

Appeninn Holding Asset Management Plc  
Standalone Business Report and Executive Report for the Year 2023



Appeninn  
Holding

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

**Appeninn Holding Asset Management Plc** registered office: 1022 Budapest, Bég u. 3-5., company registration number: 01-10-046538 – hereinafter referred to as: “Appeninn Plc.” or the “Company”) has prepared financial statements for the year 2023, compiled in accordance with International Financial Reporting Standards (IFRS). The business report required by the 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 Plc. in a consolidated version.

## The Company's major events of the year 2023

Appeninn Plc., 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.

Main components of its business activities: buying and selling services of own real estate, management services of real estate on a fee or contract basis, real estate property rental and management of real estate.

The share capital of Appeninn Plc. consists of HUF 4 737 141 900 registered dematerialized ordinary shares, each with a nominal value of HUF 100. Each share confers one voting right. 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 ordinary shares with the same rights.

Shareholding of the Company exceeding 5% on 31 December 2023:

|  |        |
|--|--------|
| - Avellino Private Limited Company               | 24.00% |
| - Sequor Holding Private Limited Company         | 23.84% |
| - OTP Property Investment Fund                   | 5.09%  |
| - Shareholders not-exceeding 5% of shareholding: | 47.07% |

The real estate portfolio owned by the Company and its subsidiary companies included in the consolidation (hereinafter referred to as “**Appeninn Group**” or “**Company Group**”) is made up of office buildings, retail and logistics properties in Hungary, as well as 4-building office building complex in Warsaw.

In 2019, the Company issued HUF 20 billion of NKP bonds to refinance its bank loans on more favourable terms, reduce the collateralisation of its real estate assets and expand its real estate portfolio with high quality and higher income generating assets. The maintenance of the bond financing is conditional on the rating of the bond being at least 'B+' by a rating agency accepted by the MNB. In 2021, Scope Rating downgraded the Company's rating to 'B-', making the long-term sustainability of the NKP bond financing uncertain. (NKP: Növekedési Kötvényprogram (in English: Bond Funding for Growth Scheme), the purpose of which is - through increasing the liquidity of the corporate bond market - to facilitate the diversification of the debts of Hungarian enterprises and thereby the better effectiveness of the monetary transmission. (<https://www.mnb.hu/monetaris-politika/novekedesi-kotvenyprogram-nkp>))

**In February 2022, the Company revised its strategy**, setting as its primary objectives the restoration of the NKP bond rating in 2021, increasing operational efficiency, the sale of tourism project companies and the acquisition of income-producing properties in the SEE and CEE regions. ([https://appeninnholding.com/app/uploads/2022/02/20220210\\_Az-Appeninn-Holding-Nyrt-strategiaja.pdf](https://appeninnholding.com/app/uploads/2022/02/20220210_Az-Appeninn-Holding-Nyrt-strategiaja.pdf))

In the course of 2022, the operational model of the company group changed, the company group sold Appeninn Üzemeltető Plc., in which the Company had 100% ownership until then, and the majority of its development projects.

In 2023, the Company continued the implementation of its business strategy that was published in February of the previous year: by the sale of Solum-Invest Ingatlanfejlesztő és Üzemeltető Ltd.. With the sale of Solum-Invest Real Estate Development and Operation Ltd. on 30 January 2023, **its tourism real estate development exposure has ceased.**

During the spring of 2023, the company group expanded its real estate portfolio by high-profitability retail and office properties in Poland, the financial effects of which are reflected in the 2023 annual accounts as well, in terms of both the consolidated revenues and the profitability:

- According to the business share purchase agreement concluded on 28 February 2023, the Company acquired the exclusive ownership of Tidaholm Properties Ltd. – which owns the “Zone Shopping Parks” in Székesfehérvár and in Zalaegerszeg – and Kantrum Property Ltd. – which owns “Kanizsa Centrum Shopping Centre” in Nagykanizsa.
- On 10 March 2023, the Company signed a purchase agreement regarding the sale of the block of shares representing 100% of the shares issued by Dounby SP. Z o.o., the owner of office buildings “C”, “D”, “E” and “F” of the Wiśniowy Business Park (hereinafter referred to as WBP) in Warsaw. On the day of the purchase agreement conclusion, the Company acquired the exclusive ownership of the Dounby Shares from Netherlands-based seller Cherry MidCo B.V., and thereby the Company became the sole shareholder of the target company. Simultaneously with the sales contract, the Company acquired the equity of Wisniowy Management Sp. Z.o.o., a company in 50% shareholding of Dounby Sp. Z.o.o.

Scope Ratings, as at 05 March 2023, disclosed its report on the outcome of the bonds qualification review named “APPENINN 2029/I”, which is issued within the scope of the Company and MNB Growth Debenture Programme. In the communication Scope reclassified the Issuer’s credit rating from B category to B+ category, whereas its bonds from B- category to B+ category. In the background of the upgrading are the hereinunder acquisitions, which alongside with conservative financing structure, significantly optimized the risk evaluation of the Issuer. The herein Scope rating review is available in English on the website of Scope Ratings. (<https://www.scooperatings.com/ratings-and-research/rating/EN/173852>)

On 10 October 2023, the Board of Directors of the Company decided on the merger by absorption of APPEN-RETAIL Ltd. and FELHÉVÍZ-APPEN Ltd., in which APPENINN Property Vagyonkezelő Plc. and APPENINN Property Vagyonkezelő Plc., by APPEN-RETAIL Ltd. and FELHÉVÍZ-APPEN Ltd. merging by absorption into APPENINN Property Vagyonkezelő Plc. as acquiring company as of 31 December 2023. The mergers were registered by the company registry court as of 31 December 2023.

On 6 December 2023, the Board of Directors of the Company decided to increase the capital of Appeninn Project-EGRV Ltd., to provide the shares of Dounby Sp. z.o.o. owned by Appeninn Plc. as in-kind contribution to the Ltd., as well as to sell the business share of Alagút Ltd. owned by Appeninn E-Office to Appeninn Plc., which decisions were implemented in December 2023.

As at 13 December 2023, the General Meeting of the Company decided to initiate the registration of the company as a real estate investment pre-company (“SZIE”) and then as a regulated real estate investment company (“SZIT”) under Act CII of 2011 on Regulated Real Estate Investment Companies (“SZIT Act”).



## Major events following the balance-sheet cut-off date

Company Registry Court of Budapest-Capital Regional Court registered the Company into the company register as a regulated real estate investment pre-company (hereinafter referred to as: SZIE) by its order No. Cg. 01-10-046538/174. The date of SZIE registration is 01 January 2024, i.e. the Company is subject to the rights and obligations defined in the legal regulation related to SZIE as thereof date.

In place of Törő Csaba and Kertai Zsolt László, the resigned members of the Board of Directors of Company, the General Meeting designated dr. Hüse István and dr. Jákó János Dezső to the members of Audit Committee and Board of Directors.

In accordance with the information disclosed by Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság as at 4 March 2024, the sale of the real estate properties owned by its subsidiary companies was advertised and an assignment to find potential buyers was given:

- Office premises and associated garage parking spaces located at 24 Felhévizi utca, Budapest District II;
- Utility building and the associated land located at Schweidel József utca 3/Attila utca 146, Budapest District IV;
- Office and service building located at Páva utca 8./Lilom utca 11, Budapest District XI;
- Business, industrial and commercial building complex located at 20 Bánya utca, Budapest District X;
- Office building located at 19 Frangepán utca, Budapest District XIII;
- Factory building and associated land located at 4 Egyenes utca, Budapest District XIV;
- Office, commercial and warehouse buildings located at 12-14 Várna utca, Budapest District XIV.

In the light of the submitted bids the Company decides on the actual sale or cancellation of the sale of the concerned property.

The Board of Directors of Appeninn Asset Management Holding Public Limited Company has decided **to merge the following subsidiaries**, in such a way that

- Szent László Téri Service House Limited Liability Company
- SECTURA Ingatlankezelő Korlátolt Felelősségű Társaság
- Appeninn BLT Limited Liability Company
- BERTEX Real Estate Distribution Private Limited Company
- Appeninn-Bp1047 Private Limited Company
- CURLINGTON Real Estate Development Limited Liability Company

will be merged into APPENINN Property Private Limited Company. The merger will be carried out in accordance with the rules of the beneficiary transformation. The date of the merger is 30 June 2024, however, if the deletion of the Merging Companies from the commercial register would take place later, the date of the deletion from the commercial register will be the date of the deletion.

## Prospects

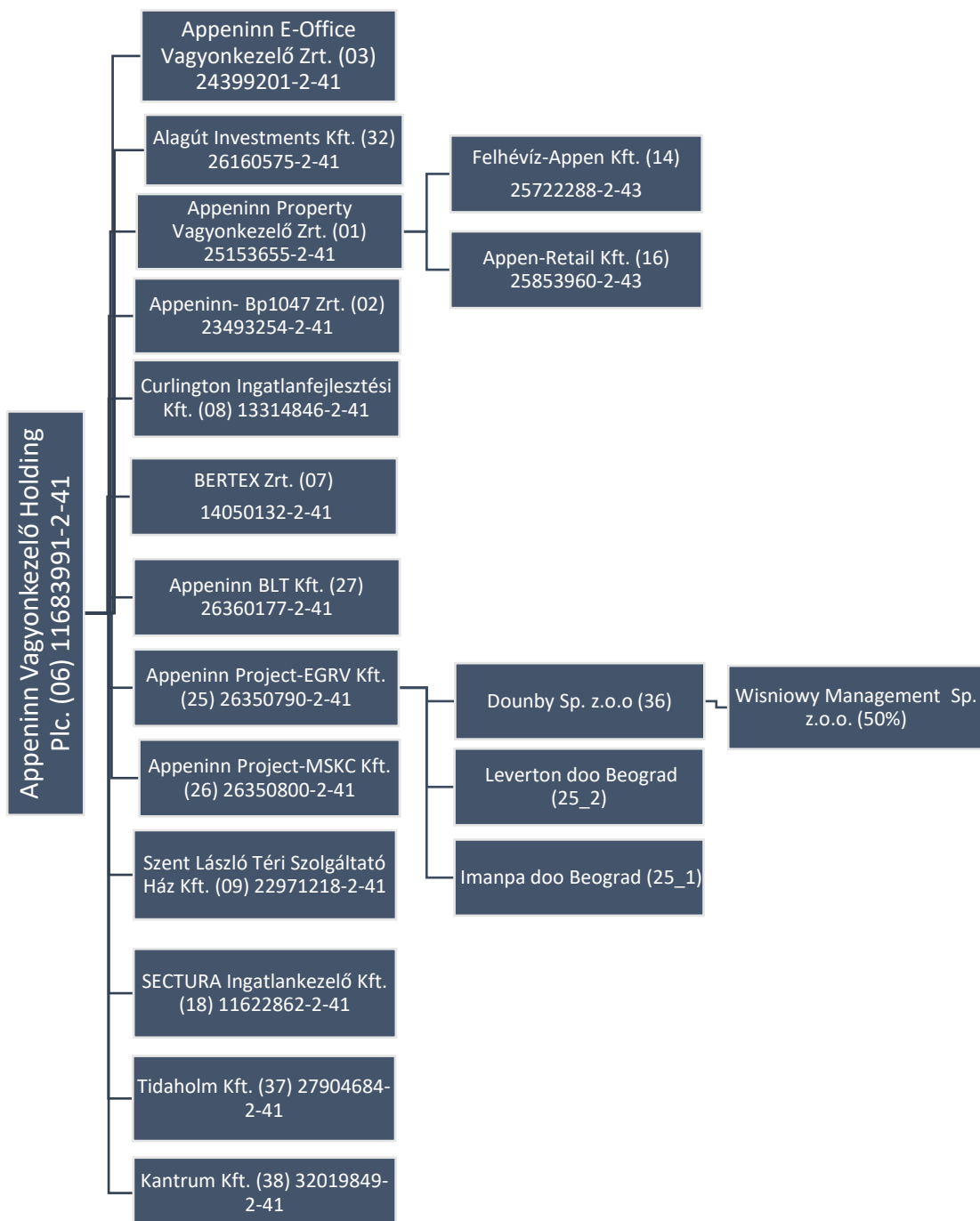
Depending on the expected change of the economic environment and the expected impact of internal decisions, the outlook and plans for the future continue to be based on the strategy modified in February 2022, in which the target segments of dynamic expansion are high-quality office buildings with significant yield in the international comparison in Hungary, CEE and SEE region and national retail real estate.

The main objectives of the implementation of the strategy for the following years is:

- maintaining a favourable risk rating for the group and the bond,
- cautiously broaden the financing on favourable terms with priority to ensuring the conservative funding structure and the compliance with rating criteria,
- obtaining the regulated real investment company status,
- increasing occupancy rates for the office portfolio and maintaining high occupancy rates for retail properties,
- continue to ensure the high level operational activity,
- improving the cost efficiency of the Polish operation,
- active portfolio management:
  - screening of existing, less profitable core portfolio elements, assessing and evaluating optimal exploitation opportunities,
  - identifying further acquisition opportunities in Hungary and CEE-SEE.

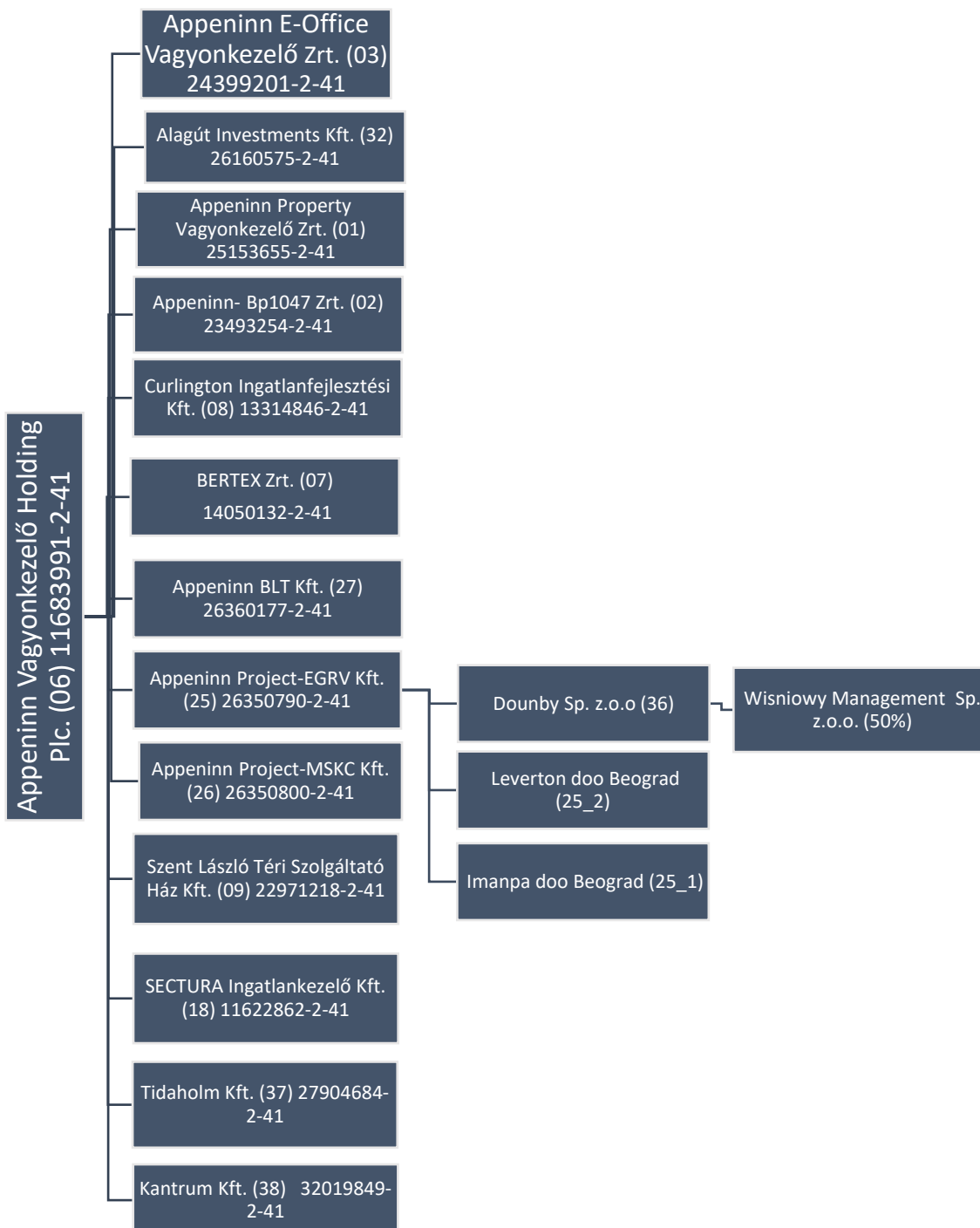
The Corporate Group structure

- a) Prior to the merger of Felhívíz-Appen Ltd. and APPEN-Retail Ltd. into Appeninn Property Private Limited Liability Company:





b) following the merger of Felhévíz-Appen Ltd. and APPEN-Retail Ltd. into Appeninn Property Private Limited Liability Company:



## Financial and profitability status

The Appeninn Group has modified its structure and operation and sold its former real estate operator affiliate, as well as all business shares of its portfolio with touristic profile in 2022 and 2023, as a result of the consequent and intensive completion of the business strategy modified in February 2022.

The changes happened in the financial and profitability status are the results of the hereinabove detailed business share transactions performed in the course of 2023.

| <b>Statement of Total comprehensive income</b>             | <b>for the financial year ending 31.12.2023</b> | <b>for the financial year ending 31.12.2022</b> |
|--|---|---|
|  | <b>thousand HUF</b>                             | <b>thousand HUF</b>                             |
| Income from the rental of immovable property               | 709.399   | 729.476   |
| Direct costs   | (63.891)  | (70.077)  |
| <b>Gross margin</b>  | <b>645.508</b>                                  | <b>659.399</b>                                  |
| Service charges from subsidiaries                          | 161.817   | 231.271   |
| Administrative costs, service charges, wages and salaries  | (310.611)                                       | (362.845)                                       |
| Other income/(expenses)                                    | (28.962)  | (14.566)  |
| Profit (loss) on sale of subsidiaries, investments         | -   | 11.032  |
| Fair value result on investment property                   | (1.161.951)                                     | 965.947   |
| <b>Profit before tax, interest and depreciation</b>        | <b>(694.199)</b>                                | <b>1.490.238</b>                                |
| Depreciation and amortisation                              | (2.394)   | (20.048)  |
| Other (expense)/income from financial operations           | (695.087)                                       | 349.777   |
| Balance of interest receivable and (payable)               | 827.451   | 622.882   |
| Leasing interest   | (4.929)   | (15.827)  |
| <b>Profit before tax</b>                                   | <b>(569.158)</b>                                | <b>2.427.022</b>                                |
| Income taxes   | 411.990   | (234.387)                                       |
| <b>Result for the year</b>                                 | <b>(157.168)</b>                                | <b>2.192.635</b>                                |
| <b>Other comprehensive income</b>                          | <b>-</b>  | <b>-</b>  |
| <b>Other comprehensive income for the year, net of tax</b> | <b>-</b>  | <b>-</b>  |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>             | <b>(157.168)</b>                                | <b>2.192.635</b>                                |

During 2023, Appeninn Plc's rental income and direct margin decreased by 2% due to the fact that the income from the sublease of the property in Pasarét, which is leased by the Company, is no longer included in rental income and direct costs, the result of which is included in administrative expenses net. The amount of the profit after tax is the combined result of the decrease in administrative costs due to the Company's efficiency improvement measures and the change in the value of the properties owned by Appeninn Plc, the difference in exchange rates at the balance sheet date and the deferred tax liability released due to the SZIE (regulated real estate investment pre-company) status.

| <b>Statement of financial position</b>      | <b>31.12.2023</b>       | <b>31.12.2022</b>       |
|---|-------------------------|-------------------------|
| <b>Assets</b>                               | <b>thousand<br/>HUF</b> | <b>thousand<br/>HUF</b> |
| Investment properties                       | 8.884.324               | 10.274.737              |
| Fixed assets                                | 10.492                  | 11.052                  |
| Investments                                 | 8.153.554               | 6.209.014               |
| <b>Total non-current assets</b>             | <b>17.048.370</b>       | <b>16.494.803</b>       |
| Trade receivables                           | 89.881                  | 17.137                  |
| Other current receivables                   | 154.627                 | 62.451                  |
| Receivables from related parties            | 21.485.258              | 13.325.612              |
| Short-term loans                            | -                       | 60.565                  |
| Accruals                                    | 111.910                 | 62.439                  |
| Assets held for sale                        | -                       | 500.000                 |
| Cash and cash equivalents                   | 6.324.324               | 12.304.042              |
| <b>Total current assets</b>                 | <b>28.166.000</b>       | <b>26.332.246</b>       |
| <b>Total assets</b>                         | <b>45.214.370</b>       | <b>42.827.049</b>       |
| <b>Equity and liabilities</b>               |                         |                         |
| Share capital                               | 4.737.142               | 4.737.142               |
| Treasury shares repurchased                 | (1.114)                 | (1.114)                 |
| Reserves                                    | 8.095.844               | 8.095.844               |
| Retained earnings                           | 7.263.787               | 7.420.955               |
| <b>Total equity</b>                         | <b>20.095.659</b>       | <b>20.252.827</b>       |
| Deposits paid by tenants                    | 206.986                 | 218.592                 |
| Lease commitments                           | 17.315                  | 124.859                 |
| Bond debts                                  | 20.120.103              | 20.125.900              |
| Deferred tax liabilities                    | -                       | 506.059                 |
| <b>Total long-term liabilities</b>          | <b>20.344.404</b>       | <b>20.975.410</b>       |
| Short-term bank loans and lease liabilities | 102.099                 | 103.603                 |
| Other current liabilities                   | 262.535                 | 30.762                  |
| Short-term related liabilities              | 4.057.423               | 1.269.294               |
| Liabilities to suppliers                    | 13.035                  | 66.255                  |
| Income tax liabilities                      | 49.975                  | 46.881                  |
| Tax and duty obligations                    | 66.485                  | 74.222                  |
| Accruals                                    | 222.755                 | 7.795                   |
| <b>Total current liabilities</b>            | <b>4.774.307</b>        | <b>1.598.812</b>        |
| <b>Total liabilities</b>                    | <b>25.118.711</b>       | <b>22.574.222</b>       |
| <b>Total equity and liabilities</b>         | <b>45.214.370</b>       | <b>42.827.049</b>       |

The detailed presentation of the data and its changes regarding the Statement of Financial Position and Statement of Comprehensive Income is included in the IFRS report of Appeninn Plc.

**The real estate properties owned by Appeninn Plc. are as follows:**

- 1082 Budapest, Üllői út 48. (office building).
- 6000 Kecskemét, Kiskőrös út 30. (industry/logistics real estate property)

In line with RICS Valuation Standards and Guidance 2023, CBRE Ltd. valued the real estate properties of the Company. The aggregated market value of the revenue-generating real estate properties is HUF 8 884 million.

**Financial instruments, risk management**

Appeninn Plc. seeks to mitigate the financial risks arising from its activities with all available means. Appeninn Plc. coordinates participation in the financial markets in accordance with the long-term business interests of the Company and Appeninn Group, operates its treasury activity on the basis of the conservative risk management principles.

The credit risk related to bank deposits and financial investments is managed in accordance with the conservative investment policy of Appeninn Plc., and its financial reserves are held in cash or bank deposits with reliable financial institutions in order to reduce risk.

With respect to the portfolio items owned by the Company, long-term leases exceeding 5 years are available with highly rated tenants monitored by their payment conduct prior to the conclusion of the lease contract, so the Company considers the level of credit risk to be low, and the contracted tenant surety of the Company and effective debt management ensure low-level claim delay and the recoverability of the potential tenant obligations.

Current rents are in line with the facilities, location and quality of the real estate properties. In course of the determination of its operating costs, the Company seeks to cover its relevant costs.

Appeninn Plc.'s long-term funding consists of a single fixed interest rate (3.5%) Hungarian Forint element, so its interest rate risk is marginal. Liquidity risk arisen from operative operation is moderate, as the Company's operations show a high coverage in terms of revenue.

The intention of Appeninn Plc. is to minimize the money market risks, the corporate group does not engage in financial construction for speculative purposes. The Company continuously monitors other risks and manages them in accordance with money market operations.

**The Company's seat of business, places of business and branches of business:**

1022 Budapest, Bég u. 3-5. (a real estate property owned by Appeninn E-Office Private Limited Company).

There is no other place of business and branch business.

## Places 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>

## Employment policy

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

Number of employees employed full time

|                             | 2023 | 2022 |
|-----------------------------|------|------|
| Average statistical number: | 8.3  | 6.97 |
| Closing headcount:          | 8    | 6    |

## Disclaimer

The declarations required by Annex 1 of Ministry of Finance Regulation No. 24/2008 (VIII. 15.) on the accounts and reports of Appeninn Plc. prepared 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 2023.

We, the undersigned, declare that during the preparation of the mother-company report of Appeninn Plc. (the issuer) for the year 2023, the (non-consolidated) annual report prepared pursuant to the applicable accounting requirements, to the best of our knowledge, provides a true and reliable picture on the issuer's assets, liabilities, financial position and its profit and loss, and the 2023 executive report provides a reliable picture of the issuer's position, development and performance, describing key risks and uncertainties.

**Simultaneously with the publication of the present business report, Appeninn Plc. publishes its annual account prepared in compliance with the IFRS standard, its responsible corporate governance, remuneration and ESG reports, which contains the information specified in Sections 95/A and 95/B of the Accounting Act.**

(<https://appeninnholding.com/befektetoknek/dokumentumok/jelentesek/>)

Dated as of 4 April 2024 in Budapest

Szathmáriné Szűcs Györgyi Magdolna

**Appeninn Holding Asset Management Plc.**