the financial statements, as its lease contracts existing on 1 January 2019 matured within a year, and thus it used the exemption option given in the standard.

The standards and interpretations issued by IASB but not yet adopted by the EU and not expected to have any impact on the Group's financial statements:

When the financial statements were approved, the following standards and interpretations had already been issued but they had not yet entered into force.

- IFRS 17 Insurance contracts – (in force in business years starting on or after 1 January 2021, the EU has not yet approved this amendment).
- Amendment of IFRS 3 on “Business combinations” (n force in business years starting on or after 1 January 2020, this amendment has not yet been approved by the EU).
- Amendments in the presentation of IAS 1 – Accounting Policies, and changes in IAS 8 – Accounting Estimates and Errors: Specification of the level of significance (in force in business years starting on or after 1 January 2020).
- IFRS 99 – “Financial Instruments”, IAS 39 – “Financial Instruments”: Presentation and measurement and IFRS 7, “‘Financial instruments”: Amendment of the disclosure (in force in business years starting on or after 1 January 2020).

The above-referenced standards and amendments are not expected to have significant effects on the Group’s P/L.

In 2019 the Group applied all the IFRS standards, amendments and interpretations effective as from 1 January 2019 and relevant for the operation of the Group.

2.3 Significant accounting estimates and assumptions

When the accounting policy described in Section 2.1 is applied, estimates and assumptions not clearly definable from other sources need to be used for the determination of the values of the individual assets and liabilities at the given moment of time. The estimation procedure includes the decisions adopted on the basis of the available information and the relevant factors. These significant estimates and assumptions influence the value of the assets and liabilities, revenues and expenditures recognized in the financial statements, as well as the presentation of contingent assets and liabilities in the Notes. The actual results may differ from the estimated data.

The estimates are updated on a regular basis. If a change only affects one given period, it must be recognized in the period of change in accounting estimates, and if the change affects both the period of change and future periods, it must be recognised in both periods.

The main areas of the critical decisions made on the uncertainty of estimation and on the accounting policy, which have the most significant impact on the consolidated financial statements include the following:

2.3.1 **Functional currency and presentation currency**

Based on economic events and circumstances not typical to the Group’s activity, functional currency is HUF, and reporting currency is EUR. Accordingly, figures in the consolidated annual statement are indicated in EUR, unless otherwise indicated. With regard to the exchange of the accounting data kept in other than EUR by the members of the Group for the 2019 statement, the following HUF-EUR exchange rates issued by the Hungarian National Bank is applicable to the reporting date:

Exchange rate type	31 December, 2019	31 December 2018	31 December 2017
Closing	330.52	321.51	310.14
Average	325.35	318.87	309.21
Difference between closing and average	5.17	2.64	0.93

Previously, the Group made a mistake, when presenting EUR as functional currency The relevant corrections are indicated in Note 46.

2.3.2 Classification of real properties

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

- An investment property is real property (land and/or buildings) typically purchased by the Group to earn rentals or for capital appreciation. The Group 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 Group in the near future.
- Properties used by the Group for its own purposes are rated as fixed assets.

2.3.3 Fair value of investment properties

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 Group's own appraisals and those by independent experts. The principles of measurement and the parameters applied are specified in Note 10.

2.3.4 Depreciation and amortisation

Property, plant and equipment and intangible assets are accounted at direct cost, and are written of linearly during their useful lives. For the years ended 31 December 2019 and 31 December 2018 the Company recognised EUR 45,007,000 and EUR 40,541,000 as depreciation and amortisation expenditures, respectively. The useful lives of assets are determined on the basis of pervious experiences with similar assets and of changes that take place in the expected technological development and the wider economic or sectoral factors. The estimated useful lives are supervised annually.

2.4 Details of the business combination and the consolidated companies

The Group has participation (voting and ownership rights) in the following subsidiaries:

Name of the subsidiary	Parent company	Ownership and voting ratio 2019	2018	Address
Appeninn A59 Kft.	Appeninn Nyrt.	100%	100%	H-1062 Budapest, Andrássy út 59.
Appeninn BLT Kft.	Appeninn Nyrt.	100%	100%	H-1062 Budapest, Andrássy út 59.
Appeninn E-Office Vagyonkezelő Zrt.	Appeninn Nyrt.	100%	100%	H-1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1
Appeninn Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft.	Curlington Ingatlanfejlesztési Kft.	100%	100%	H-1062 Budapest, Andrássy út 59.
Appeninn Project-BTBG Kft.	Appeninn Nyrt.	-	100%	H-1062 Budapest, Andrássy út 59.
Appeninn Project-EGRV Kft.	Appeninn Nyrt.	100%	100%	H-1062 Budapest, Andrássy út 59.
Appeninn Project-MSKC Kft.	Appeninn Nyrt.	100%	100%	H-1062 Budapest, Andrássy út 59.
Appeninn Property Vagyonkezelő Zrt.	Appeninn Nyrt.	100%	100%	H-1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1
Appeninn Üzemeltető Zrt.	Appeninn Nyrt.	100%	100%	H-1062 Budapest, Andrássy út 59.
Appeninn-Bp 1047 Zrt.	Appeninn Nyrt.	100%	100%	H-1062 Budapest, Andrássy út 59.
Appen-Retail Kft.	Appeninn Property Vagyonkezelő Zrt.	100%	100%	H-1062 Budapest, Andrássy út 59.
Bertex Ingatlanforgalmazó Zrt.	Appeninn Nyrt.	100%	100%	H-1062 Budapest, Andrássy út 59.
Curlington Ingatlanfejlesztési Kft.	Appeninn Nyrt.	100%	100%	H-1062 Budapest, Andrássy út 59.
Felhévíz-Appen Kft.	Appeninn Property Vagyonkezelő Zrt.	100%	100%	H-1062 Budapest, Andrássy út 59.
Sectura Ingatlankezelő Kft.	Szent László téri Szolgáltatóház Kft.	100%	100%	H-1062 Budapest, Andrássy út 59.
Szent László téri Szolgáltatóház Kft.	Appeninn Nyrt.	100%	100%	H-1062 Budapest, Andrássy út 59.
VCT78 Ingatlanhasznosító Kft.	Szent László téri Szolgáltatóház Kft.	100%	100%	H-1062 Budapest, Andrássy út 59.
PRO-MOT Hungária Ingatlanfejlesztő Kft.	Appeninn BLT Kft.	74.99%	-	H-1062 Budapest, Andrássy út 59.
Appeninn 105 Realty Project Kft.	Appeninn Nyrt.	100%	-	H-1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1

In 2019 the following changes took place at the members of the Group:
- The Company established Appeninn 105 Realty Project Kft. by contribution in kind.
- The Group purchased 74.99% of PRO-MOT Hungária Ingatlanfejlesztő Kft.
- The Company sold 100% of its ownership in Appeninn Project-BTBG Kft.

Information related to the acquisition of PRO-MOT Hungária Kft.:

EUR	PRO-MOT Hungária Kft.
Purchaser	Appeninn BLT Kft.
Share transferred	74.99%
Consideration for the share to seller	74.136
Book value of the net assets acquired by way of the acquisition	10,848,102
Adjustment for fair value	(8,358,962)
Fair value of the net assets acquired by way of the acquisition	2,489,140
Net asset value for the parent company	*1,866,606*
Negative goodwill realised in the ownership	*(1,792,470)*

The amount of business share in the acquired company is EUR 74,136, and the amount of paid sum is EUR 61,041.

Upon acquisition of PRO-MOT Hungária Kft., the Company entered net assets at real value. Fair value correction is related to the property acquired by the Company. Negative goodwill of EUR 1,792,470 was generated in the business combination, which are recorded in the revenues from financial transactions. Fair value of net assets per non-controlling share upon acquisition was EUR 610,626.

The Company sold its ownership in Appeninn Project-BTBG Kft. at book value for EUR 9,221. By way of the derecognition of the results recorded in previous years with regard to the subsidiaries, EUR 75,527 profit was generated by way of the sale.

In 2018 the following changes took place at the members of the Group:

- The Company sold its business share in Appeninn Credit Zrt.
- On 30 November 2018, the Company established Appeninn Project K39 Kft with subscribed capital of HUF 3,000 thousand, which was sold on 14 December 2018 for HUF 3,000,000.
- The Group acquired Appeninn A59 Kft. (Previous name: Plaza House Ingatlanfejlesztési Kft).
- In 2018, the Group founded Appeninn Project-BTBG Kft., Appeninn EGRV Kft, Appeninn Project-MSKC Kft and Appeninn BLT Kft.

Sale of Appeninn Credit Zrt.:

In 2018, the Company sold 100% of its ownership in Appeninn Credit Zrt. The assets of the sold company amounted to EUR 245,309, and the sale generated profits of EUR 145,835 for the Company.

Sale of 100 per cent of Appeninn Credit Zrt.'s shares	EUR
Total net asset value (per 100%)	245,309
Consideration for the sale of the business share	391,144
Profit (loss) from the business share	**145,835**

Acquisition of Appeninn A59 Kft.:

In 2018, the Group purchased 100% of Appeninn A59 Kft. (Previous name: Plaza House Ingatlanfejlesztési Kft.). The extra amount in the purchase price was allocated by the Company to income-generating properties.

EUR	Appeninn A59 Kft. (Plaza House Ingatlanfejlesztési Kft.)
Purchaser	Appeninn Nyrt.
Share transferred	100.00%
Consideration for the share to seller	7,048,719
Of which:	
Income-generating investment properties	7,000,000
Trade and other current receivables	40,366
Cash and cash equivalents	46,826
Short-term liabilities	(38,473)
Net assets acquired by way of the acquisition	7,048,719
Total assets (given) received by way of the acquisition of the business share:	***(7,048,719)***
Goodwill/(badwill) realised by way of the business share	*0*

3. Sales revenue from property lease

The Group earns sales revenues by the letting of offices, logistics and commercial properties and related operating services. The Group realises its revenues coming from property sales from the lease of offices and logistic and commercial properties as well as related operating services.

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, and the revenues collected from the 18 commercial properties rented by SPAR are recognised in the 2018 annual P/L as data for an incomplete year.

EUR	For the business year ended 31/12/2019	For the business year ended 31/12/2018 (amended Note 46)
Revenue from leasing office space	3,301,066	2,561,330
Leasing logistics properties	2,240,709	2,199,314
Leasing commercial properties	1,860,663	1,016,112

Total	**7,402,438**	**5,776,756**

4. Direct costs of property rental

EUR	For the business year ended 31/12/2019	For the business year ended 31/12/2018 (amended Note 46)
Property management rights	(426,043)	(1,042,791)
Taxes on land and buildings	(468,323)	(312,092)
Repairs and maintenance	(65,106)	(163,840)
Costs of property insurance	(41,005)	(24,685)
Security guarding	(6,809)	(15,875)
Other management costs	(341)	-
Total	**(1,007,627)**	**(1,559,283)**

5. Administration costs

EUR	For the business year ended 31/12/2019	For the year ended 31/12/2018
Accounting and audit service charges	(215,077)	(223,517)
Bank charges	(132,071)	(93,768)
Legal expenses	(142,157)	(354,159)
Business management consultancy, PR	(281,047)	(121,996)
Property valuation	(49,823)	(25,089)
Listing charges of a public limited company	(25,508)	(32,928)
IT service charges	(20,361)	(13,922)
Phone and internet charges	(12,989)	(11,546)
Charges and duties payable to authorities	(1,739)	(116,634)
Stationary and materials	(9,620)	(19,325)
Charge for pressure on soil	(15,502)	(53,427)
Other costs	(147,168)	(186,216)
Total	**(1,053,062)**	**(1,252,527)**

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.

6. Staff costs

There are short vacant periods between tenants, and due to the great positioning of the properties, there is a high quality, solvent tenant portfolio with regard to the Group's properties. The Group started its activity with 16 employees.

EUR	For the business year ended 31/12/2019	For the year ended 31/12/2018
Wage costs	(617,711)	(559,361)
Wage taxes	(122,079)	(125,829)
Other payments to staff	(17,285)	(33,864)
Total	**(757,075)**	**(719,054)**

The Company's tasks are the complex facility management and technical operation of the Appeninn Group's entire property portfolio. The launching of the new business branch is planned to provide higher quality and more cost effective and flexible operation for the Group's clients.

Headcount data	For the year ended 31/12/2019	For the year ended 31/12/2018
Average statistical headcount (person)	**25.00**	**23.51**
Closing headcount (persons)	**25.00**	**24.00**
Of which:		
Appeninn Üzemeltető Zrt.	17.00	17.00
Appeninn Vagyonkezelő Holding Nyrt.	7.00	6.00
Appeninn E-Office Vagyonkezelő Zrt.	1.00	1.00

7. Other operating expenditures and revenues

The Group presents its revenues other than revenues from real property leasing as other revenues (expenses). Exceptionally high revenues that affect the performance of the entire reporting period in terms of value or type are recorded separately in the main statements. Revenues not classified elsewhere and revenues not separated from other revenue types are presented here.

In January 2019, the Group acquired control over PRO-MOT Hungária Kft. The difference between the previously amortised claims towards the subsidiary and the liabilities of the new subsidiary generated other revenues in the scope of the debt consolidation.

EUR	For the business year ended 31/12/2019	For the year ended 31/12/2018
Other revenues		
Default interest received	465	111,840
Profit on tangible assets sold	1,153	-
Revenues related to insurance cases	1,319	3,422
Release of an unused provision	-	44,707
Reversals of impairment	1,186,014	-
Other revenues	37,596	1,582
	1,226,547	**161,551**
Other expenditures		
Fines and penalties	(4,560)	(5,061)
Impairment	(19,905)	(14,051)
Other expenditures	(64,980)	(17,288)
	(89,445)	**(36,400)**
Other income / (expenses), total	**1,137,102**	**125,151**

8. Profit (loss) on the sale of subsidiaries and investments

EUR	For the business year ended 31/12/2019	For the year ended 31/12/2018
Appeninn Credit Zrt.	-	145,835
Appeninn-BTBG Kft.	75,527	-
Total	**75,527**	**145,835**

A detailed presentation of the business combinations is included in Section 2.4.

9. Revenue from the sale of investment properties

EUR	For the business year ended 31/12/2019	For the year ended 31/12/2018
Sales price of an investment property	1,247,285	1,434,113
Derecognition of the fair value of investment property	(1,100,000)	(950,000)
Total	**147,285**	**484,113**

In 2019, the Group sold its property at 2051 Biatorbágy, Tormásrét u. 2., and recorded EUR 147,285. In 2018, the Group sold its property at 1121 Budapest, út 5., and recorded EUR 484,113.

10. Profit on the revaluation of income-generating investment properties

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

Every year, the Group determines the fair value of the properties. In addition to the valuation performed by the Group, an independent expert also reviewed the value of the real property portfolio. The value determined by the independent valuer is consistent with the value recognised in the financial statements. The independent valuer engaged to act for the Company between 2014 and 2019 Jones Lang LaSalle Kft, (Széchenyi tér 7-8,, 1051 Budapest, hereinafter: "JLL Kft."). 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 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.

Valuation methods:
Valuations were made in an income approach, by the discounted cash flow method and the sale comparison method. The present value cash flows generated by real properties is determined at a market-based discount rate reflecting investors' return expectations, The current prices of cash-flows generated by the property were determined by the application of a market-based discount rate that reflects investors' yield expectations. A periodic cash flow is equal to income less the costs of property operation and maintenance, 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 2019 and 2018: average rental fee, market fee, usage of the property (occupancy) and exit yield with discount rate. These values are

based on market observations, and were adjusted due to the local situation of the particular property. Due to such adjustments, all the variables used were classified as level 3.

The valuation methods remained unchanged in 2018 and 2019. 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.

2019 annual revaluation

EUR	**Fair value increase**	**Fair value decrease**
H-1149 Budapest, Várna u. 12-14.	50,000	
H-1023 Budapest, Bég u. 3-5.	100.000	
H-1022 Budapest, Bég u. 4. (Törökvész u. 30.)	400,000	
H-1094 Budapest, Páva utca 8	200.000	
H-1015 Budapest, Hattyú utca 14.	100.000	
H-1118 Budapest, Kelenhegyi út 43.		(1,700,000)
H-6000 Kecskemét, Kiskőrösi utca 30.	400,000	
H-6000 Kecskemét, Kiskőrösi utca 30. (discounted value of a call option)	250.000	
H-1082 Budapest, Üllői út 48.	4,000,000	
H-1105 Budapest, Bánya utca	200.000	
H-1023 Budapest, Felhévízi út 24	200.000	
H-1105 Budapest, Bánya utca		(10,000)
H-1044 Budapest, Váci út 76-80.		(100,000)
H-3525 Eger, Railway u. 1		(291,198)
H-3525 Miskolc, Szűcs Sámuel u. 5.	75.000	
	5,975,000	**(2,101,198)**

Fair value change, total	**3,873,802**
Change in exchange rates, total	**4,064,579**
Fair value changes, total	**7,938,381**

Fair value decrease under 3525 Eger, Vasút u. 1. is the result of the failure of the investment.

2018 revaluation (amended, Note 46)

EUR	Fair value increase	Fair value decrease
H-1149 Budapest, Várna u. 12-14.	400,000	
H-1047 Schweidel utca 3.	200.000	
H-1023 Budapest, Bég u. 3-5.	1,300,000	
H-1022 Budapest, Bég u. 4. (Törökvész u. 30.)		(400,000)
H-1094 Budapest, Páva utca 8	200.000	
H-1015 Budapest, Hattyú utca 14.	1,400,000	
H-1118 Budapest, Kelenhegyi út 43.	1,300,000	
H-1133 Budapest, Visegrádi u. 110-112.	200.000	
18 SPAR department stores	5,600,000	
H-6000 Kecskemét, Kiskőrösi utca 30.	400,000	
H-6000 Kecskemét, Kiskőrösi utca 30. (discounted value of a call option)	600,000	
H-1062 Budapest, Andrássy út 105.	1,100,000	
H-1082 Budapest, Üllői út 48.	3,300,000	
H-2051 Biatorbágy, Tormásrét u. 2.	200.000	
H-1147 Budapest, Egyenes utca 4.		(200,000)
H-1105 Budapest, Bánya utca	200.000	
H-1023 Budapest, Felhévízi út 24	100.000	
H-1139 Budapest, Frangepán u. 19	100.000	
H-1105 Budapest, Bánya utca	40,000	
Fair value changes, total		**16,040,000**
Change in exchange rates, total		**2,730,891**
Fair value changes, total		**18,770,891**

Sensitivity test:
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 in the DCF model leads to a terminal value. Another sensitive variable of the value of the model is the annual rent. 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 are presented on the basis of the matrix of the shifts in these two model variables.

EUR	2019	2018
+5%	152,575,500	118,193,822
-5%	138,044,500	107,207,822

Ser.#		type	2019				Model variable mean values in the DCF model		Exit yield change test: (-5%), Rent change test (-5%)	Exit yield change test (+5%) Rent change test (+5%)	Discount rate	Mortgage
			Comparable price	DCF model value	Value on cut-off date	Measurement method	Exit charge	Rent EUR/sq. m/month				
1	H-1149 Budapest, Várna u. 12-14.	office, plant	2,300,000	2,200,000	2,200,000	DCF model	8.00%	office: 7.5, warehouse: 4	1,615,000	1,785,000	8,50%	existing
2	H-1047 Schweidel utca 3.	warehouse	2,500,000	2,100,000	2,500,000	comparative	9,00%	warehouse: 3.3	2,280,000	2,520,000	9.25%	existing
3	H-1023 Budapest, Bég u. 3-5.	office	9,600,000	10,300,000	10,300,000	DCF model	7.25%	office: 12, warehouse: 6	9,690,000	10,710,000	7.50%	existing
4	H-1022 Budapest, Bég u. 4.	office	3,300,000	3,300,000	3,300,000	DCF model	7.25%	office: 11	2,755,000	3,045,000	7.50%	existing
5	H-1094 Budapest, Páva utca 8	office	5,600,000	5,100,000	5,100,000	DCF model	8.00%	office: 9.5, warehouse: 6	4,465,000	4,935,000	8.25%	existing
6	H-1015 Budapest, Hattyú utca 14.	office	15,300,000	16,000,000	16,000,000	DCF model	7.25%	office: 11.5, warehouse: 6	15,105,000	16,695,000	7.50%	none
7	H-1118 Budapest, Kelenhegyi út 43.	office, residential	5,700,000	5,200,000	5,700,000	comparative	12.50%	office: 12.5, apartment: 14	6,270,000	6,930,000	8.00%	existing
8	H-1133 Budapest, Visegrádi u. 110-112.	office	4,600,000	5,300,000	5,300,000	DCF model	7.40%	office: 10, warehouse: 4.5	5,035,000	5,565,000	7.65%	existing
9	18 SPAR department stores	commercial	20,100,000	20,100,000	20,100,000	DCF model			19,095,000	21,105,000	8.75%-10%	existing
10	H-6000 Kecskemét, Kiskőrösi utca 30.	business site	3,700,000	3,900,000	3,900,000	DCF model	11.00%	office: 4, warehouse: 2	3,325,000	3,675,000	11.50%	existing
11	H-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
12	H-1082 Budapest, Üllői út 48.	office	22,700,000	21,900,000	22,700,000	DCF model			15,390,000	17,010,000		existing
13	H-1147 Budapest, Egyenes utca 4.	Workshop	1,200,000	900.000	900.000	DCF model		warehouse: 4.75	-	-		existing
14	H-1105 Budapest, Bánya utca	mixed	2,300,000	2,300,000	2,300,000	DCF model	8.75%	office: 4, warehouse: 3.5	1,995,000	2,205,000	9.00%	existing
15	H-1023 Budapest, Felhévízi út 24	office	1,400,000	1,200,000	1,400,000	comparative	8.00%	office: 10	1,045,000	1,155,000	8.25%	existing
16	H-1139 Budapest, Frangepán u. 19	office	3,300,000	3,000,000	3,000,000	DCF model	8.00%	office: 7	2,850,000	3,150,000	8.50%	existing
17	H-1105 Budapest, Bánya utca	office	370.000	310.000	370.000	comparative	9.25%	office: 6.5	342.000	378.000	9.75%	existing
18	H-1044 Budapest, Váci út 76-80.	commercial	2,000,000	1,600,000	2,000,000	comparative	7.75%	office: 10, warehouse: 4	1,710,000	1,890,000	8.00%	existing
19	H-1062 Budapest, Andrássy út 59.	office	6,900,000	7,000,000	7,000,000	DCF model	6.25%	office: 16.12	6,650,000	7,350,000	6.50%	existing

20	H-3525 Miskolc, Szűcs Sámuel u. 5.	office	2,100,000	2,400,000	2,400,000	DCF model	8.00%	Office: 16.90	2,280,000	2,520,000	8.00%	none
21	H-8171 Balatonvilágos, Aligai út 1.	holiday home	27,300,000	31,000,000	27,300,000	comparative			25,935,000	28,665,000	7.00%	existing
					147,370,000							

2018 comparative data:

Ser.#		type	2018				Model variable mean values in the DCF model		Exit yield change test: (-5%), Rent change test (-5%)	Exit yield change test (+5%) Rent change test (+5%)	Discount rate	Mortgage
			Comparable price	DCF model value	Value on cut-off date	Measurement method	Exit charge	Rent EUR/sq. m/month				
1	H-1149 Budapest, Várna u. 12-14.	office, plant	2,150,000	1,700,000	2,150,000	comparative	8.00%	office: 7.5, warehouse: 4	1,615,000	1,785,000	8.50%	existing
2	H-1047 Schweidel utca 3.	warehouse	2,500,000	2,400,000	2,500,000	comparative	9.00%	warehouse: 3.3	2,280,000	2,520,000	9.25%	existing
3	H-1023 Budapest, Bég u. 3-5.	office	10,200,000	10,200,000	10,200,000	DCF model	7.25%	office: 12, warehouse: 6	9,690,000	10,710,000	7.50%	existing
4	H-1022 Budapest, Bég u. 4.	office	2,400,000	2,900,000	2,900,000	DCF model	7.25%	office: 11	2,755,000	3,045,000	7.50%	existing
5	H-1094 Budapest, Páva utca 8	office	4,900,000	4,700,000	4,900,000	comparative	8.00%	office: 9.5, warehouse: 6	4,465,000	4,935,000	8.25%	existing
6	H-1015 Budapest, Hattyú utca 14.	office	15,800,000	15,900,000	15,900,000	DCF model	7.25%	office: 11.5, warehouse: 6	15,105,000	16,695,000	7.50%	none
7	H-1118 Budapest, Kelenhegyi út 43.	office, residential	7,400,000	6,600,000	7,400,000	comparative	12.50%	office: 12.5, apartment: 14	6,270,000	6,930,000	8.00%	existing
8	H-1133 Budapest, Visegrádi u. 110-112.	office	4,900,000	5,300,000	5,300,000	DCF model	7.40%	office: 10, warehouse: 4.5	5,035,000	5,565,000	7.65%	existing
9	18 SPAR department stores	commercial	19,810,000	20,100,000	20,100,000	DCF model			19,095,000	21,105,000	8.75%-10%	existing
10	H-6000 Kecskemét, Kiskőrösi utca 30.	business site	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%	existing
11	H-6000 Kecskemét, Kiskőrösi utca 30. (discounted value of a call option)	business site	(250,000)		(250,000)	option discount			-	-		
12	H-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	H-1082 Budapest, Üllői út 48.	office	18,700,000	16,200,000	18,700,000	comparative			15,390,000	17,010,000		existing
14	H-2051 Biatorbágy, Tormásrét u. 2.	industrial	1,100,000	1,100,000	1,100,000	DCF model	8.50%	office: 4	1,045,000	1,155,000	9.00%	existing
15	H-1147 Budapest, Egyenes utca 4.	Workshop	900.000		900.000	comparative		warehouse: 4.75	-	-		existing
16	H-1105 Budapest, Bánya utca	mixed	2,000,000	2,100,000	2,100,000	DCF model	8.75%	office: 4, warehouse: 3.5	1,995,000	2,205,000	9.,00%	existing
17	H-1023 Budapest, Felhévízi út 24	office	1,200,000	1,100,000	1,200,000	comparative	8.00%	office: 10	1,045,000	1,155,000	8.25%	existing

18	H-1139 Budapest, Frangepán u. 19	office	2,700,000	3,000,000	3,000,000	DCF model	8.00%	office: 7	2,850,000	3,150,000	8.50%	existing
19	H-1105 Budapest, Bánya utca	office	380.000	360.000	380.000	comparative	9.25%	office: 6.5	342.000	378.000	9.75%	existing
20	H-1044 Budapest, Váci út 76-80.	commercial	2,100,000	1,800,000	2,100,000	comparative	7.75%	office: 10, warehouse: 4	1,710,000	1,890,000	8.00%	existing
21	H-1062 Budapest, Andrássy út 59.	office	6,700,000	7,000,000	7,000,000	DCF model	6.25%	office: 16.12	6,650,000	7,350,000	6.50%	existing
22	H-2051 Biatorbágy, Csodaszarvas u. 4.	plot of land	230.000	-	224.624	comparative			-	-		none
23	H-3525 Eger, Railway u. 1	plot of land	760.000	-	291.198	comparative			-	-		none
24	H-3525 Miskolc, Szűcs Sámuel u. 5.	office	2,325,000		2,325,000	comparative	8.00%	Office: 16.90	-	-	8.00%	none
					117,820,822							

11. Capital investments in properties

EUR	For the business year ended 31/12/2019	For the year ended 31/12/2018
Capital investments in properties	(86,139)	(18,905)
Total	**(86,139)**	**(18,905)**

The Group regularly maintains its 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 Group hires contractors usually carrying out complex work for the Group to perform maintenance. The future value of maintenance expenses constitutes part of the Group's property appraisal and is included in the calculation of future cash flows as periodic expenses charged to income. As a result, the Group's fair value valuation based on future cash flows is in keeping with the Group's realised profit and cash flow expenses.

12. Other expenses on and incomes from financial operations

EUR	For the business year ended 31/12/2019	For the business year ended 31/12/2018 (amended Note 46)
Exchange rate gain	1,342,352	378.391
Negative goodwill (PRO-MOT) – Note 2.4	1,792,478	-
Exchange rate loss	(3,034,839)	(1,443,964)
Total	**99,991**	**(1,065,573)**

The profit of the Group was significant due to the EUR exchange rate changes, as a result of the exchange rate changes affecting the profit stated in 2018 statement for other financial items - in comparison with the loss realized in the previous year. In 2018, as a result of the mistaken presentation of EUR as functional currency, the calculation of exchange rate gains was not appropriate. The effects of the correction are described in Note 46.

In 2019, the Group reported negative goodwill of EUR 1,792,478 from the acquisition of PRO-MOT Hungária Kft., which primarily due to the indebtedness of the acquired company, was acquired at a lower price.

In 2018, the Group realised exchange rate loss of EUR 977,449 related to the refinancing of loans.

13. Balance of interest revenues and expenses

EUR	For the year ended 31/12/2019	For the year ended 31/12/2018
Interest revenues		
Interests on downpayment and interest-bearing deposits	79	39
Other interest and interest-type income received (due)	72.656	151
	72,735	**190**
Interest expenses		
Bank loan rates	(1,353,580)	(1,025,863)
Interest payable to Konzum PE	(443,908)	(101.634)
Rates on own-issued and traded bonds	(227,991)	(14,498)
Other interest	(168,281)	-
	(2,193,760)	**(1,141,995)**
Balance on interest revenues and expenses	**(2,121,026)**	**(1,141,805)**

The increased balance of interest expenses is due to increase in loans, and to the fact that the interest payable to Konzum PE on its loan was only present for a fragment of the year in 2018.

14. Income taxes

The expenditures related to income taxes include the following:

EUR	For the business year ended 31/12/2019	For the year ended 31/12/2018
Corporate income tax	145,452	(88,475)
Deferred tax	751,349	(1,877,039)
Business tax	(193,642)	(161,142)
Total	**412,255**	**(2,126,656)**

The tax breakdown is the following:

EUR	For the business year ended 31/12/2019	For the business year ended 31/12/2018 (amended Note 46)
P/L before taxes	11,702,974	19,505,058
Tax payment liability calculated on the basis of the current tax rate 9%	(1,053,268)	(1,755,455)
Losses carried forward on unclaimed funds	1,249,725	-
Business tax	(193,642)	(161,142)
Permanent differences	409.439	(352,059)
Income taxes total	**412,255**	**(2,268,656)**
Effective tax rate	**-0,035 %**	**11.6%**

In 2019, the Group reported tax claim amounts arising from loss deferrals, the return of which is ensured, as they set off the balance of deferred tax liabilities within a given subsidiary.

Tax rates	For the year ended 31/DEC/2019	For the year ended 31/12/2018
Local business tax	2%	2%
Corporate income tax	9%	9%

15. Earnings per share

For the purposes of calculating the fund's earnings per share, the profit after taxes available for allocation to the shareholders and the average number of issued ordinary shares must be taken into account, excluding the equity shares.

	For the business year ended 31/12/2019	For the business year ended 31/12/2018 (amended Note 46)
P/L after taxes (EUR)	10,094,888	16,405,909
Weighted average number of issued ordinary shares	47,327,109	44,913,953
Earnings per share (base, EUR cent)	**21.33**	**36.53**

The Company was not affected by any factor either in 2019 or in 2018 that would have diluted the earnings per share.

16. Net asset value (NAV) per share

	For the business year ended 31/12/2019	For the year ended 31/12/2018
Net asset value	73,075,377	62,285,681
Number of ordinary shares on the cut-off date	47,371,419	47,371,419
Net asset value per share (EUR)	**1.54**	**1.31**

17. Income-generating investment properties

Changes in the opening and closing value of the Group's investment property portfolio included following:

EUR	For the year ended 31/12/2019	For the year ended 31/12/2018
Opening value	**117,820,822**	**62,990,000**
annual change:		
Derecognition by the sale of an investment property	**(1,100,000)**	**(950,000)**
H-1121 Budapest, Menyét út 5.	-	(950,000)
H-2051 Biatorbágy, Tormásrét u. 2.	(1,100,000)	-
Derecognition of a property by the sale of a subsidiary	**(224,624)**	**-**
H-2051 Biatorbágy, Csodaszarvas u. 4. (Investment)	(224,624)	-
Real properties acquired in the reporting period	**27,300,000**	**24,340,822**
18 SPAR department stores		14,500,000
H-1062 Budapest, Andrássy út 59.		7,000,000
H-2051 Biatorbágy, Csodaszarvas u. 4. (Investment)		224.624
H-3525 Eger, Railway u. 1 (Investment)		291.198
H-3525 Miskolc, Szűcs Sámuel u. 5.		2,325,000
H-8171 Balatonvilágos, Aligai út 1.	27,300,000	-
Properties contributed in kind	**-**	**15,400,000**
H-1082 Budapest, Üllői út 48.	-	15,400,000
Change in fair value	**3,873,802**	**16,040,000**
Of which:		
Fair value increment	5,975,000	16,640,000
Fair value decrease	(2,101,198)	(600,000)
Change, total	***29,849,178***	***54,830,822***
Closing	**147,670,000**	**117,820,822**

In 2019, the Group acquired control over PRO-MOT Hungária Kft., thus the value of asset portfolio increased by EUR 27.3 million due to the property in Balatonvilágos. In 2019, the Group sold its properties in Biatorbágy.

The Group's portfolio of income-generating assets grew significantly by a total amount of EUR 39 million in 2018. However, these real properties only started to generate income in the second half of the year.

- Ü48 Irodaház was transferred as in-kind contribution to Appeninn Group,
- the Group acquired Andrássy Palace at Andrássy út 59. through the purchase of Appeninn A59 Kft. (previous name: Plaza House Kft.)

The Group started to expand on the small business, retail segment of the leasehold property market, in spring 2018, when the Company acquired 18 small business properties that are currently rented by SPAR Magyarország Kereskedelmi Kft.

The Group started retail property development on the real properties in Biatorbágy and Eger in 2018, disbursing EUR 515,000. The Group sold these properties in 2019.

The real property in Miskolc was entered into the books at EUR 2,325 thousand in 2018.

The following table shows the calculation of changes in the property portfolio in a breakdown by real property relative to 31 December 2018 and 31 December 2019.

Ser. #	Street and house number	31 December 2018	Acquisition in the reporting year	Sale in the reporting year	Fair value increase	Fair value decrease	31 December, 2019
1	H-1149 Budapest, Várna u. 12-14.	2,150,000			50,000		2,200,000
2	H-1047 Schweidel utca 3.	2,500,000			-		2,500,000
3	H-1023 Budapest, Bég u. 3-5.	10,200,000			100.000		10,300,000
4	H-1022 Budapest, Bég u. 4 (Törökvész u. 30.)	2,900,000			400,000	-	3,300,000
5	H-1094 Budapest, Páva utca 8	4,900,000			200.000		5,100,000
6	H-1015 Budapest, Hattyú utca 14.	15,900,000			100.000		16,000,000
7	H-1118 Budapest, Kelenhegyi út 43.	7,400,000			-	(1,700,000)	5,700,000
8	H-1133 Budapest, Visegrádi u. 110-112.	5,300,000			-		5,300,000
9	18 SPAR department stores	20,100,000			-		20,100,000
10	H-6000 Kecskemét, Kiskőrösi utca 30.	3,500,000			400,000		3,900,000
11	H-6000 Kecskemét, Kiskőrösi utca 30. (discounted value of a call option)	(250,000)			250.000		-
12	H-1062 Budapest, Andrássy út 105.	3,900,000			-		3,900,000
13	H-1082 Budapest, Üllői út 48.	18,700,000			4,000,000		22,700,000
14	H-2051 Biatorbágy, Tormásrét u. 2.	1,100,000		(1,100,000)	-		-
15	H-1147 Budapest, Egyenes utca 4.	900.000				-	900.000
16	H-1105 Budapest, Bánya utca	2,100,000			200.000		2,300,000
17	H-1023 Budapest, Felhévízi út 24	1,200,000			200.000		1,400,000
18	H-1139 Budapest, Frangepán u. 19	3,000,000			-		3,000,000
19	H-1105 Budapest, Bánya utca	380.000			-	(10,000)	370.000
20	H-1044 Budapest, Váci út 76-80.	2,100,000				(100,000)	2,000,000
21	H-1062 Budapest, Andrássy út 59.	7,000,000					7,000,000
22	H-2051 Biatorbágy, Csodaszarvas u. 4. (Investment)	224.624		(224,624)			(0)
23	H-3525 Eger, Railway u. 1 (Investment)	291.198				(291,198)	(0)
24	H-3525 Miskolc, Szűcs	2,325,000			75.000		2,400,000

	Sámuel u. 5.						
25	H-8171 Balatonvilágos, Aligai út 1.	-	27,300,000		-		27,300,000
Total		**117,820,822**	**27,300,000**	**(1,324,624)**	**5,975,000**	**(2,101,198)**	**147,670,000**

18. Tangible assets

The Group recognises motor vehicles and office supplies purchased for its activity as tangible assets. The Group's leased cars serve as collateral for the liabilities under the lease agreements.

EUR	**Total**
Gross value	
as at 31 December 2017	**75,479**
Increase and reclassification	246.815
Decrease and reclassification	
as at 31 December 2018	**322,294**
Increase and reclassification	16.092
Decrease and reclassification	-85,692
as at 31 December 2019	**252,694**
Accumulated depreciation	
as at 31 December 2017	**3,332**
Annual write-off	40,541
Decrease	
as at 31 December 2018	**43,873**
Annual write-off	72,821
Decrease	(41,664)
as at 31 December 2019	**75,030**
Net book value	
as at 31 December 2017	**72.147**
as at 31 December 2018	**278,421**
as at 31 December 2019	**177,664**

The gross value of assets written off to zero was EUR 15,762 on 31 December 2019. No impairment was recognised for tangible assets. The Group does not have any intangible assets.

19. Deferred tax assets

When deferred taxes are calculated, the Group compares the value that can be considered for taxation to the book value per asset and per liability. If the difference is temporary, i.e. if in the foreseeable future the difference is levelled off, the deferred tax liability or asset is recognized with a negative or positive amount. When an asset is posted, the Group assesses return separately.

The Group's accumulated deferred tax losses as at 31 December 2019 were used to reduce deferred tax liabilities to be recognised in respect of investment property in calculating deferred taxes. The use of deferred tax losses is subject to the rules in force in the year when they are incurred, and the order of their use is determined with the FIFO method. The time limit for using losses carried forward is 31 December 2030.

Per company balance of losses carried forward EUR	**For the year ended 31/12/2019**	**For the year ended 31/12/2018**
Appeninn Property Zrt.	113.948	117.143
Appeninn-Bp 1047 Zrt.	81.562	83.848
Appeninn E-Office Zrt.	21,130,981	9,841,398
Appeninn Üzemeltető Zrt.	158.868	163.320
Appeninn Vagyonkezelő Holding Nyrt.	2,892,866	2,687,092
Curlington Kft.	183.332	188.470
Szent László Téri Szolgáltató Ház Kft.	228.858	263.183
Appeninn A59 Kft.	13.854	-
Appeninn Retail Kft.	37.033	3.807
Sectura Ingatlankezelő Kft.	32.649	33.563
Appeninn BLT Kft.	18.105	18.612
Appeninn Project-BTBG Kft.	-	83.988
Appeninn Project-EGRV Kft.	54.805	56.340
Appeninn Project-MSKC Kft.	47.416	48.745
Deferred tax asset base from loss carried forward	**24,994,276**	**13,589,509**
Amount of deferred tax asset from loss carried forward	**2,249,485**	**1,223,056**
Of this: recognised as an item reducing the deferred tax liability in the balance sheet	**2,156,792**	**1,178,670**
Of this: recognised as deferred tax asset in the balance sheet	**92,693**	**44,386**

In 2019, the amount of previously not activated loss deferral was reported for Appeninn E-Office Zrt., which resulted in significant increase in the balance of deferred tax liabilities.

20. Inventories

EUR	For the business year ended 31/12/2019	For the year ended 31/12/2018
Intermediated services	81.785	81.290
Other materials	78.255	80.448
Total	**160,040**	**161,738**

21. Trade receivables

EUR	For the business year ended 31/12/2019	For the year ended 31/12/2018
Gross value of trade receivables	496.847	663.713
Impairment on customers, opening balance	(170,437)	(266,717)
Impairment recognised in the reporting year	(13,718)	(13,846)
Impairment derecognised in the reporting year	96.391	110.126
Impairment on customers, closing balance	(87,764)	(170,437)
Net trade receivables, total	**409,083**	**493,276**

22. Other short-term receivables

EUR	For the business year ended 31/12/2019	For the year ended 31/12/2018
Balance of tax assets (VAT and local taxes)	282.480	265.989
Advances paid	77.627	36.297
Advance paid for a business related to PRO-MOT Hungária Kft.	-	3,000,000
Other	82.283	-
Total	**442,390**	**3,302,286**

The Group concluded a sale and purchase 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. As a result of the transaction, the direct ownership of Club Aliga (address: 8171 Balatonvilágos, Aligai út 1.) was acquired by the Group. The transaction was still pending as at 31 December 2018. Advance on the purchase price in the amount of EUR 3,000,000 was recorded as short-term receivables.

23. Shot-term loans granted

EUR	For the business year ended 31/12/2019	For the year ended 31/12/2018
Mikepércsi út 132 Kft.	105.827	108.793
Impairment on Mikepércsi út 132 Kft.	(105,827)	(108,793)
Hattyúház Társasház Közösség	6.797	6,987
Receivables from Lexan	42.740	-
Total	**49,537**	**6,987**

24. Accruals

EUR	For the business year ended 31/12/2019	For the year ended 31/12/2018
Accrual of uninvoiced but due revenues from rent	456	39.216
Accrual of invoiced costs incurred before or after the reporting period	255.197	20.086
Total	**255,653**	**59,302**

25. Cash and cash equivalents

EUR	For the business year ended 31/12/2019	For the year ended 31/12/2018
Cash on hand, HUF	4.108	37.608
Bank account HUF	6,255,082	1,939,932
Bank account EUR	4,477,406	991.366
Tied-up short-term bank deposit	30,255,356	-
Total	**40,991,952**	**2,968,906**

26. Subscribed capital

Appeninn Vagyonkezelő Holding Nyrt.'s shares were listed on the Budapest Stock Exchange as publicly traded shares on 2 July 2010.

Appeninn Nyrt. share data	
nominal value	100
currency	HUF
ISIN code	HU0000102132
Place of marketing	Budapest Stock Exchange Zrt. share division
Commencement of marketing	2 July, 2010
Maintenance of the shareholders' register	Appeninn Nyrt.'s Board of Directors, H-1118 Budapest, Kelenhegyi út 43.
Number of shares traded, 31/12/2019	47,371,419
Number of shares traded, 31/12/2018	47,371,419

Subscribed capital	**For the year ended on 31/12/2019**	**For the year ended 31/12/2018**
Shares issued and paid by the owners, nominal value:		
Opening value on 1 January (EUR)	**15,217,006**	**13,245,347**
Offering on 11 April, 2018		1,971,659
Closing value of the subscribed capital as at 31 December (EUR):	**15,217,006**	**15,217,006**
Number of shares with the nominal value of HUF 100:		
Opening value (number)	47,371,419	40,892,545
Offering (number)	-	6,478,874
Closing value (number)	47,371,419	47,371,419
Translation to the presentation currency:		
HUF/EUR exchange rates:		
Average calculated price of the opening subscribed capital:	311.32	308.75
Output	-	328.60
Average price of the closing subscribed capital	311.32	311.32
Value of the subscribed capital in the foreign exchange of company registration (HUF '000')		
Opening value on 1 January:	4,737,142	4,089,255
Output	-	647.887
Closing value as at 31 December:	4,737,142	4,737,142

The Company's subscribed capital is HUF 4,737,142,000 consisting of 47,371,419 shares each representing a nominal value of HUF 100.

Based on a resolution adopted by the Company's General Meeting on 11 April 2018, the Company decided to issue 6,478,874 ordinary shares, and this was registered by the Budapest Companies Court 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, title deed 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. Through the purchase of Ü48 Irodaház with a floor area of 8,145 m2, the Company included another category A office building in its property portfolio.

27. Repurchased own shares

	For the year ended 31/DEC/2019		For the year ended 31/12/2018	
	EUR	**number**	**EUR**	**number**
Opening value	305,660	409,705	-	-
Purchase of equity	-	-	305.713	490.513
Sale of equity	(304,489)	(407,857)	(53)	(80,808)
Closing	**1,171**	**1,848**	**305,660**	**409,705**

28. Capital reserve

EUR	**For the year ended 31/12/2019**	**For the year ended 31/12/2018**
Opening value of share offering, including a premium	25,645,230	13,618,106
Share offering with premium, 11 April, 2018	-	12,027,124
Closing	**25,645,230**	**25,645,230**

For more details on the 2018 the capital increase included the issue premium, see Note 26.

29. Accumulated P/L

EUR	For the year ended 31/12/2019	For the year ended 31/12/2018	For the year ended 31/12/2017
Opening value	**22,539,954**	**5,323,196**	**4,319,450**
Translation to the presentation currency	-	(161,644)	-
Modified opening value	**22,539,954**	**5,161,552**	**4,319,450**
annual change:			
P/L for the reporting year	11,994,919	17,378,402	2,548,268
Accounts receivable from the owners, discounted	-	-	125.210
Losses on the acquisition of shares, charged to the owner	-	-	(1,055,993)
Transfers within the equity to the debit of the majority ownership	-	-	148.095
P/L realised on equity transactions	390,319	-	81.824
Dividend payment	-	-	(843,658)
Closing	**34,925,192**	**22,539,954**	**5,323,196**

As errors were identified in its accounting, the Group re-established the amount of the capital reserve, as described in detail in Note 46.

30. Translation reserve

EUR	For the year ended 31/12/2019	For the year ended 31/12/2018
Opening value	**(810,849)**	**-**
Translation to the presentation currency	-	161,644
Modified opening value	**(810,849)**	**161,644**
annual change:		
Other comprehensive income for the year 	(1,900,031)	(972,493)
Closing	**(2,710,880)**	**(810,849)**

31. Non-controlling interest

The balance of non-controlling participation relates to PRO-MOT Hungária Kft's acquisition, see Note 2./4.

EUR	For the year ended 31/12/2019
Opening value	**-**
annual change:	
Inclusion of PRO-MOT Hungária Kft. in the group.	610,626
P/L for the reporting year	120,310
Closing	**730,936**

32. Long- and short-term loans and leases

Leases

EUR	Minimum leasing rates		Present value of leasing rates	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Due within one year	43.077	85.583	38.463	74.821
Due within one two and five years	197.826	300.854	193.968	263.020
Instalments due after five years	-	-	-	-
	240,903	**386,437**	**232,431**	**337,841**
Financing cost	(9,472)	(48,596)		
Present value	**232,431**	**337,841**	**232,431**	**337,841**
Recognised as a liability in the balance sheet:				
Current leasing liabilities			38.463	74.821
Long-term leasing liabilities			193.968	263.020
			232,431	**337,841**

Appeninn Üzemeltető Zrt., a member company of the Group leased the vehicles needed for its activities. The longest term of the contracts is five years. Appeninn E-Office Zrt. a member company of the Group leased the machines (boilers) installed in its buildings; the term of the contract is less than 5 years. In both cases the leased assets collateralise the liabilities arising from leasing.

EUR	For the year ended 31/12/2019	For the year ended 31/12/2018
Net value of leased assets	116.572	117.743
Depreciation of leased assets in the year under review	23.012	21.348
Recognised leasing interest	3.948	4.496

Long- and short-term loans

On 19 January 2018 the Company and Magyar Takarékszövetkezeti Zrt. entered into a refinancing agreement to refinance the loans taken out by the subsidiaries controlled by the Company. As a result of the refinancing, the collateral regime as at 31 December 2017 is terminated, and under new collateral regime the primary and sole obligor of the loans is the debtor. Appeninn Nyrt.'s suretyship and the pledge on capital contributions as set out in the earlier loan agreements will be terminated in respect of the shares/core deposits of the investments of the buyer involved in refinancing.

The following table shows the details of the loans:

Financing partners	Primary tax corporate	31/12/2019 maturing within one year EUR	31/12/2019 maturing over one year EUR	31/12/2018 maturing within one year EUR	31/12/2018 maturing over one year EUR	Currency of financing	Interest margin	Maturity Date	Securities
Magyar Takarékszövetkezeti Bank Zrt.	Szent László Téri Szolgáltató Ház	87.907	39.181	96.308	131.338	HUF	3-month EURIBOR+RKV+1.9 %, 3h BUBOR + 3%	17/05/2021 31/03/2021	Call option, mortgage (HUF 350 million), option right, charge on rights and receivablesé, assignment agreement, 6 monthly debt service, insurance, charge, power of attorney, assignment
Magyar Takarékszövetkezeti Bank Zrt.	VCT78 Ingatlanhasznosító Kft.	107.709	1,668,945	118.115	1,826,443	HUF	1-month BUBOR + 1.25%	31/12/2029	Mortgage on the properties in Váci Street and Bánya Street, suretyship on Szent László Téri Szolgáltatóház Kft. and Appeninn Nyrt.
Magyar Takarékszövetkezeti Bank Zrt.	Appeninn-Bp 1047 Zrt.	37.019	669.582	40.146	726.403	HUF	3-month EURIBOR + 2.5%	30/04/2033	First mortgage on property; ban on alienation and encumbrance; charge on rights and receivables from the utilisation of the collateral property; right of prompt collection from the debtor's bank accounts managed with other credit institutions; contract for the establishment of a charge on receivables; Security deposit established on revenues from rent; topping up 3-month DSRA on blocked account; - exclusive account turnover
Magyar Takarékszövetkezeti Bank Zrt.	Appeninn Property Vagyonkezelő Zrt.	30.788	556.221	33.374	603.459	HUF		31/12/2032	
Magyar Takarékszövetkezeti Bank Zrt.	Appen-Retail Kft.	70.289	1,288,939	76.194	1,397,319	HUF		31/12/2032	
Magyar Takarékszövetkezeti Bank Zrt.	Bertex Zrt.	-	-	23.542	433.222	HUF		30/04/2033	
Magyar Takarékszövetkezeti Bank Zrt.	Curlington Kft.	4.011	69.131	4.358	75.211	HUF		31/12/2032	
Magyar Takarékszövetkezeti Bank Zrt.	Felhévíz-Appen Kft.	8.132	141.490	8.799	153.816	HUF		31/12/2032	
Loan from the MFB-Erste consortium	Appeninn E-Office Zrt.	1,741,305	22,327,471	593.741	7,114,892	EUR	3-month EURIBOR+1%	30/06/2025	Mortgage on real estate; call option on property; collateral deposit; floating charge; charge on rights and receivables; Appeninn Nyrt's guarantee; deposit blocking on income from rent; topping up blocked account with DSRA; - exclusive account turnover
Magyar Takarékszövetkezeti Bank Zrt.	Appeninn Nyrt.	5,014,342	-	5,016,000	-	EUR	3-month EURIBOR + 3.5%	11/02/2020	Mortgage on property, ban on alienation, charge on business shares, suretyship on A59 Kft.
Erste Bank Zrt	Appeninn E-Office Zrt.	-	-	1,569,636	27,015,434	EUR	3-month EURIBOR (min.0) + 3.5%	31/03/2025	mortgage on real estate (Bég Street), charge on rights and receivables, 3-month debt service (EUR 96,000), unconditional joint and several guarantee assumed by Appeninn Nyrt, charge on insurance, floating charge, share deposit for a company
Bank loans, total		**7,101,504**	**26,760,959**	**7,580,212**	**39,477,535**				
Liabilities related to PRO-MOT Hungária Kft's managed assets to environmental protection item	PRO-MOT Hungária Kft.	-	4,796,684	-	-	HUF		31/12/2055	
Financial lease liabilities, total		38.463	193.968	74.821	263.020				
Total		**7,139,967**	**31,751,611**	**7,655,033**	**39,740,555**				

33. Debts from issued bonds

On 22 November 2019, the Company issued bonds in an amount of EUR 600,510,710 (HUF 20,000,000) through the Funding for Growth Scheme launched by the National Bank of Hungary. The bonds were registered at a value of EUR 327,100 (HUF 108,113,000 including exchange rate gain. The consideration for the bond was paid to the Company. The bonds will expire on 22 November 2029, when the principal amount of the bonds (HUF 20,000,000,000) will become payable in a lump sum. Interest is payable on the bonds at a rate 3.5 per cent. The bonds were recognised at an amortised prime cost with an effective interest rate at 3.459 per cent.

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

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

34. Deposits provided by tenants

EUR	**For the year ended 31/12/2019**	**For the year ended 31/12/2018**
Opening	826,117	853.195
New leasing event / new subsidiary	8690	47.625
Reclassification among total current liabilities	(533,032)	-
Items recognised on termination of lease	-	(74,703)
Closing	**301,775**	**826,117**

35. Long- and short-term liabilities to related parties

EUR	For the year ended 31/12/2019	For the year ended 31/12/2018
	EUR	EUR
Konzum PE Magántőkealap	5,680,506	8,501,046
Lexan Aliga Kft.	4,822,750	
Long-term liabilities to related parties, total	**10,503,256**	**8,501,046**
Konzum II Ingatlanbefektetési alap	-	58.087
Dividend payment liability	34.620	35.688
Appeninn Credit Zrt.	1,384	1.423
Current liabilities to related parties, total	**36,003**	**95,198**

By way of the acquisition of the majority ownership of PRO-MOT Hungária Kft., the Group took over the value of long-term liabilities payable to Lexan Aliga Kft.

KONZUM PE Magántőkealap granted an investment loan to the Company at a rate equal to the central bank base rate + 2.5 per cent. The loan will mature on 31 December 2020, no collateral was required.

36. Deferred tax liabilities

Developments in the Group's deferred tax liabilities are depicted in a table. The following are the main constituents of deferred tax liabilities:

- The difference between the change in the value of income generating investments due to fair value valuation (profit) and the purchase price as defined by the tax act (purchase price less depreciation as defined in accordance with the tax act).
- As regards tangible assets the difference between the purchase price less depreciation as defined in accordance with the tax act and the book value less depreciation under the accounting act.
- Impairment recognised for buyers in trade receivables.
- Regarding retained earnings, an amount in the negative tax base determined in accordance with the tax act in the previous years that is covered by the B/S items of the company taking account of the fact that the tax act permits the company to recognise earlier losses up to 50% of its profits.
- Tax losses will materialise if liabilities comprising temporary differences are forgiven in the future. The materialisation of the tax losses is attributable to the fact that the tax base will have to include the item accounted for as profit as a result of the liabilities to be forgiven. Since the entity forgiving the liabilities may not as a member of the Group reduce its tax base by the amount forgiven, the tax liability to which the forgiven amount is subject is presented in the Group's balance sheet.

Deferred tax liabilities	**2019**				**2018**			
	Balance in the financial statements	**Tax balance**	**Deferred tax base**	**Deferred tax**	**Balance in the financial statements**	**Tax balance**	**Deferred tax base**	**Deferred tax**
	EUR	**EUR**			**EUR**	**EUR**		
Income-generating investment properties	147,670,000	86,208,943	(61,461,057)	(5,531,495)	117,820,822	56,017,388	(61,803,434)	(5,562,309)
Tangible assets	177,664	178.083	419	38	278,421	668.796	390.375	35.134
Trade and other receivables and assets	42,605,238	68,894,416	26,289,178	2,366,026	7,191,371	16,094,703	8,903,332	801.300
Receivables from losses carried forward		24,994,276	24,994,276	2,249,485		13,589,509	13,589,509	1,223,056
Loans	38,891,578	38,764,657	(126,921)	11.423	47,395,588	47,155,879	(239,709)	21.574
Accounts payable and other liabilities	73,927,976	101,298,364	27,370,388	(2,463,335)	10,799,593	19,749,687	8,950,094	(805,508)
Accrued expenses and deferred income	354,725	678.332	323.607	(29,125)	522,998	522,998	-	-
Net deferred tax position, total (+ receivables / - liabilities)				**(3,396,983)**				**(4,286,754)**
Tax assets deferred in the balance sheet				**92,693**				**44,386**
Tax liability deferred in the balance sheet				**3,565,003**				**4,331,140**
Net deferred tax position (+ receivables / - liabilities)				**(3,472,310)**				**(4,286,754)**
Change in the balance of deferred tax				**814,444**				**(2,368,618)**
Of which:								
Recognised in the P/L				751,349				(2,126,656)
Inclusion of a new subsidiary				(34,653)				
Derecognition of a new subsidiary				(7,470)				
Change in exchange rates				105.218				(241,962)

37. Other short-term liabilities

EUR	For the year ended 31/12/2019	For the year ended 31/12/2018
Income owed	2.414	37.062
Liabilities from withheld purchase price of business share	-	22.540
Borrowing	-	37.324
Liabilities related to purchased accounts receivable	34.524	35.492
Liabilities to tenants	533.032	-
Other short-term liabilities	44.058	26.396
Closing	**614,028**	**158,814**

38. Trade payables

EUR	For the year ended 31/12/2019	For the year ended 31/12/2018
Liabilities to creditors	**993,818**	**405,002**
As per due date		
0-30 days	892.703	263.447
31-60 days	8.669	15.981
61-90 days	28.914	4.654
91-180 days	9.968	11.338
181-360 days	24.824	20.140
361 days	28.739	89.442
Closing	**993,818**	**405,002**

The main change in the amount of trade payables (330,000 EUR)was due to the acquisition of PRO-MOT Hungária Kft. with regard to the take-over of port operation.

39. Tax payment liabilities

EUR	For the year ended 31/12/2019	For the year ended 31/12/2018
VAT liability	288.908	135.549
Building tax liability	-	14.581
Wage taxes and contributions	39.923	29.326
Taxes, duties or other charges	69.682	568.394
Closing	**398,513**	**747,850**

Among payable public dues, the Group recognises 4 per cent property acquisition tax on the acquired properties.

40. Accrued expenses and deferred income

EUR	For the year ended 31/12/2019	For the year ended 31/12/2018
Accrued costs and expenses	133.069	71.362
Accrued interests payable	-	66.522
Accrued and deferred revenues	221.656	385.114
Closing	**354,725**	**522,998**

41. Transactions with related parties

The transactions concluded with the consolidated companies have been filtered out.

Unconsolidated transactions with related parties are presented in the Notes on the relevant balance sheet lines.

EUR	For the year ended 31/12/2019	For the year ended 31/12/2018
Konzum II Ingatlanbefektetési alap	-	58.087
Konzum PE Magántőkealap	5,680,506	8,501,046
Lexan Aliga Kft.	4,822,750	-
Dividend payment liability	34.620	35.688
Appeninn Credit Zrt.	1,384	1.423
Total liabilities	**10,539,259**	**8,596,244**
Interest payable to Konzum PE Magántőkealap	443.908	101,634
Interest to Lexan Aliga Kft.	157.330	-
Expenses, total	**601,238**	**101,634**

In the course of the year the Company repaid its loan in the amount of EUR 226,000 to BDPST Zrt.

42. Transactions with related parties

Relations to subsidiaries

EUR	For the year ended 31/12/2019	For the year ended 31/12/2018
Receivables from related companies.	52,718,698	11,875,450
Accounts payable and other liabilities from related companies	66,086,866	16,205,441
Sale to related companies	1,472,121	2,748,674

Remuneration of executive officers holding key positions

The members of the Board of Directors were paid HUF 300,000 each both in 2019 and in 2018, while the members of the Audit Committee received HUF 10,000 in addition. The Company and its executive officers have not concluded contracts that would generate liabilities for the Company in case these contract change any time in the future.

	2019 (HUF '000' per annum per capita)	2018 (HUF '000' per annum per capita)
The members of the Board of Directors are paid honorariums based on service contracts (5 persons).	300	300
Honorariums to the members of the Audit Committee engaged with service contracts (3 persons)	100	100

Neither the Board of Directors nor the members of the Supervisory Board were granted loans.

Remuneration to the top and middle management

EUR	For the year ended 31/12/2019	For the year ended 31/12/2018
Disbursement of wages and similar payments	112.599	153.846

43. Segment information

The information provided for the Board of Directors, i.e. the chief operating decision maker of the Group for performance assessment and resource allocation decisions focuses on the services provided. The Group's segments to be presented under IFRS 8 are as follows:

- Office rental services
- Letting logistics, industrial and
- commercial properties
- Operation services

Consolidated income statement for 2019, in a breakdown

For the year ended 31/12/2019	Office rental	Leasing logistics properties	Operation	Retail	Items not included in any segment	Total
EUR						
Income from the lease of property	3,204,901	1,662,922	673.943	1,860,672	(0)	7,402,438
Direct costs of property letting	(917,201)	(72,151)	(18,275)		0	(1,007,627)
Direct coverage	**2,287,700**	**1,590,771**	**655,668**	**1,860,672**	**(0)**	**6,394,811**
General expenses and incomes	2,661,344	4,611,302	(385,805)		(1,578,678)	5,308,163
P/L before taxes	**4,949,044**	**6,202,073**	**269,864**	**1,860,672**	**(1,578,679)**	**11,702,974**
Income taxes	686.978	185.404	(34,847)	(167,460)	(257,819)	412,255
P/L for the reporting year	**5,636,022**	**6,387,477**	**235,016**	**1,693,211**	**(1,836,498)**	**12,115,229**
Assets assignable to a segment	**60,416,560**	**185,354,368**	**2,626,744**	**20,100,000**	**(77,952,077)**	**190,545,595**
Liabilities assignable to a segment	**31,928,101**	**94,099,142**	**864,847**	**-**	**(10,152,808)**	**116,739,282**

Consolidated income statement for 2018, in a breakdown (amended. Note 46)

For the year ended 31/12/2018	Office rental	Leasing logistics properties	Operation	Retail	Items not included in any segment	Total
EUR						
Income from the lease of property	2,788,255	887.442	1,084,947	1,016,112	0	5,776,756
Direct costs of property letting	(1,061,476)	(204,188)	(293,619)		0	(1,559,283)
Direct coverage	**1,726,779**	**683,254**	**791,328**	**1,016,112**	**0**	**4,217,473**
General expenses and incomes	5,139,608	4,980,432	(66,161)	5,248,749	(15,043)	15,287,585
P/L before taxes	**6,866,387**	**5,663,686**	**725,167**	**6,264,861**	**(15,043)**	**19,505,058**
Income taxes	(1,113,955)	(436,029)	(12,834)	(563,837)	(1)	(2,126,656)
P/L for the reporting year	**5,752,432**	**5,227,657**	**712,333**	**5,701,024**	**(15,044)**	**17,378,402**
Assets assignable to a segment	**63,099,474**	**74,208,772**	**2,562,915**	**20,100,000**	**(34,636,161)**	**125,335**
Liabilities assignable to a segment	**44,567,450**	**10,561,585**	**888,626**	**-**	**7,031,658**	**63,049,319**

44. Risk management

The Group's assets include cash and cash equivalents, loans, receivables from customers and other receivables and other assets – with the exception of taxes. Group liabilities include loans and advances, liabilities to customers and other liabilities, disregarding taxes and the gains and losses on the revaluation of financial liabilities at fair value.

The Group is exposed to the following financial risks:

- credit risk
- foreign exchange risk
- interest rate risk
- liquidity risk
- market risk
- business risk

This section describes the above-described risks the Group is exposed to, the Group's objectives and policies, the measurement of procedures and risk management, and the Group's management capital. The Board of Directors have general responsibility for the Group's establishment, supervision and risk management.

The purpose of the Group's risk management policy is to filter out and investigate the risks the Group may face, to set up adequate controls and to monitor risks. The risk management policy and system will be revised in order to reflect the changed market conditions and the Group's activities.

44.1 Capital management

The Group's policy is to retain the share capital in an amount that is sufficient for ensuring that the investors' and creditors' confidence maintains the Group's future development.

The Group's capital structure comprises net debt and the Group's equity (the latter includes the subscribed capital, reserves and the participations of non-controlling owners).

In the course of capital management, the Group makes efforts at ensuring that the Group members can continue their activities and simultaneously maximize return for the owners by an optimum equilibrium between the loan principal and the equity, and by maintaining an optimum capital structure in order to reduce capital costs. The Group also monitors if its member companies' capital structure meets the local statutory requirements.

44.2 Credit risk

Credit risk is the risk that reflects if the debtor or the partner fails to fulfil his contractual obligations and this causes financial loss for the Group. Financial assets exposed to credit risks may include long- or short-term allocations, cash and cash equivalents, and receivables from customers and other claims.

The book value of financial assets shows the maximum risk exposure. The following table shows the Group's maximum exposure on 31 December 2018 and 31 December 2019.

Maximum exposure to accounts receivable	**For the year ended 31/12/2019**	**For the year ended 31/12/2018**
	EUR	**EUR**
Trade receivables	409,083	493,276
Other short-term receivables	442,390	3,302,286
Shot-term loans granted	49,537	6,988
Accruals	255,653	59,302
Cash and cash equivalents	40,991,952	2,968,906
	42,148,615	**6,830,758**

44.3 Market risk

Market risk is the risk that market prices, exchange rates, interest rates and the prices of investments or their changes may affect the Group's profit or the value of the investment embodied in the financial instruments. The purpose of managing market risk is to manage and control exposures to market risks among acceptable limits with simultaneous profit optimization.

44.4 Business risk

The Group applies consistent, predictable and competitive rents to its tenants. The currently applied rents match the physical situation and quality of the properties. Considering the current global economic environment and the demand and supply that have evolved in the Budapest office property market, there is no guarantee that the currently applied rents and conditions can be maintained in the future.

44.5 Interest rate risk

The interest rate risk reflects the risk that the future cash flows of certain financial assets and liabilities fluctuate as a result of changes in the market interest rate. The fluctuation of market interest rates represent exposure for the Group in the case of variable rate loans and liabilities arising from the issue of bonds. The Group pays interests at an average loan rate between 7.68 and 3.11 per cent. A 50-basis point shift in the interest environment would cause the following changes in the Group's efficiency:

Calculation of the average interest rate	EUR	interest rate, %	+0.5% (interest rate)	EUR impact
Bank to capital: 01/01/2019	44,426,682			
Bank to capital: 31/12/2019	(6,723,385)			
Bank-to-capital, average portfolio	21,163,154	6.40%	6.90%	
12-month interest to the Bank	1,353,580			1,459,396
Annual interest increment				105.816

Calculation of the average interest	EUR	interest rate, %	+0.5% (interest rate)	EUR impact
Bank to capital: 01.01.2018	34,071,981			
Bank to capital: 12.31.2018	44,426,682			
Bank-to-capital, average portfolio	39,249,332	2.61%	3.11%	
12-month interest to the Bank	1,025,863			1,222,109
Annual interest increment				196.247

44.6 Foreign exchange risk

The Group has established that its profit depends basically and in essence on two key factors: interest rate risk and foreign exchange risk, and for this reason, it performed sensitivity tests for these key variables.

As EUR is the functional currency of the Group, the exchange rate risk was caused by loans and liabilities denominated in HUF and CHF. Most foreign currency investment loans of Appeninn Nyrt. are denominated in EUR as a result of the successful restructuring of the loan portfolio completed in 2018.
Conversion of the HUF items applied during the compilation of the report was performed by the Group at the following exchange rates. The Group applied the closing rate of MNB to balance sheet items, and the average daily MNB rate to the P/L items. The transaction currency is HUF, and the Group’s exposure to the exchange rates was analysed by quantification of the foreign exchange changes.

The sensitivity of the Company's balance sheet to EUR-HUF exchange rate fluctuations is presented on the basis of the exposed amount. The EUR amount serving as a basis of the change in the 2019 balance sheet was EUR 123.1 million and EUR 80.1 million in the 2018 balance sheet. Changes were examined through responses to a 0.05–1.00 per cent shift. The Company's exposed amount was EUR 1,243 thousand in 2019 provided there was a 1% shift in FX conversion. The corresponding figure for 2018 was EUR 810,000.

2019:

Exchange rate type	31/12/2019	Change EUR	Change, %	31/12/2018
Closing	330.52	9.01	2.80%	321.51
Average	325.35	6.48	2.03%	318.87
Difference between closing and average	5.17	2.53	95.89%	2.64

Change in exchange rates	Exchange rate	Change EUR	Balance-sheet value of aggregate non-EUR position, EUR	Calculated impact on P/L
-1%	327.2148	-3.3052		(1,243,074)
-0.50%	328.8674	-1.6526		(618,414)
31/12/2019 MNB	330.52		123,064,288	
+0.5%	332.1726	1.6526		612.260
+1%	333.8252	3.3052		1,218,458

2018:

Exchange rate type	31/12/2018	Change EUR	Change, %	31/DEC/2017
Closing	321,51	11.37	3.67%	310,14
Average	318,87	9.66	3.12%	309,21
Difference between closing and average	2.64	1.71	184.34%	0.93

Change in exchange rates	Exchange rate	Change EUR	Balance-sheet value of aggregate non-EUR position, EUR	Calculated impact on P/L
-1%	318.2949	-3.2151		(809,744)
-0.50%	319.90245	-1.60755		(402,837)
12.31.2018 MNB	321,51		80,164,645	
+0.5%	323.11755	1.60755		398.829
+1%	324.7251	3.2151		793.709

The Company's balance sheet items exposed to FX fluctuation are balances denominated in currencies other than EUR. As at 31.12.2019, it was EUR 123 million, as at 31.12.2018, it was EUR 80 million.

Balance sheet	**31/12/2019**	
Assets	**EUR**	**HUF**
Income-generating investment properties	147,670,000	0
Tangible assets		177,664
Deferred tax assets		92,693
Fixed (non-current) assets, total	**147,670,000**	**270,357**
Inventories		160,040
Trade debtors		409,083
Other short-term receivables		442,390
Shot-term loans granted		49,537
Accruals		255,653
Income tax assets		296,583
Cash and cash equivalents	4,477,406	36,514,546
Current assets, total	**4,477,406**	**38,127,832**
Assets, total	**152,147,406**	**38,398,189**
Equity and liabilities	**EUR**	**HUF**
Subscribed capital		15,217,006
Own shares repurchased		-1,171
Reserves		22,934,350
Accumulated P/L		34,925,192
Equity due to the Company's shareholders	**0**	**73,075,377**
Non-controlling interests		730,936
Capital and reserves, total	**0**	**73,806,313**
Long-term bank loans and leasing liabilities	22,327,471	9,424,140
Debt on bonds		60,940,494
Deposits provided by tenants		301,775
Long-term liabilities to related companies		10,503,256
Deferred tax liabilities		3,565,003
Long-term liabilities, total	**22,327,471**	**84,734,668**
Short-term bank loans and leasing liabilities	6,755,648	384.319
Other short-term liabilities		614,028
Short-term liabilities to related companies		36,003
Liabilities to suppliers		993,818
Tax payment liabilities		398,513
Corporate income tax liabilities		140,089
Accrued expenses, deferred income and provisions		354,725
Current liabilities, total	**6,755,648**	**2,921,495**
Total liabilities	**29,083,118**	**87,656,164**
Equity and liabilities, total	**29,083,118**	**161,462,477**
Foreign exchange position (assets less liabilities)	**123,064,288**	**-123,064,288**

Balance sheet	**31/12/2018**	
Assets	**EUR**	**HUF**
Income-generating investment properties	117,820,822	-
Tangible assets		278,421
Deferred tax assets		44,386
Fixed (non-current) assets, total	**117,820,822**	**322,807**
Inventories		161,738
Trade debtors		493,276
Other short-term receivables	3,000,000	302.286
Shot-term loans granted		6,988
Accruals		59,302
Income tax assets		198,875
Cash and cash equivalents	991.366	1,977,540
Current assets, total	**3,991,366**	**3,200,005**
Assets, total	**121,812,188**	**3,522,812**
Equity and liabilities	**EUR**	**HUF**
Subscribed capital		15,217,006
Own shares repurchased		(305,660)
Reserves		25,645,230
Accumulated P/L		21,729,105
Equity due to the Company's shareholders	**0**	**62,285,681**
Non-controlling interests		0
Capital and reserves, total	**0**	**62,285,681**
Long-term bank loans and leasing liabilities	34,393,345	5,347,210
Deposits provided by tenants		826,117
Long-term liabilities to related companies		8,501,046
Deferred tax liabilities		4,331,140
Long-term liabilities, total	**34,393,345**	**19,005,513**
Short-term bank loans and leasing liabilities	7,254,198	400.836
Other short-term liabilities		158,814
Short-term liabilities to related companies		95,198
Liabilities to suppliers		405,002
Tax payment liabilities		747,850
Corporate income tax liabilities		65,566
Accrued expenses, deferred income and provisions		522,998
Current liabilities, total	**7,254,198**	**2,366,264**
Total liabilities	**41,647,543**	**21,401,776**
Equity and liabilities, total	**41,647,543**	**83,687,457**
Foreign exchange position (assets less liabilities)	**80,164,645**	**(80,164,645)**

44.7 Liquidity risk

Liquidity risk is the risk that the Company is unable to fulfil its financial obligations when they are due. The Group liquidity management approach is to reveal the extent to which adequate liquidity can be provided for the performance of its liabilities on the due dates, under both usual and stressed conditions, without incurring unacceptable losses or jeopardizing the Group's reputation.

The maturity structure of the contracted and actually payable (non-discounted) financial obligations is summed up in the following table for 2019 and for 31 December 2018:

31/12/2019	Due within 1 year	Due within 2–5 years	Due after 5 years	Total
Financial assets				
Trade receivables	409,083			409,083
Tax assets	442,390			442,390
Income tax assets	296,583			296,583
Shot-term loans granted	49,537			49,537
Cash equivalents	40,991,952			40,991,952
Financial assets	42,189,545	-	-	42,189,545
Financial liabilities				
Loans and leases	7,139,967	19,746,412	12,005,199	38,891,578
Debt on bonds			60,940,494	60,940,494
Deposits provided by tenants	533.032	301,775		834.807
Liabilities to associated companies	36,003	10,503,256		10,539,259
Other short-term liabilities	80.996			80.996
Liabilities to suppliers	993,818			993,818
Tax payment liabilities	398,513			398,513
Income tax liabilities	140,089			140,089
Accrued expenses and deferred income	354,725			354,725
Financial liabilities	10,210,175	30,551,443	72,945,693	113,174,279

31/12/2018	**Due within 1 year**	**Due within 2–5 years**	**Due after 5 years**	**Total**
Financial assets				
Trade receivables	493,276			493,276
Tax assets	302.286			302.286
Income tax assets	198,875			198,875
Shot-term loans granted	6,988			6,988
Cash equivalents	2,968,906			2,968,906
Financial assets	3,970,331	-	-	3,970,331
Financial liabilities				
Loans and leases	7,655,033	27,735,356	12,005,199	47,395,588
Deposits provided by tenants		826,117		826,117
Liabilities to associated companies	95,198	8,501,046		8,596,244
Other short-term liabilities	158,814			158,814
Liabilities to suppliers	405,002			405,002
Tax payment liabilities	747,850			747,850
Income tax liabilities	65,566			65,566
Accrued expenses and deferred income	522,998			522,998
Financial liabilities	9,650,461	37,062,519	12,005,199	58,718,179

45. Financial instruments

Financial instruments include receivables from customers, advances and liquid assets granted, loans and advances taken and trade payables.

31 December, 2019	Book value	Fair value
Financial assets		
Financial liabilities carried at amortised cost and loans and receivables		
Trade receivables	409,083	409,083
Shot-term loans granted	442,390	442,390
Cash and cash equivalents	40,991,952	40,991,952
Financial liabilities		
Financial liabilities carried at amortised cost and liabilities		
Long term loans	31,751,611	31,751,611
Bond liabilities	60,940,494	60,940,494
Short-term loans and advances	7,139,967	7,139,967
Liabilities to related companies	10,539,259	10,539,259
Liabilities to creditors	993,818	993,818

31 December 2018	Book value	Fair value
Financial assets		
Financial liabilities carried at amortised cost and loans and receivables		
Trade receivables	493,276	493,276
Shot-term loans granted	6,988	6,988
Cash and cash equivalents	2,968,906	2,968,906
Financial liabilities		
Financial liabilities carried at amortised cost and liabilities		
Long term loans	39,740,555	39,740,555
Short-term loans and advances	7,655,033	7,655,033
Liabilities to related companies	8,596,244	8,596,244
Liabilities to creditors	405,002	405,002

The fair value of financial instruments measured at amortised prime cost approximated their book values in both years. In both years fair value was set at a fair value corresponding to Tier 3.

46. Correction of errors made in previous years

Consolidated Balance Sheet	01.01.2018	Effects of	01.01.2018

Assets	EUR originally	translation to the presentation currency	EUR amended
Income-generating investment properties	62,990,000		62,990,000
Tangible assets	72,147		72,147
Deferred tax assets	-		-
Fixed (non-current) assets, total	**63,062,147**	**-**	**63,062,147**
Inventories	-		-
Trade receivables	159.143		159.143
Other short-term receivables	161.607		161.607
Shot-term loans granted	7.090		7.090
Accruals	71.260		71.260
Income tax assets	65.000		65.000
Cash and cash equivalents	8,757,651		8,757,651
Current assets, total	**9,221,751**	**-**	**9,221,751**
Assets held for sale	245,309		245,309
Assets, total	**72,529,207**	**-**	**72,529,207**
Equity and liabilities			
Subscribed capital	13,245,347		13,245,347
Own shares repurchased	-		-
Capital reserve	13,618,106		13,618,106
Translation reserve	-	161,644	161,644
Accumulated P/L	5,323,196	(161,644)	5,161,552
Equity due to the Company's shareholders	**32,186,649**	**-**	**32,186,649**
Non-controlling interests	-		-
Capital and reserves, total	**32,186,649**	**-**	**32,186,649**
Long-term bank loans and leasing liabilities	32,675,643		32,675,643
Deposits provided by tenants	853.195		853.195
Long-term liabilities to related companies	-		-
Deferred tax liabilities	1,918,136		1,918,136
Long-term liabilities, total	**35,446,974**	**-**	**35,446,974**
Short-term bank loans and leasing liabilities	1,702,008		1,702,008
Other short-term liabilities	1,714,939		1,714,939
Short-term liabilities to related companies	115.817		115.817
Liabilities to suppliers	194.213		194.213
Debts from issued bonds	200.000		200.000
Tax payment liabilities	497.502		497.502
Corporate income tax liabilities	39.763		39.763
Accrued expenses and deferred income	431.342		431.342
Current liabilities, total	**4,895,584**	**-**	**4,895,584**
Total liabilities	**40,342,558**	**-**	**40,342,558**
Equity and liabilities, total	**72,529,207**	**-**	**72,529,207**

Consolidated Balance Sheet	31/12/2018	Effects of translation to the presentation currency	31/12/2018
Assets	EUR originally		EUR amended
Income-generating investment properties	117,820,822		117,820,822
Tangible assets	278,421		278,421
Deferred tax assets	44,386		44,386
Fixed (non-current) assets, total	**118,143,629**	**-**	**118,143,629**
Inventories	161,738		161,738
Trade receivables	493,276		493,276
Other short-term receivables	3,302,286		3,302,286
Shot-term loans granted	6,988		6,988
Accruals	59,302		59,302
Income tax assets	198,875		198,875
Cash and cash equivalents	2,968,906		2,968,906
Current assets, total	**7,191,371**	**-**	**7,191,371**
Assets, total	**125,335,000**	**-**	**125,335,000**
Equity and liabilities			
Subscribed capital	15,217,006		15,217,006
Own shares repurchased	(305,660)		(305,660)
Capital reserve	25,645,230		25,645,230
Translation reserve	-	(810,849)	(810,849)
Accumulated P/L	21,729,105	810.849	22,539,954
Equity due to the Company's shareholders	**62,285,681**	**-**	**62,285,681**
Non-controlling interests	-		-
Capital and reserves, total	**62,285,681**	**-**	**62,285,681**
Long-term bank loans and leasing liabilities	39,740,555		39,740,555
Deposits provided by tenants	826,117		826,117
Long-term liabilities to related companies	8,501,046		8,501,046
Deferred tax liabilities	4,331,140		4,331,140
Long-term liabilities, total	**53,398,858**	**-**	**53,398,858**
Short-term bank loans and leasing liabilities	7,655,033		7,655,033
Other short-term liabilities	158,814		158,814
Short-term liabilities to related companies	95,198		95,198
Liabilities to suppliers	405,002		405,002
Debts from issued bonds	-		-
Tax payment liabilities	747,850		747,850
Corporate income tax liabilities	65,566		65,566
Accrued expenses and deferred income	522,998		522,998
Current liabilities, total	**9,650,461**	**-**	**9,650,461**
Total liabilities	**63,049,319**	**-**	**63,049,319**
Equity and liabilities, total	**125,335,000**	**-**	**125,335,000**

Consolidated comprehensive income statement	For the year ended 31/12/2018 EUR originally	Effects of translation to the presentation currency	Correction of IFRS 15 amendment	For the year ended 31/12/2018 EUR amended
Income from the lease of property	7,006,255		(1,229,499)	5,776,756
Direct costs of property letting	(2,802,833)		1,215,448	(1,559,283)
Direct coverage	**4,203,422**	**-**	**14,051**	**4,217,473**
Administration costs	(1,252,527)			(1,252,527)
Staff costs	(719,054)			(719,054)
Other revenues/(expenditures)	139,202		(14,051)	125,151
Profit (loss) on the sale of subsidiaries and investments	145,835			145,835
Revenue from the sale of investment properties	484,113			484,113
Profit on the revaluation of income-generating investment properties	16,040,000	2,730,891		18,770,891
Capital projects on real property	(18,905)			(18,905)
Accounted loss realized on participations	-			-
Operating P/L	**19,022,086**	**2,730,891**	**-**	**21,752,977**
Depreciation and amortization	(40,541)			(40,541)
Other expenses on financial operations	692,825	(1,758,398)		(1,065,573)
Balance on interest revenues and (expenses)	(1,141,805)			(1,141,805)
P/L before taxes	**18,532,565**	**972,493**	**-**	**19,505,058**
Income taxes	(2,126,656)			(2,126,656)
P/L for the reporting year	**16,405,909**	**972,493**	**-**	**17,378,402**
Other comprehensive income				
Exchange rate differences incurred during the conversion of foreign exchange for various activities	-	(972,493)		(972,493)
Other comprehensive P/L less taxes, for the reporting year	**-**	**(972,493)**		**(972,493)**
TOTAL COMPREHENSIVE RESULT OF THE REPORTING YEAR	**16,405,909**	**-**		**16,405,909**
Of the total comprehensive income:				
Part per non-controlling shares	-			-
Part due to the Company’ owners	16,405,909			16,405,909
Basic earnings per share, EUR cent	**36.53**			**36.53**
Diluted earnings per share, EUR cent	**36.53**			**36.53**

Consolidated Cash Flow,	For the year ended 31/12/2018 EUR originally	Effects of translation to the presentation currency	For the year ended 31/12/2018 EUR amended
P/L before taxes	**18,532,565**	**972,493**	**19,505,058**
Profit on the revaluation of income-generating investment properties	(16,040,000)	2,730,891	(18,770,891)
Changes in the translation reserve	-	(972,493)	(972,493)
Non-realised year-end foreign exchange revaluation	(314,434)	2,730,891	2,416,457
Depreciation	40,541		40,541
Impairment on customers	-		-
Deferred tax	(1,877,039)		(1,877,039)
Profit (loss) on the sale of subsidiaries	(484,113)		(484,113)
Interest earnings	69,873		69,873
Interests expenses	1,071,932		1,071,932
Change in receivables and other current assets	(3,653,073)		(3,653,073)
Change in prepayments and accrued income	11,958		11,958
Change in inventories	(161,738)		(161,738)
Change in liabilities, prepayments and accrued income	8,524,448		8,524,448
Changes in tenant deposits	27,078		27,078
Income tax paid	(249,617)		(249,617)
Net cash generated from operating activities	**7,357,714**	**-**	**7,357,714**
Costs of capital investments in properties	(18,905)		(18,905)
Purchase of tangible assets	(227,910)		(227,910)
Acquisition of investment property	(24,340,822)		(24,340,822)
Revenues realised on the sale of property	1,408,117		1,408,117
Net cash flow from investment activity	**(23,179,520)**	**-**	**(23,179,520)**
Repayment of own-issued bonds	(200,000)		(200,000)
Change in loans granted	102		102
Increment on loans, leases and credits	12,702,026		12,702,026
Loan redemption	630,345		630,345
Purchase of equity	(115,243)		(115,243)
Sale of equity	16.970		16.970
Interests expenses	(1,071,932)		(1,071,932)
Interest earnings	(69,873)		(69,873)
Net cash-flow from financial activity	**11,892,395**	**-**	**11,892,395**
Change in liquid assets	**(5,788,745)**	**-**	**(5,788,745)**
Balance of financial assets:			
Financial assets at the beginning of the year	8,757,651		8,757,651
Financial assets at the end of the year	2,968,906		2,968,906

Amendments and corrections affecting the previous years>

Translation to the presentation currency – correctly: HUF functional currency
In the previous years, the Group identified EUR as the functional currency instead of HUF as the functional currency, and used the same in the course of the preparation of the consolidated financial statements. In 2019, having corrected the above mistake, the Group used EUR as presentation currency instead of functional currency in the course of the preparation of the consolidated financial statements. Thus, the fair value change arising from the exchange rate change related to investment properties was presented wrongly in the profit/loss of financial transactions, instead of the profit/loss from the revaluation of investment properties. The Group performed the amendments in accordance with the requirements of Standard IAS 8 Accounting policy, mistakes and estimates, amending the financial statements with regard to the business year prior to the reporting year and the opening balance of the same.

IFRS 15 correction of re-invoicing
In the previous year the Group incorrectly classified revenues and expenditures from re-invoiced costs among sales revenues. In previous years, the Group incorrectly presumed that the Group assumed the risk that the revenues obtained from shifting the operating costs incurred may fail to cover the operating costs, and therefore the Group should be considered as the original obligor and not the agent of the transaction. In 2019 the Group identified that if public utility fees are re-invoiced, the Group acts as an agent, in other words, the sales revenue should not include the amount of charges invoiced, only the value of any profit charged on them. In compliance with the IFRS 15 requirements, re-invoiced costs are recognised aggregated with revenues. The incorrectly classified the value recognised on customer impairment and written off among the direct costs of property rental instead of the line “Other income (expenses)”.

The following lines have been modified in the balance sheet and in the comprehensive P/L:

1 January 2018	**Original amount**	**Modification**	**Modified amount**
Translation reserve	-	161,644	161,644
Accumulated P/L	5,323,196	(161,644)	5,161,552

1 January 2019	**Original amount**	**Modification**	**Modified amount**
Translation reserve	-	(810,849)	(810,849)
Accumulated P/L	21,729,105	810.849	22,539,954
Income from the lease of property	7,006,255	(1,229,499)	5,776,756
Direct costs of property letting	(2,802,833)	1,243,550	(1,559,283)
Other revenues/(expenditures)	139,202	(14,051)	125,151
Profit on the revaluation of income-generating investment	16,040,000	2,730,891	18,770,891

properties			
Other expenses on financial operations	692,825	(1,758,398)	(1,065,573)
Exchange rate differences incurred during the conversion of foreign exchange for various activities	-	(972,493)	(972,493)

47. Contingent liabilities

Appeninn Nyrt. as owner has remained a joint and several guarantor and a mortgagor in the contract concluded with the credit institution despite the sale of Appeninn Logisztika Zrt. to the benefit of the company previously known as Appeninn Logistics Zrt. (currently named as VÁR-Logistics Zrt.) vis-a-vis Orgovány és Vidéke Takarékszövetkezet since 27 June 2013. In a performance assumption agreement, on 6 December 2017, VÁR- Logisztika Zrt.'s owners assumed performance towards Appeninn Nyrt. in respect of the total amount of all kinds of its liabilities outstanding to Takarékszövetkezet. Suretyship assumed by the Company up to 15 June 2023 or the date of performing the obligation. The Company's exposure was EUR 240,000 on the cut-off date.

The Company reviewed the performance capacity of the obligors and on the cut-off date of the financial statements the Company management assigned zero probability of insolvency to the obligations resulting from suretyship, and the amount presented in the balance sheet in relation to suretyship was thus EUR zero.

As at 31 December 2019, the Group did not have any other contingent liability in its records.

48. Events after the balance sheet cut-off date

On 9 January 2020, the Company concluded a sale and purchase agreement for the purchase of 76 per cent of the shares in Solum-Invest Ingatlanfejlesztő és Üzemeltető Korlátolt Felelősségű Company in the amount of HUF 800 million. The Company purchased the firm that operates the Balatonfüred marina jointly with Attila Balázs, a shareholder of Bayer Construct Zrt., an enterprise active in the construction industrial and property management market. He acquired title to 24 per cent of the shares. The high-standard operation of the marina and the developments planned by the Company and its partner in the future represent new and high-standard products in the tourism market around Lake Balaton.

By purchasing the office building located in District I of Budapest in Pauler Street, the Company continued its portfolio expansion. The office building has a rentable area on 668 sq. m and is located in one of the most frequented parts of District I in Budapest. Its profitability is secured by a long-term rental agreement. The Company acquires the office building by a sale and purchase contract concluded for 100 per cent of the shares worth HUF 296.4 million and held in Alagút Investments Ingatlanhasznosítási Kft.

The Company's subsidiary PRO-MOT HUNGÁRIA Ingatlanfejlesztő Kft. has submitted an application within the framework of the Kisfaludy Tourism Development Programme for the improvement and modernisation of the marina located on the territory of the Club Aliga holiday resort, a facility in its ownership and management. The purpose of the application is to improve the standard of service, replace and/or renovate the existing objects and considerably improve the quality of the service facilities.

The Company's subsidiary, BERTEX Ingatlanforgalmazó purchased an office building located in Montevideo Street, District III of Budapest, and its sale and purchase agreement was signed on 17 January, 2020. Through the purchase of this office building, the Company expanded its portfolio in this segment by more than 6000 sq. m of rentable office space.

On 20 March 2020, the Company sold the properties located at H-1065 Budapest, Andrássy út 59. and H-1062 Budapest, Andrássy út 105 through the subsidiaries having ownership title to these properties, for HUF 1.134 billion.

The events listed above do not affect the consolidated financial statements compiled for the cut-off date 31 December 2019.

No significant event took place after the cut-off date.

49. COVID-19 effects

By Government Decree 40/2020. (III.11.), the Hungarian Government declared a state of emergency. Then in order to slow the spread of the COVID-19 pandemic, in a government decree the Hungarian Government limited border crossing and the official hours of non-vital shops. Simultaneously, the Government also resolved of economy boosting measures, the most significant being the order on a debt repayment moratorium up to 31 December 2020.

The measures taken in relation to the pandemic have a significant but not critical impact on the operation of Appeninn Vagyonkezelő Holding Nyrt. Approximately 5 to 15 per cent of the current tenants are engaged in business lines that must be shup down due to the government decree, and thus they expect temporary misses of revenues. Some of these tenants have requested Appeninn Holding to reduce the rent on a temporary basis. The four most significant tenants are not or only slightly affected by revenue losses caused by the COVID-19 virus.

Appeninn Holding's current vacancy rate is 7 per cent, and the average expiry is 4.5 years. Appeninn Holding has a substantial liquidity reserve and despite the expected miss or rearrangement of revenues, it is capable of performing its financial liabilities over the medium term.

In order to protect its tenants, the Group takes precautions to help slow the spread of infection and maintain uninterrupted operation.

50. Information related to the compilation of the consolidated financial statements

In the course of compiling the consolidated financial statements for the business year ended 31 December 2019 in accordance with the International Financial Accounting Standards (IFRS) adopted by the EU, the basis of the compilation included the statements made on the basis of the parent company and subsidiary statements compiled according to the Hungarian Accounting Act. The accounting service provider company responsible for the compilation of these statements is NewEdition Számviteli Szolgáltató Kft., and the name of the chartered accountant is Hajnal Fazakas (registration number: 153273).

In order to align the statements compiled according to the Hungarian Accounting Act with the rules of the IFRS standards, the Group engaged an accounting expert registered by the relevant IFRS body. Personally responsible for the preparation of the IFRS financial statements: Ildikó Rózsa (registration number: 136860). The engagement of the expert commissioned to compile the IFRS statements exclusively includes the identification of differences between the Hungarian accounting standards and IFRS and the compilation of the consolidated financial statements according to the IFRS standards adopted by the EU.

51. Audit of the Company's consolidated financial statements and the auditor's remuneration

The company auditing the Company's books and the personally responsible auditor are elected by the Company's general meeting. The auditor commissioned by Company's general meeting to audit the 2019 business data is:

- Ernst & Young Könyvvizsgáló Korlátolt Felelősségű Társaság (personally responsible auditor: Zsuzsanna Éva Bartha)

Auditor's remuneration:

- The fee charged for the audit of Appeninn Nyrt's separate annual report compiled in agreement with the International Financial Reporting Standards adopted by the European Union and in compliance with the requirements of Act C of 2000, and for the audit of Appeninn Nyrt's consolidated IFRS report is HUF 14,500,000 + VAT.

The auditors have not provided the Company with any other services of certainty provision, tax consultancy or other services beyond the scope of audit.

52. Authorization of disclosing financial statements

At the meeting of Appeninn Vagyonkezelő Holding Nyrt.'s Board of Directors held on 26 March 2020, the Group approved the consolidated financial statements compiled for the year 2019 according to the International Financial Reporting Standards adopted by the EU (IFRS). Although the Group's Board of Directors has approved release of the Group's current consolidated financial statements, the regular annual general meeting of the shareholders, as the body entitled to approve the report, may request amendments in it.

53. Declarations

Please note that there are numerous factors that may cause substantial differences between the actual outcome and the assumptions for the future.

Statement of responsibility – Based on the applied accounting requirements, the consolidated annual financial statement, prepared according to our best effort, gives a true and fair view of the assets, liabilities, financial position and profit or loss, its current situation, development and performance, and presents the major risks and uncertainties of Appeninn Vagyonkezelő Holding Nyrt. and its consolidated businesses.

Budapest, 26 March,2020

Tamás Bernáth **Dr Nóra Szabó**
Chairman of the Board of Directors **Member of the Board of Directors**