Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság Separate Business Report and Executive Report for the Year 2020

A business report required by International Financial Reporting Standards (IFRS) and Act C of 2000 on Accounting, and an executive report compiled on the basis of Annex No. 1 to Decree 24/2008. (VIII.15.) of the Minister of Finance, in a consolidated format.

Budapest, 09th of April 2021

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (1118 Budapest, Kelenhegyi út 43. B. ép. V. em.1., company registration number: 01-10-046538 – hereinafter referred to as: "Appeninn Nyrt." or the "Company") has prepared consolidated financial statements for the year 2020, compiled in accordance with International Financial Reporting Standards (IFRS). The business report required by Act C of 2000, on Accounting (hereinafter referred to as: the "Accounting Act") (Section 95 of the Accounting Act) and the executive report prepared in accordance with the contents described and indicated in Annex No. 1 to Decree 24/2008. (VIII.15.) of the Minister of Finance (hereinafter referred to as: "MoF") are prepared and published by Appeninn Nyrt. in a consolidated structure.

The purpose of the report is to demonstrate the Company's proprietary, financial and earnings position, and the course of its business, including the key risks and uncertainties incurred by the undertaking in the course of its activity, through an assessment of the figures contained in the annual report in a manner that provides a reliable and fair view reflecting the actual circumstances on the basis of facts from the past and of estimated future data [Accounting Act, Section 95(1)]. The business report must contain a comprehensive analysis of the development, performance and position of the Company's business, consistent with the size and complexity of the Company [Accounting Act, Section 95(2)].

With a view to expediency, below the Company presents, characteristically to its activity and in an extent required for understanding the Company's development, performance or current situation, all the financial indicators and, where necessary, all the non-financial key performance indicators that are essential for the particular business entity.

1. The Company's development and history

Appeninn Nyrt., founded in 2009, is a key player in the Hungarian real estate market and a real estate investment and asset management company listed on the Budapest Stock Exchange for more than 10 years and listed in the Premium category since 2013. The main elements of its activity are real estate development, real estate rental and estate property maintenance.

The diversified, already operating real estate portfolio of the Company and its subsidiaries included in the consolidation (hereinafter referred to as: the "Appeninn Group") is outstanding among Hungarian real estate market participants: mostly Budapest, quality office buildings and retail and logistics properties are owned by the Appeninn Group. In 2020, the Group's portfolio expanded with tourist real estate developments. The diversified industry presence largely atomizes the risk of unilateral exposure in the medium and long term, which contributes to the long-term stability of the Appeninn Group's operations. A significant improvement in the level of predictable profitability will allow us to increase our share of the office, commercial and logistics market. The Appeninn Group currently has approximately 450 tenants, with a portfolio of 38 more than 155,000 square feet of real estate properties and real estate development valued at nearly € 162 million.

As a listed company, one of the main considerations for Appeninn Nyrt. during its 10 years of listing was to create value for the investors of the Company through a real investment opportunity. The Appeninn Group's revenue-generating activities are based on a stable, valuable and real estate portfolio offering long-term security.

1.1. Amount of the share capital and changes affecting the share capital

The share capital of the Company embodies 47,371,419 quantity of shares (ISIN: HU0000102132, aggregate face value: 4,737,141,900,- Hungarian Forints). During the year the share capital of the Company did not change.

1.2. Management of the Company

The composition of the Board of Directors and the Audit Committee of the Company in the course of 2020 is as follows:

1.2.1. Members of the Board of Directors:

- **Dr. Bihari Tamás**
- **Dr. Hegelsberger Zoltán**
- **Kertai Zsolt**
- **Nemes István Róbert**
- **Dr. Szabó Nóra**

Members of the Board of Directors in the course of the year:

- Bernáth Tamás
- Dr. Tóth Judit
- Malik Zoltán
- Guttmann György Vilmos

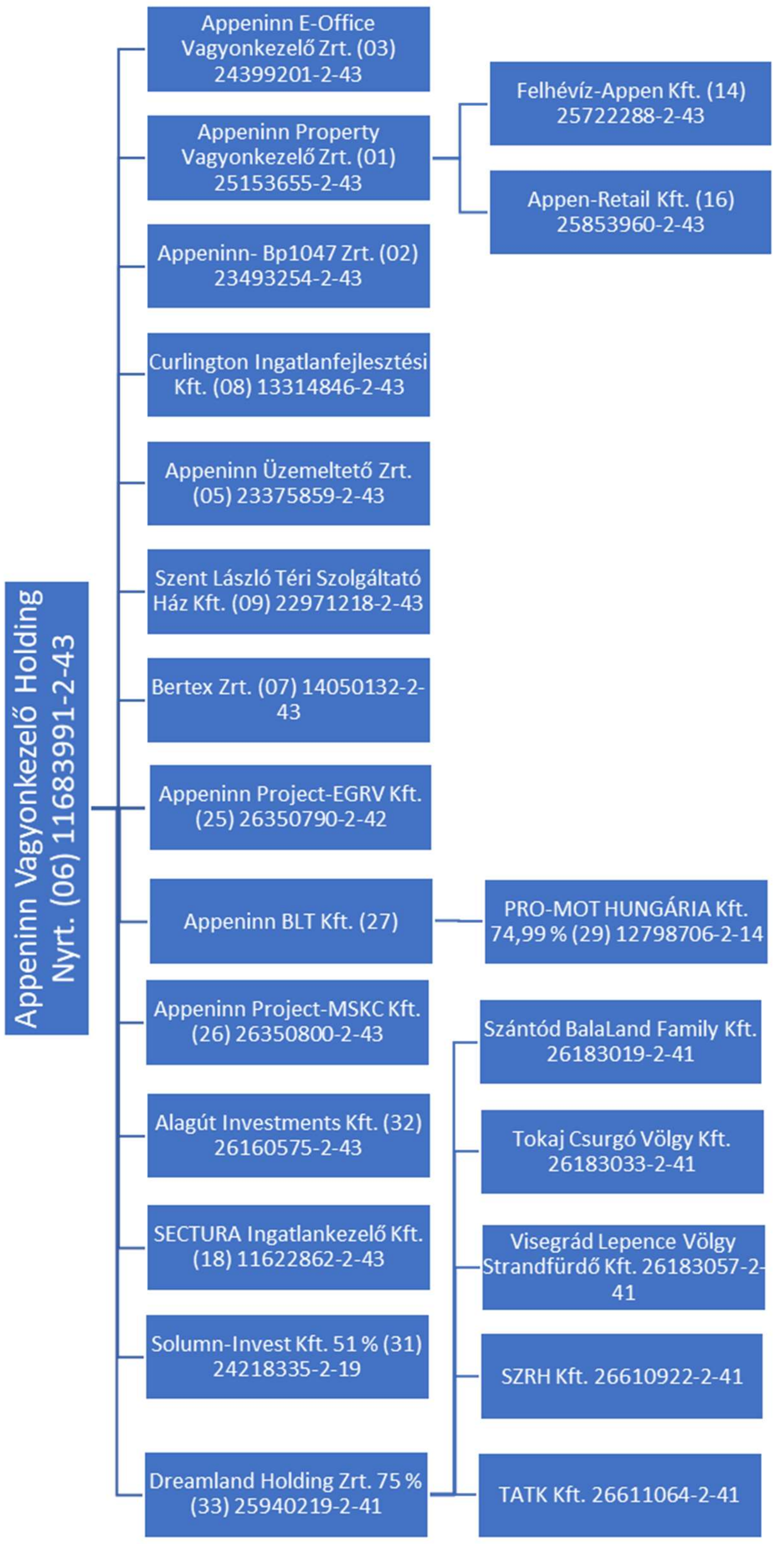
1.2.2. Members of the Audit Committee:

- **Dr. Hegelsberger Zoltán**
- **Kertai Zsolt**
- **Nemes István Róbert**

Members of the Audit Committee in the course of the year:

- Dr. Tóth Judit
- Malik Zoltán
- Guttmann György Vilmos

1.3. Company Structure



1.4. Major economic events of the year 2020

10 January 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-10-046538; hereinafter referred to as: the "Company") hereby informs the Honourable Investors that on 9 January 2020, the Company entered into a sales contract to purchase a 76 percent business share in Solum-Invest Ingatlanfejlesztő és Üzemeltető Korlátolt Felelősségű Társaság (in English: Solum-Invest Real Estate Development and Operator Limited Liability Company) (company registration number: 19-09-520175). The Company acquired the firm operating the port of Balatonfüred together with Balázs Attila, a shareholder of Bayer Construct Zrt., operating in the construction and real estate development market, who at the same time acquired a 24% shareholding. With the high-quality operation of the port and the future developments planned together with its partner, the Company will appear on the Balaton tourism market with a new, high-quality product.

17 January 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-10-046538; hereinafter referred to as: the "Company") hereby informs the Honourable Investors that, in the interest of the acquisition of the over 6,000 square metre office building located in Budapest, District III. Montevideo utca, announced in the extraordinary information published by the Company on 29 November 2019, the single-member subsidiary of the Company, BERTEX Ingatlanforgalmazó Zártkörűen Működő Részvénytársaság (registered office: 1062 Budapest, Andrássy út 59.; company registration number: 01-10-045752), entered into a sales contract on 17 January 2020. The transaction is expected to close by the end of January 2020. With the purchase of the office building, the Company's portfolio available in this category will increase by approximately 20 percent.

14 February 2020 – extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-10-046538; hereinafter referred to as: „Company") hereby informs the Honourable Investors about following. The Company further expanded its real estate portfolio by purchasing an office building in Budapest I. kerület, Pauler utca (Pauler Street, District I of Budapest). The office building with a rentable area of 668 square meters is located in one of the most frequented parts of District I, profitability is ensured by a long-term lease contract. The office building will be acquired by the Company with a sales contract concluded for 100% of the business of Alagút Investments Ingatlanhaszonítási Korlátolt Felelősségű Társaság (company registration number: 01-09-305161). The acquisition is an integral part of the Company's strategy to expand its real estate portfolio in Budapest with quality office buildings.

18 February 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-10-046538; hereinafter referred to as: „Company") hereby informs the Honourable Investors about following. The Company's subsidiary, PRO-MOT HUNGÁRIA Ingatlanfejlesztő Kft. ((1062 Budapest, Andrássy út 59., company registration number: 01-09-703978) has submitted a tender within the framework of

Kisfaludy Tourism Development Program for the development and modernization of the port belonging to the Club Aliga resort area, which is owned and managed by it. The aim of submitting the tender is to increase the quality of the service, to replace and renovate the existing structures, and to significantly increase the quality of the service facilities. PRO-MOT HUNGÁRIA Ingatlanfejlesztő Kft. submitted an additional tender within the framework of Kisfaludy Tourism Development Program for the construction of a new hotel, which is open all year round. The investment would completely renew the Club Aliga accommodation service, as a result of which the standard of accommodation facilities would fit well with the range of higher quality services offered by the port and the beach.

26 February 2020 - extraordinary information – transaction closing

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-10-046538; hereinafter referred to as: the "Company") hereby informs the Honourable Investors that, on this day, the Company closed the following real estate transaction: The Company's single-member subsidiary, BERTEX Ingatlanforgalmazó Zártkörűen Működő Részvénytársaság (registered office: 1118 Budapest, Kelenhegyi út 43. V. em. B. ép. 1 .; company registration number: 01-10-045752) purchased the office building located in Montevideo Street, District III of Budapest, whose contract of sale was signed on 17 January 2020. With the purchase of the office building, the Company expanded its portfolio in this segment with more than 6,000 square meters of rentable office space.

09 March 2020 - extraordinary information – strategy

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-10-046538; hereinafter referred to as: the "Company") hereby informs the Honourable Investors that the Company has updated its strategy.

20 March 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-10-046538; hereinafter referred to as: the "Issuer") hereby informs the Honourable Investors about the following. The Issuer has decided to sell two properties indirectly owned by the Issuer as part of the portfolio clean-up required to implement its further growth plans. Accordingly, the Issuer sold the real estate properties located in 1065 Budapest, Andrássy út 59 and 1062 Budapest, Andrássy út 105 through the subsidiaries owning the real estate properties.

01 April 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-10-046538; hereinafter referred to as: „Company") hereby informs the Honourable Investors about following. Pursuant to the decision made within the framework of Kisfaludy Tourism Development Program, the tender submitted previously by the Company's two subsidiaries, PRO-MOT HUNGÁRIA Ingatlanfejlesztő Kft. (1062 Budapest, Andrássy út 59., company registration number: 01-09-703978), and Solum-Invest Kft. (8230 Balatonfüred, Zákonyi Ferenc utca 8., company registration number: 19-09-520175), as well as by Solum-Invest Kft. (8230 Balatonfüred, Zákonyi Ferenc utca 8., company registration number: 19-09- 520175), in Kisfaludy Balaton e-port development scheme also received a positive assessment. Solum-Invest Kft. received a total of 999,963,232,-HUF in tender support for the complete renovation of the port of Balatonfüred, while 999,921,306,-HUF was awarded to PRO-MOT HUNGÁRIA Ingatlanfejlesztő Kft. for the development of the port belonging to the Club Aliga resort area of Balatonvilágos. In both cases, the total cost of the development projects is 1.8 billion Hungarian Forint. As a result of the successful tenders, the development of the previously neglected port belonging to the Club Aliga resort area can begin, with which the Company aims to renew and expand the port, which has a serious potential for sailing tourism on Lake Balaton. At the same time, the complete renovation of the port of Balatonfüred will begin. With the development of the port of Balatonfüred, which accommodates about 170 sailboats, and the conversion of the pier, the aim is not only to provide general, everyday functions: the Company is committed to making the area even more attractive to local sailing communities and sailing competitions. In line with the strategy updated at the beginning of the year, the Company intends to place great emphasis on tourism real estate development in the coming years. The renovation of Club Aliga and the port of Balatonfüred can also be implemented as the first elements of this, which the Company expects to greatly contribute to the recovery of Lake Balaton tourism and the Company's profit-generating capacity after the end of the emergency caused by the coronavirus epidemic.

15 April 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-10-046538; court of registration: Fővárosi Törvényszék Cégbírósága (in English: Company Registry Court of Budapest-Capital Regional Court); hereinafter: the "Company") hereby informs the Honourable Investors about the following: with view to Government Decree No. 102/2020 (IV.10.) on Operation of Partnerships and Corporations in case of Emergency during an emergency (hereinafter referred to as: "Government Decree"), the Ordinary General Meeting of the Company convened on 17 April 2020 will not be held. The Company published its proposals to the General Meeting on 27 March 2020; according to Subsection 2 of Section 9 of the Government Decree, the Board of Directors of the Company is entitled to make a decision on the agenda items submitted to the General Meeting. We would like to draw the attention of our Honourable Investors to the fact that pursuant to Subsection 7 of Section 9 of the Government Decree, shareholders holding at least 1% of the votes may request the convening of the General Meeting within a 30 day forfeiture period following the end of the emergency for the subsequent approval of resolutions of the general meeting taken by the management during the emergency. Shareholders have the right to initiate the convening of the General Meeting until 31 May 2020 or, if the business year of the public limited company differs from the calendar year, within 30 days from the publication of the management's resolution on the report and the use of profit after tax. This deadline shall apply with prejudice. Those shareholders are entitled to the right of general meeting convocation who, on the basis of the identification procedure requested and performed in relation to the General Meeting indicated in the Notice published in line with the herein Government Decree or in the Invitation Letter disclosed originally, are included in the share register.

16 April 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-10-046538; hereinafter: the "Company") hereby informs the Honourable Investors that on 16 April 2020, Konzum II. Ingatlanbefektetési Alap (registered office: 1013 Budapest, Krisztina tér 2.; registration number: 1121-14; hereinafter referred to as: "Konzum II."), as the seller, entered into a sales contract with Zinventive Vagyonkezelő Zártkörűen Működő Részvénytársaság (2038 Sóskút, Bolyai János u. 15.; company registration number: 13-10-042047; hereinafter referred to as: "Zinventive Zrt."), as the buyer, on the sale and purchase of 8,684,268,-quantity, that is eight-million-six-hundred-and-eighty-four-thousand-two-hundred-and-sixty-eight Appeninn shares issued by the Company (hereinafter referred to as: the "Shares"). With regard to the sale and purchase of Shares, the number of Appeninn voting shares directly held by KONZUM II, decreases from 8,684,268,-quantity, i.e. from eight-million-six-hundred-and-eighty-four-thousand-two-hundred-and-sixty-eight, to 0,-quantity, i.e. to zero, thus reducing its equity in the Company from 18.33% to 0%. With regard to the sale and purchase of the Shares, the number of Appeninn voting shares directly owned by Zinventive Zrt. will increase from 0,-quantity, i.e. from zero, to 8,684,268,-quantity, i.e. to eight-million-six-hundred-and-eighty-four-thousand-two-hundred-and-sixty-eight, thus increasing the equity of Zinventive Zrt. in the Company from 0% to 18.33%, thus crossing the limit value of 15% as specified in Subsection 3 of Section 61 of Act CXX of 2001 on Capital Market.

07 May 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. V. em. 1., company registration number: 01-10-046538; hereinafter referred to as: „Company") hereby informs the Honourable Investors that on this day, Zinventive Vagyonkezelő Zártkörűen Működő Részvénytársaság (hereinafter referred to as: "Zinventive Zrt.") informed the Company today that the closing of the share purchase agreement concluded with Konzum II. Ingatlanbefektetési alap on 16 April 2020 was concluded, so Zinventive Zrt. became the owner of a share package representing 18.33% of the voting rights in the Company.

15 May 2020 - extraordinary information

The registration of Appeninn 2029/I. Bonds on the XBond market Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. V. em. 1., company registration number: 01-10-046538; hereinafter referred to as: the "Company") hereby informs the Honourable Investors that the registration of altogether 400,-quantity dematerialized registered bonds issued by the Company under the name Appeninn 2029/I, bonds with the nominal value of 50,000,000,-HUF each and total nominal value of 20,000,000,000,-HUF ("Bonds") in the multilateral trading facility named XBond, operated by Budapesti Értéktőzsde Zrt. (in English: Budapest Stock Exchange Ltd.) was authorised by the CEO of Budapest Stock Exchange Ltd. on 14 May 2020. Trading in the Bonds is possible from the date of registration, i.e. 18 May 2020.

26 May 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-10-046538; hereinafter referred to as: „Company") hereby informs the Honourable Investors about following. Pursuant to the decision made within the framework of Kisfaludy Szálláshelyfejlesztési Konstrukció (in English: Kisfaludy Hotel Development Construction), the tender previously submitted by the two subsidiaries of the Company, PRO-MOT HUNGÁRIA Ingatlanfejlesztő Korlátolt Felelősségű Társaság (8171 Balatonvilágos, Aligai u. 1., company registration number: 14-09-317516), and Solum-Invest Ingatlanfejlesztő és Üzemeltető Korlátolt Felelősségű Társaság (in English: Solum-Invest Property Developer and Maintaining Private Limited Liability Company) (8230 Balatonfüred, Zákonyi Ferenc utca 8., company registration number: 19-09-520175), for the development of existing high-capacity hotels and the establishment of new hotels was also positively assessed. Further detailed information on the planned developments will be published upon receipt of the grant decision.

09 June 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-10-046538; hereinafter referred to as: the "Company") hereby informs the Honourable Investors that on 9 June 2020, the two subsidiaries of the Company, PRO-MOT HUNGÁRIA Ingatlanfejlesztő Korlátolt Felelősségű Társaság (8171 Balatonvilágos, Aligai u. 1., company registration number: 14-09-317516) and SolumInvest Ingatlanfejlesztő és Üzemeltető Korlátolt Felelősségű Társaság (8230 Balatonfüred, Zákonyi Ferenc utca 8 ., company registration number: 19-09-520175) received the support decision made by Kisfaludy 2030 Turisztikai Fejlesztő Nonprofit Zrt. within the framework of Kisfaludy Szálláshelyfejlesztési Konstrukció. As a result of the decision, Kisfaludy 2030 Turisztikai Fejlesztő Nonprofit Zrt. grants PRO-MOT HUNGÁRIA Ingatlanfejlesztő Korlátolt Felelősségű Társaság support in the amount of 7,350,000,000,,-HUF while Solum-Invest Ingatlanfejlesztő és Üzemeltető Korlátolt Felelősségű Társaság support in the amount of 5,129,119,009,-HUF. The Company published information on the public announcement of the positive assessment of the applications on 26 May 2020.

23 June 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. V. em. 1., company registration number: 01-10-046538; hereinafter referred to as: the "Company") hereby informs the Honourable Investors and financial and capital market participants that, based on the share purchase agreement concluded with SZEPARD Korlátolt Felelősségű Társaság (registered office: 1025 Budapest, Verecke út 4., hereinafter referred to as: "Szepard"), the Company acquired 75% of the share capital of Dreamland Holding Zártkörűen Működő Részvénytársaság (registered office: 1053 Budapest, Reáltanoda utca 5. 5. em. 1., hereinafter referred to as: "Dreamland Holding Zrt."). As a result of the above-mentioned transaction, DLHG Invest Zártkörűen Működő Részvénytársaság, 100% owned by Deamland Holding Zrt. (registered office: 1053 Budapest, Reáltanoda utca 5. 5. em. 1., hereinafter referred to as: "DLHG Invest Zrt.") and Tokaj Csurgó Völgy Ingatlanfejlesztő Korlátolt Felelősségű Társaság (in English: Tokaj Csurgó Völgy Property Developer Private Limited Liability Company) (registered office: 1053 Budapest, Reáltanoda utca 5. 5. em. 1.); - a Szántód BalaLand Family Ingatlanfejlesztő Korlátolt Felelősségű Társaság (registered office: 1053 Budapest, Reáltanoda utca 5. 5. em. 1.); - a Visegrád Lepence Völgy Strandfürdő Korlátolt Felelősségű Társaság (registered office: 1053 Budapest, Reáltanoda utca 5. 5. em. 1.); - a SZRH Szántód Rév Hotel Ingatlanfejlesztő Korlátolt Felelősségű Társaság (registered office: 1053 Budapest, Reáltanoda utca 5. 5. em. 1); and TATK Tokaj Aktív Turisztikai Központ Korlátolt Felelősségű Társaság (registered office: 1053 Budapest, Reáltanoda utca 5. 5. em. 1.).

23 June 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-10-046538; hereinafter referred to as: the "Company") hereby informs the Honourable Investors that, through sale and purchase, the 24.5 percent share of Solum-Invest Ingatlanfejlesztő és Üzemeltető Korlátolt Felelősségű Társaság (8230 Balatonfüred, Zákonyi Ferenc utca 8., company registration number: 19-09-520175) has come under the ownership of DH Invest Zrt. (1025 Budapest, Verecke út 4., company registration number: 01-10-049365), so the Company's share in Solum-Invest Kft. has changed to 51 percent.

30 June 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-10-046538; hereinafter referred to as: „Company") hereby informs the Honourable Investors and financial and capital market participants that on this day, i.e. 30 June 2020, the directly owned subsidiary of the Company, Szent László Téri Szolgáltató Ház Korlátolt Felelősségű Társaság signed a business share purchase agreement with AutoWallis Nyilvánosan Működő Részvénytársaság (registered office: 1055 Budapest, Honvéd utca 20., company registration number: 01-10-047350) for the sale of the business share representing 100% of the ordinary deposits of VCT78 Ingatlanhasznosító Korlátolt Felelősségű Társaság (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1., company registration number: 01-09-911556, hereinafter: the „Target Company"). The Target Company is the exclusive owner of the real estate property located in Váci út 76-80. szám (topographical lot number: 70381), which has a superstructure of 2,700 square meters. The parties are planning to close the sale of the business share by 15 July 2020.

06 July 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-10-046538; hereinafter referred to as: „Company") hereby informs the Honourable Investors and financial and capital market participants that the closing of the sale and purchase contractual transaction announced by the Company in the extraordinary information published on 30 June 2020, aimed at the acquisition of the business shares representing 100% of the core deposits of VCT78 Ingatlanhasznosító Korlátolt Felelősségű Társaság (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1., company registration number: 01-09-911556, hereinafter: the "Target Comapany"), indirectly owned by the Company, by AutoWallis Nyilvánosan Működő Részvénytársaság (registered office: 1055 Budapest, Honvéd utca 20., company registration number: 01-10-047350) took place on 6 July 2020.

30 July 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-10-046538; hereinafter referred to as: the "Company") hereby informs the Honourable Investors and financial and capital market participants that on this day, i.e. on 30 July 2020, Szántód Balaland Family Ingatlanfejlesztő Korlátolt Felelősségű Társaság (1053 Budapest, Reáltanoda u. 5., company registration number: 01-09-306428), indirectly owned by the Company, in the interest of financing the five-star hotel and amusement park it intends to develop in Szántód signed a long-term investment credit facility agreement with Nemzetközi Beruházási Bank (in English: International Investment Bank) with regard to the amount of 9,840,781,684,-HUF, i.e. nine-billion-eight-hundred-and-forty-million-seven-hundred-eight-one-thousand-six-hundred-and-eighty-four Hungarian Forint (credit line A: 7,779,559,232,-HUF, credit line B: 861,222,452,HUF, revolving credit line: 1,200,000,000,-HUF).

07 August 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-10-046538; hereinafter referred to as: "Company") shall hereby inform its Esteemed Investors that in line with the modifications / amendments of the Government Decree No. 141/2008 (VII.27) the Hungarian Government identified / rated the investment in the properties owned and managed by PRO-MOT HUNGÁRIA Ingatlanfejlesztő Korlátolt Felelősségű Társaság (in English: PRO-MOT Property

Developer Private Limited Liability Company) (registered office: H-8171 Balatonvilágos, Aligai u. 1.; company registration number: 14-09- 317516; hereinafter referred to as: "PRO-MOT Kft." (in English: PRO-MOT Private Limited Liability Company), being indirectly owned by the Company, as an investment to be of major importance for the national economy. By means of declaring the investment to be of major importance for the national economy, an opportunity to perform development works upon a predictable schedule has been gained, and herewith the resort shall be made enable to create new jobs in the region as soon as possible, and moreover, Club Aliga, as a key tourism destination, shall hereby contribute to the further strengthening of the national tourism, especially at Lake Balaton. In addition, the beach area in Aliga shall continue to be open for visitors under the same conditions as before. With regard to the fact that the investment has been declared as a priority investment does not change the idea / concept of taking the local interests, by means of the involvement of the Municipality of Balatonvilágos, into account upon the development of the area.

17 August 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-10-046538; hereinafter referred to as: „Company") shall hereby inform its Esteemed Investors and respectively the financial and capital market participants on the termination of the employment relationship concluded between and by Détári-Szabó Ádám, the executive officer at certain subsidiary companies owned by the Company, and the Company, and herewith, simultaneously, he shall not perform the position of the executive officer at any of the involved subsidiary companies hereinafter. Today, that is to say on 17 August 2020, in respect of the subsidiary companies being in the sole ownerhip of the Company, the Board of Directors of the Company shall hereby make the decision on the appointment of Zágonyi Ádám, the Company's present chief financial officer, as to be the chief executive officer upon an individual representation rights as of the effective date of 17 August 2020 in respect of Appeninn E-Office Zrt. – Bertex Zrt. – Appeninn-Bp 1047. Zrt. and – Appeninn Property Vagyonkezelő Zrt. The Board of Directors of the Company also decided to elect Zágonyi Ádám with effect from 17 August 2020 manager of the companies - FELHÉVÍZ-APPEN Kft., - APPEN-RETAIL Kft., - Curlington Kft., - Appeninn Hegyvidék Kft., - Szent László Téri Szolgáltató Ház Kft., - SECTURA Ingatlankezelő Kft., - Appeninn Project-EGRV Kft., - Appeninn Project-MSKC Kft., - Appeninn BLT Kft. and - Alagút Investments Kft. - with independent representation rights.

31 August 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (registered office: 1062 Budapest, Andrássy út 59.; registration authority: Fővárosi Törvényszék Cégbírósága (in English: Company Registry Court of Budapest-Capital Regional Court); company registration number: 01-10-046538) shall hereby inform its Esteemed Investors that Malik Zoltán and dr. Tóth Judit, the members of the board of directors, resign from their post in the board of directors as members upon the day of closure of the extraordinary general meeting.

07 September 2020 – extraordinary infomation

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. V.1.; company registration number: 01-10-046538; hereinafter referred to as: "Company") shall hereby inform its Esteemed Investors that Bernáth Tamás, the member of the Board of Directors, resigns from his post in the Board of Directors as member upon the day of closure of the upcoming extraordinary general meeting; furthermore, he also initiated the termination of his employment by mutual agreement, on the basis of which he will serve as the CEO of the Company

30 September 2020 – extraordinary infomation

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. V.1.; company registration number: 01-10-046538; hereinafter referred to as: "Company") shall hereby inform its Esteemed Investors that the General Meeting of the Company, upon the the extraordinary general meeting, elected dr. Szabó Nóra and dr. Bihari Tamás to be the new members of the Board of Directors of the Company, while Kertai Zsolt, dr. Hegelsberger Zoltán and Nemes István Róbert are designated to be the new members of the Board of Directors and as of the Audit Committee of the Company. Regarding the elected members of the Board of Directors, dr. Szabó Nóra holds 1,500,- quantity of equity shares issued by Appeninn Plc. in total, with that, other members of the Board of Directors shall not hold any securities issued by the Company. Moreover, the Company informs its Esteemed Investors that the newly elected Board of Directors of the Company appointed dr. Bihari Tamás to be the Chairperson of the Board of Directors, and with regard to the General Meeting Resolution No. 29/2020. (09.30.), for the post of chief executive officer of the Company.

02 October 2020 – extraordinary infomation

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (registered office: 1118 Budapest, Kelenhegyi út 43/B. 5. floor 1.; company registration number: 01-10-046538; hereinafter referred to as: "Company") hereby informs the Esteemed Investors that Scope Ratings GmbH has performed draft ratings for the Company regarding the period between September 2019 and September 2020, which is a condition for participation in the Growth Debenture Programme (hereinafter referred to as "Programme") announced by the Hungarian National Bank (Magyar Nemzeti Bank) (hereinafter referred to as "MNB"). As a result of the rating, the rating of the bonds to be issued remained BB-, while the rating of the Company remained B+, thus meeting the requirements of the Programme. At the same time, in the light of recent events, Scope Ratings GmbH will initiate a review of the rating in accordance with its standard protocol. Scope Ratings GmbH has indicated that during the review it intends to work closely with the management elected on 30 September 2020, in particular with regard to the Company's plans and tasks for tourism development starting in the second half of 2020.

06 October 2020 – extraordinary infomation

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. V.1.; company registration number: 01-10-046538; hereinafter referred to as: "Company") hereby informs the Esteemed Investors, as of today, namely as of 06 October 2020, with regard to the tender of Kisfaludy Szálláshelyfejlesztési Konstrukció (in English: Kisfaludy Accomodation Development Construction) submitted earlier and awarded positively, the support contract on developments of hotels with big capacity and on establishment of new hotels was concluded by and between Solum-Invest Kft., a company being in 51% direct ownership of the Company, (registered seat: 8230 Balatonfüred, Zákonyi Ferenc utca 8., company registration number: 19-09-520175) and Kisfaludy2030 Turisztikai Fejlesztő Nonprofit Zrt. (Kisfaludy2030 Tourist Development Nonprofit Plc.).

30 November 2020 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (in English: Appeninn Asset Management Holding Public Limited Company) (registered seat: 1118 Budapest, Kelenhegyi út 43. B. ép. V.1.; company registration number: 01-10-046538; hereinafter referred to as: „Issuer") shall hereby inform its Esteemed Investors that a business share sales contract on the sale of business shares carrying 76% core deposit of APPENINN Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Korlátolt Felelősségű Társaság (in English: APPENINN Hegyvidék Real Estate Management and Distributor Private Limited Liability Company) (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1., company registration number: 01-09-731476) was concluded by and between the Issuer and Hellnarik Holding Zártkörűen Működő Részvénytársaság (in English: Hellnarik Holding Private Limited Company) (registered office: 1021 Budapest, Labanc utca 17. B. ép. 2. em. 2., company registration number: 01-10) as of today, namely on 30 November 2020.

02 December 2020 – extraordinary infomation

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. V.1.; company registration number: 01-10-046538; hereinafter referred to as: "Issuer") shall hereby inform its Esteemed Investors that the Issuer and PRO-MOT HUNGÁRIA Ingatlanfejlesztő Korlátolt Felelősségű Társaság (in English: PRO-MOT HUNGÁRIA Property Developer Private Limited Liability Company), indirectly owned by the thereof Issuer, (registered office: 8171 Balatonvilágos, Aligai utca 1.; company registration number: 14-09-317516, hereinafter referred to as: "PRO-MOT Hungária Kft.") and APPENINN Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Korlátolt Felelősségű Társaság (in English: APPENINN Hegyvidék Real Estate Management and Distributor Private Limited Liability Company), the company being in 24% direct shareholding of the Issuer, (registered office: H-1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-09-731476, hereinafter referred to as: "Appeninn Hegyvidék Kft."), and Kisfaludy2030 Turisztikai Fejlesztő Nonprofit Zrt. (in English: Kisfaludy2030 Tourist Development Nonprofit Private Limited Company), as a sponsor, (hereinafter referred to as: "Sponsor"), as of today, namely as of 02 December 2020, concluded a tripartite agreement, upon which they agreed on the performance of the subsidized activity within the tender (hereinafter referred to as: "Tender") of "Kisfaludy Accomodation Construction – development of existing hotels with big capacity and establishment of new hotels" announced by the Sponsor, hence the rights and commitments arisen from the subsidy decision are transferred by PRO-MOT Hungária Kft. to Appeninn Hegyvidék Kft. in all. As a result of the hereinbefore, in relation to the Tender, the Sponsor and Appeninn Hegyvidék Kft. concluded the subsidy contract, as of today, namely as of 02 December 2020. In line with the Issuer's opinion – upon the transactions disclosed by the Issuer on 30 November 2020, and respectively included in the present information – the herein new implementation of the development project related to the area of Club Aliga, on the one hand, from the point of the Issuer's, indicators taken into account upon Scope Ratings GmbH rating may result positive judgement, and on the other hand, the resources released in this way may be spent on other parts of the project of Club Aliga, which, in total, regarding the area of Club Aliga, may make the complex settlement development more profitable. Moreover, APPENINN Hegyvidék Kft. and PRO-MOT Hungária Kft, in the interest of the performance of the subsidized activity, concluded a contract on tenure in land and building rights.

1.5. Profit and loss made in the period of the annual report and prospects

In 2020, the Company was able to improve its direct operating income from rental real estate properties by more than 9 percent compared to 31 December 2019. The higher level of 2019 profit before tax and current year profit is a consequence of the significant real estate revaluation in 2019, which fell short in 2020 due to a more conservative vision, mainly caused by the epidemic. Looking to the future, it can be seen that Appeninn Nyrt. can operate with extremely stable direct operating results based on secure tenant funds.

The Company is constantly monitoring the domestic and regional economic environment related to the COVID-19 epidemic situation, in order to be ready to optimize its business in line with the emerging opportunities and challenges in line with the goals set in its strategy.

Comprehensive income

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

Balance Sheet

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

In 2020, the Company's direct operating margin improved by almost HUF 46 million compared to 2019. Regarding the operating result, it can be seen that - with the exception of revaluations - there was a larger increase in administrative expenses, which, however, is mainly due to the individual service items related to the Company's transactions.
The improvement in the result of financial operations was caused by the exchange rate gain on the asset side, where the euro-denominated receivables increase in HUF due to the depreciation of the forint.
The balance sheet total decreased by more than 9 percent compared to 31 December 2019. The decrease is mainly due to the final repayment of short-term bank loans and the decrease in short-term liabilities.

Expected prospects:

Depending on the familiar and expected development of the economic environment and the expected impact of internal decisions, the outlook and plans for the future continue to be based on the five-year growth strategy, in which the target segments of dynamic expansion are high-quality office buildings in Budapest and national retail real estate and tourism developments. The focus is also on the Budapest market and retail segment, which has a nationally outstanding return in international comparison, with an international outlook. In the coming years, the main tasks in terms of core business are:
- increase utilization of the office portfolio;
- in addition to cleaning up the portfolio, looking for additional acquisition opportunities;
- further optimization of operation, taking advantage of the efficiency of operation, in accordance with tenant needs;
- the examination of the alternative utilization of existing portfolio elements is in progress, as a result of which higher results can be realized in the medium term.

The implementation of the ongoing tourism real estate developments has priority in order to enable the developments to provide effective support in the diversification of the Company's portfolio and the reconstruction of domestic tourism once the epidemic situation is over.

1.6. The aggregate market value and locations of the real estate properties

The following real estate properties are owned by Appeninn Nyrt.:
- 1082 Budapest, Üllői út 48.
- 6000 Kecskemét, Kiskőrös út 30.

The rounded aggregate market value is: HUF 8 909 172 thousand.[1]

[1] Source: JLL valuation EUR 24,4 million, effective date of 31.12.2020. with EUR/HUF 365,13 currency rate.

1.7. Valuation

The valuation of the real estate properties owned by Appeninn Nyrt. has been prepared in accordance with the requirements of the RICS Valuation - Global Standards issued by RICS, effective from 31 January 2020, based on the Market Value, which is defined as follows:
"The estimated amount for which a real estate property would be transferred on a valuation date between a non-compelling buyer and a non-compelling seller in a fair (normal) transaction between independent parties after due preparation, in which both parties are well-informed, and act in a prudent and non-coercive manner."

1.7.1. The property appraiser

The report was compiled by Jones Lang Lasalle Ingatlanforgalmazó, Szaktanácsadó és Szolgáltató Kft. (H-1054 Budapest, Szabadság tér 14., tax number: 10810491-2-41, company registration number: 01-09-261026, represented by: Furulyás Ferenc; persons performing valuation for and on behalf of the Managing Director: Jaroslav Kopac MRICS and Tóth János MRICS) for the purposes of the Company's financial statements made in accordance with the IFRS by the balance-sheet cut-off date 31 December 2020.
The inputs used for the valuation methods were applied and adjusted to the specific situations at the appraiser's discretion. Each valued property was assigned its own separate input values.

The model, model inputs, model variables, model correlations and the sensitivity test of the inputs were specified in an identifiable manner, corresponding to the disclosed tabular content of the IFRS 13 standard. Conformance with the content-related requirements of IFRS 13 was ensured.

The valuation techniques and models used in the valuation report comply with the recommendations made in IFRS 13, the appraiser assessed the inputs in accordance with IFRS 13 and classified the asset and asset groups of Appeninn Nyrt. (appraised properties) into "Level 3" categories.

Valuation methods

The following methods were used for the valuation of the real estate portfolio of Appeninn Nyrt.
Sales Comparison Approach (SCA): The essence of this method based on direct comparison is that objects of similar attributes have similar values. In the framework of a valuation based on the Sales Comparison Approach, the sales, offer and rental prices are analysed, and they are compared to the analysed property. The basis of comparison includes the characteristic features of the relevant property and the attributes of the comparable properties, and the differences between the two determine the factors that modify the values. The sales comparison approach was basically used as the control method of the DCF approach during the valuation, in some cases the weighted value of 50% was taken into account: Kecskemét. In each case, two different methods were used to calculate the market value.

Discounted cash-flow method of valuation: In the course of performing DCF calculation, the estimated value is obtained from the revenues expected of ownership title to the property, by capitalisation. The two most wide-spread income-basis methods of obtaining a value are the discounted cash-flow (DCF) method, including the discounting of expected future revenues to determine the estimated present value; and the direct capitalisation principle, where an average yield ratio is directly established from the relevant market transactions. Typically we considered the valued obtained by the DCF calculation, because these properties are income-generating real properties. In some cases (Kecskemét), the values obtained were weighted 50-50% by the appraiser

using the method obtained by the sales comparison approach, in order to obtain a more accurate market value.
In estimating the market value of the real estate properties, the appraiser took into account the following when applying the DCF approach:

a) calculations start from 1 January 2021;
b) rents were indexed according to the HUF-CPI, MUICP, and the Central Statistical Office of Hungary (KSH), based on the terms of the lease agreement in question. Indexation was applied annually, in January;
c) rents were set in EUR, the EUR-HUF rate was fixed at 365.13;
d) the individual discount rates and exit yields applicable to the particular property were set with a view to the location of the property, to the attainable rents and to the market position, and these determined the reversionary yield (yield on the ERV) and the average yield;
e) in the case of rental agreements, a fixed 1-year period and a 6-month non-rent period was calculated for contracts concluded for an indefinite period of time. In the case of vacant areas, 6-12 month initial voids were calculated. In the case of contracts concluded for a definite period of time, 6 months were taken as expiry voids. Structural vacancy was not considered in any case, we presumed that with appropriate marketing activity and under appropriate market conditions all the areas can be leased. For each period we set void periods after the expiry of the given or presumed rental contract;
f) the CAPEX to Renovation costs were established with a view to the age, condition and planned investment of the properties, which include the following: calculations were made on gross rentable areas depending on the age and quality of the building.
g) Provision was also made for other costs (management, unpaid operating fees, vacancy, other costs), based on the features of the particular property, except where expressly provided otherwise, property tax was recognized for each property on the basis of available information;
h) i. h) Exit Yield (EY) and the Discount rates were set individually, based on the location, quality and rental status of the real estate property in question, and the quality of the leasing contracts, as follows: in the case of office buildings, the Exit Yield was: between 7.00 and 9.25%, in the case of industrial properties: between 8.50 and 9.00%. Discount Rates in the case of office buildings: fluctuating between 7.50 and 9.75%, in the case of industrial properties: between 8.75 and 9.25%. In the case of prime EY offices: 6.00 % (stable), in the case of prime EY industrial properties: 7.50 % (stable).

1.8. Sensitivity Test

Within the DCF calculation, the appraiser performed sensitivity calculations where the variables are: rental income and discount rate / exit yield.

2. Business environment of the Company

2.1. Business environment

The performance of the world's major economies showed a significant correction in the third quarter following a decline in the second quarter of 2020. At the same time, the second wave of the epidemic and the introduction of increasingly stringent epidemiological restrictions have delayed the economic recovery, so uncertainty about the pace of recovery in the world economy remains exceptionally high.
The U.S. economy shrank 2.9 percent in the third quarter of 2020. China is the only dominant economy to grow on an annual basis (4.9 percent). European economies have typically performed above expectations and in many cases have made significant adjustments compared to the previous

quarter. The eurozone fell 4.3 percent in the third quarter, while the economic performance of our largest foreign trade partner, Germany, declined 4.0 percent in the third quarter. In the countries of the Central and Eastern European region, an increase in economic activity was observed compared to the previous quarter.

Money and capital market moods deteriorated until early November due to the second wave of the coronavirus epidemic and uncertainty surrounding the US presidential election, and then improved on the back of declining presidential election uncertainty and favourable news about vaccine developments.

The Hungarian economy was hit by the coronavirus epidemic with stable fundamentals and strong growth. Hungary has implemented successful medical defence against the first wave of the coronavirus. However, as a result of the second wave of the epidemic, the economic recovery will take longer than previously expected.

In addition to the restrictive measures, domestic economic activity will decline again in the fourth quarter of 2020, which may shrink GDP by 6.0–6.5 per cent in 2020 on the whole. The normalization of economic life may start in the second quarter of 2021 in parallel with the widespread use of the coronavirus vaccine.

The world's economic processes continue to be shaped primarily by the coronavirus epidemic and the political, economic and social responses to its containment. Following the containment of the first wave of the epidemic, the reopening of the economy resulted in a sharp rise in performance, but the recovery soon stalled in most countries. In contrast to the gradual recovery in trade in goods, the recovery of tourism-related services appears to be delayed, with the second wave of the epidemic and restrictive measures contributing.

In the third quarter of 2020, the domestic economy fell 4.6 percent behind that in the same period of the previous year. Gross domestic product in Hungary decreased on an annual basis close to the European average (the euro area shrank by 4.3 per cent and the European Union as a whole by 4.2 per cent). The recovery from the epidemic crisis began in the third quarter: economic activity showed a significant correction after the low point seen in the second quarter. Compared to the second quarter, output increased by 11.4 per cent, mainly supported by the rapid recovery of the manufacturing industrial sector and the initial rapid recovery of domestic tourism, which is highly important in the region. In contrast, the stagnation of construction output had a negative impact on the performance of the economy. On the consumption side, household consumption was relatively favourable in the third quarter in international comparison, while investment and exports of services declined significantly. According to high-frequency data, economic performance peaked in August during the recovery, after which economic activity began to decline gradually. The economic recovery has slowed with the advent of the second wave of the coronavirus epidemic, and further significant restrictive measures introduced to curb the epidemic could delay the recovery of economic growth. (Source: MNB)

2.2. Effects of the COVID-19 epidemic

Hungary currently spends approximately 20% of its annual income on fighting coronavirus. The government established 3 funds for this purpose, with a total value of HUF 2,000 billion.

The government has a budget deficit of between 7 and 9 percent of GDP, but consolidation could begin as early as next year.

The deteriorating macroeconomic environment caused by the coronavirus also had an impact on the commercial real estate market, which follows economic cycles closely: market developments tended to increase the risk of overvaluation at the end of the first half of 2020. According to the first Central Statistical Office (KSH) estimate, the performance of the economy remained subdued for the rest of the year, after the recovery of the real economy was longer than previously expected due to the second wave of the epidemic.

Sectors that account for the bulk of demand for commercial real estate have been hit by the spread of the epidemic. In the first half of 2020, with the exception of industrial logistics, demand declined in all commercial real estate segments, occupancy and vacancy figures deteriorated, and rents also declined in the retail segment. According to the Housing and Real Estate Advisory Board (LITT), the second wave of the epidemic has further aggravated the situation in the sector, with the aim of achieving the necessary turnover in hotels and retail properties to cover maintenance costs. Once again, work from home and online retail sales became more important, further reinforcing the risk of a lasting, increased presence, creating subdued demand conditions for the sector in the foreseeable future.

The declining trend in investment returns over the years has not continued, with primary yields rising by 25 to 75 basis points per segment compared to the end of 2019. Among the factors causing the most uncertainty for investors, compared to the lack of supply highlighted so far, at the end of the first half of 2020, the deteriorating economic outlook, the solvency of tenants and the tightening of financing conditions were already in the main focus. Investment demand did not disappear completely, two large-scale transactions took place in the first half of the year, however, according to LITT, waiting and postponement of investment decisions became typical, the pre-epidemic activity level may return later in the recovery. Commercial real estate may depreciate as the recovery drags on. (Source: JLL, MNB)

2.3. Key economic indicators

2.3.1. Trade, investment, general government balance

The increase in the volume of household investment since 2017 has been broken: in the first three quarters of 2020, investment fell by 8.6 per cent compared to the base of the same period of the previous year. On the growth trajectory, a reversal of the trend was observed in the second quarter, and then the rate of decline exceeded 18 percent in the third quarter. The decline was mainly due to the often postponed or rescheduled investments of economic operators, the closure of several large development projects and the declining efficient use of EU funds. Due to the epidemic, this affected the manufacturing industry, transportation and warehousing in the real economy the most. The decrease in developments was mainly due to an 11 per cent decrease in the investment volume of enterprises employing 50 people and a 10 per cent decrease in the volume of construction investments, which accounted for 58 per cent of investments. In addition, during the period, the volume of developments in the second-largest manufacturing industry fell by 8.5 per cent and the investment performance of real estate transactions by 3.6 per cent. In the latter category, housing construction expanded slightly, while developments in rental business facilities (e.g. logistics halls) narrowed significantly. The investment volume of the third largest area, transportation and warehousing, was 16 percent lower than in the same period of the previous year.

According to Central Statistical Office data, the volume of investments increased by 14% in 2019 compared to the same period of the previous year, reaching the highest level ever. The volume of investments in the national economy increased by 14 per cent, of which investments in construction increased by 16 per cent and investments in technical machinery and equipment by 11 per cent. Investment activity in manufacturing, which accounts for a quarter of total investment, rose by 16 percent.

In the first quarter of 2020, the long-term expansion of investments in the national economy was broken, the volume of developments fell 1.8 per cent behind that in the same period of the previous year, according to Central Statistical Office (KSH) data. Within this, the volume of construction investments, which accounted for 55 per cent of the value added, increased by 2.8 per cent, and

the volume of investments in machinery and equipment, which accounted for 43 per cent, decreased by 7.0 per cent. For all three indicators, this results in the most unfavourable change in the last three years, based on Central Statistical Office (KSH) data.
By the third quarter, the volume of investments had largely recovered, increasing by 14.8 percent year-on-year during the quarter, according to the data of the Central Statistical Office. In absolute terms, investments amounted to HUF 2,684.4 billion (EUR 7.98 billion) during the period.

Construction investment increased by 15.8 percent, reaching HUF 1,601.6 billion. Investments in machinery increased by 13.6 per cent and amounted to HUF 1,062.9 billion.

Investments in the manufacturing industry increased by 28.6 percent, reaching HUF 740.6 billion. Investments in the logistics sector increased by 17.1 percent to HUF 496.8 billion. Real estate investments increased by 22.6 percent, reaching HUF 452.3 billion.

Private sector investment increased by 28.7 percent to HUF 606.5 billion. Public sector investment increased by 0.2 per cent to HUF 385.7 billion. (Source: JLL, Hungarian Central Statistical Office (KSH))

2.3.2. Inflation and consumer price index

In 2020, consumer prices rose by an average of 3.3 percent with food prices rising the most, by 7.2 percent. The prices of alcoholic beverages and tobacco increased by 6.9 percent, those of services by 2.9 percent, those of durable consumer goods by 1.4 percent and those of household energy by 0.3 percent. The prices of clothing items did not change on average, while those of other items decreased by 0.9 percent. Consumer prices among retired households rose by an average of 3.8 percent.

Looking to the future, pricing decisions were characterized by greater variability and an unusual seasonal pattern following the outbreak of the coronavirus epidemic. This variability will continue in the coming quarters. Due to the increase in excise duty on tobacco products at the beginning of the year and base effects, the consumer price index is expected to be temporarily around 4 percent in the spring months of 2021. The tax effects of the new measures will increase inflation by an additional 0.4 percentage points in 2021 and by 0.1 percentage points in 2022. In the case of underlying inflationary processes, the protracted economic recovery will cause the disinflationary effects to persist. In addition to the moderate external inflation environment, weak domestic demand is also leading to a slowdown in price growth. In line with this, tax-adjusted core inflation will be below 3% over a significant part of the forecast horizon. As a unique effect, the temporarily soaring inflation of tobacco products due to the increase in excise duty and market price increases will significantly increase both inflation and core inflation in 2021. Inflation will be in the range of 3.4 per cent this year, 3.5–3.6 per cent in 2021, and again around the central bank target from 2022 onwards. According to our forecast, tax-adjusted core inflation will be 3.7 percent in 2020, 2.8–3.0 percent in 2021, 2.7–2.8 percent in 2022, and 3.0 percent in 2023. The course of the epidemic situation over time and the expected recovery of the economy may continue to result in volatile pricing patterns, therefore greater caution than usual is justified in assessing more lasting inflationary effects (Source: KSH, MNB)

2.3.3. Base rate, GDP

According to the decision of the Monetary Council of the Hungarian National Bank (HNB) passed at its September 2020 meeting, the base rate remains unchanged at a record low of 0.60 per cent. According to the Monetary Council, this value supports price stability, the preservation of financial stability and sustains economic growth. In the current rapidly changing environment, it is crucial to keep short-term yields at a reasonable distance from the near-zero range.

The Monetary Council of the Hungarian National Bank (HNB) reduced the base rate twice in 2020: on 23 June it decided to reduce the base rate from 0.9 per cent to 0.75 per cent, and on 21 July from 0.75 per cent to 0.6 per cent. The interest rate corridor remained asymmetric and the monetary toolbox remained unchanged. The December HNB Monetary Council statement emphasizes that the established short-term monetary conditions support price stability, the preservation of financial stability and the restoration of economic growth in a sustainable manner. In the current rapidly changing environment, it is paramount that short-term yields remain at a safe distance from the near-zero range.

According to KSH data, in the first quarter of 2020, the volume of GDP (based on unadjusted data) was 2.2 per cent higher than a year earlier. This was followed by a 14 per cent decline in the second quarter and an 11 per cent recovery in the third quarter as a result of restrictive measures taken to curb the epidemic, the latter figure still lagging behind a year earlier (4.6 per cent). Among the branches of the national economy, the performance of industry decreased by 7.2 per cent, that of construction by 12 per cent and that of services by 4.7 per cent in the first three quarters of 2020 compared to the same period of the previous year. (Source: KSH, MNB)

2.3.4. Construction industry

The volume of construction industry output in the third quarter of 2020, exceeding the decline in the second quarter, decreased by 16.5 percent year-on-year. Of the two main groups, buildings decreased by 15.0 percent and other structures by 17.5 percent. Based on the available European data, the dynamics of domestic construction industry output was below the European average between January and September (Chart 3-32). In September, the volume of output fell by 14.7 per cent on an annual basis, and the stock of construction contracts at the end of the month was 16 per cent lower than a year earlier. The stock of construction contracts has been steadily declining since April last year and the decline is due to the fall in the stock of contracts for other construction, which is mainly related to the state. (Source: MNB)

2.3.5. Property investment

According to market experts, investment market activity has fallen very sharply, with the bulk of investment turnover in the first half of 2020 coming from only a few higher-value transactions. As in the post-2008 process, the scissors between category A and B-C offices may open again. In the case of the latter, the problem may be much greater, more serious land returns may be possible due to the loss of financially less stable tenants, and rents may fall. On the part of domestic investors, it was said that they were negotiating the purchase of real estate property. Currently, many foreign buyers are interested in real estate investment opportunities in the region due to the low yield environment. Yields increased somewhat, with an increase of approximately 0.3-0.4 percentage points compared to February. According to some opinions, no larger increase is expected, as the return on alternative investments is still very low. The slowdown in investment turnover is also due to the prolongation of ongoing transactions, as pre-sale due diligence processes, especially on-site inspections, often face obstacles. However, there was also a view that low yields have led to excessive asset price increases around the world.

According to LITT members, the Warsaw investment market is significantly more dynamic than in Budapest, where international (including German, English and Korean) investors are actively present and transactions take place in the market. Poland is a more popular, prominent market in the region, mainly due to its size, as we can talk about a country with 40 million residents. At the same time, the Hungarian investment market is more active compared to the Czech market. There are currently no transactions in the latter place and the interest is lower compared to Budapest. In terms of investment activity, we are overall between the Czech Republic and Poland, but the Polish investment market will always be more exciting for international investors due to the size of the market.
Real estate investment funds have been hit by several negative effects over the past year and a half: on the one hand, the introduction of MÁP+ (Hungarian Government Security Plus) has absorbed savings, on the other hand the T+ 180-day redemption limit of investment nits has led to declining demand, and thirdly, the spread of the coronavirus epidemic has increased uncertainty. After withdrawals in March-April 2020, the inflow of investor capital into public real estate funds, which continue to seek real estate opportunities, has been stable since May. (Source: MNB)

2.3.6. Office buildings

The most active asset class in 2020 was offices, which accounted for 60 percent of the volume of transactions. The volume of transactions in the asset class was slightly in excess of € 600 million, which is a relatively stable volume, although slightly below the 2019 and 2018 levels.
The most significant transaction was the acquisition of the majority ownership of GTC SA (61.49 percent) by Hungarian Optima Zrt. From Lonestar, which accounted for one third of the transaction volume. The Hungarian division of the regional platform includes 3 existing offices, 2 ongoing office developments and 2 development sites. The GTC platform also includes properties in Poland, Serbia, Romania, Croatia, Bulgaria and Ukraine.

In addition, approximately 25 percent of the volume consists of futures transactions that were signed in previous years but have recently been closed with the completion of new office projects (Váci Greens E, Corvin Technology & Science Park, Nordic Light Trio). Without these transaction closures, this year's investment volume would have shown a significant decline in asset class activity.
In addition to the above, the acquisition of Allianz Ingatlanalap (Allianz Real Estate Fund) was the most significant transaction (direct acquisition for the first time since 2010): the German asset manager bought the Eiffel Square office building, a premium asset on the border of the CBD and the Vác Corridor submarket.

Logistics and industrial market

Logistics and industrial market In the last two years, logistics has become the number one destination for investors worldwide and in Hungary as well. Despite the high level of interest, the sector was significantly affected by the lack of supply in terms of the number of transactions. Although logistics is a highly sought-after asset class, investment activity in this segment remains hampered by significant supply constraints and a lack of available products. In the first three quarters of 2020, the transaction volume was € 130 million. Nearly 90 percent of the volume was accounted for by a portfolio transaction: the acquisition of the CEE Goodman platform in the third quarter by GLP Gazeley. In our view, premium logistics yields declined 25 basis points in the first quarter of 2020 and stood at 7.00 percent in the third quarter.

2.3.7. Budapest office market overview

The Budapest office market became volatile in the second quarter of 2020, however, the level of new developments and the indicators of the active developer market tripled compared to 2019. The rate of contract novation is increasing from quarter to quarter due to the current economic situation, rental activity is declining, and real estate strategies are being reviewed. Due to the efficiency of teleworking, the trend of downsizing and subletting is increasing. In line with global workplace trends, the demand for serviced offices is increasing, which is clearly reflected in the increase in the number of new locations and the growing number of flexible operators. The most active sectors in the tenant market are IT / telecommunications, professional services, SSCs and the public sector.
Office market statistics for the fourth quarter of 2020 reflected the economic constraints imposed due to the COVID-19 pandemic. The total rental volume decreased significantly compared to the previous year, as did the number of transactions. Based on the currently available rents, there was only a minimal rent adjustment, especially in category "B" office constructions. (Source: JLL)

2.3.8. Portfolio and handover

In the fourth quarter of 2020, the modern office portfolio in Budapest expanded by four office buildings, totalling 38,850 m2. The Váci Greens E office building (22,460 m2) in the Váci út corridor, the Szervita Square (8,450 m2) in the Downtown sub-market, the Csalogány 43 office space (3,250 m2) in the Buda Center sub-market and the Alphagon office building in the South Buda sub-market (4.690 m2) were handed over. In the first quarter of 2020, 45,560 m2 of office space was handed over, and the first phase of BudaPart, apostrophized as the "City in the City" project of the year, is also fully leased. In the second quarter, 87,750 m2 of office space was handed over, and in the third quarter, the volume of office buildings opened was also remarkably high (59,785 m2).
The total modern office stock in Budapest currently amounts to 3,903,840 square meters, including 3,289,090 m2 of category "A" and "B" modern speculative office space and 614,750 square meters of privately owned office buildings.
Looking back, in 2019, 70,545 m2 of office space was handed over, all of which were speculative buildings. In the fourth quarter of 2019, more than 90 percent of this amount was already leased. Among the most significant offices handed over in 2019 are Balance Hall, Corvin Techonology & Science Park, all of which are BREEAM Very Good rated in line with green trends.
The deliveries planned for 2021/2022 are roughly 441,000 m2 by the end of the fourth quarter. Of this, there will be approximately 170,000 m2 of headquarters project, such as MOL Campus (the first tower building in Budapest), Bosch Campus or Evosoft's new headquarters in South Buda or Pillar for ExxonMobile in the Váci út Corridor.

2.3.9. Demand

After the crisis, demand started to strengthen again, reaching a record volume of 538,050 m2 in 2015, which was also helped by four large pre-leases, amounting to more than 110,000 m2 within the annual rental volume. Demand has remained strong over the past three years, which has played a major role in reducing the vacancy rate to a record low in the Budapest office market. In 2018, the total demand activity amounted to 535,650 m2, which almost reached the 2015 record volume. In 2019, the 2015 record was broken, the total demand was 637,100 m2. Gross demand was 86,310 m2 in the fourth quarter of 2020, an increase of 9 percent compared to the previous quarter, but a decrease of 57 percent compared to the same period last year. Contract extensions continued to account for the largest share of total demand. In the fourth quarter of 2020, 44% of the leasing

volume was contract prolongation, new contracts accounted for 42 percent of demand, while the share of both expansions and pre-leases was 7%.
Of the nine sub-markets, South Buda generated 23 percent and Pest Center South generated 20 percent of demand and the Váci út Corridor accounted for 13 percent of demand in the fourth quarter.
The largest transaction of the quarter was Diligent Corporation's new 4,590 m2 contract in the Servita Square office building, while the largest contract extension was in an area of similar size, nearly 4,560m2, in Arena Corner. The largest pre-lease agreement was signed for 3,660 m2 in the Millennium Gardens development.

2.3.10. Vacancy

Vacancy rate rose to 9.1 percent, an increase of 1.0 percentage point quarterly and 3.5 percentage point over the year. In the fourth quarter of 2020, the lowest vacancy rate, 4.3 percent, was registered in the North Buda sub-market, while the highest vacancy rate (29.3 percent) is still measurable in the Agglomeration.
Net absorption was in the negative range during the quarter, with a total decrease of 5,100 m2 in total occupied portfolio.

2.3.11. Rental fees

In 2018, premium rent increased by 11 percent to 25 € / m2 / month and there was no change in the fourth quarter of 2020 either. The highest rents are in Downtown (Belváros). In Budapest, the average rent in category "A" buildings is between 13.50 and 16.50 € / m2 / month, and in category "B" office buildings between 11.50 and 12.50 € / m2 / month.
Average rents vary widely depending on location, technical specifications, and available services. Despite the recent decline in demand, rents for category "A" offices have remained stable, while rental discounts have begun to decline. Previously experienced incentive packages are getting smaller and rental-free periods are getting shorter. The rental free period is 0-3 months currently.

2.3.12. Outlook

The market was in an optimistic mood until the first quarter of 2020, as evidenced by the magnitude of demand and supply. This has changed since the second quarter of 2020, when we experienced the true effects of the coronavirus epidemic. Delays in deliveries can be experienced in most office developments and interior / capex projects. Disruptions in the supply chain (supply of raw materials), a reduction in the available workforce and variability in municipal policy will continue for the foreseeable future. The biggest immediate impact in the spring was the shift to larger-scale work from home so employees could work efficiently from home as well. This is the largest "home-office" experiment ever in the world. Quarantine and lockdown in recent months have significantly reduced office usage in the short term and increased investment in teleworking. A new trend in office design is that per capita space use is significantly increased to avoid the risk of further infections.
Construction fees have risen by almost 30% in the last three years, and labour shortages remain a major problem in the construction industry, which may delay the start or implementation of planned developments.
The number of contract revisions has also increased significantly. Some tenants may temporarily underperform their lease obligations by invoking a "force majeure" situation. There are currently no guidelines for the application of such "force majeure" clauses; these should be assessed on a case-by-case basis.
In summary, office market data for the fourth quarter of 2020 continue to reflect the economic changes caused by the COVID-19 pandemic, market demand lags behind the trend of previous years, and the number of transactions is declining.

Commercial real estate properties

The asset class has completely lost its appeal, as can be seen from the volume of transactions conducted in 2020. Only € 50 million was transacted between January and September, which is similar to the 2012-2013 period. Given the fundamentally changing buying habits, the drastically changing rental conditions, the strictly regulated opening hours, we do not yet see any growth potential in the asset class. Nevertheless, grocery stores, hypermarkets, out-of-town retail parks and shopping malls may continue to be attractive to investors as these asset types are less affected by the pandemic.

All assets transacted from the first quarter to the third quarter of 2020 were located in rural areas and were mostly bought by local investors who understand the rural market.

Indotek continued to acquire rural shopping centres, and also purchased the 15,000-square-meter Pécs Plaza from a Belgian investor called Investum.

We can see that premium yields have shifted in the retail sector, where the yield on premium malls is 6.00 per cent and the yield on assets on shopping streets is 5.25 per cent

The Hungarian retail real estate market

The Hungarian retail market is mostly concentrated in Budapest, mainly due to the city's population and the purchasing power of consumers. This "gap" between the capital and the rest of the country deepened even more during the crisis years.

In rural cities, only a few shopping malls were able to stop the decline in revenue through successful operation. At present, the retail portfolio in Hungary is approximately 2,000,000 m2. Of this, nearly 1.3 million m2 is shopping centres, while the remaining 0.8 million m2 is retail parks (strip malls and outlet centres). Although shopping malls still make up the majority (accounting for 62 percent of the stock), the retail park concept is also popular in the country, representing roughly 38 percent of the total portfolio.

The modern rural shopping centre portfolio is approximately 53,000 m2. Development activity has stalled as a result of the crisis and has not resumed in recent years. The last handover in the countryside took place in 2012, when ERSTE Ingatlan Alap completed the development of an 8,500 m2 centre in Siófok. There has been no shopping centre handover in Hungary in the last 8 years, but considering the utilization of retail units in larger cities, we believe that there are only a few locations where further developments could be justified by the currently limited number of options.

The strip mall (Stop Shop, Family Center, Park Center, Zone) concept is very popular outside Budapest, the portfolio is approximately 477,440 m2. In 2015, the strip mall portfolio expanded by 4,500 m2 with the handover of Next Stop in Székesfehérvár. The new centre opened on the site of the former Bricostore, with 8 brands (including Pepco, CCC Shoes, KIK, dm, and Fressnapf). The project developer would like to launch 2-3 further similar projects in other locations in Hungary in the future. Also in 2015, Immofinanz expanded the Veszprém Stop Shop by 2,100 m2, increasing the gross leasable area of the building to 17,800 m2.

The largest food chains in the country are Tesco, Auchan, Spar, Aldi, Lidl, Penny Market, Real, Coop and CBA. In recent years, the number of stores in Hungary has decreased by two thousand. According to the detailed data, stores have disappeared from the network of CBA, Real and Coop. Based on revenue and market share, Hungarian chains were also overtaken by discounts and hypermarkets. The nine largest store chains in Hungary still had more than 11,000 stores, but last year they had barely 9,000 stores. In recent years, the Hungarian retail market was characterised by discounts and Spar gaining ground (Spar opened a new store in Törökbálint in August 2020 and will expand its portfolio with another store in Sopron by the end of the year, despite the current economic situation). The three discount chains have opened 89 stores since 2014, bringing their total to 549 stores last year, while Spar has 570 stores nationwide. In 2014, Hungarian store chains operated a total of almost 10,000 stores, while last year only 7,753 stores operated.

At the same time, there was a huge boom in e-commerce in the FMCG sector - according to GKI Digital, the online FMCG (fast-moving consumer goods) sector was the most able to expand as a result of the COVID-19 epidemic; quantified, the market of online food, drugstore and household goods in the second quarter of 2020 - April, May, June: increased its turnover by +84% compared to the same period in 2019.
Average rents in shopping malls range from € 20 to € 70 / m2 / month, but leading malls also have much higher rents, depending on the location and environment of the store. The average rent for retail parks is € 6-10 / m2 / month, while for outlets around € 20-28 / m2 / month around Budapest and € 16 / m2 / month in other parts of the country. Operating costs, which also include marketing, are around € 13-18 / m2 / month for top malls, around € 8-14 / m2 / month for smaller malls, and around € 2-3 / m2 / month for in retail parks.
By the end of the third quarter of 2020, the shopping centre portfolio was 835,650 m2 in 28 buildings, of which the portfolio of modern shopping centres was 772,000 m2, while that of district units was 63,000 m2.
Like in the countryside, no new handovers have taken place in Budapest in recent years. This was due, on the one hand, to the construction ban, and on the other hand due to the fact that owing to the volume of weak retail turnover for several years, the further expansion of the brands, and hence the expansion of the shopping centre portfolio, became unjustified. However, this trend seems to have changed in the last two years due to the strengthening of the retail sector, in October 2016 Futureal decided to start concluding pre-lease agreements for the planned Etele Plaza next to Kelenföld railway station. In addition, there are other developing districts within Budapest where the new developments could provide excellent turnover, but as there are already plenty of successfully operating shopping malls in the central areas of Budapest, the extent of potential developments is currently subdued. In 2018, ECE planned to build the Árkád Bogdáni shopping centre in Óbuda. However, in the fourth quarter of 2019, the German real estate development company ECE, which operates Árkád shopping centres, announced that, contrary to previous plans, having failed to obtain an exemption from the prohibition provisions of the "plaza-stop" law, it would not build a new shopping centre in the capital, in Óbuda, but plans to create a mixed-function quarter with offices, a hotel and retail units. The shopping centre market of Budapest consists of 5 major department stores, which handle the most turnover and income. These include Allee, Arena Mall, Árkád, Mammut Mall and Westend.
Premium rents increased by about 20 percent during the first half of 2019, from € 100 / m2 / month to € 120 / m2 / month, which remained unchanged in the second half of 2020. This growth is in line with the strengthening of consumer confidence. As consumers increasingly prefer to shop beyond their everyday needs, spending more and more on premium and luxury retail products. There is a steady expansion of existing brands (in different categories), but new brands enter the market only to a very limited extent. As a result, the vacancy rate of the best-performing shopping centres is approaching 0% and the occupancy rate of secondary units is also increasing. However, by October, in the retail market, due to the current economic downturn, the level of premium rents in shopping centres and shopping street stores also started to decline (by about 10-15 percent by the end of the third quarter). The strip mall portfolio of Budapest and the agglomeration contains 14 real estate properties with a total size of almost 250,000 m2.

"Plaza Stop"

The "plaza stop" law, introduced in 2012, has been extended indefinitely. The original legislation covered business premises larger than 300 m2, which was increased to 400 m2. Exceptions to the ban can be approved by the Minister of National Economy, on a proposal from the Commission set up by the Ministers of rural development, environment and trade.

New retail tax

A government decree on retail tax has been published, which contains the detailed rules of the special tax, with effect from 1 May. According to the government's plans, multinational retail chains

will pay HUF 36 billion a year on this item, and this amount will be used in the fund set up to control the coronavirus epidemic.
The rule practically covers both traditional in-store retailing and internet commerce fully, including retailing of food, beverages, tobacco, pet food, electronic devices, household goods, books, sporting goods, toys, clothing, and furniture, among others.
Three less classic retail sectors will also pay: car dealers, gas stations (even on the sale of fuel and shops there), and pharmaceutical retailers.
The tax is calculated on the basis of annual net sales revenues (excluding VAT), regardless of whether the trader in question is profitable or unprofitable.
The tax rate increases progressively:
- under annual sales revenue of HUF 500 million, no taxes are paid,
- for the part between HUF 500 million and HUF 30 billion, 0.1 percent of the sales revenue,
- for the part between HUF 30 billion and HUF 100 billion, tax is 0.4 percent of the sales revenue,
- for sales revenue over HUF 100 billion, 2.5 per cent thereof.

Hotel industry overview

Strong economic growth and soaring tourism have been the main drivers behind the good performance of hotels in Budapest over the past few years. Prior to the pandemic at the end of 2019, the Budapest hotel market was in the top 10 in Europe in terms of occupancy, but remained at the end of the field in terms of average daily rate (ADR) and average revenue per available room (RevPAR), supporting the city's growth potential. The performance of the hotels was strong despite the spectacular expansion of Airbnb in Budapest, although its volume is estimated at 14% of guest nights (15% in Paris, 13% in Barcelona). The number of hotel transactions has been growing steadily, with several significant sales in 2019 compared to the average of one or two transactions in recent years. The sector also attracted more and more interest from institutional investors due to strong hotel market indicators, so we hoped to close even more deals by 2020.
The outbreak of the new coronavirus (COVID-19) epidemic, declared a "pandemic" by the World Health Organization (WHO) on 11 March 2020, has also affected global financial markets. International travel has come to a complete halt everywhere in the world, with many airlines and shipping companies suspending their flights for several months. As the sector recovers, travel patterns are expected to shift to drive-to-resort destinations and less crowded places, where the traveling public can be in open spaces and can avoid larger groups of people. There may also be a change in the types of accommodation we find attractive. The psychological effects of the new coronavirus on consumer habits are essentially similar to those experienced in the post-9/11 terrorist attacks. People are far more at risk because of the proximity of others and fear possible infection in community places of questionable cleanliness. Non-professional accommodation providers and alternative places of accommodation are likely to be under greater control and pressure in the future due to health-conscious guests. The COVID-19 pandemic will undoubtedly change our way of life and work habits in the foreseeable future, with the emergence of new trends that will be part of the "new norm". However, the development of a "new norm" takes time. New trends are already emerging as governments, businesses and communities begin to adapt to the epidemic and the post-epidemic environment. At the same time, the pandemic will have a number of other surprising consequences that are impossible to predict yet.
As the extent and duration of the required distance to be applied globally due to the epidemic remains uncertain, it is virtually impossible to make accurate predictions. Although there has been some improvement in economic activity, it is also extremely vulnerable. Progress in medical terms is slow, and a vaccine against COVID-19, which may provide only temporary protection, is not expected to be widely available until the second half of 2021.
According to the latest Trend Report of the Association of Hungarian Hotels and Restaurants (Magyar Szállodák és Éttermek Szövetsége), published in November, the never-before-seen decline in domestic hotel performance due to the coronavirus epidemic continued owing to the domestic

measures - closing borders in September - and international travel restrictions. In September 2020, the number of guest nights was 63% lower than last year at the national level and 92.5% in Budapest. The number of foreign guest nights was 92.7% lower than last year at the national level and 96.3% in Budapest.
At the time of writing the present report, domestic hotels have suspended their operation for 30 days as a result of the government decree of 11 November 2020. All bookings for this period must be cancelled and 80% of the value of bookings received before 8 November will be reimbursed by the State. Government regulations / recommendations, both for travel restrictions and social distance, are essentially changed or reviewed on a weekly basis.

3. The goal and strategy of Appeninn Nyrt.

As a company listed on the Budapest Stock Exchange, Appeninn Nyrt. is committed to creating shareholder value, which it intends to achieve through the acquisition of targets within the strategic target segments, as well as their development and operation. Their financial coverage is provided by the use of innovative, affordable financing solutions and the divestment of lower-yielding items.

In March 2020, the Company updated its 5-year business strategy published in 2018, in which the tourist real estate market appeared as a new segment. The Company is convinced that there is still a lot of potential in this segment, the exploitation of which could help Appeninn Group to stabilize its level of financial performance in the long run through diversification. The strategic goal of the Company is to be a key player in the supply of rural premium accommodation after the recovery of the previous favourable macroeconomic trends after the pandemic period, in parallel with the recovery of tourism. Demand for domestic premium locations was also dominant before the crisis that erupted in 2020, a fact currently reinforced by the fact that rural accommodation has the best regeneration potential in the short to medium term due to the dominance of domestic tourism.

- **In the office building market**: it is necessary to manage the current portfolio more actively than before, so that, in addition to the profitability of the leasing activity, which can be considered stable even during the pandemic period, an appropriate one-off additional profit effect can be achieved on the buying and selling activities. This expansion requires, as a first step, the selective acquisition of high-quality office buildings, primarily in Budapest promising the highest possible return, which are to be financed, for the most part, by selling the current portfolio items for sale after reaching an appropriate level of profitability. Over time, this domestic repositioning may be complemented by appearances in carefully selected Central European markets
- **In retail**: There is a high potential for expanding a stable retail portfolio at the national level even during the crisis. Appenin Group also sees the expansion of its current industry presence only in the premium segment. These opportunities are constantly monitored with the involvement of experts, based on careful return calculations. Appeninn Nyrt. currently considers the increase of the market gap to be justified in the short and medium term if the performance indicators allow it with a minimal need for external financing.
- **In the market of tourist real estate developments**: implementation of large-scale investments in outstandingly good locations (e.g. Club Aliga, Balatonfüred, Tokaj, Szántód, Visegrád), together with co-investors, which premium demand generated by new supply after the crisis, will entail not only the expansion of rural well-ness services but also the decoupling of the given regions according to the expectations of Appeninn Plc. According to the unanimous opinion of experts, there is a high chance of a rebound in domestic tourism in the short and medium term, while we can expect the decisive presence of foreign tourists

characteristic before the pandemic period only in the medium and long term. According to the construction work and implementation plans, in 2023 all ongoing and planned investments will be completed and operational. In addition to the continuous improvement of its profitability, the majority of investments completed in 2022 are expected to have a significant impact on these new portfolio elements from 2023 onwards. They will generate significant income from …... The company intends to achieve outstanding returns in the structure and operation of the portfolio by exploiting internal synergies (e.g. Balaton ports) and involving external professional partners (e.g. hotel management companies). In addition, the enforcement of the principles of sustainability, cooperation with local communities and integration into the environment are of paramount importance in the development.

Financing

In 2019, within the framework of the Growth Bond Programme, the external funding element of Appeninn Nyrt. involved in the amount of more than HUF 20 billion made it possible to reduce its money market risks while supporting its acquisition plans.
In addition, the divestment of lower-yielding elements will play a role, which in 2020 took the form of the sale of VCT78 Ingatlanhasznosító Kft., owning, among others, a car service on Váci út, and the further phases of which may take place in 2021.

4. The Company's main resources and risks, and the related changes and uncertainties

4.1. The Company's main resources and risks

4.1.1. Strengths:

- Appeninn Nyrt. flexibly adapts to the individual needs of the client
- Appeninn Nyrt. implements cost-effective operation
- Carefully considered real estate portfolio size and the resulting volume-efficient management
- Diversified real estate portfolio in terms of industry and location, resulting in outstanding crisis resilience
- Maintaining a coordinated financing and revenue structure
- Appeninn Nyrt. has a liquid asset portfolio

4.1.2. Opportunities:

- The under-priced domestic real estate market is an attractive investment destination for foreign investors
- Acquisition of undervalued real estate in niche market segments
- Selecting the best of small and medium-sized enterprises, long-term cooperation with companies producing liquid stable cash flows
- Acquisition of high quality and high yield real estate
- Conservative growth in the commercial real estate market
- Achieving a high level of profitability in the short and medium term based on domestic tourism
- Regional expected appreciation following the improvement of the macroeconomic outlook

4.1.3. Uncertainties:

- Developer risk in relation to contractors still to be selected;
- In case of improvements, unexpected unforeseeable additional costs of construction;

- The measures taken as a result of COVID-19 2020 pose a financial risk in the short and medium term;
- Transformation of real estate market trends;

4.2. Financial Instruments

Appeninn Nyrt. seeks to mitigate the financial risks arising from its activities with all available means.

The primary task of Appeninn Nyrt. is group-level risk management, as individual-level risks do not require significant treasury activity. Appeninn Nyrt. has an extremely low financial risk profile. The foreign exchange risk in the balance sheet can be considered low due to its asset-side structure. Appeninn Nyrt.'s external long-term funding structure consists of a single fixed interest rate element, so its interest rate risk is marginal. Liquidity risk is moderate, as the Company's operations show a high coverage in terms of revenue. With respect to the portfolio items owned by the Company, long-term leases are available with highly rated tenants, so the Company considers the level of credit risk to be low. The Company continuously monitors other various emerging risks and manages them in accordance with various internal operating regulations and money market operations.

Appeninn Nyrt. seeks to minimize the impact of these risks. Appeninn Nyrt. does not engage in financial construction for speculative purposes.

The presentation of the Company's financial assets takes place under the presentation of the Company's annual report.

4.3. Financial risk factors and their management risk management policy

The treasury function of Appeninn Nyrt. coordinates participation in the financial markets in accordance with the long-term business interests of the Company and Appeninn Group.
The Company operates its treasury activities in accordance with the group-level risk management principles.

Investments in the Hungarian office market can indirectly and in the long run influence pricing. The risk of non-payment or late payment, which is common in the corporate circle, is managed by the Company by maintaining preliminary and then continuous customer monitoring. The customer monitoring activity is continuously developed with a coordinated flow of information in the areas of operation, customer management and finance.
The Company is exposed to risks arising from changes in general market and financial conditions. These changes may affect the results, value of assets and liabilities. The purpose of financial risk management is to continuously reduce risks through operative and financing activities. The market risks affecting the Company are described below.

Rent-related risk:

Appeninn Nyrt. establishes consistent, predictable and competitive rents for its tenants, which it reviews on an ongoing basis to adapt to the specific changed upward inflation risks and the rising yield environment under normal macroeconomic conditions. Current rents are in line with the environment and quality of the properties.
Taking into account the current global economic environment and the supply and demand conditions in the Budapest office market, it can be assumed that current rents and conditions will be sustainable in the near future, and in the medium term there will be upward risks to yield levels following their post-crisis revaluation.

Currency risk:
Appeninn Nyrt.'s total external long-term liabilities can be considered risk-free, as the denomination currency of the issued bond package is HUF, which is the Company's income currency. Appeninn Nyrt.'s foreign currency exposure in the balance sheet is on the asset side, the risk of which is considered low by the Company's treasury due to the current low European and Hungarian monetary bases.

Interest rate risk:
Appeninn Nyrt.'s external liabilities consist of a fixed interest rate element. Due to the current forint interest rates, the Company's treasury believes that any asset-side pressure will not push up the current marginal risk level.

Liquidity risk:
The Company aims to maintain a balance between continuity of financing and flexibility in shaping its financial reserves and loans.
Liquidity difficulties are not expected, revenues will cover operating costs at a high level.
In order to prepare for possible further waves of the pandemic, Appeninn Nyrt., in addition to a conservative investment policy, started a conservative increase in the liquidity level in the short and medium term.

Credit risk:
Credit risk is the risk that a partner will default on an obligation to pay a financial instrument or a customer contract, thereby causing a financial loss. Appeninn Nyrt. 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, Appeninn Nyrt. requests a deposit or bank guarantee from the tenants, on the basis of available market information for individual customers before concluding the lease agreement, and for monitoring the available public data for corporate customers with a closed business year, and continuously monitors tenant receivables after concluding the agreement.
For bank deposits and financial investments: The credit risk related to bank deposits and financial investments is managed in accordance with the conservative investment policy of Appeninn Nyrt., and its financial reserves are held in cash or bank deposits with reliable financial institutions in order to reduce credit risk.

5. Quantitative and qualitative indices and indicators of performance measurement, and the presentation of sites, branches and managed properties

5.1. Quantitative and qualitative indices and indicators of performance measurement

Financial indicators

HUF (thousand)	**2020**	**2019**	Changes (%)
Direct contribution from rental activities	546 386	500 522	9,2%
Revenue-generating investment properties	8 909 172	8 791 832	1,3%
Return on assets	6,1%	5,7%	7,7%

In addition to slight changes of its significant asset portfolio, the Company improved its asset-to-equity ratio compared to last year, which is due to the re-conclusion of expiring contracts at the market level.

HUF (thousand)	2020	2019	Changes (%)
Direct contribution from rental activities	546 386	500 522	9,2%
Service fees from subsidiaries	283 085	220 000	28,7%
Administrative expenses, service fees, vages	426 066	354 563	20,2%
Costs/Incomes (%)	51,4%	49,2%	4,4%

The Company's cost / income ratio increased by 2 percent compared to 2019, which is due to the increased level of administrative expenses. Most of this increased cost level is a one-time consequence of administrative fees related to new portfolio items acquired during 2020.

5.2. Presentation of sites, branches and managed properties

1082 Budapest, Üllői út 48.
The property is located in District VIII of Budapest, on the corner of Üllői út and Kisfaludy utca, close to the Ferenc körút - Üllői út junction. The property is one of the defining office buildings on one of the busiest streets in the city, the road to Liszt Ferenc International Airport. In the immediate micro-environment there are residential buildings with ground floor business premises, and also nearby is Corvin District, the quarter renovated as part of one of the most important urban rehabilitation programs, where Corvin shopping centre and Corvin Office Buildings are located next to the residential properties.
The building is a U-shaped, closed yard, -3 level + ground floor + 6 storey office building. Under the building there are a total of 126 parking spaces on 3 garage levels, but there are also mechanical and electrical rooms and a safe here. On the ground floor of the property there is a bank branch of the tenant, next to which are offices. Offices are located on the upper levels, as well as a restaurant on the 6th floor. The entrance to the office building and the ground floor bank branch is from Üllői út.

6000 Kecskemét, Kiskőrösi utca 30.
The property is located in Kecskemét, in the economic, commercial and service area of Kiskőrösi út. The property is located southwest of the centre of Kecskemét, close to M5 motorway and main road No. 52 respectively.
The site, located on a large area of more than 7 ha, has been operating as a Lumber Yard since the 1940s. The 8 buildings in the area were built at different times, typically in the 60s, 70s and 80s. The 2-storey, flat-roofed office building located at the entrance was built in 1983 and is currently unused but in good condition. There is also a weighing building and a one-storey office building at the main entrance.

6. Major events following the balance-sheet cut-off date

18 March 2021 - extraordinary information

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. V.1.; company registration number: 01-10-046538; hereinafter referred to as: the "Issuer") shall hereby inform its Esteemed Investors that on 18 March 2021 Kisfaludy 2030 Turisztikai Fejlesztő Nonprofit Zrt. informed PRO-MOT HUNGÁRIA Ingatlanfejlesztő Korlátolt Felelősségű Társaság (in English: PRO-MOT HUNGÁRIA Property

Developer Private Limited Liability Company) (registered office: H-8171 Balatonvilágos, Aligai utca 1.; company registration number: 14-09-317516), indirectly owned by the herein Issuer, on the positive assessment regarding the tender submitted under the title of "development of tourist attractions and services in Club Aliga". As a result of the decision, Kisfaludy 2030 Turisztikai Fejlesztő Nonprofit Zrt. granted a subsidy in the amount of 1,299,999,998,-HUF for PRO-MOT HUNGÁRIA Ingatlanfejlesztő Korlátolt Felelősségű Társaság. The aim of the PRO-MOT HUNGÁRIA Ingatlanfejlesztő Korlátolt Felelősségű Társaság is, upon using the provided sources, to establish such a new community platform in the area of Club Aliga, by means of the development of the so-called agora, which can function as the main square of the settlement by placing public furniture, and visual elements, and respectively, by establishing catering and commercial units. The Company also wishes to establish a multifunctional event venue from the tender subsidy, which, in accordance with the plans, can provide home for open-air conferences, theatre performance and open-air cinema.

7. Capital and share information by the issuer of publicly traded securities

The Company's securities representing voting rights (hereinafter: issued shares) are admitted to trading on a recognized (regulated) market (stock exchange) of a Member State of the European Union, therefore it must disclose in detail the following contents in the business report:
- the composition of the subscribed capital, including issued shares, which are not admitted to trading on a recognized (regulated) market (stock exchange) of a Member State of the European Union, broken down by type of share in a public limited liability company, indicating the proportion of such types in the subscribed capital, with the related rights and obligations / in point 7.1;
- any restrictions on the transfer of issued shares representing subscribed capital (including restrictions on the acquisition of shares or the need for the consent of the company or other holders of issued shares) / in point 15.;
- investors who have a significant direct or indirect shareholding in the equity of the entrepreneur (including pyramid schemes and cross-shareholdings), even if the investors hold the shareholding through certificates representing shares / point 7.5.
- the holders of issued shares embodying special management rights and these rights / in point 15.;
- the management mechanism provided for by any employee shareholder scheme in which the management rights are not exercised directly by the employees;
- any restrictions on voting rights (in particular restrictions on voting rights attached to a specified share or number of votes, time limits for the exercise of voting rights and systems by which the financial benefits of the shares are separated from the holding of the issued shares), / in point 15. and point 9, in full and in detail in the Articles of Association of the Company;
- any agreement between the owners of which the entrepreneur is aware and which may result in a restriction on the shares issued or the transfer of voting rights / in point 15. and point 9;
- the rules on the appointment and removal of senior executives and the amendment of the Articles of Association / in point 9, in full and in detail in the Articles of Association of the Company;
- the powers of the senior executives, in particular their powers to issue and repurchase shares / in point 9, in full and in detail in the Articles of Association of the Company;
- any material agreement concluded with the participation of the entrepreneur which enters into force, is amended or terminated as a result of a change in the contractor's management following a takeover bid, and the effects of such events, unless disclosure of the information would seriously harm the entrepreneur's fair business interests, provided that it is not required to disclose them under other legislation;
- any agreement between the entrepreneur and his senior executive or employee which requires compensation in the event the senior executive resigns or the employee quits, if the legal

relationship of the senior executive or the employee is terminated unlawfully, or the legal relationship is terminated due to a public takeover bid

7.1 Composition of issued share capital

The share capital of the Company is regulated by the Articles of Association:
- It consists of 4,737,141,900,-HUF registered dematerialized equity shares, each with a nominal value of 100,-HUF. Each share confers one voting right.
- Determination of the owner of a share, fulfilment of property contributions, increase of the share capital, transfer rules are included in the Articles of Association.

7.2 Shares issued and shareholders' rights

The issued and held Appeninn Shares are freely tradable, there are no rights based on the articles of association restricting distribution. The shares belong to a series, the members of the share series are Appeninn equity shares with the same rights.

Appeninn Nyrt. részvény adatok	
névérték	100
pénznem	HUF
ISIN kód	HU0000102132
forgalombantartás helye	Budapesti Értéktőzsde Zrt. részvény szekció
forgalmazás kezdete	2010. július 2.
részvénykönyv vezetés	Appeninn Nyrt. Igazgatótanácsa, 1118 Budapest, Kelenhegyi út 43.
Forgalomban tartott részvények száma 2019.12.31. (darab)	47.371.419
Forgalomban tartott részvények száma 2018.12.31. (darab)	47.371.419

7.3 Repurchased equity shares

As at 31 December 2020, the Company owned 1,848,- quantity of equity shares with a total value of 1,114,- HUF in thousands.

7.4 Shares and Share Capital of the Company

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

Presentation of changes in own equity

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

Retained earnings

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

7.5 Material investors

The Company continuously disclosed its communications on a monthly basis following the reporting day (voting rights at the end of the month and the equity), and announcement of the Owners – changes in the equity.
Shareholding of the Company exceeding 5% on 31 December 2020:

Serial Number	Indirect owner	Capital ownership (%)
1.	Zinventive Zrt.	18.33%
2.	Avellino Zrt.	24%
3.	OTP Ingatlanbefektetési Alap	5.09%
4.	Other owners not exceeding 5%:	52.58%
	Total:	**100%**

8 Articles of Association

The General Meeting of the Company last approved the Articles of Association of Appeninn Nyrt. on 30 September 2020.

- The Company has displayed the Articles of Association at the places of publication.
- The Company fulfils the procedures and rights published in the Articles of Association of the Company by publishing its Articles of Association.
- The election of 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 cancellation of shares as set out in the Articles of Association.

9 The Company's management system, Corporate Governance Report

- The Company has a Board of Directors. The powers of the Board of Directors are regulated by the Articles of Association.
- Together with the annual report the Company publishes a package of documents presenting its responsible corporate governance system (Report and Declaration on Corporate Governance Liability), which contains the information specified in Section 95/B. 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 that differ from the law.
- With a view to Section 95/B(2)a) of the Accounting Act: the Company declares that the Management Systems applicable to the Company is the system regulating publicly listed joint stock companies as stipulated in the Civil Code of Hungary. In its memorandum of association, the Company specifies its management system with the approval of the General Meeting. The Company complies with the disclosure obligations of the Articles of Association to the public.
- With a view to Section 95/B(2)b) of the Accounting Act: the Company discloses information related to corporate governance practices applied in addition to legal requirements in the Company's regular and extraordinary announcements, if they are of a high-profile, comprehensive nature, it is presented separately on its website as a separate document. No such resolution has been taken at present.
- With a view to Section 95/B(2)c) of the Accounting Act: the Company declares that in a separate document (Report and Declaration on Corporate Governance Liability) it presents, in accordance with the law, its deviations from the legal requirements, if any, together with the reasons.
- With a view to Section 95/B(2)c) of the Accounting Act: in its separate document (Report and Declaration on Corporate Governance Liability), the Company explains the reasons if it has not applied any provision of the management system required by law.
- With a view to Section 95/B(2)e) of the Accounting Act: the Company presents in a separate document (Report and Declaration on Corporate Governance Liability) the main features of the internal control and risk management system in the context of the preparation of the report.
- With a view to Section 95/B(2)f) of the Accounting Act: the Company presents the information according to Section 95 / A c), d), f), h) and i) of the Accounting Act as a part published as a separate document (Report and Declaration on Corporate Governance Liability), as described in Section 95/(2) g of the Accounting Act: the composition and operation of the supreme controlling (governing) body, the management body and the supervisory board and their committees.
- With a view to Section 95/B(2)h) of the Accounting Act: the description of the diversity policy applied in the case of the Company's administrative, management and supervisory bodies, in particular with regard to age, gender, academic and professional background, a description of the objectives of this diversity policy, how it has been implemented and the results achieved during the reporting period; it cannot be interpreted in 2020.
- With a view to Section 95/B(3)c) of the Accounting Act: the Company regularly publishes the Articles of Association, the Report and Declaration on Corporate Governance Liability with regard to the above contents.

10 Business continuity framework

The Appeninn Group has prepared its business plans for the period after 2020, on the basis of which the Company's existing and foreseeable liabilities will be covered by the Appeninn Group's future positive cash flow and asset-backed funding structure to be kept low.

11 Corporate Governance

In the course of its activities, the Company pays special attention to sustainability, support for disadvantaged groups, ethical business conduct and value creation.

12 Protection of the environment

Appeninn Nyrt. does not engage in any activities that are hazardous or harmful to the environment. It does not use hazardous substances for its operation. The undertaken and priority feature of the activity focussed on the tourism business, which started in 2019 with the acquisition of the majority business share of Pro-Mot Kft. is the planning and implementation of sustainable developments.

13 Employment policy, employee share and management programme

13.1 Employee share system

The Company does not run any employee and management share programme.

13.2 Number of employees employed full time

Data on number of employees

	for the business year ending as of 31 December 2020	for the business year ending as of 31 December 2019
Average statistical number (head)	**7,92**	**7,12**
Closing headcount (persons)	**8**	**7**

14 Sites of disclosure

The Company publishes its disclosures and financial statements at the following places:

- https://appeninnholding.com/
- https://kozzetetelek.mnb.hu/
- https://www.bet.hu/
- https://e-beszamolo.im.gov.hu/oldal/kezdolap
- CAPS

15 The basis of annual financial statement

15.1 Declarations of compliance pursuant to Decree No. 24/2008. (VIII. 15.) of the Minister of Finance

As an issuer having its registered office in Hungary, Appeninn Nyrt prepares its annual reports in line with the provisions of Act C of 2000, on Accounting.

Appeninn Nyrt. publishes audited annual reports The audit report is published together with the business report, included in the annual financial statements. The annual financial statements include the Company's parent company and consolidated balance sheet, the income statement, additional appendices - notes, and executive report.

Appeninn Nyrt. publishes its executive report together with the annual financial statements. The accompanying analysis is presented in the executive report. The analysis presents the key processes and factors that have had an impact in the period covered by the annual financial statement, or will have an impact in the future, on the Issuer's performance, development and position. The data presented in the executive report are published with content identical to the data of the previous period. If there was a difference in the content of the data, the comparative data will be repeatedly disclosed. Re-disclosure ensures comparability with data from the prior period in the executive report.

15.2 Declaration of suitability and conformity

The purpose of this document, being the Company's business report, is, by evaluating the data of the annual report, to demonstrate the proprietary, financial and earning position, and the course of business of the undertaking, together with the main risks and uncertainties arising in the course of the operations of the undertaking, in such a way that, based on past and expectable future data, it provide a true and fair picture of the actual circumstances. Where necessary, the business report makes reference to and gives additional explanations for the data included in the annual financial statement. The business report has been prepared in Hungarian, and has been signed by Bernáth Tamás, Chairman of the Board of Directors in the current year, and Dr Szabó Nóra, member of the Board of Directors, and authorized representatives of the undertaking, with the place and date indicated herein.

15.3 Limitation of ownership rights

The Board of Directors is not aware of any restrictions on owners or restrictions on the transferability of shares by the owners or issued shares embodying special management rights.
The Articles of Association of the Company present and record the provisions concerning the content and exercise of the Ownership Rights under the items Shares, Share Register, Rights and Obligations of Shareholders, General Meeting.

15.4 Essential information

The Board of Directors has disclosed all material information that may significantly affect its operations in addition to the continuous expected operations at the Company's disclosure locations. Management is not aware of any indemnification agreement involving management members or employees.

15.5 Indemnification agreements

The Board of Directors is not aware of any agreement between the undertaking and its senior executive or employee that provides for compensation in the event the senior executive resigns or the employment quits, if the legal relationship of the senior executive or employee is unlawfully terminated or the employment is terminated due to a takeover bid.

15.6 Research and experimental development

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

15.7 Disclaimer

Declarations required in Annex No. 1 to Decree 24/2008. (VIII.15.) of the Minister of Finance on the separate reports and statements of Appeninn Nyrt. for the year 2020, complied pursuant to the Hungarian Accounting Act and prepared according to the 2020 mother company IFRS rules (International Financing Reporting Standards published in the Official Journal of the European Union in the form of regulations).

We, the undersigned, declare that during the preparation of the mother-company report of Appeninn Nyrt. (the issuer) for the year 2019, the separate (non-consolidated) annual report prepared pursuant to the applicable accounting requirements, to the best of our knowledge, provides a true and reliable picture on the issuer's assets, liabilities, financial position and its profit and loss, and the 2019 executive report provides a reliable picture of the issuer's position, development and performance, describing key risks and uncertainties.

Budapest, 9 April 2021

Dr. Bihari Tamás
Appeninn Vagyonkezelő Holding Nyilvánosan
Működő Részvénytársaság
Chief Executive Officer