Company name	Appeninn Vagyonkezelő Holding Nyrt.[1]
Company address	Budapest, Kelenhegyi út 43.B. ép. 5. em. 1. 1118
Sector classification	Asset management (real property utilization)
Accounting system of the report	IFRS
Reporting period	First half of 2021
Data auditing	intermediate period data, non-audited
Foreign currency of the report	EUR, unless otherwise provided
Disclosed	30 September 2021
E-mail	info@appeninnholding.com
Contact person	Dr. Weil-Mayer Krisztina krisztina.weil-mayer@appeninnholding.com
Phone number	+36 1 346 8869

Appeninn Holding

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (1118 Budapest, Kelenhegyi út 43. B. ép. V. em.1., company registration number: 01-10-046538, hereinafter Appeninn Plc. or Company), as the issuer of securities introduced to the regulated market, has prepared and published its report for the first half of 2021 in the present document.

[1] in English: Appeninn Asset Management Holding Plc.

APPENINN PLC. BOARD OF DIRECTORS REPORT

Improving direct collateral income with expanding coverage ratios

In the first half of 2021, the Company and its subsidiaries included in the consolidation (hereinafter referred to as Appeninn Group) retained their existing real estate portfolio in the office and retail segments. Average occupancy increased by 2 percent, while the direct collateral income increased by 12 percent.

Significant progress in tourism development

Appeninn Group continued its tourism property development projects in the first half of 2021, in line with its modified business strategy published last March. In the first half of the year, Appeninn Group can report significant progress in tourism developments at Solum-Invest Kft.[2], which owns the Balatonfüred port area, and Dreamland Holding Zrt[3]., which has launched other rural projects, mainly focused on hotel development. With respect to three large-scale hotel developments, the completion rate for two (the 5-star superior hotel in Szántód and the 5-star superior hotel in Tokaj) has reached 50-50 percent, while the 4-star superior hotel in Balatonfüred has reached 10 percent. The completion rate of the family theme-park in Szántód is also at 50%. The handover of the above-mentioned Tokaj and Szántód developments is expected as scheduled, in the second quarter of 2022, while the Balatonfüred developments are expected to be completed in the second quarter of 2023. Preparation work of the development in the area of Club Aliga is in progress, and the majority of landscaping work has been completed.

Improving profitability indicators

Appeninn Group's revenue-generating ability shows an improvement compared to the same period of the previous year. The Appeninn Group closed the first half of 2021 with turnover in the amount of EUR 5 044 thousand, compared to EUR 4 268 thousand in the same period of the previous year. EBITDA (earnings before interest, taxes, depreciation and amortisation) shows a EUR 3 947 thousand loss, however, excluding the one-off exchange rate distorting effect[4], the real economic picture is EUR 2 440 thousand. EBITDA value free from exchange rate effects increased by 30 percent in the first half of 2021 compared to the adjusted ratio of the same period of the previous year. The main contributors to the year-on-year change in profitability indicators were the increase in occupancy and the improvement in rental conditions. Profit after tax shows a EUR 4 026 thousand loss, the value of which free from exchange rate effect is a EUR 1 922 thousand profit in the first half of 2021.

Real estate market prospects

The aim of the management is to continue the active management related to office building portfolio upon providing as high-quality services as possible. The aim of the potential future acquisitions is to diversify the portfolio on the one hand, and to ensure profit and stable cash flow and value certain

[2] in English: Solum-Invest Ltd.
[3] in English: Dreamland Holding Plc.
[4] The values have been shown by eliminating revaluation differences arising from the exchange rate effect of revenue-generating investment properties and exchange rate differences arising from the revaluation of non-HUF denominated loans. In the absence of an independent semi-annual valuation, the result of the revaluation of revenue-generating investment properties is only affected by the EUR / HUF exchange rate fluctuations due to the difference between the valuation and the accounting currency. The exchange rate difference of non-HUF -based loans distorts the overall picture of real economic performance mainly due to the non-HUF- based income structure, as the coverage of these non-HUF -based loans is not available in HUF.

assets for Appeninn Group in addition to the sustainable operation performed by developments on the other hand.

Active portfolio management

In the first half of 2021, Appeninn Group continued the active management of its real estate portfolio started earlier, within the framework of which it sells assets outside its business focus areas or assets with high acquisition returns. During the period under review, Appeninn Plc., through its subsidiary Bertex Ingatlanforgalmazó Zrt.[5], commenced the sale of M2C Project Kft.[6], which owns the Montevideo office building, with the realisation of financial gains; ownership of the share was transferred to the buyer in September 2021.

Growth strategy, shareholder value creation

Regarding Appeninn Plc., the main means for shareholder value creation is to optimize the historical value related to acquisitions, to perform own development projects successfully, to realize above market average yield, and to apply favourable financing resources. The aim of the management is to continue the increase of the present gross asset value measuring 188 million EUR over the coming years, taking into account the criteria set by the independent rating agency when making strategic decisions in this regard. The effective and even more competitive company structure and operation are important considerations for the management of the Company, upon maintaining the enhancement and profitability related to assets.

Capital market judgement

Within the framework of the analysis and market-making program related to middle-capitalized shares of Budapest Stock Exchange, Concorde Értékpapír Zrt.[7] did not disclose any new analysis with respect to the period under review, herewith, the latest indicated target price of 743,- Hungarian Forints is still relevant to the Company. The new corporate and bond rating published in April by an independent credit rating agency under the NKP[8] bond program is due to the increased risk volatility of tourism investments according to the Company's management. The Company is committed, both in terms of profitability ratios and external funding structure, to meeting the criteria set by the independent credit rating agency and to ensuring that the corporate and bond ratings reach at least the level at the time of issuance.

Appeninn Plc.

Board of Directors

[5] in English: Bertex Real Estate Trade Limited Liability Company
[6] in English: M2C Project Ltd.
[7] in English: Concorde Securities Plc.
[8] in English: Growth Debenture Programme

MAIN ASPECTS OF THE COMPILATION OF THE INTERIM FINANCIAL REPORT FOR THE YEAR 2021

Appeninn Plc. compiled its consolidated report (hereinafter referred to as: Report) for the first half of 2021. The hereof Report shall include the consolidated management report for the first six months of 2021 in respect to Appeninn Group, and, respectively, the compiled consolidated balance sheet and consolidated statement of comprehensive income, and the related evaluations drafted in accordance with the International Financial Reporting Standards (hereinafter referred to as IFRS) for the period under review. The accounting principles employed in the report are in compliance with the accounting policies employed as of the comparative period. The standard applicable on a compulsory basis did not have significant effect on the consolidated financial report of Appeninn Group.

The currency of the Report is EUR.

This interim financial statement was not audited by an independent auditor. The interim consolidated financial statements were adopted by the Board of Directors of the Company. The interim financial statements have been prepared in accordance with the International Financial Accounting Standards, and the standards adopted and published in the Official Journal of the European Union (EU) in the legal form of regulation. The IFRS comprises the standards and interpretations formulated by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

Consolidated statement of comprehensive income

	30 June 2021	30 June 2020
	EUR	EUR
Property rental revenue	5 044 351	4 268 960
Direct costs of property rental	(1 198 103)	(846 249)
Direct contribution from rental activities	**3 846 248**	**3 422 711**
Administration costs	(570 592)	(681 277)
Staff costs	(769 582)	(553 526)
Other revenues / (expenditures)	27 653	(10 904)
Profit (and loss) on sale of subsidiaries and investments	-	39 273
Profit and loss of investment properties sale	-	-
Profit and loss from revaluation of revenue-generating investment properties	(6 387 343)	9 521 405
Maintaining investment properties (Capex)	(93 661)	(345 210)
Loss accounted for equity	-	-
Gross operational profit and loss (EBITDA)**	**(3 947 277)**	**11 392 472**
Depreciation and amortisation	(99 709)	(15 306)
Other (expenditure) / revenue of financial transactions	437 563	(2 405 608)
Balance of interest revenue and (expenditures)	(908 088)	(1 495 140)
Profit before taxation	**(4 517 511)**	**7 476 418**
Income taxes	490 670	(1 040 562)
Profit after tax	**(4 026 841)**	**6 435 856**
Other comprehensive income		
Exchange rate differences arisen from currency translation of activ	2 976 108	(5 562 273)
Other comprehensive income of the current year, less with ta	**2 976 108**	**(5 562 273)**
COMPREHENSIVE INCOME OF THE CURRENT YEAR IN TOT -	**1 050 733**	**873 583**
From profit after tax:		
For non-controlling interests	(778 801)	199 130
For the owners of the Company	(3 248 041)	6 236 726
From total comprehensive income:		
For non-controlling interests	(778 801)	199 130
For the owners of the Company	(271 933)	674 453
Base earnings per share in EUR cent	**(8,5)**	**15,17**
Diluted earnings per share in EUR cent	**(8,5)**	**15,17**

Balance Sheet Assets	30 June 2021 EUR	31 December 2020 EUR
Revenue-generating investment properties	188 628 684	172 440 000
Tangible assets	193 037	199 980
Right-of-use asset	1 689 744	1 693 457
Deferred tax assets	248 866	217 138
Goodwill	4 517 684	4 353 991
Long-term affiliated receivables	142 086	557 486
Invested assets in total	**195 420 101**	**179 462 052**
Inventories	10 660 927	10 118 606
Trade receivables	913 421	811 322
Other short-term receivables	1 465 289	894 691
Affiliated receivables	31 310	1 578
Short-term loans granted	5 828	6 153
Accruals	499 743	331 266
Iincome tax receivables	103 562	92 767
Cash and cash equivalents	20 157 229	22 063 065
Current assets in total	**33 837 309**	**34 319 448**
Assets qualified for sale	41 194	39 701
Assets in total	**229 298 604**	**213 821 201**

Balance Sheet Equity and liabilities	30 June 2021 EUR	31 December 2020 EUR
Issued share capital	15 217 006	15 217 006
Repurchased own shares	(1 171)	(1 171)
Reserves	25 645 230	25 645 230
Conversion reserve	(7 136 966)	(10 113 074)
Retained earnings	44 110 799	47 358 839
Equity per shareholders of the Company	**77 834 898**	**78 106 830**
Non-controlling interests	2 109 582	2 888 383
Equity and reserves in total	**79 944 480**	**80 995 213**
Long-term bank credits and leasing liabilities	43 358 900	38 530 156
Corporate bonds debt	58 249 073	55 179 933
Tenant deposits	1 530 167	1 430 940
Long-term affiliated liabilities	4 826 974	4 503 061
Deferred tax liabilities	4 270 749	4 714 789
Long-term liabilities in total	**112 235 863**	**104 358 879**
Short-term bank credits and leasing liabilities	2 093 634	2 159 141
Other short-term liabilities	19 523 224	19 188 242
Short-term affiliated liabilities	678 448	994 102
Liabilities for trade creditors and other accounts	7 998 156	4 552 000
Taxes and duties liabilities	186 140	404 555
Iincome tax liabilities	14 848	39 106
Accrued liabilities and provisions	6 623 811	1 129 963
Short-term liabilities in total	**37 118 261**	**28 467 109**
Liabilities in total	**149 354 124**	**132 825 988**
Equity and liabilities in total	**229 298 604**	**213 821 201**

Cash Flow	30 June 2021 EUR	30 June 2020 EUR
Profit before taxation	**(4 517 511)**	**7 476 418**
Profit and loss of reavaluation of revenue-generating investment pr	6 387 343	(9 521 405)
Cange in conversion reserve	2 976 108	(5 562 273)
Unrealised yearend currency revaluation	608 426	3 508 861
Depreciation	99 709	15 306
Negative goodwill	(199 106)	-
Deferred tax liabilities	634 000	(854 313)
Profit / (loss) of subsidiaries sale	-	(39 273)
Interest revenues	(122 688)	(5 867)
Interest expenditures	1 030 776	1 501 007
Changes in receivables and other current assets	(679 779)	(1 471 574)
Change in accrued and deferred assets	(168 477)	(19 041)
Change in inventories	(542 321)	(346 771)
Change in liabilities and accruals	5 860 930	(12 125 007)
Change in tenant deposits	(99 227)	(1 092 148)
Income tax paid	(143 330)	(186 249)
Net cash flow from business activity	**11 124 853**	**-18 722 329**
Performence of warranty obligation to equity sale	-	-
Expenses of investment performed on real estate properties	(93 661)	(345 210)
Equity acquisition	-	(6 683 799)
Purchase of tangible assets	4 608	319 410
Income from equity sale	-	10 535 281
Purchase of investment properties	(16 188 684)	-
Realised revenue of properties sale	-	-
Net cash flow from investment activities	**(16 277 737)**	**3 825 682**
Payment of dividend	-	-
Repayment of self-issued bond	-	-
Change in loans granted	325	43 968
Increase of credits, leases and loans	4 154 811	(5 581 385)
Payment of credits	-	-
Own share purchase	-	-
Own share sale	-	-
Interest expenditures	(1 030 776)	(1 501 007)
Interest revenues	122 688	5 867
Net cash flow from financial activities	**3 247 048**	**(7 032 557)**
Change in liquid assets	**(1 905 836)**	**(21 929 204)**
Liquid assets balances:		
Liquid assets at the beginning of the year	22 063 065	40 991 952
Yearend liquid assets	20 157 229	19 062 748

Changes in own equity (data in EUR)	Issued share capital	Reserves	Repurchased own shares	Conversion reserve	Retained earnings	For the owners of the parent company	Non-controlling interests	Own equity in total
Balance as of 01 January 2020	**15 217 006**	**25 645 230**	**(1 171)**	**(2 710 880)**	**34 925 192**	**73 075 377**	**730 936**	**73 806 313**
Comprehensive income of the current year								
Comprehensive income of the current year	-	-	-	(5 562 273)	6 236 726	674 453	199 130	873 583
Transactions with owners	-	-	-	-	745 990	745 990	246 537	992 527
Acquisition of subsidiary						-	117 472	117 472
Transaction with external owner upon keeping control					745 990	745 990	129 065	875 055
Balance on 30 June 2020	**15 217 006**	**25 645 230**	**(1 171)**	**(8 273 153)**	**41 907 908**	**74 495 820**	**1 176 603**	**75 672 423**
Comprehensive income of the current year								
Comprehensive income of the current year	-	-	-	(1 839 921)	6 057 035	4 217 114	708 780	4 925 894
Transactions with owners	-	-	-	-	(606 104)	(606 104)	1 003 000	396 896
Business combination correction						-	435 391	435 391
Transaction with external owner upon keeping control					(606 104)	(606 104)	567 609	(38 495)
Balance on 31 December 2020	**15 217 006**	**25 645 230**	**(1 171)**	**(10 113 074)**	**47 358 839**	**78 106 830**	**2 888 383**	**80 995 213**
Balance on 01 January 2021	**15 217 006**	**25 645 230**	**(1 171)**	**(10 113 074)**	**47 358 839**	**78 106 830**	**2 888 383**	**80 995 213**
Comprehensive income of the current year								
Comprehensive income of the current year	-	-	-	2 976 108	(3 248 041)	(271 933)	(778 801)	(1 050 734)
Transactions with owners	-	-	-	-	-	-	-	-
Acquisition of subsidiary						-	-	-
Transaction with external owner upon keeping control			-		-	-	-	-
			-					-
Balance on 30 June 2021	**15 217 006**	**25 645 230**	**(1 171)**	**(7 136 966)**	**44 110 799**	**77 834 898**	**2 109 582**	**79 944 480**

MANAGEMENT REPORT

KEY ITEMS OF THE FIRST SIX MONTHS FOR 2021 OF APPENINN GROUP

Highlighted data – consolidated	30 June 2021 EUR	30 June 2020 EUR
Consolidated profit and loss statement		
Property rental revenue	5 044 351	4 268 960
Direct contribution from rental activities	3 846 248	3 422 711
EBITDA	-3 947 277	11 392 472
*EBITDA adjusted by exchange rate effect**	2 440 066	1 871 067
EBIT	-4 046 986	11 377 166
EBIT adjusted by exchange rate effect	2 240 648	1 840 455
Profit after tax for the period	-4 026 841	6 435 856
Profits in the subject year adjusted by exchange	1 922 939	-679 941
Highlighted data – consolidated	**30 June 2021 EUR**	**31 December 2020 EUR**
Revenue-generating investment properties	188 628 684	172 440 000
Long-term liabilities in total	112 235 863	104 358 879
Current assets in total	33 837 309	34 319 448
Short-term liabilities in total	37 118 261	28 467 109
Equity per shareholders of the Company	77 834 898	78 106 830

**The values have been shown by eliminating revaluation differences arising from the exchange rate effect of revenue-generating investment properties and exchange rate differences arising from the revaluation of non-HUF denominated loans. In the absence of an independent semi-annual valuation, the result of the revaluation of revenue-generating investment properties is only affected by the EUR/HUF exchange rate fluctuations due to the difference between the valuation and the accounting currency. The exchange rate difference of non-HUF -based loans distorts the overall picture of real economic performance mainly due to the non-HUF- based income structure, as the coverage of these non-HUF -based loans is not available in HUF.*

FINANCIAL DATA – CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ANALYSIS

Profit and loss accounted for property rental revenue activities

Profit and loss accounted for property rental activity revenue shows an increasing efficiency upon a widening income structure in relation to the direct contribution from rental activities value compared to the same period of the previous year.

Regarding the direct contribution from rental activities indicator of Appeninn Group, a 12 percentage increase was experienced compared to the same period in the previous year. The 18% increase in direct rental income compared to the same period last year is mainly due to higher occupancy, an improved tenant mix and indexation in a stabilising rental market. Compared to the same period of the previous year, the positive impact of direct rental income of almost 800,-EUR in thousands on direct margins was offset by an increase of 300,-EUR in thousands in the direct cost level. The increase in direct costs is due to the higher quality of service provision required to support improved occupancy and tenant mix.

The gross operating profit at group level was a loss of EUR 3 947 thousand, while the gross operating profit excluding the exchange rate effect was a profit of EUR 2 440 thousand in the period ended 30.06.2021. Gross

operating profit adjusted for exchange rate effects, in the first half of 2021 was 30 percent higher than in the same period of the previous year.

Financing and financial profit and loss

Payment moratorium shall be applied to the stock of credits and loans as of 31 March 2020, with that, the payable interest repayments have been marked off to decrease the financial profit and loss. The positive result between the income and expenditure on financial operations is due to the revaluation of euro-denominated loans, which is due to the difference in the accounting and presentation currency. Appeninn Plc. and the subsidiaries keep their books in HUF, while the publication currency of the half-yearly and annual reports is the EUR.

Appeninn Group's profit after tax is a loss of EUR 4 026 thousand. While the same value adjusted for exchange rate effects is EUR 1 922 thousand, which is 18 percent higher than the adjusted value of the same period last year.

Appeninn Group's consolidated profit after tax

The loss per share issued and outstanding, non-net of exchange rate effects, on average, was 8.5 euro cents. The shift in the earnings per share indicator showed a decrease compared to the value calculated a year earlier, driven solely by the currency impact of the real estate portfolio.

Subsidiaries

The following changes have been made to the subsidiaries since the Company's 2020 report: on 26 May 2021, M2C Project Korlátolt Felelősségű Társaság[9] was established as a 100 percent owned subsidiary of Bertex Ingatlanforgalmazó Zártkörűen Működő Részvénytársaság. Bertex Ingatlanforgalmazó Zártkörűen Működő Részvénytársaság is a 100 percent owned subsidiary of Appeninn Plc. In September 2021, Bertex Ingatlanforgalmazó Zártkörűen Működő Részvénytársaság sold M2C Project Korlátolt Felelősségű Társaság.

FINANCIAL DATA – CONSOLIDATED BALANCE SHEET

Appeninn Group accounted 229 298 EUR in thousands for the balance sheet total as of 30 June 2021. The balance sheet total growth is due to the increase of revenue-generating investment properties – in particular to the progress of tourist developments.

Composition of assets

Revenue-generating investment properties

The estimated total value of investment properties of Appeninn Group measured 188 628 EUR in thousands as at the reporting day. The portfolio of the revenue-generating investment property assets of Appeninn Group involved 37 properties in the first half of 2021, and, moreover, 8 development areas are accounted for the properties of Appeninn Group.

In 2017, the restructuring and profiling of the real estate portfolio started, resulting in significant changes. In recent years. In addition to its typically "B" and "C" category real estate portfolio, Appeninn Group is paying increased attention to "A" and premium category properties.

Since it was established, the strategy of Appeninn Group has focused on niche market segments in which low-priced, but professionally managed, high-yielding assets could be acquired and maintained for investment over the medium to long term. Appeninn Group holds primarily office buildings in the capital, but also owns and utilises commercial (such as the 18 SPAR retail market units under the ownership of the Company) and logistic properties in the provinces. In the course of the last years, Appeninn Group has enhanced its properties portfolio through acquisitions.

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[9] in English: M2C Project Limited Liability Company

Tourist developments started last year have been continued upon high volume: the one Aliga development area purchased in 2019 was completed with six other ones in 2020. The developments are to be planned to be finished mostly in 2022, and in smaller part, the thereof is to be completed in 2023. The financial effects of the transition to income-generating are expected to occur as early as the second half of 2022, relying heavily on domestic guest nights and service use.

With regard to the occupancy of the revenue-generating office and retail trade properties, in the course of the half year , improvement has been experienced, and, moreover, compared to the same period in the previous year, an improvement in occupancy can be noticed. The replenishment of shrinking free properties is continuous, the period of most profitable properties under contractual agreement is for more than 12 months.

Chart 1: Breakdown of the composition and occupancy of Appeninn Group's real estate portfolio by revenue

Serial number	Property	Floor area	Utilization 30 June 2020	Utilization 30 June 2021	Income rate of the total property rental activity revenue
		square meter	%	%	%
1	1082 Budapest, Üllői út 48.	11130	100%	100%	19,33
2	1015 Budapest, Hattyú utca 14.	8688	73%	79%	8,66
3	1022 Budapest, Bég utca 3-5.	5693	77%	85%	10,38
4	1022 Budapest, Bég utca 4.				
5	1118 Budapest, Kelenhegyi út 43.	1938	82%	92%	3,31
6	1133 Budapest, Visegrád u. 110-112.	3385	100%	100%	4,28
7	1094 Budapest, Páva utca 8.	3496	71%	82%	4,60
8	1139 Budapest, Frangepán u. 19.	2665	100%	100%	2,55
9	1149 Budapest, Várna u. 12-14.	2233	75%	75%	1,56
10	1123 Budapest, Felhévízi u. 24.	732	100%	100%	0,58
11	1102 Budapest, Szent László tér 20.	8080	78%	70%	2,63
12	1102 Budapest, Bánya u. (Szent László tér 20. "E")	742	0%	0%	-
13	6000 Kecskemét, Kiskőrösi út 30.	6024	100%	100%	1,66
14	1047 Budapest, Schweidel J. u. 3.	4915	95%	98%	2,54
15	1144 Budapest, Egyenes u. 4.	1636	0%	0%	-
16-34	18 SPAR retail units	18259	100%	100%	22,18
35	3525 Miskolc, Szűcs Sámuel u. 5.	918	100%	100%	2,17
36	1037 Budapest, Montevideo u. 2/C.	5995	96%	98%	12,09
37	1013 Budapest, Pauler u. 2.	656	100%	100%	1,48

Chart 2: The developments itemized by location and development targets of Appeninn Group

Serial number	Property	Description	Type of development	Area of the plot m2
1	8230 Balatonfüred, Zákonyi Ferenc u. 10.	Development	Port and Hotel	20 200
2	8622 Szántód, Móricz Zsigmond u. 96. - Szántód urbanized area under the	Development	Hotel and Adventure Park	36 813
3	8622 Szántód, Tihany u. 1. - Szántód urbanized area under the land regist	Development	Csárda (Inn) - other additional funct	2 525
4	8622 Szántód, Csokonai tér 1. - Szántód urbanized area under the land re	Development	Hotel - staff accomodation	2 885
5	3910 Tokaj, Csurgó Völgy under the land register number of 3022	Development	Hotel	29 999
6	3910 Tokaj, Csurgó Völgy under the land register number of 3019	Development	Active Tourist Center	7 887
7	2025 Visegrád, urbanized area under the land register number of 1813.	Development	Lepence strandfürdő	53 477
8	8171 Balatonvilágos, belterület 291, 292, 293 294, 295, 296, 297/2, 298 301, 302,303 hrsz.	Development	Port, Beach and Agora	389 336

Current assets – Trade and other receivables

Trade receivables amount to 930,-EUR in thousands, a slight increase of 11.4% compared to 811,-EUR in thousands at the end of last year, but it is important to emphasise that the increase is mainly related to one customer who was late due to an administrative error but settled after the end of the half-year.

The amount of other short-term receivables is 1 465 EUR in thousands as at 30 June 2021, compared to the 894 EUR in thousands at the end of the year 2020. The increase was generated by tax reclaims from the tax authorities for new developments.

Current assets - Inventories, cash

The value of 10 660,- EUR in thousands of inventories among current assets, up 5% compared to the end of last year, is the result of the progress of the development portfolio.

The decrease in cash and cash equivalents is due to the need to finance the development projects, where the net cash requirement is only partially offset by the call on the grant advance.

Composition of resources

Long- and short-term bank loan liabilities, issued corporate bonds

Long and short-term bank loans increased from 40 689,-EUR in thousands to 45 452,-EUR in thousands. This increase is due to the proportional drawdown of tourism project financing.

In 2019, the increase of the denominated bond portfolio issued in Hungarian Forints within the framework of NKP central bank program was also due to the exchange rate effect.

The value of indebtedness indicator is, exclusively calculated for external resources, 19.8 percentage, while the total value of external indebtedness indicator is 45.2 percentage upon the inclusion of NKP into the bond portfolio.

Non-controlling interest

Chart 3: Non-controlling interests as at 30 June 2021 at Group level

Name	Capital ownership (%)
PRO-MOT Hungária Kft.	25%
Solum-Invest Kft.	49%
Dreamland Holding Zrt.	25%
DLHG Invest Zrt.	25%
Tokaj Csurgó Völgy Ingatlanfejlesztő Kft.	25%
Szántód BalaLand Family Ingatlanfejlesztő Kft.	25%
Visegrád Lepence Völgy Strandfürdő Kft.	25%
SZRH Szántód Rév Hotel Ingatlanfejlesztő Kft.	25%
TATK Tokaj Aktív Turisztikai Központ Kft.	25%

Tenant deposits

The amount of tenant deposits was significantly increased to the amount of 1 530 EUR in thousands from 1 430 EUR in thousands as of the end of last year. The increase in the amount is due to the rationalization of the tenant's collateral structure and the increase in occupancy.

Tax liabilities and deferred tax liabilities

Tax and deferred tax liabilities do not indicate significant change compared to the end of last year, while as at 30 June 2021, at group level, the amount of deferred tax liabilities is 4 270 EUR in thousands and thereof amount in relation to tax liabilities accounts 186 EUR in thousands.

Trade creditors

Liabilities in the amount of 7 998 EUR in thousands was accounted for trade creditors as at 30 June 2021. The growth, compared to the end of last year, was primarily due to the planning and construction costs related to the new developments.

EQUITY STRUCTURE OF APPENINN GROUP

The amount of equity of the shareholders of the Company measured 77 834 EUR in thousands in total, while the amount of non-controlling interest was 2 109 EUR in thousands as at 30 June 2021.

Regarding the first half of 2021, there was not dividend approved.

CASH FLOW OF THE APPENINN GROUP

The cash and cash equivalents of Appeninn Group was decreased by 1 905 EUR in thousands in net, which was primarily due to the tourist development projects cash flow claims.

EVENTS FOLLOWING THE PERIOD UNDER REVIEW

On 26 May 2021, M2C Project Korlátolt Felelősségű Társaság was established as a subsidiary owned exclusively by Bertex Ingatlanforgalmazó Zártkörűen Működő Részvénytársaság. Bertex Ingatlanforgalmazó Zártkörűen Működő Részvénytársaság is a subsidiary owned exclusively by Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság. In September 2021, Bertex Ingatlanforgalmazó Zártkörűen Működő Részvénytársaság sold M2C Project Korlátolt Felelősségű Társaság.

INDICATORS ON PERFORMANCE

Chart 4: Main performance indicators at Group level as at 30 June 2021

Data in EUR	30 June 2021	30 June 2020	Change (percentage)
Revenue-generating investment properties	188 628 684	172 440 000	9,4%
	30 June 2021	30 June 2020	Change (absolute percentage)
Indebtedness ratio	53%	52%	1,1%
	30 June 2021	30 June 2020	Change (absolute percentage)
Profit after tax	-4 026 841	6 435 856	
Profit after tax adjusted by exchange rate effect*	1 922 939	-679 941	
EBITDA	-3 947 277	11 392 472	
Adjusted EBITDA by exchange rate effect*	2 440 066	1 871 067	
Own equity	77 834 898	78 106 830	
ROE	-5,17%	8,24%	
Adjusted ROE by exchange rate effect*	2,47%	-0,87%	3,3%
	30 June 2021	30 June 2020	Change (absolute percentage)
Profit after tax	-4 026 841	6 435 856	
Profit after tax adjusted by exchange rate effect*	1 922 939	-679 941	
EBITDA	-3 947 277	11 392 472	
Adjusted EBITDA by exchange rate effect*	2 440 066	1 871 067	
Assets in total	229 298 604	196 275 040	
ROA	-1,76%	3,28%	
Adjusted ROA by exchange rate effect*	0,84%	-0,35%	1,2%
	30 June 2021	30 June 2020	Change (absolute percentage)
Direct contribution from rental activities	3 846 248	3 422 711	
Revenue-generating investment properties	188 628 684	172 440 000	
ROI	2,04%	1,98%	0,1%

*The values have been shown by eliminating revaluation differences arising from the exchange rate effect of revenue-generating investment properties and exchange rate differences arising from the revaluation of non-HUF denominated loans. In the absence of an independent semi-annual valuation, the result of the revaluation of revenue-generating investment properties is only affected by the EUR/HUF exchange rate fluctuations due to the difference between the valuation and the accounting currency. The exchange rate difference of non-HUF -based loans distorts the overall picture of real economic performance mainly due to the non-HUF- based income structure, as the coverage of these non-HUF -based loans is not available in HUF.

THE HISTORY OF APPENINN GROUP

Appeninn Plc. was established in 2009, and the trading of the shares at Budapest Stock Exchange was initiated as of 02 July 2010. Since 2011, the shares have been traded in PREMIUM category, and since April 2012, the Company has been the member of BUX index, and even was entered into regional CECE index.

Since it was established, the strategy of Appeninn Group has focused on niche market segments in which low-priced, but professionally managed, high-yielding assets could be acquired and maintained for investment over the medium to long term. The Company holds primarily office buildings in the capital, but also buys logistics properties and commercial real estates all over the country. In the course of the last years, Appeninn Group has enhanced its properties portfolio through acquisition.

In the first half of 2021, Appeninn Group continued the tourism developments it started earlier. The first two portfolio elements of the developments will be completed by the second quarter of next year, with more than two hundred new 5-star rated hotel rooms and one new theme spa and gastronomy courtyard each.

DESCRIPTION OF THE REAL ESTATE MARKET ENVIRONMENT AND SECTOR IN HUNGARY

Office market

As expected, the vacancy rate in the Budapest office market increased to 9.1 percent by the end of 2020, driven by falling rental demand and high volumes of new office take-up. Office take-up reached a historic high in 2020 and is expected to continue to grow at a significant 12 percent in the next two years, driven by projects under construction. In 2020, tenant demand in the Budapest office market fell by 45 percent year-on-year, but the reduced demand has not yet been accompanied by a fall in average asking rents, and developers are holding down rents. However, if demand remains persistently low, this could put increasing pressure on rents to fall. In 2020, 70 percent of demand for office space came from market service providers, mainly from the telecoms sector. Office vacancy rates have increased in all capitals of the Central and Eastern European region, with rates hovering around 10 percent by the end of 2020 rather than approaching 5 percent at the end of 2019.

In 2020, the performance of Hungarian economy was better than the EU average. The corona virus epidemic caused the domestic economy to fall by 5 percent in 2020. Among the sectors relevant from the aspect of the commercial property market, the decline in market services was below average compared to the other member states of the EU, while the decline in industrial added value was in the middle of the EU range. Construction industry performed relatively weakly over the year as a whole. Construction industry output stagnated at the beginning of the year and then fell sharply in the spring, mainly as a result of the phasing out of public projects and low new project starts. A recovery started at the end of the year, supported by favourable housing market developments and state investment. Strong economic growth is expected from the second to third quarter of 2021. The third wave of the epidemic started in Hungary due to the spread of new mutations of the coronavirus, and restrictive measures were extended and tightened, leading to a moderation in GDP in the first quarter of 2021. However, depending on the increase in vaccination coverage and hence the timing of the resumption of the economy, more lively growth is expected from the second or third quarter, which could lead to an economic expansion of 4-6% for the year as a whole. In the second half of last year, the labour market proved resilient, helped by central bank and government measures (credit moratorium, government and central bank loan and guarantee schemes, wage subsidies). In the fourth quarter of 2020, employment in the competitive sector decreased by only 0.8% compared to the same period of the previous year. However, the new waves of the epidemic could re-intensify the negative employment effects in more vulnerable sectors.

Since September 2020, the proportion of people working from home or remotely has been steadily increasing again. After a decline in the summer following the first wave, the share of people working remotely or from home has increased steadily. While the national share was 9 percent of total employment, it was 19 percent of intellectual workers in December 2020, and rose further in January 2021. Working from home is most common in Budapest, with the share of people working from home reaching 30 percent in the capital and 40 percent for those in the intellectual area. Looking at sectors, it can be established that the information and communication, professional, technical and scientific activities, and financial and insurance activities had the highest share of home workers. In these sectors, nearly a third of the employees worked regularly or occasionally remotely in the third quarter of 2020. By the end of 2020, the vacancy rate in the Budapest office market had risen to 9.1 percent and is expected to increase going forward. By the end of the year, the stock of modern office space in Budapest had increased to 3.9 million square metres, with 232,000 square metres of new office space delivered, equivalent to 6.3 percent of the stock at the end of 2019 and a 10-year record. The economic shock caused by the corona virus epidemic reduced the annual volume of office leasing transactions significantly (by 45 percent). The demand category measured by the change in leased office stock, compared to the annual level of net market absorption of 365 thousand square metres, was more than three times higher the volume of new completions, resulting in an increase in the average vacancy rate. The latter indicator increased by 3.5 percentage points during 2020 to 9.1% by the end of the year. Looking ahead, office demand is expected to remain subdued in the coming quarters until sufficient vaccination against the coronavirus is achieved, which, in combination with a significant volume of new transfers, will push the vacancy rate above 10 percent. In 2020, 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, Housing and Real Estate Advisory Board (LITT) experts believe that office space under construction will fill up over time even with lower demand, so it is more likely that rents in lower quality properties will fall as vacancy rates rise.

Construction is underway on 12% of the existing modern office stock, with a focus on South Buda. The 463,000 square metre of space to be built by the end of 2020 is expected to be delivered by the end of 2022, 44 percent of which has (pre-)leases. 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 13 percent of the modern office stock at the end of 2020 in the medium term. Looking at the location of projects within the capital, the South Buda sub-market will see the largest amount of new supply (179 thousand square metres) over the next two years, but a significant volume (106 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. New office demand will come mainly from the service sector in 2020. In terms of net leasing from lease renewals, the share of market service sectors reached close to 70 percent in 2020. In 2019, the share of market service sectors in net demand was 48 percent, driven by the strong presence of the manufacturing sector in the office market. In terms of the percentage composition of net demand in 2020 compared to the previous year, the growth of the information and telecommunication technology sector was the most spectacular, with its share increasing from 14 to 32 percent. In 2020, the office vacancy rate increased in all capitals of the Central and Eastern European region. The office markets in the capitals surveyed have already seen significant volumes of new take-ups in the face of reduced demand due to the coronavirus epidemic, leading to an increase in vacancy rates. Instead of levels approaching 5 percent at the end of 2019, vacancy rates at the end of 2020 were hovering around 10 percent. The lowest vacancy rate (7 percent) remained in Prague, while the highest (12.5 percent) was in Bucharest.

Commercial real estate

Growth in the services sector, which plays a significant role in the evolution of demand for retail real estate, was hampered most by a lack of demand in 2020. Occupancy rates in domestic shopping centres have increased on average across the country, with a parallel decline in rents. By mid-summer of 2020, overall retail sales had returned to levels seen a year earlier, but several types of stores suffered significant turnover losses. The turnover of large shopping centres also fell, with both footfall and revenue down 40% in December 2020 compared to a year earlier. In the retail property market, major new deliveries are expected in 2021, but there is considerable uncertainty about development plans.

In particular, insufficient demand constrained the performance of companies in the services sector in 2020. The services sector, including those offering services to consumers (B2C), plays a significant role in the demand for retail real estate. According to a regular survey of companies in the sector, the role of other constraints, in addition to demand, has increased over the past two quarters. Looking ahead, for some services, the loss of demand could be permanent, exacerbated by changing consumption patterns due to the epidemic. Several retail business and property types suffered significant losses in 2020. With the exception of April, retail sales were above year-earlier levels in all months, but several types of stores showed a decline in turnover. The main increases in turnover were in online and food types, while turnover in restaurants and clothing stores fell the most. In January 2021, turnover in restaurants was 45% lower than a year earlier, while turnover in clothing stores was 22% lower. Looking ahead, the tightening of restrictive measures in March 2021 could have a significant negative impact on retail sales. This is the first time that shops selling non-essential goods, which account for around a fifth of turnover, have had to close in our country. The restrictions could further increase the role of e-commerce. Hungarian e-commerce penetration is one of the lowest in the region, but it grew rapidly in 2020. Online commerce accounted for 8.5 percent of domestic retail sales in 2020, an increase of 2.3 percentage points compared to the previous year. Growth in domestic e-commerce penetration was one of the fastest in the region, reaching the level of Austria and Slovakia. The Czech Republic has the highest e-commerce penetration in the region, at almost 17%, surpassing the EU average and Germany.

Falling rents and rising vacancy rates characterised the retail property market nationwide in 2020. There were no significant new deliveries in the retail property segment during the year. As a result of restrictions and reduced footfall, demand for retail real estate declined in 2020, leading to rising vacancy rates and falling rents across the country and for all property types. In terms of availability, the vacancy rate for primary shopping centres in Budapest increased by 3 percentage points to 4 percent compared to the end of 2019. The average vacancy rate for secondary shopping centres in Budapest increased to 10 percent, while the average vacancy rate for shopping centres in regional cities increased to 6 percent. The Budapest Shopping Centre Index calculated by CBRE measured a 39 percent drop in turnover and a 40 percent drop in footfall in Budapest shopping centres in the month of December 2020 compared to December of the previous year. On several occasions, tenants and landlords have dealt with the rent difficulties through bilateral agreements, with a regularity in line with the epidemic waves, mostly involving temporary rent reductions on the tenant side and lease term extensions and higher rent shares as a proportion of revenue on the landlord side. However, there are also examples of international retail brands exiting the Hungarian market.

Hotels Market

As a result of domestic and global health protection measures, the recovery of the tourism sector may be the slowest among economic sectors. Domestic hotel turnover improved somewhat in the summer months but fell back to a low at the end of the year. The hotel segment has seen a buoyant development activity in recent years, but the epidemic has postponed or halted several projects: instead of around 7,000 rooms at the end of 2019, developers are only planning to deliver around 4,000 rooms over the next 2 years.

As a result of health protection measures, the recovery of tourism may be the slowest among the sectors of the economy. The outlook for global tourism remains unfavourable, underpinned by the stabilisation of flight numbers at lower levels. According to experts at Oxford Economics, global tourism is unlikely to return to pre-crisis levels before 2024. A sustained downturn in international tourism will pose a serious challenge to hotels and jeopardise further development. The hotel markets in all the regional capitals have suffered significant declines. In 2020, room occupancy in hotels in the regional capitals fell by a quarter to a third compared to the previous year, with occupancy rates in the range of 20-27%. Room occupancy and gross room rates also fell the most in Prague, due to the relatively higher weight of foreign guests. In Budapest, average room occupancy was 21 percent for 2020 as a whole, down 73 percent from 79 percent the previous year. In terms of room rates, the average gross price in Budapest decreased by 11 percent to 81,-EUR. The turnover of domestic hotels improved somewhat in the summer months but bottomed out again at the end of the year. In the period from April to December 2020, domestic hotel revenues were 72 percent lower than in the same period of the previous year. The second wave of the epidemic and the related restrictive measures resulted in a 56% year-on-year drop regarding the available hotel rooms in December and a 94% drop in revenues. Budapest saw the largest drop in the number of nights, down 78 percent in 2020 as a whole, as the fall in foreign visitors had the biggest impact.

The coronavirus epidemic has postponed many hotel developments and forced several completed hotels to delay their opening. In 2020, 12 new hotels were completed across the country, with a total of 794 rooms. However, several of the completed hotels have been forced to postpone their actual opening due to very low demand. 65% of the completed rooms are located in Budapest. Hungary has witnessed buoyant hotel construction activity in recent years, but the known number of over 7,000 rooms planned for construction at the end of 2019 has fallen to 3.8,000 by the end of 2020. Budapest remains the focus of development, with 71 percent of projects planned for Budapest. In addition to the uncertain market outlook, the disappearance of banks' offer of hotel financing also plays a role in the decline in development activity. The forecast of planned deliveries is an upper estimate, which could be further reduced by the prolongation of the epidemic.

Source: MNB Commercial Real Estate Market Report, April 2021

MAIN RISK FACTORS

Appeninn Group holds significant properties portfolio financed in part by bank credits and loans. Thereof activity is exposed to the general economic situation, in particular to changes in property prices, the mortgage market and lease charges levels. To the extent that the economy, real estate market or mortgage market slows down or falls back in the future, thereof shall have a negative impact on the market value of the properties of Appeninn Group, and respectively on the financing possibilities and efficiency and growth.

Another significant risk to the existing tourism property portfolio is the persistent impact of COVID-19, which could severely reduce travel demand and thus occupancy rates, thus reducing the profitability of the future income-generating portfolio. In order to mitigate as much as possible the risk factor affecting future profitability, which is also included in the independent rating agency's report, management is continuously monitoring market developments and has started to develop alternative scenarios.

Foreign-based investment loans of Appeninn Group is denominated in EUR. Appeninn Group places strong emphasis on the consistency between lease charges income calculated in EUR and financing. Some part of the operational costs, like wages and salaries, re-invoiced utility fees, fees for experts, and budgetary burdens are typically calculated in Hungarian Forints. Although, it shall contain foreign exchange risk, but Appeninn Group classifies thereof upon low risk, herewith total foreign exchange risk is not realized, however, in order to mitigate the on-balance sheet foreign exchange risk, the derivative asset portfolio is available to the Company, depending on the risk classification

SHARE OF CONSOLIDATED COMPANIES AND CONTROLLED INTEREST

Chart 5: The consolidated company structure as at 30 June 2021

Serial number	Company	Parent Company	Ownership and voting share
1	Appeninn E-Office Vagyonkezelő Zrt.	Appeninn Vagyonkezelő Holding Nyrt.	100%
2	FELHÉVÍZ-APPEN Kft.	Appeninn Property Vagyonkezelő Zrt.	100%
3	APPEN-RETAIL Kft.	Appeninn Property Vagyonkezelő Zrt.	100%
4	Appeninn Property Vagyonkezelő Zrt.	Appeninn Vagyonkezelő Holding Nyrt.	100%
5	Appeninn- Bp1047 Zrt.	Appeninn Vagyonkezelő Holding Nyrt.	100%
6	Curlington Ingatlanfejlesztési Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
7	Appeninn Üzemeltető Zrt.	Appeninn Vagyonkezelő Holding Nyrt.	100%
8	SECTURA Ingatlankezelő Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
9	Szent László Téri Szolgáltató Ház Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
10	BERTEX Ingatlanforgalmazó Zrt.	Appeninn Vagyonkezelő Holding Nyrt.	100%
11	M2C Project Kft.	BERTEX Ingatlanforgalmazó Zrt.	100%
12	Appeninn Project-MSKC Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
13	Appeninn Project-EGRV Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
14	PRO-MOT Hungária Kft.	Appeninn BLT Kft.	75%
15	Appeninn BLT Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
16	Alagút Investments Kft.	Appeninn Vagyonkezelő Holding Nyrt.	100%
17	Solum-Invest Kft.	Appeninn Vagyonkezelő Holding Nyrt.	51%
18	Dreamland Holding Zrt.	Appeninn Vagyonkezelő Holding Nyrt.	75%
19	DLHG Invest Zrt.	Dreamland Holding Zrt.	100%
20	Tokaj Csurgó Völgy Ingatlanfejlesztő Kft.	DLHG Invest Zrt.	100%
21	Szántód BalaLand Family Ingatlanfejlesztő Kft.	DLHG Invest Zrt.	100%
22	Visegrád Lepence Völgy Strandfürdő Kft.	DLHG Invest Zrt.	100%
23	SZRH Szántód Rév Hotel Ingatlanfejlesztő Kft.	DLHG Invest Zrt.	100%
24	TATK Tokaj Aktív Turisztikai Központ Kft.	DLHG Invest Zrt.	100%

DECLARATION ON THE AUDIT RELATED TO THE DATA INCLUDED IN THE REPORT

The data in the Report are consolidated and were compiled in line with the IFRS standards effective as of 1 January 2021 and are not audited by an independent auditor.

INTRODUCTION OF OWNERS HOLDING MORE THAN 5% SHARE

Chart 6: Main specifications of the shareholders holding more than five percentage shareholding

Name	Nationality[1]	Activity[2]	Quantity of shares (quantity)	Equity (%)	Voting right (%)[3]
Avellino Holding Zrt.	B	T	11 369 141	24,00%	24,00%
Zinventive Zrt.	B	T	8 684 268	18,33%	18,33%
OTP Ingatlanbefektetési Alap	B	T	2 410 372	5,09%	5,09%

1 Domestic (B). Foreign (K) 2 Custodian (L). Public Finances (Á). International Development Institution (F). Institutional (I). Business Association (T). Private (M). Employee, Executive Officer (D). 3 Voting right ensuring participation in decision-making upon the general meeting of the Issuer

As at 30 June 2021, equity share of the Company consisted of 47,371,419 quantity of dematerialized equity shares at the nominal value of 100,-HUF, out of which 1 848 quantity is owned by the Company.

APPENINN GROUP'S DECLARATION ON LIABILITY

We, the undersigned, shall hereby declare, that, in line with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU), and upon having taken all reasonable care to ensure, compiled the herein Report providing real and reliable picture on the assets, liabilities, financial status and profit and loss of Appeninn Plc. and its enterprises included in the consolidation. Furthermore, the Report shall present a fair view on the status, development and performance of Appeninn Plc. and its enterprises involved in the herein consolidations upon introducing the main risks and uncertainty factors.

An independent audit report on this Interim financial report has not been drafted.

Dated as of 30 September 2021 in Budapest

Dr. Bihari Tamás
Chairperson of the Board of Directors
Appeninn Vagyonkezelő Holding Nyrt.

Dr. Szabó Nóra
Member of the Board of Directors