Appeninn Vagyonkezelő Holding Plc.

IFRS Interim Consolidated Report

for the first half of 2019

Name of the company	Appeninn Vagyonkezelő Holding Plc
Address	1062 Budapest, Andrássy street 59.
Business activity	Fund management (investment properties)
Reporting standard	IFRS
Reporting period	First half of 2019
Audit scope	interim report unaudited
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APPENINN HOLDING PLC.

BOARD OF DIRECTORS' REPORT

Expanding property portfolio, maintenance of market position

Subsequent to the specification of new strategic directions in 2018, Appeninn Holding (hereinafter referred to as: Appeninn, Company, Group) started a new growth path. In the first half of 2019, transaction Club Aliga was completed, and the relevant property management rights were granted to the Company. During the half year, the Company strengthened its position with regard to the office portfolio as well as the retail market.

Improving revenue generation ability

The profit results of Appeninn Holding were in line with the expectations of the Company's Board of Directors: **in the first half of 2019, revenues amounted to EUR 4.7 million and EBITDA was EUR 3.0 million.** Changes in revenues were particularly due to the Company's new investments in properties, and the office and retail portfolio during the reporting period.

Property market prospects

The Board of Directors considers the Hungarian real estate market to be prospective that provides growth potential in the field of offices and small business segments. The aim of the management is to expand the property portfolio of Appeninn Holding through investments and developments while maintaining sustainable operation, with which the Company intends to provide significant returns and stable cash flows, and value certain assets. Returns in the office building market in Hungary exceed the returns experienced in Western Europe and comparable regional markets, which is favourable for Appeninn Holding considering the positive economic environment.

Expansion strategy, generating shareholder value

The main sources for generating shareholder value in Appeninn Holding are returns in excess of market returns and the utilisation of favourable financing, together with optimising the cost of acquisitions. The management aims at the further increase of the gross asset value of today's EUR 148.5 million in the coming years. This may be supported by the sale of properties of less favourable prospects and yield, and resources generated from the same may result in new acquisitions. More efficient and competitive company structure and operation are significant for the Company's management, considering the increase and profitability of assets.

Capital market assessment

In the scope of the BÉT program, Concorde published an analysis on Appeninn Holding, in which the target price of HUF 743 was confirmed in August 2018. The Company's operation is stable; its growth potential is balanced.

Personnel changes supporting development

On 23 April 2019, the Board of Directors acknowledged the resignation of János Tima, member of the Board of Directors and Chairperson of the Audit Board, and the Company's members meeting elected Tamás Bernáth as a member of the Board of Directors and the Audit Board.

Péter Budjosó (Chief Financial Officer) and Dr. Nóra Szabó (Legal Director) joined the management of the Company. Both professionals have significant experience and several decades of professional background.

Appeninn Plc.
Board of Directors

MANAGEMENT REPORT

THE MAIN ATTRIBUTES OF THE INTERIM FINANCIAL REPORT OF APPENNIN GROUP FOR THE FIRST HALF OF 2019.

Appeninn Fund Management Holding Plc. prepared the consolidated interim financial report for the first half of 2019 (hereinafter: Report). The report includes the consolidated management report for the first six months of 2019, the consolidated balance sheet and consolidated statement of operations for the period with the accompanying analysis made in compliance with the International Financial Reporting Standards – hereinafter: IFRS). The applied accounting policies are consistent with the policies applied in the comparative period except for IFRS 16 Leasing standard, which the was first implemented by the Company on 1 January 2019. The implementation of the obligatory standard does not have a material impact on the Group's consolidated financial statements.

The presentation currency is the euro (EUR).

The interim financial report is unaudited.

The Board of Directors approved the interim consolidated financial report. The interim financial statements were prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU. The IFRS comprise of standards and interpretations published by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretation Committee (IFRIC), respectively.

Statement of comprehensive income

	For the period ended 30 June 2019 EUR	For the period ended 30 June 2018 EUR
Property rental revenue	4.660.454	2.700.452
Property related expense	(1.384.255)	(949.074)
Direct contribution from rental activities	**3.276.199**	**1.751.378**
Administration expenses	(570.821)	(504.014)
Personnel expenses	(382.168)	(329.432)
Other income/ (expense)	750.102	48.165
Loss recognised on sale of subsidiary	-	-
Loss on sale of investment properties	-	-
Net result from the revaluation of investment properties	-	-
Expenses for maintaining investment properties	(35.325)	(10.986)
Loss on investments	-	-
Gross operating profit (EBITDA)**	**3.037.987**	**955.111**
Depreciation and amortisation	(25.477)	(11.255)
Other financial income / (expense)	8.213.380	359.199
Net interest income / (expense)	(872.283)	(470.005)
Profit before tax	**10.353.607**	**833.050**
Income taxes	(322.884)	(109.817)
Profit/ (loss) for the period	**10.030.723**	**723.233**
Other comprehensive income		
Exchange differences on translation	-	-
Other comprehensive income, net of taxes	**-**	**-**
TOTAL COMPREHENSIVE INCOME	**10.030.723**	**723.233**
Attributable to:		
Non-controlling interest	(53.762)	-
Parent	10.084.485	723.233
Basic Earnings per share (in EUR cents)	**21,17**	**1,70**
Diluted Earnings per share (in EUR cents)	**21,17**	**1,70**

Balance sheet Assets	30.06.2019 EUR	31.12.2018 EUR
Investment properties	148.501.061	117.820.822
Property, plant and equipment	271.855	278.421
Deferred tax assets	44.009	44.386
Other long term assets	-	-
Non-current assets	**148.816.925**	**118.143.629**
Inventories	57.916	161.738,00
Trade receivables	445.117	493.276
Other receivables	129.020	3.302.286
Loans given	3.335.244	6.988
Prepayments and accrued income	24.898	59.302
Current income tax receivables	297.200	198.875
Cash and cash equivalents	3.305.230	2.968.906
Current assets	**7.594.625**	**7.191.371**
Assets held for sale	-	0
Total assets	**156.411.550**	**125.335.000**

Balance sheet Equity and liabilities	30.06.2019 EUR	31.12.2018 EUR
Share capital	15.217.006	15.217.006
Treasury shares	-3.443	-305.660
Reserves	25.645.230	25.645.230
Retained earnings	32.209.733	21.729.105
Equity attributable to parent	**73.068.526**	**62.285.681**
Non-controlling interest	2.649.914	-
Total equity	**75.718.440**	**62.285.681**
Long term financial liabilities	52.949.355	39.740.555
Tenant deposits	950.586	826.117
Long term liabilities to related parties	13.629.134	8.501.046
Provisions	0	0
Deferred tax liabilities	4.486.871	4.331.140
Non-current liabilities	**72.015.946**	**53.398.858**
Short term financial liabilities	6.562.974	7.655.033
Other current liabilities	109.783	158.814
Short term liabilities to related parties	262.492	95.198
Trade payables	596.978	405.002
Issued corporate bonds	0	0
Tax liabilities	542.639	747.850
Current income tax liabilities	59.718	65.566
Deferred revenue and accrued income	542.580	522.998
Current liabilities	**8.677.164**	**9.650.461**
Total liabilities	**80.693.110**	**63.049.319**
Total equity and liabilities	**156.411.550**	**125.335.000**

Appeninn Holding

APPEN BÉT PRÉMIUM KATEGÓRIA

EQUITY MOVEMENT SCHEDULE

Shareholders' Equity (EUR)	Share capital	Reserves	Treasury shares	Retained earnings	Equity attributable to parent	Non-controlling interest	Total equity
Balance at 1 January, 2018	**13.245.347**	**13.618.106**	**-**	**5.323.196**	**32.186.649**	**-**	**32.186.649**
Total comprehensive income							
Profit / (loss) for the period	**-**	**-**	**-**	**723.233**	**723.233**	**-**	**723.233**
Transactions with the equity holders of the Company:	**1.971.659**	**12.027.124**	**(25.721)**	**-**	**13.973.062**	**-**	**13.973.062**
Purchase of treasury shares	-	-	(25.721)	-	(25.721)	-	(25.721)
Capital increase	1.971.659	12.027.124	-	-	13.998.783	-	13.998.783
Balance at 30 June 2018	**15.217.006**	**25.645.230**	**(25.721)**	**6.046.429**	**46.882.944**	**-**	**46.882.944**
Total comprehensive income							
Profit / (loss) for the period	**-**	**-**	**-**	**15.682.676**	**15.682.676**	**-**	**15.682.676**
Transactions with the equity holders of the Company:	**-**	**-**	**(279.939)**	**-**	**(279.939)**	**-**	**(279.939)**
Purchase of treasury shares			(279.992)		(279.992)		(279.992)
Sale of treasury shares			53		53		53
Balance at 31 December 2018	**15.217.006**	**25.645.230**	**(305.660)**	**21.729.105**	**62.285.681**	**-**	**62.285.681**
Balance at 1 January, 2019	**15.217.006**	**25.645.230**	**(305.660)**	**21.729.105**	**62.285.681**	**-**	**62.285.681**
Total comprehensive income							
Profit / (loss) for the period	**-**	**-**	**-**	**10.084.485**	**10.084.485**	**(53.762)**	**10.030.723**
Transactions with the equity holders of the Company:	-	-	302.217	396.143	698.360	2.703.677	3.402.037
Acquisition of new subsidiary					-	2.703.677	2.703.677
Purchase of treasury shares	-	-	(57.285)	-	(57.285)	-	(57.285)
Sale of treasury shares	-	-	359.502	396.143	755.645	-	755.645
Balance at 30 June 2019	**15.217.006**	**25.645.230**	**(3.443)**	**32.209.733**	**73.068.526**	**2.649.914**	**75.718.440**

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Appeninn Holding

APPEN BÉT PRÉMIUM KATEGÓRIA

Cash- Flow	For the period ended 30 June 2019 EUR	For the period ended 30 June 2018 EUR
Profit before tax	**10.353.607**	**833.050**
Net result from the revaluation of investment properties	-	-
Exchange difference not realised	593.486	(144.121)
Depreciation and amortisation	25.477	11.255
Impairment of receivables	-	-
Deferred tax	(141.390)	
Result on disposal of investments	-	
Interest income	-	-
Interest expense	872.283	470.005
Change in receivables and other current assets	3.123.477	(971.654)
Change in prepayments and accrued income	34.404	(134.578)
Change in inventories	103.822	-
Change in liabilities and deferred income	8.956.395	1.899.918
Change in deposit from tenants	(124.469)	(14.764)
Income taxes paid	(181.494)	(109.817)
Net cash generated by operating activities	**23.615.598**	**1.839.294**
Liabilities on subsidiaries	-	
Investments on properties	(35.325)	
Purchase of property, plant and equipment	16.414	(190.417)
Purchase of investment properties	(30.680.239)	(10.419.690)
Proceeds from investment properties	-	
Net cash used by investing activities	**(30.699.150)**	**(10.610.107)**
Dividend payment	-	
Repayments on bonds	-	
Change in loans given	(3.328.256)	326
Proceeds from loans	11.523.255	6.303.450
Repayment of loans	-	(753.272)
Purchase of treasury shares	(18.087)	-
Sale of treasury shares	115.246	-
Interest expense	(872.283)	(470.005)
Interest income	-	-
Net cash generated (used by) financing activities	**7.419.875**	**5.080.499**
Increase (decrease) in cash and cash equivalents	**336.324**	**(3.690.314)**
Cash and cash equivalents:		
Cash and cash equivalents at the beginning of period	2.968.906	8.757.651
Cash and cash equivalents at the end of period	3.305.230	5.067.337

GROUP HIGHLIGHTS FOR THE FIRST SIX MONTHS OF 2019[1]

Key data - consolidated	30.06.2019 1-6. months EUR	31.12.2018 1-12. months EUR	30.06.2018 1-6. months EUR
Consolidated Income Statement			
Property rental revenue	4 660 454	7 006 255	2 700 452
Direct contribution from rental activities	3 276 199	4 203 422	1 751 378
EBITDA	3 037 987	19 022 086	955 111
EBIT	3 012 510	18 981 545	943 856
Profit/ (loss) for the period	10 030 723	16 405 909	723 233
Assets, liabilities and equity			
Investment properties	148 501 061	117 820 822	87 408 473
Non-current liabilities	72 015 946	53 398 858	38 304 192
Current assets	7 594 625	7 191 371	6 217 248
Current liabilities	8 677 164	9 650 461	9 341 518
Equity attributable to parent	73 068 526	62 285 681	46 882 944

FINANCIAL DATA ANALYSIS – CONSOLIDATED STATEMENT OF OPERATIONS[2]

Results of leasehold activities

Significant factors contributed to a significant increase in leasehold activities for the first six months in 2019

- The properties acquired during acquisitions in 2018, (e.g. Üllői út 48., 18 office-commercial properties leased by SPAR) did not generate any revenue from lease fee in the first half of 2018, which is the comparative period.
- 83% (84% in 2018) of the Group's revenues represent lease revenues and the remaining 17% (16% in 2018) is attributable to related services.

The direct coverage index of the Group is the positive balance of revenues coming from the lease of property and asset and the expenses directly related to leasing activities. The overall performance of the portfolio, which can be measured by the rate of direct coverage with

[1,2] Data presented for the periods ended 30 June 2019 and 30 June 2018 are unaudited.

regard to revenues, represented a productivity rate of 70%, which means an increase of 6% compared to the first half of 2018.

With regard to the costs, there is a minor increase, and its parallel with the portfolio growth. In the second quarter, the Company took several measures with regard to cost rationalisation.

In 2019, maintenance cost amounted to EUR 35 thousand in the reporting period in order to keep the portfolio competitive on the property market. Restructuring of property portfolio.

Changes of the property portfolio

The Group completed transaction Club Aliga on 28 January 2019, and the relevant asset management rights were granted to the Company.

For IFRS reporting purposes the real estate valuation was performed by Jones Lang Lasalle Kft. as at 31 December 2018. The properties have not been revalued during the reporting period.

Subsidiaries

In January 2019, the Group acquired 74.99% of PRO-MOT Hungária Ingatlanfejlesztő Kft., with which the scope of subsidiaries grew. With regard to the subsidiaries, no other changes were made in the first half of the year.

Gross operating profit was EUR 3.0 million.

Gross operating profit grew by EUR 2 million in comparison with the same period of 2018, which is considered confirmed by the Group based on the information available upon the preparation of the report.

Financing and financial results

- On 29 January 2019, the transaction specified in the sale and purchase agreement related to the acquisition of 74.99% of PRO-MOT Hungária Ingatlanfejlesztő Kft, as well as the claims of the owners enforceable from PRO-MOT Hungária Kft by the singleperson subsidiary of the Company, Appeninn BLT Kft. was completed, as a result of which the direct ownership rights related to almost 37 hectares of the properties in Club Aliga (address: 8171 Balatonvilágos, Aligai út 1.) as well as the property management right related to the remaining almost 10 hectares were transferred in the Group's scope of interest. The Group reported negative goodwill (badwill) of EUR 8.1 million amongst the revenue from financial operation by way of the acquisition of PRO-MOT Hungária Kft.

- The balance of interest gains and expenses is due to the bank loans supporting the growth of the portfolio.

Group profit before tax amounted to EUR 10.4 million.

Group consolidated profit after tax

- Profit per issued and average circulating share was Euro cent 21.17. The change of the profit rate per share showed growth considering Euro cent 1.7 calculated in the previous year.

FINANCIAL DATA – CONSOLIDATED STATEMENT OF FINANCIAL POSITION[3]

The balance sheet total of the Group as at 30 June 2019 was EUR 156.4 million. The growth of the balance sheet total is due to the growth of revenue-generating investment properties, which is in line with the Group strategy.

INCOME GENERATING INVESTMENT PROPERTIES

The estimated value of the Company's total property portfolio was EUR 148.5 million. **In the first half of 2019,** the Group's revenue generating property portfolio included **39 properties**. In 2017, the restructuring and profile cleaning of the property portfolio were started, which resulted in significant changes. The Group puts great emphasis on category "A" and premium category properties, besides its normal property portfolio, which is typically made up of category "B" and "C" properties.

The strategy of the Group focuses on segments that offer cost effective properties for investment purposes with potential for considerable returns provided that such properties are maintained and operated in a professional manner in the mid and long-terms. The Group mainly owns office buildings located in the capital city but there are other properties with logistics and commercial purposes (SPAR) as well located outside the capital city. The Group has achieved growth in its property portfolio through acquisitions.

The utilisation of revenue generating properties was extraordinary in the end of the half year (details included in the next table). The let out of unused properties is continuous, and the contractual term of the most revenue generating properties is more than 12 months.

[3] Data presented for the period ended 30 June 2019 are unaudited.

The Group's property portfolio as at 30 June 2019:

#	Property	Utilisation
		%
1	1082 Budapest, Üllői út 48.	100%
2	1062 Budapest, Andrássy út 59.	92%
3	1062 Budapest, Andrássy út 105.	100%
4	1015 Budapest, Hattyú u. 14.	100%
5	1022 Budapest, Bég u. 3-5.	100%
6	1022 Budapest, Bég u. 4.	48%
7	1118 Budapest, Kelenhegyi út 43.	100%
8	1133 Budapest, Bánya u. 110-112.	100%
9	1094 Budapest, Páva u. 8.	97%
10	1139 Budapest, Frangepán u. 19.	100%
11	1149 Budapest, Várna u. 12-14.	82%
12	1123 Budapest, Felhévízi u. 24.	89%
13	1102 Budapest, Szent László tér 20.	79%
14	1102 Budapest, Bánya u. (Szent László u. 20.)	0%
15	6000 Kecskemét, Kiskőrösi út 30.	100%
16	1047 Budapest, Schweidel J. u. 3.	71%
17	1144 Budapest, Egyenes u. 4.	0%
18	2051 Biatorbágy, Vendel Park, Tormásrét u. 2.	100%
19-36	18 pc SPAR retail units	100%
37	1044 Budapest, Váci út 76-80.	65%
38	3525 Miskolc, Szűcs Sámuel u. 5.	100%
39	Club Aliga - 8171 Balatonvilágos, Aligai út 1.	100%

Current assets – Trade and other receivables

Trade receivable amount to EUR 445 thousand, which compared to the EUR 496 thousand represents an increase of 10% for the period. In spite of the increased revenue and sales volume, the Company manages its receivables efficiently.

Current assets – Loans receivable

The value of loans receivables increased from EUR 7 thousand to EUR 3,335 thousand, which is due to the transaction of PRO-MOT Hungária Kft.

Assets held for sale

With regard to the properties at Andrássy út 59. and Andrássy út 105., the Company is examining the sale option, if it supports the acquisition possibility of the properties, which would fit in the strategy better.

Liabilities

Long and short term bank loans

The Group managed to refinance its bank loans under favourable conditions in 2018, which was continued in the first half of 2019 also. The rate of indebtedness is significantly better than the value expected by the Board of Directors: 40% with regard to bank loans.

Non-controlling interest

Non-controlling interest shows the balance of the equity of PRO-MOT Hungária Ingatlanfejlesztő Kft. acquired by the Company in 2019, of 25.01% owned by non-controlling owners.

Deposits by tenants

The increase in revenues owing to changes in tenant also brought about growth in the items paid by tenants.

Tax liabilities and deferred taxes

The tax obligations imposed by the end of the year in the period under review were fulfilled. The estimate value of changes in deferred taxes altered with the decrease in the fair values of the real-estate properties.

Trade payables

Trade payables increased in connection with investments and reconstructions.

EQUITY MOVEMENT SCHEDULE OF THE GROUP

On 7 February 2019, FELHÉVÍZ-APPEN Korlátolt Felelősségű Társaság sold on the stock exchange 407,857, that is four hundred and seven thousand eight hundred and fifty-seven common equities of a nominal value of HUF 100 issued by the Company (ISIN: HU0000102132), for an average price of HUF 551.3618. The Company accounted for the gross profit of HUF 126,991,090 from the consolidated reserves, as capital gains.

There were no dividends approved in the first half of 2019.

GROUP CASH FLOW

In the first half of 2019, the net cash growth of the Group was EUR 336 thousand.

SUBSEQUENT EVENTS

From 30 June 2019, the general legal successor of KONZUM Nyrt, has been OPUS GLOBAL Nyrt, thus the scope of owners of more than 5% is as follows:

BDPST Zrt.	20.30%
OPUS GLOBAL Nyrt.	18.70%
KONZUM II. Ingatlanbefektetési Alap	13.46%
OTP Ingatlanalap	5.09%
Total	57.55%

Changes did not affect the balance sheet items in the period. We are not aware of any events that would have had any effect on the balance sheet items and profits at the end of the period.

Appeninn Holding

APPEN BÉT PRÉMIUM KATEGÓRIA

Indices for Measuring Performance

The main indices of the Company were as follows:

	30.06.2019	31.12.2018	Changes (percentage point)
LTV	**40%**	**40%**	**-**

	30.06.2019	30.06.2018	Changes (percentage point)
Profit/ (loss) for the period	10 030 723	723 233	
Total equity	75 718 440	46 882 944	
ROE	**13%**	**2%**	**11%**

	30.06.2019	30.06.2018	Changes (percentage point)
Profit/ (loss) for the period	10 030 723	723 233	
Total assets	156 411 550	94 528 654	
ROA	**6%**	**1%**	**5%**

	30.06.2019	30.06.2018	Changes (percentage point)
Direct contribution from rental activities	3 276 199	1 751 378	
Investment properties	148 501 061	87 408 473	
ROI	**2,21%**	**2,00%**	**0,20%**

Group Story

Appeninn Vagyonkezelő Holding Plc was incorporated in 2009, and obtained listing on the Budapest Stock Exchange on 2 July 2010. From 2011 the Company's shares are classified as PREMIUM; in 2012 joined the BUX index, and the regional CECE index.

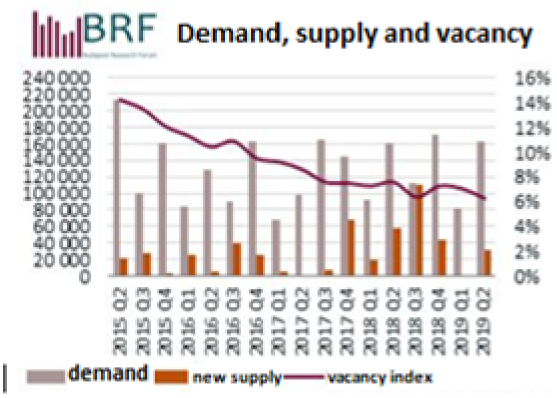
The strategy of the Group focuses on segments that offer cost effective properties for investment purposes with potential for considerable returns provided that such properties are maintained and operated in a professional manner in the mid and long-terms. The Group mainly owns office buildings located in the capital city but there are other properties with logistics and commercial purposes as well located outside the capital city. The Group has achieved growth in its property portfolio through acquisitions.

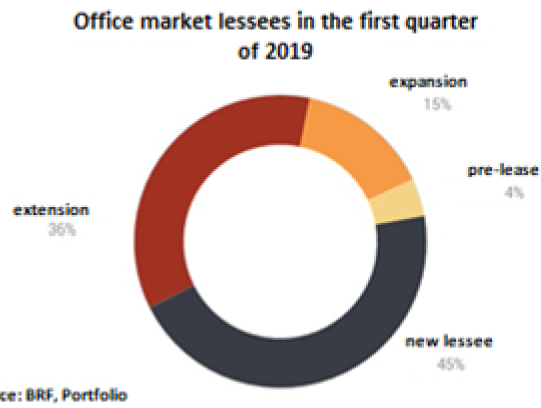
INTRODUCTION OF THE HUNGARIAN PROPERTY MARKET ENVIRONMENT AND SECTORS

The property market review is based on the data of industrial property markets for the second quarter in 2019 issued by Budapest Coordinating Forum of Real Estate Advisors (BIEF, BRF), the members of which are CBRE, Colliers International, Cushman & Wakefield, Eston International, JLL and Robertson Hungary.

In the second quarter of 2019, the modern office market portfolio in Budapest was expanded by four office buildings. Ferrum Office Building (3.380 m2), and both phases of Corvin Technology & Science Park (12.180 m2, 11.570 m2) were finished, and the renovated Molnár19 Office Building (4.560 m2) was also put in the speculative portfolio The entire modern office portfolio in Budapest makes up for 3.654.180 m2, within which an area of 3.049.610 m2 is made up of category "A" and "B" modern speculative office space, and also privately owned offices of 604.570 m2.

Vacancy rate was a record-breaking 6.3%, which corresponds to a 0.8 % quarterly decrease. Following the trend of year-end 2018 and then the first quarter of 2019, the lowest vacancy rate was recorded in non-central Pest, 2.1%, while the highest vacancy rate (36.7%) was still present in the agglomeration. Net absorption in the first quarter was 52 180 m2.





Source: BRF, Portfolio

In the second quarter of 2019, gross demands represented 161.390 m2, which is similar to the value recorded in the same period of the previous year (161 550 m^2). With regard to the entire demand, new agreements made up for the majority, at 42.7% of the lease volume, which was followed by preliminary lease agreements, at 25.5%. The rate of agreement extensions was 22% and agreement expansions was 9.8% in the quarter.

Similarly to previous quarters, lessee activity was the greatest on the corridor on Váci út, which made up 32% of the entire volume. The activity of the corridor on Váci út was followed by the sub-markets of South Buda and the City Centre, at 22% and 13% within the entire demand.

BRF registered 207 lease agreements all together in the quarter, the average size of which was 789 m^2, which constitutes a 34% increase compared to the previous quarter. 10 agreements were made for areas over 3.000 m^2. 2 new lease agreements, 4 preliminary lease agreements, 3 extensions and 1 expansion.

Two out of the largest three transactions were signed on the Váci út corridor, both were preliminary lease agreements. One was signed by BP for 22,060 m2 in the Agora Hub office building, and the other was signed for more than 5,000 m2 in Balance Hall. The largest new agreement was signed in one of the office buildings of the South Buda sub-market, while the largest agreement extension was made in Graphisoft Park for 4,000 m2. The greatest extension of the quarter was made in Corner6 office building for 3,240 m2.

Retail market analysis

Until May 2019, retail market grew by 6.1%. The greatest growth was present in the clothing segment of 10.7% and in the household segment of 9.6%. Online shopping grew further during the year, but did not yet reach 6% of the turnover of the entire year.

Due to the significant increase of demand and limited supply, vacancy rate is below 1.5%.

Industrial property market analysis

The vacancy rate of industrial-logistical properties is at a historic high. With regard to industrial areas, it is 2.1%, which means a 1% increase compared to the first quarter, and 1.4% compared to the first quarter of 2018. Logistics market is even better, with a 1% rate of vacancy.

In the second quarter of 2019, no new industrial property was finished, but 9 constructions of a total area of 187,900 m2 are expected to be completed in a year.

Source: CBRE

MAJOR RISK FACTORS

The Group owns a significant portfolio of properties which is partly financed by bank loans. The business is exposed to general economic conditions, particularly to real estate prices, mortgage markets and to fluctuations in rental fees. In case the economy, property markets or lending slow down or drop back it will affect the Group's property prices, financing opportunities and growth in an unfavourable manner.

The Group realises revenues from property with relative low credit risk provided that the lease terms are definite. As a result of prior customer risk assessments and collateral conditions, both the volume of receivables and the risk of default are low.

Foreign exchange investment loans of the Group are denominated in EUR. The Group puts great emphasis on the harmony between the lease fee expressed in EUR and the financing of the same. The main components of operating expenses include personnel costs, utilities, professional fees and taxes and are typically expressed in HUF. This constitutes exchange rate risk, which is to be managed by the Group by way of hedges.

CONSOLIDATED ENTITIES AND SHARES IN CONTROLLED PARTICIPATIONS

Company	Parent company	Voting and ownership %
Appeninn A59 Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
Appeninn BLT Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
PRO-MOT Hungária Kft.	Appeninn BLT Kft.	74,99%
Appeninn E-Office Vagyonkezelő Zrt.	Appeninn Vagyonkezelő Holding Nyrt.	100%
Curlington Ingatlanfejlesztési Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
Appeninn Hegyvidék Kft.	Curlington Ingatlanfejlesztési Kft.	100%
Appeninn Project-EGRV Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
Appeninn Project-MSKC Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
Appeninn Property Vagyonkezelő Zrt.	Appeninn Vagyonkezelő Holding Nyrt.	100%
APPEN-RETAIL Kft.	Appeninn Property Vagyonkezelő Zrt.	100%
FELHÉVÍZ-APPEN Kft.	Appeninn Property Vagyonkezelő Zrt.	100%
Appeninn Üzemeltető Zrt.	Appeninn Vagyonkezelő Holding Nyrt.	100%
Appeninn-Bp 1047 Zrt.	Appeninn Vagyonkezelő Holding Nyrt.	100%
BERTEX Ingatlanforgalmazó Zrt.	Appeninn Vagyonkezelő Holding Nyrt.	100%
Szent László Téri Szolgáltató Ház Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
SECTURA Ingatlankezelő Kft.	Szent László Téri Szolgáltató Ház Kft.	100%
VCT78 Kft.	Szent László Téri Szolgáltató Ház Kft.	100%

Property management, real-estate property leasing and operation subsidiaries are consolidated by full consolidation method.

DECLARATION ON THE AUDIT OF INFORMATION PRESENTED IN THE INTERIM REPORT

The information and data presented are consolidated and in line with the IFRS standards effective on 1 January, 2019, but not audited by independent auditor.

LIST AND DESCRIPTION OF OWNERS WITH STAKES LARGER THAN 5% (30.06.2019)

Name	Nationality1	Activity [2]	Number (pcs)	Stake (%)	Voting right (%) [3]
BDPST Zrt.	B	T	9.616.096	20.30%	20.30%
OPUS GLOBAL Nyrt.	B	T	8.860.027	18.70%	18.70%
KONZUM II. Ingatlanbefektetési Alap	B	T	6.377.102	13.46%	13.46%
OTP Ingatlanbefektetési Alap	B	T	2.410.372	5.09%	5.09%

[1] Domestic (D). Foreign (F)

[2] Trustee (T). Budgetary (B). International Development Institute (Dev). Institutional (I). Business entity (BE) Private (P). Employee, senior officer (E)

[3] Voting rights allowing participation in decision-making at the general meeting of the issuing entity

On 30 June 2019, the Company's share capital consisted of 47,371,419 dematerialised ordinary shares at HUF 100 par of which 1,848 represent treasury shares.

SENIOR OFFICERS, STRATEGIC EMPLOYEES

Name	Position	First and last day of assignment	Shareholding (pcs)
Gellért Jászai	Chairman of the Board	20/04/2018 14/10/2019	-
Aladin Ádám Linczényi	Member of the Board	20/04/2018 14/10/2019	1.762
János Tima	Member of the Board, Chairman of Audit Committee	23/08/2018 23/04/2019	-
Dr. Judit Tóth	Member of the Board, Member of Audit Committee	23/08/2018 - indefinite	-
Zoltán Malik	Member of the Board, Member of Audit Committee	23/08/2018 - indefinite	-
Gábor Tomcsányi	Chief Executive Officer	23/08/2018 31/05/2019	-
Tamás Bernáth	Member of the Board, Chairman of Audit Committee	23/04/2019 - indefinite	-

THE GROUP'S DECLARATION OF LIABILITY

We the undersigned declare that to the best of our knowledge this report prepared in accordance with International Financial Reporting Standards („IFRS") as adopted by the EU, gives a true and fair view of the assets, liabilities, financial position and profit or loss of Appeninn Plc, and its consolidated undertakings. In addition, the report gives a fair view of the position, development and performance of Appeninn Plc, and its consolidated undertakings, and contains risk factors and uncertainties relating to the future events of the financial year.

Independent Auditor's Report was not prepared on the interim financial report.

Budapest, 26 September 2019

Gellért Jászai — Chairman of the Board

Aladin Ádám Linczényi — Member of the Board

Appeninn Vagyonkezelő Holding Plc