Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság
consolidated
business report and management report for the year 2021

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 more than 155,000 square metre of real estate properties and real estate development valued at nearly € 185 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 2021 is as follows:

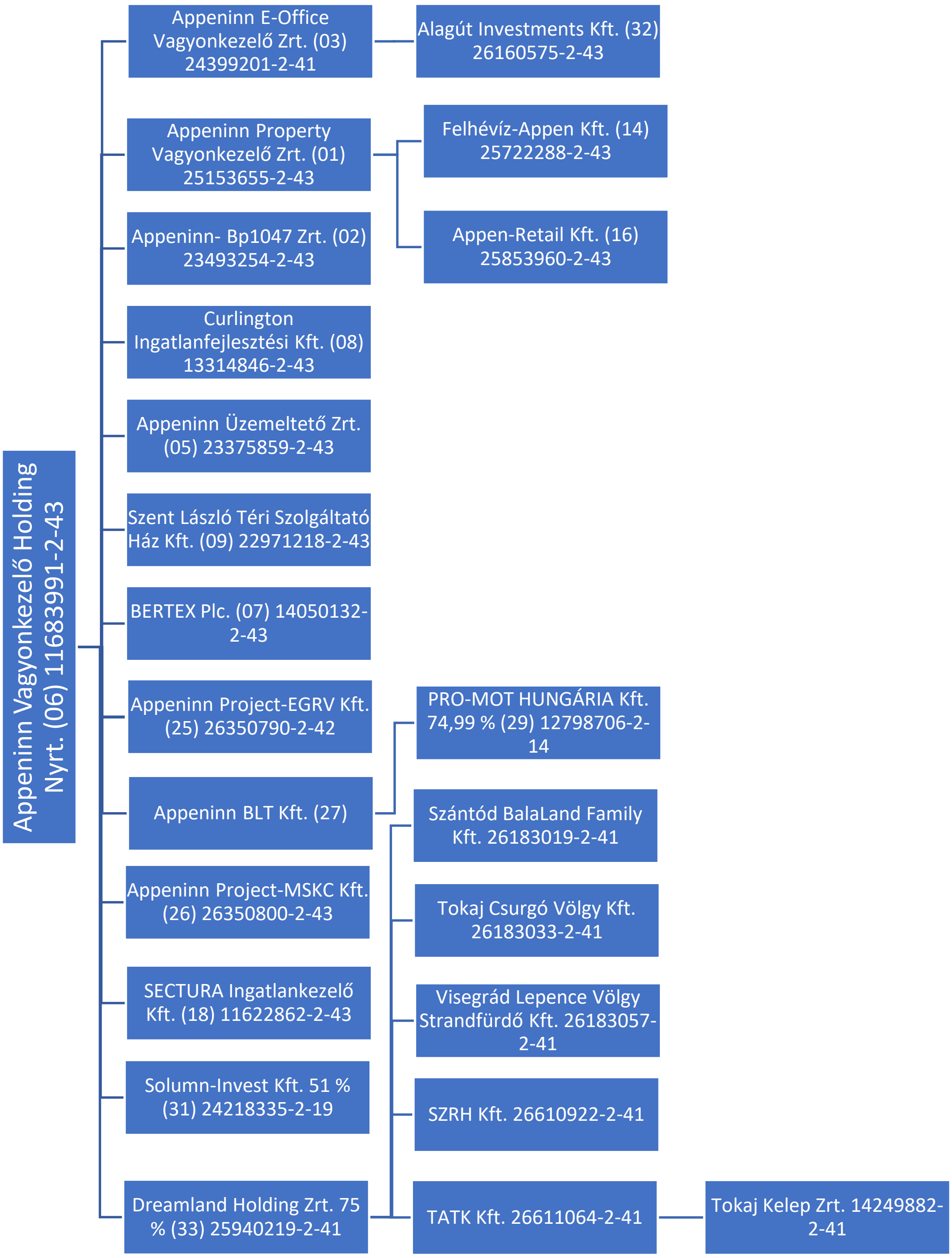
1.2.1.Members of the Board of Directors:

- **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



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: **"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), directly 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 nearly 12 percent increase in the value of the Appeninn Group's investment property portfolio is mainly due to the progress of development project investments purchased in 2019 and 2020, which was only partially matched by the future value of the properties. Looking ahead, in line with the revised strategy published in February, Appeninn Group intends to improve the value of its direct margin while strengthening its office and retail portfolio, in parallel with reducing administrative and personnel costs. During 2021, Appeninn Group's EBITDA and pre-tax profit turned negative, reflecting the non-investment proportionate revaluation of its revenue-generating development portfolio. With a conservative approach to the valuation of existing properties, future property acquisitions could greatly improve the Group's profitability.

Appeninn Group continuously monitors the domestic and regional economic environment to ensure that it is prepared to optimise its business in line with the objectives set out in its strategy, in harmony with emerging opportunities and, in particular, growing global economic challenges.

1.6. Comprehensive income

Consolidated comprehensive income statement	Note	For the business year ending on 31 December 2021 EUR	For the business year ending on 31 December 2020 amended (Note No. 48) EUR
Property rental revenue	3	7 474 392	7 536 560
Direct costs of property rental	4	(1 067 062)	(1 317 573)
Direct contribution from rental activities		**6 407 330**	**6 218 987**
Administration costs	5	(1 789 189)	(974 838)
Staff costs	6	(1 695 446)	(1 181 590)
Other revenues / (expenditures)	7	624 293	(11 503)
Profit (and loss) on sale of subsidiaries and investments profit (and loss) on sale of subsidiaries and investments	8	0	305 220
Profit and loss of investment properties sale	9	(503 071)	0
Profit and loss of fair value evaluation of revenue-generating investment properties	10	(4 679 678)	15 912 830
Profit and loss before taxation, interests and depreciation		**(1 635 761)**	**20 269 106**
Depreciation and amortisation	11	(248 217)	(261 540)
Other (expenditure) / revenue of financial transactions	12	(252 303)	(2 726 838)
Balance of interest revenues and (expenditures)	13	(2 860 223)	(2 516 060)
Lease interests	13	(48 544)	(102 936)
Profit before taxation		**(5 045 048)**	**14 661 732**
Income taxes	14	(734 669)	(1 460 061)
Profits in the current year		**(5 779 717)**	**13 201 671**
Other comprehensive income			
Other comprehensive income accountable in the consolidated profit and loss statement in the following period:			
Exchange rate differences arisen from currency translation of activities	35	(275 255)	(8 023 863)
Other comprehensive income of the current year, less with taxation		**(275 255)**	**(8 023 863)**
COMPREHENSIVE INCOME OF THE CURRENT YEAR IN TOTAL		**(6 054 972)**	**5 177 808**
From profit after tax:			
For non-controlling interests		(2 776 264)	907 910
For the owners of the Company		(3 003 453)	12 293 761
From total comprehensive income:			
For non-controlling interests		(2 776 264)	907 910
For the owners of the Company		(3 278 708)	4 269 898
Base earnings per share in EUR cent	15	**(12.20)**	**(27.87)**
Diluted earnings per share in EUR cent	16	**(12.20)**	**(27.87)**

1.7. Balance sheet - Preliminary

Consolidated statement on the financial position	Note	31 December 2021	31 December 2020 amended	01 January 2020 amended (Note No. 48)
Assets		**EUR**	**EUR**	**EUR**
Revenue-generating investment properties	17	185 662 961	165 740 000	140 970 000
Tangible assets	18	223 035	199 980	177 664
Right-of-use asset	19	3 530 247	3 460 822	1 952 433
Deferred tax assets	20	756 071	217 138	92 693
Goodwill	21	4 353 991	4 353 991	0
Equity in affiliate enterprise	22	39 701	39 701	0
Over-the-year receivables	23	346 982	557 486	0
Invested assets in total		**194 912 988**	**174 569 118**	**143 192 790**
Inventories	24	7 934 901	10 118 606	160 040
Trade receivables	25	492 449	811 322	409 083
Other short-term receivables	26	6 040 096	894 691	442 390
Affiliated receivables	27	1 154 916	1 578	0
Short-term loans granted	28	6 089	6 153	49 537
Accruals	29	741 635	331 266	255 653
Income tax receivables	30	23 729	92 767	296 583
Cash and cash equivalents	31	24 857 395	22 063 065	40 991 952
Current assets in total		**41 251 210**	**34 319 448**	**42 605 238**
Assets in total		**236 164 198**	**208 888 566**	**185 798 028**
Equity and liabilities				
Issued share capital	32	15 217 006	15 217 006	15 217 006
Repurchased own shares	33	(1 171)	(1 171)	(1 171)
Capital reserve	34	25 645 230	25 645 230	25 645 230
Conversion reserve	35	(11 151 490)	(10 876 235)	(2 852 372)
Retained earnings	36	44 355 386	47 358 839	34 925 192
Equity per shareholders of the Company		**74 064 961**	**77 343 669**	**72 933 885**
Non-controlling interests	37	112 307	2 888 383	730 936
Equity and reserves in total		**74 177 268**	**80 232 052**	**73 664 821**
Long-term bank credits and leasing liabilities	38	48 007 602	34 360 682	27 145 536
Corporate bonds debt	39	54 557 445	55 179 933	60 940 494
Tenant deposits	40	1 286 727	1 430 940	301 775
Long-term affiliated liabilities	41	4 603 285	4 503 061	10 503 256
Deferred tax liabilities	42	5 472 228	4 714 789	3 565 003
Long-term liabilities in total		**113 927 287**	**100 189 405**	**102 456 064**
Short-term bank credits and leasing liabilities	38	932 373	2 159 141	7 139 967
Other short-term liabilities	43	21 266 227	19 188 242	614 028
Short-term affiliated liabilities	44	955 566	994 102	36 003
Liabilities for trade creditors and other accounts	45	9 812 260	4 552 000	993 818
Taxes and duties liabilities	46	486 513	404 555	398 513
Iincome tax liabilities	30	229 225	39 106	140 089
Accrued liabilities	47	14 377 479	1 129 963	354 725
Short-term liabilities in total		**48 059 643**	**28 467 109**	**9 677 143**
Liabilities in total		**161 986 930**	**128 656 514**	**112 133 207**
Equity and liabilities in total		**236 164 198**	**208 888 566**	**185 798 028**

Appeninn Group's direct margin value for 2021 shows an improvement of nearly 3 percent compared to 2020. The slight decrease in the value of direct revenue is driven by the impact of the sale of an office building in the third quarter of 2021. The decrease in direct costs was supported by efficiency increase in addition to the third quarter transaction.

Appeninn Group's total assets increased by nearly 12 percent compared to the year-end 2020. The increase on the assets side was driven by growth in the value of the investment property portfolio, an increase in cash and receivables, moderated by a decrease in inventories. On the liabilities side, the change in assets was mainly driven by changes in suppliers and long-term loans, mainly due to development projects.

Of the 22 million euro decrease in EBITDA, nearly 21 million euro is explained by the impact of the revaluation of revenue-generating properties in 2020 and 2021. The negative value of the revaluation of the properties is driven by tourism developments, where the present value of the project is negatively affected by the high uncertainty of the global economic environment. On the cost side, the increase in administrative and personnel costs is the result of development project management. In the pre-tax result, the negative impact of property revaluations and cost increases is slightly offset by the financial result. The reduced value in euro of financial operations and interest expenses is largely due to exchange rate effects. The reduced value in euro of financial operations and interest expenses is largely due to exchange rate effects.

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

The hereinunder real estate properties are owned by Appeninn Nyrt as follows.:

- **1082 Budapest, Üllői út 48.**
- **6000 Kecskemét, Kiskőrös út 30.**
- **1023 Budapest, Bég u. 3-5.**
- **1149 Budapest, Várna u. 12-14.**
- **1047 Budapest, Schweidel utca 3.**
- **1022 Budapest, Bég u. 4. (Törökvész u. 30.)**
- **1094 Budapest, Páva u. 8.**
- **1015 Budapest, Hattyú utca 14.**
- **1118 Budapest, Kelenhegyi út 43.**
- **1133 Budapest, Visegrádi u. 110-112.**
- **1147 Budapest, Egyenes u. 4.**
- **1105 Budapest, Bánya utca 20.**
- **1023 Budapest, Felhévízi u. 24.**
- **1139 Budapest, Frangepán u. 19.**
- **1105 Budapest, Bánya utca E épület**
- **1013 Budapest, Pauler u. 2.**
- **3525 Miskolc, Szűcs Sámuel u. 5.**
- **8171 Balatonvilágos, Aligai út 1.**

- **18 SPAR üzlet**
- **8171 Balatonvilágos, Aligai út 1.**
- **8230 Lake Balaton, Zákonyi Ferenc utca 8.**
- **8622 Szántód, Móricz Zsigmond utca 96.**
- **8622 Szántód, Tihany utca 1.**
- **8622 Szántód, Csokonai tér 1.**
- **3910 Tokaj, Csurgóvölgy HRSZ3022**
- **3910 Tokaj, Csurgóvölgy HRSZ3019**
- **2025 Visegrád, HRSZ1813**

The rounded aggregate market value is 185 226,-EUR 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]

1.9.1.The property appraiser

The report was compiled by Jones Lang Lasalle Ingatlanforgalmazó, Szaktanácsadó és Szolgáltató Kft. (H-1054 Budapest, Szabadság tér 14., tax number: 10810491-2-41, company registration number: 01-09-261026, represented by: Furulyás Ferenc; persons performing valuation for and on behalf of the Managing Director: Jaroslav Kopac MRICS and Tóth János MRICS) for the purposes of the Company's financial statements made in accordance with the IFRS by the balance-sheet cut-off date 31 December 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

[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

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 and the real estate property in Várna street), 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 office buildings: 6.00% (stabel)
  In the case of prime EY industrial properties: 7.50% (stable)

1.10. 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. Key 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

2.2.6.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

2.2.7.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.

2.2.8.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

2.2.9.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

2.2.10. 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

2.2.11. 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. 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

2.5 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

2.6 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.

3.1 Financing

On 17 December 2021, Appeninn E-Office Zrt. (in English: Appeninn E-Office Plc.), a subsidiary of Appeninn Nyrt., refinanced its previous Erste and Erste-MFB loan of 19 January 2018 in the amount of EUR 24,068,776 and Appeninn E-Office Zrt acquired Appeninn's subsidiary Alagút Investment Zrt. (in English: Alagút Investment Plc.) using a credit facility of EUR 1,500,000. The financing bank for both of these loans was MFB Zrt. (in English: MFB Plc.). The previous bullet-type short-term financing was replaced by an annuity-type financing structure with a 20-year maturity. The extended loan structure allowed for a significant reduction of short- and medium-term liquidity pressures.
Bank lending as a percentage of revenue-generating assets in the rental business is now 26 percent compared to 22 percent last year, with the sale of the Montevideo office building behind this increase. Reinvestment of the funds raised by the available purchase price is expected in the second quarter of 2022. Total loans repayable, including drawn development loans, and NKP's (in English: Bond Funding for Growth Scheme) outstanding capital debt represent 44 percent of total assets.

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

4.1 The Company's main resources and risks

4.1.1 Strengths:

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

- Appeninn Group has a liquid asset portfolio

4.1.2 Opportunities:

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

4.1.3 Uncertainties:

- Transformation of real estate market trends;
- Macroeconomic headwinds:
    - Changes in domestic and international interest rate environment;
    - Rising inflation outlook;
    - More subdued GDP growth;

4.2 **Financial instruments**

The treasury function of Appeninn Nyrt. coordinates participation in the financial markets in accordance with the long-term business interests. Appeninn Group seeks to mitigate the financial risks arising from its activities with all available means.

Appeninn Group's current bank loan structure is characterised by low-risk spreads. 90% of the revenue-generating portfolio is euro-denominated variable rate, annuity-type long-term funding. Appeninn Group continuously monitors other various emerging risks and manages them in accordance with various internal operating regulations and money market operations.

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

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

4.3 Financial risk factors and their management risk, management policy

The treasury function of Appeninn Plc. coordinates participation in the financial markets in accordance with the long-term business interests of the Appeninn Group.

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.

90 per cent of Appeninn Group's loan portfolio in its office, logistics and retail portfolio is denominated in euro, which is hedged on the asset side directly or indirectly by euro or euro-based leases.

The Company is exposed to risks arising from changes in 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.

4.3.1 Rent-related risk:

Appeninn Group 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 present macroeconomic conditions. Current rents are in line with the environment and quality of the properties.
Taking into account the aggravating global economic environment and the supply and demand conditions in the Budapest office market, it can be assumed that current rents and conditions will be nearly sustainable in the near future, and in the medium term there will be upward risks to yield levels following their post-crisis revaluation.

Currency risk:

90 percent of the loans behind the revenue-generating portfolio are denominated in euros. 67 percent of the rental portfolio is denominated in euros, while the majority of current expenses are denominated in forints. All this means that the foreign currency debt service of the revenue-generating properties is almost 80-85 percent hedged even without entering into a forward transaction. In the short term, Appeninn Group expects significant EUR/HUF exchange rate fluctuations, but in the medium term, it does not anticipate further significant forint exchange rate weakening from current levels that could put Appeninn Group under tenant pressure. In the short term, due to the offsetting effect of the volatility of the EUR/HUF exchange rate, management does not expect the Company to be forced to significantly reduce or convert euro-based rents into forint, thus increasing the earnings-destroying effect of currency exposure.

Interest rate risk:

In addition to tightening conventional monetary conditions, Appeninn Group expects that new asset purchase/corporate funding programmes by central banks and the MNB in the future could provide the necessary liquidity, although a partial drying up of the liquidity abundance that has been a key feature since 2008 is assumed. For both forint- and euro-denominated loans, we expect a decisive rise in floating interest rates. Against this background, the Group is looking at the medium-term fixation of floating rate liabilities: unlike previous interest rate hedging practices, interest rate swaps will be able to cover a larger percentage of the underlying bank debt.

Liquidity risk:

The Company aims to maintain a balance between continuity of financing and flexibility in shaping its financial reserves and loans. The Group currently has a very high liquidity position, which should be maintained until the change in strategy is completed and the macroeconomic outlook improves.

Liquidity difficulties are not expected and revenues will safely cover debt service and operating costs.

The Company and its controlled subsidiaries will meet their payment obligations on payment deadline.

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 Group is exposed to credit risk in connection with its leasing and financial activities (including bank deposits and financial investments).

In the case of lessee partners: In order to reduce the credit risk, Appeninn Group 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 Group, 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

EUR	2021	2020	Change (%)
Direct contribution from rental activities	6 407 330	6 218 987	3%
Revenue-generating investment properties	185 662 961	165 740 000	12.1%
Asset-to-equity ratio income	3.4%	4%	15%

The nearly 15 percent decline in Appeninn Group's return on assets is due to asset growth in development projects.

HUF (thousand)	2021	2020	Change (%)
Direct contribution from rental activities	6 407 330	6 218 987	3%
Staff costs	(1 695 446)	(1 181 590)	43.5%
Administrative expenses, service fees, wages	(1789 189)	(974 838)	83.6%
Expense/Income (%)	54.3%	34.7%	56.7%

Appeninn Group's cost to revenue ratio increased by almost 57 percent compared to year 2020. On the cost side, the increase is driven by the increase in wages and administrative costs of development project companies in proportion as the investment progresses, while the increase in direct margin value is driven by a decrease in direct costs related to office and retail real estate.

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.

1023 Budapest, Bég u. 3-5. és Bég u. 4. (Törökvész u. 30.)

The office property is located at the intersection of Törökvész út and Pusztaszeri út in the Vérhalom/Rózsadomb district of the 2nd district, in a typically prominent residential area. The property is located next to Rózsakert Shopping Centre. The office building was built in the 1980s and completely renovated in 2004. The office building has a basement, ground floor + 5 floors.

1149 Budapest, Várna u. 12-14.

The assessed property is located in the 14^{th} district of Budapest, in the so-called Törökőr district, in the block delimited by Mogyoródi út – Mexikói út - Kerepesi út, close to the intersection of Hungária - Kerepesi út. The area around Várna utca has a mixed development and use, with a number of older apartment buildings, interspersed with smaller premises, and a more commercial function, mainly office buildings, along Fogarasi út - Kerepesi út. On the site there are 2,584 m2 of office buildings and 700 m2 of plant hall buildings. The office building was built in the late 1970s and consists of two parts with ground floor + 3 floors.

1047 Budapest, Schweidel utca 3.

The assessed property is located in the 4th district of Budapest, in Schweidel József utca. The property is located near the centre of Újpest, close to Fóti út. There are residential, commercial and industrial properties in the vicinity of the property. The buildings, typically of the city-logistic category, are of ground floor design, without basement, of varying structure and condition.

1094 Budapest, Páva u. 8.

The assessed property is located in the Ferencváros district of the 9^{th} district, in a newly developed area bordered by Mester u. - Ferenc körút - Üllői út, in a residential and institutional environment. The U-shaped office building was built on a 1664 m2 plot in 1993 and renovated in 2000. It is a category B office building with a basement, ground floor + 4 floors - and the attic is semi-built.

1015 Budapest, Hattyú utca 14.

The property is located in Budapest, near Széna tér, in the block bounded by Hattyú utca, Fiáth János utca, Batthyány utca. The 11-storey high roof, multifunctional building with basement is divided into two main parts: the wing facing Hattyú Street is 11 storeys high, while the wing bordered by Fiáth János utca and Batthyány utca is only 10 storeys high.

1118 Budapest, Kelenhegyi út 43.

Located in the 11th district of Budapest, on Gellérthegy, below the hilltop and Jubileum Park, high above the Kelenföld district. Near the rear boundary of the property, two new four direct-staircase residential buildings of identical layout and structure, south-facing, 6-storey - with galleried upper floors - have been built, with large floor area apartments, which are mostly used for commercial offices and foreign missions currently.

1133 Budapest, Visegrádi u. 110-112.

District 13, Vizafogó, in a residential and institutional environment. The 2,768 m2 plot is occupied by two office buildings. The plot is a regular rectangular corner plot with two buildings on the two opposite boundaries.

1147 Budapest, Egyenes u. 4.
Located in the 14th district, Rákosfalva, in an industrial environment. The property is located in the outskirts of Zugló, a few hundred metres from the railway line. On the plot there is a prefabricated, reinforced concrete, ground floor, flat-roofed industrial hall building.

1105 Budapest, Bánya utca 20. and Building E of Bánya utca
The property is located in a residential area close to the city centre, close to busy main roads in Kőbánya. Most of the plot is paved with concrete. It has an approximately rectangular shape, flat and even surface. The plot consists of several buildings with warehouse, office and commercial functions.

1023 Budapest, Felhévízi u. 24.
The property complex is located in the prominent inner Buda part of Budapest's 2nd district, towards the city centre, near busy Bécsi út and Szépvölgyi út, in Felhévízi utca. The building was built in 1992-93, ground floor + first floor + attic + partial attic.

1139 Budapest, Frangepán u. 19.
The property is located in Angyalföld, in the 13th district of the capital. It is located near the intersection of Róbert Károly krt. and Váci út, about 400 m from busy Váci út. The building on the plot was originally built sometime in the 1980s, with a ground floor + 4 floors, and then the 5th floor was added.

1013 Budapest, Pauler utca 2.
The office building is located in the 1st district of Budapest, in the Buda side of Krisztinaváros, in a prominent area. The building is located close to one of Buda's busiest intersections, Déli Railway Station, making it extremely accessible from all directions by public transport and car. The property is located in a residential and institutional environment, with office buildings, banks, restaurants and schools nearby. The interior of the office building, built in the 1980s, was completely renovated in 2019. The new offices are modern in design and in excellent technical condition, and the mechanical installations are brand new.

3525 Miskolc, Szűcs Sámuel u. 5.
The property is located in Miskolc, a city with county rights in the north-eastern part of Hungary, on the eastern slopes of the Bükk Mountains. The building has a ground floor and a first floor.

18 SPAR üzlet
The properties have a commercial function.

- 2660 Balassagyarmat, Rákóczi fejedelem útja 56.
- 8630 Lake Balaton, Dózsa György út 53-59.
- 5600 Békéscsaba, Szarvasi út 15-17
- 1118 Budapest, Nagyszeben tér 1.
- 1043 Budapest, Tél u. 26.
- 2234 Maglód, Jászberényi út
- 7632 Pécs, Málomi út 5.
- 2310 Szigetszentmiklós, Gyártelep
- 2800 Tatabánya, Szent Borbála út 22.
- 8200 Veszprém, Urbanized area

- 4220 Hajdúböszörmény, Bánság tér 1.
- 7300 Komló, Alkotmány u. 50.
- 4150 Püspökladány, Rákóczi u. 5.
- 6320 Solt, Kecskeméti út 3.
- 5200 Törökszentmiklós, Kossuth Lajos u. 138.
- 6723 Szeged, Római krt. 21.
- 2400 Dunaújváros, Magyar u. 1-7.
- 7000 Sárbogárd, Ady Endre u. 212-214.

8171 Balatonvilágos, Aligai út 1.
Club Aliga is located on a total area of 47 hectares in Balatonvilágos. The area has served as a holiday resort for the socialist party elite since the 1950s. Aliga I and Aliga II were built: the former consisted of several hotels and the marina, the latter of hermetically sealed villas reserved for the party elite (e.g. Kádár villa, Castro villa). The property also includes a 2 km stretch of beach, which is one of the most valuable stretches of shoreline on Lake Balaton, but most of the entire area is now an arboretum. The majority of the buildings have been empty and in a dilapidated state for decades, which is why the project company started a complete reconstruction of the area in early 2020, with the aim of making Club Aliga a European-class tourist destination.

8230 Lake Balaton, Zákonyi Ferenc utca 8.
The port of Balatonfüred is situated in the two hectares area in the north-east part of Lake Balaton, close to Tihanyi-félsziget. In the area, a port with 203 available capacities and the construction of a four-star superior hotel with more than 100 rooms operating throughout the year starts in 2021. According to the plans, the said developments are to be finished in 2023, the latest.

8622 Szántód, Móricz Zsigmond utca 96.
BalaLand Family Hotel and BalaLand Familypark are both one of the most prominent developments in respect of Dreamland Holding Zrt., which are to be built in Szántód, one of the central settlements of the tourist region of Lake Balaton. As part of the investment plans, the five-star family hotel with colonial atmosphere is waiting for its guests with 109 rooms altogether as of the year of 2022. Simultaneously with the establishment of the hotel, an adventure theme park, "80 Days Around The World With Willy Fog", is going to await families wishing to relax.

3910 Tokaj, Csurgóvölgy HRSZ3022 and 3910 Tokaj, Csurgóvölgy HRSZ3019
In the area of Tokaj, the five-star hotel of premium category, Minaro Hotel Tokaj****, is being built in the area of 10 hectares altogether, in the place of a former mine. The main aim of the investors is to make the investment independent destination target of Tokaj region. The investor is working on the establishment of adult-friendly accommodation with excellent quality operating throughout the year by enhancing the recognition and popularity of the region.

2025 Visegrád, HRSZ1813
Lepence Beach and Adventure Pool with long history and situated in the tourist region of Dunakanyar went through an exhaustive refurbishment. During the development of Visegrád spa complex, the refurbishment of an emblematic cascading open air pool and the establishment of the theme adventure pool are to be performed. The aim is to open the gates of the beach and the adventure pool in 2023.

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.

30 March 2022 – Extraordinary Information

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. 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, under the loan agreements concluded on 30 March 2022 between Solum-Invest Ingatlanfejlesztő és Üzemeltető Korlátolt Felelősségű Társaság (in English: Solum-Invest Real Estate Development and Operator Limited Liability Company) (registered office: 8230 Balatonfüred, Zákonyi Ferenc utca 8..; hereinafter referred to as "Solum-Invest Kft."), under the direct majority ownership of the Issuer, as debtor, the Issuer, as guarantor, and Takarékbank Zártkörűen Működő Részvénytársaság (in English: Takarékbank Private Limited Company) (registered office: 1117 Budapest, Magyar Tudósok körútja 9. G. ép.; hereinafter referred to as "Takarékbank Zrt."), as lender (hereinafter referred to as the "Loan Agreements"), Takarékbank Zrt. grants loans to Solum-Invest Kft. in the maximum amount of 7.999.999.999,- HUF, i.e. seven billion nine hundred ninety-nine million nine hundred ninety-nine thousand nine hundred ninety-nine Forints. The purposes of the Loan Agreements are: The purposes of the Loan Agreements are:

a) the partial financing of the implementation of the Balatonfüred sailing marina, hotel****, apartment and business premises in Balatonfüred to be built on the property registered under topographical lot number Balatonfüred inner area 80/4 (the "Project"), in the maximum amount of

7.499.999.999,- HUF, i.e. seven billion four hundred ninety-nine million nine hundred ninety-nine thousand nine hundred ninety-nine Forints;
b) a loan agreement to be concluded for the maximum amount of 500,000,000,- HUF i.e. five hundred million Forints, for the purpose of VAT financing related to the Project.

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 as of 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**

Issued Share Capital	For the business year ending on 31 December 2021	For the business year ending on 31 December 2020
Ordinary shares issued and paid by the owners at nominal value:		
Opening value on 01 January (EUR)	**15 217 006**	**15 217 006**
Closing issued capital value on 31 December (in EUR)	**15 217 006**	**15 217 006**
The quantity of shares issued at the nominal value of 100,-HUF (quantity):		
Opening value (quantity)	47 371 419	47 371 419
Issuance (quantity)	-	-
Closing value (quantity)	47 371 419	47 371 419
Translation for presentation currency:		
HUF-EUR exchange rates:		
Opening issued capital average exchange rate value:	311.32	311.32
Issuance	-	-
Closing issued capital average exchange rate value	311.32	311.32
Issued capital value in the foreign currency as of company registration (HUF in thousands)		
Opening value on 01 January:	4 737 142	4 737 142
Issuance	-	-
Closing value on 31 December:	4 737 142	4 737 142

7.5 Presentation of changes in own equity

Consolidated own equity changes(data in EUR)	**notes**	**Issued Share Capital**	**Capital reserve**	**Repurchased own shares**	**Conversion reserve**	**Retained earnings**	**For the owners of the parent company**	**Non-controlling interests**	**Own equity in total**
Balance on 01 January 2020 originallí disclosed		**15 217 006**	**25 645 230**	**(1 171)**	**(2 710 880)**	**34 925 192**	**73 075 377**	**730 936**	**73 806 313**
Correction (see Note No. 48)					**(141 492)**		**(141 492)**		**(141 492)**
Balance on 01 January 2020 amended		**15 217 006**	**25 645 230**	**(1 171)**	**(2 852 372)**	**34 925 192**	**72 933 885**	**730 936**	**73 664 821**
Comprehensive income of the current year									
Comprehensive income of the current year	**37**				**(8 023 863)**	**12 293 761**	**4 269 898**	**907 910**	**5 177 808**
Transactions with owners		**0**	**0**	**0**	**0**	**139 886**	**139 886**	**1 249 537**	**1 389 423**
Transaction with non-controlling interest upon controlling	37,38					139 886	139 886	696 674	836 560
Acquisition of subsidiary	38							552 863	552 863
Balance on 31 December 2020 amended		**15 217 006**	**25 645 230**	**(1 171)**	**(10 876 235)**	**47 358 839**	**77 343 669**	**2 888 383**	**80 232 052**
Balance on 01 January 2021		**15 217 006**	**25 645 230**	**(1 171)**	**(10 876 235)**	**47 358 839**	**77 343 669**	**2 888 383**	**80 232 052**
Comprehensive income of the current year									
Comprehensive income of the current year	37				**(275 255)**	**(3 003 453)**	**(3 278 708)**	**(2 776 264)**	**(6 054 972)**
Transactions with owners		**0**	**0**	**0**	**0**	**0**	**0**	**188**	**188**
Acquisition of subsidiary	38							188	188
Balance on 31 December 2021		**15 217 006**	**25 645 230**	**(1 171)**	**(11 151 490)**	**44 355 386**	**74 064 961**	**112 307**	**74 177 268**

7.6 Breakdown of committed, valuation and capital reserves

data in EUR	For the business year ending on 31 December 2021	For the business year ending on 31 December 2020
Opening value of premium capital share issuance	25 645 230	25 645 230
Closing value	**25 645 230**	**25 645 230**

7.7 Retained earnings

data in EUR	For the business year ending on 31 December 2021	For the business year ending on 31 December 2020
Opening value	**47 358 839**	**34 925 192**
annual changes:		
Profits in the current year	(3 003 453)	12 293 761
Transaction with non-controlling interest upon control keeping	0	139 886
Closing value	**44 355 386**	**47 358 839**

7.8 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 management 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)

	54.91.
	45.13

13.2.3 Closing number of employees (person)

	56
	45
Of which:	
Appeninn Üzemeltető Zrt.	29
	20
Appeninn Plc.	10
	8
PRO-MOT Hungária Kft.	5
	4
SOLUM-Invest Ingatlfejlesztő Kft.	8
	8
Dreamland Group	5
	5

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 dr. Bihari Tamás, Chairman of the Board of Directors in the current year, 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.

I, 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 my 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