APPENINN VAGYONKEZELŐ HOLDING PLC.

IFRS INTERIM CONSOLIDATED REPORT

FOR THE FIRST HALF OF 2020

Company name	APPENINN VAGYONKEZELŐ HOLDING NYRT. (in English: APPENINN ASSET MANAGEMENT HOLDING PLC.)
Company address	Budapest, Kelenhegyi út 43/B V, 1118
Sector classification	Asset management (real property utilization)
Accounting system of the report	IFRS
Reporting period	First half of 2020
Data auditing	intermediate period data, non-audited
Foreign currency of the report	EUR, unless otherwise provided
Disclosed	21 September 2020
E-mail	info@appeninnholding.com
Contact person	Dr. Weil-Mayer Krisztina krisztina.weil-mayer@appeninnholding.com
Phone number	+36 1 346 8869

REPORT OF THE BOARD OF DIRECTORS OF APPENINN HOLDING PLC.

Expanding properties portfolio

The Appeninn Corporate Group performed significant expansion in relation to its existing properties portfolio as of the first half of 2020. At the beginning of the year, the Corporate Group expanded its area for rent with 6,763 square meters altogether in respect to its office building market capacity in District III in Budapest upon the acquisition of the office buildings in Montevideo street, situated in an extraordinarily imposing and frequented surroundings, and in Pauler street in District I, found in a frequented area.

Expansion in the tourist real estate market

Appeninn Corporate Group updated its business strategy in March, in which tourist real estate developments play a crucial part. Regarding the first half of the year, the Corporate Group acquired majority ownership in Solum-Invest Kft., owning the port area of Balatonfüred, and, in Dreamland Holding Zrt., a company concentrating on launching hotel developments. Herewith, three new large-scale hotel developments, one adventure park and gastro centre, and, moreover, one bathing area development and one new port development are to be in the interest of the Company. As a result of the projects, the future tourist portfolio shall cover the surroundings of Visegrád and even Tokaj in addition to the north and south costs of Lake Balaton.

Management of risks caused by COVID-19

With regard to the stock of tenants, approximately 5 to 10 percentage of the hereof had to close on account of the government decrees entered into force upon the case of emergency – mostly temporarily. In respect of most of the aforesaid tenants, rescheduling was performed, namely, the majority of liquidity temporarily not received by the end of the year, or in smaller part, at the beginning of the next year are being at disposal for the Corporate Group. The four most important tenants were not or were impacted by COVID-19 to a lesser extent. Appeninn Holding shall hold a significant liquidity reserve and, presumably, even in the cases of temporary loss/rearrangement of income the Company is able to fulfil its financial liabilities in medium term. In the interest of the protection of the tenants, the corporate group shall do every backstop measure to slow the expansion of the epidemic down and to maintain continuous operation.

Improving direct contribution from rental activities indicators

With regards, revenue-generating ability of the Corporate Group was measured as expected. The Company accounted 4.2 million EUR turnover and 11.4 million EUR EBITDA (interests, profit and loss before taxation and depreciation) for the first half of 2020. The significant improvement of EBITDA, compared to the the same period in respect of the previous year, was due to the revaluation of the revenue-generating properties portfolio.

Profit and loss before taxation measured 7.4 million EUR, which is lower compared to the same period of the previous year. The item of after tax profit of the first half of 2019 was corrected by profit and loss on financial transactions, where 8.1 million EUR badwill, related to Aliga project, as a one-off effect, was accounted for income on financial transactions.

Real estate market prospects

The aim of the management is to continue the active management related to office building portfolio upon providing as high quality services as possible for the tenants. The aim of the new acquisitions is to diversify the portfolio on one hand, and to ensure profit and stabile cash flow and value certain assets for the Company in addition to the sustainable operation performed by developments on the other hand.

Continuing portfolio clearance

The Corporate Group continued the clearance initiated earlier of its properties portfolio in the first half of 2020 upon the sale of assets falling outside the business focus area of the Company for the appropriate customers. Regarding the period under review, Appeninn Holding started the sale of VCT78 Ingatlanhasznosító Kft. (in English: VCT78 Property Utilisation Private Limited Liability Company), owning the garage in Váci street, for AutoWallis Nyrt., which transaction was closed in July 2020.

Growth strategy, shareholder value creation

Regarding Appeninn Holding, the main means for shareholder value creation is to optimize the historical value related to acquisitions, to perform own development projects successfully, to realize above market average yield, and to apply favourable financing resources. The aim of the management is to continue the increase of the present gross asset value measuring 161.9 million EUR over the coming years. The completion of the present new development projects within a few years and the active management of office building portfolio may both contribute to the aforementioned. The effective and even more competitive company structure and operation are important considerations taken into by the Company management upon maintaining the enhancement and profitability related to assets.

Capital market judgement

Within the framework of the analysis and market-making program related to middle-capitalized shares of Budapest Stock Exchange, Concorde Értékpapír Zrt. (in English: Concorde Securities Plc.) did not disclose any analysis on Appeninn Holding with respect to the period under review, hence, the Board of Directors shall consider the target price of 743,- Hungarian Forints indicated as of August 2018 as being relevant. The operation of the Company is stabile and the long-term growth potential performed by means of the new acquisitions is seemed to be ensured by the management.

Personal changes for development

Zágonyi Ádám joined to the Company management as a chief financial officer prior to the half year closure. The professional holds remarkable expertise and gained significant work experience.

Appeninn Plc.

Board of Directors

MAIN ASPECTS OF THE COMPILATION OF THE INTERIM FINANCIAL REPORT FOR THE YEAR OF 2020

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság compiled its consolidated report (hereinafter referred to as Report) for the first half of 2020. The hereof Report shall include the consolidated management report for the first six months as of 2020 in respect to the Corporate Group, and, respectively, the compiled consolidated balance sheet and consolidated statement of comprehensive income, and the related evaluations drafted in accordance with the International Financial Reporting Standards (hereinafter referred to as IFRS) for the period under review. The employed accounting principles included in the report are in compliance with the employed accounting policies as of the comparative period. The standard applicable on a compulsory basis did not have significant effect on the consolidated financial report of the Corporate Group.

The currency of the Report is EUR.

This interim financial statements were not audited by an independent auditor. The interim consolidated financial statements were adopted by the Board of Directors. The interim financial statements have been prepared in accordance with the International Financial Accounting Standards, and the standards adopted and published in the Official Journal of the European Union (EU) in the legal form of regulation. The IFRS comprises the standards and interpretations formulated by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

Appeninn Holding

APPEN BÉT PRÉMIUM KATEGÓRIA

Balance sheet Assets	30.06.2020 EUR	31.12.2019 EUR
Investment properties	161.879.115	147.670.000
Property, plant and equipment	188.158	177.664
Deferred tax assets	3.788	92.693
Goodwill	11.607.120	0
Long term related party receivables	15.916	-
Non-current assets	**173.694.097**	**147.940.357**
Inventories	506.811	160.040
Trade receivables	730.646	409.083
Related party receivables	1.713.275	0
Other receivables	111.491	442.390
Loans given	5.569	49.537
Prepayments and accrued income	274.694	255.653
Current income tax receivables	175.709	296.583
Cash and cash equivalents	19.062.748	40.991.952
Current assets	**22.580.943**	**42.605.238**
Total assets	**196.275.040**	**190.545.595**

Balance sheet Equity and liabilities	30.06.2020 EUR	31.12.2019 EUR
Share capital	15.217.006	15.217.006
Treasury shares	-1.171	-1.171
Reserves	25.645.230	25.645.230
Currency translation adjustment	-8.273.153	-2.710.880
Retained earnings	41.907.908	34.925.192
Equity attributable to parent	**74.495.820**	**73.075.377**
Non-controlling interest	1.176.603	730.936,00
Total equity	**75.672.423**	**73.806.313**
Long term financial liabilities	34.788.790	31.751.611
Issued corporate bonds	57.167.272	60.940.494
Tenant deposits	1.393.923	301.775
Long term liabilities to related parties	4.611.164	10.503.256
Deferred tax liabilities	3.525.158	3.565.003
Non-current liabilities	**101.486.307**	**107.062.139**
Short term financial liabilities	2.030.264	7.139.967
Other current liabilities	10.958.303	614.028
Short term liabilities to related parties	590.545	36.003
Trade payables	3.565.961	993.818
Tax liabilities	316.326	398.513
Current income tax liabilities	78.732	140.089
Deferred revenue and accrued income	1.576.179	354.725
Current liabilities	**19.116.310**	**9.677.143**
Total liabilities	**120.602.617**	**116.739.282**
Total equity and liabilities	**196.275.040**	**190.545.595**

Statement of comprehensive income

	For the period ended 30 June 2020 EUR	For the period ended 30 June 2019 EUR (modified)
Property rental revenue	4.268.960	4.660.454
Property related expense	(846.249)	(1.384.255)
Direct contribution from rental activities	**3.422.711**	**3.276.199**
Administration expenses	(681.277)	(570.821)
Personnel expenses	(553.526)	(382.168)
Other income/ (expense)	(10.904)	750.102
Loss recognised on sale of subsidiary	39.273	-
Loss on sale of investment properties	-	-
Net result from the revaluation of investment properties	9.521.405	1.020.791
Expenses for maintaining investment properties	(345.210)	(35.325)
Loss on investments	-	-
Gross operating profit (EBITDA)**	**11.392.472**	**4.058.778**
Depreciation and amortisation	(15.306)	(25.477)
Other financial income / (expense)	(2.405.608)	7.676.561
Net interest income / (expense)	(1.495.140)	(872.283)
Profit before tax	**7.476.418**	**10.837.579**
Income taxes	(1.040.562)	(322.884)
Profit/ (loss) for the period	**6.435.856**	**10.514.695**
Other comprehensive income		
Exchange differences on translation	(5.562.273)	(483.971)
Other comprehensive income, net of taxes	**(5.562.273)**	**(483.971)**
TOTAL COMPREHENSIVE INCOME	**873.583**	**10.030.724**
Net profit Attributable to:		
Non-controlling interest	199.130	(53.762)
Parent	6.236.726	10.568.457
Total comprehensive income Attributable to:		
Non-controlling interest	199.130	(53.762)
Parent	674.453	10.084.486
Basic Earnings per share (in EUR cents)	**15,17**	**21,17**
Diluted Earnings per share (in EUR cents)	**15,17**	**21,17**

Cash- Flow	For the period ended 30 June 2020 EUR	For the period ended 30 June 2019 EUR (modified)
Profit before tax	**7.476.418**	**10.837.579**
Net result from the revaluation of investment properties	(9.521.405)	-
Currency translation reserve change	(5.562.273)	(483.971)
Exchange difference not realised	3.508.861	593.486
Depreciation and amortisation	15.306	25.477
Negative goodwill	-	(8.182.616)
Deferred tax	(854.313)	(141.390)
Result on disposal of investments	(39.273)	-
Interest income	(5.867)	-
Interest expense	1.501.007	872.283
Change in receivables and other current assets	(1.471.574)	3.123.477
Change in prepayments and accrued income	(19.041)	34.404
Change in inventories	(346.771)	103.822
Change in liabilities and deferred income	(12.125.007)	8.956.395
Change in deposit from tenants	(1.092.148)	(124.469)
Income taxes paid	(186.249)	(181.494)
Net cash generated by operating activities	**-18.722.329**	**15.432.983**
Liabilities on subsidiaries	-	-
Investments on properties	(345.210)	(35.325)
Acquisition of subsidiary	(6.683.799)	-
Purchase of property, plant and equipment	319.410	16.414
Proceeds from sale of subsidiary	10.535.281	-
Purchase of investment properties	-	(22.497.623)
Proceeds from investment properties	-	-
Net cash used by investing activities	**3.825.682**	**(22.516.534)**
Dividend payment	-	-
Repayments on bonds	-	-
Change in loans given	43.968	(3.328.256)
Proceeds from loans	(5.581.385)	11.523.255
Repayment of loans	-	-
Purchase of treasury shares	-	(18.087)
Sale of treasury shares	-	115.246
Interest expense	(1.501.007)	(872.283)
Interest income	5.867	-
Net cash generated (used by) financing activities	**(7.032.557)**	**7.419.875**
Increase (decrease) in cash and cash equivalents	**(21.929.204)**	**336.324**
Cash and cash equivalents:		
Cash and cash equivalents at the beginning of period	40.991.952	2.968.906
Cash and cash equivalents at the end of period	19.062.748	3.305.230

Shareholders' Equity (EUR)	Share capital	Reserves	Treasury shares	Currency translation adjustment	Retained earnings	Equity attributable to parent	Non-controlling interest	Total equity
Balance at 1 January, 2019	**15.217.006**	**25.645.230**	**(305.660)**	**(810.849)**	**22.539.954**	**62.285.681**	**-**	**62.285.681**
Total comprehensive income								
Profit / (loss) for the period	**-**	**-**	**-**	**(483.971)**	**10.568.457**	**10.084.486**	**(53.762)**	**10.030.724**
Transactions with the equity holders of the Company:	**-**	**-**	**302.217**	**-**	**396.143**	**698.360**	**2.703.676**	**3.402.036**
Capital increase	-	-	-	-	-	-	2.703.676	2.703.676
Sale of treasury shares			302.217	-	396.143	698.360		698.360
Balance at 30 June 2019	**15.217.006**	**25.645.230**	**(3.443)**	**(1.294.820)**	**33.504.554**	**73.068.527**	**2.649.914**	**75.718.441**
Total comprehensive income								
Profit / (loss) for the period	**-**	**-**	**-**	**(1.416.060)**	**1.426.461**	**10.401**	**174.072**	**184.473**
Transactions with the equity holders of the Company:	**-**	**-**	**2.272**	**-**	**(5.823)**	**(3.551)**	**(2.093.050)**	**(2.096.601)**
Correction of business combination	-	-	-	-	-	-	(2.093.050)	(2.093.050)
Sale of treasury shares			2.272	-	(5.823)	(3.551)		(3.551)
Balance at 31 December 2019	**15.217.006**	**25.645.230**	**(1.171)**	**(2.710.880)**	**34.925.192**	**73.075.377**	**730.936**	**73.806.313**
Balance at 1 January, 2020	**15.217.006**	**25.645.230**	**(1.171)**	**(2.710.880)**	**34.925.192**	**73.075.377**	**730.936**	**73.806.313**
Total comprehensive income								
Profit / (loss) for the period	**-**	**-**	**-**		**6.236.726**	**674.453**	**199.130**	**873.583**
Transactions with the equity holders of the Company:	**-**	**-**	**-**		**745.990**	**745.990**	**246.537**	**992.527**
Acquisition of new subsidiary						-	117.472	117.472
Transactions with the equity holders of the Company:	-	-	-		745.990	745.990	129.065	875.055
Balance at 30 June 2020	**15.217.006**	**25.645.230**	**(1.171)**	**(2.710.880)**	**41.907.908**	**74.495.820**	**1.176.603**	**75.672.423**

MANAGEMENT REPORT

KEY ITEMS OF THE FIRST SIX MONTHS FOR 2020 OF THE CORPORATE GROUP

Main data-consolidated	30.06.2020 1-6 months	31.12.2019 1-12 months	30.06.2019 1-6 months
Consolidated statement of comprehensive income			
Property rental revenue	4 268 960	7 402 438	4 660 454
Direct contribution from rental activities	3 422 711	6 394 811	3 276 199
EBITDA	11 392 472	13 796 830	4 058 778
EBIT	11 377 166	13 724 009	4 033 301
Profit for the period	6 435 856	12 115 229	10 514 695
Assets, liabilities, equity			
Revenue-generating investment properties	161 879 115	147 670 000	148 501 061
Long-term liabilities in total	101 486 307	107 062 139	72 015 946
Current assets in total	22 580 943	42 605 238	7 594 625
Short-term liabilities in total	19 116 310	9 677 143	8 677 164
Equity per shareholders of the Company	74 495 820	73 075 377	

FINANCIAL DATA – CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ANALYSIS

Profit and loss accounted for property rental revenue activities

Profit and loss accounted for property rental activities revenue shows an increasing efficiency upon a slightly downward income structure in relation to the direct contribution from rental activities value compared to the same period of the previous year.

- In 2020, upon the recognization of Montevideo as A category and Pauler as B category in the office building portfolio, an improvement was realized in the areas of the quality related to the areas for rent, herewith, the area of rentable office buildings was increased by 6763 in all, while in respect of the number of rentable parking areas a 169 increase could be experienced.
- The effects of Covid 19 were occured both in relation to the income and the costs, however, the aforesaid could improve the direct contribution from rental activities value.
- The decrease, compared to the same period in the previous year, measured for property rental revenues, was mainly due to the exchange rate effects related to those lease contracts which were denominated in Hungarian Forints and partly to the effects of COVID 19.

Regarding the direct contribution from rental activities indicator of the group, a 10 percentage point increase was experienced compared to the same period in the previous year. The value of the ratio increased from 70 percentage to 80 percentage.

With regard to the direct costs, compared to the same period in the previous year, a large scale decrease could be experienced. The hereof, on one hand, was due to the cost reduction resulted from the rationalization of operation, and on the other hand, was a consequence of a lower operational service level caused by COVID-19.

Regarding the level of the 345 EUR in thousands accounted for the expenses for maintaining investment properties is related to a specific office building, it is a result of the bigger maintenance works being performed.

Changes in properties portfolio

The Corporate Group acquired the A category office building of Montevideo as of 25 February 2020, which is the office building with the biggest floor area in the portfolio of the Corporate Group following the Ü48 and Hattyúház office buildings. The ownership of Pauler office building was transferred to the Corporate Group as of 27 February 2020.

Subsidiary Companies

As of 17 January 2020, the corporate group acquired 75 percentage of the ownership in Solum-Invest Ingatlanfejlesztő és Üzemeltető Korlátolt Felelősségű Társaság (in English: Solum-Invest Property Developer and Maintaining Private Limited Liability Company), with that, the hereof capital ownership was decreased by 0.5 percentage upon 11 May, and then, by 24.5 percentage, and as of 22 June 2020 fell to 51 percentage.

As of 27 February 2020, the Corporate Group acquired 100 percentage ownership in Alagút Investments Kft.

Upon 23 June 2020, the Company acquired 75 percentage of the range of Dreamland Holding Zártkörűen Működő Részvénytársaság (in English: Dreamland Holding Private Limited Company).

The value of 11.4 million EUR was accounted for gross operational profit and loss.

With regards, the value of gross operational profit and loss accounts 7.4 million EUR more compared to the same period in the previous year. The hereof result was mostly supported by the revaluation of the properties portfolio resulted from exchange rate fluctuation.

Financing and financial profit and loss

Payment moratorium shall be applied to the stock of credits and loans as of March, with that, the payable interest repayments have been marked off to decrease the financial profit and loss. Moreover, the financial profit and loss was distroyed by the necessary revaluation caused by the weakening forint exchange rate related to foreign currency-based credits and loans. The profit of the same period with respect to 2019 was a one-off item, due to Club Aliga, where the existing trusteeship was in the interest of the Corporate Group. The Corporate Group, by means of the acquisition of PRO-MOT Hungária Kft., could measure 8.1 million negative goodwill (badwill) for financial income.

The Corporate Group accounted 7.5 million EUR for profit before tax.

The corporate group's consolidated profit after tax

The earnings per share issued and marketed on average measured 15.17 euro cents. Earnings per share result indicator move meant a decrease compared to the indicator supported by the one-off individual financial profit and loss of a year previously.

FINANCIAL DATA – CONSOLIDATED BALANCE SHEET

The Corporate Group accounted 196.3 million EUR for the balance sheet total as of 30 June 2020. In consistent with the strategy of the Corporate Group, the balance sheet total growth is due to the increase of revenue-generating investment properties.

Composition of assets

Revenue-generating investment properties

The estimated total value of investment properties of the Corporate Group measured 161.8 million EUR as of the reporting day. The portfolio of the revenue-generating investment properties assets of the Corporate Group involved 38 properties in the first half of 2020, and, moreover, 7 development areas are accounted for the properties of the Corporate Group.

In 2017, the transformation, and respectively, the profile clearance of the properties portfolio was initiated to have material changes performed. Typically, the Corporate Group, in addition to its "B" and "C" category properties portfolio, shall pay enhanced attention to "A" and premium category properties as well. Two new properties, classified as A and B categories, were transferred to the ownership of the Corporate Group while the property sold was classified in C category.

Since drafting the strategy, the Corporate Group shall concentrate on such acquired assets which are related niche segments of low-price upon generating big profit by means of professional maintenance with investment aims for middle- or even long-term. The Corporate Group shall primarily hold office buildings in the capital, but also buys logistics properties and commercial real estates (such as the 18 SPAR retail market units being in the ownership of the Company) all over the country. In the course of the last years, the Corporate Group has enhanced its properties portfolio.

Tourist developments started last year have been continued upon high volume: the one development area available in 2019 was completed with other six ones. The developments are to be planned to be finished mostly in 2022, and in smaller part, the thereof is to be completed in 2023. Presumably, the financial impacts of revenue-generating tipping are to be seen following the period of COVID-19, significantly based on number of the national overnight stays and consumption of services.

With regard to the utilization of the revenue-generating properties, in the course of the half year and as a result of COVID-19, a significant decline has not been experienced, and, moreover, compared to the same period in the previous year, an improvement can be noticed. The replenishment of free property areas is continuous, the period of most profitable properties under contractual agreement is for more than 12 months.

The composition and utilization of the properties of the Corporate Group as of 30 June 2020

Serial number	Property	Utilization	Floor area	Percentage of monthly income out of the total income
		%	square meter	%
1	1082 Budapest, Üllői út 48.	100%	11130	16,47
2	1015 Budapest, Hattyú utca 14.	73%	8688	19,80
3	1022 Budapest, Bég utca 3-5.	77%	5693	9,15
4	1022 Budapest, Bég utca 4.			
5	1118 Budapest, Kelenhegyi út 43.	82%	1938	2,74
6	1133 Budapest, Visegrád u. 110-112.	100%	3385	3,77
7	1094 Budapest, Páva utca 8.	71%	3496	4,04
8	1139 Budapest, Frangepán u. 19.	100%	2665	2,18
9	1149 Budapest, Várna u. 12-14.	75%	2233	1,24
10	1123 Budapest, Felhévízi u. 24.	100%	732	0,53
11	1102 Budapest, Szent László tér 20.	78%	8080	2,60
12	1102 Budapest, Bánya u. (Szent László tér 20. "E")	0%	742	-
13	6000 Kecskemét, Kiskőrösi út 30.	100%	6024	1,41
14	1047 Budapest, Schweidel J. u. 3.	95%	4915	1,93
15	1144 Budapest, Egyenes u. 4.	0%	1636	-
16-34	18 SPAR retail units	100%	18259	19,06
35	3525 Miskolc, Szűcs Sámuel u. 5.	100%	918	1,89
36	1037 Budapest, Montevideo u. 2/C.	96%	5995	10,38
37	1013 Budapest, Pauler u. 2.	100%	656	1,27
38	1044 Budapest, Váci u. 76-80.	69%	2089	1,55

The developments itemized by location and development targerts of the Corporate Group

Number	Property	Description	Type of development	Area of the plot m2
1	8230 Balatonfüred, Zákonyi Ferenc u. 10.	Development	Port and Hotel	15 571 824
2	8622 Szántód, Móricz Zsigmond u. 96. - Szántód urbanized area under the land register number of 1163/3	Development	Hotel and Adventure Park	36 813
3	8622 Szántód, Tihany u. 1. - Szántód urbanized area under the land register number of 1166	Development	Csárda (Inn) - other functions	2 525
4	8622 Szántód, Csokonai tér 1. - Szántód urbanized area under the land register number of 1165	Development	Hotel - staff accomodation	2 885
5	3910 Tokaj, Csurgó Völgy under the land register number of 3022	Development	Hotel	29 999
6	3910 Tokaj, Csurgó Völgy under the land register number of 3019	Development	Active Tourist Center	7 887
7	2025 Visegrád, urbanized area under the land register number of 1813.	Development	Lepence strandfürdő	53 477

Goodwill

The balance sheet item of the goodwill is due to accounted development projects.

Current assets – Trade and other receivables

Trade receivables are accounted in the amount of 730 EUR in thousands, which show a significant increase of 44 percentage compared to the value of 410 EUR in thousands as of the end of last year, but it is important to emphasize that the thereof receivables are mainly due to the facilities provided for the tenants in the course of COVID-19 crisis. Most of our tenants are obliged to settle the said obligations not later than the end of the year, with that, the minority of the thereof is temporarily exempted from the burden payable until the first quarter of 2021. Termination by tenants are at a low level in the course of the half year, and those tenants who are holding temporary deferred payment informed the Company on the intention of a long-term cooperation.

The amount of other short-term related party receivables is 1.7 million EUR as of 30 June 2020, compared to the 442 EUR in thousands at the end of the year. The growth was generated by the tax refund of the tax authority in relation to the new developments.

Current assets – Loans given

As of 30 June 2020, the amount of 5.6 EUR in thousands were accounted for the item of loans, with that, the 44 EUR in thousands decrease was due to the settlement of claims with one of the owners.

Composition of resources

Long- and short-term bank loan liabilities, issued corporate bonds

The amount of 38.9 million EUR was decreased to 36.8 million EUR concerning long- and short-term bank loan liabilities. The decrease of short-term bank loan liabilities is due to the repayment performed by the Corporate Group, while the increase of short-term liabilities is a result of exchange rate effect related to forint weakening of credit growth.

The decrease of the denominated bond portfolio issued in Hungarian Forints within the framework of NKP central bank program was due to the exchange rate effect.

The value of indebtedness indicator is, exclusively calculated for external resources, 18.7 percentage, while the total value of external indebtedness indicator is 47.8 percentage upon the inclusion of NKP into the bond portfolio. Both values are below the percentage point set forth by the Board of Directors.

Non-controlling interest

Non-controlling interests at Corporate Group level as of 30 June 2020

Name	Capital ownership (%)
PRO-MOT Hungária Kft.	25%
Solum-Invest Kft.	49%
Dreamland Holding Zrt.	25%
DLHG Invest Zrt.	25%
Tokaj Csurgó Völgy Ingatlanfejlesztő Kft.	25%
Szántód BalaLand Family Ingatlanfejlesztő Kft.	25%
Visegrád Lepence Völgy Strandfürdő Kft.	25%
SZRH Szántód Rév Hotel Ingatlanfejlesztő Kft.	25%
TATK Tokaj Aktív Turisztikai Központ Kft.	25%

Tenant deposits

The amount of tenant deposits was significantly increased to the amount of 1.4 million EUR from 301 EUR in thousands as of the end of last year. The aforesaid growthth is due to the new acquisitions in relation to the new office market, and to tenant safeguard structure of the office buildings including in the portfolio beforehand.

Tax liabilities and deferred tax liabilities

At Corporate level, tax and deferred tax liabilities do not indicate significant change compared to the end of last year, while as of 30 June 2020, the amount of deferred tax liabilities is 316 million EUR and the thereof amount in relation to tax liabilities accounts 316 EUR in thousands.

Trade creditors

Liabilities in the amount of 3.5 million EUR was accounted for trade creditors as of 30 June 2020. The growth, compared to the end of last year, was primarily due to the planning and construction costs related to the new developments.

EQUITY STRUCTURE OF THE CORPORATE GROUP

The amount of equity of the shareholders of the company measured 74.5 million EUR in total, while the amount of non-controlling interest was 1.2 million EUR as of 30 June 2020.

Regarding the first half of 2020, there was not dividend approved.

CASH FLOW OF THE CORPORATE GROUP

The cash and cash equivalents of the Corporate Group was decreased by 21.9 million EUR in net, which was primarily due to the acquisitions performed in the course of the first half of the year.

EVENTS FOLLOWING THE PERIOD UNDER REVIEW

The transaction of VCT78 Ingatlanhasznosító Kft. was completed upon 7 July 2020, and herewith, the company and the property owned by the thereof was excluded from the Corporate Group structrue.

As of 30 July 2020, Szántód Balaland Family Ingatlanfejlesztő Kft. (in English: Szántód Balaland Family Property Developer Private Limited Liability Company), a subsidiary company of Appeninn, and the member of the Dreamland Group, concluded a project loan contract with the International Investment Bank in the amount of 9.8 billion Hungarian Forints.

INDICATORS ON PERFORMANCE

Main performance indicators at Group level as of 30 June 2020

	30.06.2020 1-6 months	30.06.2019 1-6 months	Change (percentage)
Revenue-generating investment properties	161 879 115	148 501 061	9,0%

	30.06.2020 1-6 months	30.06.2019 1-6 months	Change (percentage)
Indebtedness ratio	56%	40%	42,5%

	30.06.2020 1-6 months	30.06.2019 1-6 months	Change (percentage)
Profit after tax	6 435 856	10 514 695	
EBITDA	11 392 472	4 058 778	
Own equity	75 672 423	75 718 440	
ROE	8,5%	13,9%	-38,8%
ROE corrected*	5,2%	6,5%	-19,9%

*Upon large-scale filtering the financial profit and loss on a single basis, and itemizing revaluation effects on a pro rata temporis basis.

	30.06.2020 1-6 months	30.06.2019 1-6 months	Change (percentage)
Profit after tax	6 435 856	10 514 695	
EBITDA	11 392 472	4 058 778	
Assets in total	196 275 040	156 411 550	
ROA	3,3%	6,7%	-51,2%
ROA corrected*	4,6%	3,1%	44,9%

*Upon large-scale filtering the financial profit and loss on a single basis, and itemizing revaluation effects on a pro rata temporis basis.

	30.06.2020 1-6 months	30.06.2019 1-6 months	Change (percentage)
Direct contribution from rental activities	3 422 711	3 276 199	
Revenue-generating investment properties	161 879 115	148 501 061	
ROI	2,1%	2,2%	-4,2%

THE HISTORY OF THE CORPORATE GROUP

Appeninn Vagyonkezelő Holding Nyrt. was established in 2009, and the trading of the shares at Budapest Stock Exchange was initiated as of 02 July 2010. Since 2011 the shares have been traded in PREMIUM category, and since April 2012, the Company has been the member of BUX index, and even was entered into regional CECE index.

Since drafting the strategy, the Corporate Group shall concentrate on such acquired assets which are related niche segments of low-price upon generating big profit by means of professional maintenance with investment aims for middle- or even long-term. The Company shall primarily hold office buildings in the capital, but also buys logistics properties and commercial real estates all over the country. In the course of the last years, the Corporate Group has enhanced its properties portfolio.

The Corporate Group has significantly expanded its tourist development activitiy in the last half year. The new projects has diversified the available activities on a large scale upon establishing a potential for long-term profitability.

DESCRIPTION OF THE REAL ESTATE MARKET ENVIRONMENT AND SECTOR IN HUNGARY

With regard to Budapest, in the second quarter of 2020, the modern office portfolio was expanded with 87.750 square meters in 5 office buildings. The Agora Tower (34,500 square meters) and Váci Greens F (25,050 square meters) in Váci street passageway were opened. The first phase of Arena Business Campus (20,400 square meters) was completed in Nem-Központi Pest (in English: Non-Central Pest) submarket, and Kálmán Imre 20 (2,300 square meters) in CBD. The own property office portfolio was expanded with Market Zrt., a new headquarter. One office building (8,445 square meters) in CBD was removed from the portfolio as it is being utilized as non-office building.

At present, the total amount of Budapest modern office portfolio measures 3,204,915 square meters upon “A” and “B” category modern speculative office areas of 3,204,915 square meters and 612,390 square meters of own property office.

The rate of vacancy was increased to 7.3%, which equals to 1.1 percentage point increase on a quarterly basis, while the herein percentage point measures 1 on a yearly basis. With regards to the second quarter of 2020, the lowest vacancy rate of 2.8% was registered for Észak-Buda (in English: North-Buda) submarket, while the highest vacancy rate of 33.6% was still measured in the agglomeration.

In the course of the second quarter, the value of net absorption accounted 31,430 square meters.

With regard to the second quarter of the 2020, the gross value of demand measured 87,990 square meters resulting a 46% downturn compared to the same period of the previous year. Regarding the total amount of demands, contract prolongations measured the highest ratio, and even the ratio of the thereof has been significantly risen. In the course of the second quarter of 2020, the volume of 55% related to rental revenue accounted for contract prolongation, the new contracts measured 27%, and the share of expansion was 4%, while preemptive rent contracts measured 14%.

The highest tenant activity was calculated for Váci street passageway, 25% of the total volume has been booked. Pest Központ (in English: Pest Center) submarket was the second most active submarket with its 23% share, while 19% of the total volume was realized in Dél-Buda (in English: South Buda) submarket.

In the course of the second quarter, BRF registered 114 contracts on office use, the number of transactions fell close to the half compared to the same quarter of 2019. The average size of the transactions was 772 square meters, which equals to the value of the second quarter of 2019. Furthermore, 9 contracts were concluded on areas larger than 3,000 square meters: 3 new agreements, 4 prolongations and 2 preemptive rent contracts.

The largest transaction was an 8,000 square meters preemptive agreement in Dél-Buda, and the biggest new transaction was a more than 7,000 square meters contract concluded on Pest Központ submarket. The largest contract prolongation on rent was concluded on 4,790 square meters in the building of Westend City Center.

The data on office market as of the second quarter of 2020 reflect the economic changes caused by COVID-19 pandemic. Regarding the market demand, there was a significant decline, the number of transactions indicated a large-scale decrease. With regard to the lease charges related to the available areas, a minimum of lease charge correction can be experienced, especially in the cases of "B" category buildings.

Source: BIEF, BRF

Commercial real estate

Following the market events of the past years indicating value increase, at the beginning of 2020, Corona virus pandemic shocked both the national and global commercial real estate markets. Market experts shall agree that the most exposed segments of the thereof are the hotel and retail property markets, with that, it may become typical in every segment that the companies (tenants) are not able to perform their payment obligations as it is set forth in the contracts. In order to avoid the potential spread and the immediate occurance of the risk related to financial stability resulting from the aforesaid, MNB (Hungarian National Bank) urged to and as of 18 March 2020, the Hungarian Government introduced, the precaution repayment moratorium. The prospects of the hereof are uncertain, the duration of the pandemic and the damages caused by, in all likelihood, will affect the market of commercial real estates. Following the changes in work performance and consumption experienced in short-term concerning the pandemic situation – with regard to the priority of home office work and online shopping – long-term effects related to both of the demand and supply sides are uncertain. The aforementioned uncertainity has a negative effect on the market.

Following the tendencies of the last years, all segments of the national commercial real estate market were to be featured with active rental, investment and development presence, even in 2019. It could be still maintained that the demand met late adoption of the supply resulting the decrease of the under-utilization rate and the rise of lease charges. The arrival of new supply to the market was below expectations in relation to each property type, and the shift of the construction is still typical. Budapest office market and the nationwide hotel sector are featured by outstanding development activity. With regard to each segment of the market, the ratio of unused areas was at the lowest level ever recorded in the course of the year. By the end of 2019, the rate of average under-utilization of Budapest modern offices dropped to 5.6 percentage, with that, the thereof rate was 1.9 percentage in the capital and in relation to the industrial-logistics properties found in the surroundings. Regarding the development data as of the end of the year for the coming 2 to 3 years, a significant, 16 percentage supply increase of the existing portfolio was forecasted in relation to Budapest office market and the nationwide hotel capacity. Although, Corona virus pandemic, appearing even in our country in March 2020, caused shutdowns, and further shifts and increased under-utilization in relation to the pending constructions. In short-term, the decrease and the delay of the rental demand are the consequences of the current situation, and, moreover, in the course of the pandemic, rental fee discounts and significant loss of income are all to be taken into account in relation to each segment. The income of the hotels was reduced to zero within a few weeks, herewith, many of the hotel invesments may be stopped or even not be started. In the long run, the question is how much the industries are going to be changed, namely, whether there is going to be a lasting effect of the crises on the consumption habits, employment trends or supply chains.

In 2019, investment transactions in the commercial real estate market performed 1.8 billion EUR, with that, 75 percentage of the thereof investments are linked to national participants. Corona virus pandemic shall restrain the investment activity, and in addition, primarily, prime properties, ensuring stabile income in the long run, may get into the focus of interest.

Source: MNB

MAIN RISK FACTORS

The Corporate Group holds significant properties portfolio financed by bank credits and loans. The hereof activity is exposed to the general economic situation, in particular to the property price, mortgage market and changes in the lease charges level. To the extent that the economy, real estate market or mortgage market slows down or falls back in the future, the hereof shall have a negative impact on the market value of the properties of the Corporate Group, and respectively on the financing possibilities and efficiency and growth.

In respect to the existing office properties portfolio, the second wave of COVID-19 may mean further significant risk, which may largely disrupt the value of utilization, herewith, it may destroy the profitability of the present revenue-generating portfolio.

Foreign-based investment loans of the Corporate Group is denominated in EUR. The Corporate Group places strong emphasis on the consistency between lease charges income calculated in EUR and financing. Some part of the operational costs, like wages and salaries, re-invoiced utility fees, fees for experts, and budgetary burdens are typically calculated in Hungarian Forints. Although, it shall contain foreign exchange risk, but the Corporate Group classifies the thereof upon low risk, hence total foreign exchange risk is not realized.

SHARE OF CONSOLIDATED COMPANIES AND CONTROLLED INTEREST

The consolidated company structure as of 30 June 2020

Company	Parent Company	Ownership and voting share
Appeninn E-Office Vagyonkezelő Zrt.	Appeninn Vagyonkezelő Holding Nyrt.	100%
FELHÉVÍZ-APPEN Kft.	Appeninn Property Vagyonkezelő Zrt.	100%
APPEN-RETAIL Kft.	Appeninn Property Vagyonkezelő Zrt.	100%
Appeninn Property Vagyonkezelő Zrt.	Appeninn Vagyonkezelő Holding Nyrt.	100%
Appeninn- Bp1047 Zrt.	Appeninn Vagyonkezelő Holding Nyrt.	100%
Appeninn Hegyvidék Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
Curlington Ingatlanfejlesztési Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
Appeninn Üzemeltető Zrt.	Appeninn Vagyonkezelő Holding Nyrt.	100%
SECTURA Ingatlankezelő Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
Szent László Téri Szolgáltató Ház Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
BERTEX Ingatlanforgalmazó Zrt.	Appeninn Vagyonkezelő Holding Nyrt.	100%
Appeninn Project-MSKC Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
Appeninn Project-EGRV Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
PRO-MOT Hungária Kft.	Appeninn BLT Kft. and	75%
Appeninn BLT Kft. and	Appeninn Vagyonkezelő Holding Nyrt.	100%
Alagút Investments Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
Solum-Invest Kft.	Appeninn Vagyonkezelő Holding Nyrt.	51%
Dreamland Holding Zrt.	Appeninn Vagyonkezelő Holding Nyrt.	75%
DLHG Invest Zrt.	Dreamland Holding Zrt.	100%
Tokaj Csurgó Völgy Ingatlanfejlesztő Kft.	DLHG Invest Zrt.	100%
Szántód BalaLand Family Ingatlanfejlesztő Kft.	DLHG Invest Zrt.	100%
Visegrád Lepence Völgy Strandfürdő Kft.	DLHG Invest Zrt.	100%
SZRH Szántód Rév Hotel Ingatlanfejlesztő Kft.	DLHG Invest Zrt.	100%
TATK Tokaj Aktív Turisztikai Központ Kft.	DLHG Invest Zrt.	100%
VCT78 Ingatlanhasznosító Kft.	Szent László Téri Szolgáltató Ház Kft.	100%

DECLARATION ON THE AUDIT RELATED TO THE DATA INCLUDED IN THE REPORT

The data in the Report are consolidated, and were compiled in line with the IFRS standards effective as of 1 January 2020, and are not audited by an independent auditor.

INTRODUCTION OF OWNERS HOLDING MORE THAN 5% SHARE

Main specifications of the shareholders holding more than five percentage shareholding

Name	Nationality[1]	Activity[2]	Quantity of shares (quantity)	Equity (%)	Voting right (%)[3]
Avellino Holding Zrt.	B	T	11,369,141	24	24
Zinventive Zrt.	B	T	8,684,268	18,33	18,33
OTP Ingatlanbefektetési Alap	B	T	2,410,372	5,09	5,09

1 Domestic (B). Foreign (K) 2 Custodian (L). Public financies (Á). International Development Institution (F). Institutional (I). Business Association (T) Private (M). Employee, executive officer (D) 3 Voting right ensuring participation in decision-making upon the general meeting of the Issuer

As of 30 June 2020, equity share of the Company consisted of 47,371,419 quantity of dematerialized equity shares at the nominal value of 100,-HUF, out of which 1848 quantity is owned by the company.

THE CORPORATE GROUP'S DECLARATION ON LIABILITY

We, the undersigned, shall hereby declare, that, in line with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU), and upon having taken all reasonable care to ensure, compiled the herein Report providing real and reliable picture on the assets, liabilities, financial status and profit and loss of Appeninn Plc. and its enterprises included in the consolidation. Moreover, the Report shall present a fair view on the status, development and performance of Appeninn Plc. and its enterprises involved in the herein consolidations upon introducing the main risks and uncertainty factors.

An independent audit report on this Interim financial report has not been drafted.

Dated as of 21 September 2020 in Budapest

Bernáth Tamás	Dr. Szabó Nóra
chairperson of the Board of Directors	member of the Board of Directors

Appeninn Vagyonkezelő Holding Nyrt.