

## **Annex – 4**

**(to the Individual IFRS Parent Company Report of Appeninn Vagyonkezelő Holding Nyrt.)**

Contents:

Consolidated Business Report and Management Report complying with the Hungarian Accounting Act

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság  
to the Individual Annual Parent Company Report of Appeninn Holding Nyrt.

Consolidated  
Business Report required by Act C of 2000 on accounting and  
Management Report prepared on the basis of Annex 1 to Decree No 24/2008 of 15 August 2008 of  
the Minister for Finance

**Budapest, 23 March 2019**

This document of Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság is the Consolidated Business Report required by Act C of 2000 on accounting (the 'Accounting Act') and prepared for the Individual Annual Parent Company Report of Appeninn Holding Nyrt. (Section 95 of the Accounting Act) and Management Report prepared in accordance with the contents described and specified on the basis of Annex 1 to Decree No 24/2008 of 15 August 2008 of the Minister for Finance.

The purpose of the Report is to present the pecuniary, financial and income situation of the entrepreneur, its course of business, together with the main risks and uncertainties, which arise during the entrepreneur's activities, by evaluating the data of the Annual Report, in such a way that it gives a true and fair view of them corresponding to the actual circumstances on the basis of past actual and expected future data (Section 95(1) of the Accounting Act). The Business Report must include a comprehensive analysis of the entrepreneur's business development, performance and situation, which is consistent with the entrepreneur's size and complexity (Section 95(2) of the Accounting Act).

Taking into account expediency, the Company presents below all financial and, where necessary, all key non-financial performance indicators characteristic to the Company's activities, to the extent necessary to understand the Company's development, performance or situation, which are material from the point of view of the business in question.

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## 1. Presentation of the Company's development and history

Appeninn Vagyonkezelő Holding Nyrt. was established in December 2009, and the Company started its revenue-generating business activities in 2010. Appeninn Vagyonkezelő Holding Nyrt. (the 'Company' or 'Appeninn Nyrt.')

has a holding function in the Group, organizes transactions facilitating the development of the Group, performs its activities in the profitable sale and purchase and utilization of its own and leased real properties, and helps and supports the Company's members.

The Company is one of the dynamically growing real property investment companies in Hungary. During its activities, it focuses on real property market segments in which favourably priced assets with a high yield potential can be acquired and maintained in the medium and long term, primarily for investment purposes. Target areas include Category A and Category B office buildings as well as commercial properties, but the Company does not exclude investments managed by a similar portfolio approach in other areas either.

Appeninn Holding aims to develop into a real property holding company representing a classical, conservative business policy and a value that can be well defined based on its assets by continuously expanding its real property portfolio.

### Amount of registered capital and changes affecting the registered capital

The Company's registered capital consists of 47.371.419 [shares] (ISIN: HU0000102132, total face value: HUF 4,737,141,900). Based on the resolution of its General Meeting of 11 April 2018, the Company decided to issue 6,478,874 ordinary shares, which was registered by the Court of Registration of the Metropolitan Court of Budapest on 9 May 2018. As a result of the transaction, in addition to increasing the registered capital, the Company acquired a Category A property at 1082 Budapest, Üllői út 48. by privately issuing ordinary shares on grounds of contribution in kind.

### 1.1 The Company's Management:

Pursuant to the amendment of the Company's Articles of Association on 23 August 2018, the composition of the Board of Directors and the Audit Committee changed:

Board of Directors:

- Gellért Jászai – Member of the Board of Directors, Chairman of the Board of Directors (from 20 April 2018)
- Aladin Linczényi – Member of the Board of Directors, jointly (from August 2018)
- Dr Judit Tóth – Member of the Board of Directors, jointly (from 23 August 2018)
- Zoltán Malik – Member of the Board of Directors, jointly (from 23 August 2018)
- János Tima – Member of the Board of Directors, jointly (from 23 August 2018)

Members of the Board of Directors before the amendment of the Articles of Association:

- György Ádámosi, Jr – joint (21 December 2017 to 23 August 2018)

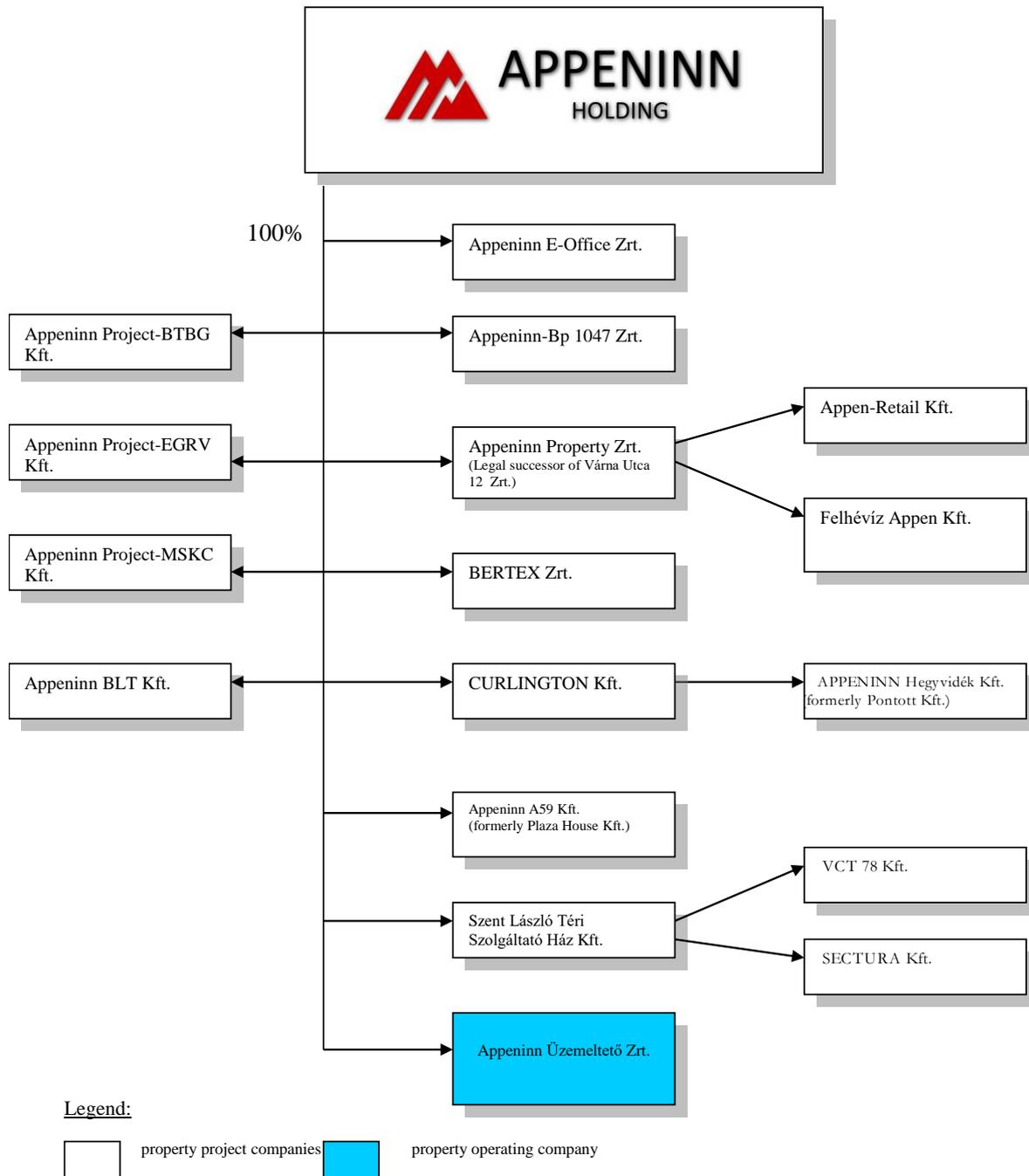
- Sándor Juhász – joint (21 December 2017 to 23 August 2018)
- Dr (Mrs) Egyedné, Orsolya Páricsi – joint (20 April 2018 to 23 August 2018)
- Dr Dóra Halápi – joint (20 April 2018 to 23 August 2018)
- Gábor Székely – joint (13 April 2018 to 20 April 2018)
- Zoltán Prutkay – joint (18 May 2015 to 20 April 2018)
- Attila Gábor Kovács – joint (15 April 2016 to 20 April 2018)

Members of the Audit Committee:

- Dr Judit Tóth – Member of the Audit Committee (from 23 August 2018)
- Zoltán Malik – Member of the Audit Committee (from 23 August 2018)
- János Tima – Member of the Audit Committee (from 23 August 2018)

## **1.2 Company structure (Section 95(4) of the Accounting Act)**

The Company presents its investments.



### 1.3 Major economic events in 2018

Date	Announcement	Brief content
9 January 2018	Appeninn Nyrt. wishes to enter into a refinancing agreement with FHB Kereskedelmi Bank Zártkörűen Működő Részvénytársaság to replace the outstanding loans of its subsidiaries.	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság enters into a refinancing agreement for replacing the outstanding loans of the subsidiaries controlled by it: Appeninn-Bp1047 Zártkörűen Működő Részvénytársaság, APPEN-RETAIL Korlátolt Felelősségű Társaság, BERTEX Ingatlanforgalmazó Zártkörűen Működő Részvénytársaság, CURLINGTON Ingatlanfejlesztési Korlátolt Felelősségű Társaság, FELHÉVÍZ-APPEN Korlátolt Felelősségű Társaság and Appeninn-Angel Vagyonkezelő Zártkörűen Működő Részvénytársaság (the 'Refinancing') with FHB Kereskedelmi Bank Zártkörűen Működő Részvénytársaság and Magyar Takarékszövetkezeti Bank Zártkörűen Működő Részvénytársaság. The refinancing agreement has a term of 15 years. As a result of the Refinancing, FHB Bank Zrt. and Takarékbank Zrt. become strategic financiers of the Company in addition to the existing financier ERSTE BANK HUNGARY Zártkörűen Működő Részvénytársaság, as a result of which long-term bank loans would enable the Company to grow in the future and to finance its planned acquisitions.
12 January 2018	Extraordinary announcement – Appeninn Holding decided on a capital increase following the decision of the Hungarian Competition Authority	According to the extraordinary announcement published on the website of the Budapest Stock Exchange (BSE), the Board of Directors of Appeninn Holding Nyrt. consented to a capital increase by Konzum II Real Property Investment Fund in the company listed on the stock exchange by bringing the Ü48 Office Building (1082 Budapest, Üllői út 48.; FHB Bank Headquarters) into the company. The company listed on the stock exchange will pay for the HUF 4.6 billion value of the office building based on Jones Lang Lasalle's valuation and determined by the parties by privately offering new shares at the closing price of 10 January 2018 (HUF 710). The capital increase and bringing the property into the company will be possible once approved by the Hungarian Competition Authority. The Board of Directors decided to pay for the office building, which is to become the Company's property as contribution in kind once approved by the Hungarian Competition Authority, by privately issuing 6,478,847 Series A shares, each to the face value of HUF 100. Konzum II Real Property Investment Fund will be entitled to subscribe for these shares. In the transaction, the real property fund will increase the capital in Appeninn Nyrt. by bringing the property worth HUF 4.6 billion based on valuation and determined by the parties into the company. Taking into account the interests of small investors, the Board of Directors of the Company determined the future issue value of the new shares at the closing price of 10 January 2018 (HUF 710). Once the corporate law event is completed after approval by the Hungarian Competition Authority, Konzum II Real Property Investment Fund will acquire a 13.67 per cent shareholding in the company listed on the stock exchange, while the capital structure of Appeninn will be strengthened and its real property assets will grow. Appeninn Holding will utilize the Ü48 Office Building with a net floor area of 8,145 square metres, which will become its property, through leasing; return on the investment is guaranteed by long-term lease agreements with FHB Bank and Takarékinfo. Appeninn expects a net revenue of nearly EUR 1.3

		million per year from letting the property on lease, net of operating costs paid by the lessees and insurance premiums.
31 January 2019	Number of voting rights and amount of registered capital	In compliance with the provisions of Section 54(9) of Act CXX of 2001 on capital markets, Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság published the number of voting rights attached to the shares in the Company and the amount of the registered capital. Number of own shares: 0; total number of shares: 40,892,545; amount of registered capital: HUF 4,089,254,500
7 February 2018	Own share transaction	Appeninn Nyrt. (Issuer) informed the money and capital market participants about the following. One of the subsidiaries of Appeninn Nyrt., FELHÉVÍZ-APPEN Kft., acquired the ownership of 41,328 APPENINN (ISIN: HU0000102132) shares in 2016 at the close of settlement arising from an OTC legal transaction. As a result of the foregoing, the number of the Group's shares held by itself is 41,328. Accordingly, the portfolio of the Appeninn Group's own shares changed to 0.1% without crossing the threshold value.
8 February 2018	Extraordinary announcement – Appeninn Holding is buying SPAR stores, the total value of the transaction is close to HUF 4.5 billion.	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Issuer') informed the Investors that in its decision the Property Investment Committee of Erste Alapkezelő Zártkörűen Működő Részvénytársaság (registered office: 1138 Budapest, Népfürdő u. 24-26., 9th Floor; company register No: 01-10-044157; tax No: 11895336-2-41; the 'Fund Manager'), consented to the purchase by the Issuer of 18 properties owned by ERSTE Open-Ended Property Investment Fund (registration No: 1211-7) and Erste Open-Ended Euro Property Investment Fund (registration No: 1111-169) managed by the Fund Manager. All properties that the Issuer wishes to acquire within the transaction are leased by SPAR Magyarország Kereskedelmi Korlátolt Felelősségű Társaság (registered office: 2060 Bicske, SPAR út topographical lot No 0326/1; company register No: 07-09-009192; tax No: 10485824-2-07). The total value of the transaction is EUR 14,500,000, say fourteen million five hundred thousand euros, and the annual revenue from the leasing of properties is EUR 1,845,475, say one million eight hundred and forty-five thousand four hundred and seventy-five euros, which represents a yield of 12.73% on the total value of the transaction.
9 February 2018	Extraordinary announcement – Appeninn is adding another Andrassy út property to its portfolio	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Company') informed the Investors that the Company had signed an agreement with the owners of Plaza House Ingatlanfejlesztési Korlátolt Felelősségű Társaság (registered office: 1138 Budapest, Váci út 168., Building T; company register No: 01-09-662072; 'Plaza House Kft.') to acquire a 100% business stake in Plaza House Kft. at a purchase price of EUR 7,000,000, say seven million euros. As a result of the above transaction, the property registered under topographical lot No 29458 in the inner areas of 6th District of Budapest, geographically located at 1062 Budapest, Andrassy út 59., became indirectly owned by the Company. Following the completion of the above transaction, KONZUM Befektetési és Vagyonkezelő Nyilvánosan Működő Részvénytársaság (registered office: 1065 Budapest, Révay utca 10., 2nd Floor; company register No: 01-10-049323; 'KONZUM') will make available its EUR 2,000,000, say two million euros, receivable from the Company resulting from the above transaction as a contribution in kind to the Company in order

		to increase the registered capital of the Company in the future. The Company's Board of Directors will decided on the above increase of the registered capital at a later date, but it sets the issue value of the new shares to be issued in connection with the increase of the registered capital at the closing price of 8 February 2018, i.e. HUF 660.
22 February 2018	Own share transaction	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Issuer') informed the money and capital market participants that through an OTC transaction Appeninn Nyrt. purchased 10,000 APPENINN (ISIN: HU0000102132) shares from its subsidiary, Felhívíz-APPEN Kft., at the average piece of HUF 700.00 and, as payment of dividends with its own shares, it transferred 985 shares in accordance with the 2016 dividend payment notice. As a result of the foregoing, the number of own shares held by the Group is 40,343 as at 22 February 2018. Accordingly, the portfolio of the Appeninn Group's own shares decreased to 0.099% without crossing the threshold value.
28 February 2018	Number of voting rights and amount of registered capital	In compliance with the provisions of Section 54(9) of Act CXX of 2001 on capital markets, Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság published the number of voting rights attached to the shares in the Company and the amount of the registered capital. Number of own shares: 40,343; total number of shares: 40,892,545; amount of registered capital: HUF 4,089,254,500
5 March 2018	Own share transaction	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Issuer') informed money and capital market participants that as dividend payment using its own shares (APPENINN ordinary shares, ISIN: HU0000102132), Appeninn Nyrt. transferred 63 shares in accordance with the 2016 dividend payment notice. As a result of the foregoing, the number of own shares held by the Group is 40,280 as at 5 March 2018. Accordingly, the portfolio of the Appeninn Group's own shares decreased to 0.098% without crossing the threshold value.
8 March 2018	Extraordinary announcement – Authorization from the Hungarian Competition Authority	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Company') informed the Investors that with regard to official certificate No B/203-6/2018 issued by the Hungarian Competition Authority, KONZUM Nyrt. and its co-applicants may acquire direct joint control over the Company.
9 March 2018	Announcement by the Shareholder	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Company') informed the Investors on the basis of the shareholder information received today that KONZUM Befektetési és Vagyonkezelő Nyilvánosan Működő Részvénytársaság (registered office: 1065 Budapest, Révay utca 10., 2nd Floor; company register No: 01-10-049323; 'KONZUM Nyrt.') purchased 924,832, say nine hundred and twenty-four thousand eight hundred and thirty-two, dematerialized ordinary shares (ISIN: HU0000102132), each to the face value of HUF 100, say one hundred Hungarian forints, issued by the Company through an OTC legal transaction. All shareholders holding an ownership stake over 5 per cent in the Company and their shareholdings: KONZUM PE Private Capital Fund: ownership stake: 23.86%, number

		of shares: 9,755,567; KONZUM Nyrt.: ownership stake: 26.12%, number of shares: 10,680,399
12 March 2018	Extraordinary announcement – Announcement of a change in shareholding	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Company') hereby informed the Investors that KONZUM Befektetési és Vagyonkezelő Nyilvánosan Működő Részvénytársaság (registered office: 1065 Budapest, Révay utca 10., 2nd Floor; company register No: 01-10-049323; 'KONZUM Nyrt.') sold 2,020,372 APPENINN ordinary shares (ISIN code: HU0000102132), each to the face value of HUF 100, say one hundred Hungarian forints, issued by the Company through an OTC transaction to the OTP Real Property Investment Fund (address: 1026 Budapest, Riadó utca 1-3.; registration No: 1211-05). As a result of this transaction and other stock exchange transactions, the number of APPENINN ordinary shares owned by the OTP Real Property Investment Fund increased to 2,420,372 today, thus the OTP Real Property Fund holds 5.92% of the APPENINN ordinary shares. As a result of the transaction, the shareholding of KONZUM Nyrt. in the Company decreased to 21.18 per cent. As a result of the transaction, the shareholding of the Konzum Group in the Company decreased to 46.46 per cent.
30 March 2018	Number of voting rights and amount of registered capital	In compliance with the provisions of Section 54(9) of Act CXX of 2001 on capital markets, Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság published the number of voting rights attached to the shares in the Company and the amount of the registered capital. Number of own shares: 40,280; total number of shares: 40,892,545; amount of registered capital: HUF 4,089,254,500
12 April 2018	Extraordinary announcement – With the agreement reached between Konzum II Real Property Investment Fund and Appeninn Holding Nyrt., the capital increase of HUF 4.6 billion in total announced on 12 January will be completed. As a result, the Ü48 Office Building becomes the property of the company listed on the stock exchange.	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Company') informed the Investors that, in accordance with the extraordinary announcement published on the website of the Budapest Stock Exchange on 12 January 2018, the Company and the KONZUM II Real Property Investment Fund (registration No: 1211-14; the 'Fund'; managed by Konzum Befektetési Alapkezelő Zártkörűen Működő Részvénytársaság; company register No: 01-10-045654) agreed under a contribution agreement on 11 April 2018 that the Fund would make available, on grounds of contribution in kind, to the Company the property registered under topographical lot No 36372 in the inner areas of Budapest and geographically located at 1082 Budapest, Üllői út 48. (the 'Property'). As a result of the transaction, the Company increases its registered capital and, at the same time, privately issues a total of 6,478,874, say six million four hundred and seventy-eight thousand eight hundred and seventy-four, dematerialized ordinary shares, each to the face value of HUF 100, say one hundred Hungarian forints. Only the Fund is entitled to receive these shares. Through the acquisition of the 'Ü48 Office Building' with a floor area of 8,145 m <sup>2</sup> , standing on the property, another Category A office building is added to the Company's real property portfolio.

13 April 2018	Extraordinary announcement	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Issuer') informs the Investors that Appeninn E-Office Vagyonkezelő Zártkörűen Működő Részvénytársaság (registered office: 1022 Budapest, Bélg utca 3-5.; company register No: 01-10-047783; tax No: 24399201-2-41) exclusively owned by the Issuer entered into a contract for the sale and purchase of real property on 12 April 2017 for 18 properties owned by ERSTE Open-Ended Real Property Investment Fund (registration No: 1211-7) and ERSTE Open-Ended Euro Real Property Investment Fund (registration No: 1111-169) managed by Erste Alapkezelő Zártkörűen Működő Részvénytársaság (registered office: 1138 Budapest, Népfürdő u. 24-26., 9th Floor; company register No: 01-10-044157; tax No: 11895336-2-41). All properties acquired as a result of the above transaction are leased by SPAR Magyarország Kereskedelmi Korlátolt Felelősségű Társaság (registered office: 2060 Bicske, SPAR út topographical lot No 0326/1; company register No: 07-09-009192; tax No: 10485824-2-07). The total value of the transaction is EUR 14,500,000, say fourteen million five hundred thousand euros.
7 May 2018	Number of voting rights and amount of registered capital, 30 April 2018	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság published the number of voting rights attached to the shares in the Company and the amount of the registered capital. Number of own shares: 40,280; total number of shares: 40,892,545; amount of registered capital: HUF 4,089,254,500
9 May 2018	Extraordinary announcement – Registration of extraordinary capital increase	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Company') informed the Investors that, on the basis of the Company's application, in its Order No company register No 01-10-046538/105 of 9 May 2018, the Court of Registration of the Metropolitan Court of Budapest ordered the entry of the registered capital increase decided in Decision No 1/2018 of 1 April 2018 of the Company's Board of Directors, carried out by the public offering of new shares, in the public companies register. After the registered capital increase, the Company continues its operations with a registered capital of HUF 4,737,141,900, say four billion seven hundred and thirty-seven million one hundred and forty-one thousand nine hundred Hungarian forints. After the registered capital increase, the number of shares is 47,371,419, say forty-seven million three hundred and seventy-one thousand four hundred and nineteen.
10 May 2018	Own share transaction	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Issuer') informed the Investors that it had paid dividends using 94 of its own shares (APPENINN ordinary shares, ISIN: HU0000102132). As a result of the above transaction, the number of the Issuer's shares held by itself decreased to 40,186, so the portfolio of its own shares changed to 0.085% without crossing the threshold value.
31 May 2018	Number of voting rights and amount of registered capital, 31 May 2018	In compliance with the provisions of Section 54(9) of Act CXX of 2001 on capital markets, Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság published the number of voting rights attached to the shares in the Company and the amount of the registered capital. Number of own shares: 40,186; total number of shares: 47,371,419; amount of registered capital: HUF 4,737,141,900

29 June 2018	Number of voting rights and amount of registered capital, 30 June 2018	In compliance with the provisions of Section 54(9) of Act CXX of 2001 on capital markets, Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság published the number of voting rights attached to the shares in the Company and the amount of the registered capital. Number of own shares: 40,186; total number of shares: 47,371,419; amount of registered capital: HUF 4,737,141,900
2018.07.24.	Extraordinary announcement – For the sale of the ownership of shares that represent the shareholding in AppeninnCredit Hitelezési Zártkörűen Működő Részvénytársaság	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság informed the Investors that it entered into a contract for sale and purchase on 23 July 2018 for selling the ownership of shares representing 100% shareholding in AppeninnCredit Hitelezési Zártkörűen Működő Részvénytársaság (previously called: MILTON Hitelezési Zártkörűen Működő Részvénytársaság; registered office: 1044 Budapest, Váci út 76-80.; company register No: 01-10-045678) operating as a financial enterprise, purchased by the Issuer in 2016 and exclusively owned by the Issuer. The transaction is expected to close by 31 July 2018.
24 July 2018	Extraordinary announcement – Club Aliga transaction	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (registered office: 1062 Budapest, Andrassy út 59.; company register No: 01-10-046538; the 'Company') informed the Investors that the Company's one-person subsidiary, Appeninn BLT Korlátolt Felelősségű Társaság (registered office: 1062 Budapest, Andrassy út 59.; company register No: 01-09-326114; 'Appeninn BLT Kft.') entered into a contract for sale and purchase on 25 July 2018 with PRO-MOT HUNGÁRIA Ingatlanfejlesztő Korlátolt Felelősségű Társaság (registered office: 1037 Budapest, Montevideo utca 3/B.; company register No: 01-09-703978; 'PRO-MOT Kft.') to acquire a 74.99% business stake and the receivables of the business stakeholders from MOT HUNGÁRIA Kft. As a result of the above transaction, the indirect ownership of about 37 hectares of the properties forming part of Club Aliga (address: 8171 Balatonvilágos, Aligai út 1.) and the asset management right of the remaining about 10 hectares of Club Aliga on Lake Balaton were also transferred to the Company. The final date for closing the transaction is 20 December 2018.
31 July 2018	Extraordinary announcement – about an own share transaction	In compliance with its obligation of publishing prescribed pursuant to Sections 55 and 56 of Act CXX of 2001 on capital markets and in Decree No 24/2008 of 15 August 2008 of the Minister for Finance, Appeninn Nyrt. informed the money and capital market participants that one of the subsidiaries of Appeninn Nyrt., FELHÉVÍZ-APPEN Kft., acquired the ownership of 41,328 APPENINN (ISIN: HU0000102132) shares in 2016 at the close of settlement arising from an OTC legal transaction. As a result of the foregoing, the number of the Group's shares held by itself is 81,514. Accordingly, the portfolio of the Appeninn Group's own shares changed to 0.17% without crossing the threshold value.
2 August 2018	Extraordinary announcement – Closing of a transaction	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Issuer') informed the Investors that a loan of EUR 11.6 million was disbursed to the Appeninn E-Office Vagyonkezelő Zártkörűen Működő Részvénytársaság exclusively

	<p>between Appeninn E-Office Zrt., ERSTE Alapkezelő Zrt. and ERSTE Open-Ended Euro Real Property Investment Fund</p>	<p>owned by the Issuer on 1 August 2018. It will mature in 2025 and its interest premium is 2.1% over and above the 3-month EURIBOR reference interest.</p> <p>Using the loan borrowed and contributing EUR 2.9 million from its own funds, Appeninn E-Office Zrt. paid the EUR 14.5 million purchase price of the 18 retail properties leased by SPAR Magyarország Kereskedelmi Kft., purchased from the ERSTE Open-Ended Real Property Investment Fund and the ERSTE Open-Ended Euro Real Property Investment Fund managed by ERSTE Alapkezelő Zártkörűen Működő Részvénytársaság.</p>
8 August 2018	<p>Extraordinary announcement – Purchase of property by Appeninn Project MSKC in Miskolc</p>	<p>Appeninn Nyrt. informed the Investors that the Company's newly established subsidiary, contracting as a preliminary company under the name of Appeninn Retail Miskolc Korlátolt Felelősségű Társaság, was registered by the Court of Registration of the Metropolitan Court of Budapest under the name of Project-MSKC Kft. (company register No: 01-09325579; tax No: 26350800-2-42).</p> <p>Appeninn Nyrt. established Appeninn Project-MSKC Kft. for the purpose of utilizing properties owned by Appeninn Holding and located in the territory of Miskolc and in its catchment area.</p> <p>Accordingly, the above-mentioned project company purchased the property located in the area and registered under topographical lot No 3475/13 at the Land Registry Department of the District Office of Miskolc for the total purchase price of HUF 513,000,000, which it wishes to let on lease to ALDI in the long-term. The lease agreement also includes the reconstruction of the property, which ALDI agrees to carry out from its own funds, under its own project management. In addition, further greenfield projects are also expected. Appeninn Holding will implement the series of projects in part from its own funds and in part under a financing scheme provided by a bank.</p> <p>Appeninn Nyrt. further informs the Investors that Appeninn entered into a contract for two properties located in the provinces. The Company will construct department stores itself on the properties located in Eger and Biatorbágy for long-term leasing purposes.</p>
14 August 2018	<p>Extraordinary announcement – Repayment of the debt of EUR 3.2 million arising from the loan agreement between Appeninn E-Office Zrt. and ERSTE Bank Hungary Zrt.</p>	<p>Appeninn Nyrt. informed the Investors that the Company's subsidiary, Appeninn E-Office Zrt., prepaid its loan of EUR 3.2 million arising from a loan agreement between it and ERSTE Bank Hungary Zrt. and having an interest premium of 3.5 per cent today, about 7 years before the original maturity of the loan in 2025. The loan amount was originally disbursed to finance real property projects operated in the Category B Offices Business Unit of the Appeninn Holding.</p> <p>Through the above prepayment by Appeninn Holding of 8% of the outstanding loan owed by the Group, further opportunities opened up to use the Appeninn Holding's financing facilities for future developments expected in its Category A Offices and Retail Business Units and, by taking advantage of the changed market opportunities, to replace its bank loan borrowed in 2015 with loans representing a lower interest burden.</p>
22 August 2018	<p>Extraordinary announcement – Agreement between</p>	<p>Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Company') informed the Investors that Konzum Befektetési és Vagyonkezelő Nyilvánosan Működő Részvénytársaság (registered office: 1062 Budapest, Andrássy út 59.,</p>

	Appeninn Nyrt. and KONZUM Nyrt. according to which KONZUM Nyrt. is entitled to appoint the majority of the Company's executive officers	company register No: 01-10-049323, 'KONZUM Nyrt. '), KONZUM PE Private Capital Fund (registered office: 1062 Budapest, Andrásy út 59.; MNB registration No: 6122-44, managed by: Konzum Befektetési Alapkezelő Zártkörűen Működő Részvénytársaság (registered office: 1062 Budapest, Andrásy út 59.; company register No: 01-10-045654, 'Konzum Befektetési Alapkezelő Zrt. '), KONZUM II Real Property Investment Fund (registered office: 1062 Budapest, Andrásy út 59.; MNB registration No: 1211-14, managed by: Konzum Befektetési Alapkezelő Zrt.), KONZUM MANAGEMENT Korlátolt Felelősségű Társaság (registered office: 1062 Budapest, Andrásy út 59., company register No: 01-09-913725) and KPE Invest Korlátolt Felelősségű Társaság (registered office: 1062 Budapest, Andrásy út 59., company register No: 01-09-294247) entered into an agreement according to which KONZUM Nyrt. is entitled to appoint the majority of the Company's executive officers.
23 August 2018	Extraordinary announcement – BDPST Zrt. transaction	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Company') informed the Investors that KONZUM PE Private Capital Fund (MNB registration No: 6122-44; managed by: Konzum Befektetési Alapkezelő Zártkörűen Működő Részvénytársaság (registered office: 1062 Budapest, Andrásy út 59.; company register No: 01-10-045654); the 'Fund'), as seller, entered into an agreement with BDPST Ingatlanforgalmazó és Beruházó Zártkörűen Működő Részvénytársaság (registered office: 1118 Budapest, Kelenhegyi út 27., company register No: 01-10-048550; 'BDPST Zrt. '), as buyer, today through an OTC transaction for the sale and purchase of 9,755,567, say nine million seven hundred and fifty-five thousand five hundred and sixty-seven Appeninn shares issued by the Company (the 'Shares') (the 'Transaction'). The Transaction will be closed after payment of the purchase price of the Shares. The Purchase Price is treated as a trade secret by the parties. After the closing of the Transaction, the number of Appeninn voting shares directly held by the Fund will decrease from 9,755,567, say nine million seven hundred and fifty-five thousand five hundred and sixty-seven, to 0, say zero, so the Fund's shareholding in the Company will decrease from 20.59% to 0%, thereby exceeding the 20%, 15%, 10% and 5% limits under Section 61(3) of Act CXX of 2001 on capital markets, while the number of Appeninn voting shares directly held by BDPST Zrt. will increase by the same number, thereby exceeding the 5%, 10%, 15% and 20% limits under Section 61(3) of Act CXX of 2001 on capital markets.
10 September 2018	Extraordinary Announcement – Based on the decision of the Vienna Stock Exchange (Wiener Börse AG), the Company's shares become part of the CECE index.	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Company') informed the Investors that based on the decision of the Vienna Stock Exchange (Wiener Börse AG), the Company's shares become part of the CECE index. The weight of Appeninn shares in the CECE index will be finalized on 21 September 2018. The composition of the new basket will take effect on 24 September 2018.

12 September 2018	Extraordinary announcement – About the repayment of Appeninn Nyrt. bonds	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Company') informed the Investors that 150 of its privately issued 'Appeninn Nyrt. Interest-bearing EURO Bonds' (short name: Appeninn Nyrt. EUR Bond; ISIN code: HU0000356639; interest rate: 7.5%; face value: EUR 10,000, say ten thousand euros; total face value: EUR 1,500,000, say one million five hundred thousand euros; the 'Bond') matured on 10 September 2018. The Company repurchased 130 Bonds to the total face value of EUR 1,300,000, say one million three hundred thousand euros, the remaining 20 Bonds to the total face value of EUR 200,000, say two hundred thousand euros, and interest thereon were paid today, thereby terminating all of the Company's obligations arising from the issue of Bonds.
19 September 2018	Appeninn Nyrt. – Own share transaction	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Issuer') informed the Investors that it had paid dividends today using 94 of its own shares (APPENINN ordinary shares, ISIN: HU0000102132). As a result of the above transaction, the number of the Issuer's shares held by itself decreased to 81,420, so the portfolio of its own shares changed to 0.1719% without crossing the threshold value.
20 September 2018	Appeninn Nyrt. – Own share transaction	In compliance with its obligation of publishing prescribed pursuant to Sections 55 and 56 of Act CXX of 2001 on capital markets and in Decree No 24/2008 of 15 August 2008 of the Minister for Finance, Appeninn Nyrt. (the 'Issuer') informed the money and capital market participants that Appeninn Nyrt. purchased 72,656 APPENINN (ISIN: HU0000102132) shares from its subsidiary, FELHÉVÍZ-APPEN Kft., at the closing price of HUF 591 quoted at the BSE on 18 September 2018. As a result of the foregoing, the number of the Group's shares held by itself (81,420) did not change. Accordingly, the portfolio of the Appeninn Group's own shares is 0.1719%.
21 September 2018	Appeninn Nyrt. – Own share transaction	In compliance with its obligation of publishing prescribed pursuant to Sections 55 and 56 of Act CXX of 2001 on capital markets and in Decree No 24/2008 of 15 August 2008 of the Minister for Finance, Appeninn Nyrt. (the 'Issuer') informed the money and capital market participants that Appeninn Nyrt. sold 79,634 APPENINN (ISIN: HU0000102132) shares in an OTC transaction, at the close of previous transactions, at the average price of HUF 592. As a result of the foregoing, the number of own shares held by the Group is 1,848. Accordingly, the portfolio of Appeninn Nyrt.'s own shares decreased to 0.039% without crossing the threshold.
19 October 2018	Appeninn Nyrt. – Own share transaction	Appeninn Nyrt. (the 'Issuer') informed the participants of the money and capital market that one of the subsidiaries of Appeninn Nyrt., FELHÉVÍZ-APPEN Kft., acquired the ownership of 407,857 APPENINN (ISIN: HU0000102132) shares in 2016 at the close of settlement arising from an OTC legal transaction. As a result of the foregoing, the number of the Group's shares held by itself is 409,705 (of which 1,848 are held by Appeninn Nyrt.). Accordingly, the portfolio of the Appeninn Group's own shares changed to 0.87% without crossing the threshold.
19 December 2018	Extraordinary announcement – Property sale by Appeninn	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Company') informed the Investors that the Company's subsidiary, APPENINN Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Korlátolt Felelősségű Társaság (registered office:

	Hegyvidék	1062 Budapest, Andrásy út 59.; company register No: 01-09-731476 ) sold the property in its ownership, with a floor area of 3,563 m <sup>2</sup> , registered under topographical lot No 9427 in the inner areas of the 12th District of Budapest, on 14 December 2018. With the above transaction, the Company realized a profit after tax of HUF 175 million on the basis of the Hungarian Accounting Standards, while EUR 450,000 on the basis of the IFRS.
20 December 2018	Appeninn Nyrt. – Announcement by the Shareholder	Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (the 'Company') informed the Investors that the transaction under the agreement for the sale and purchase of 9,755,567, say nine million seven hundred and fifty-five thousand five hundred and sixty-seven Appeninn shares issued by the Company, announced by the Company in the extraordinary announcement published on 23 August 2018, concluded between KONZUM PE Private Capital Fund (MNB registration No: 6122-44; managed by: Konzum Befektetési Alapkezelő Zártkörűen Működő Részvénytársaság (registered office: 1062 Budapest, Andrásy út 59.; company register No: 01-10-045654); the 'Fund'), as seller, and BDPST Ingatlanforgalmazó és Beruházó Zártkörűen Működő Részvénytársaság (registered office: 1118 Budapest, Kelenhegyi út 27., company register No: 01-10-048550; 'BDPST Zrt.'), as buyer, was closed today. As a result of the above transaction, the number of Appeninn voting shares directly held by the Fund decreased from 10,144,567, say ten million one hundred and forty-four thousand five hundred and sixty-seven, to 389,000, say three hundred and eighty-nine thousand, so the Fund's shareholding in the Company decreased from 21.41% to 0.82%, thereby exceeding the 20%, 15%, 10% and 5% limits under Section 61(3) of Act CXX of 2001 on capital markets, while the number of Appeninn voting shares directly held by BDPST Zrt. increased from 0, says zero, to 9,755,576, say nine million seven hundred and fifty-five thousand five hundred and sixty-seven, so the shareholding of BDPST Zrt. increased from 0% to 20.59%, thereby exceeding the 5%, 10%, 15% and 20% limits under Section 61(3) of Act CXX of 2001 on capital markets.
30 December 2018	Corporate event calendar	19 April 2019, Annual Ordinary General Meeting 19 April 2019, Publication of the Annual Report 27 September 2019, Publication of the H1 2019 Report

## 2. Achievements in and prospects for the period covered by the Annual Report (PM 4.4)

### 2.1 Business results

<b>Comprehensive earnings statement</b>	<b>For the business year ending on 31 December 2018 HUF '000</b>	<b>For the business year ending on 31 December 2017 HUF '000</b>
Revenue from letting properties on lease	402,426	156,623
Direct costs of letting properties on lease	(112,986)	(13,937)
<b>Direct cover</b>	<b>289,440</b>	<b>142,686</b>
Service fee revenues from subsidiaries	176,000	63,000
Administration costs, service fees and salaries	(378,134)	(56,759)
Other revenues/(expenditures)	(3,093)	158,276
Profit (loss) on the sale of subsidiaries and investments	13,920	(162,848)
Profit/loss on the revaluation of revenue-generating investment properties	2,144,827	(17,588)
Real property investments (Capex)	(12,375)	–
<b>Operating profit/loss</b>	<b>2,230,585</b>	<b>126,767</b>
Depreciation and amortization	(4,653)	(640)
Other (expenses on)/income from financial transactions	(175,912)	(2,227)
Balance of interest income (and expenses)	(22,092)	19,213
<b>Profit/loss before tax</b>	<b>2,027,928</b>	<b>143,113</b>
Income taxes	(126,505)	(11,957)
<b>Profit/loss in the reference year</b>	<b>1,901,423</b>	<b>131,156</b>
<b>Other comprehensive profit/loss</b>		
Exchange rate differences arising from the conversion of foreign currency involving the activities	–	–
<b>Other comprehensive profit/loss in the reference year less taxes paid</b>	<b>–</b>	<b>–</b>
<b>TOTAL COMPREHENSIVE PROFIT/LOSS IN THE REFERENCE YEAR</b>	<b>1,901,423</b>	<b>131,156</b>

The Company's direct cover in 2018 (balance of the Company's income and costs and expenses directly related to income) was HUF 289 million.

The Company's lease fee revenue was HUF 402 million in 2018. The cover achieved on property leasing and operation was HUF 289 million.

The Company's service fee revenues within the Group was HUF 176 million.

The consolidated fair valuation of the Company's three properties gave a profit of HUF 2,145 million.

The consolidated loss on financial items was HUF 154 million, which resulted from loans received, interest on loans to subsidiaries and significant amounts of transaction exchange loss.

The Company's profit before tax was HUF 2,028 million in the 2018 business year, for which it was warranted to calculate a tax of HUF 127 million. The Company's profit after tax was HUF 1,901 million in 2018.

## 2.2 Total market value and locations of the properties

The Company has direct ownership of the following properties:

1082 Budapest, Üllői út 48.

1062 Budapest, Andrásy út 105.

6000 Kecskemét, Kiskőrös út 30

Rounded Total Market Value: EUR 25,85 million, HUF 8.3 billion.

- The real assets comprise the Company's own properties.

Revenue-generating investment properties	For the business year ending on 31 December 2018, HUF '000	For the business year ending on 31 December 2017, HUF '000
<b>Opening value</b>	<b>1,566,207</b>	<b>699,795</b>
Kecskemét, Kiskőrösi utca 30.	697,815	699,795
1062 Budapest, Andrásy út 105.	868,392	–
<b>Changes from year to year:</b>		
<b>Properties received as contribution in kind</b>	<b>4,600,000</b>	<b>884,000</b>
1082 Budapest, Üllői út 48.	4,600,000	–
1062 Budapest, Andrásy út 105.		884,000
<b>Changes in fair value</b>	<b>2,144,827</b>	<b>(15,608)</b>
1082 Budapest, Üllői út 48.	1,412,237	–
1062 Budapest, Andrásy út 105.	385,497	(15,608)
Kecskemét, Kiskőrösi utca 30.	347,093	(1,980)
<b>Closing value</b>	<b>8,311,034</b>	<b>1,566,207</b>
1082 Budapest, Üllői út 48.	6,012,237	–
1062 Budapest, Andrásy út 105.	1,253,889	868,392
Kecskemét, Kiskőrösi utca 30.	1,044,908	697,815

### 2.2.1.1 Valuation methods

Valuation methods and assumptions

Definition of market value (RICS Valuation Standards, June 2017)

'The estimated amount for which a property would be transferred at the date of valuation in a transaction between a non-compulsive buyer and a non-compulsive seller under fair (normal) conditions between independent parties after proper preparation, during which both parties were well informed, prudent and acted without compulsion.'

In the case of real properties, the Market Comparison Approach and the Income Approach seem to be the most appropriate, so these two procedures were applied:

### 2.2.1.2 Market Comparison Approach:

The essence of the method based on direct comparison is that objects of similar properties have similar values. The valuation based on the analysis of comparative market data analyzes the sales, supply and leasing prices of properties similar to the property under review, and compares them with the property under review. The comparison is based on the characteristics of the property in question and on the characteristics of the properties to be compared, and the differences between them determine the value-modifying factors. The Market Comparison Approach was basically used as a method for verifying the DCF Approach, and in some cases a weighted value of 50% was taken into account

in the case of the properties in Várna utca, Kecskemét and Andrásy út, Budapest. In each case, two different methods were used to calculate the market value.

### 2.2.1.3 Valuation based on the Income Approach

During valuation based on the Income Approach, the estimated value is derived by the capitalization method from the revenue expected from the ownership of the property.

The two most common approaches for deriving value from the net income are the Discounted Cash Flow (DCF), where the estimated present value is determined by discounting the expected future income, and the Direct Capitalization principle, where an average rate of return is determined directly from the relevant market transactions. Typically, the values obtained with the DCF yield calculation were taken into account, as the properties are revenue-generating properties. In some cases, the values obtained (in the case of the properties in Várna utca, Kecskemét and Andrásy út, Budapest) were weighted by 50:50 using the Market Comparison Approach, in order to obtain a more accurate market value.

### 2.2.1.4 Cost Approach

The essence of the Cost Approach is to subtract the physical, functional and environmental obsolescence from the reproduction value of the superstructure, and then add the value of the land belonging to the superstructures. This method is the least representative of the actual market conditions. It is used for facilities under construction, damaged facilities, covered engineering structures and in cases where other methods cannot be used. The reproduction value of the given buildings less their combined physical and functional depreciation was added to the value of the plot obtained by the Market Comparison Approach. It was used once, in the case of the Menyét utca property, for verification.

### 2.2.1.5 Residual Value Approach

The Residual Value Approach is usually used for the valuation of empty plots/development properties, assuming that development is a profit-oriented business activity and thus it becomes possible to value the plot/development property in its present form, following and optimizing, in terms of business, the extent of the development opportunity. Upon the implementation of the development, the market value of the plot/development property will increase, because the demand for new forms of use will generate higher revenues than the original form. The Residual Value Approach consists of the valuation of the plot/development property in its developed form and all costs (the costs of design, infrastructure work, construction, experts, financing, sales, 'development profit', etc.) must be deducted from that, which led to making the property of higher value. The

residual value after deductions from the final market value is the amount that the developer should pay for the transformation of the plot/development property.

It was used in one case, in the case of the Menyét utca property, as the main method: the relevant hard and soft costs were deducted from the revenue calculated for all the areas available for development: construction, reserves, professional fees, financing, developer's profit, etc., and then the values obtained were discounted to present value, thereby obtaining the residual value of the property.

During the estimation of the market value of the properties, the following were taken into account:

- The calculations start from 1 January 2019.
- The lease fees were indexed in accordance with HUF-CPI and the Central Statistical Office. Indexation is applied once a year, in January.
- The leasing rates were set in EUR, at the fixed exchange rate of HUF 322 to the EUR.
- Taking into account the age and condition of the properties, we determined the Capex/Renovation costs, which were calculated for the gross leasable areas, depending on the age and quality of the building.
- For other costs (management, operating fee deficit, vacancy, other costs, property tax, etc.), a provision has been set based on the characteristics of the given property.
- Exit Yield (EY) and Discount Rates were individually determined based on the location, quality and leased nature of the given property, and the quality of the leasing agreements:

Exit Yield (EY)	Discount Rates
for office properties, the Exit Yield varies between 7.00% and 9.25%	for offices: between 7.50% and 9.75%
for industrial properties: between 8.50% and 9.00%	for industrial properties: between 8.75% and 9.25%
for prime EY offices: 6.00% (decreasing)	
for prime EY industrial properties: 7.50% (stable, decreasing)	

#### 2.2.1.6 Sensitivity analysis

For the DCF model, a sensitivity analysis was conducted, in which the changes of two factors were considered: the ERV and the Discount factor, which we believe can cause the most significant changes in the value of properties. The interval within which the ERV may vary ranges from -5% to +5%. We think that no major changes will occur in the short term. Similarly, for Discount factors, the maximum interval ranges from -0.50% to +0.50%. We think that in real terms yields can change within this interval. We note that the figures and assumptions in the sensitivity table model a

situation that develops under extreme conditions. We are not responsible for any event that may significantly affect the international acceptance of a particular market by investors, nor can we predict in advance a significant economic, social, political or any other event that may adversely affect the given properties.

	type	2018				Means of model variables in the DCF model		Exit yield change test (-5%)	Exit yield change test (+5%)	Discount rate
		Comparative price	DCF model value	Value as at the accounting date	Valuation method	Exit yield	Lease fee EUR/m <sup>2</sup> /month	Lease fee change test (-3%)	Lease fee change test (+5%)	
6000 Kecskemét, Kiskőrösi utca 30.	company site	2.600.000	3.500.000	3.500.000	DCF model	11.00%	office: 4, warehouse: 2	3.325.000	3.675.000	11.50%
6000 Kecskemét, Kiskőrösi utca 30. (discount value of option to purchase)	company site	(250.000)		(250.000)	option discount			–	–	
1062 Budapest, Andrássy út 105.	office	3.900.000	3.900.000	3.900.000	DCF model	7.00%	office: 14	3.705.000	4.095.000	7.50%
1082 Budapest, Üllői út 48.	office	18.700.000	16.200.000	18.700.000	Comparison			15.390.000	17.010.000	
				25.850.000						

### 2.2.1.7 Market value

Market Value is interpreted as the estimated value of the property regardless of the costs of sale or purchase and any related tax. Accordingly, no amount was deducted due to the costs of implementation or taxes that arise in the event of sales. The property was considered not to be encumbered by any mortgage or other burden.

### 2.2.1.8 Introduction of the valuer

The valuation of the Company's properties was prepared by an expert company, Jones Lang Lasalle Ingatlanforgalmazó, Szaktanácsadó és Szolgáltató Kft. (H-1054 Budapest, Szabadság tér 14.), in a report prepared for the Company's Report as at 31 December 2018, drawn up in accordance with the IFRSs. 'The inputs used for the valuation methodologies were used in the valuation based on the valuer's judgment and were adjusted for individual situations. During valuation, each valuated property was independently provided with its own input values. The model used for each property, the model inputs, the model variables, the model correlations, the sensitivity analysis of inputs were identified in our report in accordance with the IFRS 13 tabular content disclosure. Content compliance with the IFRS 13 disclosure requirements was ensured.'

## 3. Business environment of the Company (PM. 4.1)

The Hungarian economy is a medium-sized, open economy that is highly exposed to economic and financial changes in the euro area. At the same time, economic growth continued in Hungary in 2018, which even surpassed domestic and international expectations. Economic growth exceeded 4.5% expected by markets, which is outstanding and unparalleled even in the region.

Description of the tax environment:

Since January 2017, corporate tax has been uniformly reduced to 9%, making Hungary one of the countries with the most favourable corporate tax rates in Europe.

The reduction of the VAT rate on housing introduced under the laws adopted in previous years will not only have impact on the prices of newly built homes, but also on the prices of recently built and used homes, and hence on home rents, too. Furthermore, the reduction may result in higher yields for construction contractors, so a higher profit margin could facilitate the start of more construction on the market. Simultaneously with the launch of new construction projects, the price of empty plots will increase. Thus, the amounts remaining as a result of a lower VAT rate can be used to buy empty plots offered at higher prices.

#### Construction costs:

Due to the saturation of construction capacity, construction costs continued to rise in 2018, and a similar forecast is expected for the next year with respect to original costs. In January 2016, the government launched its family support programme for new housing; thus, although a significant number of new homes are being put on the market, construction costs have also increased significantly.

#### Employment, unemployment, salaries and wages

Employment data continued to improve in Hungary in 2018 and can be considered outstanding even at regional level. Hungary shows a 74.6% employment rate in line with EU expectations. The unemployment rate was around 3.6% or 3.7% in 2018, which is also outstanding among the surrounding countries. There is also a significant increase in earnings, with average gross wages in 2018 ranging between HUF 320,000 and 330,000, depending on the period.

#### Inflation and consumer prices:

In 2018, annual average inflation rose from 2.4% in 2017 to 2.8%, a record of 6 years. The annual core inflation rate rose from 2.6% to 2.8%, suggesting that the price pressure is slowly but surely increasing in the domestic economy, resulting in a narrower margin for the National Bank of Hungary to maintain its loose monetary policy.

As for consumer prices, they rose by 2.8% on average in 2018. The price of alcoholic beverages, tobacco and food increased significantly during the year.

#### Base rate of interest and GDP:

Since May 2016, the base rate of interest has been 0.9%, which is an unprecedented level in the Hungarian economy. At its 2018 meetings, the Monetary Council decided to maintain interest rates each time, in line with market expectations. All other monetary policy instruments also remained unchanged.

The general government deficit ratio showed a decline relative to GDP, down from the planned 2.4% to 2%. The central bank verbally indicated to market participants that if the core inflation exceeded 3%, it would tighten its monetary policy.

Public debt-to-GDP ratio fell to around 71%, continuing the trend of previous years.

#### Real property investment:

2018 was an outstanding year for real property investments. During the year, 230,000 square metres of new office space was delivered in Budapest, so the total office supply in the capital reached 3.6 million square metres according to the report of the Budapest Real Property Consultants' Consultation Forum (BIEF, members: CBRE, Colliers International, Cushman & Wakefield, Eston International, JLL and Robertson Hungary). Currently, there are nearly 482,000 square metres of office space under development, and large-scale projects also signal investor confidence in the Budapest office market. There are already lessees for 50% of the area under development. At the same time, larger real property developers agree that it is increasingly difficult to find suitable sites and plots for new projects.

In the Váci út office corridor, once the ongoing construction projects are delivered, the total portfolio will be over 1 million square metres within a few years. In volume, the Pest Central Sub-Market is steadily holding its second position. With the exception of the sub-markets of the former two and the conurbation, the portfolios of all other areas range between 300,000 and 500,000 square metres, which still exceeds the office markets of the largest cities in the provinces several times.

According to the data of Cushman & Wakefield, 120,000 square metres of office space were delivered on the industrial and logistics market in 2018. In 2019, a further increase in supply, the delivery of about 130,000 square metres, can be expected.

Leasing rates and yields:

Average leasing rates vary widely depending on location, technical specifications and available services. Due to the gradual decline in the vacancy rate, leasing rates in Category A office buildings have risen, while leasing discounts have fallen. Previously generous discount packages will become smaller and smaller, and leasing periods free of charge will decrease. The previously typically 1.5 to 2-month lease fee-free periods decreased to 0.5 to 1 month. In the current market environment, it is very difficult to find contiguous office space in already existing, popular, Category A office buildings in the city centre.

According to Cushman & Wakefield's study, in terms of leasing rates, rising demand is steadily pushing up prices, resulting in an average monthly lease fee of EUR 24.5 per square metre of office space in the City Centre of Budapest in December 2018. Inversely proportionally to this, yield levels are the lowest here, barely exceeding 5 per cent. Typical lease rates are EUR 16.5 in the centre of Buda and EUR 15.5 in the Váci út corridor, while it is only EUR 10.5 on the sub-market of the conurbation. The yields on the first two sub-markets are somewhat above 6 per cent, while on the latter they still exceed 8 per cent.

For industrial and logistics real properties, leasing rates rose by more than 13 per cent in 2018; the current fees are EUR 4.75 and EUR 4.25 on average for the lease of a built-to-suit and an existing property, respectively.

Despite the slowdown in demand, there is still a growth pressure on leasing rates for retail properties due to the little unoccupied office space at prime locations. Leasing rates for commercial units in Váci utca increase by about 7.1 per cent per quarter, while this value is 5.3 per cent in prime shopping centres. In 2018, for example, the lease fee per square metre was EUR 70 (HUF 22,200) per month in Andrásy út, while the same figure amounted to EUR 150 (HUF 47,700) in Váci utca. Thus, in the case of a small shop of 100 square metres, a lease fee of HUF 4.77 million has to be paid per month on average. The annual growth rate was about 27.3 per cent in Andrásy út, which is the highest value, while the second largest growth per year was in Váci utca (25%) and the third in the Budaörs retail parks (18.8%).

The Budapest office market:

Demand for offices in Budapest continued to increase in 2018. According to the data of the Budapest Real Property Consultants' Consultation Forum, the total vacancy rate was 7.3% at the end of the year, the lowest of all times, and an additional rise is expected in 2019. 38% of the new demand was attracted by the Váci út corridor and 15% by North Buda. Last year, gross leasing volume exceeded 535,000 square metres.

#### City logistics:

Demand also increased on the industrial and logistic market of Budapest in 2018. The vacancy rate dropped to a minimum of all times, 2.4% on the 2.8 million-square metre market. However, due to the small number of quality properties, contract renewals accounted for 55% of total demand. Lessee activity also decreased due to the lack of large transactions.

#### Retail:

In 2018, the total annual investment volume exceeded EUR 720 million (HUF 229.2 billion) in the retail sector, the highest value ever measured. The increase in domestic consumption also had positive impact on the retail property market, which rose from 4.8 per cent in 2017 to 5.3 per cent in 2018. There is healthy, but slowing demand from local and international retailers in their expansion activities. Yields were considered the lowest in the 10-year horizon in December 2018, with 5.65 per cent in shopping centres at national level, 7 per cent in retail parks on the outskirts of the city, while less than 5 per cent (4.75%) in Váci utca.

#### **4. Objectives of the Company and strategy (PM 4.1)**

Appeninn Holding published a business strategy for the next 5 years in June 2018. According to it, the Company wishes to create a real property portfolio with a significant yield and stable cash flow also in the long term for investors with dynamic expansion in the coming years, primarily through the acquisition and development of Category A office buildings with excellent equipment, providing a high-level service package, and retail properties. The growth of the Budapest office market, the expansion of retail sales and the favourable financing environment offer a great opportunity for the Company to develop a property portfolio profitable in the long term.

Accordingly, the number of properties owned by the Company increased from 18 to 41 in 2018, resulting in a 47 per cent increase in the gross leasable area of the Company's commercial real property portfolio, from nearly 63,000 square metres to 93,000 square metres. In Budapest, Appeninn Nyrt. added Category A properties, the Üllői Corner Center in Üllői út and the Andrásy 59 Palace office buildings to its supply, but it also expanded across the country: it purchased retail properties also in cities in the provinces, resort towns and the Budapest conurbation, which are taken on long-term lease by SPAR Magyarország Kft.

While maintaining the level of utilization of office properties in the Company's portfolio, it is important for Appeninn to cater for lessee needs and to keep operational efficiency in mind. The favourable location and a leasing policy that provides an outstanding price-to-value ratio result in a stable overall utilization rate of over 95 per cent for the Group, well above the Budapest average.

The main expectation of office properties is good location, favourable accessibility and advantageous features; these considerations are taken into account to the fullest possible extent by the Company in its acquisitions. The Company typically possesses the individual properties through subsidiaries and provides the services related to operation (accounting, finance and maintenance) centrally, through the company of the Holding. The Company strives for the continuous control and reduction of operating costs for more economical and successful operation. In the current market environment, in addition to increased demand, an opportunity to increase the level of lease fees has also been created.

## 5. Main resources and risks of the Company and changes and uncertainties related to them; Main resources (PM. 4.3)

### 5.1 Main resources and risks of the Company

Strengths	Opportunities
<p>The Company flexibly adapts to the individual needs of customers.</p> <p>The Company implements cost-effective operations.</p> <p>Well-considered real property portfolio size and consequent volume-efficient management</p> <p>Maintaining coordinated funding and revenue structure</p> <p>The Company has a liquid asset portfolio.</p> <p>The Company has a balanced debt-to-equity ratio.</p> <p>More than 9 years of experience in the Budapest property market</p> <p>The 15 largest lessees account for 80% of annual sales and the share of none of the lessees other than the two largest (SPAR and Takarékbank) exceeds 5% of sales.</p> <p>As a member of the KONZUM Group, it receives effective support in exploiting market opportunities, exploring and achieving acquisition targets, and there is also a significant growth potential in group-level synergies.</p> <p>Development potential in the existing real property portfolio: more than 23,000 m<sup>2</sup> (Club Aliga and landed properties)</p>	<p>The underpriced Hungarian real property market is an attractive investment target for foreign investors.</p> <p>Acquisition of undervalued properties in niche market segments</p> <p>By choosing the best of small and medium-sized enterprises, long-term cooperation with companies producing a liquid, stable cash flow</p> <p>Acquisition of Category A properties</p> <p>Growth in the commercial property market</p>
Uncertainties	
<p>In the case of fresh acquisitions, uncertainties in the accurate forecast of occupancy rates</p> <p>Period of lease per lessee in the case of continuous lease</p>	

## 5.2 Financial instruments (Section 95(6) of the Accounting Act)

The treasury function of Appeninn Nyrt. coordinates participation in financial markets in accordance with its business interests. Appeninn Nyrt. analyzes the financial risks arising during its operations by business. The risks examined include market risks (foreign exchange risk, fair value interest rate risk and price risk), credit risk, payment risk and cash flow interest rate risk. Appeninn Nyrt. strives to minimize the impact of these risks. Appeninn Nyrt. does not engage in financial schemes for speculative purposes.

The Company's financial assets are described in the Company's supplementary reports is under the description of the Company's assets (Section 95(6a) of the Accounting Act).

The Company describes the price, credit, interest rate, liquidity and cash flow risks (also quantified) in the chapter *Management of financial risks* of the Company's supplementary reports (Section 95(6c) of the Accounting Act).

## 5.3 Financial risk factors and their management and Risk Management Policy (Section 95(6a) of the Accounting Act)

The treasury function of Appeninn Nyrt. coordinates participation in financial markets in accordance with the Company's long-term business interests.

Investments in the Hungarian office market may have an indirect and long-term impact on pricing.

The Company manages the risk of non-payment or late payment generally experienced among companies by performing preliminary, then continuous customer monitoring. It continuously improves its customer monitoring activity through a coordinated flow of information on operations, energy management, customer management and finances.

The foreign exchange-based investment loans of Appeninn Nyrt. are denominated 100% in EUR.

The Group is exposed to risks arising from changes in market and financial conditions. These changes may affect the profits and the value of assets and liabilities. Financial risk management is aimed to continuously reduce risks through operational and financing activities. The market risks affecting the Group are described below.

Lease fee risk	Foreign exchange risk
<p>The Group sets consistent, predictable and competitive lease rates for its lessees. The current lease rates are in line with the environment and quality of the properties.</p> <p>Considering the current global economic environment and the demand-supply conditions on the Budapest office market, it can be assumed that the current lease rates and conditions will remain sustainable in the near future. In the future, the Company calculates the</p>	<p>The foreign exchange-based acquisition and investment loans of Appeninn Nyrt. are typically denominated in EUR.</p> <p>As part of the successful restructuring of the loan portfolio in 2018, a significant amount was refinanced in HUF. In doing so, the Company took a significant step in harmonizing its lease fee revenues and financing.</p> <p>Appeninn Nyrt. and the Group led by the Parent Company plan to continue a balanced cash flow</p>

lease fee revenues with a shift of 5% to 10%, with short-term upward movement, but no complete certainty can be provided for this.	planning achieved during the 2018 business year.
Interest rate risk	Liquidity risk
Interest rate risk is the risk that future cash flows from certain financial assets and liabilities will fluctuate as a result of changes in market interest rates. The Group pays an average loan interest of 3.11% to 3.19% on its loans. Appeninn Nyrt. pays fixed interest of 7% and 5% on the interest-bearing bonds issued by it.	The Group aims to maintain a balance between the continuity of financing and flexibility in the accumulation of its financial reserves and the development of its loan portfolio.  In the opinion of the Management, liquidity difficulties are not expected, the revenues safely cover the debt service and operating costs. The Company and the subsidiaries under its control meet their payment obligations by the payment deadlines.
Lending risk	
Lending risk is the risk where a partner does not meet its payment obligation relating to a financial asset or a customer contract and thereby causes a financial loss. The Group is exposed to credit risk in connection with its leasing and financial activities (including bank deposits and financial investments).  In the case of lessee partners: In order to reduce the credit risk, the Group requests a deposit or bank guarantee from the lessees, depending on the credit rating prior to the conclusion of the lease agreement, and keeps track of the receivables outstanding from the lessees.  In the case of bank deposits and financial investments: Credit risk related to bank deposits and financial investments is managed in accordance with the Group's conservative investment policy. In order to reduce the credit risk, the Group keeps its financial reserves in cash or bank deposits with reliable financial institutions.	

## 6. Quantity and quality indicators and Indicators for measuring performance (PM. 4.5) for describing company sites and branch offices (Section 95(4d) of the Accounting Act).

The business activities of the company Appeninn Holding Nyrt. consist of, firstly, leasing its own real properties and, secondly, holding activities.

### Kecskemét

The property at Kecskemét, Kiskőrösi utca 30. is an office building with regard to its function. Its additional services include a car park, a warehouse, a fitting workshop, a store area, industrial tracks and 24-hour doorkeeping service for security purposes. The **utilization rate of the building complex** of more than 6,000 m<sup>2</sup> **is close to 90%**, which puts the performance of the property clearly on top of the upper third according to comparative figures. Kecskemét is home to a greenfield project of one of the largest automotive assembly plants in Hungary. The related industries require significant industrial and office areas, resulting in significant demand for real properties in the area. The

property is located in an economic, commercial and service area southwest of the centre of Kecskemét, close to the M5 Motorway and Trunk Road No 52. The property is surrounded typically by mixed residential, industrial and commercial properties.

The estimated yield-based value of the building is EUR 3.5 million.

(In 2016, the Company sold an option right to purchase the property until 31 October 2019. The right holder paid the fee for the option right and did not exercise the option right until 31 December 2018.)

#### Budapest, Andrásy út 105.

The office building in Andrásy út was added to the portfolio in December 2017. The office building is located in Andrásy út, in the block bounded by Bajza utca, Délibáb utca and Munkácsy utca, in the 6th district of the capital, on the Pest side of the city, in the diplomatic district. The property can be accessed in the most important avenue of the capital, Andrásy út, close to the city centre, a few hundred metres from Hősök tere (Heroes' Square) and close to Oktogon on the boulevard, which is one of the important transport hubs of the capital, within a few minutes of walking from both properties. The neighbouring streets offer a wide range of services, restaurants, cafés, pubs, pharmacies, shops, banks, offices, museums, etc. The vicinity of the building is characterized by the dominance of residential properties, institutions, bank centres, offices, ministries and embassies. Popular places and buildings nearby, such as the Museum of Fine Arts, the Art Gallery and Andrásy út itself are also popular tourist attractions. The area is the centre of the country's public administration and diplomatic district, with ministries, offices and other cultural institutions. Due to the location of the property, it can easily be accessed by public transport: the easiest way to do so is from the Bajza utca stop of underground line 1 and also by car from all directions: Andrásy út, Dózsa György út and Teréz krt.

The plot is flat, has an area of 1,094 m<sup>2</sup> and has a regular rectangular shape. The entrance to the office building opens from Andrásy út; this is the only point where the property can be accessed both by car and on foot. The building has no other direct pedestrian, car or economic entrances.

According to the data of the property, the building has 1,516 m<sup>2</sup> of gross leasable area (GLA). The property is leased at 100% at the time of valuation.

#### Budapest – Üllői út 48.

The property at Üllői út 48. is located under in the area bounded by Üllői út and Kisfaludy utca, in the block bounded by Vajdahunyad utca and Corvin Plaza. The area of the plot is 1,967 m<sup>2</sup>, with one building on it.

The building has an enclosed courtyard. Being 100% leased at present, it functions as FHB Bank's building on nine floors. There is a safety deposit vault on its basement level. There are 126 underground parking spaces on the property.

The property has a gross floor area of 1,516 m<sup>2</sup>, provided with all utilities. The building has a centrally operated ventilation system and a central boiler. Access control is provided with an electronic card access control system.

The main activities of the Holding are to manage the activities of its subsidiaries, to purchase additional real property portfolios and to let the properties of the subsidiaries on lease. In 2018, the acquisition of the properties listed below took place at the subsidiaries.

#### SPAR properties

One of the significant steps in the Group's objectives involves the SPAR property portfolio comprising 18 properties across the country, which was purchased by the subsidiary Appeninn E-Office Zrt. in the summer of 2018. Two of the properties are located in Budapest, and an additional two, in the conurbation of Budapest. In cities in the provinces, 7 out of 14 properties are located in county towns.

As of August, 2018, the properties have been contributing to the Group's revenues, with a first-class lessee paying the lease fees on a monthly basis.

The acquisition of the portfolio was financed by the Company from a significant amount of its own funds and from an EUR-based foreign exchange loan provided by Erste Bank.

#### Club Aliga

Through its new subsidiary, the Company acquired the business share of PRO-MOT Hungária Kft. until the balance sheet date. This company holds the right of utilizing the areas of Club Aliga. So the Group has further expanded its portfolio in a new property segment, the market for the utilization of tourism properties.

Taking advantage of the synergy within the KONZUM Group, the Group expects to increase its revenues from tourism properties.

#### Budapest, Menyét utca and Normafa utca

The property in question was sold to a Hungarian-based investor through a subsidiary of the Group in December 2018, and the property changed hands above the value stated in the valuations.

## 7. Major events after the balance sheet date (Section 95(4) of the Accounting Act)

The Company did not have any events requiring book entries and having an effect on the reporting period after the balance sheet date until the date of publication of this Report. The Company published announcements about material events after the balance sheet date, in particular, significant processes and expected development (known and expected development of the economic environment, depending on the expected impact of internal decisions) (Section 95(4a) of the Accounting Act). The Company does not engage in activities related to research and experimental development (Section 95(4b) of the Accounting Act)

The Company described additional events at its places of publication, which were:

Date	Announcement	Brief content
7 March 2019	Corporate event calendar	23 April 2019, Annual Ordinary General Meeting 23 April 2019, Publication of the Annual Report 27 September 2019, Publication of the H1 2019 Report
28 February 2019	Voting rights and amount of registered capital	In compliance with the provisions of Section 54(9) of Act CXX of 2001 on capital markets, Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság published the number of voting rights attached to the shares in the Company and the amount of the registered capital. Number of own shares: 1,848, total number of shares: 47,371,419
7 February 2019	Sale of own shares	The Company informs its Investors that the Company's subsidiary, FELHÉVÍZ-APPEN Korlátolt Felelősségű Társaság (registered office: 1062 Budapest, Andrassy út 59.; company register No: 01-09-285651; 'FELHÉVÍZ-APPEN Kft.') sold 407,857, say four hundred and seven thousand eight hundred and fifty-seven, ordinary shares, each to the face value of HUF 100, issued by the Company (ISIN: HU0000102132), at the average price of HUF 551.3618 per share on 7 February 2019 through stock exchange trading. With the above transaction, the Company realized a gross profit of HUF 126,991,090 based on the Hungarian Accounting Standards.

31 January 2019	Voting rights and amount of registered capital	In compliance with the provisions of Section 54(9) of Act CXX of 2001 on capital markets, Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság published the number of voting rights attached to the shares in the Company and the amount of the registered capital. Number of own shares: 409,705, total number of shares: 47,371,419
31 January 2019	Extraordinary announcement on the acquisition of 74.99% ownership of Club Aliga	The Company informed its Investors that the transaction under a purchase contract for the acquisition of a 74.99% business stake in PRO-MOT HUNGÁRIA Ingatlanfejlesztő Korlátolt Felelősségű Társaság (registered office: 1037 Budapest, Montevideo utca 3/B; company register No: 01-09-703978; 'PRO-MOT HUNGÁRIA Kft.') and the receivables of the business stakeholders from PRO-MOT HUNGÁRIA Kft. by the Company's one-person subsidiary, Appeninn BLT Korlátolt Felelősségű Társaság (registered office: 1062 Budapest, Andrassy út 59.; company register No: 01-09-326114; 'Appeninn BLT Kft.'), as a result of which the indirect ownership of about 37 hectares of the properties forming part of Club Aliga (address: 8171 Balatonvilágos, Aligai út 1.) and the asset management right of the remaining about 10 hectares of Club Aliga were also transferred to the Company, which was announced in an extraordinary announcement published by the Company on 26 July 2018, was closed on 28 January 2019. The value of the above transaction is EUR 14,238,246.
30 December 2018	Voting rights and amount of registered capital	In compliance with the provisions of Section 54(9) of Act CXX of 2001 on capital markets, Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság published the number of voting rights attached to the shares in the Company and the amount of the registered capital. Number of own shares: 409,705, total number of shares: 47,371,419
30 December 2018	Corporate event calendar	19 April 2019, Annual Ordinary General Meeting 19 April 2019, Publication of the Annual Report 27 September 2019, Publication of the H1 2019 Report

## **8. Public securities issuing capital and share information (Section 95/A of the Accounting Act)**

The Company's voting securities (the 'Issued Shares') are admitted to trading on a recognized (regulated) market (stock exchange) of a Member State of the European Union (Section 95/A of the Accounting Act), therefore, it has to detail the following in the business report:

- (a) the composition of the issued capital, including the Issued Shares that are not admitted to trading on a recognized (regulated) market (stock exchange) of a Member State of the European Union, broken down by share type for a public limited company, indicating the proportion of these types within the issued capital, as well as the rights and obligations attached to them (see Section **8.1**);
- (b) any restriction on the transfer of Issued Shares representing the issued capital (including restrictions on the acquisition of shares or the need for the consent of the Company or other shareholders of the Issued Shares) (see Section **15.3**);
- (c) investors with significant direct or indirect shareholdings in the equity of the entrepreneur (including pyramid schemes and cross-shareholdings), even if the investors hold the shares by means of certificates representing shares (see Section **8.6**);
- (d) holders of Issued Shares representing special management rights and those rights (see Section **15.3**);
- (e) the management mechanism required by any employee shareholder scheme in which management rights are not exercised directly by employees (see paragraph **13.1**);
- (f) any restriction on voting rights (in particular, a restriction on voting rights attached to a specified shareholding or number of votes, deadlines for exercising voting rights and schemes whereby the financial benefits attached to the shareholdings are separated from the holding of the Issued Shares through the cooperation of the entrepreneur) (see Sections **15.3** and **99**, with full content and details in the Company's Articles of Association <http://www.appeninholding.com/alapszabaly>);
- (g) any agreement between the owners of which the entrepreneur is aware and which may result in a restriction on the transfer of Issued Shares or voting rights (see Sections **15.3** and **99**);
- (h) the rules for the appointment and removal of executive officers and for the amendment of the Articles of Association (see Section **9**, with full content and details in the Company's Articles of Association <http://www.appeninholding.com/alapszabaly>);
- (i) the powers of executive officers, in particular their powers to issue and repurchase shares (see Section **9**, with full content and details in the Company's Articles of Association, <http://www.appeninholding.com/alapszabaly>);
- (j) any material agreement entered into by the entrepreneur, which enters into force, is amended or is terminated due to a change in the entrepreneur's management following a public purchase offer, and the effects of such events, unless disclosure of such information would seriously harm the entrepreneur's reasonable business interests, provided that it is

not required to disclose it under any other legislation either (see the announcements published in Section 0 and before 31 December 2018);

- (k) any agreement between the entrepreneur and its executive officer or employee, which requires compensation if the executive officer resigns or the employee quits, if the executive officer or employee’s legal relationship is terminated unlawfully, or if the legal relationship terminates due to a public purchase offer (see Section 15.5).

### 8.1 Composition of issued capital

The Company’s registered capital is described in Sections II and III of the Articles of Association.

- II. It consists of dematerialized registered ordinary shares, each to the face value of HUF 100, HUF 4,737,141,900 in total. Each share carries one voting right.
- III. The definition of the shareholder, the payment of pecuniary contributions, the increase of registered capital and the transfer rules are set out in the Articles of Association.

### 8.2 Issued shares and Shareholder Rights

The Appeninn shares issued and in circulation may be freely traded, and there are no rights based on the Articles of Association restricting distribution. The shares belong to one series, and the members of the share series are Appeninn ordinary shares with the same rights.

#### Appeninn Nyrt. share data

face value	100
currency	HUF
ISIN code	HU0000102132
trading location	Shares section of Budapesti Értéktőzsde Zrt.
start of trading	2 July 2010
keeping a shareholders register	Board of Directors of Appeninn Nyrt., 1062 [Budapest,] Andrásy út 59.
Number of shares traded, 31 December 2018	47,371,419
Number of shares traded, 31 December 2017	40,892,545

### 8.3 Repurchased own shares

As at 31 December 2017, the Company did not hold any repurchased own shares. As at 31 December 2018, the Company held 1,848 of its own shares to the amount of HUF 1,114,000.

### 8.4 Composition of the Company’s registered capital

Issued capital	For the business year ending on 31 December 2018	For the business year ending on 31 December 2017
	HUF ‘000	HUF ‘000

Value of issued capital as per company registration document

Opening value as at 1 January:	4,089,255	3,980,000
Issued	647,887	109,255
<b>Closing value as at 31 December:</b>	<b>4,737,142</b>	<b>4,089,255</b>

## 8.5 Presentation of changes in equity

Changes in equity (figures in HUF '000)	Issued capital	Reserves	Repurchased own shares	Accumulated profits	Total equity
<b>Balance as at 1 January 2017</b>	<b>3 980 000</b>	<b>2 889 673</b>	<b>(65 368)</b>	<b>762 463</b>	<b>7 566 768</b>
<b>Comprehensive profit/loss in the reference year</b>				<b>131 156</b>	<b>131 156</b>
Profit/loss in the reference year				131 156	131 156
<b>Transactions with shareholders</b>	<b>109 255</b>	<b>740 745</b>	<b>65 368</b>	<b>(197 332)</b>	<b>718 036</b>
Purchase of own shares			(886 399)		(886 399)
Sale of wn shares			127 660	25 377	153 037
Interest charged to shareholders				38 943	38 943
Dividends			824 107	(261 652)	562 455
Capital increase with agio	109 255	740 745			850 000
<b>Balance as at 31 December 2017</b>	<b>4 089 255</b>	<b>3 630 418</b>	<b>-</b>	<b>696 287</b>	<b>8 415 960</b>
<b>Balance as at 1 January 2018</b>	<b>4 089 255</b>	<b>3 630 418</b>	<b>-</b>	<b>696 287</b>	<b>8 415 960</b>
<b>Comprehensive profit/loss in the reference year</b>				<b>1 901 423</b>	<b>1 901 423</b>
Profit/loss in the reference year				1 901 423	1 901 423
<b>Transactions with shareholders</b>	<b>647 887</b>	<b>4 465 426</b>	<b>(1 114)</b>	<b>(511 892)</b>	<b>4 600 307</b>
Purchase of own shares			(49 940)		(49 940)
Sale of wn shares			48 826	1 421	50 247
Reclassification		513 313		(513 313)	-
Dividends					-
Capital increase	647 887	3 952 113			4 600 000
<b>Balance as at 31 December 2018</b>	<b>4 737 142</b>	<b>8 095 844</b>	<b>(1 114)</b>	<b>2 085 818</b>	<b>14 917 690</b>

## 8.6 Major investors

After the reporting date, the Company continually published its regular monthly announcements (end-of-month voting rights and capital) and Shareholders' Notices (changes in shareholdings).

Name of shareholder	Number of shares	Shareholding
BDPST Zrt.	9,755,567	20.59%
KONZUM Nyrt.	8,860,027	18.70%
KONZUM II Real Property Investment Fund	6,478,874	13.68%
OTP Real Property Investment Fund	2,420,372	5.11%
Own shares	409,705	0.87%
Percentage of publicly held shares	19,446,874	41.05%
<b>Total</b>	<b>47,371,419</b>	<b>100.00%</b>

## 9. Articles of Association

The Company approved the Articles of Association of Appeninn Holding Nyrt. for the last time on 23 August 2018.

- The Company published the Articles of Association in the places of publication.

- The Company complies with the procedures and rights published in the Company's Articles of Association by publishing its Articles of Association.
- The election of the senior executives and the election process took place in accordance with the Articles of Association.
- The Company complied with the rules on the issue and withdrawal of shares as set out in the Articles of Association.

#### 10. Corporate governance system and responsible corporate governance report

- The Company has a Board of Directors. The powers of the Board of Directors are regulated in Section VII of the Articles of Association.
- The Company publishes, together with the Annual Report, a document package presenting **its corporate governance system (Responsible Corporate Governance Statement and Report)**, which includes the information required in Section 95/B of the Accounting Act (Section 95/B(1) of the Accounting Act).
- The Company does not deviate from the corporate governance system required by law and does not apply any other corporate governance systems in derogation from the law.
- With regard to Section 95/B(2)(a) of the Accounting Act, the Company declares that the management systems applicable to public limited companies are regulated by the Hungarian Civil Code for the Company. In its Deed of Foundation, the Company designates its management system with the approval of the General Meeting. The Company complies with the public [disclosure requirements by fulfilling its] obligation to publish its Articles of Association.
- With regard to Section 95/B(2)(b) of the Accounting Act, the Company publishes additional information related to corporate governance practices in addition to the statutory requirements in the Company's regular and extraordinary announcements. If they are of a far-reaching and comprehensive nature, it presents them separately as a separate document on its website. No such position has been taken.
- With regard to Section 95/B(2)(c) of the Accounting Act, the Company declares that it presents, in accordance with the law, the deviations from the legal rules, if any, together with the reasons stated for them in a separate document (Responsible Corporate Governance Statement and Report) .
- With regard to Section 95/B(2)(d) of the Accounting Act, the Company provides its reasons in a separate document (Responsible Corporate Governance Statement and Report) if it has not applied a provision of the management system required by law.
- With regard to Section 95/B(2)(e) of the Accounting Act, the Company provides a description of the main features of the internal control and risk management system in the context of reporting in a separate document (Responsible Corporate Governance Statement and Report)

- With regard to Section 95/B(2)(f) of the Accounting Act, the Company presents the information defined in Section 95/A(c), (d), (f), (h) and (i) as part of a separate document (Corporate Governance Statement and Report), as well as [those stated in] Section 95/B(2)(g): the composition and operation of the supreme governing (executive) body, the management body, the supervisory body and their committees.
- With regard to Section 95/B(2)(h) of the Accounting Act, the description of the diversity policy applied to the Company's administrative, management and supervisory bodies, with special regard to considerations regarding age, gender, studies and professional background. The description of the objectives of this diversity policy, the method of its implementation and the results achieved in the reporting period are not applicable in 2018.
- With regard to Section 95/B(3) of the Accounting Act, the Company publishes the Deed of Foundation and the Responsible Corporate Governance Report and Statement regularly with regard to the above contents.

### 11. Business continuity framework

Appeninn Nyrt. prepared its business plans for the post-2018 period, under which the Company's future positive cash flows will provide cover for the Company's existing and foreseeable liabilities.

### 12. Environmental protection (Section 95(5)(a), (b), (c) and (d) of the Accounting Act)

The Company does not carry out any activities that are hazardous or harmful to the environment in the course of its activities. It does not use hazardous materials for its operations.

### 13. Employment Policy and Employee Share and Management Programme (Section 95(4)(e) of the Accounting Act)

#### 13.1 Employee shareholding scheme

The Company does not operate an Employee and Management Share Programme.

#### 13.2 Evolution of the number of full-time employees

Headcount	For the business year ending on 31 December 2018	For the business year ending on 31 December 2017
<b>Average statistical headcount at Group level (persons)</b>	<b>23.51</b>	<b>1.72</b>
<b>Closing headcount</b>	<b>29.00</b>	<b>19.35</b>
of which:		
Appeninn Üzemeltető Zrt.	18.00	16.00
Appeninn Vagyonkezelő Holding Nyrt.	9.00	3.35
Appeninn E-Office Vagyonkezelő Zrt.	1.00	–
Appeninn Property Vagyonkezelő Zrt.	0.00	–

#### **14. Places of publication (Section 89 (5) of the Accounting Act)**

The Company publishes its disclosures and reports in the following places:

www.appeninnholding.com, the Company's website (Section 89(5) of the Accounting Act)  
kozzetetelek.mnb.hu,  
www.bet.hu,  
and uploads them to <http://e-beszamolo.im.gov.hu/>.

#### **15. Bases for preparing the Annual Report**

##### **15.1 Declarations of conformity in accordance with Decree No 24/2008 of 15 August 2008 of the Minister for Finance**

- As a Hungarian-based issuer, Appeninn Nyrt. prepares the Annual Report in accordance with the provisions of Act C of 2000 on accounting.
- Appeninn Nyrt. publishes an audited Annual Report. The Audit Report is published together with the Business Report as part of the Annual Report.
- Our Annual Report includes the Company's *Parent Company and Consolidated* Balance Sheet, Profit and Loss Account, Accounting Notes and Management Report (this document).
- Appeninn Nyrt. publishes its Management Report together with the Annual Report. An accompanying analysis is presented in the Management Report. The analysis presents the main processes and factors, which affected, in the annual reporting period, or will affect, in the future, the issuer's business performance, development and situation. The data presented in the Management Report are published with the data of the previous period and the same contents. If there was a discrepancy between the contents of the data, then the comparative data will be published again. By re-publishing, comparability is ensured with the data in the Management Report for the previous period.

##### **15.2 Fitness-for-purpose and Conformity Declaration (Annex 1 to the Decree No 24/2008 of 15 August 2008 of the Minister for Finance and Section 95(1) of the Accounting Act)**

The purpose of this document as the Company's Business Report is to present the pecuniary, financial and income situation of the entrepreneur, its course of business, together with the main risks and uncertainties, which arise during the entrepreneur's activities, by evaluating the data of the Annual Report, in such a way that it gives a true and fair view of them corresponding to the actual circumstances on the basis of past actual and expected future data. The Business Report, where necessary, refers to and provides additional explanations for the data in the Annual Report (Section ... (7) of the Accounting Act). The Business Report was prepared in Hungarian, and the persons authorized to represent the entrepreneur, in the reference year Gellért Jászai, Chairman of the Board of Directors, and Aladin Linczényi, Member of the Board of Directors, signed it with an indication of the place and date.

### 15.3 Limitation of ownership rights

The Board of Directors is not aware of any limitation of ownership or the limitation of the transferability of the shares by the shareholders or shareholdings issued and representing special management rights.

In its Sections III to VI, the Company's Articles of Association describe and lay down the provisions applicable to the content and exercise of Ownership Rights under the Sections Shares, Share Register, Shareholders' rights and obligations, and General Meeting. The Company's Articles of Association are set out in Section 9.

### 15.4 Material information

The Board of Directors has disclosed all material information, which may significantly affect its activities beyond the expected continuous operations at the Company's places of publication. The Management is not aware of any compensation agreement involving members of the Management or employees.

### 15.5 Compensation agreements

The Board of Directors is not aware of any agreement between the entrepreneur and its executive officer or employee, which requires compensation if the executive officer resigns or the employee quits, if the executive officer or employee's legal relationship is terminated unlawfully, or if the legal relationship terminates due to a public purchase offer.

### 15.6 Research and experimental development

The Company does not engage or participate in research and development activities.

### 15.7 Disclaimer

[See] the declarations required in Annex 1 to Decree No 24/2008 of 15 August 2008 of the Minister of Finance on the individual 2018 reports of Appeninn Nyrt. (1062 Budapest, Andrássy út 59.) compiled in accordance with the Hungarian Accounting Act and prepared in accordance with the 2018 IFRS (International Financial Reporting Standards published in the form of a regulation in the Official Journal of the European Union) rules of the Parent Company.

We, the undersigned, declare that the individual (non-consolidated) annual report prepared on the basis of the applicable accounting standards and to the best of our knowledge during the preparation of the **2018 Parent Company Report** of Appeninn Nyrt. (the Issuer) gives a true and fair picture of the Issuer's assets, liabilities, **financial situation and profits and losses, and the 2018** Management Report gives a fair picture of the Issuer's situation, development and performance, describing the main risks and uncertainty factors.

Budapest, 23 March 2019

Gellért Jászai Aladin Linczényi

Members of the Board of Directors of Appeninn Vagyonkezelő Holding Nyrt.