Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság
Separate Business Report and Executive Report for the Year
2021

Appeninn
Holding

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.

Dated as of 8 April 2022 in Budapest

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (registered officde: 1118 Budapest, Kelenhegyi út 43. B. ép. V. em.1., company registration number: 01-10-046538 – hereinafter referred to as: "Appeninn Plc." or the "Company") has prepared consolidated financial statements for the year 2021, 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. <u>**The Company's development and history**</u>

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. The portfolio of the group was expanded with tourist real estate development in 2021. 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 metre 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 revenue-generating activities of Appeninn Group are based on a stable, value-retaining real estate portfolio providing 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:

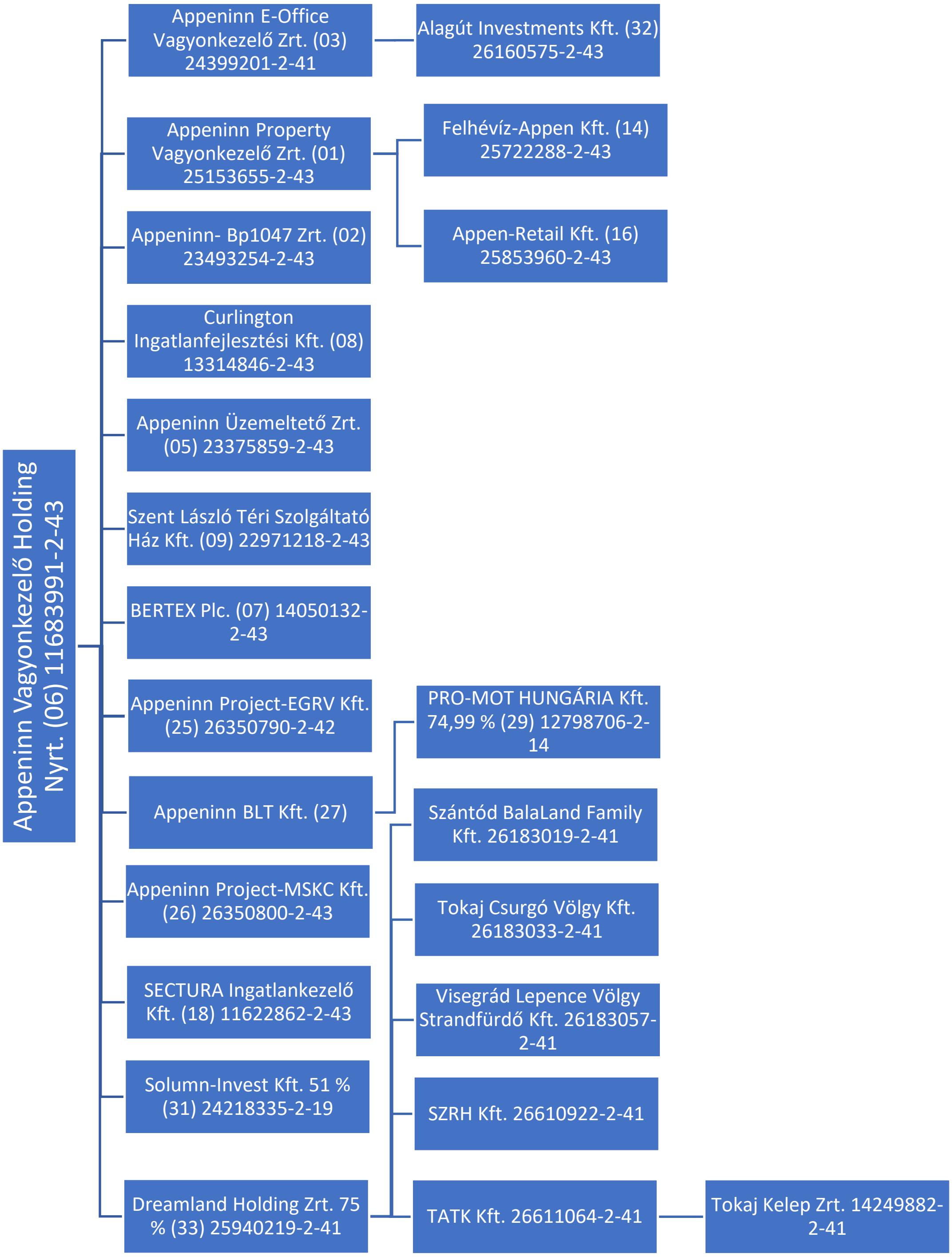
1.2.1. **Members of the Board of Directors:**

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

1.2.2. **Members of the Audit Committee:**

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

1.3. **Company Structure**


Appeninn Vagyonkezelő Holding Nyrt. (06) 11683991-2-43
Appeninn E-Office Vagyonkezelő Zrt. (03) 24399201-2-41
Alagút Investments Kft. (32) 26160575-2-43
Appeninn Property Vagyonkezelő Zrt. (01) 25153655-2-43
Felhévíz-Appen Kft. (14) 25722288-2-43
Appen-Retail Kft. (16) 25853960-2-43
Appeninn- Bp1047 Zrt. (02) 23493254-2-43
Curlington Ingatlanfejlesztési Kft. (08) 13314846-2-43
Appeninn Üzemeltető Zrt. (05) 23375859-2-43
Szent László Téri Szolgáltató Ház Kft. (09) 22971218-2-43
BERTEX Plc. (07) 14050132-2-43
Appeninn Project-EGRV Kft. (25) 26350790-2-42
PRO-MOT HUNGÁRIA Kft. 74,99 % (29) 12798706-2-14
Appeninn BLT Kft. (27)
Szántód BalaLand Family Kft. 26183019-2-41
Appeninn Project-MSKC Kft. (26) 26350800-2-43
Tokaj Csurgó Völgy Kft. 26183033-2-41
SECTURA Ingatlankezelő Kft. (18) 11622862-2-43
Visegrád Lepence Völgy Strandfürdő Kft. 26183057-2-41
Solumn-Invest Kft. 51 % (31) 24218335-2-19
SZRH Kft. 26610922-2-41
Dreamland Holding Zrt. 75 % (33) 25940219-2-41
TATK Kft. 26611064-2-41
Tokaj Kelep Zrt. 14249882-2-41

1.4. **Major economic events of the year 2021**

1.4.1.Extraordinary Information 18 February 2021

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (in English: Appeninn Asset Management Holding Public Limited Company) (registered office: 1118 Budapest, Kelenhegyi út 43 B. ép., company registration number: 01-10-046538; hereinafter referred to as: the "Issuer") shall hereby inform its Esteemed Investors that the companies within the interest of the Issuer included in the consolidation are the hereinunder as follows:

- **Solum-Invest Ingatlanfejlesztő és Üzemeltető Korlátolt Felelősségű Társaság** (in English: Solum-Invest Property Developer and Maintaining Private Limited Liability Company Private Limited Liability Company) (registered office: 8230 Balatonfüred, Zákonyi Ferenc utca 8 ., company registration number: 19-09-520175),
- **Dreamland Holding Zártkörűen Működő Részvénytársaság** (in English: Dreamland Holding Private Limited Company) (registered office: 1053 Budapest, Reáltanoda utca 5. 5. em 1., company registration number: 01-10-049301),
- **DLHG Invest Zártkörűen Működő Részvénytársaság** (in English: **DLHG Invest** Private Limited Company) (registered office: 1053 Budapest, Reáltanoda utca 5. 5. em. 1., company registration number: 01-10-049555),
- **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., company registration number: 01-09-306430),
- **TATK Tokaj Aktív Turisztikai Központ Korlátolt Felelősségű Társaság** (in English: TATK Tokaj Aktív Tourist Center Private Limited Liability Company) (registered office: 1053 Budapest, Reáltanoda utca 5. 5. em. 1., company registration number: 01-09-334992),
- **Alagút Investments Ingatlanhasznosítási Korlátolt Felelősségű Társaság** (in English: Alagút Investments Property Management Private Limited Liability Company) (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-09-305161),
- **Szántód BalaLand Family Ingatlanfejlesztő Korlátolt Felelősségű Társaság** (in English: Szántód BalaLand Family Property Developer Private Limited Liability Company) (registered office: 1053 Budapest, Reáltanoda utca 5. 5. em. 1., company registration number: 01-09-306428),
- **SZRH Szántód Rév Hotel Ingatlanfejlesztő Korlátolt Felelősségű Társaság** (in English: SZRH Szántód Rév Hotel Property Developer Private Limited Liability Company) (registered office: 1053 Budapest, Reáltanoda utca 5. 5. em. 1., company registration number: 01-09-334981),
- **Visegrád Lepence Völgy Strandfürdő Korlátolt Felelősségű Társaság** (in English: Visegrád Lepence Völgy Strandfürdő Private Limited Liability Company) (registered office: 1053 Budapest, Reáltanoda utca 5. 5. em. 1., company registration number: 01-09-306432),

as of 01 February 2021, is performed by Ernst & Young Könyvvizsgáló Korlátolt Felelősségű Társaság (registered office: 1132 Budapest, Váci út 20., company registration number: 01-09-267553; chamber membership number: 001165, name of the registration court: Fővárosi Törvényszék Cégbírósága (in English: Company Registry Court of Budapest-Capital Regional Court) – the person being responsible for the audit in person is Lelkes Tamás – address: 1161 Budapest, Baross u. 152; mother's name: Csató Erzsébet, chamber membership number: MKVK 007349, tax identification number: 8396254419).

1.4.2. Extraordinary Information 18 March 2021

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: the **"Issuer"**) shall hereby inform its Esteemed Investors that, on 16 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 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 utilizing the provided sources and by means of the development of the so-called agora − to establish such a new community platform in the area of Club Aliga, , 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 utilizing the tender subsidy, which, in accordance with the plans, can provide home for open-air conferences, theatre performances and open-air cinema films.

1.4.3. Extraordinary Information 01 April 2021

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (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 the Esteemed Investors that Fővárosi Törvényszék Cégbírósága (in English: Company Registry Court of Budapest-Capital Regional Court) registered the real estate property situated in 1026 Budapest, Pasaréti út 122-124. as a place of business of the Issuer upon the order received on 01 April 2021.

1.4.4. Extraordinary Information 07 April 2021

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (in English: Appeninn Asset Management Holding Public Limited Company) (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 the Esteemed Investors that, as of 06 April 2021, upon the receipt of the order, Fővárosi Törvényszék Cégbírósága (in English: Company Registry Court of Budapest-Capital Regional Court) registered the real estate property of **Appeninn E-Office Vagyonkezelő Zártkörűen Működő Részvénytársaság** (in English: Appeninn E-Office Asset Management Private Limited Company) (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; tax number: 24399201-2-43), directly owned by the Issuer, as a seat of business at 1026 Budapest, Pasaréti út 122-124.

1.4.5.Extraordinary Information 16 April 2021

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 the Esteemed Investors that, with regard to the case of emergency prescribed by the Government Decree No. 478/2020 on the announcement of the case of emergency has not been ceased, the Issuer is not in a position to hold the annual ordinary general meeting announced for the day of 19 April 2021 upon the shareholder's personal attendance.

The Issuer informed the Esteemed Shareholders in the Invitation Letter disclosed on 29 March 2021 on that, the general meeting announced for 19 April 2021 shall only be held by personal attendance of the shareholders if the case of emergency is to be ceased until the date and time of the General Meeting. With regard to the fact that the case of emergency prescribed by the Government Decree No. 478/2020. (XI.3.) on the *announcement of the case of emergency* has not been ceased then pursuant to Subsection 1 of Section 5 of the *Government Decree No. 502/2020 (XI. 16.) on the Re-implementation of the Derogations from Regulations on Operation of Partnerships and Corporations in case of Emergency* (hereinafter referred to as: the **"Government Decree"**), it is the Board of Directors of the Issuer who makes decisions on the agenda items submitted by the Issuer to the General Meeting on 10 April 2021.

1.4.6.**Extraordinary Information 25 May 2021**

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 the Esteemed Investors that **Bertex Ingatlanforgalmazó Zártkörűen Működő Részvénytársaság** (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. 5. em.1., cg:01-10-045752, tax number: 14050132-2-43; hereinafter referred to as: "Company"), directly controlled by the Issuer, by means of founding resolution made as of today, namely on 25 May 2021, established M2C Project Korlátolt Felelősségű Társaság as a single-member private limited liability company; and the Company made the real estate property, being in the 1/1 capital ownership of the Company, situated in kind in Budapest, 1037 Budapest, Montevideo u. 2./c., District III., urbanized area, under the topographical lot number of 14868/27, available for M2C Project Korlátolt Felelősségű Társaság as a non-monetary contribution.

1.4.7.**Extraordinary Information 26 May 2021**

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: **sales contract"Issuer"**) shall hereby inform its Esteemed Investors that a real estate property sales contract was concluded by and between **PRO-MOT HUNGÁRIA Ingatlanfejlesztő Korlátolt Felelősségű Társaság** (registered office: H-8171 Balatonvilágos, Aligai utca 1.; company registration number: 14-09-317516), indirectly owned by herein Issuer, and **Hellnarik Hospitality Korlátolt Felelősségű Társaság** (registered office: 8171 Balatonvilágos, urbanized area, topographical lot number 297., company registration number: 14-09-318114) with regard to the real estate property under the topographical lot number of 297/1., urbanized area in Balatonvilágos.

1.4.8.**Extraordinary Information 03 September 2021 – Conclusion of business share sales contract**

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (in English: Appeninn Asset Management Holding Public Limited Company) (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 the Esteemed Investors that **Bertex Ingatlanforgalmazó Zártkörűen Működő Részvénytársaság** (in English: Bertex Housing Private Limited Company), indirectly owned by the Issuer, (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1., company registration number: 01-10-045752, tax number: 14050132-2-43; hereinafter referred to as: the **„Company"**) concluded a business share sales contract with **Torento Property Korlátolt Felelősségű Társaság** (registered office:

5600 Békéscsaba, Kinizsi utca 4-6.; company registration number: 04-09-015780), the Company – Budapest III. District, urbanized area, topographical lot number: 14868/27, having 1/1 ownership of the real estate property, in kind: 1037 Budapest, Montevideo út 2/C – in respect of the sale of the existing business share representing 100% issued share capital in **M2C Project Korlátolt Felelősségű Társaság** (registered office: 1037 Budapest, Montevideó út 2. C. ép.; company registration number: 01-09-385627; hereinafter referred to as: **"M2C Project Kft."**) (hereinafter referred to as: the **„Transaction"**). The scheduled date of the Transaction closing is 60 days, a maximum, following conclusion of the contract.

1.4.9.**Extraordinary Information 10 September 2021**

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, as it is set forth in the sales contract announced in the extraordinary Information and disclosed as at 03 September 2021 by the Issuer, the devolution of the proprietary rights aiming the acquisition of 100% business share regarding the issued capital of **M2C Project Korlátolt Felelősségű Társaság** (seat of business: 1037 Budapest, Montevideó út 2. C. ép.; company registration number: 01-09-385627; hereinafter referred to as: "M2C Project Kft."), indirectly owned by thereof Issuer, by **Torento Property Korlátolt Felelősségű Társaság** (seat of business: 5600 Békéscsaba, Kinizsi utca 4-6.; company registration number: 04-09-015780) was performed on 10 September 2021.

1.4.10. **Extraordinary Information 20 October 2021**

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (in English: Appeninn Asset Management Holding Plc.) (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. V. em. 1., company registration number: 01-10-046538; hereinafter: the **"Issuer"**) hereby informs Investors and financial and capital market participants that on this day, that is, 12 October 2021, **TATK Tokaj Aktív Turisztikai Központ Korlátolt Felelősségű Társaság** (in English: TATK Tokaj Active Tourism Centre Limited Liability Company), (registered office: 1022 Budapest, Bimbó út 7. fszt. A02.), under the indirect majority ownership of the Issuer, has acquired 100% of the shares of **Tokaj Kelep Zártkörűen Működő Részvénytársaság** (in English: Tokaj Kelep Plc.), (registered office: 3910 Tokaj, Bodrogkeresztúri út 44, hereinafter referred to as "Tokaj Kelep Zrt.") by way of sale.

1.4.11. **Extraordinary Information 09 December 2021**

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 **"Issuer"**) hereby informs the Honourable Investors and financial and capital market participants that, according to the credit line agreement (hereinafter referred to as the "Credit Line Agreement") entered into on this day, that is, on 8 December 2021, between **Appeninn E-Office Vagyonkezelő Zártkörűen Működő Részvénytársaság** (registered office: 1026 Budapest, Pasaréti út 122-124.; hereinafter referred to as **"Appeninn E-Office Zrt."**), directly owned by the issuer, as debtor, and **Alagút Investments Ingatlanhasznosítási Korlátolt Felelősségű Társaság** (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; hereinafter referred to as the "Target Company"), directly owned by the issuer, as payment guarantor, and **MFB Magyar Fejlesztési Bank Zártkörűen Működő Részvénytársaság** (in English: Hungarian Development Bank) (registered office: 1051 Budapest, Nádor u. 31.; hereinafter referred to as **"MFB Zrt."**), as lender, MFB provides loans of up to 25,568,776,-EUR, i.e. twenty-five million five hundred and sixty-eight thousand seven hundred and seventy-six euros, with a maximum term of 20 years to **Appeninn E-Office Zrt.**, the purpose of which is:

(i) the provision of a credit line of up to 24,068,776,-EUR, i.e. twenty-four million sixty-eight thousand seven hundred and seventy-six euros, for the redemption of the outstanding debt under the loan agreement concluded with Appeninn E-Office Zrt. and **ERSTE BANK HUNGARY Zártkörűen Működő Részvénytársaság** (registered office: 1138 Budapest, Népfürdő utca 24-26., hereinafter referred to as: **"ERSTE Bank Zrt"**) entered into on 30 May 2018, and the outstanding balance of principal under the loan agreement between Appeninn E-Office Zrt. and ERSTE Bank Zrt. dated as at 25 July 2018;

(ii) the provision of a credit line of up to 1,500,000,- EUR, i.e. one million five hundred thousand euros, for the payment of the purchase price of the Business Share under the Business Share Purchase Agreement entered into prior to the signing of the Credit Line Agreement, on 6 December 2021, between the Issuer and Appeninn E-Office Zrt. with regard to 100% business share of the Target Company (hereinafter referred to as: **"Business Share"**).

In addition to the above, under the Credit Line Agreement, MFB Zrt. provides a conditional credit line of 15,000,000,- EUR, i.e. fifteen million euros, for investment purposes to Appeninn E-Office Zrt., which will be made available by MFB Zrt. subject to the fulfilment of the conditions set out in the Credit Line Agreement and subject to a separate approval decision by MFB Zrt., provided that Appeninn E-Office Zrt. submits a written application to MFB Zrt. no later than 31 December 2022.

In the case of the loan agreement under Clause (i) and (ii) above, disbursement is expected to take place in the course of 2021.

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

The Company's core operating EBITDA for 2021 increased by 11 percent compared to 31 December 2020, primarily driven by the impact of property revaluations. The Company's direct operating income from property rental in 2021 decreased slightly, by 2 percent compared to the same period last year. Profit before tax in 2021 was lower than in 2020, due to the result of financial operations, originating from a lower exchange rate effect. 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 continuously monitors the domestic and regional economic environment to ensure that it is ready to optimise its business activity in line with the objectives set out in its strategy, in harmony with emerging opportunities and, in particular, the growing global economic challenges.

1.6. Comprehensive income

Comprehensive income statement	Note	For the business year ending as of 31 December 2021 HUF in thousands	for the business year ending as of 31 December 2020 HUF in thousands
Property rental revenue	3	603 828	791 707
Direct costs of property rental	4	(68 029)	(245 321)
Direct contribution from rental activities		**535 799**	**546 386**
Service fees from subsidiaries	5	331 158	283 085
Administrative expenses, service fees, wages	6	(453 851)	(426 066)
Other revenues / (expenditures)	7	1 319	1 385
Profit (and loss) from subsidiaries and investment sale	8	159 165	173 885
Profit and loss from fair value evaluation of revenue-generating investment properties	9	168 228	117 340
Maintenance on investment properties	10	-	(28 433)
Profit and loss before taxation, interests and depreciation		**741 818**	**667 582**
Depreciation and amortisation	11	(37 097)	(74 517)
Other (expenditure) / revenue of financial transactions	12	64 765	584 377
Balance of interest revenues and (expenditures)	13	(24 758)	(256 426)
Lease transaction	13	(17 404)	(36 148)
Profit before taxation		**727 324**	**884 868**
Income taxes	14	(58 936)	(71 962)
Profits in the current year		**668 388**	**812 906**
Other comprehensive income		**-**	**-**
Other comprehensive income of the current year, less with taxation		**-**	**-**
COMPREHENSIVE INCOME OF THE CURRENT YEAR IN TOTAL		**668 388**	**812 906**

1.7. Balance sheet

Statement on the financial position Assets	Note	31 December 2021 HUF in thousands	31 December 2020 HUF in thousands
Revenue-generating investment properties	16	9 077 400	8 909 172
Tangible assets	17	9 396	9 050
Right-of-use asset	18	106 125	139 638
Lease receivables	19	128 036	180 880
Equity	20	8 406 608	8 799 008
Invested assets in total		**17 727 565**	**18 037 748**
Trade receivables	21	24 976	35 192
Other short-term receivables	22	112 568	112 670
Receivables through affiliated parties	23	19 117 168	20 025 063
Short-term loans granted	24	428 411	2 247
Accruals	25	22 986	93 098
Cash and cash equivalents	26	3 110 938	521 694
Current assets in total		**22 817 047**	**20 789 963**
Assets in total		**40 544 612**	**38 827 711**
Equity and liabilities			
Issued share capital	27	4 737 142	4 737 142
Repurchased own shares	28	(1 114)	(1 114)
Reserves	29	8 095 844	8 095 844
Retained earnings	30	5 228 320	4 559 932
Equity per shareholders of the Company		**18 060 192**	**17 391 804**
Tenant deposits	31	218 592	207 197
Lease liabilities	32	216 426	298 272
Corporate bonds debt	33	20 131 697	20 147 849
Deferred tax liabilities	34	342 992	310 529
Long-term liabilities in total		**20 909 707**	**20 963 847**
Short-term bank credits and lease liabilities	35	92 050	88 176
Other short-term liabilities	36	21 972	26 698
Short-term affiliated liabilities	37	1 325 681	261 036
Liabilities for trade creditors and other accounts	38	55 814	47 756
Iincome tax liabilities		1 828	3 607
Taxes and duties liabilities	39	67 203	40 575
Accrued liabilities	40	10 165	4 212
Short-term liabilities in total		**1 574 713**	**472 060**
Liabilities in total		**22 484 420**	**21 435 907**
Equity and liabilities in total		**40 544 612**	**38 827 711**

In 2021, the Company's direct operating margin decreased by 10 million HUF compared to 2020. Looking at the operating result, it can be seen that there was an increase in administrative costs and personnel expenses, mainly due to the additional work and service requirements related to tourism development. The decrease in the result from financial operations was due to lower exchange gains on the assets side. Total assets increased by more than 4 percent compared to 31 December 2020. The increase is driven by a change in the stock of cash and cash equivalents on the asset side, followed by an increase in retained earnings and current liabilities on the liability side. The change in the value of this item on both the asset and liability side is linked to the sale of a subsidiary.

Expected prospects:

Depending on the expected change 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 – modified in February 2022 – 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 office 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 Budapest and CEE-SEE acquisition opportunities;
- 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.

1.8. 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 9 077 400,-HUF in thousands.

1.9. Valuation

The valuation of the real estate properties owned by Appeninn Plc. has been prepared in accordance with the requirements of the RICS Valuation - Global Standards issued by RICS, effective from 31 January 2021, based on the Market Value, which is defined as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."[1]

1.10. 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-

[1] https://www.rics.org/globalassets/rics-website/media/upholding-professional-standards/sector-standards/valuation/2021-11-25_rics-valuation--global-standards-effective-2022.pdf

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 2021.

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.

1. 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.

2. Calculation based on DCF:

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) approach, 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 revenue-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:

- Calculations start from 1 January 2022;
- 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;
- Rents were set in EUR, the EUR-HUF rate was fixed at 369.00,-EUR/HUF;

- 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 ERV) and the average yield;
- in the case of rental agreements, a fixed 1-year period and a 6-month void 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.
- The CAPEX to Renovation costs were established by the appraiser 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.
- 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.
- Exit Yield (EY) and the Discount rates were set by the appraiser 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).

1.11. **Sensitivity calculations**

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

In the fourth quarter of 2021, the economic recovery from the shock of the coronavirus epidemic varied from country to country: in China, economic growth slowed, while in the United States and the euro area it accelerated. The coronavirus epidemic and the diverging recovery patterns continue to pose risks to the global economic recovery. The coronavirus epidemic and the diverging recovery patterns continue to pose risks to the global economic recovery. In recent months, inflation has risen to multi-decade highs in most countries, exacerbated by supply constraints in a growing number of markets, in addition to sustained increases in raw material, commodity and energy prices.

According to the minutes of the Monetary Council meeting of 22 March 2022, the outbreak of the Russia-Ukraine war at the end of February has fundamentally altered the global economic outlook. The consequences of the war are having their strongest growth-restraining effect directly through foreign trade channels and difficulties in international production chains.

By the third quarter of 2021, more than half of EU countries had already exceeded their pre-crisis economic performance. However, the outlook for GDP growth has worsened as a result of the rise of new waves of epidemic, a sharp rise in energy prices and persistent problems in global supply chains. The global semiconductor shortage mainly affects the production of automotive and electronic products, which is a major contributor to domestic and regional exports. For energy-importing countries, the sharp rise in raw material and energy prices also worsens growth prospects. According to the December 2021 Inflation Report of MNB (in English: Hungarian National Bank – HNB), most of the central banks surveyed have recently started or continued to tighten monetary conditions in response to rising inflation.

Source: HNB

Among the macroeconomic characteristics of foreign-owned companies dominating the domestic tenant market in the home country, it is important to highlight that in the fourth quarter of 2021, the expansion in Germany was around 1.8%, in Luxembourg around 4.8%, while in Poland it reached 7.6%, according to the Hungarian Central Statistical Office (hereinafter referred to as: HCSO) data release.

In Hungary, the economy continued to grow at a rapid pace following the successful rebound, with GDP rising by 7.1% year-on-year in the fourth quarter of 2021, according to KSH (Hungarian Central Statistical Office / HCSO) data. For 2021 as a whole, GDP volume increased by 7.1% compared to the previous year and by 2.1% compared to 2019, according to HCSO.

Source: HCSO

According to HNB analysts, the performance of the domestic economy in the third quarter was already 0.6% above its pre-epidemic level. Domestic demand continued to recover, with household consumption and investment expanding. Investment increased in the third quarter, mainly driven by developments in the corporate sector, while the volume of investment by budgetary bodies declined.

Source: HNB

2.2. Main economic indicators

The successful rebound is indicated by the fact that the euro area and EU-27 economies both expanded by 5.3% on an annual basis in 2021 as a whole, according to preliminary data released by the Hungarian Central Statistical Office, and Hungary's growth surplus compared to the euro area was no less than 1.8% for 2021 as a whole. On the consumption side, domestic consumption contributed positively to the year-on-year growth, while net exports contributed negatively. On the consumption side, actual household consumption increased by 4.3% and community consumption by 4.8%, which together resulted in a 4.4% increase in final consumption volume. Gross accumulation increased by 8.7%, of which gross fixed asset accumulation grew by 6.0%.
Source: HCSO

2.2.1.Investments

In the fourth quarter of 2021, compared to the same period of the previous year, the volume of investment activity in Hungary increased by 0.2%, with construction investments, which account for 64% of the performance, up by 3.3% and machinery and equipment investments, which account for 35%, down by 4.6%. For the latter, the decline was mainly due to lower investment in imported machinery, according to the HCSO first release on investment activity in Q4 2022.
Real estate, the second largest investor, accounting for 23% of developments in the national economy, saw its performance fall sharply (by 13%) in Q4, mainly due to a sharp decline in residential constructions. At the same time, the volume of commercial property developments for rental (e.g. warehouses, offices) increased.
Investment in transport and storage continued the upward trend of previous quarters (+20%), with public infrastructure developments and passenger transport companies increasing their investments.
Source: HCSO

2.2.2.Inflation, consumer price index

In 2021, consumer prices increased by an average of 5.1% in Hungary, with the highest increase in the price of spirits and tobacco: 10.9%. Prices of other articles rose by 9.6%, consumer durables by 4.5%, food by 4.1%, services by 2.9%, household energy by 0.5% and clothing by 0.2%. Consumer prices among retired households rose by an average of 4.6%.

The pace of price increases accelerated during the year and the adverse trends continued in the first months of 2022. In February, consumer prices were on average 8.3% higher than a year earlier. The last time inflation was this high was in August 2007. Over the past year, fuel and food prices have risen the most. On average, consumer prices rose by 1.1% in one month. The Hungarian government has introduced a price freeze on fuel and some food products until May 2022. However, the effect of the price freezes to reduce inflationary pressures has been completely eliminated by the Russian-Ukrainian war conflict, mainly through energy prices. As the European market is heavily dependent on Russian raw materials, the prices of natural gas and oil, and hence energy prices, rose significantly in the first months of 2022 and there was considerable volatility in the markets. Electricity prices increased from 83 EUR/MWh at the beginning of the year to 250 EUR/MWh at the beginning of March, an increase of 200%.In view of the uncertainty caused by the ongoing Russian-Ukrainian war situation, which in itself and with its spill-over effects creates substantial uncertainty, inflationary pressures are expected to ease mainly as the war subsides.
Source: HCSO

2.2.3.Base rate, GDP

In view of the rising inflation risks, Magyar Nemzeti Bank (in English: Hungarian National Bank) started an interest rate hike cycle in 2021 to restore price stability. As part of this, the central bank's governing interest rate was raised to 4.4% on 22 March 2022. According to the decision of the Monetary Council of 22 March 2022, the lower bound of the interest rate corridor, which is intended to keep short-term interbank interest rates in check, is the overnight deposit rate at 4.4%, while the overnight lending rate, which is the upper bound of the interest rate corridor, is 7.4%.

Money market yields are clearly responding to the HNB's interest rate decision. The increase in the central bank base rate is also reflected in BUBOR, which is the benchmark rate for forint loans. As the pricing of loans is composed of the BUBOR reference rate and a fixed spread, a change in BUBOR will change the interest rate on variable rate loans with a lag of a few months. As a result of the HNB base rate hikes, the 3-month BUBOR rose to 4.92% by the beginning of March and reached 6% by 9 March 2022, and continues to rise. HNB remains ready to raise the base rate if necessary to maintain price stability, so it is expected that BUBOR and thus interest rates on loans will continue to rise.
Source: HNB

2.2.4.Construction industry

In January 2022, construction output in raw data was 3.3% higher than a year earlier. Among the two main construction groups, construction of buildings fell by 0.4% and construction of other structures rose by 12.9% compared with January 2021. Based on seasonally and working-day adjusted indices, construction output was 6.3% lower than in December.

Source: HCSO

According to the latest available data, residential construction fell year-on-year in the third quarter of 2021. Construction output in the third quarter of 2021 increased by 15.9% compared to the same period in the previous year. Construction of buildings increased by 21.2% on an annual basis, while construction of other construction rose by 6.7%. Between July and September, construction output fluctuated close to pre-crisis performance levels.

Source: HNB

2.2.5.Real estate investment

Economic output has already exceeded its pre-coronavirus level by the second quarter of 2021, with a corresponding improvement in the performance of commercial real estate sectors, but the positive impact of growth on the real estate market is lagging behind that of previous cycles, partly due to the direct impact of the epidemic (a persistent decline in tourism) and partly to uncertainty stemming from the trends it has accelerated (the rise of working from home and e-commerce). Looking ahead, in addition to the positive impact of further economic expansion, the factors affecting the commercial property market could be at risk from the new waves of the epidemic and the economic consequences of the Russian-Ukrainian war in February 2022.

In the first half of 2021, investment turnover in domestic commercial real estate increased by 15% on an annual basis, reaching €0.6 billion. A significant share of this (58%) was accounted for by a few large transactions and 78% was linked to domestic investors. Spendable liquidity remains available in the market and investor interest is still present, but buyers are cautious due to price discovery and the outlook for certain segments. However, along with reduced investment demand, the supply of properties for sale has also declined, resulting in lower yields. Looking ahead, the monetary tightening cycle already underway in several countries could also tighten the yield spreads offered by real estate investments. Similar to the domestic market, the investment market in the region has been characterised by moderate activity and a recurrent decline in office market yields. In the first half of 2021, investment activity of domestic public real estate funds was low, but their liquidity position is stable and their sector-wide ratio of liquid assets to assets is considered safe.

Source: HNB

2.3. Office buildings

Overall, real estate developers reported that ongoing projects have not stopped and that there is still activity in this area, especially in the industrial-logistics segment. There is also a view that industrial real estate development is already oversupplied, but that this high volume of development is being met by strong demand, so the outlook for the segment is certainly positive in the short term. In the medium term, however, it is worth monitoring the relationship between development and demand. In Budapest, the main drivers of logistics development are the needs of the retail sector and in rural areas, industry is the main driver, with room for growth in the latter, according to experts. A problem, however, is that in several cases the capacity reserved by energy and utility providers has not been available on time, which has also led to delays of several months in the delivery of developments.

Regarding office developments, it has been reported that although developments are continuing despite the coronavirus outbreak, there is a very high level of uncertainty identified on the tenant side. Further complicating the situation for office developments is the fact that over the last year and a half, banks have tightened their lending conditions and are now requiring a 40-50% pre-lease rate, which is very difficult to meet in the current demand situation.

The office market accounted for 79% of domestic transactions in the first half of 2021, with a volume of around €500 million, a record performance in a six-month cycle. This shows that investors are confident in the sector, despite the as yet unpredictable effects of the distance working trend. In the second quarter, economic activity rebounded in Hungary, exceeding pre-crisis levels. The recovery in the labour market and companies' plans to expand their workforces could have a positive impact on commercial real estate segments.
Source: HNB

2.3.1. Budapest office market overview

By the end of June 2021, the vacancy rate in the Budapest office market had risen to 9.8%. The rise in the rate was due to a combination of lower rental demand and newly completed buildings coming onto the market. In 2021, office take-up will be around 51% lower than in the peak year of 2020, based on projects delivered and under construction. However, in 2022, the market could return to record levels, with an 11% increase in the next two years, based on office projects under construction. Since the second quarter of 2020, quarterly rental demand in the Budapest office market has fallen to an average of more than 40% below previous years, from which it has not yet recovered, despite a pick-up in economic activity in the second quarter of 2021. Despite low demand, average asking rents in Budapest remained stable in the first half of 2021. Vacancy rates rose in the office markets of all capitals in the Central and Eastern European region, with the regional average of 10.2% at the end of 2020 rising by 1.6% in six months. If demand for office space remains at the low levels seen in recent quarters, the vacancy rate will continue to rise in the capitals under review, based on the volume of office developments under construction.

Source: HNB

In the first half of 2021, 44 thousand square metres of new office space was delivered, bringing the total modern office stock in Budapest to 3.96 million square metres. Demand for office space retreated to a low level in the five quarters to the end of June 2021. The average number of lettings was 42% lower compared to the 2018-2019 period.

Source JLL.

2.3.2. Stock and deliveries

Construction of 11% of the existing modern office stock is underway, with an average pre-letting rate of 43%. At the end of June 2021, 429 thousand square metres of office space was under construction in Budapest, most of which will be delivered by the end of 2022, with some projects due to be delivered in 2023. 43% of all the building area had pre-lease contract at the end of the half year. In addition to the construction already underway, a further nearly 500,000 square metre of development is known to be potentially ready to start in the near future, which could mean a further increase of up to 12 percent of the modern office stock of Budapest by the end of 2021 in the medium term. Looking at the location of future projects within the capital per submarket, the South Buda sub-market will see the largest amount of new supply (137 thousand square metres) over the next two years, but a significant volume (103 thousand square metres) will also be built on Váci út. Looking beyond the next 2 years, developments that are not yet under construction, but could be launched in the foreseeable future, will again focus on the Váci út office corridor. Active office developments and renovations in recent years have led to an increasing number of green office buildings in Budapest.

Source: HNB

2.3.3. Demand

Since the second quarter of 2020, quarterly rental demand in the Budapest office market has fallen to an average of more than 40% below previous years, from which it has not yet recovered, despite a pick-up in economic activity in the second quarter of 2021. Despite low demand, average asking rents in Budapest remained stable in the first half of 2021. Vacancy rates rose in the office markets of all capitals in the Central and Eastern European region, with the regional average of 10.2% at the end of 2020 rising by 1.6% in six months. If demand for office space remains at the low levels seen in recent quarters, the vacancy rate will continue to rise based on the volume of office developments under construction.

Source: HNB

2.3.4. Vacancy

In 2021, vacancy rates increased in all capitals in the Central and Eastern European region and a similar trend is expected in the coming years. In the first half of 2021, vacancy rates increased in all regional capitals, reflecting lower demand and the launch of new buildings due to the buoyant development activity in recent years. The average vacancy rate for the office markets in the surveyed capitals increased by 4% at the end of June 2021 compared to 7.8% at the end of 2019. The lowest vacancy rate (7.8 percent) remained in Prague, while the highest (15.3 percent) could be noticed in Bucharest. At the end of June 2021, office space equivalent to 10-13% of the existing modern office stock was typically under construction in the regional capitals (except for Bratislava, where it stood at 6%), which will result in a significant volume of deliveries over the next one and a half to two years, likely to further increase vacancy rates.

By the end of June 2021, the vacancy rate in the Budapest office market had risen to 9.8 percent, and is expected to increase going forward. In terms of individual market segments, the vacancy rate for category "A" offices was 9.09%, while the average vacancy rate for category "B" offices was 11.77%. In the first half of 2021, 44 thousand square metres of new office space was delivered, bringing the total modern office stock in Budapest to 3.96 million square metres by the end of June. Demand for office space has been at a low level for the past year and a half: the average of total lettings in the five quarters to the end of June 2021 (83 thousand square metres) was 42% lower than the average for the quarter in the 2018-2019 period (143 thousand square metres). Net market absorption, measured by the change in leased office stock, was negative in the first half of the year (-11.5 thousand square metres), which, even with relatively few new deliveries compared to 2020, resulted in an average vacancy rate of 9.8% at the end of June 2021. Looking ahead, a significant volume of new deliveries will add to the office stock in Budapest, which will further increase the vacancy rate. In 2021, the average office rents have not fallen, but the expected increase in vacancies and persistently low demand could put increasing pressure on rents to fall. At the same time, most market experts expect that a possible rent reduction will mainly affect older properties with lower quality and services.

Source: HNB

2.4 Commercial real estate

In the first half of 2021, investment turnover in domestic commercial real estate increased by 15% on an annual basis, reaching €0.6 billion. A significant share of this (58%) was accounted for by a few large transactions and 78% was linked to domestic investors. Spendable liquidity remains available in the market and investor interest is still present, but buyers are cautious due to price discovery and the outlook for certain segments. However, along with reduced investment demand, the supply of properties for sale has also declined, resulting in lower yields. Looking ahead, the monetary tightening cycle already underway in several countries could also tighten the yield spreads offered by real estate investments.

Similar to the domestic market, the investment market in the region has been characterised by moderate activity and a recurrent decline in office market yields. In the first half of 2021, investment activity of domestic public real estate funds was low, but their liquidity position is stable and their sector-wide ratio of liquid assets to assets is considered safe.

The stock of commercial real estate secured project loans of credit institutions increased by 18% year-on-year by the end of June 2021. In the first half of 2021, credit institutions disbursed 22% more commercial real estate secured project loans than a year earlier, while the share of Forint loans in the project loan stock rose to an unprecedented 21%, driven by Funding for Growth Scheme "Hajrá". Banks did not materially change the terms and conditions of business property loans in the first half of the year, which was accompanied by increased loan demand. Based on the responses to the Lending Survey, institutions have set their sights on easing lending conditions in the second half of 2021, but caution remains an important consideration given the industry-specific risks. 46% of the moratorium-eligible commercial real estate project loan portfolio of lending institutions - including 80% of hotel finance loans - were participating in the program at the end of June 2021, higher than the share for the total corporate loan portfolio. The project loan portfolio under moratorium, related to the riskier hotel and retail segments amounts to HUF 270,- billion, but these loans have a higher share of contracts eligible for further moratorium. The banking system will be able to manage potential risks from the commercial real estate market and is adequately capitalised.

Source: HNB

2.5 The hotel market

The recovery of the tourism sector may be the slowest among economic sectors, with various international analyses still not expecting global tourism to return to pre-crisis levels before 2024. Across the region, hotel occupancy rates were low in the first half of 2021, with Budapest hotels seeking to increase revenue by raising room rates after the 2020 cut, in contrast to other capitals. The turnover of domestic hotels improved as the epidemic waves subsided, but the average monthly turnover for July 2019 has not yet been reached.

However, hotel developments launched before the epidemic will result in the delivery of 2.7 thousand rooms over the next one and a half to two years. 6 new hotels across the country with a total of around 1 thousand rooms will be completed by the end of July 2021. All but one of the completed hotels are located in Budapest, so 85 percent of the rooms delivered are concentrated in the capital. The hotel developments launched before the outbreak of the coronavirus epidemic are also expected to result in significant deliveries looking ahead: more than 900 rooms are expected to be handed over during the remainder of 2021, two-thirds of them in Budapest locations, and plans for 2022 anticipated a further 1,800 rooms (47 percent of which in Budapest) at the end of July.

Source: HNB

2.6 Rents

Average rents did not decline in any of the segments, but looking ahead, a correction may be possible in the case of industrial-logistics rents. On the other hand, the increase in supply will also improve Hungary's international competitiveness in logistics, which could be a stabilising factor for rental prices through an increase in new demand.

HNB experts believe that there is no scope for a reduction in rents in the office market, as some experts believe that developers would not enter the market. There is also a view that many companies are currently unable to determine how much office space they will need in the future, but that the situation could normalise in this respect. Tenants are not currently looking for lower rents, but primarily for flexibility from landlords, for example, on what terms and how much office space can be returned if it is not needed. In the office market, some experts believe that recently built office buildings with new green ratings and in good condition may absorb demand from older buildings, so that vacancy rates may tend to rise in lower-end office space. As regards the logistics segment of the industry, LITT (in English: Housing and Real Estate Advisory Board) members also argued that they see no reason for rents to fall for the time being. At present, although there is substantial supply pressure from logistics developments, the net absorption of around 150-200 thousand square metre per year may compensate for this, the question is whether net absorption can still rise.

Source: HNB

2.7 Outlook

Overall, according to the July 2021 survey results of the Royal Institution of Chartered Surveyors (RICS), there is an improving trend in both the domestic investment and rental markets, following the deterioration in economic sentiment last year due to the Corona virus outbreak. The recovery has been most marked in the industrial-logistics segment, but the decline in demand has also stopped in the office and retail segments, with supply still strong. Overall, therefore, only the prime quality industrial logistics sub-market is expected to see an increase in rents and prices over the next year. According to the domestic experts surveyed, the commercial property market cycle entered a recovery phase again in the first half of the year, with two-thirds of them saying that the cycle has already passed its trough, while the share of those perceiving the market as undervalued has risen again.

Source: HNB

3. **The goal and strategy of Appeninn Plc.**

As a company listed on the Budapest Stock Exchange, Appeninn Plc. 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.

Since its foundation in 2009, Appeninn Plc. has undergone dynamic development and many changes. An important milestone of this was the adoption of the Company's 5-year business strategy in June 2018, which also resulted in a gradual increase in the occupancy rate of the existing core portfolio, so that despite the Covid effects, the operating result of the properties started to move in a positive direction in 2020. The Company's strategy was first amended in March 2020, as Appeninn Nyrt. saw significant business potential in the development and operation of tourism properties, and herewith tourism properties were added as a new target segment in the business strategy in 2020, in parallel with the Company's launch of significant tourism-related developments.

The negative bond rating of Scope Ratings GmbH in 2021, however, justified a change in the business strategy, and the Company reviewed and amended its business strategy at the beginning of 2022, stating that the Company still considers the business strategy adopted in 2018 as something to be essentially followed. The revised strategy, among its focus areas, again emphasizes the extension and development of its core business real estate portfolio, with a primary focus on the office market and a secondary focus on retail real estate, as the 2021 bond rating was primarily driven by the changing strategy due to the tourism development activity and the resulting change in the financial risk profile.

The revised strategy therefore reiterates the office and retail property market as the primary target segment, with the intention to raise own funds to expand the portfolio elements in this segment mainly through the sale of the project companies that make up its tourism portfolio. The funds released by the sale of the tourism portfolio will allow both the development of the existing portfolio and the acquisition of additional elements that fit into it.

The pandemic situation and the resource requirements of development projects have made it difficult to open up regionally in the two target segments, but the scope for geographical diversification that will be freed up following the strategy change will also provide an opportunity for this.

- **In the office building market**: Appeninn Plc. will drive further growth through the acquisition of high quality, high yielding office buildings, primarily in Budapest and the CEE and SEE region. The company is convinced that regional expansion should start with a careful selection, by choosing the right local professional partners, in order to have a realistic chance to build a real estate portfolio with a significant business potential and size.
- **In retail**: There is a high potential for expanding a stable retail portfolio at the national level even during the pandemic crisis. Appeninn Plc. intends to continue to expand its portfolio by involving industry experts, based on careful return on investment calculations. These opportunities are constantly monitored with the involvement of experts, based on careful return calculations.

In total, Appeninn Plc.'s leasable portfolio area is now close to 80,000 square metres, with an occupancy rate of 92% last year.

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

4.4 The Company's main resources and risks

4.4.1 Strengths:

- Appeninn Plc. flexibly adapts to the individual needs of the client
- Carefully considered real estate portfolio size and the resulting volume-efficient management
- Diversified real estate portfolio in terms of industry and location, resulting in liquidity security
- Maintaining a coordinated financing and revenue structure
- Appeninn Plc. has a liquid asset portfolio

4.4.2 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
- Opportunity to create a stable large corporate partner base by acquiring a portfolio of premium office buildings abroad
- Acquisition of high quality and high yield real estate – domestic and CEE, SEE region
- Regional expected appreciation following the improvement of the macroeconomic outlook

4.4.3 Uncertainties:

- Transformation of real estate market trends;

- Macroeconomic headwinds:
  - Changes in domestic and international interest rate environment;
  - Rising inflation outlook;
  - More subdued GDP growth;

4.5 **Financial instruments**

Appeninn Plc. 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 Plc. seeks to minimize the impact of these risks. Appeninn Plc. 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.

4.6 Financial risk factors and their management risk, management policy

The treasury function of Appeninn Plc. 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.

4.6.1 Rent-related risk:

Appeninn Plc. 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.

Currency risk:

Appeninn Plc.'s total external long-term liabilities can be considered risk-free, as the denomination currency of the issued bond package is Hungarian Forint, which is the Company's income currency. Appeninn Plc.'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 EUR/HUF monetary bases.

Interest rate risk:
Appeninn Plc.'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 in short term, revenues will cover operating costs at a high level.
In anticipation of the pandemic and the macroeconomic consequences of the Russian-Ukrainian conflict, Appeninn Plc. continued to conservatively increase its liquidity level in the short and medium term during 2021, in addition to its conservative investment policy.

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 Plc. 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 Plc. 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 Plc., 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)	2021	2020	Change (%)
Direct contribution from rental activities	535 799	546 386	-2.1%
Revenue-generating investment properties	9 077 400	8 909 172	1.8%
Asset-to-equity ratio income	5.8%	6.1%	-4.9%

As a result of the increase in the value of the Company's assets and a slight decrease in direct margin, its asset coverage ratio decreased from 6.1% to 5.8%.

HUF (thousand)	2021	2020	Change (%)
Direct contribution from rental activities	535 799	546 386	-2.1%
Service fees from subsidiaries	331 158	283 085	16%
Administration costs	453 851	426 066	6.3%
Expense/Income (%)	50.2%	51.4%	-2.3%

The Company's cost / income ratio decreased by almost 1 percent compared to 2020, which is due to the increased level of holding fee. The holding fee revenues cover the increase in the Company's administrative cost structure by far.

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

10 February 2022 - Extraordinary Information

On 10 February 2022, Appeninn Plc. amended its strategy adopted in 2018.

https://bet.hu/site/newkib/hu/2022.02./Appeninn_Nyrt._modositott_strategiaja_128671958

17 March 2022 – Extraordinary Information – Conclusion of a business share sales contract

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (in English: Appeninn Asset Management Holding Public Limited Company) (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. 5. emelet 1.; company registration number: 01-10-046538; hereinafter referred to as "Issuer") shall hereby inform the Esteemed Investors that on this day, that is, on 17 March 2022, Appeninn BLT Korlátolt Felelősségű Társaság (in English: Appeninn BLT Limited Liability Company) (registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.; company registration number: 01-09-326114; hereinafter referred to as “Appeninn BLT Kft.”), under the exclusive direct ownership of the Issuer, has signed a business share sale and purchase agreement with BAYER Property Ingatlanfejlesztő Zártkörűen Működő Részvénytársaság (in English: BAYER Property Plc.) (registered office: 2038 Sóskút, Bolyai János utca 15.; company registration number: 13-10-041948) in respect of the sale of Appeninn BLT Kft. existing business share representing 74.99 % of the primary stake in PRO-MOT HUNGÁRIA Kft. (in English: PRO-MOT Hungária Ltd.) (registered office: 8171 Balatonvilágos, Aligai u. 1.). The Parties intend to close the transaction within 4 months of signing of the contract.

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

The Company's securities representing voting rights (hereinafter referred to as: “issued shares”) are admitted to trading on a recognized (regulated) market (stock exchange) of a Member State of the European Union, therefore it is necessary to 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 issued 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 / in 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 / in point 15.1;
- 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 in 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 capital**

The share capital of the Company is regulated by the Articles of Association. In accordance with thereof 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. share data	
nominal value	**100**
currency	**HUF**
ISIN identification number	**HU0000102132**
place of trading	**Budapesti Értéktőzsde Zrt. (in English: Budapest Stock Exchange) Stock Section**
commencement of trading	**2 July 2010**
share register management	**Board of Directors of Appeninn Nyrt., 1118 Budapest, Kelenhegyi út 43.**
Number of shares kept in trading	**31 December 2021 (quantity) 47 371 419**
Quantity of shares in circulation	**31 December 2020 (quantity) 47 371 419**

7.3 **Repurchased Own Shares**

As at 31 December 2021, the Company owned 1,848,- quantity of own equity shares with a total value of 1,114,- HUF in thousands.

7.4 **Composition of the Share Capital of the Company**

(data in thousands of Hungarian Forints)	for the business year ending on 31 December 2021	for the business year ending on 31 December 2020
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

7.4.1 Presentation of changes in own equity

Changes in own equity **(data in thousands of Hungarian Forints)**	Note	Issued capital	Reserves	Repurchased own shares	Retained earnings	Own equity in total
Balance on 01 January 2020	**27-30**	**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	**30**				**812 906**	**812 906**
Balance on 31 December 2020	**27-30**	**4 737 142**	**8 095 844**	**(1 114)**	**4 559 932**	**17 391 804**
Balance on 01 January 2021	**27-30**	**4 737 142**	**8 095 844**	**(1 114)**	**4 559 932**	**17 391 804**
Comprehensive income of the current year						
Profits in the current year	**30**				**668 388**	**668 388**
Balance on 31 December 2021	**27-30**	**4 737 142**	**8 095 844**	**(1 114)**	**5 228 320**	**18 060 192**

7.4.2 Retained earnings

(data in thousands of Hungarian Forints)	for the business year ending on 31 December 2021	for the business year ending on 31 December 2020
Opening balance	4 559 932	3 747 026
Profits in the current year	668 388	812 906
Alienation of own share	-	-
Closing value	5 228 320	4 572 346

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 2021 as follows:

Serial Number	Indirect owner	Capital ownership (%)
1.	Avellino Zrt.	24%
2.	Zinventive Zrt.	18.33%
3.	OTP Ingatlanbefektetési Alap (in English: OTP Property Investment Fund)	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 Plc. 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)d) 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**

On 10 February 2022, Appeninn Nyrt. amended its business strategy, which basically sets out the Company's plans for 2022, including the restoration of the First NKP (Bond Funding for Growth Scheme) rating, energy efficiency renovations, further efficiency improvements and operating expenditure reductions. The Company intends to secure its core business objectives (efficient operations, improved liquidity) through continued acquisitions and upgrades of existing portfolio elements while divesting lower yielding elements.

11. **Corporate Governance**

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

12. **Environmental protection**

Appeninn Plc. does not engage in any activities that are hazardous or harmful to the environment. It does not use hazardous substances for its operation. On 30 December 2021, the Company's Board of Directors approved the ESG roadmap prepared by the Company's management, which foresees and defines how the Company intends to meet its obligations under the BSE ESG guidelines until 2025.

13. Employment policy, employee share and governance programme

13.1 Employee share ownership scheme

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

13.2 The number of employees employed full time

13.2.1 Data on the number of employees

	For the business year ending on 31 December 2021	For the business year ending on 31 December 2020
13.2.2 Average statistical number of employees (person)	**9.31**	**7.92**
13.2.3 Closing number of employees (person)	**10**	**8**

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 according to Ministry of Finance Regulation No. 24/2008. (VIII.15.)**

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

Appeninn Plc. 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, profit and loss account, notes to the financial statements - notes, and executive report.

Appeninn Plc. 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 provides 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 public takeover bid.

15.6 Research and Experimental Development

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

15.7 **Disclaimer**

The declarations required by Annex 1 of Ministry of Finance Regulation No. 24/2008 (VIII. 15.) on the individual accounts and reports of Appeninn Plc. for the year 2020, prepared in accordance with the Hungarian Accounting Act and in accordance with the rules of the parent company's IFRS (International Financial Reporting Standards as published in the Official Journal of the European Union in the form of a regulation) for the year 2021.

We, the undersigned, declare that during the preparation of the mother-company report of Appeninn Nyrt. (the issuer) for the year 2021, the individual (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 2021 executive report provides a reliable picture of the issuer's position, development and performance, describing key risks and uncertainties.

Dated as of 8 April 2022 in Budapest

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