Appeninn Holding

APPENINN HOLDING PLC.

SEPARATE FINANCIAL STATEMENTS

IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION FOR THE YEAR ENDED 31 DECEMBER 2020

Content

Statement on the financial position

Assets	Note	31 December 2020 HUF in thousands	31 December 2019 HUF in thousands
Revenue-generating investment properties	15	8,909,172	8,791,832
Tangible assets	16	9,050	5,383
Right-of-use asset	17	139.638	-
Affiliated lease receivables	18	180,880	-
Equity	19	8,799,008	9,578,629
Invested assets in total		18,037,748	18,375,844
Trade receivables	20	35,192	83,093
Other short-term receivables	21	112,670	25,257
Receivables through affiliated parties	22	20,025,063	11,327,131
Short-term loans granted	23	2,247	2,247
Accruals	24	93,098	80,988
Cash and cash equivalents	25	521,694	11,445,732
Current assets in total		20,789,963	22,964,448
Assets in total		38,827,711	41,340,292
Equity and liabilities			
Issued share capital	26	4,737,142	4,737,142
Repurchased own shares	27	(1,114)	(1,114)
Reserves	28	8,095,844	8,095,844
Retained earnings	29	4,559,932	3,747,026
Equity per shareholders of the Company		17,391,804	16,578,898
Tenant deposits	30	207,197	19,937
lease liabilities	31	298,272	
Corporate bonds debt	32	20,147,849	20,142,052
Long-term affiliated liabilities	33	-	1,877,521
Deferred tax liabilities	34	310,529	261,542
Long-term liabilities in total		20,963,847	22,301,052
Short-term bank credits and lease liabilities	35	88,176	1,657,318
Other short-term liabilities	36	26,698	19,103
Short-term affiliated liabilities	37	261,036	652,551
Liabilities for trade creditors and other accounts	38	47,756	50,407
Iincome tax liabilities		3,607	493
Taxes and duties liabilities	39	40,575	49,963
Accrued liabilities	40	4,212	30,507
Short-term liabilities in total		472,060	2,460,342
Liabilities in total		21,435,907	24,761,394
Equity and liabilities in total		38,827,711	41,340,292

Annexes disclosed on pages 7 to 54 form an inseparable part of the herein separate report

Comprehensive income statement	Note	for the business year ended 31 December 2020 HUF in thousands	for the business year ended 31 December 2019 HUF in thousands
Property rental revenue	3	791,707	539,207
Direct costs of property rental	4	(245,321)	(38,685)
Direct contribution from rental activities		546,386	500,522
Service fees from subsidiaries	5	283,085	220,000
Administrative expenses, service fees, wages	6	(426,066)	(354,563)
Other revenues / (expenditures)	7	1,385	(215)
Profit (and loss) from subsidiaries and investment sale	8	173,885	-
Profit and loss from revaluation of revenue-generating investment properties	9	117,340	1,734,687
Maintaining investment properties (Capex)	10	(28,433)	(6,601)
Operating profit and loss		667,582	2,093,830
Depreciation and amortisation	16	(74,517)	(9,049)
Other (expenditure) / revenue of financial transactions	11	584,377	(93,724)
Balance of interest revenues and (expenditures)	12	(292,574)	(162,145)
Profit before taxation		884,868	1,828,912
Income taxes	13	(71,962)	(167,704)
Profits in the current year		812,906	1,661,208
Other comprehensive income		-	-
Other comprehensive income of the current year, less with taxation		-	-
COMPREHENSIVE INCOME OF THE CURRENT YEAR IN TOTAL		812,906	1,661,208

Annexes disclosed on pages 7 to 54 form an inseparable part of the herein separate report

Changes in own equity (data in thousands of Hungarian Forints)	Issued share capital	Reserves	Repurchased own shares	Retained earnings	Own equity in total
Balance on 1 January 2019	4,737,142	8,095,844	(1,114)	2,085,818	14,917,690
Comprehensive income of the current year					
Profits in the current year				1,661,208	1,661,208
Balance as of 31 December 2019	4,737,142	8,095,844	(1,114)	3,747,026	16,578,898
Balance as of 01 January 2020	4,737,142	8,095,844	(1,114)	3,747,026	16,578,898
Comprehensive income of the current year					
Profits in the current year				812,906	812,906
Balance as of 31 December 2020	4,737,142	8,095,844	(1,114)	4,559,932	17,391,804

Annexes disclosed on pages 7 to 54 form an inseparable part of the herein separate report

Cash Flow (data in thousands of Hungarian Forints)	Note	for the business year ended 31 December 2020	for the business year ended 31 December 2019
Profit before taxation		884,868	1,828,913
Profit and loss from revaluation of revenue-generating investment properties	9	(117,340)	(1,734,687)
Depreciation	16	74,517	9,049
Profit / (loss) of subsidiaries sale	8	(173,885)	-
Reversal of impairment	11	(270,940)	
Interest revenues	12	(503,025)	(128,436)
Interest expenses	12	795,599	290,581
Changes in receivables and other current assets	20	(51,622)	(91,341)
Change in liabilities and accruals	39	(199,340)	428,343
Income tax paid		(71,962)	(21,359)
Net cash flow from business activity		366,870	581,063
Equity acquisition	7	(2,542,596)	(1,471,529)
Equity sale	7	3,767,041	-
Revenue-generating properties sale	12	-	1,253,889
Income of tangible assets sale	16	-	36,109
Purchase of tangible assets	16	(78,185)	-
Loan for affiliated parties	22	(8,697,932)	(8,125,472)
Net cash flow from investment activities		(7,551,672)	(8,307,003)
Bond issuance	32	-	20,142,052
Repayment of self-issued bond	32	-	-
Repayment of credits, leases and loans	35	(3,446,662)	(811,026)
Borrowing credits, leases and loans	35	-	-
Own share purchase	27	-	-
Own shares issuance	27	-	-
Interest expenses	12	(795,599)	(290,581)
Interest revenues	12	503,025	128,436
Net cash flow from financial activities		(3,703,088)	19,168,881
Change in liquid assets	25	(10,924,038)	11,442,941
Liquid assets balances:			
Liquid assets at the beginning of the year	23	11,445,732	2,791
Yearend liquid assets	23	521,694	11,445,732

Annexes disclosed on pages 7 to 54 form an inseparable part of the herein separate report

1. General Information

1.1 Presentation of the Company

Appeninn Vagyonkezelő Holding Nyrt.[1] (hereinafter referred to as: the "Company") was established on 1 December 2009. The Company was registered under the company registration number of 01-10-046538 by Cégbíróság[2] on 07 December 2009. In the course of the merger, Rotux Zrt. (company registration number: 01-10-045553) was merged into Appeninn Nyrt. on 19 May 2011.

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

Exceeding 5% shareholding in the Company on 31 December 2020:

Owner's name	Quantity of shares	Equity (%)
Avellino Zrt.	11,369,141	24%
Zinventive Zrt.	8,684,268	18.33%
OTP Ingatlanbefektetési Alap[3]	2,410,372	5.09%
Own shares	1,848	0.0039%
Free float	24,905,790	52.58%
Total	47,371,419	100.00%

1.2 The Basis for Balance Sheet Compilation

i.) Adoption and statement of compliance with the International Financial Reporting Standards

From the point of the management of the Company, the financial statements were compiled in accordance with the principle of continuity. The separate financial statements were adopted by the Board of Directors on 9 April 2021. The separate financial statements have been prepared in accordance with the International Financial Accounting Standards, and the standards adopted and published in the Official Journal of the European Union (EU) in the legal form of regulation. The IFRS comprises the standards and interpretations formulated by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

[1] in English: Appeninn Asset Management Holding Plc.
[2] in English: Company Registry Court
[3] in English: OTP Property Investment Fund

The data included in the separate financial statements of the Company shall be meant in thousands of Hungarian Forints. Each and all sum(s)included in the statements are rounded to the nearest thousand Hungarian Forint amount.

ii) The basis of reporting

The separate financial statements are made in compliance with the standards as adopted for the year ended 31 December 2020 and as well as with the IFRIC Interpretations. The explanations regarding the financial statement shall include the publications disclosed pursuant to the requirements of the Hungarian Act on Accounting.

The herein financial year equals with the calendar year.

iii) The basis of evaluation

The preparation of IFRS-compliant financial statements requires the company's management to apply professional judgment, estimations, and assumptions that influence the accounting policy, as well as the values of assets, liabilities, revenues, and expenditures listed in the financial report. The estimations and the related assumptions are based on past experiences and numerous other factors that are considered reasonable under the given circumstances, and the result of which serves as a basis to the evaluation of the book value of assets and liabilities, the value of which cannot be determined from other sources unambiguously. Actual results may differ from the estimations.

The estimations and the base assumptions are revised on a regular basis. The modifications of accounting estimations are displayed in the period of the modification of the estimation if it affects the given year only, while, if a modification affects the current and the upcoming years as well, it is displayed both in the period of the modification and the future periods.

2. Accounting Policy

The major accounting policies applied in the preparation of the separate financial statements are presented hereunder, as follows. The accounting policies are applied consistently to the periods covered by the present separate financial statements. The major accounting principles applied in the compilation of the financial statements are the following:

2.1 Material Elements of the Accounting Policy

2.1.1 Reporting Currency and Foreign Currency Balances

With regard to the substance and circumstances of the underlying economic events, the functional and reporting currency of the Company is the Hungarian Forint.

Originally, the foreign currency transactions are booked at their HUF equivalent upon the foreign currency exchange value valid on the day of the execution of the given transaction.

Receivables and liabilities denominated in foreign currency are converted to Hungarian Forint on the exchange value valid on the balance sheet date. The differences arising from the currency conversion are booked as either revenue from or expenditures on financial transactions in the profit and loss account.

The financial statements are prepared in Hungarian Forint (HUF), rounded to the nearest thousand Hungarian Forint value (except where indicated otherwise).

The Company employs the foreign currency exchange rate listed by Magyar Nemzeti Bank[4].

The transactions performed in any foreign currency are shown in the functional currency, converted by using the foreign exchange rate between the given foreign currency and the reporting currency valid as of the date of the transaction. In the comprehensive income statement, the exchange rate differences that arise upon the settlement of monetary items, the period-opening initial display or from the use of a foreign exchange rate that differs from the exchange rate applied in the previous financial statements, are shown as either revenue or expenditure in the period of the thereof arising. The monetary assets and liabilities denominated in any foreign currency are converted to the functional currency by using the currency exchange rate valid at the end of the reporting period. The fair value of items denominated in any foreign currency is converted to the functional currency by using the exchange rate applicable at the date of establishment of the fair value.

2.1.2 Sales Revenue

Sales revenue from sales transactions is recognized upon the appropriate performance of the contractual terms. Sales revenue does not include value added tax. All revenue and expenditures are recognised on the basis of the principle of matching over the relevant period.

Revenue is recognised to the extent that reflects the consideration that the Company is expected to be entitled to in return for the products or services. Sales revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount thereof can be measured reliably. Sales revenue is accounted when control of the goods and services passes to the customer.

Performance Obligations

When concluding the contract, the Company must identify which goods or services it has promised to provide to the buyer, namely, what performance obligation it has undertaken. The Company may recognise the income when it has fulfilled its performance obligations by delivering the promised goods or performing the promised service. We can speak of performance when the buyer has acquired control of the asset (service), the signs of which are as follows:

- The Company has an existing right to receive consideration for the asset,

[4] in English: Hungarian National Bank

- The legal title of ownership has passed to the buyer,
- The Company has physically delivered the asset,
- The buyer has significant risk and reward of ownership from possession of the asset,
- The buyer has accepted the asset.

Determining Transaction Price

When the performance of the contract takes place, the Company is required to recognize the income related to the performance, which is nothing more than the transaction price assigned to the performance obligation. The transaction price is the amount the Company is expected to receive in exchange for the sale of goods and services. When determining the transaction price, the amounts of the variable consideration elements (rebates, discounts) were also taken into account. An expectable value was calculated to estimate variable consideration, which was weighted by the Company using probability factors.

Main elements of the Company's revenues:

- Revenue from rental of real estate: The Company's main source of revenue, which is mostly accounted for to its tenants on a monthly basis, based on the contractual lease rate, in accordance with the requirements of IFRS 16.
- Operating fees: The Company invoices tenants in addition to the rent. Operating fees include cleaning and security costs, handling fees and overheads, in accordance with the requirements of IFRS 15.
- Service fee revenues from subsidiaries.

Revenue from leasing of real estate: Rental revenue arises from operative leases and is recognized as income on a straight-line basis over the lease term in accordance with IFRS 16. The Company realizes its revenues from the sale of real estate properties by renting office and logistics real estate properties. Sales revenue is recognised in a time-proportionate manner, from the time the right to collect rents opens by releasing the real estate properties into use.

Revenue from Maintenance: The Company has two types of contracts and recognizes its revenue in accordance with IFRS 15 accordingly:

- The Company acts as an agent in some of its leases. In this case, the operating fees per tenant can be clearly established and the overhead costs are billed directly to the tenants through the Company. The Company recognizes the costs and related revenues in the financial statements in the same amount in the financial statements, on a net basis, as the Company acts as an agent in these transactions.
- In the case of its other leases, the Company acts as principal. In these cases, the Company charges its operating fees to its tenants on the basis of the flat rates included in the contracts. The Company has control over the devices - mechanical equipment - built into the real estate properties. The mechanical equipment - such as power supply, network consumption points, distribution points, water network points of use (kitchens, washrooms), heating network and boiler systems are the controlled assets of the subsidiaries. The Company establishes the right to use its controlled assets for the tenants, and the tenants reimburse the contribution of the

use of these assets to the Company on the basis of use. The Company considers the purchased energy (gas, water, electricity) used for the equipment as a service procured in connection with the equipment and not as materials sold independently. The Company does not sell energy products to any customer on its own, without the use of real estate properties. The Company, through its subsidiaries, has all the knowledge, tools and management system necessary to perform the task of operating the real estate property, therefore it considers the operating income to be the Company's own income and performance. Revenues from real estate property operating costs are recognised by the Company in the period in which the Company's real estate property maintenance expenses are incurred.

The Company includes these transactions on a gross basis in its financial statements as it acts as a principal in these cases.

Dividend and Interest Revenues

Dividend on investments is recognised when the owner's right to receive payment is established (provided that it is probable that the benefits will flow to the Company and the amount of revenue can be measured reliably).

Realised Revenues from other Financial Assets

Interest revenue from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of the revenue can be measured reliably. Interest revenue is recognised in a time-proportionate manner, by taking into account the principal amount outstanding, using the effective interest method, which is the interest rate that exactly discounts estimated future cash revenues through the expected life of the financial asset to the net registered value at the date of initial recognition.

2.1.3 Measurement of Investments

An enterprise has three options for valuing and presenting investments in its separate financial statements.

- accounting at historical value,
- at fair value in accordance with IFRS 9 Financial Instruments Standard,
- or using the equity method described in IAS 28 Investments in Associates and Joint Ventures standard for accounting.

The Company must apply the same accounting for each investment category.

The Company applies the cost model.

When calculating impairment, the recoverable amount of cash-generating units should be estimated. Useful value is usually determined based on expected discounted future cash on the basis offlows.

An impairment test for an interest in a subsidiary should be performed if there are indications of potential impairment. If any such indication exists, the recoverable amount of the interest is determined and compared with the net asset value of the interest. If the recoverable amount of an interest is significantly or permanently lower than its net value, impairment is accounted.

An enterprise that prepares its separate financial statements in accordance with IFRS tests the value of subsidiaries (investments) against the equity value of the investments. The Company considers the net equity value of its subsidiaries to be market value. The dominant (often the only significant) asset of subsidiaries is an investment property in accordance with IAS 40, the value of which is recorded at a price adjusted for changes in market prices and returns. Other additional fixed assets of the subsidiaries are insignificant (tangible assets), receivables and liabilities are recorded at depreciated historical value, foreign currency items are revalued at the reporting day. If the equity value of the investments does not reach the value recorded with the enterprise, the Company recognizes an impairment for the relevant investment. If the difference between future expectations and past equity values can be reliably estimated due to management's planned future contracts, a valuation of the investment is made according to the investment valuation model, which forms the basis for valuing the investment.

2.1.4 Land and Buildings, Machinery and Equipment

The tangible assets are shown at their historical value, reduced by the accumulated depreciation. The accumulated depreciation includes the costs accounted for ordinary depreciation (that results from the continuous use and operation of the asset) and impairment (that results from the unexpected, material damage, or injury of the asset, caused by an unforeseen, extraordinary event).

The costs of tangible assets consist of the historical value of the asset or, in the case of own investment, the material-type costs, the wages, and salaries as well as other direct costs. The interest paid upon a credit taken out for the tangible asset investment shall increase the historical value of the given asset until it is brought to a condition when it is fit for its intended purpose.

The book values of tangible assets are revised on a yearly basis in order to establish if the book value of any tangible asset exceeds the actual market value thereof. Should such a case occur, the difference (the amount on top of the actual market value) shall be accounted as impairment. The actual market value of an asset equals the higher amount of the asset's sales price and useful value. The useful value of an asset equals the discounted value of the future cash flows generated by the asset.

The discount rate consists of the interest rate before corporate income tax, considering the time-value of money and the effects of other risk factors related to the given asset as well. If no future cash flow can be assigned to a given asset, the cash flow generated by the unit of which the asset is a part shall be taken into consideration. The impairment determined pursuant to the hereinabove shall be shown in the profit and loss account.

The costs of repair, maintenance, and replacement of spare parts of tangible assets shall be accounted for on the costs of repair and maintenance. The value-adding investments and renovations shall be capitalized. The historical value and the accumulated depreciation in respect of the assets sold is delisted. Any profit or loss resulting from the above shall be shown in the current year's profit or loss.

The Company uses the linear depreciation method to depreciate the value of its assets during the useful life thereof. The assets at the individual historical value of 100,- HUF in thousands are depreciated in a lump-sum. The term of the useful life is the following in the different asset groups:

Type of Assets	Useful life
Machinery and equipment	3-7 years
Leased technical machinery	5 years
Office furniture, fixtures and fittings	3-7 years

The useful lives and the depreciation methods are revised on a yearly basis at least, on the basis of the actual economic benefits gained from a given asset. If necessary, modifications are measured to the current year's profit or loss.

2.1.5 Investment Properties

Investment properties are properties held for rents and / or value-added purposes (including investment properties under development). Investment properties are initially valued at historical value, including transaction costs. Subsequent to initial recognition, investment properties are assessed at fair value. Gains or losses arising from changes in the fair value of investment properties are recognized in the profit or loss of the relevant period in which they arise, in the profit or loss of the revaluation of revenue-generating investment properties.

Investment properties are derecognised upon sale or when the investment property is permanently withdrawn from circulation and no future benefits are expected from its sale. The profit or loss on de-recognition of the property (defined as the difference between the consideration for the sale and the registered value of the asset) is recognized in the profit or loss of the sale of investment properties in the period in which the property is delisted.

The criteria used in determining the fair value related to the assessment of investment properties are set out in Section 2.3.

2.1.6 Impairment of Non-monetary Assets

At the end of each reporting period, the Company shall examine if there are changes that imply the impairment in respect of any assets. To the extent that such a change is identified, the Company shall estimate the expected rate of return of the concerned asset. The expected rate of return of an asset or cash-generating unit equals to the higher amount of the fair value minus sales costs and the useful value. The Company accounts impairment against the profit or loss, if the expectable rate of return of the asset is lower than its book value. The Company's calculations are based on the appropriate discounting of the future cash flow plans.

2.1.7 Intangible Assets

The intangible assets acquired individually shall be recognized at the date of acquisition with their original costs, while the intangible assets acquired in a business combination shall be recognized at the date of acquisition, with their fair values. An asset shall be recognized in the company's books if and when the use of such assets will demonstrably generate the inflow of future financial assets, and the cost thereof can be unambiguously established.

Following the recognization thereof, to the intangible assets, the cost model shall apply. The life period of these assets is either limited or undeterminable. The assets of limited useful life periods are depreciated by using the linear method, based on the best possible estimation of the length of the life period. The amortisation period and the amortisation method are reviewed on a yearly basis, at the end of the financial year. The own works are not capitalized (except for the investment costs) but measured to the profit or loss in the year of their rise. The intangible assets are revised annually from the aspect of the impairment either individually or on the level of the revenue-generating unit.

The procurement costs of trademarks, licences, industrial properties and software are capitalized and depreciated according to the linear depreciation method during the estimated useful lives thereof, which is:

concession and similar rights, and software	3 years

2.1.8 Financial Assets

The financial assets falling in the scope of IFRS 9 standard are divided to three different evaluation categories: assets to be shown after the recognition at the depreciated cost, assets to be shown after the recognition at fair value through other comprehensive income (FVOCI) and the assets to be shown after the recognition at fair value through profit and loss (FVTPL).

The Company's financial assets are classified on initial assessment according to their nature and purpose. To determine the category of a financial asset, it must first be clarified whether the financial asset is a debt instrument or equity investment. Equity investments shall be measured at fair value through profit or loss, however, at initial recognition, an enterprise may elect to measure non-commercial equity investments at fair value through other comprehensive profit or loss. If the financial asset is a debt instrument, the following points shall be taken into account in determining the classification.

Depreciated Historical Value

Financial assets are evaluated at depreciated historical value that are held based on a business model designed to hold financial assets to collect contractual cash flows, and the contractual terms of the financial asset at certain times result in cash-flows that are payments of interest solely on the principal and the amount of principal outstanding.

Fair value through other comprehensive profit or loss
Assets at fair value through other comprehensive profit or loss are the financial assets that are held in accordance with a business model that achieves its objective by collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset at certain times result in cash flows that are payments of interest solely on the principal and the amount of principal outstanding.

Fair value through profit or loss
The category of financial assets at fair value through profit or loss includes financial assets that do not fall into either of the above two categories of financial assets or have been designated as at fair value through profit or loss on initial recognition.

When the SPPI requirement is met, the Company examines in the denominated currency of the financial asset whether the cash flows arising from the contract are consistent with the underlying loan agreements.

To determine whether the contractual cash flows contain only principal and interest, the Company examines the contractual terms of the financial instrument. The examination also covers whether the financial asset contains contractual terms that would cause the amount or timing of the contractual cash flows to change so that the financial asset no longer meets the SPPI requirement.

All other debt instruments are assessed at fair value through profit or loss (FVTPL).

All equity instruments shall be assessed at fair value in the balance sheet, and the effect of the change in fair value shall be recognized directly in profit or loss account, except for equity instruments where the enterprise has selected the Other Comprehensive Income (FVOCI) option. The Company did not exercise the FVOCI option.

The Company accounts financial assets and financial liabilities and recognizes their net amount in the balance sheet if, and only if, the Company has a legally enforceable right to set off the amounts and intends to net them or realize the asset and cash at the same time and fulfil the obligation.

Receivables are stated at nominal value less any allowance for estimated losses. The Company applies the simplified impairment model to the impairment of receivables. Impairment is determined (for example, the probability of insolvency or significant financial difficulties of the debtor), which leads to the conclusion that the Company will not be able to recover the full amount in accordance with the original terms of the account. A written-off receivable is derecognized when it is considered unrecoverable.

2.1.9 Financial Liabilities

The report on the Company's financial status presents the following financial liabilities: trade creditors and other short-term liabilities, loans, credits, self-issued bonds, and bank overdrafts. These liabilities are described and evaluated in the relevant parts of notes to the financial statements attached to the report, as follows:

Upon the initial recognition, the Company shall evaluate each financial liability at fair value. In the evaluation of credits and the issued corporate bonds, the transaction costs directly related to the obtaining of the financial liability shall also be taken into consideration.

The financial liabilities falling in the scope of IFRS 9 are divided to two different evaluation categories: assets to be shown after the recognition at the depreciated cost, and the assets to be shown after the recognition at fair value through profit and loss (FVTPL). Each financial liability shall be classified according to the above by the Company when obtained. The Company did not employ the FVTPL evaluation.

Loans and credits, and the issued corporate bonds are shown in the statement on the financial status at depreciated historical value, calculated with the effective interest rate method. Profit and loss related to loans, credits and bonds are accounted for in the profit and loss statement as depreciated calculated with the effective interest rate method and upon the derecognition of the financial liability. Repayment shall be recognized as a reduction of a financial liability, while interest charged shall be recognized in the income statement as a financial expenditure.

2.1.10 Provisions

The Company forms provisions for the (lawful or presumed) liabilities arising from past events that the Company is likely to be obliged to pay, provided that the amount of such liability can be accurately measured.

The amount of the provision equals the best possible estimation of the expenditure required to settle the liability as of the balance sheet day, also considering the risks and uncertainties related to the liability. If the provision is evaluated on the basis of the cash flow expectably required to settle the liability, the book value of the provision shall be equal to the present value of such cash flow amount.

If the expenditures required to settle the liability is expected to be reimbursed either in full or in part by the other party, the liability may be presented as an asset if the receipt of the reimbursement by the economic entity is basically assured and the amount of it is accurately measurable.

The current liabilities resulting from onerous contracts are accounted as reserves. A contract is classified onerous by the Company if the inevitable costs of performance of the Company's contractual obligations exceed the economic benefits expectedly gained from the same contract.

Restructuring provisions shall be shown if the Company has a detailed, formal restructuring plan prepared and either by the commencement of the execution of the plan or by the disclosure of the main elements of the plan to the concerned parties raised reasonable expectations concerning the realization of the restructuring. The restructuring provisions shall cover only the direct costs of restructuring that are inevitably related to the restructuring and not related in any form to the continuing business operation of the economic entity.

2.1.11 Income Taxes

The amount of income tax is based on tax payment obligation set forth in the Act on the Corporate Income Tax and Dividend Tax and the local business regulation, to be modified by deferred taxes. The Company has identified corporate income tax and local business tax as income taxes based on taxable profits. The corporate income tax payment obligation covers tax obligations from the current year and deferred tax elements as well.

The payment obligation for the current year is calculated upon the taxable profit gained in the given year. The amount of the taxable profit differs from the profit and loss before taxation shown in the separate report; the difference arises from the non-taxable profits and losses, as well as items allotted to the taxable profit of other years. The current tax payment obligation of the Company is calculated upon the tax rate valid and effective (or officially announced, if the date thereof is the effective date of the respective law) on or before the balance sheet day. The amount of the deferred tax is calculated upon the liability method.

If a financial item is accounted for in the annual financial statements and the tax report at different times, deferred tax obligation arises. The amount of the deferred tax assets and liabilities is calculated with the tax rates applicable to the taxable income of the year when the time-related difference is expected to be recovered. The amount of the deferred tax assets and liabilities reflects the Company’s estimations concerning the method of realization of the tax assets and liabilities as of the balance sheet day.

Deferred tax assets arising from deductible time-related differences, rolling tax allowances, and negative tax base may only be included in the balance sheet if the realization of a taxable profit (against which the deferred tax assets can be settled) by the Company in the future is expectable.

On every balance sheet day, the Company shall revise the not recognized deferred tax assets included in the balance sheet and the book value of the recognized tax assets. The Company shall enter the former off-balance sheet receivables that are expected to be recovered to the stock, in order to reduce the amount of the future corporate income tax. On the contrary, the Company shall reduce the deferred tax receivables with the amount the recovery of which is expectably not covered by after-tax profit resources.

The current and the deferred tax obligations are measured directly to the own equity, if the tax base is or was measured to the equity also either in the current or in a former reporting period.

The deferred tax assets and liabilities may be settled against each other if the Company is legally allowed to set off the tax obligations and the tax claims it has against the same tax authority, and the Company intends to have a net accounting of these assets and liabilities.

2.1.12 Leasing

Company as a lessee

A contract is a lease (or includes a lease) if it provides, under the contract, the right to control the use of an underlying asset for a specified period in return for consideration. IFRS 16 includes recognition exceptions for lessees for short-term leases and leases of small value assets. At the discretion of the Company, it applies short-term recognition exceptions to leases. Such very short-term leases and related asset categories are expensed as incurred.
The estimation of the lease term to the starting date is for the period during which the Company maintains the contract with reasonable certainty under the originally agreed terms. The initial lease term is determined on the inception date of the lease. When determining the lease period, in case of doubt, the shortest possible reasonable and justifiable lease period shall always be used. The determination of the lease term is essentially a management decision and the Company generally uses estimates or assumptions at the asset group level (particularly with respect to options and open-ended agreements).

The start date of a lease is the date on which the lessor makes available to the lessee a specific asset (for example, property, plant or equipment that is the subject of the lease) for use. On the commencement date, the lease term begins and the lease obligation and the right-of-use asset are recognized. In determining whether a lessee is reasonably certain that it will exercise its option to extend the lease or not to exercise its option to terminate the lease, lessees and lessors shall consider all relevant facts and circumstances that are of economic interest to the lessee, and which provide a basis for exercising the lease extension option or not exercising the lease termination option.
The definition of lease payments is the same for both the lessee and the lessor. Lease payments are payments made by a lessee to a lessor in exchange for the right to use a specific asset during the lease term.

The amendment of the lease is a change in the scope of the lease or the consideration for the lease that was not included in the original lease terms (for example, adding or terminating the right to use one or more underlying assets or extending or shortening the contractual lease term). The amendment can also result from a change in the consideration merely. The effective date of the amendment is the date on which both parties accept the lease amendment.

The lessee shall account for the amendment of the lease as a separate lease if both of the following conditions are met: the amendment extends the scope of the lease by adding the right to use of one or more underlying assets and the lease consideration increases by an amount equal to the individual scope expansion price; any appropriate adjustment of the individual price in accordance with the terms of the specific contract. If these conditions are met, the amendment is deemed a new lease that is separate from the original lease. An agreement on the use of one or more additional assets is accounted for as a separate lease (or leases), which, regardless of the original lease, is subject to the requirements of IFRS 16.

When a lease is amended, the revised lease payments are always discounted using a revised discount rate.

According to the decision of the Company, the right-of-use asset is recognized on a separate line in the consolidated statement of financial position.

Subleases

A sublease is a transaction in which a lessee (as an intermediate lessor) leases an underlying asset to a third party while the lease between the lessor and the lessee (the "master lease") remains in effect. Subleases are classified by the Company as an intermediate lessor as finance leases or operative leases in the same way as for any other lease under IFRS 16.61. On the commencement date of the sublease, if the Company cannot clearly determine the implicit interest rate for the sublease, the discount rate applied to the main lease is used in accounting for the sublease, adjusted for any direct costs associated with the sublease.

Company as a lessor

Finance lease

A finance lease is a transaction that transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. A finance lease is similar in nature to financing the sale of an asset. Its recognition in the financial statements is not based on the legal form of the transaction but on its actual economic substance (i.e. as if the underlying asset were sold by the lessor to the lessee).

Operative lease

An operative lease is a transaction that does not transfer substantially all the risks and rewards incidental to ownership of the underlying asset. This is usually a simple, short-term lease arrangement (operative lease) where the incoming rent is recognized in the income statement and its primary balance sheet effect is related to the timing of the lease payments.

2.1.13 Earnings Per Share (EPS)

The earning per share is calculated by considering the Company’s result and the share stock, reduced by the average number of own shares repurchased in the given reporting period.

The value of the diluted earnings per share is calculated similarly to the earning per share calculation. However, in this calculation all dilutable shares on the market are taken into consideration, increasing the profit distributable on the ordinary shares by the output and dividend payable on the convertible shares in the given period, amending the value by the conversion revenues and expenditures, increasing the weighted average number of the shares on the market by the weighted average number of the shares which were on the market if all convertible shares were converted. There were no such transactions which would dilute the value of EPS rate, nor in the year ending as of 31 December 2020 or as of 31 December 2019.

2.1.14 Tenant Deposits

Deposits from tenants are accounted at initial fair value and are subsequently assessed at depreciated historical value using the effective interest method. Those tenant deposits which are related to over-the-year lease contracts are accounted for the items of long-term liabilities, and the remaining tenant deposits are calculated for the other liabilities in the separate financial statement.

2.1.15 Off-balance Sheet Items

Off-balance sheet items are not included in the parts of the annual financial statement, in the balance sheet and the profit and loss account, unless acquired upon business combinations. The off-balance sheet items are presented in the notes to the financial statements, except if the possibility of an outflow of the sources of economic benefit is minimal. Off-balance sheet items are not included in the financial statements but may be presented in the notes to the financial statements if the inflow of economic benefits is likely.

2.1.16 Repurchased Own Shares

The value of repurchased own shares is deducted from own equity. The difference between nominal value and historical value is recognized directly in the accumulated profit reserve on sale.

2.1.17 Dividend

The amount of the dividend shall be accounted for in the year when it is approved by the shareholders.

2.1.18 Profit and Loss of Financial Transactions

The financial profit and loss consist of income from interests calculated by the effective interest rate method and dividends, payable interests calculated by the effective interest rate method, and other financial expenditures; the profit gained/loss suffered from the fair evaluation of financial instruments, and the realized and unrealized exchange rate differences.

2.1.19 Events after the Balance Sheet Day

The events that provide additional information concerning the circumstances at the end of the Company's reporting period shall be included in the financial report, even if such events occur after the end of the reporting period. The post reporting period events that do not modify the data of the financial report are included in the supplementary notes, to the extent that the thereof are substantial.

2.2 Changes in the Accounting Policy

The Company's financial report is compiled in accordance with the standards and interpretations valid and effective on 31 December 2020.

The accounting policy of the Company is consistent with that of the previous years', with the exception of the hereinunder as follows:

Amendments of References to Conceptual Framework (effective from 1 January 2020)
References in IFRS standards and interpretations have been amended to the new Conceptual Framework. The hereof amendment did not have a material impact on the Company's assets and income.

Amendments to IAS 1 and IAS 8 Standard (effective from 1 January 2020)
The standard changes clarified the concept of materiality. The hereof amendment did not have a material impact on the Company's assets and income.

Amendments to IFRS 9 and IFRS 7 Standard (effective from 1 January 2020)
Benchmark Interest Rate Reform has resulted changes in the standards. Practical guidance on hedge accounting requirements that are mandatory for all hedging transactions affected by Benchmark Interest Rate Reform. The hereof amendment did not have a material impact on the Company's assets and income.

Amendment to IFRS 3 Business Combinations Standard (effective from 1 January 2020)
The standard amendment clarifies changes in the concept of a business whether a business or group of assets has been acquired. The hereof amendment did not have a material impact on the Company's assets and income.

Amendment to IFRS 16 Leases Standard (effective from 1 June 2020)
The standard amendment clarifies the treatment of lease discounts related to COVID 19 so that discounts are not accounted for as lease modifications but are accounted for as if they were not lease modifications. The Company applied the amendment for the year ended 31 December 2020 and the amendment did not have a material impact on the Company's assets and income.

The above standards and amendments are not expected to have had a material impact on the Company's results.

In respect of 2020, the Company has applied every IFRS standard, amendment, and the interpretations prevailing as of 1 January 2020, that are relevant from the aspect of the Company’s operation.

2.3 Substantial Accounting Estimations and Assumptions

The application of the accounting policy described in Section 2.1. herein requires the application of estimations and assumptions in the determination of the value on any given day of those assets and liabilities, the values of which are not identifiable from other sources. The estimation process considers the relevant factors and decisions based on available information. These significant estimations and assumptions influence the values of the assets and liabilities, revenues, and expenditures presented in the financial statements, and the presentation of the pending assets and liabilities in the notes to the financial statements. Actual results may differ from the estimated data.

The estimation processes are continuously updated. Any change in the accounting estimations shall be considered in the time period when such change occurred if that affects the given period only. If such change affects the current and future reporting periods as well, it shall be considered in the period when the change occurred and in the future reporting periods as well.

The main areas of critical decisions adopted in relation to uncertainties in estimations and the accounting policy that have the most significant effect on the amounts presented in the individual financial statements are as follows:

2.3.1 Classification of Real Estate Properties

Upon acquisition, the properties owned by the Company are classified as investment properties and development properties as follows:

- Those are classified as investment properties that are typically purchased by the Company for the purpose of benefiting from leasing and increase in value of the property. They do not use these properties (typically office buildings, commercial units, warehouses and factory buildings) for their own purposes.
- Development properties include properties in which the Company intends to invest and develop and then sell in the near future.
- Property, plant and equipment used by the Company for its own purposes are classified as tangible assets.

2.3.2 Fair Value of Investment Properties

The determination of the fair value of investment properties is largely based on estimates and assumptions, therefore the fair value may differ materially from the value obtained as a result of the estimation. The fair value of investment properties has been determined based on the Company's own evaluations and valuations performed by independent appraisers. The evaluation principles and parameters used are set out in Note 15.

IFRS 13 Fair Value Measurement seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. All investment properties are categorized in Level 2 or Level 3 of the fair value hierarchy

2.3.3 Depreciation and Amortisation

The lands and buildings, machinery, and equipment, right of facility sharing, as well as the intangible assets, are recognized at their historical value and their applied depreciation method is linear depreciation throughout the useful life of the assets. The amount of depreciation and amortisation accounted for by the Company was 74,514,-HUF in thousands for the year of ending as of 31 December 2020, and the thereof amount was measured to 9,049,-HUF in thousands for the year ending as of 31 December 2019. The useful life of the assets is determined on the basis of past experience in respect of similar assets, the expectable development of technology, and the expectable changes affecting the wider economic or industrial factors. The estimations concerning the useful lives are revised on a yearly basis.

3. Sales Revenue from Leased Property

The Company's activities include the leasing and maintenance of its own real estate properties, as well as asset management and company management.

In order to carry out the rental and operating activities of the property, the Company's real estate properties are located in Hungary, in the cities of Kecskemét and Budapest.

Future minimum rental income for fixed-term leases as at 31 December 2020 is as follows:

Data HUF (thousand)	for the business year ended 31 December 2020	for the business year ended 31 December 2019
Within the year	48 000	
Within 1 to 5 years	34 307	82 307
Due over 5 years	544 718	540 957
SUM	627 025	623 264

data in thousands of HUF	for the business year ended 31 December 2020	for the business year ended 31 December 2019
Office rental	749,252	492,185
Parking rental	35,269	37,112
Warehouse rental	-	9,895
Income of accepting service on behalf of companies	-	15
Other	7,186	-
Total	791,707	539,207

4. Direct Costs of Property Rental

The rate of the direct costs regarding property rental has significantly increased in accordance with the sales revenue, due to the profile cleaning and the enhanced properties portfolio.

data in thousands of HUF	for the business year ended 31 December 2020	for the business year ended 31 December 2019
Taxes on buildings and land	(24,342)	(26,616)
Right-of-use asset	(182,537)	-
Water, gas, electricity	(1,806)	(191)
Operation, maintenance, material and service	(15,828)	(179)
Insurance fee	(8,946)	(11,741)
Advertising	(11,631)	-
Other	(231)	42
Total	(245,321)	(38,685)

5. Service Fee Income from Subsidiaries

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Apenninn Property Vagyonkezelő Zrt.[5]	3,658	5,000
Appeninn-Bp1047 Zrt.	6,446	5,000
Appeninn E-Office Zrt.	156,017	100,000
Appeninn Üzemeltető Zrt.[6]	25,104	35,000
Bertex Zrt.	27,347	5,000
Curlington Kft.	1,200	1,000
Szent László Téri Szolgáltató Ház Kft.	8,628	5,000
Felhévíz-Appen Kft.	1,876	5,000
Appeninn Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft.[7]	1,200	1,000
APPEN-Retail Kft.	7,503	5,000
Sectura Ingatlankezelő Kft.	1,200	1,000
VCT78 Ingatlanhasznosító Kft.[8]	-	5,000
Appeninn A59 Kft.	-	10,000
Appeninn Project-EGRV Kft.	1,200	1,000
Appeninn Project-MSKC Kft.	6,621	10,000
Appeninn BLT Kft.	1,200	1,000
PRO-MOT Hungária Kft.	29,182	25,000
Alagút Investment Kft.	4,703	-
Total	283,085	220,000

6. Administration Costs, Service Fees, Wages

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Bank charges	(3,052)	(2,191)
Accountancy, audit, legal, attorney-at-law costs	(160,367)	(102,530)
Asset management, consultancy	(63,317)	(104,580)
Share (KELER[9], BSE, securities charges)	(10,229)	(8,193)
Rents, stationery	(3,405)	(19,737)
Liability insurance	(1,359)	(1,569)
Charges and duties payable to authorities	(13,539)	(62)
Training, IT and other services	(5,927)	(336)
Staff costs, wages and its contributions	(163,501)	(107,110)

[5] in English: Apenninn Property Asset Management Private Limited Company
[6] in English: Appeninn Maintenance Private Limited Company
[7] in English: Appeninn Hegyvidék Real Estate Management and Distributor Private Limited Liability Company
[8] in English: VCT78 Real Estate Utilization Private Limited Liability Company
[9] in English: Central Clearing House and Depository

Other	(1,370)	(8,255)
Total	(426,066)	(354,563)

7. Balance of Other Revenues and Expenditures

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Other small amount reimbursement of expenses	4,789	(154)
Paid default interests, allowances and suppliments, liquidated damage	(3,404)	(61)
Total	1,385	(215)

8. Profit (and loss) on Sale of Subsidiaries and Investments

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Appeninn 105 Realty Project Kft. – sale of 100% of the business share	(175,817)	-
Appeninn A59 Kft. – sale of 100% of the business share	308,593	-
Solumn-Invest Kft. – sale of 25% of the business share	40,343	-
Appeninn Hegyvidék Kft. – sale of 75% of the business share	766	-
Total	173,885	-

9. Profit from Fair Valuation of Revenue-generating Investment Properties

The fair values of the Company's assets are assessed annually. Based on fair valuations, the Company recognized all changes through profit or loss. Option rights established on real estate properties, if they remain below the fair value and the title holder has paid the owner the charges of the option right, the lower of the fair value and the purchase price belonging to the option right is the value recognised in the Company's balance sheet.

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
6000 Kecskemét, Kiskőrösi utca 30.	208,005	244,120
1082 Budapest, Üllői út 48.	(90,665)	1,490,567
Change in fair value in total	117,340	1,734,687

The Company prepares the definition of the fair value of the real estate properties each year. In addition to the value assessment prepared by the Company, the Company also had the value of its real estate portfolio reviewed by an independent appraiser. The value determined by the independent appraiser is in line with the values in the financial statements. The independent expert appointed to perform the evaluation from 2014 to 2020 was Jones Lang LaSalle Kft. (Széchenyi tér 7-8., 1051 Budapest, hereinafter referred to as: “JLL Kft.”). The analyses prepared by JLL Kft. is as follows:

- the valuation methods are employed, and their application correspond to the approaches commonly used in national and international practice.
- the specific values that can be derived from the Market Value included in the evaluation prepared by JLL Kft. were identical with the value calculated by Robertson Hungary Kft. for each real estate property, and the values fell within the valuation intervals.
- the rents applied correspond to actual market rents.
- the investor’s “return expectation” of each real estate property - the Rates included in the Capitalization Rate and Discount Rate valuation are in line with the publicly published data on the investment transactions made in the last 12 months for each type of real estate property.

Assessment Principles:
For completed investment properties and for investment properties under development where fair value can be measured accurately fair value is determined based on a market-based valuation. For investment properties under development where fair value cannot be measured reliably (due to low readiness, the individual nature of the property and / or the complete absence of market transactions), the book value is the historical value less with any impairment.

Assessment Methods:
Valuations are made using the income approach, the discounted cash flow method and the comparative (market) method. The income approach method is based on the estimation of periodic cash flows from real estate properties. The present value of cash flows from real estate is determined using a market-based discount rate that reflects the expectations of

investors. Periodic cash flow is income without unused land less with costs associated with operating and maintaining the property. The amount of periodic cash flows and the residual value determined at the end of the assessment period discounted to present value is the fair value of the property.
The variables used in the evaluations based on the market method approach in 2020 and 2019 were average rent, market rent, occupancy, “exit Yield”, and discount rate. These values are based on market observations, which are adjusted for the local situation of the real estate property. Due to these corrections, all variables used are classified as “level 3”.

The evaluation methods remained unchanged compared to 2019-2020. The valuation methodology used complied with the valuation techniques described in IFRS 13.

The assessment covered the determination of spot market prices, which were reported as “Comparative” prices.

Sensitivity Test:
The values per real estate property took the DCF model value based on the variables presented in the previous table. The displacement of the model variables was tested. The summation of the DCF model variables ends in the exit yield. Another sensitive variable in model value is the annual rent. The effect of the negative 5% and positive 5% displacement of the model variables on real assessment, and fair value per real estate property is presented from the matrix of the displacement of these two model variables.

As the value of the Company's revenue-generating properties is primarily determined in EUR, the sensitivity test was also performed in EUR.

data in EUR	2020	2019
+5%	25,620,000	27,090,000
-5%	23,180,000	24,510,000

Serial Number	2020	type	Comparative price	DCF model value	Reporting day value	Evaluation method	Model variable mean values in DCF model: Exit return	Rents EUR/m2/month,	Exit yield change test: (-5%), Rent change test (-5%)	Exit yield change test (+5%), Rent change test (+5%)	Discount rate	Mortgage
10	6000 Kecskemét, Kiskőrösi utca 30.	place of business	3,900,000	4,100,000	4,100,000	DCF model	11.00%	office: 4, warehouse: 2	3,895,000	4,305,000	11.50%	exist
12	1082 Budapest, Üllői út 48.	office	21,600,000	20,300,000	20,300,000	DCF model			19,285,000	21,315,000		exist
					24,400,000							

Serial Number	2019	type	Comparative price	DCF model value	Reporting day value	Evaluation method	Model variable mean values in DCF model: Exit return	Rents EUR/m2/month,	Exit yield change test: (-5%), Rent change test (-5%)	Exit yield change test (+5%), Rent change test (+5%)	Discount rate	Mortgage
10	6000 Kecskemét, Kiskőrösi utca 30.	place of business	3,700,000	3,900,000	3,900,000	DCF model	11.00%	office: 4, warehouse: 2	3,705,000	4,095,000	11.50%	exist
12	1082 Budapest, Üllői út 48.	office	21,900,000	22,700,000	22,700,000	DCF model			20,805,000	22,995,000		exist
					30,500,000							

10. Maintaining Investment Properties

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Maintaining investment properties	(28,433)	(6,601)
Total	(28,433)	(6,601)

The Company performs regular maintenance on investment properties. By maintenance, it means the adjustment to the maintenance of the value of the property and the adjustment of its conditions to market classifications. The Company uses contracting partners for maintenance, who perform complex work for the Company. The future value of maintenance costs is part of the Company's property evaluation and is included in the calculation of future cash flows as periodic expenses through revenue. Therefore, the Company's fair estimates based on future cash flows are consistent with the Company's realized profit and loss items and cash flow expenses.

11. Other Expenditure and Revenue of Financial Transactions

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Exchange rate difference of items financially settled	(31,691)	(164,466)
Yearend revaluation of foreign currency assets and liabilities	410,552	70,742
Backmarking of impairment of subsidiaries	270,940	-
	(65,424)	-
Total	584,377	(93,724)

12. Balance of Interest Revenues and Expenditures

(data in thousands of Hungarian Forints)	for the business year ending as of 31 December 2019	for the business year ending as of 31 December 2019
Interests received from, due for affiliated undertakings (interests payable/paid):		
Apenninn Property Vagyonkezelő Zrt.	5,690	2,095
Appeninn-Bp1047 Zrt.	697	451
Appeninn E-Office Zrt.	129,173	17,463
Appeninn Üzemeltető Zrt.	(414)	(767)
Bertex Zrt.	80,505	-
Bertex Kft.	(365)	(3,192)
Curlington Kft.	6,023	11,721
Szent László Téri Szolgáltató Ház Kft.	10,037	13,222
Felhévíz-Appen Kft.	2,657	4,085
Felhévíz-Appen Kft.	(180)	-
APPEN-Retail Kft.	(495)	(459)
Sectura Ingatlankezelő Kft.	84	81
VCT78 Ingatlanhasznosító Kft.	261	492
Appeninn A59 Kft.	(1,125)	(2,721)
Appeninn Project-BTBG Kft.	-	427
Appeninn Project-EGRV Kft.	1,561	3,344
Appeninn Project-MSKC Kft.	18,232	17,945
Appeninn BLT Kft.	132,261	56,863
Appeninn Hegyvidék Kft.	(5,652)	(6,683)
PRO-MOT Hungária Kft.	633	246
Alagút-Investment Kft.	4,973	-
Solum Invest Kft.	3,037	-
Dreamland Holding Zrt.	95,645	-
Interests received from (paid for) other companies:		
KONZUM PE Magántőkealap[10]	(23,479)	(144,425)
Bank interests	(10,388)	(58,157)
Interests received from contractors	-	1
Interests from the self-issued bond	(705,797)	(74,177)
Interest from lease	(36,148)	
Balance of interest revenues (and expenditures)	(292,574)	(162,145)
Interests received in total	491,469	128,436
Interests paid in total	(784,043)	(290,581)
Balance of interest revenues (and expenditures)	(292,574)	(162,145)

[10] in English: Konzum PE Private Equity Fund

13. Income Taxes

Expenditures related to income taxes include the following:

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Corporate income tax	(5,833)	(6,424)
Deferred tax liabilities	(48,988)	(146,345)
Business tax	(17,141)	(14,935)
Total	(71,962)	(167,704)

Appeninn Plc.'s tax receivable due to a negative tax base arose until 2014, which can be utilized until 2025 in accordance with the Corporate Tax Act.

The balance of accrued and deferred loss carried over was 676.158,- HUF in thousands as of 31 December 2020, while the thereof amount accounted 955,826,- HUF in thousands as of 31 December 2019.

The tax breakdown was carried out as follows:

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Profit before taxation	884,868	1,828,913
Tax liability calculated on the basis of the current tax rate of 9%	(79,638)	(164,602)
Business tax	(17,141)	(14,935)
Constant differences	24,818	11,833
Income taxes in total	(71,926)	(167,704)

Employed tax rates	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Local business tax	2%	2%
Corporate income tax	9%	9%

The calculation carried out with regard to the difference arisen from the tax liability calculated on the basis of the accounting profit and the actual tax liability is included in the hereinunder chart:

data in HUF in thousands

Profit before taxation in line with IFRS	884,868
Reclassification of business tax into tax base	(17,141)
Accounting of depreciation of assets evaluated in line with IAS 40	(121,755)
Fair valuation impact pursuant to IAS 40	(88,907)
Accounting unused vacations	1,015
Bond depreciated historical value	5,797
Lease transactions	(13,641)
Other modifications	(4)
Adjusted profit before taxation	677,514
Depreciation pursuant to the Act on Corporate Tax and Dividend Tax	205,604
Exchange gain on reported equity sale	308,593
Donation	111
Accrued and deferred loss utilization	206,945
Items reducing tax base	721,254
Depreciation set forth in the Act on Accounting	125,140
Incurred costs not in the interest of the enterprise	65,424
Cancelled receivables	5
Fine established in final decision	1,000
Reported loss on exchange of equity delisting	59,114
Items increasing tax base	250,683
Tax base pursuant to the Act on Corporate Tax and Dividend Tax	206,943
Expected tax	
revenues in total	2,547,149

Tax base pursuant to income (profit) minimum 2%	4,584
Tax (9%)	18,625
Financial institution interest rebate (70% calculated tax)	(12,792)
Corporate income tax	5,833

14. Earnings per Share

When calculating the earnings per share, the profit after tax distributable among the shareholders and the average annual number of ordinary shares issued shall be taken into consideration without own shares.

	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Profit after tax (HUF in thousands)	812,906	1,661,208
Weighted average number of the ordinary shares issued (quantity)	47,327,109	47,327,109
Earnings per share (base) (in Hungarian Forints)	17.18	35.1

There are no factors existing at the Company which would dilute the profit and loss per share in 2020 or in 2019.

15. Revenue-generating Investment Properties

Changes calculated with regard to the opening and closing value of investment properties of the Company were the hereinunder as follows:

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Opening value	8,791,832	8,311,034
1082 Budapest, Üllői út 48.	7,502,804	6,012,237
Kecskemét, Kiskőrösi utca 30.	1,289,028	1,044,908
1062 Budapest, Andrássy út 105.	-	1,253,889
annual chnages:		
Properties taken over / transferred as contributions-in-kind	-	(1,253,889)
1062 Budapest, Andrássy út 105.	-	(1,253,889)
Changes in fair value in total	117,340	1,734,687
1082 Budapest, Üllői út 48.	(90,665)	1,490,567
Kecskemét, Kiskőrösi utca 30.	208,005	244,120
Closing value	8,909,172	8,791,832
1082 Budapest, Üllői út 48.	7,412,139	7,502,804
Kecskemét, Kiskőrösi utca 30.	1,497,033	1,289,028

16. Tangible Assets

The Company accounts office furniture, fixtures and fittings of the Company for tangible assets.

data in thousand of HUF	Total
Gross value	
as of 31 December 2018	60,813
Increase and reclassification	5,235
Decrease and reclassification	(51,653)
as of 31 December 2019	14,395
Increase and reclassification	7,051
Decrease and reclassification	-
31 December 2020	21,446
Accrued depreciation	
as of 31 December 2018	10,271
Depreciation in the current year	9,049
Decrease	(10,308)
as of 31 December 2019	9,012
Depreciation in the current year	3,384
Decrease	
31 December 2020	12,396
Net book value	
on 31 December 2018	50,542
on 31 December 2019	5,383
on 31 December 2020	9,050

17. Right of facility sharing

In 2020, the Company entered into a real estate lease agreement, from which the right of facility sharing was recognized. The Company has entered into a sublease agreement for the leased property, which it has identified as a finance lease, so the related right of facility sharing has been derecognised. The lease expires on March 16, 2025.

data in EUR	Property rental
Gross value	
as of 31 December 2018	-
Increase and reclassification	
Decrease and reclassification	
as of 31 December 2019	-
Increase and reclassification	426,798
Decrease and reclassification	(216,027)
31 December 2020	210,771
Accrued depreciation	
as of 31 December 2018	-
Depreciation in the current year	
Decrease	
as of 31 December 2019	-
Depreciation in the current year	71,133
Decrease	
31 December 2020	71,133
Net book value	
as of 31 December 2018	-
as of 31 December 2019	-
31 December 2020	139,638

18. Related Lease Receivables

The Company has entered into a sublease agreement for the leased property, which it has identified as a finance lease, so the related right of facility sharing has been derecognised. The lease expires on March 16, 2025.

data in thousands of HUF	for the business year ended 31 December 2020	for the business year ended 31 December 2019
Minimum value for leasing fees		-
in 2021	58,431	
in 2022	58,431	
in 2023	58,431	
in 2024	58,431	
in 2025	9,738	

Minimum lease fees in total	243,462	-
Lease interest	(10,294)	
Present value of minimum leasing fees in total	233,168	-
Of which short-term liabilities	52,288	
Of which long-term liabilities	180,880	

19. Investments in subsidiaries

(data in thousands of Hungarian Forints)	for the business year ended 31 December 2020	for the business year ended 31 December 2019	Capital ownership 2020	Capital ownership 2019
Appeninn Property Vagyonkezelő Zrt.	171,366	166,366	100%	100%
Appeninn-Bp 1047 Zrt.	30,508	30,508	100%	100%
Appeninn E-Office Vagyonkezelő Zrt.	5,256,668	5,256,668	100%	100%
Appeninn Üzemeltető Zrt.	5,000	-	100%	100%
Bertex Ingatlanforgalmazó Zrt.	212,062	212,062	100%	100%
Curlington Ingatlanfejlesztési Kft.	44,096	44,096	100%	100%
Szent László téri Szolgáltatóház Kft.	434,169	173,230	100%	100%
Appeninn A59 Kft.	-	2,212,170	-	100%
Appeninn Project-EGRV Kft.	930	3,000	100%	100%
Appeninn Project-MSKC Kft.	3,000	3,000	100%	100%
Appeninn BLT Kft.	3,000	3,000	100%	100%
Appeninn 105 Realty Project Kft.	-	1,291,327	-	100%
Appeninn Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft.	43,967	183,202	25%	100%
Dreamland Holding Zrt.	1,550,000	-	75%	-
Solumn-Invest Kft.	536,842	-	51%	-
Alagút Investment Kft.	392,400	-	100%	-
Sectura Ingatlankezelő Kft.	115,000	-	100%	
Equity in total	8,799,008	9,578,629		

The amount of accumulated impairment:

data in thousand of HUF	Total
as of 31 December 2018	270,939
Increase	-
as of 31 December 2019	270,939
Reversal	(270,939)
Accounting impairment	65,423
as of 31 December 2020	65,423

Accumulated impairment of 5,000,-HUF in thousands was accounted for the equity of Appeninn Property Vagyonkezelő Zrt., 5,000,- HUF in thousands for the equity of Appeninn Üzemeltető Zrt., and 260,939,- HUF in thousands for the equity in Szent László tér Szolgáltatóház Kft. In 2020 65,423,-HUF in thousands were measured for impairment in relation to the equity in Appeninn Project-EGRV Kft. Equity in the other subsidiaries were reviewed by the Company and no sign for impairment was identified as of 31 December 2020. Previously recognized impairment losses were reversed due to the improving profitability and assets of the subsidiaries.

At the end of 2019, the Company purchased 100% of business shares in Appeninn Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft. from Curlington Ingatlanfejlesztési Kft. as receivable offset.

During 2020, the Company increased its equity in Appeninn Project-EGRV Kft.

In 2020, the business shares of Appeninn A59 Kft. and Appeninn 105 Realty Project Kft. were sold.

During 2020, a 75% of business shares in Appeninn Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft. was sold.

On 9 January 2020, the Company acquired a 76% of business shares in Solum-Invest Kft., of which a 25% of business shares was sold in the first half of 2020. In June 2020, the Company acquired 75% of the block of shares in Dreamland Holding Zrt., 100% of the business shares in Alagút Investment Kft., and 100% of the business shares in Sectura Ingatlankezelő Kft., the latter being an intra-group transaction.

Regarding the indirect holding of the Company is as follows:

Name of the subsidiary	Parent company	Capital ownership and voting ratio		Address
		2020	2019	
Appen-Retail Kft.	Appeninn Property Vagyonkezelő Zrt.	100%	100%	1062 Budapest, Andrássy út 59.
Felhévíz-Appen Kft.	Appeninn Property Vagyonkezelő Zrt.	100%	100%	1062 Budapest, Andrássy út 59.
PRO-MOT Hungária Kft.	Appeninn BLT Kft.	74.99%	74.99 %	1062 Budapest, Andrássy út 59.
DLHG Invest Kft.	Dreamland Holding Zrt.	75%	-	1053 Budapest, Reáltanoda u. 5.
Szántód BalaLand Family Kft.	DLHG Invest Kft.	75%	-	1053 Budapest, Reáltanoda u. 5.
Tokaj Csurgó Völgy Kft.	DLHG Invest Kft.	75%	-	1053 Budapest, Reáltanoda u. 5.
SZRH Kft.	DLHG Invest Kft.	75%	-	1053 Budapest, Reáltanoda u. 5.
TATK Kft.	DLHG Invest Kft.	75%	-	1053 Budapest, Reáltanoda u. 5.
Visegrád Lepence Völgy Strandfürdő Kft.	DLHG Invest Kft.	75%	-	1053 Budapest, Reáltanoda u. 5.

20. Trade Receivables

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Gross value of trade receivables	39,704	87,605
Impairment (Mikepércsi út 132 Kft.)	(4,512)	(4,512)
Net trade receivables in total	35,192	83,093

The Company performed impairment losses on the customer by developing the expected loss model. Expected losses were calculated from the average of the experience of the last two years.

21. Other Short-term Receivables

data in thousands of HUF	for the business year ended 31 December 2020	for the business year ended 31 December 2019
Tax assets	5,394	6,978
Deposit	15,040	15,040
Receivables related to assignment	35,155	-
Short term part of financial leasing claims	52,288	-
Other	4,793	3,239
Total	112,670	25,257

22. Receivables through Affiliated Parties

Receivables through affiliated undertakings consist of invoiced holding fees, interest and capital claims, as well as of dividends and other receivables from subsidiaries.
The Company has acquired its liabilities to the previous owners of the acquired subsidiaries at a value below the registered value of the liability. The values presented are the differences between the historical value of the receivable and the values recorded on the liability of the obligor (subsidiary), which are the values recorded as historical value at the Company. In 2020, discount values were reversed due to their distributions.

(data in thousands of Hungarian Forints)	Trade, loan and interest receivables	
	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Appeninn-Bp 1047 Zrt.	89,167	41,146
Appeninn Property Vagyonkezelő Zrt.	41,077	93,998
Bertex Ingatlanforgalmazó Zrt.	2,577,006	20,604

Appeninn E-Office Zrt.	3,611,061	3,868,970
Felhévíz-Appen Kft.	-	141,166
APPEN-Retail Kft.	2,117	13,970
Sectura Ingatlankezelő Kft.	12,787	11,430
Szent László Téri Szolgáltató Ház Kft.	124,326	339,384
VCT78 Ingatlanhasznosító Kft.	-	25,690
Curlington Kft.	38,254	22,761
Appeninn Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft.	-	21,590
Appeninn Üzemeltető Zrt.	25,000	88,900
Appeninn Project-EGRV Kft.	63,500	60,734
Appeninn Project-MSKC Kft.	519,620	565,997
PRO-MOT Hungária Kft.	-	54,497
Appeninn BLT Kft.	5,833,933	5,954,542
Appeninn 105 Realty Project Kft.	-	1,752
Alagút Investment Kft.	5,292	-
Solum-Invest Kft.	201,037	-
Dreamland Holding Zrt.	6,880,886	-
Affiliated receivables in total	20,025,063	11,327,131

23. Short-term Loans Granted

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Mikepércsi út 132 Kft.	21,788	21,788
Impairment of Mikepércsi út 132 Kft.	(21,788)	(21,788)
Hattyúház Társasház Közösség	2,247	2,247
Total	2,247	2,247

24. Accruals

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Receivables under accrued and deferred assets	74,227	4
Expenses under accrued and deferred assets	18,871	80,984
Total	93,098	80,988

25. Cash and Cash Equivalents

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019

Cash on hand	89	35
Bank account in HUF	388,439	1,445,474
Bank account in EUR	133,166	223
Fixed-term deposits of short-term	-	10,000,000
Total	521,694	11,445,732

26. Issued Capital

The shares of Appeninn Vagyonkezelő Holding Nyrt. were initiated at Budapest Stock Exchange on 02 July 2010 upon public trading.

Appeninn Nyrt. share data	
nominal value	100
currency	HUF
ISIN identification number	HU0000102132
Place of trading	Budapest Stock Exchange share section
start of trading	02 July 2010
share register keeping	Board of Directors of Appeninn Nyrt., 1118 Budapest, Kelenhegyi út 43.
Number of shares kept in trading as of 31 December 2020 (quantity)	47,371,419
Number of shares kept in trading as of 31 December 2019 (quantity)	47,371,419

(data in thousands of Hungarian Forints)	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Value of issued capital		
Opening value on 01 January:	4,737,142	4,737,142
Issuance	-	-
Closing value on 31 December:	4,737,142	4,737,142

The issued capital of the Company is 4,737,142,- HUF in thousands, which consists of 47.371419,- quantity of shares with a nominal value of HUF 100,- HUF per each.

Based on the general meeting resolution of the Company of 11 April 2018, the Company decided to issue 6,478,874,- quantity of ordinary shares, which were registered by Fővárosi Törvényszék Cégbírósága on 09 May 2018.

On 11 April 2018, within the framework of a contribution contract, the Company and KONZUM II Ingatlan Befektetési Alap[11] agreed that the Alap[12] makes available to the Company, as non-monetary contribution, the real estate property registered under topographical lot number 36372 Budapest, located in kind in 1082 Budapest, Üllői út 48. As a result of the transaction, the Company increased its share capital and at the same time, through private placement, issued a total of 6,478,874,- quantity of dematerialized ordinary shares with a nominal value of 100,-HUF. With the acquisition of the "Ü48 Irodaház"[13] with

[11] in English: KONZUM II Real Estate Property Investment Fund
[12] in English: Fund
[13] in English: Ü48 Office Building

a floor area of 8,145 m2, the Company's real estate portfolio was expanded with another “A” category office building.

27. Repurchased Own Shares

	for the business year ending as of 31 December 2020		for the business year ending as of 31 December 2019	
	in thousands of Hungarian Forints	quantity	in thousands of Hungarian Forints	quantity
Opening value	1,114	1,848	1,114	1,848
Own share purchase	-	-	-	-
Transfer of own share for dividend payment	-	-	-	-
Own share sale	-	-	-	-
Closing value	1,114	1,848	1,114	1,848

28. Reserves

	for the business year ending as of 31 December 2020			for the business year ending as of 31 December 2019		
	in thousands of Hungarian Forints	quantity of issued shares (quantity)	Share premium (ázsió) (HUF/quantity)	in thousands of Hungarian Forints	quantity of issued shares (quantity)	Share premium (ázsió) (HUF/quantity)
Opening	8,095,844	47,371,419	171	8,095,844	47,371,419	171
Reclassification from accumulated profit reserve						
Closing balance as of 31 December:	8,095,844	47,371,419	171	8,095,844	47,371,419	171

29. Retained Earnings

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Opening balance	3,747,026	2,085,818
Profits in the current year	825,320	1,661,208
Alienation of own share	-	-
Reclassification to capital reserve	-	-
Closing value	4,572,346	3,747,026

Own equity equivalency table:

The following, own equity equivalency table, in compliance with the requirements of Section 114/B of Act C of 2000 (“Accountancy Act”) in force in Hungary, shows the correspondence of the components of equity pursuant to Section 114/B (4)a) and the components of equity disclosed in the separate financial statements in accordance with EU IFRS. The correspondence consists, on the one hand, of the allocation of the equity components of the EU IFRS to the equity components of the Accountancy Act, and, on the other hand, of the derivation of the differences between the equity determined in two ways.

data in thousands of Hungarian Forints	31 DECEMBER 2020
Issued share capital	4,737,142
Issued but unpaid capital	-
Repurchased own shares	(1,114)
Capital reserve	8,095,844
Reserves	
Accumulated profit reserve	4,559,932
Revaluation reserve	-
Distributable reserve	-
Profit after tax	-
Own equity pursuant to 114/B.(4) of IFRS	17,391,804
Issued share capital defined in the instrument of constitution to the extent that the thereof is classified for equity instrument	4,737,142
Repurchased own share nominal value (-)	(1,114)
Issued share capital pursuant to 114/B. (4) of IFRS	4,736,028
114/B. (4) c) Issued but unpaid capital	-
Pursuant to IFRS the amount of items related to own equity which does not comply with the definition of issued share capital, issued but unpaid capital, accumulated profit reserve, revaluation reserve, current year’s retained profit or loss or distributable reserve	8,095,844
114/B. (4) d) Capital reserve	8,095,844
Pursuant to IFRS profit indicated in the annual financial statement, accumulated in the previous years and non-reimbursed for the owners	3,747,026
114/B. (4) e) Accumulated profit reserve	3,747,026
114/B. (4) h) Distributable reserve	-
In the phase of the profit regarding the comprehensive income statement or the separate profit and loss statement the profit in the current year	812,906

114/B. (4) g) Profit / loss in the current year	812,906
Free accumulated profit reserve available for dividend payment	
IFRS accumulated profit reserve	4,559,932
Decreased: on account of fair value increase accounted in line with IAS 40 Investment Property standard – accrued – with the amount of unrealised profits	(4,023,744)
Increase: with the cumulative amount of the income taxes accounted pursuant to the related IAS 12 Income Taxes standard	362,137
Accumulated profit reserve available for dividend payment	898,325

30. Tenant Deposits

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Deposits of tenants	207,197	19,937
Total	207,197	19,937

The Company accounts the amount of the security deposit paid by the tenants for the thereof item.

31. Lease liabilities

On 16 March 2020, the Company entered into a real estate lease agreement, the related right of facility sharing and lease liability have been included in the balance sheet. The lease expires on March 16, 2025.

data in thousands of HUF	for the business year ended 31 December 2020	for the business year ended 31 December 2019
Minimum value of leasing fees payable		-
in 2021	98,534	
in 2022	98,534	
in 2023	98,534	
in 2024	98,534	
in 2025	16,422	
Minimum lease fees in total	410,558	-
Lease interest	(24,110)	
Present value of minimum leasing fees in total	386,448	-
Of which short-term liabilities	88,176	-
Of which long-term liabilities	298,272	-

32. Self-issued Corporate Bonds Debt

On 22 November 2019, the Company issued bonds in the quantity of 20,000,000,-HUF in thousands through the Növekedési Kötvényprogram[14] launched by Magyar Nemzeti Bank[15], which was subscribed for at an additional exchange gain in the value of 108,113,-HUF in thousands. The consideration for the bond was paid to the Company. The maturity date of the bond is 22 November 2029, when the principal amount of the bond (20,000,000,-HUF in thousands) is payable in one amount. A fixed annual interest rate of 3.5% is payable on the bond. The bond was registered at depreciated historical value, with an effective interest rate of 3.459%.

33. Long-term and Short-term Liabilities Through Affiliated Parties

(data in thousands of Hungarian Forints)	Trade creditors, loan, and interest liabilities	
	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Bertex Ingatlanforgalmazó Zrt.	20	259,987
Appeninn E-Office Zrt.	13,187	7,813
Felhévíz-Appen Kft.	76,043	42,940
APPEN-Retail Kft.	14,497	14,978
Appeninn Üzemeltető Zrt.	3,022	23,094
Appeninn Credit Zrt.	457	457
Appeninn Hegyvidék Kft.	142,406	202,627
Dividend debt	11,404	11,443
Appeninn A59 Kft.	-	89,212
Short-term affiliated liabilities in total	261,036	652,551
KONZUM PE Magántőkealap	-	1,877,521
Long-term affiliated liabilities in total	-	1,877,521

Konzum PE Magántőkealap provided investment loan to the Company, with the central bank base rate of +5% interest rate. The loan matures on 31 December 2020, no collateral has been stipulated. In 2020, the loan was repaid.

[14] in English: Growth Debenture Programme
[15] in English: Hungarian National Bank

34. Deferred Tax Liabilities

Upon calculating deferred tax, the Company compares the amount recognisable for tax purposes with the book value, per asset and liability. If the spread is a temporary difference, that is, the difference is settled within a reasonable time, deferred tax liability or asset is recognized, according to its sign. When the asset is taken into account, the return is examined separately by the Company.

Appeninn Plc.'s tax receivable due to a negative tax base arose until 2014, which can be utilized until 2025 in accordance with the Corporate Tax Act.

The carrying amount of the accrued and deferred loss is 676,158,- thousands in Hungarian Forints as of 31 December 2020, and the thereof amount accounted 955,826,- thousands in Hungarian Forints as of 31 December 2019.

The deferred tax liabilities balance in the financial status statement on 31 December 2020 and 2019 consists of the following items:

(data in thousands of Hungarian Forints)	Balance according to the report	2020 Balance according to taxation	Deferred tax liabilities base	Deferred tax liabilities	Balance according to the report	2019 Balance according to taxation	Deferred tax liabilities base	Deferred tax liabilities
Revenue-generating investment properties	8,909,172	4,796,974	(4,112,198)	(370,098)	8,791,832	4,967,342	(3,824,490)	(344,204)
Trade and other receivables, assets	280,485	284,997	4,512	406	191,091	195,937	4,846	435
Receivables from accrued and deferred loss	-	676,158	676,158	60,855	-	955,826	955,826	86,024
Corporate bonds debt	20,147,849	20,074,795	73,054	6,575	20,142,052	20,181,753	(39,701)	(3,573)
Trade creditors and other accounts payable	47,836	153,331	(105,495)	(10,723)	19,103	21,595	(2,492)	(224)
Net deferred tax position in total								
Deferred tax receivables in the balance sheet				67,836				-
Deferred tax liabilities in the balance sheet				378,365				261,542
Net deferred tax position				(310,529)				(261,542)
Change in the				(48,987)				(146,345)

deferred tax balance		
Of which:		
Accounted for profit and loss	(48,987)	(146,345)

35. Short-term Credits

data in thousands of HUF	for the business year ended 31 December 2020	for the business year ended 31 December 2019
Magyar Takarékszövetkezeti Bank Zrt.	-	1,657,318
Short-term part of lease liability	88,176	-
Total	88,176	1,657,318

36. Other Short-term Liabilities

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Obligation for Building Cleaning Zrt. on account of historical value of receivables	11,411	11,411
Other	15,287	7,692
Total	26,698	19,103

37. Trade Creditors and Other Accounts Payable

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Liabilities for trade creditors	47,756	50,407
Closing value	47,756	50,407

38. Tax and Duties Liabilities

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
VAT payment obligation	30,611	48,102
Staff costs – contributions and taxes	9,964	1,861
Total	40,575	49,963

39. Accrued Liabilities

data in thousands of HUF	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Accrued liabilities of costs and expenses	4,212	15,159
Deferral of interests payable	-	15,348
Total	4,212	30,507

40. Transactions with Affiliated Parties

Transactions with affiliated parties are disclosed in the notes to the relevant balance sheet items.

41. Remuneration of Key Executives

The members of the Board of Directors received yearly 300,-HUF in thousands per person in 2019 and until 30th September 2020. The members of the Audit Committee received an additional yearly 100,-HUF in thousands per person. The General Meeting of the Company held on 30 September 2020 set a uniform remuneration of HUF 200 thousand / month for the Member of the Board. The Company has no contracts with the executive officers that would create future obligations to the Company by changing their contracts.

	2020 (HUF in thousands/year/member)	2019 (HUF in thousands/year/member)
Honoraria of the members of the Board of Directors on assignment relationship (5 members)	750	300
Honoraria of the members of the Audit Committee on assignment relationship (3 members)	75	100

42. Financial instruments

Trade receivables, loans granted and financial instruments, credits received, loans and trade creditors and other accounts payable are accounted for financial instruments.

31 December 2020	Evaluated at fair value through profit and loss	Evaluated at depreciated historical value	Evaluated at fair value through other comprehensive income
Financial assets			
Trade receivables		35,192	
Affiliated lease receivables		180,880	
Other short-term receivables		112,670	
Receivables through affiliated parties		20,025,063	
Short-term loans granted		2,247	
Cash equivalents		521,694	
Financial assets	-	*20,877,746*	-
Financial liabilities			
Tenant deposits		207,197	
lease liabilities		298,272	
Corporate bonds debt		20,147,849	
Affiliated liabilities		261,036	
Liabilities for trade creditors and other accounts		47,756	
Financial liabilities	-	*20,962,110*	-

31 December 2019	Evaluated at fair value through profit and loss	Evaluated at depreciated historical value	Evaluated at fair value through other comprehensive income
Financial assets			
Trade receivables		83,093	
Other short-term receivables		25,257	
Receivables through affiliated parties		11,327,131	
Short-term loans granted		2,247	
Cash equivalents		11,445,732	
Financial assets	-	*22,883,460*	-
Financial liabilities			
Credits and lease transactions		1,657,318	
Tenant deposits		19,937	
Corporate bonds debt		20,142,052	
Affiliated liabilities		2,530,072	
Liabilities for trade creditors and other accounts		50,407	
Financial liabilities	-	*24,399,786*	-

Fair value of financial instruments evaluated at depreciated historical value is close to book value in both years. The measurement of fair value in respect of both years was performend at fair value equivalent to the 3rd level.

43. Risk Management

The Company's financial assets include liquid assets, loans, trade and other receivables, and other assets – excluding taxes. The Company's financial liabilities include credits and loans, trade creditors and other accounts payables, excluding taxes and gains or losses arising from the revaluation of financial liabilities at fair value.

The Company is exposed to the following financial risks:

- credit risk
- liquidity risk
- market risk
- business risk

This chapter presents the Company’s above risks, the Company’s objectives, policies, process measurement and risk management, and the Company’s capital management. The Board of Directors has overall responsibility for the establishment, supervision and risk management of the Company.

The purpose of the Company's risk management policy is to filter and investigate the risks faced by the Company and to set up appropriate controls and to monitor the risks. The risk management policy and system are reviewed to reflect changed market conditions and the Company's activities.

43.1 Capital Management

It is the policy of the Company to preserve the share capital that is sufficient to maintain investor and creditor confidence in the future development of the Company.

The capital structure of the Company consists of net outside capital and the Company's own equity (the latter includes issued capital and reserves).

In capital management, the Company seeks to ensure that the Company and its subsidiaries can continue to operate while maximizing returns for owners through an optimal balance of loan capital and own equity and maintaining an optimal capital structure for the benefit of reducing the cost of capital. The Company also monitors whether the capital structure of its subsidiaries complies with local legal requirements.

43.2 Credit Risk

Credit risk is the risk that a debtor or counterparty will default on its contractual obligations, resulting in a financial loss to the Company. Financial assets that are exposed to credit risk may include long-term or short-term placements, cash and cash equivalents, trade receivables and other receivables.

The book value of financial assets shows the maximum risk exposure. The table below shows the Company's maximum exposure to credit risk as at 31 December 2020 and 31 December 2019.

Maximum exposure to receivables	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Trade receivables	35,192	83,093
Other short-term receivables	112,670	25,257
Receivables through affiliated parties	20,025,063	11,327,131
Short-term loans granted	2,247	2,247
Cash and cash equivalents	521,694	11,445,732
	20,696,866	22,883,460

43.3 Market Risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and the prices of investments in mutual funds, will affect the Company's results or the value of its investments in financial instruments. The purpose of market risk management is to manage and control market risk exposures within an acceptable framework while optimizing returns.

43.4 Business Risk

The Company sets consistent, predictable and competitive rents for its tenants. Current rents are in line with the environment and quality of the real estate properties. However, given the current global economic environment and the demand-supply situation in the Budapest office market, there is no certainty that current rents and conditions will be sustainable in the future.

43.5 Interest Rate Risk

Interest rate risk is the risk that the future cash flows of certain financial assets and liabilities will fluctuate because of changes in market interest rates. Changes in the market interest rate represent exposures to the Company in the case of floating rate loans and liabilities arising from bond issues. The Company pays an average lending rate of 6.40% / 3.19% on its credits. An increase of 0.5% in the interest burden would mean an interest burden of 106,- million Hungarian Forints on the Company's member companies.

43.6 Foreign Exchange Risk

The Company has determined that its results are fundamentally dependent on two key financial variables, interest rate risk and foreign exchange risk, and has therefore performed sensitivity analyses for these key variables.

The Company translated the HUF items used in the preparation of the financial statements at the following exchange rates. The Company applied the closing MNB exchange rate to the balance sheet items and the Average Daily MNB exchange rate to the profit and loss items. The range of transaction foreign currencies was EUR, the exchange rate exposure was quantified by changes in these currencies.

Foreign exchange risk is particularly important in the fair valuation of Income-Generating Investment Properties, as the valuation is based on EUR, so the value of real estate property based on EUR was taken into account in the analysis of foreign exchange risk:

Exchange rate type	31 December 2020	Change in EUR	Change in %	31 December 2019
Closing	365.13	34.61	10.47%	330.52
Average	351.17	25.82	7.93%	325.35
Difference between Closing and Average	13.96	8.79	170.10%	5.17

Exchange rate fluctuations	Exchange rate	Change in EUR	Aggregated NON-EUR position balance sheet value in EUR	Calculated profit and loss impact in EUR
-1%	361.4787	-3.6513		93.833
-0.50%	363.30435	-1.82565		46.681
31 December 2019 MNB	365.13		-9,289,449	
+0.5%	366.95565	1.82565		(46,216)
+1%	368.7813	3.6513		(91,975)

43.7 Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company’s liquidity management approach is to provide, as far as possible, adequate liquidity to meet its obligations as they fall due, under both normal and stressed circumstances, without incurring unacceptable losses or risking the Company’s reputation.

The maturity structure of financial liabilities contracted and actually payable (not discounted) is summarized in the table below for the years as of 31 December 2020 and 2019 as follows:

31 December 2020	Due within 1 year	Due within 2-5 years	Due over 5 years	Total
Financial assets				
Trade receivables	35,192			35,192
Other short-term receivables	60,382			60,382
Receivables through affiliated parties	20,025,063	180,880		20,205,943
Other short-term receivables	2,247			2,247
Short-term loans granted	93,098			93,098
Cash equivalents	521,694			521,694
Financial assets	*20,737,676*	*180,880*		*20,918,556*
Affiliated liabilities	261,026			261,026
Credits and lease transactions	88,176	298,272		386,448
Other short-term liabilities	26,698			26,698
Liabilities for trade creditors and other accounts	47,756			47,756
Self-issued corporate bonds debt			20,147,849	20,147,849
Tenant deposits		207,197		207,197
Accrued liabilities	4,212			4,212
Financial liabilities	*427,868*	*505,469*	*20,147,849*	*21,081,186*

31 December 2019	Due within 1 year	Due within 2-5 years	Due over 5 years	Total
Financial assets				
Trade receivables	83,093			83,093
Receivables through affiliated parties	11,327,131			11,327,131
Other short-term receivables	25,257			25,257
Short-term loans granted	2,247			2,247
Cash equivalents	11,445,732			11,445,732
Financial assets	*22,883,460*	-	-	*22,883,460*
Affiliated liabilities	652,551	1,877,521		2,530,072
Other short-term liabilities	19,103			19,103
Liabilities for trade creditors and other accounts	50,407			50,407
Self-issued corporate bonds debt			20,142,052	20,142,052
Tenant deposits		19,937		19,937
Short-term bank credits liabilities	1,657,318			1,657,318
Taxes and duties liabilities	49,963			49,963
Financial liabilities	*2,429,342*	*1,897,458*	*20,142,052*	*24,468,852*

44. Contingent Liabilities

Collateral for Credit Institution Liabilities of a Sold Member Company

Appeninn Nyrt., as the owner, under its previous name of Appeninn Logisztika Zrt. (present name of the thereof is VÁR- Logisztika Zrt.) undertook first demand guarantor and pledge obligation for Orgovány és Vidéke Takarékszövetkezet[16] as of 27 June 2013. Following the sale of Appeninn Logisztika Zrt.[17], Appeninn Nyrt. is still included as a party in the contract

[16] in English: Orgovány and Vidéke Mutual Savings Bank
[17] in English: Appeninn Logistics Private Limited Company

concluded between and by the credit institution and the thereof. As of 06 December 2017, the owners of VÁR- Logisztika Zrt.[18] undertook full and complete guarantee for each and all existing obligation(s) of Appeninn Nyrt. towards Takarékszövetkezet upon a performance assume agreement. The guarantee of the Company shall last until 15 June 2023, and respectively until the performance of the obligation.

The Company has examined the ability of the obligors to meet their obligations at the present balance sheet date of these financial statements; the management of the Company assigned a zero probability of insolvency to the liability from the guarantee, the amount shown in the balance sheet in connection with the guarantee is zero HUF.

Collaterals provided to the investment supplier of subsidiaries
Appeninn E-Office Zrt., as a customer, established a contractual relationship on 1 December 2017. The subject of the order is the provision of the cooling / heating system of the real estate properties owned by Appeninn E-Office Zrt., the full-circle delivery and maintenance of the systems. The contract for the maintenance of individual systems tailored to the customer's buildings covers the entire technical and economic life period of the systems. The systems become the property of the customer upon the expiry of the maintenance contract and the customer is obliged to pay an exit price upon withdrawal from the contract. The obligation of Appeninn Plc. covers the entire obligation to the supplier without queuing, i.e. the annual fees and exit fees, and the transfer or termination of the contract when reselling the real estate propert.

Appeninn E-Office Zrt. has undertaken a future payment obligation while maintaining the contract. The management of the parent company assessed the loss on the subsidiary's liabilities arising from the enforcement of the payment guarantee on the basis of the information available on 31 December 2020. The management of the company did not consider the thereof probable in view of the subsidiary's payment, cash flow and operating results, therefore the liability is presented in the balance sheet at zero value.

Collateral provided to credit institutions of subsidiaries
Appeninn Plc. has guaranteed the loans of its subsidiaries to financial institutions.

Credit details:

Financing partners	Primary tax company	31 December 2020 due within-the-year	31 December 2020 due over-the-year
		EUR	EUR
Magyar Takarékszövetkezeti Bank Zrt.	Szent László Téri Szolgáltató Ház	100,225	39,181
Magyar Takarékszövetkezeti Bank Zrt.	VCT78 Ingatlanhasznosító Kft.	-	1,668,945
Magyar Takarékszövetkezeti Bank Zrt.	Appeninn-Bp 1047 Zrt.	634,132	669,582
Magyar Takarékszövetkezeti Bank Zrt.	Appeninn Property Vagyonkezelő Zrt.	526,723	556,221
Magyar Takarékszövetkezeti Bank Zrt.	Appen-Retail Kft.	1,219,785	1,288,939
Magyar Takarékszövetkezeti Bank Zrt.	Curlington Kft.	65,599	69,131
Magyar Takarékszövetkezeti Bank Zrt.	Felhévíz-Appen Kft.	134,208	141,490

[18] in English: Vár- Logistics Private Limited Company

MFB-Erste Bank consortium	Appeninn E-Office Zrt.	24,068,776	22,327,471
Bank credits in total		26,749,448	26,760,960
In thousands of Hungarian Forints		9,767,026	9,771,229

45. Environmental Impacts regarding the Company's Activities

The Plc. does not own any tangible assets directly serving the protection of the environment. Hazardous waste and environmentally harmful substances are not generated in the course of the Company's activities, so it does not have such a stock. We are not aware of any future liabilities related to environmental protection, therefore no such provision was made in the current year and no such costs were incurred.

46. Events After the Balance Sheet Day

Kisfaludy 2030 Turisztikai Fejlesztő Nonprofit Zrt. informed PRO-MOT Hungária Ingatlanfejlesztő Kft., indirectly owned by the Company, on 18 March 2021, that the tender submitted under the title of “development of tourist attractions and services in Club Aliga” by the thereof was assessed positively. As a result of the decision, Kisfaludy 2030 Turisztikai Fejlesztő Nonprofit Zrt. granted a subsidy in the amount of 1,299,999,998,-HUF for PRO-MOT HUNGÁRIA Ingatlanfejlesztő Korlátolt Felelősségű Társaság.

After the balance sheet day, other important events did not occur.

47. Effects of COVID-19

With its Decree No. 40/2020. (III.11.), the Hungarian Government declared the case of emergency in Hungary as of 11 March 2020. Subsequently, in order to slow down the spread of COVID-19, the Hungarian Government restricted cross-border traffic and the opening hours of non-vital stores in government decrees. In parallel, the Government has decided on economic stimulus measures, the most significant of which include the imposition of a debt service moratorium until 31 December 2020.

The operation of Appeninn Vagyonkezelő Holding Nyrt. and its subsidiaries is significantly but not critically affected by the measures caused by the epidemic. Approximately 5-15% of the current tenant population falls under the lines of business that had to close due to government decrees, so a temporary loss of revenue is expected. Some of these tenants have indicated to Appeninn Holding their need to reduce the rent temporarily. The four most significant tenants are not affected by the loss of income caused by COVID-19 or only to a lesser extent.

Appeninn Holding has a current vacancy rate of 7% and an average maturity period of 4.5 years. Appeninn Holding holds a significant liquidity reserve and, presumably, even in the cases of temporary loss/rearrangement of income, the Company is able to fulfil its financial liabilities in medium term.

In the interest of the protection of the tenants, the Corporate Group shall do every backstop measure to slow the expansion of the epidemic down and to maintain continuous operation.

48. Information related to the Compilation of the Separate Statement

In compiling the separate financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU for the financial year ending as of 31 December 2020, the basis of compilation is general ledger and analytical accounting items recorded by the accounting firm commissioned by the Company, keeping records according to the Hungarian Accounting System, customer accounts recorded by the Company, and statements prepared on the basis of concluded contracts. The accounting service company responsible for compiling these reports is NewEdition Számviteli Szolgáltató Kft.[19], the name and registration number of the certified public accountant is Fazakas Hajnal (registration number: 153273).

In order to comply with the IFRS standards of the financial statements prepared in compliance with the Hungarian Accounting Act, the Company has appointed an accounting expert with IFRS registration. Personally responsible for the preparation of the IFRS report is Rózsa Ildikó (registration number: 136860). The mandate of the expert entrusted with the preparation of the IFRS report covered only the identification of the differences between the Hungarian accounting regulations and the IFRS regulations, as well as the preparation of the separate statement in accordance with the requirements of the IFRS adopted by the EU.

49. Auditing of the Separate Statement, Remuneration of the Auditor

The Company performing the audit of the Company and the personally responsible auditor are elected by the General Meeting of the Company. The auditor entrusted by the General Meeting of the Company with the audit of the 2020 management data is as follows:

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

Remuneration of the auditor:

- The audit fee for Appeninn Plc.'s separate annual report prepared in accordance with the International Financial Reporting Standards adopted by the European Union and in accordance with the provisions of Act C of 2000, and Appeninn Plc.'s separate IFRS report is 2,625,-HUF in thousands + VAT.

Other assurance services, tax advisory services and non-audit services were not provided to the Company by the auditors.

[19] in English: New Edition Accounting Service Provider Private Limited Liability Company

50. Authorization of Financial Statements for Publication

At the meeting of the Board of Directors of Appeninn Vagyonkezelő Holding Nyrt. held on 9 April 2021, the Company approved the separate annual report of 2020 prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU. The Board of Directors of the Company has approved the issuance of these separate financial statements of the Company, but the Annual General Meeting of Owners, which is authorized to approve the financial statements, may request amendments prior to the adoption.

51. Representations

Please note that there are a number of important factors that could cause actual results to differ materially from those expressed in the forward-looking statements.

Disclaimer - The Separate Annual Report, based on the applicable accounting standards, prepared to the best of our knowledge, provides a true and fair view of the assets, liabilities, financial position and results, position, development and performance of Appeninn Vagyonkezelő Holding Nyrt., describing the main risks and uncertainty factors.

Dated as of 9 April 2021 in Budapest

dr. Bihari Tamás
Chairperson of the Board of Directors