

Company name	Appeninn Vagyonkezelő Holding Nyrt. (in English: Appeninn Asset Management Holding Plc.)
Company address	1022 Budapest, Bég utca 3-5.
Sector classification	Asset management (real estate management)
Accounting system of the report	IFRS
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Data auditing	intermediate period data, non-audited
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Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (HU-1022 Budapest, Bég utca 3-5., company registration number: 01-10-046538 – hereinafter referred to as: Appeninn Plc. or Company) as the issuer of the securities admitted to the regulated market prepares and publishes its semi-annual report for 2023 in the present document.

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APPENINN PLC. BOARD OF DIRECTORS REPORT

In the first half of 2023, the Company and the subsidiary companies included in the consolidation and owned by thereof (hereinafter referred to as: Appeninn Group or Group) retained its existing real estate portfolio in the office and retail segments. The sales revenue realised in the first half of 2023 doubled, while the hedge was 50% more compared to the same period of the previous year.

In accordance with the business strategy of Appeninn Group published in February 2022, it had already sold its tourism sector subsidiaries from its tourism real estate development projects during 2022, while on 30 January 2023, Appeninn Group closed the sale of the 51% business share owned by the Group in the last tourism subsidiary, Solum-Invest Ingatlanfejlesztő és Üzemeltető Kft.

According to business share sale and purchase agreement for the sale and purchase of the 100% of the business share of Tidaholm Properties Kft. – which owns the “Zone Shopping Parks” in Székesfehérvár and Zalaegerszeg – and the 100% of the business share of Kantrum Property Kft. – which owns “Kanizsa Centrum Shopping Centre” – concluded on 28 February 2023, the Company acquired the exclusive ownership of the Tidaholm Business Share and the Kantrum Business Share and thereby became the sole owner of both Tidaholm and Kantrum.

On 10 March 2023, the Company signed a sale and purchase agreement for the sale and purchase of the share package representing 100% of the shares issued by Dounby SP. Z O.O., which owns office buildings “C”, “D”, “E” and “F” in the Wiśniowy Business Park in Warsaw (hereinafter referred to as WBP). 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.

Scope Ratings, as at 05 March 2023, disclosed its report on the outcome of the bonds qualification review named “APPENINN 2029/1”, 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://scoperatings.com/ratings-and-research/rating/EN/173852>)

Significantly increasing profitability indicators

The revenue-generating ability of the real estate properties of Appeninn Group's shows a significant improvement compared to the same period of the previous year. The Group closed

the first half of 2023 with 9,093 EUR in thousands in sales revenues, compared to 4,113 EUR in thousands achieved during the same period of the previous year; at the same time, the EBIDTA (earnings before interest, taxes, depreciation, and amortisation) showed 3,575 EUR in thousands in losses, compared to the 10,599 EUR in thousands in profits of the same period of the previous year. However, the foreign exchange rate effect attributable to the value of the revenue-generating real estate had a crucial role in the EBITDA decrease, adjusted for which the operating result of the real estate portfolio shows 4,720 EUR in thousands in profits in the first half of the year.

The results of the newly acquired subsidiaries contributed the most to the change in the profitability indicators compared to the same period of the previous year. The profit after tax shows 2,248 EUR in thousands in profits, even with the negative result of 8,294 EUR in thousands arising from the revaluation of the properties.

Growth strategy

In the future, the purpose of future transactions will be the diversification of the portfolio, as well as maintaining the steady revenue-generating ability while increasing the yield even further for the Appenninn Group.

The funds that became available through the sale of the entire tourism portfolio made it possible to acquire the office and retail elements that are in line with the business strategy published in 2022, to enter the Central and Eastern European markets, in addition, in compliance with the business strategy, the issues of increasing the energy efficiency and obtaining the SZIT (in English : Regulated Real Estate Investment Company) certification are still on the agenda. However, the Group intends to execute the manner and time scheduling of the realisation of the strategic objectives while managing the current increased market and financing risks – which are generated by the inflation, the Russo-Ukrainian War, the increased energy prices, the higher financing costs, and by the combines consequences of these – in a complex manner and with taking into consideration the rating aspects of Scope Ratings. In the rapidly changing financing and interest environment, our fixed-interest, long-term funds – such as the credit financing by MFB Bank and the NKP bond – constitute a significant advantage and a risk-mitigating factor.

Shareholder value creation

For Appenninn Plc., the main sources of shareholder value creation are ensuring professional management activity, optimising the historical value related to acquisitions, achieving yield above the market average, as well as using favourable financing resources and thereby increasing profitability even further, in addition to the active management of the real estate portfolio.

The Company is committed to a transparent and cost-efficient organisational structure, through which the operative functioning becomes more efficient and competitive.

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. (in English: Concorde Securities Plc.) did not disclose any analysis on Appeninn Holding with respect to the period under review. The value per share was below own equity value in the recent period (on 31 December 2022: HUF 703,-, on 30 June 2023: HUF 723,-).

According to the rating review of Scope Ratings published on 5 April 2023, the Company improved its issuer credit rating from Category "B" to Category "B+" and its bonds from Category "B-" to Category "B+", which means that the Company was rated recommended for investments and its credit metrics and repayment ability were deemed steady in the long term as well.

Appeninn Plc.

Board of Directors

MAIN ASPECTS OF THE COMPILATION OF THE INTERIM FINANCIAL REPORT FOR THE YEAR 2023

Appeninn Plc. compiled its consolidated report (hereinafter referred to as: Report) for the first half of 2023 year. The hereof Report shall include the consolidated management report for the first six months of 2023 in respect to the 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 employed accounting principles included in the report are in compliance with the employed accounting policies as of the comparative period. The standard applicable on a compulsory basis did not have significant effect on the consolidated financial report of the Appeninn Group.

The currency of the Report is EUR.

Herein interim financial statements were 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 FINANCIAL STATEMENTS

Profit and loss account	2023.06.30	2022.06.30
	EUR	EUR
<i>From ongoing activities</i>		
Property rental revenue	9 092 716	4 113 334
Direct costs of property rental	(4 083 299)	(776 077)
Direct contribution from rental activities	5 009 417	3 337 257
Administration costs	(789 679)	(690 499)
Staff costs	(140 137)	(715 692)
Other revenues / (expenditures)	281 433	(61 839)
Profit (and loss) on sale of subsidiaries and investments	-	-
Profit and loss of investment properties sale	358 541	-
Profit and loss from revaluation of investment properties	(8 294 530)	8 730 108
Gross operational profit and loss (EBITDA)**	(3 574 955)	10 599 335
Depreciation és amortisation	(59 117)	(126 620)
Other (expenditure) / revenue of financial transactions	1 614 804	(1 836 735)
Interest income and (expenditures), net	592 774	(1 511 575)
Profit before taxation	(1 426 494)	7 124 405
Income taxes	454 022	(838 741)
Profit after tax from continuing activity	- 972 472	6 285 664
Profit after tax from discontinued activities	3 220 448	6 889 595
Profit after tax in total	2 247 976	13 175 259
Other comprehensive income		
Exchange rate differences arisen from currency translation of activ	6 224 637	(5 410 736)
Other comprehensive income of the current year, less with tax	6 224 637	(5 410 736)
CURRENT YEAR TOTAL COMPREHENSIVE INCOME IN TOTAL	8 472 613	7 764 523
From profit and loss of ongoing activities attributable to:		
non-controlling interests	-	(50 710)
the owners of the Company	(972 472)	6 336 374
From discontinued activities profit and loss attributable to:		
Non-controlling interests	-	-
the owners of the Company	3 220 448	6 889 595
From other comprehensive income attributable to:		
non-controlling interests	-	-
the owners of the Company	6 224 637	(5 410 736)
Total comprehensive income attributable to:		
non-controlling interests	-	(50 710)
the owners of the Company	8 472 613	7 815 233
Basic earnings per share in EUR cent	4,75	27,81
Diluted earnings per share in EUR cent	4,75	27,81

Balance Sheet	2023.06.30	2022.12.31.
Assets	EUR	EUR
Investment properties	181 810 113	108 080 799
Property, plant and equipment	31 523	27 613
Right of facility sharing	0	0
Deferred tax liabilities	53 363	45 454
Investment in associates	7 415	0
Goodwill	0	0
Long term receivables	446 062	196 078
Non-current assets total	182 348 476	108 349 944
Inventories	0	0
Trade receivables	2 563 187	556 820
Other short-term receivables	1 284 537	418 693
Receivables from related parties	0	0
Short-term loans granted	57	151 318
Prepayments	1 193 069	281 592
Income tax receivables	139 457	8 675
Assets held for sale	0	24 621 386
Cash and cash equivalents	19 836 215	55 312 730
Current assets in total	25 016 522	81 351 214
Assets qualified for sale		
Assets in total	207 364 998	189 701 158
Balance sheet	2023.06.30	2022.12.31.
Equity and liabilities	EUR	EUR
Issued share capital	15 217 006	15 217 006
Treasury shares	-1 171	-1 171
Reserves	25 645 230	25 645 230
Currency translation adjustment reserve	-10 121 817	-16 238 045
Retained earnings	62 210 426	59 962 450
Equity per shareholders of the Company	92 949 674	84 585 470
Non-controlling interests	0	-1 334 558
Equity és reserves in total	92 949 674	83 250 912
Long-term bank credits and leasing liabilities	42 116 896	24 780 123
Corporate bonds debt	55 163 964	50 283 324
Tenant deposits	2 644 785	1 300 579
Liabilities to related parties on long term	-	-
Deferred tax liabilities	5 943 805	6 087 261
Long-term liabilities in total	105 869 450	82 451 287
Short-term bank credits and leasing liabilities	2 221 698	1 331 856
Other short-term liabilities	2 347 364	151 045
Liabilities to related parties on short term	-	28 456
Trade payables and other liabilities	1 407 904	968 687
Taxes and duties liabilities	505 713	187 235
Income tax liabilities	3 223	128 387
Liabilities held for sale	-	20 816 898
Accrued liabilities and provisions	2 059 972	386 395
Short-term liabilities in total	8 545 874	23 998 959
Liabilities in total	114 415 324	106 450 246
Equity and liabilities in total	207 364 998	189 701 158

Cash- Flow	2023.06.30 EUR	2022.06.30 EUR
Profit before taxation	1 793 954	14 014 000
Profit and loss from revaluation of investment properties	8 294 530	(8 730 108)
Investment expenses on real estate properties	-	-
Profit and loss accounted for real estate property sale	(358 541)	-
Profit and loss accounted for real estate property sale	-	-
Depreciation	59 117	126 620
Negative goodwill	-	-
Profit / (loss) of subsidiaries sale	-	(6 889 595)
Interest income	2 263 508	(2 568 737)
Interest expense	1 669 129	4 080 312
Changes in receivables and other current assets	35 177 152	35 555 803
Change in accrued and deferred assets	(1 115 573)	(553 553)
Change in inventories	-	(157 495)
Change in liabilities and accruals	(9 255 685)	14 364 249
Change in tenant deposits	1 358 058	(9 940)
Income tax paid	(156 823)	132 109
Net cash flow from business activity	39 728 825	49 363 665
Performance of warranty obligation for equity sale	-	-
Investment expenses on real estate properties	-	-
Acquisition of investments	(4 044 456)	-
Purchase of property, plant and equipment	-	-
Change in loans granted	1 160 948	62 482
Interest income	(2 263 508)	2 568 737
Proceeds from sale of investments	1 312 553	2 423 205
Investment properties procurement	(71 984 643)	(101)
Realised income of real estate properties sale	358 541	-
Realised income of real estate properties sale	-	-
Net cash flow from investment activities	(75 460 564)	5 054 323
Payment of dividend	-	-
Repayment of self-issued bond	-	-
Increase of credits, leases and loans	-	1 219
Credit and loan repayment	(4 300 284)	(5 520 650)
Own share purchase	-	-
Own share sale	-	-
Interest expense	(1 669 129)	(4 080 312)
Net cash flow from financial activities	(5 969 413)	(9 599 743)
Exchange rate fluctuation	6 224 637	-
Change in cash and cash equivalents	(35 476 515)	44 818 245
Cash and cash equivalent balances:		
Cash and cash equivalents at the beginning of the year	55 312 730	16 272 052
Cash and cash equivalents at the end of year	19 836 215	61 090 297

Change in equity (data in EUR)	Issued share capital	Reserves	Tresury share	Conversion reserve	Retained earnings	Share per owners of the parent company	Non-controlling interests	Equity in total
Balance as at 01 January 2022	15 217 006	25 645 230	(1 171)	(11 151 490)	44 355 386	74 064 961	112 306	74 177 267
Comprehensive income of the current year								
Comprehensive income of the current year	-	-	-	(5 410 736)	6 336 374	925 638	(50 710)	874 928
Transactions with owners	-	-	-	-	-	-	(7)	(7)
Subsidiary company acquisition							(7)	(7)
Transaction with external owner upon control								-
Balance as at 30 June 2022	15 217 006	25 645 230	(1 171)	(16 562 226)	50 691 760	74 990 599	61 589	75 052 188
Comprehensive income of the current year								
Comprehensive income of the current year	-	-	-	(730 252)	9 270 690	8 540 438	(1 596 678)	6 943 760
Transactions with owners	-	-	-	1 054 433	-	1 054 433	200 531	1 254 964
Subsidiary company sale				1 054 433		1 054 433	200 531	1 254 964
Transaction with external owner upon control							-	-
Balance as at 31 December 2022	15 217 006	25 645 230	(1 171)	(16 238 045)	59 962 450	84 585 470	(1 334 558)	83 250 912
Balance as at 01 January 2023	15 217 006	25 645 230	(1 171)	(16 238 045)	59 962 450	84 585 470	(1 334 558)	83 250 912
Comprehensive income of the current year								
Comprehensive income of the current year	-	-	-	6 224 637	2 247 976	8 472 613	-	8 472 613
Transactions with owners	-	-	-	(108 409)	-	(108 409)	1 334 558	1 226 149
Leányvállalat értékesítése				(108 409)		(108 409)	1 334 558	1 226 149
Transaction with external owner upon control								-
Balance as at 30 June 2023	15 217 006	25 645 230	(1 171)	(10 121 817)	62 210 426	92 949 674	-	92 949 674

MANAGEMENT REPORT

History of the Appenninn Group

Appenninn Plc. was established in 2009, and the trading of the shares at Budapest Stock Exchange was initiated as of 02 July 2010. It has been trading with shares of PREMIUM since 2011.

After its foundation and until 2020, Appenninn Group concentrated on niche segments, where assets which are priced low, but which can be operated with higher yield generation owing to better management could be acquired and maintained in the medium and long terms. The Company primarily held office buildings in the capital, but also bought logistics properties and commercial real estates all over the country.

In 2019, the Company issued NKP bonds in the amount of HUF 20 billion, the purpose of which was to refinance its bank loans with more favourable terms and conditions, to reduce the hedge burden of the properties, as well as to expand its real estate portfolio with high-quality elements with higher revenue-generating ability. At the time the bonds were issued, the Company had Category “B” rating, and its unsecured bond issued had Category “BB-” rating according to Scope Ratings.

Maintaining the bond financing requires the bond to have – by a credit rating institution approved by MNB – at least Category “B+” rating. Should the rating of the bond fall below Category “B+”, but reach level “B-” at any time, and if this rating persists for more than 2 years, or if the rating drops below level “B-”, then the Company would be obliged to redeem the entire bond debt – together with the unpaid interests – immediately.

According to the strategy of the company approved in 2020, the acquisition and development of tourism projects were emphasised, after which Scope Ratings downgraded the issuer rating of the Company to level “B-” and its unsecured bond rating to level “B-” level on 12 April 2021, and Scope Ratings did not change this rating a year later, during the March 2022 monitoring.

In February 2022, the Company modified its strategy; it established the sale of tourism project companies and the acquisition of investment properties in the SEE and CEE regions as primary objectives, in the framework of which the majority of the development projects of the Company were sold during the year.

In the first half of 2023, the Company continued to implement its strategic objectives and sold the last element of its tourism portfolio, the 51% business share of Solum-Invest Kft., the result of which appears in the results of discontinued activities of the first half of 2023.

The Group used the funds earned from the sale to acquire Hungarian and Polish subsidiaries (Dounby z.o.o., Tidaholm Kft., Kantrum Kft.), as a result of which the scope of its revenue-generating properties and its revenues from such properties expanded significantly in the first

half of 2023, and the consolidated operating profitability of the company group also increased owing to its profit generated since the acquisition of subsidiaries.

The consistent implementation of the strategy declared in 2022, the sale of the development portfolio and the office and commercial real estate purchase transactions realised with a conservative financing structure were assessed positively by Scope Ratings in terms of the risk profile of the Company, and on 5 April 2023, the issuer rating of Appenninn was upgraded to level “B+ /stable”, while its unsecured bond was upgraded to level “B+”.

KEY ITEMS OF THE FIRST SIX MONTHS FOR 2023 OF THE CORPORATE GROUP

Highlighted data – consolidated	30 June 2023	30 June 2022
	EUR	EUR
Consolidated profit and loss statement - from ongoing activity		
Property rental revenue	9 092 716	4 113 334
Direct contribution from rental activities	5 009 417	3 337 257
EBITDA	(3 574 955)	10 599 335
EBIT	(3 634 072)	10 472 715
Profit after tax for the period	(972 472)	6 285 664
Profit after tax for the period - from discontinued activities	3 220 448	6 889 595
Profit after tax for the period total	2 247 976	13 175 259
	30 June 2023	31 December 2022
	EUR	EUR
Assets, liabilities and equity:		
Investment properties	181 810 113	108 080 799
Long-term liabilities in total	105 869 450	82 451 287
Current assets in total	25 016 522	81 351 214
cash and cash equivalent	19 836 215	55 312 730
Short-term liabilities in total	8 545 874	23 998 959
Equity per shareholders of the Company	92 949 674	84 585 470

SUMMARY OF ACHIEVEMENTS

The most significant event of the first half of 2023 is the acquisition of Tidaholm Properties Kft., Kantrum Property Kft. and Dounby SP. z.o.o., as well as the integration of the newly purchased subsidiaries. The profit realised generated since the acquisition of the subsidiaries purchased in the current year increased the consolidated EBIDTA significantly by 2,289 EUR in thousands, while it increased the consolidated profit after tax of the current year by 1,963 EUR in thousands.

In the assessment of the six-month financial performance of the Company Group, it must be taken into consideration that the profit and loss of the subsidiaries purchased during 2023 included in the consolidated comprehensive profit and loss report includes the revenues, profit and loss exclusively from after the date of acquisition (28 February 2023 in case of Tidaholm Kft. and Kantrum Kft., 10 March 2023 in case of Dounby SP. z.o.o.).

The IFRS consolidated sales revenue of Appeninn Plc. was EUR 9.1 million in the first half of 2023, which is significantly higher compared to the previous period (EUR 4.1 million), more than double the sales revenue realised in the same period of the previous year.

The main reason behind the higher level of sales revenue is the sales revenue generated since the acquisition of the new subsidiaries (4,823 EUR in thousands) and the indexation of the rental rates of the existing portfolio, the positive effect of which was reduced slightly by the closing of the property owned by Appen-Retail Kft. (by 41 EUR in thousands). The Company is currently assessing the further optimal manner of utilisation of the Frangepán Street property, which had operated at a loss earlier.

The consolidated profit indicators of the company group have improved significantly in terms of the operations, as well as the profitability of the management of the properties. Although the profit after tax of the Group is EUR 2.2 million, which is significantly less compared to the EUR 13.1 million of the previous year, and the EBIDTA is negative EUR 3.6 million compared to the EUR 10.6 million in profit before amortisation and depreciation achieved in the first half of 2022, the Euro exchange rate changes had a crucial role in the profits and losses in both years.

The consolidated profit after tax was affected - although oppositely - by the change in the exchange rates in both 2022 and the first half of 2023, which increased the EBIDTA level significantly in 2022 and decreased it substantially in 2023. Profit and loss from revaluation of investment properties – in the absence of interim appraisal – is exclusively impacted by EUR/HUF exchange rate fluctuation resulting from the difference between currency evaluation and registration. The exchange loss/profit of the total amount of the non-Forint credits is also fundamentally a consequence of the records currency and the functional currency. This distorts the overall picture of the actual economic performance primarily due to the non-Forint-based revenue structure, since it will actually be realised depending on and to the extent of the later revenue levels, which depend on the current exchange rate.

If the exchange rate effects not realised are disregarded in the profit and loss, then it is evident that the business performance of the Group improved exceptionally in the current year.

data in EUR	2023 H1	2022 H1
EBITDA from ongoing activity	--3 574 955	10 599 335
The result of the revaluation of the property due to the EUR exchange rate exposure	-8 29 530	8 730 108
Adjusted EBITDA from ongoing activity	4 719 575	1 869 227

After the removal of the exchange rate effect not realised it is evident that the adjusted EBITDA more than doubled, including the effect of the newly acquired subsidiaries with 2,289 EUR in thousands, however, even without these the EBITDA level result of the company increased by approximately 561 EUR in thousands. The ratio of the EBITDA adjusted as described above to the sales revenue increased from 45% to 52%.

The opinion on the profitability is improved even further if it is taken into account that one-time costs related to the acquisition of the new subsidiaries decreased this year's EBITDA, in the amount of EUR 417 thousand, as well as that the positive results of the newly acquired subsidiaries were calculated in the semi-annual value of the consolidated EBITDA only to the extent of the amount attributed to the period after the acquisition.

Multiple one-time factors, the costs related to the acquisition of the business share, the profit related to the sale of the business share of Solum-Invest Kft. and the exchange rate changes had crucial role in the development of the profitability indicators calculated from the profit after tax; the operating profit or loss of 2022 and the first half of 2023 becomes comparable after the removal of this factors.

	30 June 2023	30 June 2022
	EUR	EUR
Profit after tax	2 247 976	13 175 259
Of which:		
Discontinued activities profit and loss	3 220 448	6 889 595
Real estate property revaluation exchange rate effect	-8 294 530	8 730 108
Credits revaluation exchange rate effect	1 614 804	-1 836 735
One-off cost on account of new subsidiary companies acquisition	-417 081	-
Adjusted profit after tax	6 124 335	- 607 709

FINANCIAL DATA – CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ANALYSIS

Real estate leasing and management activity profit and loss

The direct hedge ratio of the Appenninn Group decreased by 26% compared to the same period of the last year, while the nominal amount of the direct hedge increased simultaneously. The decrease of the hedge originating from direct leasing compared to the same period of the last year resulted primarily from the significantly higher overhead cost and the sale of the management company of the company group, thus from the transformation of the cost structure.

The electric power contract concluded by the Dounby subsidiary – which was acquired in 2023 – caused high cost level, therefore the hedge ration of the subsidiary was approximately 31%, which decreased the consolidated hedge ratio of the Group significantly. The Group is examining opportunities to amend these contracts and achieve a more favourable structure. At the same time, in terms of nominal value, the pro rata temporis performance of this subsidiary contributed to the consolidate hedge amount significantly, with 953 EUR in thousands.

With respect to the core real estate portfolio, the increase in sales revenues results from the indexation of the rents. The reasons behind the increase in the direct costs are the increase in the utility costs and the change in the cost structure, i.e. in the first half of 2022 the costs of the former own management company did not burden the direct hedge, they were included in the administrative and staff costs line, while this year the management fees already decreased the hedge amount.

The direct hedge is 5,009 EUR in thousands, which is significantly higher compared to the sum of 3,337 EUR in thousands of the previous year, representing 50% growth.

The growth of the administrative costs is high due to the one-time costs of the subsidiaries acquired in the current year, and it is evident that the Group reduced its other administrative costs significantly in 2023.

	30 June 2023	30 June 2022
	EUR	EUR
Administration costs	-789 679	-690 499
Of which:		
One-off cost on account of new subsidiary companies acquisition	-417 081	0
Adjusted administration costs	- 372 616	- 690 499

The significant decrease in staff costs (2023: 140 EUR in thousands, 2022: 716 EUR in thousands) results from the organisational reorganisation implemented by the Group.

As a result of the above, the EBITDA-level profitability indicator of the Company without the revaluation result – arising from the exchange rate effects – of the revenue-generating real estate properties increased to more than 50%.

During 2023, the Group sold one of its SPAR properties, which was already recorded as assets for sale on 31 December 2022. 359,000 EUR in thousands of profits was realised from the sale of the property.

Financing and financial profit and loss

The interest payment obligations of the NKP bond portfolio and bank loan portfolio of the Company Group amounted to EUR 1,669,129, which was exceeded by the amount of deposit interests received, therefore the interests received and paid resulted in a net balance of EUR 592,774. The positive result (1,615 EUR in thousands) 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 euro.

The value of the Corporate Group's profit after tax is 2 248 EUR in thousands profit.

The Appeninn Group's consolidated profit after tax

The profit per issued and traded shares on average in the first half of 2023 was 4.75 eurocents, compared to a profit of 27.81 eurocents in the same period of 2022. The shift in the earnings per share indicator showed a decrease compared to the value calculated a year earlier, driven primarily by the currency impact of the real estate portfolio.

Subsidiaries

The exclusive ownership of the share package representing 100% of the shares issued by Dounby SP. Z O.O., which owns office buildings "C", "D", "E" and "F" in the Wiśniowy Business Park in Warsaw (hereinafter referred to as WBP), as well as the 100% of the business share of Tidaholm Properties Kft. – which owns the "Zone Shopping Parks" in Székesfehérvár and Zalaegerszeg – and the 100% of the business share of Kantrum Property Kft. – which owns "Kanizsa Centrum Shopping Centre" – were acquired in the first half of 2023. The acquisitions were not recognised as business combinations by the Group, therefore they were claimed as asset purchases.

In addition, on 30 January 2023, Appeninn Group closed the sale of the 51% business share owned by the Group in the last tourism subsidiary, Solum-Invest Ingatlanfejlesztő és

Üzemeltető Kft. The sale of the business share generated a profit of EUR 3,220,448, which was claimed by the Group in the profit or loss of discontinuing activities line.

FINANCIAL DATA – CONSOLIDATED BALANCE SHEET

The Appeninn Group accounted 207 365 EUR in thousands for the balance sheet total as of 30 June 2023. The balance sheet total increase primarily arises from accounting the acquired subsidiary company assets and liabilities.

1. Composition of assets

1.1. Long term assets – Investment properties

The estimated total value of investment properties of the Appeninn Group measured 181 810 EUR in thousands as at the reporting day. The portfolio of revenue-generating properties included 37 properties at the end of the first half of 2023.

The value of the revenue-generating – i.e. not related to discontinuing activities – property portfolio of the Company Group decreased owing to the sale under changing exchange rates, and the SPAR property sold by Appeninn E-Office Vagyonkezelő Zrt. was removed from the balance sheet of the Group (on 31 December 2022 it was already claimed as asset for sale in the balance sheet). The increase in the property value results from the acquisitions mentioned above.

The hereinunder chart introduces the changes of balance sheet value between 31 December 2022 and 30 June 2023 per real estate property in EUR.

Real estate properties name and address	31 December 2022	Acquisition	Sale	Other	30 June 2023
1149 Budapest, Várna u. 12-14.	2 000 000				2 000 000
1047 Schweidel utca 3.	2 500 000				2 500 000
1023 Budapest, Bég u. 3-5.	11 300 000				11 300 000
1022 Budapest, Bég u. 4.	3 900 000				3 900 000
1094 Budapest, Páva utca 8.	5 200 000				5 200 000
1015 Budapest, Hattyú utca 14.	14 500 000				14 500 000
1118 Budapest, Kelenhegyi út 43.	4 700 000				4 700 000
1133 Budapest, Visegrád u. 110-112.	4 900 000				4 900 000
17 SPAR üzlet	21 950 000				21 950 000
6000 Kecskemét, Kiskőrösi utca 30.	2 800 000				2 800 000
1082 Budapest, Üllői út 48.	22 300 000				22 300 000
Pasaréti street rental property	570 799			-57 500	513 299
1147 Budapest, Egyenes u. 4.	700 000				700 000
1105 Budapest, Bánya utca 20.	2 100 000				2 100 000
1023 Budapest, Felhévizi u. 24.	1 500 000				1 500 000
1139 Budapest, Frangepán u. 19.	2 500 000				2 500 000
1105 Budapest, Bánya utca	260 000				260 000
3525 Miskolc, Szűcs Sámuel u. 5.	2 600 000				2 600 000
1013 Budapest, Pauler utca 2.	1 800 000				1 800 000
Zone Bevásárlóparkok	-	27 893 549			27 893 549
Kanizsa Centrum Bevásárlóközpont	-	11 229 589			11 229 589
Wisniowy Business Park	-	34 663 676			34 663 676
Real estate property in total	108 080 799	73 786 814	-	-57 500	181,810 113

1.2. Long term assets – Long term receivables

The over-the-year receivables include restricted cash, the amount of which increased to 446 EUR in thousands compared to 196 EUR in thousands on 31 December 2022.

1.3. Long term assets – Investment in associates

The share in associated companies means the 50% share in Wisniowy Management Sp. z.o.o. owned by Dounby z.o.o., which was acquired in the current year.

1.4. Current assets – Trade and other receivables

Trade receivables amounted to 2,563 EUR in thousands, the significant increase of which compared to the sum of 557 EUR in thousands at the end of last year is owed typically to those trade receivables of the new subsidiaries – acquired in the current year – which are currently outstanding on the balance sheet date (1,605 EUR in thousands).

The amount of other short-term related party receivables is 1,285 EUR in thousands as at 30 June 2023, compared to the 419 EUR in thousands at the end of the year. The increase results primarily from the receivables of the subsidiaries acquired, the value of other short-term receivables would show a lower amount without them; without the subsidiaries acquired, the trade receivables would have amounted to 277 EUR in thousands on 30 June 2023. Other short-term receivables include tax receivables primarily, in the amount of 917 EUR in thousands.

The accruals amounted to 1,193 EUR in thousands, the significant increase thereof compared to the sum of 282 EUR in thousands at the end of last year is owed typically to the accruals of new subsidiaries acquired in the current year (804 EUR in thousands).

1.5. Current assets – Cash and cash equivalents

The decrease in cash originated primarily from the payment of the consideration paid for the subsidiaries acquired in the current year.

2. Composition of resources

2.1. Long- and short-term bank loan liabilities, corporate bonds debt

The amount of long-term bank loans increased from 24,780 EUR in thousands to 42,117 EUR in thousands. The primary reason behind the increase is the consequence of NHP bank loan of Tidaholm Kft.

The significant increase in the value of short-term bank loans originates also primarily from the addition of short-term repayment instalments of Tidaholm Kft.; it increased from EUR 1,332 to EUR 2,222.

In 2019, the increase of the denominated bond portfolio issued in Hungarian Forints within the framework of NKP central bank program was due to the exchange rate effect, which rose the EUR amount of the corporate bonds debt from 50,283 EUR in thousands to 55,164 EUR in thousands.

The value of indebtedness indicator is, exclusively calculated for external resources, 21.48 percentage, while the total value of external indebtedness indicator is 48.2 percentage upon the inclusion of NKP into the bond portfolio.

2.2. *Non-controlling interest*

The non-controlling interests include the 49% minority share held in Solum-Invest Zrt. exclusively on 31 December 2022, which amounted to zero on 30 June 2023, due to the sale of Solum-Invest Zrt.

2.3. *Deferred tax liabilities liabilities*

Tax and deferred tax liabilities do not indicate significant change compared to the end of last year, while as at 30 June 2023, the amount of deferred tax liabilities is 5,944 EUR in thousands at corporate level compared to the amount of 6,087 EUR in thousands as at 31 December 2022.

2.4. *Trade creditors*

The amount of liabilities owed to the trade creditors was 1,408 EUR in thousands on 30 June 2023, compared to 969 EUR in thousands as of 31 December 2022, which shows a significant increase. The value of trade creditors increased with respect to those companies that fell under the scope of consolidation on 30 June 2023, the trade creditor of the subsidiaries acquired in the current year amounted to 1,235 EUR in thousands on 30 June 2023, however, without the companies acquired, the trade creditors amount would be significantly lower, approximately 173 EUR in thousands.

2.5. *Other short-term liabilities*

The amount of other short-term liabilities is 2,347 EUR in thousands as at 30 June 2023, compared to the 151 EUR in thousands at the end of the year. The increase is owed primarily to the sum of final purchase price instalment payable for the acquisition of the subsidiaries, in the amount of approximately 1,909 EUR in thousands.

2.6. *Accrued liabilities*

The amount of other accrued liabilities is 2,060 EUR in thousands compared to the 386 EUR in thousands as at 31 December 2022. The increase that is significant both in terms of ratio and absolute value compared to the figure at the end of last year comprises primarily of the accrued revenues.

3. EQUITY STRUCTURE OF THE CORPORATE GROUP

The amount of equity of shareholders of the Company measured 92,950 EUR in thousands in total, while the non-controlling interest accounted zero as at 30 June 2023.

Regarding the first half of 2023, there was not dividend approved.

4. CORPORATE GROUP CASH-FLOW

The cash of the Appennin Group decreased by 35,477 EUR in thousands, which means primarily the sum paid for the shares in the subsidiaries acquired.

5. EVENTS FOLLOWING THE PERIOD UNDER REVIEW

There were no significant events following the period under review.

6. INDICATORS OF PERFORMANCE MEASUREMENT

	data in EUR		Change
	30 June 2023	30 June 2022	(percentage)
Investment properties	181 810 113	124 484 218	46.05%
Direct contribution from rental activities	5 009 417	3 337 257	50.11%
Profit after tax	2 247 976	13 175 259	82.94%
EBITDA	(3 574 955)	10 599 335	133.73%
Equity	92 949 674	81 941 782	13.43%
ROE	2.42%	16.08%	-13.66%
ROA	1.08%	6.84%	-5.75%
Indebtedness ratio	48.20%	42.95%	5.25%

DESCRIPTION OF THE REAL ESTATE MARKET ENVIRONMENT AND SECTOR IN HUNGARY

Macroeconomic expectations

In the second quarter of 2023, the gross domestic product of Hungary decreased by 2.4% according to the raw data and by 2.3% according to the data adjusted for and balanced with the seasonal and calendar effects, compared to the same period of the previous year. Compared to the previous quarter – according to the data adjusted for and balanced with the seasonal and calendar effects – the performance of the economy decreased by 0.3%. The performance of the economy decreased by 0.3% compared to the previous quarter. In the first half of 2023, the gross domestic product was 1.7% less compared to the same period of the previous year.

The annual inflation indicator peaked in January at 25.7%, after which it showed first more moderate and later more dynamic decrease during the first half of the year, and it stood at 20.1% in June. The Hungarian inflation continues to be the highest in Europe. Inflation is expected to decrease rapidly in the second half of the year, forecasts anticipate a rate of 8 to 9% by the end of the year.

The number of unemployed people reached 187 thousand in June 2023, the unemployment rate was 3.8%. Compared to the same period of 2022, in the second quarter the number of unemployed people increased by 36 thousand, while the unemployment rate was higher by 0.7 percentage points. The unemployment rate was the highest in the North Great Plain (6.2%) and the lowest in the Central Transdanubia region (1.8%). The ratio of unemployed people increased in all regions compared to the same period of the previous year, by the highest rate in the Pest region (by 1.5 percentage points). Nonetheless, the labour market continues to be tight, and further significant increase in the unemployment rate is not expected.

Source: Hungarian Central Statistical Office

Summary of the real estate market

The retail real estate market processes of the first half of 2023 were characterised by decreasing tenant demand, ever-increasing vacancy rates and by increasing yields.

Yields showed substantial increase in all sectors in the first half of the year: the office market increased by 100 basis points (5.75%), the prime yield increased by 150 basis points in case of shopping streets (6.75%), while the same figure increased by 125 basis points (6.75%) over one year in the industrial/logistics segment.

The vacancy rate continued to increase in the office market and also in the logistics sector in the first half of 2023. In the office market, the vacancy rate increased to 12.6% (+2.8%) in one year, and this trend may be attributed mainly to the transformation of office work and to the tenant demand that decreased due to the macroeconomic environment. The vacancy rate increased to 8.1% (+4.1%) in the industrial and logistics segment, in this case the main reason behind the vacancy is the introduction of several new projects to the market.

Office market

The total modern office stock in Budapest currently amounts to 4,334,880 m², including 3,536,690 sqm of category “A” and “B” modern speculative office space and 798,190 sqm of privately owned office buildings. In the second quarter of 2023, the modern office portfolio in Budapest expanded by three new office buildings, totalling 38,000 sqm. The F99 Office Building (14,040 sqm), the Roseville

(15,540 sqm) and the BudaPart Downtown (8,420 sqm) building were opened. An additional change is that the N97 (3,610 sqm) building was reclassified as an own office building.

In the second quarter of 2023, the vacancy rate reached 12.6%. This figure increased by 0.4 percentage points compared to the previous quarter and by 2.8 percentage points compared to the same period of the previous year. With regards to the second quarter of 2023, the lowest vacancy rate of 5% was registered for Buda Központ (in English: Buda Central) submarket, while the highest rate of 34.8% was measured in the agglomeration. Net absorption was in the positive range during the quarter, with a total increase of 12,290 sqm in total occupied portfolio in the quarter. Gross demand was 119,890 m² in the second quarter of 2023, an increase of 56 percent compared to the previous quarter, and an increase of 11 percent compared to the same period last year. New contracts represented the largest share of total demand with 46 percentage. Contract extensions amounted to 42% of the leases, where expansions represented 6%, while rental precontracts represented 3%. We also registered a transfer into own property in the second quarter, which represented 3% of the gross demand. The highest tenant activity was calculated for Váci street office passageway, 33% of the total volume has been booked. The Pest Central area came in second place, with 20%, followed by the Buda Central area with 12%, as well as the Pest Non-Central sub-market with a share of 11%.

BRF registered 162 rental contracts in total during the second quarter, the average size of the agreements was 740 sqm, which is 16% more compared the previous quarter. Ten contracts were concluded for areas of more than 3,000 sqm, including five contract extensions, three new contracts, one rental precontract and one transfer into own property. We recorded two new contracts among the largest transactions of the quarter: the Millennium Tower I office building, for 8,110 sqm in total, and the new contract of Lightware, in Building VII of Hungária Office Park, for 7,020 sqm. The largest contract extension of the quarter was concluded for Promenade Gardens, for 5,420 sqm.

The prime rental rate stagnated in the first half of the year, it continues to be 25 EUR/sqm, which constitutes a 2% increase annually. The prime yield was 5.75% in the Budapest office market; this constitutes a substantial yield increase of 100 basis points annually.

Source: BRF, C&W

Retail real estate market

In June 2023, the volume of the retail turnover is 7.8%, without seasonal adjustment thereof dropped by 8.3% compared to the same period in the previous year. The volume of retail sale of food and in non-specialized stores with food decreased by 4.8%, in other retail stores by 4.3%, in fuel retail by 24.2% without seasonal adjustment. According to the data adjusted for and balanced with the seasonal and calendar effects, the volume of the retail turnover increased by 0.7% compared to the previous month. From January to June 2023 – according to the data adjusted for the seasonal and calendar effects – the volume of the turnover was lower by 10.3% compared to the same period of the previous year.

The pipeline continues to be rather weak in the retail sector. The most significant project in progress is the renovation of the Corvin Department Store (Corvin Palace), which could open its retail units on the ground floor by the end of the year. Apart from this project, the market is characterised by smaller renovations and expansions (mostly by storage units) only, there is no significant new development in progress in the country.

Owing to the limited pipeline, the vacancy rates stagnate in a steady low range. In case of shopping centres, the vacancy rate is 3 to 5% in Budapest and ranges between 8 and 10% in regional centres. The vacancy rate is low in the retail parks located in the Budapest agglomeration, it ranges between merely 3 to 4%.

The rental rates in the key Budapest shopping centres remained unchanged compared to the first quarter. Although the operating costs decreased slightly compared to the previous year, this was not enough to put the rental rates on an accelerating course. The turnover increased in the shopping streets, partially owing to the ever-increasing number of tourists.

The yields continue to show increase, a growth of 0.25 to 0.50 percent compared to the same period of the previous year was recorded.

Source: CBRE, Hungarian Central Statistical Office

The industrial-logistics real estate market

At the end of the second quarter, the total national modern industrial/logistics real estate amounted to 4,814,000 sqm. This includes 3,306,740 sqm located in the capital and the surrounding area, while regional domestic real estate amounted to 1,507,260 sqm. In the second quarter of 2023, the amount of speculative real estate in the capital increased by six buildings, by 65,580 sqm in total in the capital, while we registered one new opening in the regional markets. In case of the former, the largest new building was the ECS1 building of CTPark Ecser (42,460 sqm), while in the countryside, the first phase of IGPark Miskolc was opened (18,480 sqm).

At the end of the second quarter of 2023, the vacancy rate was 8.6% in Budapest, which is 270 basis points higher than the data registered in the previous quarter, and it exceeds the figure measured one year earlier by 220 basis points. At the end of the quarter, 283,740 sqm of industrial-logistics area was vacant. We recorded 104,140 sqm of vacant real estate among the regional domestic speculative real estate properties, which represents 6.9% of underutilisation rate. The national underutilisation indicator is currently 8.1%.

In the second quarter, the total tenant demand in the capital and its environs amounted to 124,770 sqm, which constitutes a 10% increase compared to the volume registered in the same period of the previous year. The net demand excluding contract extensions amounted to 80,390 sqm in the second quarter, which shows a 22% increase compared to the same period of the previous year. The largest contract of the second quarter on the national level was a rental precontract for 32,000 sqm in Building E of VGP Park Kecskemét, while the largest contract in the Budapest and environs market was also a rental precontract for 22,770 sqm in the PT2 hall of HelloParks Páty. The ratio of rental precontracts reached 41% of the total demand. The rental precontracts were followed by contract renewals with 36%, and then by new contracts with 21%, while the expansions represented 2% of the total demand.

The prime rental rates remained unchanged in the Budapest city region compared to the previous quarter, they continue to be 5.6 EUR/sqm, however, this represents a 12% growth annually. The prime yield was 6.75%, which is 50 basis points higher than the prime yield measured in the previous quarter, while it is also 125 basis points higher than the level recorded one year ago.

Source: BRF, C&W

DESCRIPTION OF THE REAL ESTATE MARKET ENVIRONMENT AND SECTORS IN POLAND

Macroeconomic expectations

In the second quarter of 2023, the seasonally adjusted GDP (unchanged price, 2015 as reference year) was 3.7% lower than in the previous quarter and was 1.3% lower than in the second quarter of the previous year. The GDP not seasonally adjusted (with previous year's unchanged average prices) was 0.5% lower compared the same quarter of the previous year.

Inflation reached 11.5% in June, which shows a decrease compared to the 13.0% in May. The June rate was the lowest inflation rate since March 2022. The deceleration was caused mainly by the slower increase in the price of food, non-alcoholic beverages and public utilities, as well as the decrease in the price of fuels. The annual average inflation decreased to 15.9% in June from 16.3% in May. Meanwhile, the core inflation decreased to 11.5% in June, from 12.2% in the previous month. Consumer prices did not change in June compared to the previous month, they were the same as the May prices.

The unemployment rate in Poland dropped to 5% in June 2023 after the 5.1% rate in May, and it has been decreasing for four months. This figure was the lowest since October 2019 and was in line with the expectations, the number of registered unemployed persons decreased by 18.8 thousand to 783.5 thousand. Compared to last June, the unemployment rate decreased by 0.2 percentage points.

Source: Statistics Poland

Summary of the real estate market

The investment market slowed down in 2023, the total transaction volume reached merely 802 million Euros during the first half of the year, which is the lowest amount in any first half of the year period since 2015. This slowing down provides an opportunity for strategic purchases, with favourable market prices and with the possibility of cheaper financing in the next year.

The industrial sectors showed slight improvement in the first half of 2023. Warehouses amounted to 54% of the total investment volume during this period, and the industrial market is demonstrating tendencies of a boom. In the office sector, a shift to the capital could be observed, the majority of the transactions took place in Warsaw. The total office investment volume amounted to 190 million Euros in the first half of 2023, dominated by Central and Eastern European investors. In the retail sector, the investment focus shifted toward local shopping centres and to reconstruction possibilities.

The trend of transforming older building into new developments is getting stronger, including also the residential projects being realised in the private leasing sector. Although the number of transactions decreased in the first half of 2023, there are signs that the situation could improve by the end of the year.

Source: Avison Young

Office market

At the end of the second quarter of 2023, the total volume of the modern office market in Warsaw amounted to 6 253 800 square meters.

In the second quarter, approximately 18 700 square meters of new office area was opened in the Warsaw market, in the framework of three projects, namely The Park 9 (11 000 square meters), in the

Jerozolimskie corridor, and in the Eastern zone the Wał Miedzeszyński 628 (6 000 square meters) and the first office building of the Bohema complex (F Glicerynownia building, 1 700 square meters).

The underutilisation rate reached 11.4% in Warsaw at the end of the second quarter of 2023 (it decreased by 0.2 percentage points compared to the previous quarter and by 0.5 percentage points compared to the same period of 2022). The total vacant leasable area amounted to 714 400 square meters. The underutilisation rate dropped to 9.9% in the central zones, while it remained unchanged at 12.7% beyond the city centre.

The total tenant demand reached 167 100 square meters, the tenants were interested the most in the City Centre and the CBD zones. In the entire first half of the year, the tenant demand exceeded 325 700 square meters.

Between April and June of 2023, the largest proportion of the total rental volume could be attributed to new rental agreements – 51% (including the preliminary rental transactions – followed by contract extensions with 45%. Expansions represented 4% of the quarterly activity.

The largest transactions of the second quarter of 2023 were extensions – an agreement for 7 100 square meters by Lionbridge Poland in the Taifun building, a renegotiation for 5 900 square meters in Building A (Tower) of the Warsaw Spire by an anonymous tenant active in the business services sector, as well as a rental agreement renewal for 5 300 square meters in the Horizon building by an anonymous tenant active in the IT products and services sector.

Source: PINK, C&W

Retail real estate market

The total volume of the modern retail areas amounts to 13.59 million square meters. From the beginning of 2023 and over the year the market grew by 198 100 square meters in the framework of 23 different retail projects.

Retail parks have been dominating the newly opened areas this year so far (65% of the gross leasable area opened and 87% of the projects). Some of the key projects that were opened in the second quarter are the following: Bawelnianka in Belchatow (33 000 square meters), the modernised Fort Wola in Warsaw (22 000 square meters) and a retail park in Klodzko (17 000 square meters).

In the key shopping centres the primary rental rates are steadily at the EUR 100 to 130/square meters/month level in Warsaw and at the EUR 40 to 60/square meters/month level in other major cities. The base rental rates in the retail parks range between EUR 9 to 12/square meters/month level on average. Owing to changes in consumer customs, the boom of shopping street retail areas can be observed, more market operators are willing to open this type of units, as a result of which occupancy is decreasing and the rental rates jumped back to the pre-pandemic level.

In June 2023, the volume of retail sales in Poland decreased by 4.7% in annual comparison, slowing down compared to the 6.8% decrease of the previous month. This was the fifth consecutive negative value. Retail turnover decreased in all categories, except for pharmaceuticals, cosmetics and the orthopaedic equipment categories.

The prime yield was 6% in case of shopping streets in the second quarter, which constitutes an increase of 25 basis points compared to the previous quarter, as well as an increase of 65 basis points compared to the figure measured in the same period of the previous year.

Source: CBRE, Statistics Poland, C&W

The industrial-logistics real estate market

In the first quarter of 2023, the Polish industrial and logistics market experienced an unprecedented growth in the supply of modern warehouses, which increased the total industrial volume of country to nearly 30 million square meters. Both the construction and the tenant activities demonstrated slowing down in the first three months compared to the peak levels in 2021 and 2022. The expansion of the market is fuelled primarily by the strong growth of e-commerce. The industrial and logistics sector expanded by a record 1.89 million square meters of modern warehouses between January and March of 2023, which represents 40% of the total warehouse opening of the previous year. At the same time, increase in the vacancy rate could also be observed, which reached 6.4% by the end of March 2023, which is the highest rate since the beginning of 2021, while the structure of the handover shifted to a larger proportion of renovations.

Developers remain cautious and prefer key locations despite the record number of newly opened warehouse buildings, and before the start of the constructions, and developers pre-lease at least half of the area of the project concerned. Poland is made an attractive target of industrial and logistics investments by its relatively low operational costs, since the warehouse rental rates and the power and staff costs are among the lowest in Europe. The continuous growth of the warehouse logistics sector is closely connected to the thriving e-commerce, since one third of the warehouses in Poland provides services to online retailers. The increasing trend of warehouse construction was exceptional especially in regions such as Lower Silesia, Lubuskie, Greater Poland and Silesia.

Although the construction pipeline continued to be saturated in 2022 as well, the start of new constructions slowed down owing to the sentiment of the investments funds and the increased financing costs. The market is expected to stabilise in 2023, which is characterised by factors such as the decreasing trend of steel prices and the possible interest rate cuts.

The rental rates did not change in the second quarter of 2023 compared to the previous quarter, however, the prime rental rate increased by almost 30% on Warsaw in one year, it is currently EUR 5.25/sqm/month. The yields increased by 20 basis points on the quarterly level and by 120 basis points annually, and the current prime yield is 5.9% in this sector.

Source: BNP Paribas Real Estate, C&W

Main risk factors

The Appenninn Group holds significant properties portfolio financed by bank credits and loans. Thereof activity is exposed to the general economic situation, in particular to the property price, mortgage market and changes in the lease charges level. The management is constantly monitoring the market developments and has started to develop alternative scenarios. Currently, the following main risk factors can be defined on the revenue and the cost sides, affecting profitability:

- The persistently weak EUR/HUF exchange rate is an increased cost factor for tenants, which may cause payment and liquidity difficulties for some tenants, especially in addition to high operation, utilities and employment (wage) expenses.

- In the retail segment, due to the ever-increasing inflation, the growth rate of real income is expected to decrease even further, which could also lead to a decline in turnover dynamics in the second half of 2022 and in 2023. In January to December 2021, net earnings increased by 8.4%, which was accompanied by 5.1% inflation, and this took away more than half of the earnings increase.
- The interest rate increase combined with the rising inflation will make financing more expensive in the future, primarily in case of Forint loans.
- Due to rising raw material prices and increasingly more expensive financing, further increase in construction, development and design costs can be forecast.
- In the case of the office market, the effects of Covid (the spread of home office and hybrid work) still persist, which causes lower tenant demand, which could be accompanied by the increase in tenant cost specified above.
- In the hotel market, the reoccurring increase in the number of foreign guests – which decreased as a result of the epidemic – could be set back by the Russian-Ukrainian war in 2022. Meanwhile, the number of domestic guests may be limited by the declining dynamic of real wages.

In the case of the hotel and tourism segment, the sale of the development portfolio eliminates the future exposure of the group to tourism, as well as the risks resulting from such exposure.

Foreign-based investment loans of the Appenninn Group is denominated in EUR. The Appenninn 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. Due to the weakening of the Forint over the last period, the exchange rate risk is constantly monitored by the Appenninn Group, and in order to mitigate the currency risk in the balance sheet, derivative instruments – depending on the risk classification - are available to the Company. The Forint-based, fixed interest rate financing source of the Company (Growth Debenture Programme) provides protection against rising interest rates currently prevalent in the credit market.

Source: CBRE, Cushman&Wakefield, MNB, JLL, MSZÉSZ, HCSO (in English: Hungarian Central Statistical Office)

SHARE OF CONSOLIDATED COMPANIES AND CONTROLLED INTEREST

Name of the subsidiary	Parent company	Capital ownership and voting ratio	
		30 June 2023	30 June 2022
Appeninn BLT Kft.	Appeninn Plc.	100%	100%
Appeninn E-Office Vagyonkezelő Zrt.	Appeninn Plc.	100%	100%
Hellnarik Hospitality Kft.	Curlington Ingatlanfejlesztési Kft.	-	24%
Appeninn Project-EGRV Kft.	Appeninn Plc.	100%	100%
Appeninn Project-MSKC Kft.	Appeninn Plc.	100%	100%
Appeninn Property Vagyonkezelő Zrt.	Appeninn Plc.	100%	100%
Appeninn-Bp 1047 Zrt.	Appeninn Plc.	100%	100%
Appen-Retail Kft.	Appeninn Property Vagyonkezelő Zrt.	100%	100%
Bertex Ingatlanforgalmazó Zrt.	Appeninn Plc.	100%	100%
Curlington Ingatlanfejlesztési Kft.	Appeninn Plc.	100%	100%
Felhévíz-Appen Kft.	Appeninn Property Vagyonkezelő Zrt.	100%	100%
Sectura Ingatlankezelő Kft.	Szent László téri Szolgáltatóház Kft.	100%	100%
Szent László téri Szolgáltatóház Kft.	Appeninn Plc.	100%	100%
Alagút Investment Kft.	Appeninn Plc.	100%	100%
Solum-Invest Kft.	Appeninn Plc.	-	51%
Tidaholm Properties Kft.	Appeninn Plc.	100%	-
Kantrum Property Kft.	Appeninn Plc.	100%	-
Dounby SP. Z.O.O.	Appeninn Plc.	100%	-
Wisniowy Management Sp. Z.O.O.	Dounby SP. Z.O.O.	50%	-

INDIVIDUAL FINANCIAL STATEMENT OF APPENINN PLC.

Balance sheet	2023.06.30	2022.12.31
Assets	HUF in thousands	HUF in thousands
Investment properties	9 505 864	10 274 737
Property, plant and equipment	11 699	11 052
Right of facility sharing	0	0
Lease receivables	0	0
Interests	9 994 714	6 709 012
Non-current assets total	19 512 276	16 994 802
Trade receivables	61 586	17 137
Other short-term receivables	58 993	62 451
Receivables from related parties	23 042 777	13 325 612
Short-term loans granted	0	60 565
Prepayments	31 829	62 439
Cash and cash equivalents	2 894 525	12 304 042
Current assets in total	26 089 710	25 832 246
Assets qualified for sale	0	0
Assets in total	45 601 986	42 827 048
Balance sheet	2023.06.30	2022.12.31
Equity and liabilities	HUF in thousands	HUF in thousands
Issued share capital	4 737 142	4 737 142
Treasury shares	-1 114	-1 114
Reserves	8 095 844	8 095 844
Retained earnings	6 643 623	7 420 955
Equity and reserves in total	19 475 495	20 252 827
Tenant deposits	199 197	218 592
Lease liabilities	50 453	124 859
Self-issued bond obligations	20 473 002	20 125 900
Liabilities to related parties on long term	0	-
Deferred tax liabilities	455 113	506 059
Long-term liabilities in total	21 177 764	20 975 410
Short-term bank credits and leasing liabilities	96 065	103 603
Other short-term liabilities	745 944	30 760
Liabilities to related parties on short term	3 968 907	1 269 294
Trade payables and other liabilities	28 994	66 255
Taxes and duties liabilities	17 092	74 222
Current income tax liabilities	0	46 881
Accrued liabilities	91 723	7 795
Short-term liabilities in total	4 948 727	1 598 810
Liabilities in total	26 126 491	22 574 220
Equity and liabilities in total	45 601 986	42 827 048

Profit and loss account

	2023.06.30 HUF in thousands	2022.06.30 HUF in thousands
Property rental revenue	419 191	330 942
Direct costs of property rental	(69 151)	(35 964)
Direct contribution from rental activities	350 040	294 978
Service fee income from subsidiary companies	126 125	126 125
Administration costs, service fees, wages	(291 988)	(205 841)
Other revenues / (expenditures)	(61 460)	1 492
Profit (and loss) on sale of investments and subsidiaries	-	11 000
Profit and loss of revaluation of investment properties	(747 534)	682 650
Maintaining investment properties (Capex)	-	-
Gross operational profit and loss (EBITDA)**	(624 817)	910 404
Depreciation és amortisation	(22 520)	(19 648)
Other (expenditure) / revenue of financial transactions	(589 470)	417 691
Interest income and (expenditures), net	415 575	(8 517)
Profit before taxation	(821 232)	1 299 930
Income taxes	43 900	(87 720)
Profits in the current year	- 777 332	1 212 210
Other comprehensive income		
Exchange rate differences arisen from currency translation of activities	-	-
Other comprehensive income of the current year, less with taxation	-	-
CURRENT YEAR TOTAL COMPREHENSIVE INCOME IN TOTAL	- 777 332	1 212 210

** non-IFRS profit and loss category

Cash- Flow	2023.06.30 HUF in thousands	2022.06.30 HUF in thousands
Profit before taxation	-821 232	1 299 930
Profit and loss from revaluation of investment properties	747 534	(682 650)
Depreciation	22 520	19 648
Profit / (loss) of subsidiaries sale	-	(11 000)
Reversal of impairment	-	-
Interest income	(765 575)	(351 344)
Interest expenses	350 000	359 861
Changes in receivables and other current assets	(32 901)	(893 781)
Change in liabilities and accruals	3 557 496	275 346
Income tax paid	39 835	(87 720)
Net cash flow from business activity	3 097 677	-71 710
Acquisition of investments	(3 785 702)	-
Proceeds from sale of investments	500 000	1 556 000
Purchase of property, plant and equipment	(1 827)	(2 122)
Investment properties (procurement) sale	21 340	0
Interest income	765 575	351 344
Change in loans granted	60 565	(7 427)
Loan for affiliated parties	(9 717 165)	6 740 379
Net cash flow from investment activities	(12 157 214)	8 638 174
Payment of dividend	-	-
Repayment of self-issued bond	-	-
Increase of credits, leases and loans	20	(26 464)
Own share purchase	-	-
Own share sale	-	-
Interest expenses	(350 000)	(359 861)
Lease interests	-	-
Exchange rate difference	-	-
Net cash flow from financial activities	(349 980)	(386 325)
Exchange rate effect	0	-
Change in cash and cash equivalents	(9 409 517)	8 180 139
Cash and cash equivalent balances:		
Cash and cash equivalents at the beginning of the year	12 304 042	3 110 938
Cash and cash equivalents at the end of year	2 894 525	11 291 077

Change in equity (data in HUF in thousands)	Issued share capital	Reserves	Tresury share	Retained earnings	Equity in total
Balance as at 01 January 2022	4 737 142	8 095 844	(1 114)	5 228 320	18 060 192
Comprehensive income of the current year					
Comprehensive income of the current year				2 192 635	2 192 635
Transactions with owners	-	-	-	-	-
Own share purchase					-
Own share alienation					-
Reclassification					-
Dividend					-
Capital increase					-
Balance as at 31 December 2022	4 737 142	8 095 844	(1 114)	7 420 955	20 252 827
Balance as at 01 January 2023	4 737 142	8 095 844	(1 114)	7 420 955	20 252 827
Comprehensive income of the current year					
Profits in the current year				(777 332)	(777 332)
Transactions with owners	-	-	-	-	-
Own share purchase					-
Own share alienation					-
Reclassification					-
Dividend					-
Capital increase					-
Balance as at 30 June 2023	4 737 142	8 095 844	(1 114)	6 643 623	19 475 495

GENERAL DATA ON THE ISSUER

Company name:	Appenninn Vagyonkezelő Holding Nyrt.
Corporate form:	public listed company
Seat of business:	1022 Budapest, Bég utca 3-5.
Company registration number:	Cg. 01-10-046538
Tax number:	11683991-2-41
Statistical number:	11683991-6810-114-01
Date of foundation:	07 December 2009
Share capital:	4 737 142 HUF in thousands
Stock exchange listing date:	2 July 2010

INFORMATION ON SHARES

Type of shares:	registered equity share, dematerialized
Nominal value of the shares:	100 HUF/quantity
Number of shares:	47,371,419 quantity
ISIN-code of the shares:	HU0000102132
Repurchased own shares:	1 848 quantity

INTRODUCTION OF SHAREHOLDERS HOLDING MORE THAN 5% SHARE

Name	Nationality ¹	Business ²	Quantity (quantity)	Equity (%)	Voting right (%) ³
Avellino Holding Zrt.	B	T	11,369,141	24.00%	24.00%
Sequor Holding Zrt.	B	T	11,297,291	23.84%	23.84%
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 2023, 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.

OFFICERS

On 30 June 2022, the executive officers of Appeninn Plc. were as follows:

Directorate:

Kertai Zsolt László (president)

Szathmáriné Szűcs Györgyi Magdolna chief executive officer

Dr. Illés Tibor Endre

Törő Csaba

Jombik Zoltán

Audit Committee:

Jombik Zoltán (chairperson)

Kertai Zsolt László

Törő Csaba

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 at 1 January 2023, and are not audited by an independent auditor.

MAJOR EVENTS OF THE PERIOD IN CHRONOLOGICAL ORDER

03 May 2023

The general meeting of the Issuer approved and published its consolidated and individual IFRS reports for the year 2022 as at 27 April 2023.

05 April 2023

Scope Ratings, as at 05 March 2023, disclosed its report on the outcome of the bonds qualification (“rating review”) review named “APPENINN 2029/I”, which is issued within the scope of the Company and MNB Growth Debenture Programme.

In the communication Scope classified the Issuer’s credit rating from “B” category to “B+” category, and its bonds from “B-” category to “B+” category.

The reason behind the rating upgrade is the acquisitions financed by the Issuer from its own funds, which, combined with the conservative financing structure, improved the risk rating of the Issuer significantly.

The Scope communication regarding the rating review is available in English on the Scope Ratings website.

<https://scoperatings.com/ratings-and-research/rating/EN/173852>)

10 March 2023

On 10 March 2023, the Company signed a sale and purchase agreement for the sale and purchase of the share package representing 100% of the shares issued by Dounby SP. Z O.O., which owns office buildings “C”, “D”, “E” and “F” in the Wiśniowy Business Park in Warsaw (hereinafter referred to as WBP). 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.

02 March 2023

Scope Ratings GmbH (hereinafter referred to as: “Scope”), as at 02 March 2023, disclosed its report on the outcome of the bonds monitoring review named “APPENINN 2029/I”, which is issued within the scope of the Company and MNB Growth Debenture Programme.

In the communication Scope classified the Issuer’s credit rating in B category, and its bonds in B- category.

In the assessment, Scope evaluated the Issuer’s consistent implementation of its strategy adopted at the beginning of 2022 and the sale of tourist portfolio positively, but it made the modification done within the scope of the rating review in respect of the Issuer and the bond classification contingent on the evaluation of the impact of the transactions performed by the Appennin group on the financial and business risks.

On 28 February 2023, the Issuer performed its first acquisition aiming the expansion of its core portfolio, it concluded a contract on the acquisition of three Hungarian commercial real estates. The published Scope analysis could not take the transactions into consideration as thereof were not closed prior to the monitoring period. Scope, in its analysis, emphasized tight tracking of the performed acquisitions.

The monitoring report is available in English in the hereinunder link:
<https://www.scooperatings.com/ratings-and-research/rating/EN/173549>

28 February 2023

In accordance with the business share purchase agreements concluded on 28 February 2023 in respect of the sales contract of business share representing 100% of the registered capital regarding Tidaholm Properties Kft. (registered office: 116 Budapest, Temesvár utca 20. that owns "Zone Bevásárlópark" in Székesfehérvár and in Zalaegerszeg and in respect of the business share representing 100% of the registered capital regarding Kantrum Property Kft. that owns "Kanizsa Centrum Bevásárlóközpont" in Nagykanizsa at the date of signature of the sales contract, Central European Ingatlanalap (in English: Central European Real Estate Fund (registered office: 1026 Budapest, Pasaréti út 122-124.) acquired sole owner rights of Tidaholm Business Share and Kantrum Business Share from the seller, hereby it became exclusively owner of both Tidaholm and Kantrum.

The closure connected to the business share purchase has not performed yet, hence purchase price settlement is not completed between the parties.

30 January 2023

In accordance with the business share purchase agreement concluded on 19 December 2022 for the business share held by the Corporate Group and corresponding to 51% in Solum-Invest Ingatlanfejlesztési és Üzemeltető Kft. and corresponding to 2,550 HUF in thousands, the transaction was closed on 30 January 2023.

By the closure, Blake Investment Kft., as the purchaser, acquired the business share ownership.

THE 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 10 September 2023 in Budapest

**Szathmáriné Szűcs
Györgyi Magdolna
CEO**

Appeninn Vagyonkezelő Holding Nyrt.