APPENINN VAGYONKEZELŐ HOLDING NYRT.
Parent Company's Annual Report

31 December 2017

non-consolidated, in accordance with the International Reporting Standards adopted by the European Union, and Hungarian language annual report in accordance with the requirements of Act C of 2000
for the year ending on 31 December 2017.

The auditor's report concerns the 44 page financial statements.

Budapest, 26th March 2018

Zoltán Prutkay	Gábor Székely
Member of the Audit Committee	Chairman of the Audit Committee

General information

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

Registered office: H-1022. Budapest, Bég st. 3-5.
Webpage: http://www.appeninn.hu

Core activity: TEÁOR '08 6810 Sale of own property
Form of operation: Public Limited Company
Tax number: 11683991-2-41
Company Registration Number: 01-10-046538

The Company's subscribed capital: On 31.12.2017 the subscribed capital is 4,089,255 thousand HUF, which consists of 40,892,545 ordinary shares of HUF 100 face value each, with the identifier HU0000102132. In 2017 the number of traded share grew by 109,255 on the basis of the General Meeting Resolution of 01.12.2017.

Marketing of the Company shares:
Shares kept in trade by the Budapest Stock Exchange Co. Ltd.
Company management: Board (12.03.2010)

Board members - right of representation (start-end:

ifj. Ádámosi György – joint (21.12.2017 –)
Juhász Sándor - joint (21.12.2017 –)
Székely Gábor - joint (13.04.2013. –)
Prutkay Zoltán - joint (18.05.2015. –)
Kovács Attila Gábor - joint (15.04.2016. –)

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

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

The Company's accountant: KAT Zrt. H-1022. Budapest, Bég st. 3-5.
The Company's auditor: MOBILCONSULT Könyvvizsgáló és Gazdasági Tanácsadó Korlátolt Felelősségű Társaság (registered seat: H-1106 Budapest, Fehér út 10., II/206., Company registry number: 01-09-079760, chamber of auditors' license number: 001168) person bearing responsibility for the audit: Judit Nagy (address: H-1165 Budapest, Vak Bottyán u. 25., chamber of auditors' membership number: 007070)

Cut-off date for events included in this report: 26/03/2018

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1 Income statements

for the period between 1 and 31 December 2017 and for its reference period

Statement of Income	Notes	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Property rental revenue	8. 1	156 623	82 210
Property related expense	8. 1	(13 937)	(13 194)
		142 686	69 016
Revenues from administration and management services provided for related party companies	8. 1	63 000	59 000
Cost of management services sold	8. 1	(56 759)	(52 529)
		6 241	6 471
Net incomes		**148 927**	**75 487**
Other gains/ (losses)	8. 2	158 276	52 295
Gains/ (losses) on disposal and valuation of investment in subsidiaries	8. 3.3	(162 848)	72 176
Gains/ (losses) on revaluation of investments properties	8. 4.1	(17 588)	(22 422)
Dividend received	8. 5	-	195 000
Gross operating profit (EBITDA)**		**126 767**	**372 536**
Depreciation and amortization	8. 6	(640)	(507)
Net of other financial income/ (expense)	8. 7	(2 227)	(9 305)
Net of interest income and (expense)	8. 8	19 213	48 430
Profit before tax		**143 113**	**411 154**
Income tax expense	8. 9.1	(11 957)	(13 359)
Profit before tax		**131 156**	**397 795**
Other comprehensive income			
Other comprehensive income, net of taxes		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**131 156**	**397 795**
Earnings per share and diluted earnings per share (HUF/pcs)	8. 10	**3,21**	**9,99**
Nets asset value per share (HUF/pcs)	8. 10	**206**	**190**

*** Non IFRS classification of earnings*

Annexes on pages 1 to 44 are integral part of this financial statement.

2 Statement of financial position (Balance Sheet)

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

Balance Sheet Assets	Notes	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Investment Property	8. 4.1	1 566 207	699 795
Property, plants and equipment	8. 6	1 691	1 618
Investments in subsidiaries	8. 3.3	5 716 564	2 831 415
Other financial assets	8. 11	-	304 376
Non- current assets		**7 284 462**	**3 837 204**
Trade receivables	8. 12	-	14 230
Receivables from disposal of treasury shares	8. 13	-	638 750
Other short term receivables	8. 14	6 133	33 163
Receivables from related parties	8. 15	1 365 571	3 364 519
Cash and cash equivalents	8. 16	4 138	72 701
Current assets		**1 375 842**	**4 123 363**
Assets classified as held for sale	8. 3.2	**76 080**	**144 000**
Total assets		**8 736 384**	**8 104 567**

Balance Sheet Equity and liabilities	Notes	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Share capital	8. 22.1	4 089 255	3 980 000
Treasury shares	8. 22.4	-	(65 368)
Other reserves	8. 22.7	3 630 418	2 889 673
Retained earnings	8. 22.8	696 287	762 463
Total equity and reserves		**8 415 960**	**7 566 768**
Long-term corporate bonds	8. 17	-	64 633
Deferred tax liabilities	8. 9.3	643	643
Total non-current liabilities		**643**	**65 276**
Short-term corporate bonds	8. 17	62 028	71 030
Short-term payable for related parties	8. 18	148 561	131 577
Other short-term payables	8. 19	48 923	91 568
Trade payables	8. 20	10 923	3 908
Current tax liability	8. 9.4	49 346	18 070
Deferred revenue and accrued expense	8. 21	-	156 370
Total current liability		**319 781**	**472 523**
Total liabilities		**320 424**	**537 799**
Total equity and liabilities		**8 736 384**	**8 104 567**

Annexes on pages 1 to 44 are integral part of this financial statement.

3 Cash-Flow statement

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

Statement of Cash flows *(direct method)*	**Notes**	**Dec 31, 2017 '000 HUF**	**Dec 31, 2016 '000 HUF**
Cash flows from operating activities		**(50 986)**	**227 461**
Receipts from customers	8. 12	12 792	24 560
Payments to suppliers	8. 20	(12 417)	301 951
Payments to employees and board of directors	8. 1	(2 835)	(3 590)
Receipts for damages	8. 2	240	540
Payments for fees	8. 1	(480)	(503)
Payment of taxes (corporate income tax, local tax VAT, property tax)	8. 9.1	(48 286)	(95 497)
Cash flows from investing activities		**110 949**	**(146 196)**
Interest received (paid)	8. 1	8	(63)
Proceeds from sale of shares	8. 2	139 365	-
Payments for related parties (loans and capital for launch new company)	8. 16	(502)	-
Cash flows from financing activities	8. 15	(27 922)	(146 133)
Buy back costs of bounds	**-**	**(128 526)**	**(15 367)**
Cost of interest for bounds	8. 17	(71 030)	-
Dividends paid on shares	8. 17	(8 142)	(18 693)
Proceeds for banking activity	8. 22.8	(116 883)	-
Proceeds of sell of treasury shares	8. 1	(1 433)	(1 899)
Financial exchange rate difference on activities	8. 22.4	69 167	-
Net increase (decrease) in cash and cash equivalents	8. 7	(205)	5 225
		(68 563)	**65 898**

Cash and cash equivalents			
at the beginning of the year	8. 16	72 701	6 803
at the end of the year	8. 16	4 138	72 701

Annexes on pages 1 to 44 are integral part of this financial statement.

4 Changes in Equity

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

Changes in Equity (in '000 HUF)	Share capital	Other reserves	Treasury shares	Retained earnings	Total equity and reserves
Balance at Jan 01, 2016	**3 650 000**	**2 526 207**	**(696 545)**	**406 022**	**5 885 684**
Total comprehensive income for the year					
Profit for the year	-	-	-	397 795	397 795
Transfers from / to the owners	330 000	363 466	631 177	(41 354)	1 283 289
Buy back of ordinary shares	-	-	(421 387)	-	(421 387)
Disposal of ordinary shares	-	-	1 052 564	(51 598)	1 000 966
Cost of interest on owners transactions	-	-	-	10 244	10 244
Issue of ordinary shares May 20, 2016	330 000	363 466	-	-	693 466
Balance at Dec 31, 2016	**3 980 000**	**2 889 673**	**(65 368)**	**762 463**	**7 566 768**

Changes in Equity (in '000 HUF)	Share capital	Other reserves	Treasury shares	Retained earnings	Total equity and reserves
Balance at Dec 31, 2016	**3 980 000**	**2 889 673**	**(65 368)**	**762 463**	**7 566 768**
Total comprehensive income for the year					
Profit for the year	-	-	-	131 156	131 156
Transfers from / to the owners	109 255	740 745	65 368	(197 332)	718 036
Buy back of ordinary shares	-	-	(886 399)	-	(886 399)
Disposal of ordinary shares	-	-	127 660	25 377	153 037
Payment of dividend	-	-	824 107	(261 652)	562 455
Cost of interest on owners transactions	-	-	-	38 943	38 943
Issue of ordinary shares Dec 01, 2017	109 255	740 745	-	-	850 000
Balance at Dec 31, 2017	**4 089 255**	**3 630 418**	**-**	**696 287**	**8 415 960**

We present the effects of the Company's migration to IFRS on capital in Section 5.

Annexes on pages 1 to 44 are integral part of this financial statement.

5 FIRST APPLICATION OF IFRS

Under the Hungarian Accounting Act the economic entity whose securities are traded on a regulated market in any state in the European Economic Area has to migrate from the Hungarian Accounting Act (hereinafter the "HAA" or "accounting act") to the IFRS for its individual financial statements as of the financial year starting on 1 January 2017. For Appeninn Nyrt the 31 December 2017 financial statement is the first individual financial statement prepared in accordance with the IFRS adopted by the EU.

Selected exemptions

Assets and liabilities in subsidiaries, jointly controlled entities and associates Under IFRS 1 D17 in the 1 January 2017 opening individual financial position statement Appeninn Nyrt. applies the same carrying amounts for assets and liabilities (except consolidation adjustments) as in consolidated financial statements.

Participations in subsidiaries, jointly controlled entities and associates
In the opening IFRS statement of financial position Appeninn Nyrt. opted for applying the carrying amount under the previous accounting rules (Hungarian accounting act) as ***deemed cost*** for investments in subsidiaries, jointly controlled entities and associates, apart from the largest strategic participation, for which valuation took place at IAS 27 cost.

Conciliations

5.1.1 Conciliation of equity to the capital value pursuant to the reporting principles for the financial year ended on 31.12.2016

The Company has migrated to IFRS reporting as of 01.01.2017. The start of reference data for the migration is 31.12.2015. We present the capital transition in the 2016.12. 31 report under the Hungarian Accounting Act as published by the Company.

5.1.2 Equivalence of the equity table pursuant to the *31.12.2016* Hungarian Accounting Act to IFRS

Explanations to the conciliations of equity and comprehensive income

(1) Under the earlier accounting rules the recovered amount of treasury shares was not included in equity, under the Hungarian Accounting Act the value of recovered treasury shares is to be treated as asset. Under the Hungarian accounting rules the valuation loss generated upon the valuation of treasury shares was recognised against P/L on the treasury share asset item, under the IFRS no gain or loss is generated against P/L for treasury share either for revaluation or sale events. The loss recognised under the Hungarian accounting rule has been derecognised from P/L to the value of treasury shares.

(2) On the one hand the Hungarian accounting rules do not separate interest on receivables from shareholders from the receivables, and recognise the interest earned from the shareholder for the receivable in the P/L on the other. Under the IFRS the P/L effect of transactions with shareholders is recognised directly in capital.

(3) Under the Hungarian accounting rules the dividend distribution decision made by the Company has been recognised in the financial year to the expense of which P/L the dividend paid has been recognised (in year 2015). Under the IFRS rules dividend must be recognised the earliest in the period when the decision was made (identical with the current Hungarian rules). This decision on dividend distribution was made in 2016, therefore the Company moved the dividend earned to the 2016 IFRS P/L items (this dividend was earned from a Company that used the cost model accounting policy).

(4) The Company carries its investment properties at fair value pursuant to the IAS 40 principles. Under the Hungarian accounting rules the Company used value adjustment to present fair value differences. A committed reserve equivalent to the value adjustment has been returned to profit reserve. The actual revaluation difference on property is presented against investment property and in the profit reserve. A

(5) Deferred taxes Deferred tax asset or liability was not recognised in the financial statements prepared in accordance with the earlier accounting rules, because under the Hungarian Accounting Act these cannot be recognised in the balance sheet.

	Share capital	Other reserves	Treasury shares	Retained earnings	Total equity and reserves
Profit for the year 2016 - under the Hungarian accounting Act				253 207	253 207
Increase of capital May 20, 2016	330 000	363 466			693 466
IAS 40 fair value changes on investment property (4)				(78 325)	(78 325)
Reclassified data as of Balance at Dec 31, 2016	**3 980 000**	**2 889 673**	**-**	**802 065**	**7 671 738**
Jan 01, 2016 reclassification of treasury shares (1)			(610 699)		(610 699)
Jan 01, 2016 reclassification of losses on treasury shares (1)			(85 846)		(85 846)
Jan 01, 2016 reclassification of dividend payable (3)				(195 000)	(195 000)
Jan 01, 2016 accounting Deferred tax under IFRS (5)				(2 238)	(2 238)
Jan 01, 2016 reclassification of fair valuation under IFRS, IAS 40 (4)					-
Elimination of item from the past accounting system (4)				(21 108)	(21 108)
					-
Transfers of treasury shares in the year 2016. (1)			696 545	38 850	735 395
Transfer of Cost of treasury shares by the date of Dec 31, 2016 (1)			(65 368)		(65 368)
Transfer of gains on treasury shares (1)				34 248	34 248
Cost of interest on owner related transactions (2)				(38 942)	(38 942)
					-
Summary of classification of Equity under IFRS for the year of 2016					-
IFRS 2016. total comprehensive income	-	-	-	144 588	144 588
Dividend received (3)				*195 000*	195 000
IAS 40 valuation (4)				*(17 759)*	(17 759)
Treasury shares movements (1)				*(34 248)*	(34 248)
Cost of owners related transactions (2)					-
Deferred tax (5)				*1 595*	1 595
Balance at Dec 31, 2016	**3 980 000**	**2 889 673**	**(65 368)**	**762 463**	**7 566 768**

5.1.3 31.12.2015 Equivalence of the capital table under the Hungarian Accounting Act to IFRS:

	Share capital	Other reserves	Treasury shares	Retained earnings	Total equity and reserves
Balance at Dec 31, 2015	**3 650 000**	**2 526 207**	**-**	**627 183**	**6 803 390**
Reclassification of treasury shares (1)			(610 699)		(610 699)
Treasury shares valuation (losses) reclassification (1)			(85 846)	85 846	-
					-
Cost of interest on owner related transactions (2)				(49 187)	(49 187)
Dividend receivable, reclassification for the year 2016 (3)				(195 000)	(195 000)
IAS 40 fair valuation (4)				(60 582)	(60 582)
Deferred tax (5)				(2 238)	(2 238)
Balance at Dec 31, 2016	**3 650 000**	**2 526 207**	**(696 545)**	**406 022**	**5 885 684**

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6.1 Company information

Appeninn Asset Management Public Limited Company by Shares ("the Company" or "Appeninn Plc.") is incorporated under the laws of the Republic of Hungary. Registered office: H-1022 Budapest, Bég st. 3-5.
Main activities of the Company is letting out its real estates, as well as letting out, operating, and managing out office buildings, commercial properties, warehouses and other properties owned by the subsidiaries of the Company, as well as management of investments in subsidiaries.

6.2 End year shareholder structure of the Company is as follows:

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

In its announcements published before the publication of this report the Company has made announcements on shareholder structure. The Company discloses changes in shareholder structure at the disclosure locations on the basis of the notifications received from shareholders. The Company has disclosed for the last day of every month an announcement for the entire share stock and repurchased share stock (end-month capital and voting rights).

7 Explanations to the Financial Statements, accounting policy, significant accounting estimates, accounting information

This Section describes the bases for the preparation of individual report and the accounting policies applied. The accounting policies, significant estimates and considerations aligned to the Company characteristics will be detailed in the relevant explanations. This Section summarizes furthermore the accounting standards, amendments and interpretations applied from this year and to be entered into force.

7.1 General accounting information

7.1.1 Basis for preparing a report, business continuity principle

The annual report covers a 12 month period, from 1 January 2017 to 31 December 2017. The report for the previous business year covered a 12 month period from 1 January 2016 to 31 December 2016. The balance sheet date is 31.12.2017. Cut off date for taking into account events affecting the report was 26 March 2018.

The financial report has been prepared on the basis of the business continuity principle since the Company's management considers that it will be able to continue its activity in the foreseeable future. Figures in the Company's report are in Hungarian Forint (also used as HUF). All amounts in the s rounded to the nearest forint.

7.1.2 Accounting policy

Changes in accounting policies, the foreseeable effects of IFRSs and IFRICs not yet effective on the date of the financial statements, past applications. The Company has not opted for the earlier application for any standard.
As of 01.01.2017and in line with the requirement set in the accounting act the Company has migrated to the IFRS accounting system. For the description of this migration see Section **5** .

7.1.3 Statement on compliance with IFRSs

Financial statements on the economic activity of Appeninn Vagyonkezelő Holding Nyrt. have been prepared in accordance with International Financial Reporting Standards (hereinafter the IFRS), during which we used the text adopted by the European Union**.** ***Explanations to the financial report contain any disclosure required by the Hungarian Accounting Act.***
Financial statements of Appeninn Nyrt. have been prepared in line with the local generally accepted accounting principles at the end of the year 2016 and in all previous periods (Act C of 2000 on Accounting, hereinafter the Hungarian Accounting Act). The year-end of 31 December 2017 is the first period when Appeninn Vagyonkezelő Holding Nyrt prepares its financial statement in accordance with the IFRS.. The explanation titled "First time application of the IFRS" contains any information related to the introduction of Appeninn Nyrt's migration to the IFRS.

Financial statements have been prepared in accordance with the principles of business continuity and cost valuation. With the view to apply the cost valuation principle the individual annual report considers Appeninn Nyrt. as if it had been established on 1 January

2009 with asset and liability values for that day, taking into account any amendments required due to the IFRS, and the rules for selecting the cost value provided for by the IFRS.

IFRS are standards adopted by the International Accounting Standard Committee (IASC), and the International Financial Reporting Interpretations Committee (IFRIC)(IFRSs and IASs) and interpretations (IFRICs and SICs).
The management has made the above statement being aware of its liability for the compilation of the financial statements.

Published but not yet effective International Financial Reporting Standards are presented in Section **14.1**.

7.2 Summary of the accounting policies

7.2.1 Translation of foreign currency

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

The currency used by Appeninn Vagyonkezelő Holding Nyrt. for accounting and reporting purposes is Forint (HUF).

- Non-monetary assets and liabilities existing on the balance sheet date and incurred in foreign currencies are converted into Forint at the exchange rate prevailing on the date of the transaction (historical exchange rate).
- Monetary assets and liabilities incurred in foreign currencies are converted into Forint at the exchange rate on the balance sheet date.
- The resulting exchange rate difference is recognized against the profit.
- Non-monetary assets and liabilities denominated in foreign currencies, valued at fair value are converted at the exchange rates prevailing at the time when the fair value is determined: any difference should be recognized against the item against which the difference due to the change of fair value is to be settled.
- Operating currencies (functional): Hungary - Hungarian Forint
- If the transaction is to be settled in any foreign currency, the transaction will be presented on the transaction date at the exchange rate prevailing at the time of settlement. By the end of the reporting period, all monetary items are revaluated to the exchange rate prevailing at the end of the period. Non-monetary items are not revaluated.

7.2.2 Investments in capital, associates and joint ventures

Economic entities can choose from three options to valuate and present investments in individual financial statements. Individual financial statements are statements presented by the economic entity where, depending on the standard's requirements, the economic entity can choose from the recognition of investments in subsidiaries, joint ventures and associates at

- cost,
- at cost pursuant to IFRS 9 Financial instruments standard,
- or their recognition with the equity method described in IAS 28 Investments in Associates and Joint Ventures.

The Company shall apply the same accounting for individual categories of investments.

The Company opted for:

The Company uses the cost model according to IAS 27.
Upon the first time application the economic entity uses the carrying value presented in accordance with the earlier accounting rules as deemed cost.

The economic entity's investments are long-term and exercises control over its investments. Any profit from the investments appears in the Economic Entity's as dividend received.

In the calculation of impairment the cash-generating units' recoverable amount must be estimated. Usually value in use is determined on the basis of expected discounted future cash-flows. In the course of setting cash-flows the most significant variables are the discount rates, the residual value, the length of the period under review and the assumptions used, on the basis of which cash inflows and outflows are estimated (commodity prices, operational costs, future production data, global and regional demand-supply for crude oil, natural gas and refined products).

In the individual financial statements participations in subsidiaries, joint ventures, and/or associates are presented at cost under IAS 27. Cost of long-term participations is the amount paid for its acquisition in cash or cash equivalent or the fair value of other consideration given. Items directly associated with the acquisition of the participation are included in the cost of that participation. For participations acquired in foreign currency:

- where the consideration for the purchase is paid before the acquisition of title, the cost is the value calculated at the official exchange rate published by the National Bank of Hungary for the day when the transaction was implemented,
- where the acquisition of title precedes the payment of the consideration, the cost is the value calculated at the official exchange rate published by the National Bank of Hungary for the day when the title was acquired.

Later on participations acquired for foreign currency will not be revaluated on the ground of exchange rate fluctuations.

An impairment test must be conducted for participations in subsidiaries, joint ventures and associates, if signs suggesting potential impairment occur. Where signs of impairment occur, the recoverable amount of that participation must be established and compared to the net value of that participation. Where the participation's recoverable amount is significantly or durably lower than the net value, impairment must be recognised.

Where the participation's recoverable amount is significantly or durably higher than the net value, an impairment reversal must be recognised.

Economic entities that compile their individual financial statements in accordance with the IFRSs test the value of their subsidiaries (investments) by measuring it to the capital value of investments. The net capital value of subsidiaries is considered to be market value. A dominant, and in many cases only key asset of subsidiaries is the investment asset pursuant to IAS40, the value of which is recognised at a price adjusted to changes in market prices and yields. Other further investments of subsidiaries (fixed assets), are insignificant, receivables and liabilities are recognised at amortised cost, and items in foreign currency are revaluated to the balance sheet date. Where the capital value of investments is below the carrying value at the economic entity, then the Company recognises impairment to the investment concerned. Where the difference between the future expectations and past capital values can be estimated soundly due to the management's future and planned contracts, then an appraisal is made for the investments in line with the relevant appraisal model, which serves as a basis for the valuation of that investment.
(Investments recognised at cost or by using the capital method must be recognised in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations when they are classified as held for sale (or included in a disposal Company that is classified as held for sale or division). The measurement of investments accounted for in accordance with IFRS 9 is not changed in such circumstances.

7.2.3 Recognition of dividends received in individual financial statements

The economic entity recognises in its individual financial statement dividends received from subsidiaries, joint ventures or associates if the entitlement of that economic entity for the dividend is established. Dividends are recognised in P/L unless the economic entity opts for the use of the capital method, in which case dividends are recognised as deduction from the investment's carrying amount. The economic entity opted for the cost model.
An associate is an entity over which the Economic Entity has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.
The results and assets and liabilities of associates are incorporated in these financial statements using the cost method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

7.2.4 Acquisition of properties and participations

The Company acquires participations in those subsidiaries, which own the properties. At the time of the acquisition the Company decides whether shares in the acquired subsidiary are part of the company's operational activity. If the Company acquired shares related to the property management segment than the acquisition classifies as business combination. To make sure that the Company acquired shares in the property management segment of a subsidiary it should review, which are those significant property management activities over which a control was obtained (i.e. property repair and maintenance, property management, leasing activity, cleaning, security guarding). The significance of any acquired business activity of the Company shall be considered in line with the guidance given in IAS 40.

7.2.5 Non-current assets classified as held for sale

Non-current assets and disposal companies are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal company) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.
When the Company expresses its commitment to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.
Non-current assets (and disposal companies) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

7.2.6 Revenue recognition

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

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

Revenues from the early termination of an operating lease are recognised upon their occurrence.

- Income from recharged operation expenses

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

- Dividend and interest income

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

- Revenues from other financial instruments

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

7.2.7 Cash flow statement

The Company prepared its cash-flow statement in accordance with the direct method.

7.2.8 Segments

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

- office rental services
- asset management and management

P/L of segments consist of revenues and expenditure that can be directly attributed to them, as well as P/L items from the total company P/L that can be attributed to the segment (arising from external transactions or from transactions with other segments of Group companies).
Undistributed items contain overhead costs for the Company as a whole, as well as assets not directly attributable to the segments' operation. The investment costs (Capex) are the total cost paid for the acquisition of segment items taken into permanent use during the period.

7.2.9 Leasing

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

The Company as Lessor
Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases. The Company was not involved in finance lease transactions as a Lessor on 31 December 2016 and 31 December 2015.

The Company as Lessee
The Company reviews its lease contracts based on the principles of IFRIC 4 and classifies its leases as per IAS 17 as operating lease or finance lease.
Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.
Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.
In the event that lease incentives are received by the Company to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

7.2.10 Share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.
Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or counterparty renders the service.
For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability settled, and at the date of settlement, the fair value of the liability is revaluated by the Company, with any changes in the fair value recognised in profit or loss for the year.

7.2.11 Taxation

Current tax:
Subsidiaries of the Company pay corporate income tax to the Hungarian Tax Authority and local municipality tax to the Local Municipality. Base of the corporate income tax is the taxable profit modified by tax increasing and tax decreasing items. Base of the local municipality tax is the revenue decreased by different types of costs and expenses (gross margin).
Deferred tax:
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the annual financial statements and the corresponding tax bases used in the computation of taxable profit. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.
Differed tax assets are recognised to the extent that it is probable that future taxable profit (or reversing deferred tax liabilities) will be available against which the temporary differences can be utilised.
In the case of any investment property for which a fair value model according to IAS 40 investment property has been applied, the fair value model assumes that they will be recovered over time through selling, and this principle is also applied for deferred tax calculation. Deferred tax payables and deferred tax receivables must be determined on the basis that they will be recovered through sale. If the investment properties are presented at fair value in accordance with IAS 40, the Company recognizes deferred tax paya-

bles and deferred tax receivables in jurisdictions where tax is not imposed on the selling of investment properties (currently the Hungarian tax system does not act in this way) for gains and losses incurred in connection with fair valuation.

7.2.12 Cash and cash equivalents

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

7.2.13 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the underlying arrangement. For any accounts receivable older than 365 days, an impairment loss of 100% was raised by the Company. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments as well as historical collections are considered indicators that the trade receivable may have been impaired. Provisions for impairment of trade receivables classified in the consolidated financial statements based on the original classification of the related receivable, so the provision for impairment can be classified as an expense related to vehicle lease or as operating expense of rentals.

7.2.14 Property, plant and equipment

Properties are carried at initial cost less accumulated depreciation and recognised impairment loss, if any. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets, any gain or loss arising on the disposal or retirement of an item is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised among other income or other expenses.
The initial cost of assets comprises its purchase price, including duties and non-refundable purchase taxes and any directly attributable costs bringing the asset to its working condition and location for its intended use, such as borrowing costs.
Replacements and improvements, which prolong the useful life or significantly improve the condition of the asset are capitalised. Maintenance and repairs are recognised as an expense in the period in which they are incurred.
Depreciation is provided using the straight-line method over the estimated useful lives of the assets. General depreciation rules are stated as follows:
Useful life of office and other equipment 3-7 years

The residual value at the Company is nil. The value of fixed assets is minor, the net asset value is less than 2 million HUF, and computers, office furniture, office assets, small kitchen appliances and assets, their residual value in the absence of a secondary market, and after their amortisation period they will be replaced, thus the nil value is acceptable.

7.2.15 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.
Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.
Recoverable amount is the higher of fair value less costs to sell and value is use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of the future cash flows have not been adjusted.
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The Company recognises impairment loss immediately in profit or loss among other income or other expense.
When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss among other income or other expense.

7.2.16 Investment in property plant

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.
In determining the carrying amount of investment property under the fair value model, an entity does not double-count assets or liabilities that are recognised as separate assets or liabilities.

(a) equipment such as lifts or air-conditioning is often an integral part of a building and is generally included in the fair value of the investment property, rather than recognised separately as property, plant and equipment.
(b) if an office is leased on a furnished basis, the fair value of the office generally includes the fair value of the furniture, because the rental income relates to the furnished office. When furniture is included in the fair value of investment property, an entity does not recognise that furniture as a separate asset.
(c) the fair value of investment property excludes prepaid or accrued operating lease income, because the entity recognises it as a separate liability or asset;
(d) the fair value of investment property held under a lease reflects expected cash flows (including contingent rent that is expected to become payable). Accordingly, if a valuation obtained for a property is net of all payments expected to be made, it will be necessary to add back any recognised lease liability, to arrive at the carrying amount of the investment property using the fair value model.

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

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

Every year, the Company determines the fair value of the properties. Besides the value estimate made by the Company, the portfolio value of the properties was reviewed by an independent appraiser appointed by the Company.

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

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

7.2.18 Provisions

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

- The Company raises reserves for fines and penalty interests if they can be claimed in legal terms and if they constitute a payment obligations by the Company to the authorities.
- The Company raises provisions for expected costs in view of exiting employees whenever the related decision is made before the balance sheet date.
- The Company raises provisions for loans granted to key personnel for motivational purposes and in order to promote loyalty.
- The Company raises provisions for litigations, in cases involving claims by third parties in the ongoing legal proceedings phase, and when it has sufficient information to carry out reliable estimates, which is supported by the legal counsel that it is expected to result in a payment obligation.
- The Company raises provisions to cover its guarantees to its customers in relation to its activities. The amount of the provision is determined individually on the basis of the sales revenue and the amount of liabilities previously incurred with the guarantees.

7.2.19 Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments
An equity instrument is any contract that evidences a residual interest in the asset of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net or direct issue costs.
Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Loans and other borrowings
Borrowings are recognised initially at fair value less transaction costs, and subsequently measured at amortised costs using the effective interest rate method. The effective interest is recognised in the income statement (finance expenses) over the period of the borrowings. Own issue bonds are in compliance with the category's classification principles.

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

7.2.20 Equity

Subscribed capital is presented at the balance sheet date value of shares issued. Additional yield above the face value from the equity issue is recognised as premium. For the presentation of the treasury share portfolio see Section **8.22.1**.

7.2.21 Treasury shares

Treasury shares are recognised at cost, each purchase distinguished individually. Treasury shares are recognised as a reduction of shareholder's equity. Premiums and discounts on disposal are credited and debited respectively directly to retained earnings. For the presentation of the treasury share portfolio see Section ***8.22.4***.

7.2.22 Borrowing costs

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

7.2.23 Deposit from tenants

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

7.2.24 Earnings per share

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

7.2.25 Off balance sheet items

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

7.2.26 Events after the reporting date

Events after the reporting date (correction events) providing information on the Company's position are presented in the financial statements. Events with non-corrective effect after the reporting date (if significant) are shown in the annexes.

7.2.27 Comparative data

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

7.3 Accounting estimates and uncertainties

In the course of applying the Company's IFRS accounting policies the management has to make decisions, estimates and assumptions with regard to the carrying value of assets and liabilities that are not obvious from other sources. These estimates and the related assumptions are based on past experience and other factors that are considered relevant. Actual results may differ from those estimates.
Estimates and the underlying assumptions need to be reviewed on an ongoing basis. Amendments to the accounting estimates must be recognised in the period of the relevant amendment where the amendment affects that period exclusively, or in the amendment period and in subsequent periods where the amendment affects the present period and also future ones.

7.3.1 Decisions in the accounting

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

7.3.1.1 Functional and reporting currency

On the basis of the economic events and circumstances that characterize the Company's activities, Forint ("HUF") has been defined as the settlement and reporting currency. Consequently, the figures in the consolidated financial statements are in HUF, except where other relevant information is provided. For the annual accounts any value of the Company's economic events not denominated in HUF have been converted for accounting and reporting purposes. Upon the conversion we applied the following NBH HUF – EUR exchange rates with regard to the balance sheet date:

Date	2017.12.31	2016.12.31	2015.12.31
FX rate presented by Hungarian National Bank	310,14	311,02	311,46
Average of daily closing rates	309,21	311,46	309,9
difference (closing vs. Average rate)	0,93	-0,44	1,56

7.3.1.2 Operating lease contracts - the Company as Lessor

The Company reviews any lease agreement on an annual basis where the Company is a Lessor party. On this basis the Company's contracts qualify as operating leases under IAS 17 and the accounting policy in line with that standard

7.3.1.3 Classification of properties

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

- Investments properties are properties, which are bought by the Company with the primary intention of consume substantially all of the economic benefits earned through rental or increase in value over time. These properties (offices, warehouses and industrial properties) are not in use by the Company in the long run and there is no intention of sales in the near future.

- Development properties are properties, which are bought by the Company with the intention of development and future sale (mainly building of a residential property).

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

7.3.1.4 Errors from earlier years
No error was detected in the current year in the context of earlier (closed) years, no corrections for past periods are presented in the P/L statement.

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

7.3.2.1 Impairment of goodwill
Goodwill arising on the purchase of shares, reviewed once in a year at the time of the preparation of the financial statements. Determining whether the goodwill is impaired an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash-flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

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

7.3.2.3 Fair value of investment properties
Fair value determination of investment properties are mainly based on estimates and assumptions, therefore the actual value can be significantly different form the value resulting from the estimate.
Fair value of investment properties is set by the Company's in-house evaluations and appraisals made by independent appraisers. The Company has made the estimate on the fair value of investment properties. The values determined by the independent appraiser are in line with the values stated in the financial statements. Between 2014 and -2017, the independent appraiser appointed for such valuation was Jones Lang LaSalle Ltd (H–1051 Budapest, Széchenyi tér 7–8).

Valuation model used same variables in year 2015 to 2017: average rental fee, market fee, usage of the property (occupancy) and exit yield with "discount rate". These values are based on observations in the property market, which had to be corrected due to the local differences of the properties. ***Since corrections were necessary for the observable variables the model variables become "level 3" type.***

For the Kecskemét property valuation methods remained unchanged from year 2015 to -2017, the Company used the values from the *discounted cash-flow model (DCF) in every period*.
Taking into account the long-term letting activity, for the Budapest, Andrássy út 105 property the appraiser company finds the average of the *matching DCF method and the market value as appropriate presentation of fair value.*

The valuation model applied are in line with the valuation modelling processes presented by IFRS 13.
The valuation expressed on the face of the valuation the marketable comparable prices.

The Company determines the fair value of the properties. for the balance sheet date. Besides the value estimate made by the Company, the portfolio value of the properties was reviewed by an independent appraiser appointed by the Company. The values determined by the independent appraiser are in line with the values stated in the financial statements. Between 2014 and 2016, the independent appraiser appointed for such valuation was Jones Lang LaSalle Ltd (H–1051 Budapest, Széchenyi tér 7–8). This appraisal was performed by the expert in EUR, which was converted by the Company at the 31.12.2017 NBH closing exchange rate to forint.

Values from the DCF and market comparison data derived by the expert

Fair value measurement, values in EUR and '000 HUF,
measurement was prepared by Jones Lang LaSalle Kft. In EUR, valuation date Dec 31,2017

Property		Valuations methodology used (values presented in EUR)				Values Dec 31, 2017	Values Dec 31, 2017	Values Dec 31, 2016	Values Dec 31, 2016	Unit size
Property unit located in Hungary (address):	classification of the unit	DCF	Comparative markets valuation	Residual value	Cost based valuation	in EUR	000 HUF	in EUR	000 HUF	for renting (m2)
6000 Kecskemét, Kiskőrösi utca 30.	logistics, store	3 400 000	2 800 000	-	-	3 100 000	961 434	3 600 000	1 119 672	6 024
1062 Budapest, Andrássy út 105.	office building	2 200 000	3 400 000	-	-	2 800 000	868 392	nincs	nincs	1 126
Total of fair value		**5 600 000**	**6 200 000**			**5 900 000**	**1 829 826**			

Actual values in the balance sheet after applying the fair value adjustments (option values):

	Dec 31, 2017			Dec 31, 2016		
	Valuation method	**in EUR**	**in '000 HUF**	**Valuation method**	**in EUR**	**in '000 HUF**
6000 Kecskemét, Kiskőrösi utca 30.	buy option value	2 250 000	697 815	buy option value	2 250 000	699 795
1062 Budapest, Andrássy út 105.	average of market value and DCF / presented by the valuation company JLL	2 800 000	868 392	-	-	-
Assets value in Balance Sheet		**5 050 000**	**1 566 207**		**2 250 000**	**699 795**

Information on properties:

Kecskemét, Kiskőrös utca 30.
In 2016 the Company undertook to sell its property under 6000 Kecskemét Kiskőrösi utca 30, the right holder has paid the fee for the sale obligation. The sale obligation for the property's transfer without litigation and claims is 2,225,000 EUR. The right holder may exercise the right by 31 October 2019. The Company took as the property's fair value the lower of the property's value estimated by the expert and the option price entered into by the Company, which is 2.250.000 EUR, converted into forint in 2017: 697,815 thousand HUF, in 2016: 699,795 thousand HUF. The change in the HUF value was caused by the exchange rate change.

1062 Budapest, Andrássy út 105.
The property was transferred to the Company as non-financial contribution provided to the Company as part of the December 2017 capital raise. This capital raise is presented in detail in Section Hiba! A hivatkozási forrás nem található..

Sensitivity test: changes in yield levels for the property's portfolio value.
The DCF model variables used, and values resulted are presented in the previous table. Sensitivity test was performed to make a DCF sensitivity analysis. The aggregation of the DCF model variables ends in the exit yield, and the other sensitive element of the model is the annual rent fee. From the matrix of these two variables shift we present the effect of a 5% negative and 5% positive shift in these model variables to the fair value per property.

Input data used for the appraisal and sensitivity tests

Unit address: Kecsekmét, Kiskőrösi utca 30.	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Average annual rental revenues '000 HUF	160 236	133 733	127 625
Market price of rent fee (/m2)	1 085	1 089	1 246
Utilisation rate (%)	100,00%	92,30%	87,0%
Exit Yield	11,00%	10,00%	10,0%
Discount rate	11,50%	10,25%	10,25%
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Comparative price '000 HUF	868 392	870 856	375 744
Present value in DCF model '000 HUF	961 434	1 119 672	782 800
Modell used for the fair value presentation	DCF	DCF	DCF

Sensitivity analysis	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Model variable I. (effect of changes):			
Exit Yield +0,5%	11,50%	10,50%	10,50%
Actual exit yield used in the valuation	***11,00%***	***10,00%***	***10,00%***
Exit yield -0,5%	10,95%	9,95%	9,95%
Model variable II. (effect of changes):			
Market price of rent fee + 5%	168 248	140 420	134 006
Actual market price of rent fee used in the valuation	***160 236***	***133 733***	***127 625***
Market price of rent fee -5%	152 224	127 046	121 244

Unit address: Budapest, Andrássy út 105.	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Average annual rental revenues '000 HUF	160 236	-	-
Market price of rent fee (/m2)	1 085	-	-
Utilisation rate (%)	100,00%	-	-
Exit Yield	7,00%	-	-
Discount rate	7,50%	-	-
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Comparative price '000 HUF	1 054 476	-	-
Modell used for the fair value presentation	682 308	-	-
Modell used for the fair value presentation	average of market value and DCF / presented by the valuation company JLL	-	-
Average of DCF and Market price	868 392		

Sensitivity analysis	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Model variable I. (effect of changes):			
Exit Yield +0,5%	7,50%	0,50%	0,50%
Actual exit yield used in the valuation	***7,00%***	***0,00%***	***0,00%***
Exit yield -0,5%	6,95%	-0,05%	-0,05%
Model variable II. (effect of changes):			
Market price of rent fee + 5%	168 248	-	-
Actual market price of rent fee used in the valuation	***160 236***	**-**	**-**
Market price of rent fee -5%	152 224	-	-

7.3.2.4 Fair value hierarchy

	Dec 31, 2017 '000 HUF			Dec 31, 2016 '000 HUF		
Fair value hierarchy used for investment property	Leve 1	Level 2	Level 2	Leve 1	Level 2	Level 2
6000 Kecskemét, Kiskőrösi utca 30.			697 815			699 795
1062 Budapest, Andrássy út 105.			868 392			-
Total			1 566 207			699 795

Definitions	
Level 1	Quoted bid prices in an active market
Level 2	Observable yield curves at the end of reporting period
Level 3	Long term revenue and growth and investment rates taking into account specific industry

7.3.2.5 Appeninn Nyrt. share circulation data

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

Shares inormation of APPENINN, data in HUF

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

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

changes of stock prices within:		
1 mont	-1.7 %	
3 months	-21.1 %	
12 months		206%
Volatility calculated for :		
1 monts		6900%
3 months		5090%
12 months		6640%

7.3.3 Financial guarantees

The valuation of financial guarantees takes place by fair valuation. Fair valuation is the sum of discounted values to the time of the product of PD (probability of default) X LGD (loss given default) X EAD (exposure of default). For uncalled lending / guarantee commitments, in the course of estimating the expected lending losses the possible lender needs to estimate the part of its lending commitments that will be called by the other party, then to calculate the (weighted) present value of cash flow1 differences in the event of the eventual call of the above estimated part.

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

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

Upon the valuation of expected lending losses the cash flow difference is the difference between the cash flows expected to pay (indemnification) and the expected cash flow in the context of the transaction (from anybody). Contractual cash flows and the assumed actual cash-flows to be disbursed in the future.
The discount rate of the expected lending losses is the actual rate reflecting the risk of cash flows.
The examination of the significant increase in the credit risk is ongoing, subject to taking into account the debtor's default.

The Company assessed to what companies controlled by the Company or other companies it extended guarantees. Cases for the Company assessment are presented in Section **8.23.4**.

8 Additional information to the current year P/L

This Section described the P/L and performance of Appeninn Nyrt in the financial years ending on 31 December 2017 and 31 December 2016. Disclosures follow the structure of the income statement and provide information on segment data, on operational revenues, operational expenditure and financial profit and loss. Statements on taxation and share based remuneration related financial situation are also described here.

8.1 Sales revenue, segment information

The Company is engaged in the letting and operation of owned property, asset management and company management.

The properties used for property letting and operation activities are located in Hungary, in Kecskemét and Budapest.

- We established no separate segments on territorial basis. In the 2017 business year the Company obtained revenue only from the property located in Kecskemét. In November 2016 the Company has signed a lease contract with Wing Zrt. for the property, under which Wing Ingatlanfejlesztő és Beruházó Zrt. leases and area of 66,024 m2: office, storage and land for one year, which is expired and not extended. Upon the publication of this report the property is vacant.
- The Company has been taking the revenues of the property acquired in December 2017 by way of non-financial contribution starting from the year 2018.

The Company performs management activity exclusively for associates, which are within the same segment, these subsidiaries are active in property letting.

- provision of real-estate property maintenance and operating services that are necessary for the lease-out activities of the subsidiaries
- active portfolio management
- centralized management and administration, as well as legal representation
- centralized arrangement of purchasing transactions, finding the most favourable offers
- organization and implementation of property renovation, conversion works, professional supervision
- receivables management
- provision and operation of the central dispatcher/fault reporting line
- organization of the security guarding and reception services of the properties
- advertising properties/offices to let, recruitment of tenants, maintaining contacts with the tenants
- presentation of the subsidiaries and their properties at the appeninn.hu website
- presentation of the subsidiaries and their properties at the appeninn.hu website

Data for both activities of the Company are presented separately in the statement.

The Company's assets are located in the territory of Hungary.

Condition for sales revenue recognition presented in the current period
Sales revenue is recognised if it is likely that an economic advantage is realised by the Company in the context of that transaction, and its amount is adequately measurable. The amount of the sales revenue is recognised exclusive of sales taxes and discounts when goods are transferred and services provided, and risks and benefits are transferred.

Presentation of expenditure recognised in the period
Where it is not regulated by a separate standard, operational costs are recognised at a certain point in time or during a certain period. If a specific transaction belongs to the scope of a specific IFRS, then its accounting recognition takes place in accordance with that standard

Clause 8.1 Continued

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Property rental revenue	**156 623**	**82 210**
Rent of office property	153 159	65 414
Rent of parking place	1 254	6 271
Rent of store paces	2 359	9 783
Revenues from managed and transferred services	-	916
costs of transferred services	(149)	(174)
Expenses of property rental activity	**(13 937)**	**(13 194)**
Property taxes	(3 123)	(3 123)
Expenses of utility (water, electricity, gas, etc.)	(1 523)	(1 724)
Expenses of managing buildings service providers	(1 440)	(4 303)
Insurance fees	(152)	(187)
Write off trade receivables	(60)	-
Services cost allocated to the rental activity	(7 639)	(3 857)
Revenues from administration and management services provided for related party companies	**63 000**	**59 000**
APPENINN Property Vagyonkezelő Zrt.	500	500
Appeninn - Bp 1047 Zrt.	3 000	3 000
Appeninn E-Office Zrt.	39 000	39 000
VÁR - Logisztika Zrt.	-	3 000
Appeninn Üzemeltető Zrt.	500	500
Bertex Kft.	5 500	5 500
Curlington Kft.	5 000	5 000
Szent László Téri Szolgáltató Ház Kft.	2 000	2 000
Felhévíz- Appen Kft.	500	500
Appeninn Hegyvidék Ingatlankezlő és Ingatlanforgalmazó Kft.	1 000	-
APPEN-RETAIL Kft.	1 000	-
Sectura Ingatlankezelő Kft.	1 000	-
Várna 12 Holding Zrt.	1 000	-
VCT78 Ingatlanhasznosító Kft.	3 000	-
Revenues and cost as agency activity of the company:		
Revenues for managing and guarantee for loans (loan provided for Appeninn E-Office Zrt.)	23 677	47 354
Cost of managing and guarantee loans	(23 677)	(47 354)
Cost of administration and managing services provided	**(56 759)**	**(52 529)**
Costs of insurance	(2 882)	(3 544)
Promotion, sales and marketing	(1 054)	(2 400)
Other small items cost	(354)	(1 629)
Banking fees	(1 428)	(1 911)
Accounting, booking, audit and legal services	(22 780)	(13 690)
Costs of public listing activities	(10 050)	-
Cost of stationery	(446)	(424)
Costs of insurance managing liability	(754)	(404)
Fees and duties for legal purposes	(329)	(3 776)
Education and IT services	(15 144)	(21 276)
Wages and salaries	(9 177)	(7 332)
Services cost allocated to the rental activity	7 639	3 857
Net incomes	**148 927**	**75 487**

8.2 Other income and other expenses

Both other income and sales revenues are accounted for on the basis of the same accounting policy.

	Notes	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Late payment interest received	(1)	20 000	-
Forfeit money received	(2)	139 365	-
Gain from release of debt		1 909	-
Consideration received for purchase option sold	(3)	-	76 748
Oher small amount items received		380	856
Late payment, penalty paid		(3 378)	(110)
Payment for post earning warranty after disposal of subsidiary	(4)	-	(25 199)
		158 276	**52 295**

(1) The Company charged late payment penalty interest on transactions conducted with a delay.
(2) In 2017, the Company received liquidated damages and cancellation penalties owing to contract cancellation.
(3) In 2016, the Company sold a call option for the purchase of the real property in Kecskemét to a tenant for EUR 2.5 million, with the terminal date of 31 October 2019; the option fee was paid by the beneficiary.
(4) In 2016, the Company granted a revenue guarantee for the 2015 revenues of the activities sold in a sales agreement dated 2014 for the 100% business share of Kranservice Ltd. In 2016, the buyer company announced its guarantee claim, which was acknowledged by the seller, and financially settled in 2016.

8.3 Investments in subsidiaries

The policies used to evaluate subsidiaries and long-term participations are presented in point**7.2.2**. Appeninn Nyrt. holds direct ownership shares in the following companies:

Current (and former) name of the company	Starting & changes of relation / Closing of relation	Company registry number	Ownership of Appeninn Nyrt. by Dec 31, 2017	Net asset value Dec 31, 2017 '000 HUF
APPENINN Property Vagyonkezelő Zrt. (name before Jan 18, 2018 Appeninn Angel Zrt.)	.../ starting before Jan 01, 2016	01 10 048362	100,00%	(27 118)
Appeninn - Bp 1047 Zrt.	.../ starting before Jan 01, 2016	01 10 047160	100,00%	432 573
Appeninn E-Office Zrt.	... (increase of capital Dec 31, 2016, purchase of 1 ps share Aug 23, 2017 / starting of ownership before Jan 01, 2016	01 10 047783	100,00%	6 237 798
VÁR - Logisztika Zrt. (comany name before Nov 14, 2017: Appeninn Logisztika Zrt)	disposal 100% ownership by Nov 14, 2017 / starting of realtion before Jan 01, 2016	01 10 046822	0,00%	-
Appeninn Üzemeltető Zrt. (company name before Nov 22, 2017 : Appeninn Solaris Zrt.)	.../ starting before Jan 01, 2016	01 10 047055	100,00%	27 559
Bertex Kft.	.../ starting before Jan 01, 2016	01 10 045752	100,00%	296 786
Curlington Kft.	.../ starting before Jan 01, 2016	01 09 728951	100,00%	48 192
Szent László Téri Szolgáltató Ház Kft.	.../ starting before Jan 01, 2016	01 09 947093	100,00%	173 229
Appeninn Credit Zrt. (company name before Jan 20, 2016: MILTON Hitelezési Zrt.)	.... / acquisition of 100% on Oct 20, 2016	01 10 045678	100,00%	76 080
W-GO 2000 Zrt. (merged in Appeninn E-Office Zrt. On Sep 30, 2016)	merged in Appeninn E-Office Zrt. On Sep 30, 2016/ starting before Jan 01, 2016	01 09 687034	0,00%	rged in other compa
APPENINN Hegyvidék Ingatlankezelő és Ingatlanforgalmazó (company name before Nov 14, 2017: Pontott Termelő és Szolgáltató Kft.)	100% shares purchased in 2017 / 100% disposal of ownership on Nov 28, 2016/ 100% ownership was taken over on June 06, 2016, provided by owners as of non financial equity increase of capital	01 09 731476	0,00%	disposed
Appeninn-Investment Zrt.	disposed on Nov 28, 2016/ received 100% ownership on June 09, 2016 as increase of capital	01 10 046926	0,00%	disposed

the carrying amount of the ownership shares is compared against the equity of the subsidiaries. The book value of the investments includes accounting for and reversal of impairment loss. The carrying amount of investments does not exceed the equity of investments.

	Dec 31, 2017	changes (Jan 01, 2017 - Dec 31, 2017)			Dec 31, 2016	changes (Jan 01, 2016 - Dec 31, 2016)		Dec 31, 2015
Investments in subsidiaries	**Carrying amount**	Impairment	Acquisition / disposal	Capital increase of subsidiary	**Carrying amount**	Disposal	Impairment	**Carrying amount**
APPENINN Property Vagyonkezelő Zrt. (name before Jan 01, 2018 : Appeninn Angel Zrt.)	-	(3 500)	-		**3 500**		(1 500)	**5 000**
Appeninn - Bp 1047 Zrt.	**30 508**		-		**30 508**			**30 508**
Appeninn E-Office Zrt.	**5 256 668**		366 996	2 757 044	**2 132 628**			**2 132 628**
VÁR - Logisztika Zrt. (name before Nov 14,2017 Appeninn Logisztika Zrt)	-		(185 251)		**185 251**			**185 251**
W-GO 2000 Zrt. (merged in Appeninn E-Office Zrt, by Sep 30, 2016)	-		-		-	(425 460)		**425 460**
Appeninn Üzemeltető Zrt. (name before Nov 22, 2017: Appeninn Solaris Zrt.)	-		-		-		(5 000)	-
Bertex Kft.	**212 062**		-		**212 062**			**212 062**
Curlington Kft.	**44 096**		-		**44 096**			**44 096**
Szent László Téri Szolgáltató Ház Kft.	**173 230**	(50 140)	-		**223 370**		45 000	**178 370**
	5 716 564	(53 640)	181 745	2 757 044	**2 831 415**	(425 460)	38 500	**3 213 375**
Asset classified for sale (investment in Appeninn Credit Zrt.)								
Appeninn Credit Zrt. (name before Jan 20, 2016 MILTON Hitelezési Zrt.)	**76 080**	(67 920)	-		**144 000**	-	-	-

The following economic events occurred in connection with ownership shares:

Appeninn Property Vagyonkezelő Zrt.

The Company wrote off the investment to zero due to reduction in the equity of the subsidiary.

Appeninn – Bp1047 Zrt.

The purchase price of the Company remained unchanged:

Appeninn E-Office Zrt. and W-GO 2000 Zrt.

W-GO 2000 Zrt.'s ownership share in Appeninn Nyrt. and impairment loss on the ownership share were derecognised when the investment was sold. On 22 April 2016, Appeninn Nyrt. sold its 60% ownership share in W-GO 2000 Zrt. for HUF 425,459.538 to Appeninn E-Office Zrt., which consolidated the subsidiary on 30 September 2016. After the consolidation, based on the exchange of shares, LEHN Consulting Ag.'s minority ownership in Appeninn E-Office Zrt. changed to 1/73.

Pursuant to its decision taken on 31.12.2016., Appeninn Nyrt. raised Appeninn E-Office Zrt.'s capital by HUF 2,757,044.447 through a capital increase by share premium. Appeninn Nyrt. carried out the capital increase by transferring its claims as at 31.12.2016 from Appeninn E-Office Zrt. (in-kind contribution).

Pursuant to decision taken on 31.12.2016., capital increase took place through the issue of 10 ordinary shares and was completed when the capital increase was registered by the company court on 16.02.2017. Subsequent to the capital increase, Appeninn E-Office Zrt. held 83 ordinary shares, each with a nominal value of HUF 10 million. LEHN Consulting Ag. did not take part in the capital increase completed on 16.02.2017, therefore, after the completion of the capital increase, its share was 1/83 in 2017.

On 23.08.2017, Appeninn Nyrt. purchased one share with a face value of HUF 10 thousand from Appeninn E-Office Zrt. The price of the share was mutually set by the parties at HUF 366,955,516,000. The price was settled through a mutual off-set involving the parties' overdue and still outstanding receivables and liabilities from 2015.

VÁR- Logisztika Zrt.

In 2017, the Company sold its 100% share in the subsidiary.

Bertex Kft.

The purchase price of the Company remained unchanged:

Curlington Kft.

The purchase price of the Company remained unchanged:

Szent László Téri Szolgáltató Ház Kft.

The Company wrote off the investment by HUF 50 million due to reduction in the equity of the subsidiary.

8.3.1 Indirect ownership shares

Name of the company, Dec 31, 2017 (previous name of the company)	Starting & changes of relation / Closing of relation	Company registry number	Dec 31, 2017 Ownership %	Dec 31, 2017 Owner of the controlling rights
APPENINN Hegyvidék Ingatlankezelő és Ingatlanforgalmazó (company name before Nov 14, 2017: Pontott Termelő és Szolgáltató Kft.)	... / acquisition steps: July 12, 2017 (74% ownership), Nov 14, 2017 (100% ownership)	01 09 731476	100,00%	Curlington Kft.
FELHÉVÍZ-APPEN Kft.	... / established on Aug 01, 2016, acquired by Appeninn Solaris Zrt on Aug 02, 2016, 100% control taken over by Appeninn Angel Zrt by Dec 19, 2017	01 09 285651	100,00%	APPENINN Property Vagyonkezelő Zrt. (name before Jan 01, 2018 : Appeninn Angel Zrt.)
APPEN-RETAIL Kft.	.... / established on Jan 23, 2017 by Appeninn-Solaris Zrt., Dec 19, 2017 100 % ownership taken over by Appeninn Angel Zrt.	01 09 292725	100,00%	APPENINN Property Vagyonkezelő Zrt. (Name before Jan 18, 2018 2018: Appeninn Angel Zrt.)
Várna 12 Holding Zrt. (on Dec 31, 2017 merged in Appeninn Property Vagyonkezelő Zrt.)	on Dec 31, 2017 merged in Appeninn Property Vagyonkezelő Zrt. / acquisition of 100% ownership Jan 31, 2017	01 10 048812	100,00%	APPENINN Property Vagyonkezelő Zrt. (Name before Jan 18, 2018: Appeninn Angel Zrt.)
Sectura Ingatlankezelő Kft. (Name before March 14, 2017: Estate Pest Office Kft.)	... / Marc 14, 2017 acquisition of 10% ownership	01 09 297215	100,00%	Szent László Téri Szolgáltató Ház Kft.
VCT78 Ingatlanhasznosító Kft.	... / July 03, 2017 acquisition of 10% ownership	01 09 911556	100,00%	Szent László Téri Szolgáltató Ház Kft.

8.3.2 Valuation of the Appeninn Credit Zrt. investment, an asset held for trading

The Appeninn Nyrt. has recorded its 100% share in Appeninn Credit Zrt. as a short-term investment.

The purchase price of the share, which was HUF 144 million in 2016, was paid by means of own shares.

The investment was evaluated in comparison with the Company's equity. The value of the investment was HUF 155 million on 31.12.2016 and HUF 76 million on 31.12.2017.

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Appeninn Credit Zrt. (2016.01. 20. előtt: MILTON Hitelezési Zrt.)		
Bekerülési érték 2016. 01. 20.	144 000	144 000
Értékvesztés eredmény terhére (nem bejelentett részesedés)	(67 920)	-
	76 080	**144 000**

8.3.3 Sale and evaluation of the investments (subsidiaries) as reflected in the Company's performance

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Pontott Kft. - disposal gain, received	-	5 287
Net assets disposed as of value of capital increase by May 20, 2016	-	(31 203)
Total consideration received	-	36 490
Appeninn Investment Zrt. -disposal gain received	-	23 389
Net assets disposed as of value of capital increase by May 20, 2016	-	(240 611)
Total consideration received	-	264 000
VÁR - Logisztika Zrt. - loss on disposal by Nov 14, 2017 (former name of the company Appeninn Logisztika Zrt.)	(41 288)	-
Gain on release of debt	20 963	-
Net assets disposed as of value Dec 31, 2016	(185 251)	-
Total consideration received	123 000	-
Appeninn Credit Zrt. (name until Jan 20, 2016 MILTON Hitelezési Zrt.)	(67 920)	-
Impairment loss on assets available for sale - recognised for the year	(67 920)	-
Impairment losses recognised an reversal of imperment losses on investments in sul	(53 640)	43 500
APPENINN Property Vagyonkezelő Zrt. (name until Jan 18, 2018 Appeninn Angel Zrt.)	(3 500)	(1 500)
reversal of impairment losses (as part of the opening IFRS carrying amount based on the previous accounting standards as of Hungarian Accounting standards)		
Szent László Téri Szolgáltató Ház Kft.	(50 140)	45 000
	(162 848)	**72 176**

Pontott Kft.

The Company sold the capital contribution of Pontott Kft. received as in-kind contribution to the capital increase on 20 May 2016. The Company earned HUF 23.3 million on the sale.

Appeninn Investment Zrt.

The Company sold the capital contribution of Appeninn Investment Zrt. received as in-kind contribution to the capital increase on 20 May 2016. The Company earned HUF 5.2 million on the sale.

VÁR – Logisztika Zrt.

In order to clean its portfolio, the Company sold its 100% share in Appeninn Logisztika Zrt. (today: VÁR- Logisztika Zrt.). The Company generated HUF 41 million in losses on the sale.

Appeninn Credit Zrt.

The Company has recorded Appeninn Credit Zrt. as an investment held for trading and is actively engaged in activities aimed at its sale. Appeninn Credit Zrt. carried out portfolio cleaning and its losses on the closing of the transactions reduced its capital; therefore, in 2017, impairment loss in the amount of HUF 67.7 million had to be recognised due to changes in the value active transactions.

Appeninn Property Vagyonkezelő Zrt.

2017: APPENINNN Property Vagyonkezelő Zrt. (formerly: Appeninn Angel Zrt.) is an investment company. HUF 3.5 million had to be written off as a result of its investments and tax liability.

2016: The 2016 performance of APPENINNN Property Vagyonkezelő Zrt. (formerly: Appeninn Angel Zrt.) affected the value of the investment. The impact was a HUF 1.5 million write-off.

Szent László Téri Szolgáltató Ház Kft.

2017: Due to losses on the lease-out of Szent László Téri Szolgáltató Ház Kft. and the performance of its subsidiaries led to a HUF 50 million change in value.

2016: The profitable operation of Szent László Téri Szolgáltató Ház Kft. in 2016 led to the reversal of impairment loss in 2016. The reversal of impairment loss (HUF 45 million) was presented because due to the conversion to IFRS on 01 01 2017, the balance of the investments under the previous accounting principles is considered to be their purchase price.

8.4 Income generating investment properties

The Company evaluates and presents the income generating investment properties in accordance with point **7.2.16**.
The input data used for valuation are presented in point **7.3.2.3** on Accounting Estimates.

8.4.1 Fair value valuation of income generating investment properties

The EUR-denominated value of the real property in Kiskőrös Street, Kecskemét is identical to that in 2016. The 1.9 million change is attributable to exchange rate fluctuations.

The value of the real property at Budapest, 105 Andrássy út did not cover a portion of the 4% duty (HUF 34 million) therefore, a fair value valuation difference in the amount of HUF 15.6 million.

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
fair value of Investment Property		
Unit located in Kecskemét, Kiskőrösi utca 30.		
Balance at the beginning of year	699 795	722 217
Gain (loss) on property revaluation	(1 980)	(22 422)
Balance at the end of year	697 815	699 795
Unit located in 1062 Budapest, Andrássy út 105.		
Carrying amount from increase of equity	850 000	-
Cost of tax and fee on property	34 000	-
Gain (loss) on property revaluation	(15 608)	-
Balance at the end of year	868 392	-
Gain (loss) on proerty revaluation included in profit and loss	**(17 588)**	**(22 422)**

8.5 Dividends received

The Company received dividends in the amount of HUF 195,000,000 from Appeninn E-Office Zrt.

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Dividend received from Appenin E-Office Zrt.	-	195 000

Dividend received in 2016 is allocated by Feb 2017 to the investment asset of the Company as of increase of equity by 2 754 000 HUF for the Appeninn E-Office Zrt.

8.6 Depreciation, machinery and equipment

The policies used to evaluate machinery are presented in point**7.2.14**.

Machinery and equipment are stated at purchase price less accumulated depreciation and impairment loss. Purchase price comprises the purchase price of the asset, import duties, non-refundable taxes and costs linked directly to the installation of the asset, e.g. borrowing costs. The estimated costs of mining field abandonment and restoration are capitalised when the asset is recorded or, if a decision on mining field abandonment is taken later, at the date of the decision. Book value of tangible assets is modified by changes in costs estimates. Costs incurred after the installation, e.g. maintenance and repairs (less periodic maintenance) are recorded through profit/loss upon incurrence, except periodic maintenance costs, which are capitalised as separate components.

Purchases and manufacture in progress are measured at purchase cost and stated as investments. Impairment loss on investments is only recognised after the installation of the asset.

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Property, plants and equipment		
Cost or valuation		
Balance at the beginning of the year	6 596	5 301
Additions of assets	713	1 295
Disposal of assets	-	-
Balance at the end of the year	7 309	6 596
Accumulated depreciation		
Balance at the beginning of the year	(4 978)	(4 471)
Depreciation expense	(640)	(507)
Disposal of assets	-	-
Balance at the end of the year	(5 618)	(4 978)
Carrying amount	**1 691**	**1 618**

Carrying amount at the date of :		
	2016.01.01	813
	2016.12.31	1 618
	2017.01.01	1 618
	2017.12.31	1 691

The Company's tangible assets are office devices (computers, communication devices and office equipment).
The Company accounts for depreciation as follows:

- Office equipment 7 years
- IT equipment 3 years
- Assets with an individual purchase price of below HUF 100,000 are depreciated in full and charged to profit/loss.

The Company records no residual value on its assets given the nature of its tangible assets (standard furniture, servers and desktops) and the low amount involved.

8.7 Income from and expenses on financial operations

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
FX difference of items settled	(2 227)	240
FX difference on Items of the Balance Sheet	-	(9 545)
	(2 227)	(9 305)

8.8 Interest income and interest expense

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Interest received, receivable from and (paid, payable) to the listed subsidiary companies:		
Appeninn - BP 1047 Zrt.	540	863
Appeninn E-Office Zrt.	1 864	59 927
Appeninn Üzemeltető Zrt.	-	(1 196)
VÁR - Logisztika Zrt.		(706)
Bertex Kft.	(1 082)	(1 366)
Curlington Kft.	5 177	5 428
Szent László Téri Szolgáltató Ház Kft.	8 030	6 175
Appeninn-Investment Zrt.	-	30
FELHÉVÍZ-APPEN Kft.	3 333	1 877
APPENINN Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft.		1 016
APPEN-RETAIL Kft.	(315)	-
APPENINN Property Vagyonkezelő Zrt.	4 083	(109)
Appeninn Credit Zrt.	(380)	
APPENINN Property Vagyonkezelő Zrt.	(11)	-
Várna 12 Holding Zrt.	1 699	-
Várna 12 Holding Zrt.	(425)	
Sectura Ingatlankezelő Kft.	19	-
Appeninn Üzemeltető Zrt.	(788)	
VCT78 Ingatlanhasznosító Kft.	35	-
Interest received from (paid) to other companies:		
Interest received from LEHN Consulting Ag.	832	319
interest paid to LEHN Consulting Ag.	(706)	(294)
interest paid to Konzum PE Magántőkealap (registry nr: 6122-44; representing by: Konzum Befektetési Alapkezelő Zártkörűen Működő Részvénytársaság),	(32)	-
Interest received from banks	8	-
Interest received from other commercial related companies	2 485	2 142
Interest paid and payable for bonds (for the total existing amount)	(35 764)	(44 341)
Interest calculated for the bonds kept by the company (purchased back)	30 611	18 665
	19 213	**48 430**

8.9 Taxation

The Company's tax liabilities include business tax, income tax and the impact of deferred taxes calculated on the basis of corporate tax differences on profit/loss.

8.9.1 Income tax in the balance sheet

The Company's major tax liabilities

Income tax is stated through income except when it relates to an book entry recorded as other comprehensive income or directly through equity because in that case related taxes must be presented as other comprehensive income or directly through equity.

Current tax liability is determined on the basis of the profit generated in the reporting year. The profit subject to tax liability differs from profit/loss before taxation because of the temporary differences, profit/loss not included in the tax base and other book entries that are stated as profit subject to tax liability in respect of other years. If there is provisioning, then provisions are generated in accordance with the liability method and charged to deferred taxes. (Provisions in 2017: HUF 0)

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Business tax for the local government	(3 821)	(3 719)
Minimum tax / corporate income tax	-	-
Calculated tax / corporate income tax	(8 136)	(11 236)
Subsidization / corporate income tax	-	-
Recognition of Deferred tax asset - gain in profit and loss	-	-
De-recognition of Deferred tax asset - losses in profit and loss	-	-
Recognition of Deferred tax liability - losses in profit and loss statement	-	-
De- recognition of Deferred tax liability - gains in profit and loss statement	-	1 596
other taxation	-	-
Income tax expenses in the profit and loss statements	**(11 957)**	**(13 359)**

Deferred taxes

Deferred taxes are the result of a temporal difference between the recognition of a book entry in the annual accounts and in accordance with the tax act. Deferred tax assets are determined at the tax rates that apply or promulgated before the balance sheet data (if promulgation is deemed equivalent to entry into force) or at the tax rates that apply to taxable income in the years when the temporal difference is expected to be recovered. Deferred tax assets are presented when assets are likely to be realised in the near future. At each balance sheet date Appeninn Nyrt. presents the unrecognised deferred tax assets and the book value of tax assets when presenting its financial situation.

Deferred tax liabilities and deferred tax assets can be offset against each other if the company is entitled to offset its actual tax assets and tax liabilities against each other in respect of the same tax authority, and Appeninn Nyrt. intends to net these assets and liabilities.

Presentation of industry-specific building tax

Building tax is imposed by local authorities and varies from one local authority to the next. Its rate is HUF 500-2,000 per m². The Company records building tax as operating cost as the purpose of the buildings is leasing and lease fees serve as cover for the tax.

Local business tax

Local business tax is capped at 2%. In Kecskemét and Budapest, it is 1.6% and 2% respectively. The Company pays local business tax in the jurisdiction of both authorities (based on a split). The tax is stated as tax charged to income. Local business tax can be recognised as cost and charged to corporate tax.

8.9.2 Negative tax base

Appeninn Nyrt. had deferred tax assets due to its negative tax base before 2014 and can use them until 2025 under the corporate tax act. Deferred tax assets are not recognised as their recovery is uncertain.

000 HUF

Loss origin from the year	Carried forward	Used losses 2015	Used losses 2016	Used losses 2017
2013	(149 365)	132 700	16 665	-
2014 (can be used no later than 2025)	(959 626)	-	95 698	90 404
Total:			**112 364**	**90 404**

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Loss carried forward	(863 928)	(773 524)

8.9.3 Deferred tax assets in the balance sheet

The balance of the deferred taxes as at 31 December 2017, 2016 and 2015 in the presentation of the financial situation was as follows:

	Dec 31, 2017 '000 HUF			Dec 31, 2016 '000 HUF			Dec 31, 2015 '000 HUF		
	Balance			Balance			Balance		
	IFRS	Tax	difference	IFRS	Tax	difference	IFRS	Tax	difference
Investment Property	1 566 207	1 570 943	4 736	699 795	691 435	(8 360)	722 217	693 307	(28 910)
Trade receivables	1 371 704	1 354 405	26 299	3 411 912	3 411 912	-	2 394 019	2 400 553	6 534
Retained earnings	3 630 418	3 630 418		2 889 673	2 890 961	1 288	2 526 207	2 526 207	-
Profit for the period	696 287	696 287	-	762 463	762 463	-	406 022	406 022	-
Basis of deferred tax			31 035			(7 139)			(22 376)
DTL calculated	9%		-		9%	(643)		10%	(2 238)
DTA calculated	9%		2 793		9%	-		10%	-
opening			(643)			2 238			-
change for the period			643			(2 881)			(2 238)
decision of accounting			non			non			accounted
closing			(643)			(643)			-

With effect from 1 January 2017, the corporate tax rate was lowered to 9%, which was used to calculate deferred taxes.

8.9.4 Property tax in the balance sheet

Due to the possibility of book transfer by tax type, tax assets and payable tax are presented together.

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
VAT payable	23 316	11 503
Tax payable for local tax authorities	(487)	2 322
Fees and taxes after acquisition of investment property	34 000	-
Corporate income tax payable	(8 172)	4 245
Socials and insurances payable	689	-
	49 346	**18 070**

8.10 Earnings per share (EPS)

	Dec 31 2017	Dec 31 2016
Total comprehensive income ('000 HUF)	131 156	397 795
Shares issued	40 892 545	39 800 000
EPS	3,21	9,99

8.11 Other long-term liabilities

Debt in the amount of HUF 500 million owed by LEHN Consulting Ag. was incurred in 2015. It was the purchase price of W-GO 2000 Zrt.'s 40% ownership share. The buyer paid HUF 60 million in 2015. In 2015 and 2016, the debt was presented at a discounted value. In 2016, the amount of the interest presented was HUF 38,943 million. The amount of the long-term debt was HUF 304,376 million. Current liabilities and long-term receivables were offset against each other. As at 31 12 2016, the balance of the current liabilities and long-term receivables was HUF 49,327 million. Liabilities excluded HUF 47,354 million was stated as short-term liabilities. Presented in Point 8.15.

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Reseivables from disposal of investment in subsidiary (W-GO 2000 Zrt)	-	304 376
	-	**304 376**

In 2017, the purchase price was paid in full. Subsequently, interest was also derecognised.

8.12 Accounts receivable

There were no trade debtors other than related parties in 2017.
In 2016, there was a sizeable account receivable due to a lease fee that the Company recognised in HUF.

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Invoiced, non collected sales receivables:	-	-
from the company Building Cleaning Zrt.	-	14 230
from the company Mikepércsi	4 512	4 512
Write off receivables from the company Mikepércsi	(4 512)	(4 512)
	-	**14 230**

8.13 Claims from the sale of own shares

Of the claims related shares and securities, HUF 438 million was claims from the sale of own shares. In 2017, the transaction was settled.

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Receivables from disposal of treasury shares	-	438 750
Receivables from bill of exchange	-	200 000
	-	**638 750**

Claims in the amount of HUF 200 million were settled through a bill of exchange due on 17 May 2017. In 2017, the bill of exchange was settled by the drawee.

8.14 Other short term receivables

(1) The short-term loan was repaid in 2017.

(2) The claim was fully impaired.

	Notes	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Short term loan and interest receivables from given loans and credit for the company Building Cleaning Zrt.	(1)	-	28 115
Overpayments for suppliers invoices		-	1 481
Short term loan and interest receivables from given loans and credit for the company Mikeperécsi	(2)	21 788	21 788
Write off receivables from the company Mikeperécsi	(2)	(21 788)	(21 788)
Short term loan and interest receivables from given loans and credit for the institution of Hattyúház Társasház		2 199	2 151
Receivables from damages insured		3 377	1 398
Receivables for costs reimbursements		557	-
Receivables from taxes		-	18
		6 133	**33 163**

8.15 Short-term receivables from related parties

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

		Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Receivables from related parties	Notes	**Sales receivables**		**Loans**		**Interest**		**Dividends and others**		**Privisions**		**Total**	
Appeninn - Bp 1047 Zrt.		3 810	-	9 230	29 241	6 563	7 646		-	-	-	19 603	36 887
APPENINN Property Vagyonkezelő Zrt.	4	635	-	60 235	-	4 083	-	160 000	-	-	-	224 953	-
Bertex Kft.		7 904	6 985	-	-	-	-		-	-	-	7 904	6 985
Appeninn E-Office Zrt.	1	174 380	72 135	146 380	1 941 020	1 157	195 564		669 787	-	-	321 917	2 878 506
FELHÉVÍZ-APPEN Kft.		1 270	634	94 691	176 838	5 210	1 877		-	-	-	101 171	179 349
APPEN-RETAIL Kft.		1 270	-	-	-	-	-		-	-	-	1 270	-
Sectura Ingatlankezelő Kft.		1 270	-	2 359	-	19	-		-	-	-	3 648	-
Szent László Téri Szolgáltató Ház Kft.	4	7 630	10 878	120 096	111 943	29 613	21 583	136 500	-	-	-	293 839	144 404
Várna 12 Holding Zrt.		1 270	-	10 732	-	1 699	-		-	-	-	13 701	-
VCT78 Ingatlanhasznosító Kft.		3 810	-	5 494	-	35			-	-	-	9 339	-
VÁR - Logisztika Zrt.		-	3 810	-	-	-	-		-	-	-	-	3 810
Curlington Kft.	4	-	-	35 422	7 454	58 119	52 942	44 400	78	-	-	137 941	60 474
Appeninn Credit Zrt.			-	-	-	3	-		-	-	-	3	-
APPENINN Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft.		-	-	226 515	-	-	-	-	-	850	-	227 365	-
Appeninn Üzemeltető Zrt.		-	-	-	-		-	2 417	-	500	-		-
Lehn Consulting Ag.	5	-	-	-	6 431	-	319	-	47 354	-	-	-	54 104
		203 249	**94 442**	**711 154**	**2 272 927**	**106 501**	**279 931**	**343 317**	**717 219**	**1 350**	-	**1 365 571**	**3 364 519**
Discounts on acquired receivables:													
Appeninn E-Office Zrt.	2							376 990	376 990			376 990	376 990
Curlington Kft.	2							182 001	182 001			182 001	182 001
Szent László Téri Szolgáltató Ház Kft.	2							105 306	105 306			105 306	105 306
Várna 12 Holding Zrt.	3							87 749	-			87 749	-

In 2017, there was a major decrease in short-term receivables within the group. As at 31 12 2017, the purchase price of the claims on the books was HUF 1,365,571,000 (31 12 2016:HUF 3,364,519,000).

(1) Of the claims from Appeninn E-Office Zrt., Appeninn Nyrt. provided HUF 2,757,044,000 to Appeninn E-Office Zrt. in the form of a capital increase by share premium on the basis of the 31 12 2016 decision of the general meeting. The capital increase amounted to HUF 100 million, as a result of which the subscribed capital of Appeninn E-Office Zrt. rose to HUF 830 million, and the share premium was HUF 2 657 044. The capital increase was registered by the company court on 16 02 2017. Appeninn Nyrt. settled the debt through registration, the parent company did not charge interest on the items included in capitalisation from 1 January 2017.

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

(3) Appeninn Nyrt. purchased the debts owed by Várna 12 Holding Zrt., a subsidiary purchased in 2017 to its former owners as part of the transaction. Discount on receivables was HUF 87.7 million.
(4) Receivables from the related parties stem from the sale of the own share to the subsidiary. The data of the transactions are presented in point **8.24**.

(5) For the 2015 purchase price regarding LEHN Consulting Ag, see Point **8.11**.

8.16 Cash and cash equivalents

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Cash on hand in HUF	4	4
Cash on hand in EUR	-	9
Cash at bank in HUF	4 068	72 395
Cash at bank in EUR	66	293
	4 138	**72 701**

8.17 Bond debts

The Company presents its receivables and liabilities arising from bonds in this section, which guarantees the transparency of both receivables and liabilities. The Company classifies the bonds that it issues in accordance with Point **7.2.19**.

8.17.1 The Company's bond debts and claims were as follows as at record dates:

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

8.17.2 Interest on bonds in the Company's income statement

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Interest paid or payable for the totel amount of the bond	(35 764)	(44 341)
Interest calcualted on the bonds hold by the compa	30 611	18 665
Kötvény kamatok	**(5 153)**	**(25 676)**

8.17.3 The bonds issued by the Company and presented in the balance sheet

	HU0000356639, expiry date Sept 11, 2018			HU0000354337, expiry date Feb 26, 2017		Value in Balance sheet '000 HUF
	EUR bond in EUR	**Piece**	**EUR bond value in actual '000 HUF**	**HUF bond in '000 HUF**	**Piece**	**Bond liablilty**
Issue date Feb 26, 2014	-	-		150 000	15 000	
Acquisition of bond in 2014.	-	-		(53 970)	(5 397)	
Issued by the date of Dec 31, 2014	-	-		96 030	9 603	
Issue on Sept 10, 2015	1 500 000	150	466 530	-	-	
Acquisition of bond in 2015.	-	-		-	-	
Issued by the date of Dec 31, 2015	1 500 000	150	466 530	96 030	9 603	
Acquisition June 09, 2016				(24 000)	(2 400)	
Received as capital increase May 05, 2016	(900 000)	(90)	(278 237)	(1 000)	(100)	
Acquisition Dec 14, 2016	(400 000)	(40)	(123 660)			
Issued by the date of Dec 31, 2016	**200 000**	**20**	**64 633**	**71 030**	**7 103**	135 663
Paid and closed on Feb 26, 2017				(71 030)	(7 103)	
Closed on Feb 26, 2017				(78 970)	(7 897)	
Closed total in 2017				(150 000)	(15 000)	
Issued by the date of Dec 31, 2017	**200 000**	**20**	**62 028**	-	-	62 028
Closed bonds	-	-	-	150 000	15 000	
Total bonds legally existing	200 000	20	62 028	-	-	
Non issued bond (hold by the issuer company)	1 300 000	130	465 210	-	-	
Due within 1 year, Sept 11, 2019	**200 000**	**20**	**62 028**			62 028
Closed on Feb 02, 2017						73 635
Due within 1 year, Sept 11, 2019						62 028

in 2016 and 2017:
As at the end of the year, the Company held bonds both issued and repurchased (the same series). The principal of and the interest on the bonds issued and repurchased were offset against each other as receivables and liabilities.

In 2017:
The Company fulfilled its obligation to a third party in respect of principal debt and the related interest on 26 February 2017.

As at 31 12 2017, the Company's bond debt amounted to HUF 62 million. The number of the outstanding bonds is 20. The number of the redeemed bonds is 130. The Company did not present any interest on the redeemed bonds. The Company is not planning to sell the redeemed bonds to any third party. (There was no change in the redeemed bonds. As at 31 12 2016 the Company still held the redeemed bonds.)

8.18 Current liabilities to related parties

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
	Loans payable		**Interest payable**		**Total**	
VÁR - Logisztika Zrt.	-	24 534	-	7 886	-	32 420
Appeninn Üzemeltető Zrt.	22 549	37 780	-	3 084	22 549	40 864
Bertex Kft.	55 073	43 932	-	5 378	55 073	49 310
APPENINN Property Vagyonkezelő Zrt.	-	2 980		191	-	3 171
Appeninn E-Office Zrt.	5 812	5 812		-	5 812	5 812
APPEN-RETAIL Kft.	41 715	-	-	-	41 715	-
Appeninn Credit Zrt.	23 000	-	380	-	23 380	-
Konzum PE Magántőkealap	-	-	32	-	32	-
	148 149	**115 038**	**412**	**16 539**	**148 561**	**131 577**

8.19 Other short term liabilities

(1) The Company's general meeting decided on the disbursement of dividends on 28 04 2017.

	Notes	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Dividend payable for the year 2016	(1)	12 542	-
of the predecessor (Tavig) institution of Appeninn E-Office Zrt.		-	71 886
of the predecessor institution of Appeninn E-Office Zrt.		-	7 246
Interest payable on bond legally existing, issued		10 611	17 106
Interest payable on bond legally existing, not issued by the company (purchased back)		(9 196)	(12 659)
Accruals of costs and expenses		10 812	7 870
Payables of acquired claims (non paid price of		11 411	-
Salaries and wages		4 099	119
Payables after issued bill of exchange		1 397	-
Other, mix of minor payables		7 247	-
		48 923	**91 568**

8.20 Trade accounts payables

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Services payable higher than 1 milion HUF(legal, audit services)	9 960	3 391
Other services payable less than 1 million HUF	963	517
	10 923	**3 908**

8.21 Invoiced, accrued and deferred income from leasing

In 2016, the Company invoiced the lease fee of the real property in Kecskemét due on the entire term of the lease agreement, therefore, it deferred the income for 2017 on 31 12 2016 as the record date.

	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Rental income for the year 2017, issued, non	-	156 370
	-	**156 370**

8.22 Equity

8.22.1 Decisions on subscribed capital and changes in equity

The shares of Appeninn Asset Management Holding Plc were introduced for public trading to the Budapest Stock Exchange on 2 July 2010. Chapter 3 of the Hungarian Civil Code stipulates public limited companies hold HUF 20,000,000 as the minimum amount of capital. The Company fulfilled the minimum capital requirement. As at 31 12 2017, the Company's registered capital was HUF 4,089,254,500 (2016: HUF 3,980,000,000) comprising 40,892,545 (2015: 39,800,000) shares each with a face value of HUF 100.

2017 capital increase
Based on the General Meeting of Shareholders on 01 December 2017, the Company decided to issue 1,092,545 ordinary shares, which were registered by the Budapest Court of Registration on 6 December 2017. Based on decision no 462/2017 of the CEO of the Budapest Stock Exchange Zrt., 1,092,545 shares each with a face value of HUF 100 and a dematerialised registered ordinary share with an aggregate face value of HUF 109,254,500 were listed on the BSE in connection with the Company's share capital increase as per the Company's decision on 1 December 2017. The company participating in the private capital increase was Takarék Invest Befektetési és Ingatlankezelő Kft. (1082 Budapest, Üllői út 48., company registration number: 01-09-176038; tax number: 24662088-2-42) providing in-kind contribution (hereinafter: the company providing in-kind contribution). The amount of the capital increase was HUF 850.000,010,000, which translates into HUF 778 per share as in-kind contribution. The amount exceeding the amount of the subscribed capital was HUF 678 per share. The capital increase took the form of in-kind contribution. The company providing the in-kind contribution made the in-kind contribution available (office space located in a non agricultural area, at District VI 1062 Budapest, Andrássy út 105. registered under topographical lot number 29637).

2016 capital increase
Based on the decision taken by the General Meeting of Shareholders on 20 May 2016, the Company decided to issue 3,300,000 ordinary shares, which were registered by the Budapest Court of Registration on 23 June 2016.

	Notes	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
100% interest in Pontott Termelő Kft.	3.3		49 713
100% interest in Appeninn Invest Zrt.	3.3		240 611
Bonds issued 90 pieces EUR, with relevant interst on it	17		299 619
Bonds issued 100 pieces in HUF, with relevant interest on it	17		1 011
Claims taken over	18		102 512
Investment Property (land and building Andrássy út)	4.1	850 000	-
Capital increase Total :		**850 000**	**693 466**
from which issued capital	22.1	109 255	330 000
from which capital reserve	22.7	740 745	363 466

8.22.2 Data of the shares embodying the Company's capital

Appeninn Nyrt. Shares information	
Nominal value	100
Issue currency	HUF
ISIN	HU0000102132
Capital market	Budapesti Értéktőzsde Zrt. Részvény szekció
First trading date	2010.07.02
Shareholders registering	Appeninn Nyrt. Igazgatósága (korábban: Igazgatótanácsa) 1023 Budapest, Bég utca 3-5.

Appeninn Nyrt. Changes in shares and capital issued	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Issued sares (pieces)	40 892 545	39 800 000	36 500 000
Nominal value of issued capital ('000 HUF)	4 089 255	3 980 000	3 650 000
Increase by new issue ('000 HUF)	109 255	3 300 000	
Increase by new issue (piece)	1 092 545	3 300 000	
Decision of new issue	2017.12.01	2016.05.20	

8.22.3 Owners holding a share in excess of 5%

The ownership structure is presented in point **6.2**.

8.22.4 Treasury shares

On 31 12 2017, the Company announced that neither it nor its subsidiaries held any shares (31 12 2016: 313,22). In 2017, the Company tapped its own shares as at the end to disburse dividends. It sold all the shares acquired in the reporting year to a third party in the same year.

Treasury shares	Dec 31, 2017 Total amount ('000 HUF)	Dec 31, 2017 Total pieces of treasury shares	Dec 31, 2016 Total amount ('000 HUF)	Dec 31, 2016 Total pieces of treasury shares
Changes in the treasury shares of the Company				
Opening	**65 368**	**285 470**	**696 545**	**2 814 280**
Acquisition of treasury shares	886 399	3 913 608	421 387	1 818 537
Dividend paid as transfer of treasury shares (223 HUF/ pcs)	(127 660)	(580 602)	-	-
Disposal of treasury shares	(824 107)	(3 618 476)	(1 052 564)	(4 347 347)
Closing	-	-	**65 368**	**285 470**

8.22.5 Using the 2016 retained earnings to pay dividends

The Company's general meeting decided to use the 2016 retained earnings to pay dividends. The Company paid HUF 7, i.e. seven Hungarian forints on each of its dematerialised share with a face value of HUF 100 (ISIN: HU0000102132).

The Company announced the dividend payment on 8 May 2017. The owners were allowed to request their respective shares of dividends in cash or in the form of ordinary shares. The Company set HUF 223 per share as its settlement price. According to the information provided in an announcement published on 22 August 2017, the record date of the dividend payment was 12 06 2017. As at the record date of the dividend payment, the dividend paid on the 37,378,859 in free float amounted to HUF 261,652,000.

The number of the own shares made available for the dividend payment was 580,602.

8.22.6 Presentation of own shares: conversion from HAS to IFRS

The Company sold its own shares between 01.01.2016 and 31 12 2016 and purchased new shares. In accordance with the transactions, the Company derecognised all of its own shares in the amount of HUF 611 million in 2016 (under HAS they were included in the retained earnings). As at 31.12.2016, the Company derecognised all of its own shares in the amount of HUF 65 million (under HAS they were included in the retained earnings).

The Company converted to IFRS presentation on 1 January 2017. For the principles of presentation, see Point ***7.2.21***.

8.22.7 Capital reserves

The Company performed a capital increase in the form of a capital increase by share premium on 20 05 2016 and 01 12 2017. The subscribers of the shares provided in-kind contribution in respect of the issued capital. The in-kind contributions were made available for the Company. The table below shows the average amount per share and the amount per transaction.

	Dec 31, 2017			Dec 31, 2016		
	000 HUF	Issued, each piece nominal value HUF 100	Average premium calculated by each share (HUF / pcs)	000 HUF	Issued, each piece nominal value HUF 100	Average premium calculated by each share (HUF / pcs)
Opening	2 889 673	39 800 000	73	2 526 207	36 500 000	69
May 20, 2016 Issue of new shares with premium	-	-	-	363 466	3 300 000	110
Dec 01, 2017 Issue of new shares with premium	740 745	1 092 545	678	-	-	-
Closing	3 630 418	40 892 545	751	2 889 673	39 800 000	73

8.22.8 Retained earnings

(1) In 2017, as a result of the derecognition of the Company's own shares due to their disposal, HUF 25 million was recognised as a book entry increasing profit/loss (2016: HUF 51.5 million in losses).

	Notes	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Opening		762 463	406 022
Profit for the period		131 156	397 795
Disposal of treasury shares	(1)	25 377	(51 598)
Interest for the controlling owner	(2)	38 943	10 244
Dividend	(3)	(261 652)	
Closing		696 287	762 463

(2) The prorated discounted value of the long term receivable from Lehn Consulting Ag., the owner was presented in the accumulated profit reserves, upon initial recognition as a book entry reducing profit. Subsequently, prorated interest was recognised again with retroactive force to 2016, and in 2017, the book entry was derecognised in full.

(3) The amount of the dividends due to the owners was HUF 261 million, which was charged to the retained earnings and recognised as a book entry decreasing.

8.23 Financial guarantees and collateral

The principles of the recognition and presentation of the financial guarantees are shown in point **7.3.3**.

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

On 04.08.2016, the Company and its Felhévíz- APPEN Kft. undertook an obligation to repurchase Appeninn's ordinary shares at HUF 210 per share as settlement price and if the shares are delisted, at the prevailing settlement price. The obligation covered 201,684 shares. The maximum number of the shares covered by the obligation in the first 12 months was 8,809 shares per month, and from the 13th month onwards 3,334 shares per two months. The obligation is conditional, i.e. it must only be complied with if the prevailing traded price in respect of the maximum amount of shares to be repurchased is below HUF 210 per share. The commitment is subject to the payment of consideration, i.e. the purchase price must be paid by the obligor; furthermore, the obligor may transfer the proceeds of the transaction less taxes and costs realised by the obligee to the obligor during the term of the commitment to transfer the primary obligor, i.e. Felhévíz – APPEN Kft. The obligee did not require the obligation to be fulfilled until 31 12 2017. The maximum number of the shares outstanding as at 31 12 2017, in respect of which there was a purchase obligation, was 88,108. The data used for the estimation of the commitment are presented in point **7.3**.

Year	Exercised	Obligation to buy (piece)	Obligation to buy (HUF/ piece)
2016- 2017.	none	113576	210

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

Year	Exercised	Obligation to buy (piece)	Obligation to buy (HUF/ piece)
2 018	12	23 604	210
2 019	12	23 604	210
2 020	12	23 604	210
2 021	5	17 296	210
		88 108	

Volatility in respect of the shares is distributed in a 1-200% range. Due to significant volatility, based on the call option received through Monte Carlo simulation, the market price of the Company's shares exceeds the obligor's purchase price during the entire term of the purchase obligation. The data used for the simulation are presented in point **7.3.2.4**.

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

8.23.2 Collateral granted to the subsidiary investors

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

Appeninn E-Office Zrt. undertook to maintain the contract and honour future payment obligations in a breakdown by real property. Relying on the information available, the management of the parent company assessed the losses that might arise if the guarantee were exercised on 31 12 2017. In light of the subsidiary's payment discipline and cash flow and operating income, the management of the parent company did not find losses likely, therefore this liability was stated at zero in the balance sheet. The full exposure of the Company was HUF 89 million. The table below shows the due dates and a breakdown by real property of the liability.

Due date (datea in '000 HUF) / Addresss of the property	Bég utca 3-5. HRSZ 12620/4	Törökvészi utca 30/A HRSZ 12618/2	Hattyúház Társasház Budapest, I. Hattyú utca 14. HRSZ 13938	1118 Kelenhegyi út 43, B ép. 4,5,6 szint, HRSZ 5396	Páva utca 9. HRSZ 37585	Visegrádi utca 110. HRSZ 25772/2	Total
no later than Dec 31, 2018	**2 570**	**2 120**	**8 365**	**4 320**	**2 855**	**1 955**	**22 185**
from 2019 to 2022	8 995	7 420	29 278	4 680	9 993	6 843	67 209
Total	11 565	9 540	37 643	9 000	12 848	8 798	89 394

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

Appeninn Nyrt. as owner for VÁR- Logisztika Zrt. (formerly: Appeninn Logisztika Zrt.) with effect from 27.06.2103 for Orgovány és Vidéke Takarékszövetkezet as guarantor and mortgagor in the contract with the credit institution remained a party after the sale of Appeninn Logisztika Zrt. On 06.12.2017, entering into an agreement on the assumption of liability, the owners of VÁR- Logisztika Zrt. granted guarantee in respect of all the liabilities of Appeninn Nyrt. vis-á-vis Takarékszövetkezet. The Company's guarantorship expires on 15 June 2023 or upon the discharge of the liability. The exposure of the Company as at the balance sheet date was HUF 91 million.

Due date	000 HUF
2018	13 979
2019	13 680
2020	13 395
2021	13 182
2022	12 783
2023	24 077
Total	91 097

The Company checked the financial capability of the guarantors and as at the record date of these accounts the management of the Company assigned zero insolvency likelihood to the liability stemming from guarantorship. Therefore, zero was stated in the balance sheet in connection with the guarantorship.

The table shows the temporal distribution of VÁR –Logisztika Zrt. principal repayment obligation.

8.23.4 Collateral granted to the credit institutions of the subsidiaries

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

	Planned loans (liability without interest) replacement for the future			
Subsidiary company, Data in '000 HUF	Dec 31, 2017	due within 12 months	due within 2- 5 yrs	due later than 5 yrs
Curlington Kft.	28 292	1 260	5 400	21 632
Appeninn-BP1047 Zrt.	262 305	11 730	49 999	200 576
Bertex Zrt	153 772	6 876	29 316	117 580
FELHÉVÍZ-APPEN Kft.	57 143	2 556	10 896	43 691
APPENINN- Property Zrt.	216 263	9 672	41 232	165 359
APPEN-RETAIL Kft.	494 000	22 092	94 164	377 744

The subsidiaries involved in the refinancing transaction and the planned refinanced amounts:

Base interest rate	3m BUBOR
Interst rate surplus	2. 5%
Currency	HUF

	Planned loan '000 HUF	warrant 3mnts fee '000 JUF
Curlington Kft.	28 292	456
Appeninn-BP1047 Zrt.	262 305	4 227
Bertex Zrt	153 772	2 448
FELHÉVÍZ-APPEN Kft.	57 143	921
APPENINN- Property Zrt.	216 263	3 485
APPEN-RETAIL Kft.	494 000	7 960
	1 211 774	

Clause 8.23.4. Continued

Appeninn Nyrt.'s guarantorship in respect of the bank loans of the subsidiaries:

Prior debtor	Creditor	Guaranty	Expiry date YYYY.MM.DD	Appeninn NYrt. as guarantee	Currency	Total liab. Dec 31, 2017 '000 HUF	Liability (loan) within 1 year	Liability (loan) within 2- 5 year	Liability (loan) later than 5 year	Other liability 2017.12.31 interests and costs	Changes in 2017, 2018, replacement
VÁR - Logisztika Zrt. (the 100% ownership sold by Nov 14, 2017 , former name Appeninn Logisztika Zrt)	Orgovány és Vidéke Takarékszövetkezet Zrt.	From the date of dispose of the shares of VÁR -Logisztika Zrt. (Dec 06, 2017) the current - new owners- of the company are aval and pledgee	2026.06.15	Aval, pledgee	HUF	86 151	2 587	59 487	24 077	1m BUBOR + 2 . 5%	continues with an additional guarantee person
Szent László Téri Szolgáltató Ház Kft.	Takarékbank Zrt.	call option right of the bank, collateral on the trade receivables, assigned revenues guarantee of 6 months liability	2021.05.17		HUF	102 466	30 964	67 317	4 185	3m EURIBOR +RKV+1 . 9%	no changes
VCT78 Ingatlanhasznosító Kft.			2029.08.31		HUF	659 677	37 357	133 270	489 050	1m EURIBOR + 1. 25%	no changes
Appeninn E-Office Zrt.	ERSTE Bank Zrt.	pledge of property assets, collateral on the trade receivables, surety of Appeninn Plc, surety of Lehn Consulting Ag (replaced in 2017) deposit of treasury shares, insurance	2025.03.31	Appeninn Nyrt. And Lehn guarantee, (deposit of shares: 6.120.000 Db) insurance, call option of shares)	EUR	7 515 377	313 705	1 009 618	6 192 053	3m EURIBOR (min. 0) +2. 5%	replacement of the former guarantee person
Appeninn E-Office Zrt.	ERSTE Bank Zrt.				EUR	1 583 577	62 994	272 683	1 247 899	3m EURIBOR (min. 0) +3. 5%	
APPENINN Property Vagyonkezelő Zrt.	OTP Bank	pledge of property assets, aval and guarantee form Curlington Kft. Appeninn Nyt.	2029.05.31	Aval	HUF	215 004	15 328	64 800	134 876	fix 2. 25%	no changes
Curlington Kft.	OTP Bank Zrt.	pledge of assets (Bp, Egyenes utca 4.), block security pledge of assets, surety of Appeninn Plc, collateral on investment of Curlington Kft.'s	2023.08.30	collateral on investment of Curlington Kft. Shares	HUF	27 773	6 128	18 280	3 365	fix 2. 25%	***Replacement Jan, 2018***
Appeninn - Bp 1047 Zrt.	K&H Bank Zrt.	pledge of assets, guarantee of Appeninn Nyrt.	2029.04.27	Aval	HUF	258 240	20 400	205 573	32 267	3m EURIBOR (de min 0 + 2%)	***Replacement Jan, 2018***
Bertex Kft.	Oberbank Ag.	pledge of assets (7731 HRSZ Biatorbágy) pledge of trade receivables, bail of shares, assigned insurance	2031.10.31		EUR	150 648	9 212	51 687	89 749	1m EURIBOR + 2. 5%	***Replacement Jan, 2018***
FELHÉVÍZ-APPEN Kft.	Unicredit Bank Zrt.		2022.08.30		HUF	54 286	11 428	42 858	-	3m EURIBOR + 2. 75%	***Replacement Jan, 2018***

8.24 Agreements with related parties

8.24.1 Other transactions with the owners

On 23.08.2017, Appeninn Nyrt. purchased one share with a face value of HUF 10 thousand from Appeninn E-Office Zrt. The price of the share was mutually set by the parties at HUF 366,955.516 The price was settled through a mutual off-set involving the parties' overdue and still outstanding receivables and liabilities.

The fee charged for the guarantee securing the loan granted by LEHN Consulting Ag. was no longer charged with effect from 2017 H2. The overdue and still outstanding receivables and liabilities of LEHN Consulting Ag. and the Company were settled through a mutual off-set involving the parties.

8.24.2 Loan transactions with the owners

Interest charged on the loans granted by LEHN Consulting Ag. to finance temporary cash flow needs was the NBH base rate + 1.5%.

KONZUM PE Private Equity Fund granted a short term loan to the Company in November and December 2017 to fund temporary liquidity shortage. The interest rate charged for the loan was NBH base rate + 2.5%. In 2017, the principal was repaid.

8.24.3 Loan transactions between the Company and its subsidiaries

The Company is of the opinion that the loans provided for related parties can be recovered. It charged interest (NBH base rate + 1.5%) on the loans granted to related parties. The repayment of the principal debt and the related interest was guaranteed by the parties profitable operations.

8.24.4 Service provision transactions between the Company and its subsidiaries

The Company charged fees to the companies under its control for the services provided for them. The basis for the determination of the fees charged to the subsidiaries was the length of time and costs allocated to the individual companies.

8.24.5 Securities transactions between the Company and its subsidiaries

On 30 01 2017, **Appeninn Nyrt**. transferred 704,845 Appeninn shares (settlement price: HUF 227 per share) **to Appeninn Angel Zrt**. (today: Appeninn Property Zrt.). The same settlement price was used in the securities transactions between the Company and its member company. The share transaction meant purchase of investment by Appeninn Property Zrt. (settlement price: HUF 227 per share). **Várna 12 Holding Zrt**., the acquired company held capital contributions in the form of a real property at 1149 Budapest, Várna u. 12-14. The investor raised financing in part by tapping its own resources (shares) and in part by borrowing HUF 280 million from OTP Zrt. For further information, see the Company's announcement on 1 February 2017. Appeninn Nyrt. capitalised the receivable in the amount of HUF 160 million on 27 09 2017 in accordance with the owner's decision. The capital increase was registered by the company court on 31 12 2017 along with the merger on 31 12 2017 involving Appeninn Property Zrt. and Várna 12 Zrt. The capital increase meant increase in the form of subscribed capital in the amount of HUF 1 million; further increases were allocated to the capital reserves. Receivables from securities were on the Company's balance sheet on 31 12 2017. The receivable is presented in point **8.15**.

On 08 03 2017, Appeninn Nyrt. transferred 620,456 Appeninn shares (settlement price: HUF 220 per share) **to Szent László Téri Szolgáltatóház Kft**. The same settlement price was used in the securities transactions between the Company and its member company. The share transaction meant purchase of investment by Szent László Téri Szolgáltatóház Kft. (settlement price: HUF 220 per share). The purchased company constitutes the 100% ownership share of **Sectura Ingatlanbefektető Kft**. (formerly known as Estate Pest Kft.). The subsidiary of Appeninn Nyrt. purchased the company owing a real property in 1005 Bánya utca for HUF 136.5 million, which it paid in full by tapping its own shares. For further information, see the Company's announcement on 9 March 2017. The HUF 136.5 million receivable was presented in Appeninn Nyrt.'s closing balance as at 31 12 2017. The receivable is presented in point **8.15**.

On 12 07 2017, **Appeninn Nyrt.,** in order to acquire the 74% core deposit of **APPENINN Hegyvidék** Ingatlankezelő és Ingatlanforgalmazó (before 14 11 2017: Pontott Termelő és Szolgáltató Kft.), transferred 206 512 shares (settlement price: HUF 215 per share) to **Curlington Kft.** The same settlement price was used in the securities transactions between the Company and its member company. Curlington Kft. made the shares available for the seller of the purchased share in order to settle the purchase price; the settlement price applied in the ownership share acquisition transaction was HUF 215 per share. The subsidiary of Appeninn Nyrt. purchased the 74% ownership share of the company owing a real property at 1121 Budapest, Normafa út 14. for HUF 44.4 million, which it paid in full by tapping its own shares. The HUF 44.4 million receivable was presented in Appeninn Nyrt.'s closing balance as at 31 12 2017. The receivable is presented in point **8.15**. On 14 11 2017, Curlington Kft. purchased APPENINN Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft.'s 26% ownership share. For further information, see the Company's announcement on 14 November 2017.

8.24.6 Contracts with and remuneration for executive officers

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

The executive officers received no emoluments other than what is presented here from the Company.

	2017	2016
	000 HUF/ person / Year	
Remuneration of the Board of Directors	300	300
Remuneration of the Audit Committee members	400	400

9 Financial risk management

The Company has an indirect exposure to financial risks because it has no third party financing in its own right. The Company is exposed to market risks through changes in its capital investments, secondarily, i.e. valuation losses. The capital investments (i.e. subsidiaries) are exposed to risks arising from changes in market and financial conditions. These changes may influence the performance of capital investments and the values of the assets and liabilities. The management of financial risks is centralised and is aimed at mitigating and monitoring risks continuously via operating and financing activities. The market risks to which the Group is exposed are described below.

9.1 Highest lending risks in a breakdown by expiry

The contractual (undiscounted) amount as per expiry of the financial assets and liabilities on the basis of payments:

data in '000 HUF

	Notes	Dec 31, 2017 '000 HUF	no later than one year	not before one year and no later than five	later than five year	Dec 31, 2016 '000 HUF	no later than one year	not before one year and no later than five	later than five year
Financial assets									
Cash and cash equivalents	16	4 138				72 701			
Trade receivables	12	-	-	-	-	14 230	14 230	-	-
Receivables from disposal of	13	-	-	-	-	638 750	638 750	-	-
Other short term receivables	14	6 133	6 133	-	-	33 163	33 163	-	-
Receivables from related parties	15	1 365 571	1 365 571	-	-	3 364 519	3 364 519	-	-
Other financial assets	11	-		-		343 319	47 000	141 000	155 319
Financial liabilities									
Long-term corporate bonds	17	-	-	-	-	(64 633)	-	(64 633)	-
Short-term corporate bonds	17	(62 028)	(62 028)	-	-	(71 030)	(71 030)	-	-
Short-term payable for related	18	(148 561)	(148 561)	-	-	(131 577)	(131 577)	-	-
Other short-term payables	19	(48 923)	(48 923)	-	-	(91 568)	(91 568)	-	-
Trade payables	20	(10 923)	(10 923)	-	-	(3 908)	(3 908)	-	-
Current tax liability	9.4	(49 346)	(49 346)	-	-	(18 070)	(18 070)	-	-

9.2 Presentation of financial instruments in accordance with the presentation principles

	Dec 31, 2017 '000 HUF	FVTPL	Covered by hedging instrument	Loans, receivables, payables amortised cost	For sale assets, changes presented in equity	Dec 31, 2016 '000 HUF	FVTPL	Covered by hedging instrument	Loans, receivables, payables amortised cost	For sale assets, changes presented in equity
Financial assets										
Trade receivables	-	-	-	-	-	14 230	-	-	14 230	
Receivables from disposal of	-	-	-	-	-	638 750	-	-	638 750	
Other short term receivables	6 133	-	-	6 133	-	33 163	-	-	33 163	
Receivables from related parties	1 365 571	-	-	1 365 571	-	3 364 519	-	-	3 364 519	
Other financial assets	-					304 376	-	-		
	1 371 704	-	-	**1 371 704**	-	**4 355 038**	-	-	**4 050 662**	-
Financial liabilities	-					-				
Long-term corporate bonds	-	-	-	-		(64 633)	-	-	(64 633)	
Short-term corporate bonds	(62 028)	-	-	(62 028)	-	(71 030)	-	-	(71 030)	
Short-term payable for related	(148 561)	-	-	(148 561)	-	(131 577)	-	-	(131 577)	
Other short-term payables	(48 923)	-	-	(48 923)	-	(91 568)	-	-	(91 568)	
Trade payables	(10 923)	-	-	(10 923)	-	(3 908)	-	-	(3 908)	
Current tax liability	(49 346)	-	-	(49 346)	-	(18 070)	-	-	(18 070)	
	(319 781)	-	-	**(319 781)**	-	**(316 153)**	-	-	**(316 153)**	-

9.3 Rent-related risks

The management of the Company as the company exercising control establishes consistent, reliable and competitive rents for the tenants in respect of both its capital investment and its own real properties. The current amounts of the rents are in line with the environment and quality of the properties. With respect to the present global environment and the supply in the office property market in Budapest, however, nothing guarantees that current rents and conditions can be sustained in the future.

9.4 Foreign exchange risks

As the Company's functional and reporting currency is Hungarian forint (HUF), foreign currency risk is posed by the exchange rate of EUR denominated receivables and liabilities (bank loans).

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

Date	2017.12.31	2016.12.31	2015.12.31
FX rate presented by Hungarian National Bank	310,14	311,02	311,46
Average of daily closing rates	309,21	311,46	309,9
difference (closing vs. Average rate)	0,93	-0,44	1,56

The transaction currency was EUR, our foreign exchange exposure was performed by quantifying this currency. The Company issued bonds in the amount of EUR 200,000. A 5% change in the HUF-EUR exchange rate incurs a HUF 3.1 change in liabilities to the Company.

The FX exposure In the 2017 balance sheet of the Company is based on EUR denominated fail value valuation. Comparable data used in appraisals are recorded in EUR, therefore the Company translates its turnover data into EUR in the appraisals. In the event that the HUF-EUR exchange rate changes, the translation of income and expenses leads to exchange rate differences. Secondarily, the HUF valuation of the generated EUR fair value valuation by the balance sheet date. Changes in fair values between 2016 and 2017 affecting the real property in Kecskemét were the outcome of FX rate fluctuation. The 0.28% FX rate fluctuation led to a HUF 1.9 million change in the real property worth HUF 699 million. The income generating assets of the subsidiaries are measured in the basis of the same principle. However, the EUR financing of the subsidiaries (Appeninn – E Office Zrt.) dampens the impact on assets and the parent company.

9.5 Interest rate risks

Interest rate risks represent the risk that the future cash flows of certain assets and liabilities fluctuate as a result of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates and bond issues.
The Company pays fixed interest on the bonds issued by it.
It is the Company's subsidiaries that are exposed to interest rate risk, which is reflected in the value of the Company's assets. The interest rate risk to which the Company's capital investments are exposed is presented in the HUF 341 million interest paid (at a consolidated level including the subsidiaries). The average interest rate was 3.19%. A 0.5% rise in interest would impose HUF 50 million in interest charges on the member companies of the Company. Interest charges would incur an indirect change in values to the Company through a poorer performance of capital investments.

9.6 Credit risk

Crediting risk is the exposure wherein a partner fails to fulfil its payment obligation connected with any financial asset or customer agreement, thereby causing financial loss.

The Group is exposed to lending risks in connection with its leasing activities and financial operations (including bank deposits and financial investments). The Company runs lending risks owing to the loans that it has granted to its subsidiaries. The loans granted to the subsidiaries are recovered through coordination by the Company, which the Company's Board of Directors personally inspects.

9.7 Tenant receivables

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

9.8 Cash deposits and financial investments

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

9.9 Liquidity risk

The Group has the objective to maintain an equilibrium between the continuity and flexibility of financing when the volumes of financial reserves and loans are determined.
In the management's opinion no difficulties in liquidity can be expected, because the operating income of the Company's subsidiaries can amply cover debt services and operating costs.
The Group fulfils its payment obligations at their due dates, and had no overdue debt as of 31 December 2017 and 2017.
The table in point 9.1. summarises – in respect of December 31, 2017 and 2016 – the maturity profile of the actual (undiscounted) payment obligations arising from contracts.

9.10 Capital risk management

The management's objectives when managing capital are to safeguard the ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. Client base of the Company and the tenants of the real properties in the Company's investment portfolio are diverse and varied, so the financial realisation of the income does not depend on the liquidity of one or more bigger clients

Consistent with others in the industry, the management monitors capital structure based on the debt service cover ratio (DSCR) and the loan-to-value ratio (LTV).

DSCR is calculated as cash available for debt service (rental revenues less operating and other costs) divided by debt service (capital plus interest), while LTV is calculated as the ratio between the sum of the outstanding balances of the loan and the market value of the property.

	Notes	Dec 31, 2017 '000 HUF	Dec 31, 2016 '000 HUF
Loans and borrowings		**62 028**	**135 663**
Long-term corporate bonds	17	-	64 633
Short-term corporate bonds	17	62 028	71 030
Equity		**8 415 960**	**7 632 136**
Share capital	22.1	4 089 255	3 980 000
Other reserves	22.7	3 630 418	2 889 673
Retained earnings	22.8	696 287	762 463
Loans and borrowings comared to Eqity		***1%***	***2%***
Investment Property		1 566 207	699 795
Loan to Value		***2525%***	***516%***
Net income (cash -flow generation)			
Net income from property		142 686	69 016
Loans and borrowings * (and relevant interest on it)		67 181	161 339
Interest for the corporate		5 153	25 676
Corporate bonds issued		62 028	135 663
		47%	***234%***

**** Company has lonas and borrowings form issuing corporate bonds, the bonds are payable at the expiry date in one.***
The rate represents one year cash generation how much covers from the total of issued bonds.

10 Environmental impacts in light of the Company's activities

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

No significant event occurred after the balance sheet date. The Company will continue to prepare the purchase of portfolio items tailored to its acquisition strategy and their availability as in-kind contribution. The Company prepared the refinancing of its loans. Audit of the Company's annual accounts and the auditor's remuneration

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

MOBILCONSULT Könyvvizsgáló és Gazdasági Tanácsadó Korlátolt Felelősségű Társaság (registered seat: H-1106 Budapest, Fehér út 10., company registry number: 01-09-079760, chamber of auditors' license number: 001168)
Auditor personally responsible for the audits: Judit Nagy (address: Budapest 1165, Vak Bottyán utca 25., CoHA number: 007070)
The engagement of the auditor covers the audit of the Company's annual accounts compiled by the Hungarian statutory regulation and ***Appeninn Holding Nyrt.'s*** consolidated financial statements compiled in accordance with IFRS.

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

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

On 26.03.2017, the Board of Directors discussed and agreed with the content of the report and proposed that the general meeting accept it. Based on the annual performance indicators, Appeninn Vagyonkezelő Holding Nyrt. has HUF 673 143 000 in freely available retained earnings.

11 Statements

Declaration of liability:
We the undersigned as persons entitled to sign for and represent the company declare on behalf of Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (Appeninn Nyrt.), the issuer of Appeninn ordinary shares that Appeninn Nyrt. undertakes unlimited liability that, to the best of our knowledge, the parent company's 2017 Annual Accounts published by Appeninn Nyrt. have been prepared in accordance with the International Financial Reporting Standards and provide a true and fair picture of Appeninn Nyrt.'s assets and liabilities, financial situation, profit/loss, performance, situation and development and disclose the key risks and uncertainties.

We wish to point out that the fair value of the assets presented in the accounts on the basis of fair value valuation contains estimates. The variables in the estimates may differ from current expectations in the future, as a result of which future results may differ materially from assumptions for the future. The method of estimation and the variables in the estimates are shown in point **7.3**.

12 Approval of the annual accounts

At its meeting held on 26 March 2018, Appeninn Vagyonkezelő Holding Nyrt.'s Board of Directors approved the Company's 2017 consolidated annual accounts prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU. The Board of Directors approved the publication of these consolidated accounts of the Company. However, the annual general meeting of the owners entitled to approve them may request modifications before the approval.

13 Publishing and depositing of the accounts

The Company publishes its disclosures and reports at www.appeninnholding.com, www.közzételek.hu, www.bet.hu and uploads them to http://e-beszamolo.im.gov.hu/. These accounts contain the accounts compiled for the Audit Committee.

Budapest, 26th March 2018

Zoltán Prutkay, member of the Board of Directors and Gábor Székely, a member of the Audit Committee

14 Annexes

14.1 Annex 1
Published but not yet effective International Financial Reporting Standards

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

- IFRS 2 Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions (effective for business year beginning on or after 1 January 2018, this amendment has not been approved by the EU yet.

- IFRS 4 Insurance contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9 (effective for annual periods beginning on or after 1 January 2018, this standard has not been approved by EU yet)

- Annual Improvements to IFRS Standards 2014–2016 Cycle (effective for annual periods beginning on or after 1 January 2018)

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

- IFRS 9 Financial Instruments: Classification and Measurement IFRS 9 covers the classification, measurement and derecognition of financial instruments, new impairment methodology and a new hedge accounting model. IFRS 9 is intended to replace IAS 39 Financial instruments: Classification and valuation standard and all earlier versions of IFRS 9. Effective for business years beginning on or after 1 January 2018.

- IFRS 15 Revenue from Contracts with Customers IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 will replace IAS 18 Revenue and IAS 11 Construction contracts. Effective for business years beginning on or after 1 January 2018.

- IFRS 16 Leases Effective for business years beginning on or after 1 January 2019.

- • IAS 40 Amendments to Investment Property (effective for annual periods beginning on or after 01 January 2018, this amendment has not been approved by EU yet)

- IAS 28 Amendments to Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 01 January 2019)

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 01 January 2018, this amendment has not been approved by EU yet)

- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 01 January 2019, this amendment has not been approved by EU yet)

- Annual Improvements to IFRS Standards 2014–2016 Cycle (effective for annual periods beginning on or after 1 January 2018, not approved by EU yet)

14.2 Annex 2 - Investments in subsidiaries, joint ventures and associated companies

In 2016 and 2017, the Company held direct control over the following business undertakings registered in Hungary:

Current (and former) name of the company	Starting & changes of relation / Closing of relation	Company registry number	Ownership of Appeninn Nyrt. by Dec 31, 2017
APPENINN Property Vagyonkezelő Zrt. (name before Jan 18, 2018 Appeninn Angel Zrt.)	…/ starting before Jan 01, 2016	01 10 048362	100,00%
Appeninn - Bp 1047 Zrt.	…/ starting before Jan 01, 2016	01 10 047160	100,00%
Appeninn E-Office Zrt.	… (increase of capital Dec 31, 2016, purchase of 1 ps share Aug 23, 2017 / starting of ownership before Jan 01, 2016	01 10 047783	100,00%
VÁR - Logisztika Zrt. (comany name before Nov 14, 2017: Appeninn Logisztika Zrt)	disposal 100% ownership by Nov 14, 2017 / starting of realtion before Jan 01, 2016	01 10 046822	0,00%
Appeninn Üzemeltető Zrt. (company name before Nov 22, 2017 : Appeninn Solaris Zrt.)	…/ starting before Jan 01, 2016	01 10 047055	100,00%
Bertex Kft.	…/ starting before Jan 01, 2016	01 10 045752	100,00%
Curlington Kft.	…/ starting before Jan 01, 2016	01 09 728951	100,00%
Szent László Téri Szolgáltató Ház Kft.	…/ starting before Jan 01, 2016	01 09 947093	100,00%
Appeninn Credit Zrt. (company name before Jan 20, 2016: MILTON Hitelezési Zrt.)	…. / acquisition of 100% on Oct 20, 2016	01 10 045678	100,00%
W-GO 2000 Zrt. (merged in Appeninn E-Office Zrt. On Sep 30, 2016)	merged in Appeninn E-Office Zrt. On Sep 30, 2016/ starting before Jan 01, 2016	01 09 687034	0,00%
APPENINN Hegyvidék Ingatlankezelő és Ingatlanforgalmazó (company name before Nov 14, 2017: Pontott Termelő és Szolgáltató Kft.)	100% shares purchased in 2017 / 100% disposal of ownership on Nov 28, 2016/ 100% ownership was taken over on June 06, 2016, provided by owners as of non financial equity increase of capital	01 09 731476	0,00%
Appeninn-Investment Zrt.	disposed on Nov 28, 2016/ received 100% ownership on June 09, 2016 as increase of capital	01 10 046926	0,00%

In 2016 and -2017, the Company held indirect control over the following business undertakings registered in Hungary:

Name of the company, Dec 31, 2017 (previous name of the company)	Starting & changes of relation / Closing of relation	Company registry number	Ownership %	Owner of the controlling rights
APPENINN Hegyvidék Ingatlankezelő és Ingatlanforgalmazó (company name before Nov 14, 2017: Pontott Termelő és Szolgáltató Kft.)	... / acquisition steps: July 12, 2017 (74% ownership), Nov 14, 2017 (100% ownership)	01 09 731476	100,00%	Curlington Kft.
FELHÉVÍZ-APPEN Kft.	... / established on Aug 01, 2016, acquired by Appeninn Solaris Zrt on Aug 02, 2016, 100% control taken over by Appeninn Angel Zrt by Dec 19, 2017	01 09 285651	100,00%	APPENINN Property Vagyonkezelő Zrt. (name before Jan
APPEN-RETAIL Kft.	.... / established on Jan 23, 2017 by Appeninn- Solaris Zrt., Dec 19, 2017 100 % ownership taken over by Appeninn Angel Zrt.	01 09 292725	100,00%	APPENINN Property Vagyonkezelő Zrt. (Name before Jan
Várna 12 Holding Zrt. (on Dec 31, 2017 merged in Appeninn Property Vagyonkezelő Zrt.)	on Dec 31, 2017 merged in Appeninn Property Vagyonkezelő Zrt. / acquisition of 100% ownership Jan 31, 2017	01 10 048812	100,00%	APPENINN Property Vagyonkezelő Zrt. (Name before Jan
Sectura Ingatlankezelő Kft. (Name before March 14, 2017: Estate Pest Office Kft.)	... / Marc 14, 2017 acquisition of 10% ownership	01 09 297215	100,00%	Szent László Téri Szolgáltató Ház Kft.
VCT78 Ingatlanhasznosító Kft.	... / July 03, 2017 acquisition of 10% ownership	01 09 911556	100,00%	Szent László Téri Szolgáltató

14.3 Annex 3 - disclosures under the Hungarian Accounting Act

14.3.1 Person in charge of managing the tasks included in book-keeping services and the preparation of the accounts in accordance with IFRS

The company engaged to provide book-keeping services in respect of the financial year ending on 31 December 2017 was KAT Zrt. Person appointed by KAT Zrt. to manage the tasks included in the book-keeping services: Zoltán Szilasi Registration No.: 197528 specialist area Book-keeping services provided included the general ledger and sub-ledger book entries by the contracted accounting firm, the management of the records in accordance with the Hungarian accounting rules of procedure, the accounts receivable recorded by the Company, and the statements prepared on the basis of the contracts concluded. The balance sheet and the income statement were prepared in accordance with both the Hungarian Accounting Act and IFRS. **The income statement and the balance sheet, both complied in accordance with the Hungarian accounting standards, have been audited to enable the Company to present any change or decrease in the corporate tax base to the Hungarian tax authority in accordance with the accounting principles used earlier even after the conversion to IFRS with effect from 1 January 2017. In compliance with the provision of the Corporate Tax Act, to be able to cite tax base difference.**

In order to have the accounts prepared in accordance with the Accounting Act aligned with IFRS, the Company engaged an IFRS-registered accounting expert on 31 December 2017. The chartered accountant personally responsible for the compilation of the accounts in accordance with IFRS is Anita Lénárt (registration number is: 186427, IFRS specialist). The engagement of the accounting expert is limited to identify the differences between the IFRS and HAS and to the compilation of stand-alone accounts in Hungarian based on the effective IFRS standards accepted by the EU. The engagement of the accounting expert responsible for the preparation of accounts in accordance with IFRS does not cover the formulation of regimes and methods in connection with accounting policies, book-keeping and reporting, establishing and rules and regulations concerning the system of accounts, including ledger accounts and records and annual accounts, the analysis of data shown in the annual account and in bookkeeping records, and providing documentary evidence of the legality, reliability and conformity of the data in the individual accounts.

14.3.2 Equity equivalence table pursuant to Act C of 2000 on Accounting

The basis of the preparation of the equivalence table for equity also includes:

Pursuant to Section 114/B, interim financial statements shall contain the calculation of the difference between equity under the Hungarian accounting standards and equity under the above principles.
(1) The economic operator preparing annual accounts in accordance with IFRS shall compile an equity conversion table pertaining to the record date of the accounts and present such table as part of the Notes to the accounts.
(2) For the purposes of other statutory regulations, unless expressly otherwise stipulated by the law, equity and certain components thereof shall mean the items in the equivalence table.
(3) The economic actor shall prepare the equity equivalence table even if, under the applicable law, it shall prepare specific accounts (including the interim balance sheet).
(4) The equity equivalence table shall contain the opening and closing data of the individual components of the equity under IFRS and, based on that, the opening and closing data of the following equity components.

The calculation of the difference between the equity under the principles applied during the compilation and the one under the Hungarian accounting act contains the 31 December 2016 and 31 December 2017 balances of the following components of equity:

- Equity
- Share capital
- Capital reserves
- Retained earnings
- Valuation reserves
- Profit/Loss after taxation
- Blocked reserves

The equivalence table also includes:

- the calculation of the difference between the capital registered by the company court and the registered capital determined in accordance with the above principles;
- the retained earnings also containing the taxed profit of the last financial year in respect of which annual accounts have been adopted available for dividends.

Act C of 2000 on Accounting a table presenting the components of equity as specified in Section 114/B, which must be presented in the Notes under IAS 1 Presentation of Financial Statements.

an equity equivalence table (presenting changes) in respect of the periods between 01 01 2016 and 31 12 2016 and 01 01 2017 and 31 12 2017 for the equivalence items of the economic actors applying IFRS:

Dec 31, 2017 equity and reserves IFRS

data in '000 HUF

	Share capital	Other reserves	Treasury shares	Retained earnings	Total equity and reserves
	4 089 255	3 630 418	-	696 287	8 415 960
increased by:	-	-	-	-	-
(a) supplementary payments as liabilities under IFRS (+)	-	-	-	-	-
(b) sum of the deferred income from cash, assets that received and transferred to the capital reserve under legislation (+)	-	-	-	-	-
decreased by:	-	-	-	-	-
(a) supplementary payments as liabilities under IFRS (-)	-	-	-	-	-
(b) sum of the deferred income from cash, assets that received and transferred to the capital reserve under legislation (-)	-	-	-	-	-
Definition and calculation of the capital according to the Hungarian Act					
114/B § (4) a Equity					**8 415 960**
114/B § (4) b Equity under IFRS	**4 089 255**	-	-	-	-
114/B § (4) c Share capital under IFRS	-	-	-	-	-
114/B § (4) d Capital reserve		**3 630 418**			
Total capital reserve					8 415 960
Sum of all equity components that are not considered as:	**4 089 255**	-	-	**696 287**	**4 785 542**
share capital	4 089 255	-	-	-	4 089 255
unpaid share capital	-	-	-	-	-
retained earnings	-	-	-	565 131	565 131
revaluation reserve	-	-	-	-	-
profit (loss) for the period	-	-	-	131 156	131 156
tied up reserve	-	-	-	-	-
114/B § (4) e) Retained earnings				**696 287**	
Accumulated profit after taxation of of previous 'years under IFRS that is not yet distributed among owners and not include other				696 287	
decrease:				-	
(a) Supplementary payments as assets under IFRS (-)				-	
(b) Unused reserve for development purposes (-), Unused reserve for development purposes net of deferred tax liabilities under IAS 12 (+)				-	
114/B § (4) f Revaluation reserve		-	-	-	-
(IAS1) Accumulated other comprehensive income from statement of other comprehensive income (+/-) , Accumulated and current year other comprehensive income from statement of other comprehensive income (+/-)					
114/B § (4) g Profit after taxation	-	-	-	**131 156**	-
Net profit or loss after taxation from ongoing activities in the comprehensive income statement or in the statement of profit or loss				131 156	
Net profit or loss after tax from discontinued activities in the comprehensive income statement or in the statement of profit or loss				-	
114/B § (4) h Tied- up reserve	-	-	-	-	-
supplementary payments as liabilities under IFRS (+)	-	-	-	-	-
Unused reserve for development purposes (+), unused reserve for development purposes net of deferred tax liabilities under iAS 12 (-)	-	-	-	-	-
114/B § (5) a, Reconciliation of registered capital with the share capital under IFRS					
capital under IFRS	4 089 255				
Registered share capital	4 089 255				
difference	no.				
114/B § (5) b, Retained earnings available for distribution				**649 994**	
Retained earnings (include the net profit after tax for last financial year closed with annual financial statements)				673 140	
<u>decreased by: IAS 40 (-) Accumulated, unrealised profit from the increase of fair value of investment properties under IAS 40</u>			-	(23 790)	
<u>increased by:</u> IAS 12 (+) unrealised deferred tax liabilities under IAS 12				643	

14.3.3 Calculation of the 2016 corporate tax in accordance with the Hungarian accounting standards for the preparation of annual accounts

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

in '000 HUF

Profit before tax	**264 443**	
	Increased:	**Decreased:**
Depreciation and amortization	5 171	(2 297)
Write off / write back receivables	-	(46 391)
Non accepted cost in taxation	3 804	-
Losses from the past used for gains compensation	-	(112 364)
	8 975	(161 052)
Tax base		112 366
Tax 10 %		11 236

14.3.4 Supplementary information on the reporting year's tax charges

Any difference in the capital (i.e. difference between the value under IFRS and the one under the Hungarian Accounting Act) due to conversion to IFRS is liable to tax under the Corporate Tax Act and the industry tax act.

In the case of Appeninn Nyrt., the above difference is attributable to deductible differences. However, regarding its assets (tangible assets and intangible assets), Appeninn Nyrt. decided to include the balance under the previous accounting principle, which is practically the same as the one under the CTA, for the purpose of the conversion.

When converting to IFRS, the Company includes the difference on the real properties in the corporate tax in accordance with its option permitted in Section 18/C (4a) of Act LXXXI on Corporate Tax and Dividend Tax.

The availability of the option enables the tax payer compiling its annual accounts and accounting closures under IFRS to determine its tax base in the tax year of the conversion and in the subsequent tax years in respect of all the tangible and intangible assets on its books as at the day preceding the first day of the tax year of the conversion including, if such is selected, the assets that, under IFRS, the taxpayer has to have on its books on the day preceding the first day of the tax year of the conversion, as if it had not converted to IFRS. The tax payer shall indicate this option rule in its corporate tax return for 2017. The option also obliges the tax payer to provide a record of the assets affected by the option. Presentation of the purchase price as at 31 12 2016 of the assets affected by the option and their accelerated depreciation under the CTA:

in '000 HUF

Dec 31, 2016, assets	Cost	Cumulated amortization in Taxation	Net taxation
110/2015_NY2016	3 421	136	3 285
ÉPÍT00001_NY2016	6 740	936	5 804
ÉPÍT00002_NY2016	1 605	234	1 371
ÉPÍT00003_NY2016	2 605	380	2 225
ÉPÍT00004_NY2016	300	44	256
ÉPÍT00005_NY2016	400	58	342
ÉPÍT00006_NY2016	225	32	193
ÉPÍT00007_NY2016	326	48	278
ÉPÍT00008_NY2016	9 428	1 376	8 052
1/2013_NY2016	152	88	64
6/2016_NY2016	127	21	106
7/2016_NY2016	650	30	620
8/2016_NY2016	535	18	517
EGÉP00003_NY2016	240	193	47
EGÉP00004_NY2016	581	459	123
IROD00016_NY2016	366	314	52
IROD00021_NY2016	120	97	23
FÖLD00001_NY2016	611 000	-	611 000
ÉPÜL00003_NY2016	24 025	3 505	20 520
ÉPÜL00004_NY2016	10 510	1 534	8 976
ÉPÜL00005_NY2016	2 155	314	1 841
ÉPÜL00006_NY2016	19 123	2 391	16 732
ÉPÜL00007_NY2016	2 603	380	2 223
ÉPÜL00008_NY2016	5 005	730	4 275
ÉPÜL00009_NY2016	4 505	657	3 848
ÉPÜL00010_NY2016	250	36	214
VGYJ00011_NY2016	70	70	-
	707 066	**14 081**	**692 986**

14.3.5 Calculation of the 2017 business tax

Allocation process I (based on personal costs)

Item for tax allocation	Budapest	Kecskemét	Total
Wages and salaries	7 330 081	0	**7 330 081**
Other personal costs	136 873	0	**136 873**
Charges on personal costs	1 710 280	0	**1 710 280**
Total	**9 177 234**	**0**	**9 177 234**
% allocation	**100,00%**	**0,00%**	**100,00%**

Calculation	Total
Sales form Hungary	***243 449 244***
Export sales	0
Net income	**243 449 244**
Cost of materials	***-2 240 626***
Cost of goods sold	***-5 544 502***
Services transferred	***-23 826 291***
Tax base	**211 837 825**

Allocation process II (based on property cost)

Item for tax allocation	Budapest	Kecskemét	Total
Depreciationand amortization	3 200 057	4 661 312	**7 861 369**
Lease fee	0	0	**0**
Other renting fees	0	182 880	**182 880**
2% of property cost	5 304 000	12 220 000	**17 524 000**
Total	**8 504 057**	**17 064 192**	**25 568 249**
% allocation	**33,26%**	**66,74%**	**100,00%**

Mix of two allocation III

Total personal cost	9 177 234
Total asset cost	25 568 249
Total:	**34 745 483**
% of personal	**26,41%**
% of asset	**73,59%**

Total cost base	**211 837 825**
base on personal cost	55 952 173
base on asset cost base	155 885 652

	Budapest	Kecskemét	Total
Tax base on personal cost allocation	55 952 173	0	55 952 173
Tax base on asset cost allocation	51 847 918	104 037 734	155 885 652
Tax base	107 800 091	104 037 734	211 837 825
Tax %	**2,00%**	**1,60%**	
Total tax	**2 156 002**	**1 664 604**	**3 820 606**

14.3.6 Analysis of the 2017 tax charges in accordance with the corporate tax act

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

in '000 HUF

18/A (1)	**Taxation under IFRS for the business year ending by Dec 31, 2017**				**143 113**
	18/B (1)	decreased by:	18/B (2)	increased by:	
	a, recalssification of local tax to the tax base	(3 821)		-	
		-		-	
		-		-	
		-		-	
			c, gains on disposal of treasury shares transferred back to tax base	25 377,00	
		-			
		-		-	
		-		-	
				-	
	Total	**(3 821)**		**25 377**	**21 556**
	Korrigált adózás előtti eredmény:				**164 669**
	18/C (1)	decreased by:	18/C (2)	increased by:	
		-			
		-		-	-
	18/C (4)	-	18/C (4)		
		-		-	-
	ebből 2018.	-		-	-
	ebből 2019	-		-	-
		-		-	-
	18/ C (9) amortization according to the Tax Act. Non cost in IFRS	(2 522)	18/C(6) b Fair valuation	17 590	
		(2 522)		17 590	15 068
	7 and 8 points, increses decreases:			**Total:**	**179 737**
		decreased by:		increased by:	
	Amortization applied in IFRS and applicable in Tax Act.			640	
	Fees and non cost in taxation			371	
	losses on write off receivables			60	
	Losses used from the past years	(90 404)			
		(90 404)		1 071	(89 333)
				Total:	**90 404**