APPENINN VAGYONKEZELŐ HOLDING PLC.

IFRS INTERIM CONSOLIDATED REPORT

FOR THE PERIOD ENDED 30 JUNE 2018

Name of the company	Appeninn Vagyonkezelő Holding Plc.
Address	1062 Budapest, Andrássy street 59.
Business activity	Fund management (investment properties)
Reporting standard	IFRS
Reporting period	from 1 January 2018 to 30 June 2018
Audit scope	interim report unaudited
Presentation currency	EUR, unless noted otherwise
Date of issuance	28 September 2018
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APPENINN HOLDING PLC. BOARD OF DIRECTORS' REPORT

Increasing property portfolio

After Konzum Group acquired ownership interest in 2017, the portfolio of Appeninn grew dynamically. As a result of the capital increase and property investments, Appeninn Group („Appeninn" or „the Company") has added class „A" properties to its portfolio such as Andrassy 59 Palace, Andrassy 105 Office Building and Ü48 Corner Office Center. In addition to the new office buildings, Appeninn started to expand on the small business, retail segment of the leasehold property market, in spring 2018, when the Company acquired 18 small business properties that are currently rented by SPAR Magyarország with long term agreement.

Improving revenue generation ability

The profit results of Appeninn Holding are in line with the strategy of the Company's Board of Directors: **revenues amounted to EUR 2.7 million and EBITDA was EUR 955 thousand for the reporting period.** Changes in revenues were particularly due to the new investments in properties during the reporting period.

Because the timing of property investments and leases took place in various stages during the first semester, the Company has prepared proforma statements that present the Company's revenues under the assumption as if all transaction had taken place on 1 January 2018, to help better understand the Company's financial performance. Based on the proforma statements, the Company would have achieved EUR 5.1 million of revenues and EUR 3.3 million of EBITDA for the reporting period, exceeding current and prior period figures.

Property market prospects

The Board of Directors considers the Hungarian real estate market to be prospective that provide growth potential in class „A" offices as well as in local and regional small business segments. The aim of the management is to expand the property portfolio of Appeninn Holding through investments and developments with which the Company intends to provide significant returns and stable cash flows. Returns in the office building market in Budapest exceed the returns experienced in Western Europe which is favourable to the Company considering the positive economic environment.

Expansion strategy, generating shareholder value

The Company published its strategic view and the 5-year forecast in June 2018. As part of the Konzum Group, Appeninn obtains significant support to explore market opportunities and acquisition targets for their realisation and foresee growth potentials in synergies at Group level. The Company's main sources for generating shareholder value are returns in excess of market returns and the utilisation of favourable financing, together with optimising the cost of acquisitions. The Management's objective is to increase the gross value of assets by 5 times of the existing EUR 100 million and increase the existing HUF 324 net assets per share to HUF 1,000.

Strengthen by the new management, the Company continues to work on further development and acquisition opportunities. Real estate development represents an important element of the announced strategic growth is. The first step towards this objective was the purchase agreement of 74.99% of Club Aliga at lake Balaton on 25 July 2018. The investment on the 47 hectare plot is expected to be the largest property development project at lake Balaton with an anticipated value of EUR 400 million within the next five years.

Capital market assessment

Under the initiatives of the Budapest Stock Exchange, Concorde has published a comprehensive analysis of the Company with a target price of HUF 743 per share and offered the Company's shares for accumulation. The report remarked that the Company may become the region's most dominating and fastest growing property business.

Appeninn has joined the CECE index based on the Vienna Stock Exchange decision. The CECE index weights were finalised on 21 September 2018, and they weighted the shares by a 0.7% index based on the final new basket of shares as of 24 September 2018. The event is a new milestone in the Company's history with the hope to reach further investors at international and regional levels.

New management for development

We announced new senior management on 23 August 2018. Gábor Tomcsányi was appointed to CEO and Péter Somfalvi was appointed to Deputy CEO at Appeninn Holding. Both officers have background in the real estate business with decades of high-profile professional experience.

Appeninn Plc.
Board of Directors

MANAGEMENT REPORT

Main attributes of the interim financial report of Appennin Group for the period ended 30 June 2018

Appeninn Fund Management Holding Plc. („the Group" or "Holding" or „Company") prepared the consolidated interim financial report („report") for the period ended 30 June 2018. The report includes the consolidated management report is the first six months of 2018, the IFRS consolidated statement of financial position and consolidated statement of operations for the period with the accompanying analysis. The applied accounting policies are consistent with the policies applied in the comparative period except for IFRS 9 Financial instruments and IFRS 15 Revenues from contract with customers that were implemented as at 1 January 2018. The implementation of the new standards do not have a material impact to the Group's consolidated financial statements.

The presentation currency is the euro (EUR)

The interim financial report is unaudited.

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

Statement of comprehensive income	30.06.2018 1-6. months EUR	30.06.2017 1-6. months EUR	PROFORMA 1-6. months EUR
Property rental revenue	2.700.452	2.604.313	5.098.945
Property related expense	(949.074)	(737.741)	-949.074
Direct contribution from rental activities	**1.751.378**	**1.866.572**	**4.149.871**
Administration expenses	(504.014)	(244.135)	(504.014)
Personnel expenses	(329.432)	(1.420)	(329.432)
Other income/ (expense)	48.165	507.748	48.165
Loss recognised on sale of subsidiary	-	-	-
Loss on sale of investment properties	-	-	-
Net result from the revaluation of investment properties	-	(1.000.000)	-
Expenses for maintaining investment properties	(10.986)	(410.707)	(10.986)
Loss on investments	-	-	-
Gross operating profit (EBITDA)**	**955.111**	**718.058**	**3.353.604**
Depreciation and amortisation	(11.255)	-	(11.255)
Other financial income / (expense)	359.199	(108.387)	359.199
Net interest income / (expense)	(470.005)	(619.252)	(470.005)
Profit before tax	**833.050**	**(9.581)**	**3.231.543**
Income taxes	(109.817)	(28.390)	(349.666)
Profit/ (loss) for the period	**723.233**	**(37.971)**	**2.881.876**
Other comprehensive income			
Exchange differences on translation	-	-	-
Other comprehensive income, net of taxes	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME	**723.233**	**(37.971)**	**2.881.876**
Attributable to:			
Non-controlling interest	-	(6.744)	-
Parent	723.233	(31.226)	2.881.876
Basic Earnings per share (in EUR cents)	**1,70**	**-0,08**	**6,76**
Diluted Earnings per share (in EUR cents)	**1,70**	**-0,08**	**6,76**
Net asset value by shares	**0,99**	**0,70**	**1,04**

*** Non IFRS classification of earnings*

[1] Information to proforma financials are on page 11

Balance sheet Assets	ACTUAL 30.06.2018 EUR	ACTUAL 30.06.2017 EUR	ACTUAL 31.12.2017 EUR	PROFORMA 30.06.2018 EUR
Investment properties	87.408.473	64.561.364	62.990.000	100.908.473
Property, plant and equipment	251.309	-	72.147	251.309
Deferred tax assts	12.352	-	-	12.352
Other long term assets	407.743	985.451	-	407.743
Non-current assets	**88.079.877**	**65.546.815**	**63.062.147**	**101.579.877**
Trade receivables	751.474	465.000	159.143	751.474
Other receivables	120.865	336.187	226.607	2.279.508
Loans given	6.764	262.321	7.090	6.764
Prepayments and accrued income	205.838	140.930	71.260	205.838
Current income tax receivables	64.970	-	-	64.970
Cash and cash equivalents	5.067.337	622.267	8.757.651	5.067.337
Current assets	**6.217.248**	**1.826.705**	**9.221.751**	**8.375.891**
Assets held for sale	231.529	466.216	245.309	231.529
Total assets	**94.528.654**	**67.839.736**	**72.529.207**	**110.187.297**

Balance sheet Equity and liabilities	ACTUAL 30.06.2018 EUR	ACTUAL 30.06.2017 EUR	ACTUAL 31.12.2017 EUR	PROFORMA 30.06.2018 EUR
Share capital	15.217.006	12.893.071	13.245.347	15.217.006
Treasury shares	-25.721	-1.714.813	0	-25.721
Reserves	25.645.230	10.457.895	13.618.106	25.645.230
Retained earnings	6.046.429	4.288.224	5.323.196	8.205.072
Equity attributable to parent	**46.882.944**	**25.924.377**	**32.186.649**	**49.041.587**
Non-controlling interest	-	141.351	-	-
Total equity	**46.882.944**	**26.065.728**	**32.186.649**	**49.041.587**
Long term financial liabilities	33.981.255	33.368.906	32.675.643	42.381.255
Issued corporate bonds	-	200.000	-	-
Tenant deposits	867.959	882.937	853.195	867.959
Long term liabilities to related parties	984.000	-	-	984.000
Provisions	43.383	-	-	43.383
Deferred tax liabilities	2.427.595	1.647.561	1.918.136	2.427.595
Non-current liabilities	**38.304.192**	**36.099.404**	**35.446.974**	**46.704.192**
Short term financial liabilities	5.802.453	677.997	1.702.008	5.802.453
Other current liabilities	172.404	4.167.796	1.790.318	5.272.404
Short term liabilities to related parties	1.723.647	-	-	1.723.647
Trade payables	1.041.127	-	194.213	1.041.127
Issued corporate bonds	200.000	-	200.000	200.000
Tax liabilities	76.330	109.121	537.265	76.330
Current income tax liabilities	177	-	-	177
Deferred revenue and accrued income	325.380	719.690	471.780	325.380
Current liabilities	**9.341.518**	**5.674.604**	**4.895.584**	**14.441.518**
Total liabilities	**47.645.710**	**41.774.008**	**40.342.558**	**61.145.710**
Total equity and liabilities	**94.528.654**	**67.839.736**	**72.529.207**	**110.187.297**

EQUITY MOVEMENT SCHEDULE

Shareholders' Equity (EUR)	Share capital	Reserves	Treasury shares	Retained earnings	Equity attributable to parent	Non-controlling interest	Total equity
Balance at 1 January, 2017	**12.893.071**	**11.229.685**	**(234.863)**	**4.319.450**	**28.207.343**	**148.095**	**28.355.438**
Total comprehensive income							
Profit / (loss) for the period	-	-	-	(31.226)	(31.226)	(6.744)	(37.970)
Transactions with the equity holders of the Company:	-	-	(1.479.950)	(771.790)	(2.251.740)	-	(2.251.740)
Purchase of treasury shares			(2.724.415)		(2.724.415)		(2.724.415)
Sale of treasury shares			1.244.465		1.244.465		1.244.465
Dividend				(771.790)	(771.790)		(771.790)
Capital increase					-		-
Balance at 30 June 2017	**12.893.071**	**11.229.685**	**(1.714.813)**	**3.516.434**	**25.924.377**	**141.351**	**26.065.728**
Total comprehensive income							
Profit / (loss) for the period	**-**	**-**	**-**	**2.579.494**	**2.579.494**	**6.744**	**2.586.238**
Transactions with the equity holders of the Company:	**352.276**	**2.388.421**	**1.714.813**	**(772.732)**	**3.682.778**	**(148.095)**	**3.534.683**
De-recognition of amortised receivable against owners				125.210	125.210		125.210
Loss on investments acquired from owners				(1.055.993)	(1.055.993)		(1.055.993)
Transactions with non-controlling interest				148.095	148.095	(148.095)	-
Purchase of treasury shares			(114.990)		(114.990)		(114.990)
Sale of treasury shares			1.829.803	81.824	1.911.627		1.911.627
Capital increase	352.276	2.388.421			2.740.697		2.740.697
Dividend				(71.868)	(71.868)		(71.868)
Balance at 31 December 2017	**13.245.347**	**13.618.106**	**-**	**5.323.196**	**32.186.649**	**-**	**32.186.649**
Balance at 1 January, 2018	**13.245.347**	**13.618.106**	**-**	**5.323.196**	**32.186.649**	**-**	**32.186.649**
Total comprehensive income							
Profit / (loss) for the period	-	-	-	723.233	723.233		723.233
Transactions with the equity holders of the Company:	1.971.659	12.027.124	(25.721)	-	13.973.062	-	13.973.062
Purchase of treasury shares			(25.721)		(25.721)		(25.721)
Sale of treasury shares					-		-
Dividend					-		-
Capital increase	1.971.659	12.027.124			13.998.783		13.998.783
Balance at 30 June 2018	**15.217.006**	**25.645.230**	**(25.721)**	**6.046.429**	**46.882.944**	**-**	**46.882.944**

Cash- Flow	30.06.2018 1-6. months EUR	30.06.2017 1-6. months EUR	PROFORMA 1-6. months EUR
Profit before tax	**833.050**	**-9.581**	**3.231.543**
Net result from the revaluation of investment properties	-	1.000.000	-
Exchange difference not realised	(144.121)		(144.121)
Depreciation and amortisation	11.255		11.255
Impairment of receivables	-	(29.871)	-
Goodwill impairment	-		-
Result on disposal of investments	-		-
Interest income	-	(14.542)	-
Interest expense	470.005	633.794	470.005
Change in receivables and other current assets	(971.654)	1.923.986	(3.130.297)
Change in prepayments and accrued income	(134.578)	(94.556)	(134.578)
Change in inventories	-		-
Change in liabilities and deferred income	1.899.918	1.846.806	1.899.918
Change in deposit from tenants	(14.764)	24.072	(14.764)
Income taxes paid	(109.817)	(211.293)	(349.666)
Net cash generated by operating activities	**1.839.294**	**5.068.815**	**1.839.294**
Liabilities on subsidiaries	-		-
Investments on properties	-		-
Purchase of property, plant and equipment	(190.417)		(190.417)
Purchase of investment properties	(10.419.690)	(3.521.364)	(10.419.690)
Proceeds from investment properties	-		-
Proceeds from assets held for sale	-	(3.223)	-
Net cash used by investing activities	**(10.610.107)**	**(3.524.587)**	**(10.610.107)**
Dividend payment	-		-
Repayments on bonds	-		-
Change in loans given	326		326
Proceeds from loans	6.303.450	253.743	6.303.450
Repayment of loans	(753.272)	(228.378)	(753.272)
Finance lease	-		-
Purchase of treasury shares	-	(2.724.415)	-
Sale of treasury shares	-	1.244.465	-
Interest expense	(470.005)	(633.794)	(470.005)
Interest income	-	14.542	-
Net cash generated (used by) financing activities	**5.080.499**	**(2.073.837)**	**5.080.499**
Increase (decrease) in cash and cash equivalents	**(3.690.314)**	**(529.609)**	**(3.690.314)**
Cash and cash equivalents:			
Cash and cash equivalents at the beginning of period	8.757.651	1.151.876	8.757.651
Cash and cash equivalents at the end of period	5.067.337	622.267	5.067.337

APPENINN GROUP HIGHLIGHTS FOR THE FIRST SIX MONTHS OF 2018[2]

Key data - consolidated	ACTUAL 30.06.2018 1-6. months EUR	ACTUAL 30.06.2017 1-6. months EUR	PROFORMA 30.06.2018 1-6. months EUR
Consolidated income statement			
Property rental revenue	2.700.452	2.604.313	5.098.945
Direct contribution from rental activities	1.751.378	1.866.572	4.149.871
EBITDA	955.111	718.058	3.353.604
EBIT	943.856	718.058	3.342.349
Profit/ (loss) for the period	723.233	(37.971)	2.881.876
Assets, liabilities and equity:			
Investment properties	87.408.473	64.561.364	100.908.473
Non-current liabilities	38.304.192	36.099.404	46.704.192
Current assets	6.217.248	1.826.705	8.375.891
Current liabilities	9.341.518	5.674.604	14.441.518
Equity attributable to parent	46.882.944	25.924.377	49.041.587

Overall analysis to actual figures:

- The Group earned revenues of EUR 2.7million in the first six months of 2018. New investment in properties played an important role in the increase of revenues that compensated for the loss in revenues as a result of the disposal of the building in Mérleg str. in 2018.
- Gross profit of the Group amounted to EUR 1.751million slightly lower that in the previous period. The reason behind the decrease in gross profit is that during the reporting period direct costs associated with the properties increased and incurred prior to revenue generation that commenced in April 2018. Nevertheless, the Group's gross profit remained above 60% being consistent with the Group's 60% to 72% expectation.
- The Group's profit after tax for the first six month in 2018 was EUR 723 thousand whereas for the same period in 2017 the Group made a loss of EUR 38 thousand. Low results in 2017 were due to a EUR 1 million of impairment loss on an investment

[2] Data presented for the periods ended 30 June 2018 and 30 June 2017 are unaudited.

property. There were no impairments in 2018 however the increase of direct costs reduced profits.

- In the first six month of 2018, Appeninn Holding acquired numerous new properties resulting in a portfolio of EUR 87 million at period end.

Additional information to proforma financial data:

The Company's has experienced such magnitude of changes in its operations, business and revenue generating abilities that have affected the financial performance for the first six months in 2018. Therefore, the Board of Directors and the Audit Committee found it necessary to present the changes experienced in the Company's revenue generating abilities in a proforma statement.

During the first six month in 2018, the Group acquired a number of significant properties that did not generate or just partially generated revenues in the period. **The number of income generating investment properties increased by 20 new real estates, representing a total of EUR 37million increase of the portfolio during the first six months in 2018:**

- Office building located at 105 Andrassy Str. is a highly prestigious property that was placed as a capital contribution in December 2017.
- The headquarters of TakarékBank located at Üllői Str. represent additional capital contribution placed in 2018.
- In 2018 the acquisition of A59 Kft. added another property located at 59 Andrassy (Andrassy Palace) to the portfolio.
- The Group started to expand on the small business, retail segment of the leasehold property market, in spring 2018, when the Company acquired 18 small business properties that are currently rented by SPAR Magyarország Kereskedelmi Kft. The SPAR portfolio was acquired in the Group during the first six month in 2018, however, the transaction was closed on 1 August 2018. Therefore, actual data as at 30 June 2018 presents advance payments made for the portfolio instead of the total gross value. Because the portfolio started to generate revenues subsequent to 1 August 2018, revenues were not recognised during the first six months in 2018, nevertheless, transaction costs, financing costs, appraiser costs, and legal fees incurred in the reporting period.
- The Company financed the acquisition of the SPAR portfolio with EUR 11.6 million loan in the second half of 2018 of which 3.2 million was repaid subsequent to 30 June 2018 due to delays of the transaction.

The summary of proforma adjustments were the followings:

Key data - consolidated	ACTUAL	ADJUSTMENTS		PROFORMA
	30.06.2018 1-6. months EUR	Income from acquired properties to be earned	Adjustments to closure of SPAR transaction	30.06.2018 1-6. months EUR
Consolidated income statement				
Property rental revenue	2.700.452	1.431.105	967.388	5.098.945
Direct contribution from rental activities	1.751.378	1.431.105	967.388	4.149.871
EBITDA	955.111	1.431.105	967.388	3.353.604
EBIT	943.856	1.431.105	967.388	3.342.349
Profit/ (loss) for the period	723.233	1.287.994	870.649	2.881.876
Assets, liabilities and equity:				
Investment properties	87.408.473	-	13.500.000	100.908.473
Non-current liabilities	38.304.192	-	8.400.000	46.704.192
Current assets	6.217.248	1.287.994	870.649	8.375.891
Current liabilities	9.341.518	-	5.100.000	14.441.518
Equity attributable to parent	46.882.944	1.287.994	870.649	49.041.587

To enable comparability, we present the main balance sheet and income statement line items in a way as if the transactions had taken place at the beginning of the year.

The proforma financial statements were prepared in line with the accounting policies used for the consolidated financial statements for the period ended 30 June 2018.

The proforma data was prepared with the intention to facilitate comparability, and as such they provide deemed circumstances that do not represent the Group's actual financial results and financial position but rather being informative.

Financial data analysis – Consolidated Statement of Operations[3]

Results of leasehold activities

Significant factors contributed to the 3.7% increase in leasehold activities for the first six months in 2018

- In 2017 the Group disposed three of its properties two of which was located in Budapest (4 Mérleg str. and 43 Kelenhegyi str.) and one in Nagykanizsa which was a property in Appeninnn Logisztika Zrt a subsidiary of the Group that was sold. The above properties did not generate revenues in the reporting period to the Company.
- In the first six months in 2018, the Company acquired two building located at 59 and 105 Andrassy str. as well as 18 retail sites rented by SPAR. There were no lease income from the above properties in the first six months.
- 84% (85% in 2017) of the Group's revenues represent lease revenues and the remaining 16% (15% in 2017) is attributable to related services.

The 64% gross margin represents the profitability of the leasehold activities, including rental fees and services.

Personnel expenses, as part of operating expenses, represent a significant increase. To accomplish the Group's strategic plan, the Company commenced organisational changes including the employment of new professionals as well as insourcing the facility management functions into the Group resulting in 18 new employees in the facility management company (1 in 2017).

Administrative expenses and bank charges increased as a result of significant refinancing of loans in the first six months in 2018.

Maintenance cost amounted to EUR 11 million in the reporting period in order to keep the portfolio competitive on the property market.

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[3] Data presented for the periods ended 30 June 2018 and 30 June 2017 are unaudited.

Restructuring of property portfolio

The Group has increased its portfolio by the acquisition of a building located at 105 Andrassy str., a prestigious office building in a prestigious environment. The increase of the portfolio continued in 2018 with the capital contribution of TakarékBank Headquarters located at Üllői str in Budapest. The contributed building was valued at EUR 15.4million by an independent appraiser. In addition, the Group acquired a building located at 59 Andrassy str for EUR 7million as well as 18 small business facilities for EUR 14.5million to be leased to SPAR.

For IFRS reporting purposes the real estate valuation was performed by Jones Lang Lasalle as at 31 December 2017. The properties have not been revalued during the reporting period.

Subsidiaries

During the reporting period the Group acquired five new subsidiaries. The integration of the subsidiaries and the valuation of the net assets, acquisition costs and profit are still in progress therefore the following items may change, as a result of changes in estimates:

- The assessment of net assets and liabilities acquired in *Appeninn A59 Kft* are in progress. With the acquisition of the subsidiary, the building located at 59 Andrassy was added to the Group's portfolio.
- *Az Appeninn Project-BTBG Kft., az Appeninn Project-EGRV Kft, az Appeninn Project-MSKC Kft. és az Appeninn BLT Kft.* were included in the Group as own established entities and the commencement of their operation is expected in the second half of 2018.

The change in fair values of investment properties is presented under „property valuation" line item. **There were no fair value adjustments in the reporting period.**

Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to EUR 955 thousand for the first six month in 2018. EBITDA in the comparative period was EUR 237 thousand.

Financial results

- The favourable impact on refinanced loans resulted in a reduction of interest charges during the reporting period.
- The Company's profit stated for the first half of 2018, resulting from the exchange rate changes and other financial items, corresponded to the level of loss realized in the previous year. With respect to its reporting in EUR currency, the Company recognizes exchange rate differences that are not realized on the basis of other changes in financial transactions due to exchange rate fluctuations in the period under review. For EUR values that were already converted in earlier periods for group entities reporting in EUR and keeping their books in HUF, the values typically denominated in HUF for assets and liabilities represent the settlement of exchange rate changes after conversion into the closing exchange rates. In the period under review, due to a favourable exchange rate changes of the Euro in comparison to the baseline period, the profit and loss items added up to a total amount of EUR 359 thousand.

- **Group profit before tax amounted to EUR 833 thousand.**

Group profit after tax

- Earnings per share was 1.7euro cent representing growth for the reporting period.
- The average number of shares in issue had a value of 0.99 eurocent compared to the value of 0.7 eurocent in the comparative period represents a significant increase with reference to the Group’s equity with closing book value of EUR 46.9million.

FINANCIAL DATA – CONSOLIDATED STATEMENT OF FINANCIAL POSITION[4]

The balance sheet total as at 30 June 2018 was EUR 94.2million compared to the comparative total of EUR 72.5million as at 31 December 2017.

INCOME GENERATING INVESTMENT PROPERTIES

The estimated value of the Company's total property portfolio was EUR 87.4 million. . In the second half of 2017, the Group commenced to clear its property portfolio. Accordingly, the Group started to gradually exit from typically class „B" and „C" properties and enter into premium „A" quality properties. As a result the Group sold one of its buildings located in Budapest (Mérleg str.) and disposed one of its subsidiary, Appeninn Logisztika Zrt, including its property in Nagykanizsa

The number of income-generating investment properties **increased by 20 new real estates, representing a total of EUR 37million increase of the portfolio during the first six months in 2018**.

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

[4] Data presented for the periods ended 30 June 2018 and 30 June 2017 are unaudited .

The Group's property portfolio as at 30 June 2018:

#	Property	Class	Utilisation	Return
			%	
1	1082 Budapest, Üllői út 48.	„A"	100%	8,5%
2	1062 Budapest, Andrássy 59.	„A"	100%	6,5%
3	1062 Budapest, Andrássy 105.	„A"	100%	7,5%
	Class „A" office buildings			
4	1015 Budapest, Hattyú u. 14.	„B"	98%	7,5%
5	1022 Budapest, Bég u. 3-5.	„B"	100%	7,5%
6	1118 Budapest, Kelenhegyi út 43.	„B"	100%	8,3%
7	1133 Budapest, Visegrádi utca 110-112.	„B"	100%	7,7%
8	1094 Budapest, Páva utca 8.	„B"	98%	8,3%
9	1139 Budapest, Frangepán u. 19.	„B"	100%	8,5%
10	1149 Budapest, Várna u. 12-14.	„B"	95%	8,0%
11	1023 Budapest, Felhévízi út 24.	„B"	100%	8,3%
	Class „B" office buildings			
12	1102 Budapest, Szent László tér 20.	„C"	95%	9,0%
13	1105 Budapest, Bánya u. (Szent László u. 20.)	„C"	5%	9,0%
	Class „C" office buildings			
14	6000 Kecskemét, Kiskőrösi út 30.	City-logisztika	5%	11,5%
15	1047 Budapest, Schweidel utca 3.	City-logisztika	100%	9,3%
16	1144 Budapest, Egyenes utca 4.	City-logisztika	30 %	3,3%
17	2051 Biatorbágy, Vendel Park, Tormásrét u. 2.	City-logisztika	100%	8,5%
	City logisztika			
18	18 pc SPAR retail units[5]	Retail - Spar	100%	12,0%
19	1044 Budapest, Váci út 76-80.	Retail - Autóspont	78%	8,0%
	Retail total			
20	1120 Budapest, Normafa út 14.	Development site	-	-

The Group applied its portfolio valuation method including assumptions and approaches with reference to asset utilization and market conditions consistently with the assessments made as at 31 December 2017. Maintenance cost amounted to EUR 11 million that were charge directly to the income statement in the period.

[5] Properties recognised in the Group at 1 August 2018, as at 30 June 2018 the data represents advance payments made for the properties.

Current assets – Trade and other receivables

- Trade receivable amount to EUR 751 thousand as at 30 June 2018 compared to the EUR 386 thousand as at 31 December 2017 representing an increase for the period. The increase in trade receivables is in line with the increase in revenues and sales volumes.
- Receivable-type tax balances that were used up were reported as decrease in other receivables; receivables to be fulfilled as caution money in connection with new trade receivables were reported as growth.

Current assets – Loans receivable

Loans receivable decreased from EUR 262 thousand to EUR 7 thousand. In 2018, overdue receivables were offset against the Group's liabilities where the corresponding party was the same.

Current assets – Deferrals

Deferrals include current portion of commission fees related to the SPAR properties that resulted in an increase compared tot he comparative period.

Assets held for sale

In the period under review, the Group acquired 100% share of Appeninn Credit Zrt. (formerly known as Milton Financing Zrt.), where the value of the share comprises the operational environment and personnel of financial company, system of financial business licenses, the license granted by the National Bank of Hungary (MNB), the right to use the software that records the operations of the financial enterprise, as well as the system of business management data and the established processes. Appenin Credit Zrt was sold on 31 July 2018.

Liabilities

Long and short term bank loans

The Group managed to refinance its bank loans under favourable conditions in 2018. In addition, Appeninn E-office Vagyonkezelő Zrt obtained a long-term loan to finance the acquisition of the 18 Spar facilities. Appenin Plc. was financed by a short-term bridge loan to finance the acquisition of Appeninn A59. Appen-Retail Kft obtained an investment loan from Takarékbank to finance the acquisition of an office building located at Frangepan str. Budapest, 13^{th} district.

Bonds issued

Bonds issued mature as at 10 Septemeber 2018. Out of the 150 bonds issued there are 20 in circulation. The Company does not intend to sell its own bonds, and therefore the related liabilities (capital and interest) are not presented in the financial statements as part of the bond items held by the Company, under the heading of liabilities and receivables, or incomes and expenditures. The consolidated balance is shown in the lines for liabilities and expenditures. The Company's Euro interest baring bond matured at 11 September 2018 and settled in full including par and interest.

Deposits by tenants

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

Tax liabilities and deferred taxes

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

Trade payables

Trade payables increased in connection with investments and reconstructions.

Other short term liabilities

Promissory notes represent the most significant item in other liabilities. The beneficiary of these notes accepted the purchase price of the real-estate property purchased by Appen Retail Kft. until settlement, i.e. until the involvement of a financing credit institution. Until financial settlement, the real-estate property in the Frangepán Street serves as collateral. During 2018, the promissory notes were settled, and this caused a significant decrease in other short-term liability balances.

EQUITY MOVEMENT SCHEDULE

On 11 April 2018 Appeninn Plc and KONZUM II Ingatlan Befektetési Alap (Fund) entered a capital contribution agreement under which the Fund as non-monetary contribution contributes the property located at 48 Üllői str. Budapest 1082. As a result of the transaction, the Appeninn increased capital by EUR 14 million and issued 6,478,874 dematerialised ordinary shares at HUF 100 par.

During the first six months in 2018, the Company repurchased 41,328 shares of which 1,080 were used to pay dividends.

The Company's share capital consists of 47,371,419 dematerialised ordinary shares at HUF 100 par of which 40,248 represent treasury shares.

There were no dividends approved in 2018.

GROUP CASH FLOW

During the first six month in 2018 the net decrease in cash balances amounted to EUR 3.690 thousand. The decrease was primarily due to the acquisitions of investment properties combined with the impact on the loan refinancing.

SUBSEQUENT EVENTS

On 11 April 2018 the Company moved to new headquarters located at 59 Andrassy str. Budapest 1062.

On 23 July 2018, the Company signed a sales agreement to sell 100% of its interest holding in AppeninnCredit Hitelezési Zrt. The transaction was closed on 31 July 2018.

On 25 July 2018, Appeninn BLT Kft the Group's subsidiary signed a sales agreement to acquire 74.99% of interest holding in PRO-MOT HUNGARIA Ingatlanfejlesztő Kft as well as to obtain the receivables from owners of PRO-MOT HUNGARIA Kft. As a result of the transaction the Group will obtain ownership in Club Aliga located at Lake Balaton, Balatonvilágos, 1 Aliga str.8171) and its 47 hectare property as well as the fund management rights of the remaining 10 hectare property. The deadline to complete the transaction in 20 December 2018.

On 31 July 2018 FELHÉVÍZ-APPEN Kft a subsidiary of the Company obtained title to 41,328 Appeninn ordinary shares as a settlement of a OTC deal in 2016.

On 1 August 2018 Appeninn E-Office Vagyinkezelő Zrt a subsidiary of the Group obtained EUR 11.6 million 3 month EURIBOR + 2.1% credit maturing at 2025. Appeninn used the credit to acquire 18 small business facilities leased by SPAR Magyarország Kereskedelmi Kft for EUR 14.5 million from ERSTE property investment funds.

On 6 August the court registered Appeninn-MSKC Kft. The project company acquired a property for EUR 1.6 million located at 34756/13 land registration which is intended to be leased to ALDI. The rental agreement has a clause to reconstruct the property which ALDI has committed for.

On 13 August 2018 Appeninn E-Office a subsidiary of the Group repaid the 3.5% interest loan of EUR 3.2 million received from ERSTE Bank Hungary Kft 7 years in advance. The loan was intended to mature in 2025.

On 22 August 2018, KONZUM Befektatési és Vagyonkezelő Plc, KONZUM PE private fund, KONZUM II Ingatlan befektetési Alap, KONZUM MANAGEMENT Kft and KPE Invest Kft agreed upon that KONZUM Plc has the right to appoint the majority of officers in Appeninn Plc.

On 23 August 2018 to the General Meeting dismissed György Ádám and Sándor Juhász members of the Board of Directors and accepted the resignation of Dr. Egyedné, Dr. Prsolya Páricsi and Dr. Dóra Halápi members of the Board of Directors. The General Meeting appointed Dr. Judit Tóth, Zoltán Malik, Ádám Aladin Linczényi and János Tima as members to the Board of Directors. The Chairman of the Board of Directors is Zoltán Gellért Jászai.

On 23 August 2018 KONZUM PE sold 9,755,567 ordinary shares in Appeninn to BDPST Ingatlanforgalmazó és Beruházó Zrt. As a result of the transaction KONZUM PE reduced its ownership interest from 20.59% to 0.82%.

The Company repurchased 130 bonds at a total amount of EUR 1,300,000 par in 2017. The remaining 20 bonds at 200,000 par and interest was repaid on 11 September 2018, therefore all liabilities related to bonds were settled in 2018.

Appeninn has joined the CECE index based on the Vienna Stock Exchange decision. The CECE index weighted the shares on 21 September 2018, by a 0.7% index based on the final new basket of shares effective from 24 September 2018. The event is a new milestone in the Company's history with the hope to reach further investors at international and regional levels.

Subsequent events had no impact on the interim report as at 30 June 2018. We are not aware of any adjusting events for the reporting period.

THE HISTORY OF APPENINN GROUP

Appeninn Vagyonkezelő Holding Plc was incorporated in 2009, and obtained listing on the Budapest Stock Exchange on 2 July 2010. From 2011 the Company's shares are classified as PREMIUM; in 2012 joined the BUX index, and the regional CECE index. In 2017, the Company's shares were listed within the top 10 highest monthly trading.

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

Becoming part of the KONZUM Group significant growth potentials have opened before Appeninn Holding therefore next to its class „B" and „C" office building portfolio, being maintained, efficiently built and operated, significant growth potentials ae available in class „A" properties and small business property markets.

The main sources of shareholder value include optimisation of acquisitions, returns in excess of market, and favourable financing. Along the strategy as part of the Konzum Group, Appeninn obtains significant support to explore market opportunities and acquisition targets for their realisation and foresee growth potentials in synergies at Group level.

In line with the new strategic direction Appeninn Group („Appeninn" or „the Company") has added class „A" properties to its portfolio such as Andrassy 59 Palace, Andrassy 105 Office Building and Ü48 Corner Office Center. In addition to the new office buildings, Appeninn started to expand on the small business, retail segment of the leasehold property market, in spring 2018, when the Company acquired 18 small business properties that are currently rented by SPAR Magyarország with long term agreement.

INDUSTRY ENVIRONMENT AND MARKET ANALYSIS

The Budapest Coordinating Forum of Real Estate Advisors (BIEF, BRF) in which members as: CBRE, Colliers International, Cushman & Wakefield, Eston International, JLL and Robertson Hungary hereby publish data of industrial property markets for the second quarter in 2018.

Industrial property market analysis

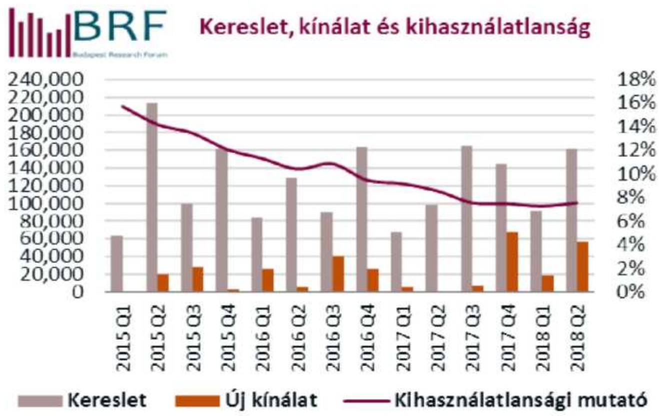
Until mid 2018, new plats were completed in three logistics parks with a total territory exceeding 30,000 m^2 of which 25,691 m^2 is warehouse and 4,564 m^2 office. The completed sites show a 30% decrease compared to previous period, nevertheless, a number of new large territory sites are planned for completion by the end of 2018. The largest building completed is located in Inpark Páty and is intended the serve Euronics logistics functions (12,200 m^2).

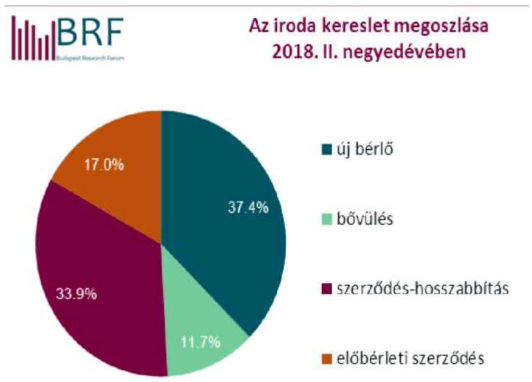
Most (100,000 m^2) of the 113,000 m^2 development is expected to be complete in 2018. As such the annual volumes increase by 11% compared to 2017. The larges expansion in size is expected to be at Üllő Airport Logistics Center where tenants can start using the facilities in two plants with total 85,000 m^2.

Note on the methodology: BRF analyses modern industrial properties located in Budapest and Pest County, completed after 1995 for letting purposes, comprising a minimum of 2,000 sq m space in terms of city-logistics or minimum of 5,000 sq m space in terms of logistics park warehouses. The industrial stock excludes owner occupied buildings.

Office property market analysis

During the second quarter in 2018. three new office buildings were completed increasing the modern office sites of Budapest by additional 57,060 m^2. Two new buildings have been completed in the narrow market segment at Váci str. the GTC White house (21,560 m^2) and Promenadr Gardens (22,500 m^2). The third property being completed in the narrow market of North Buda is the new phase of Graphisoft Park, the 13,000 m^2 Graphisoft Park South building.





Modern office buildings occupy 3,503,170 m^2 in Budapest of which our properties represent 2,838,720 m^2 of class „A" and class „B" office buildings for speculative purposes and 664,450 m^2 for own use.

Unutilised capacities decreased slightly by 0.3% compared to previous quarter low performance ending at 7.6%. During the last five years the lowest underutilisation rate was in non-central Pest at 4.4% as opposed to the leader South Buda in past and the highest underutilisation rate was experienced in the outskirts of Budapest at 30%.

During the first six month in 2018 gross demands represented 161.550 m^2, 64% higher than demands experienced in the comparative period. Total demands comprise of new rental agreements (37%), extensions of existing rentals (34%), pre-leases (17%) and expansions (12%).

The top three properties in the office building market share by volume were at Vaci str. (36%), South Buda (17%) and Central Pest (15%).

The BRF registered 196 rental agreements during the quarter with an average size of 824 m^2. 36 agreements were signed for office spaces larger that 1,000 m^2 of which 16 represent new leases, 12 represent extensions of existing leases, 6 expansions and 3 pre-leases.

The net absorption during the second quarter achieved 40,140 m^2, twice as much achieved in the comparative period.

OBJECTIVES AND STRATEGY

The Company published its 5-year growth strategy describing and presenting in detail the Company's business plan as well as the strategic goals to be accomplished by senior management:

- Among the significant growth in properties, the Group plans to transform into a Regulated Property Investment Entity in the mid-term (5 years)
- It is a peak objective to enable the company's structure to be prepared for property development in addition to property management activities and to increase the gross value of the Company's investment properties from EUR 63 million as at 31 December 2017 to EUR 479 million.
- The objective of the Board of Directors is to dynamically increase the Company's portfolio at local, regional office and commercial sectors of the market, whilst maintain the Company's debt ratio below 60%.
- The main objective of the strategy is to assure a portfolio that can reward the Company with returns and cash flows sufficient to provide a stable basis for dividend payouts.

The 5-year business plan and strategy of Appeninn Holding is available online on the Budapest Stock Exchange website.

https://bet.hu/newkibdata/126329164/Appeninn_Strategiai_prezentacio_v9.pdf

MAIN RESOURCES, RISK FACTORS AND UNCERTAINTIES

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

The growth strategy for the following years depend on the main cornerstones outlined below:

(1) Property investments: Given the size of KONZUM Group it provides support to the Appeninn Group to reach acquisition and price negotiation opportunities that the Group could not afford earlier. Accordingly, Appeninn Group is planning to invest in further 69,000 m^2 class „A" office buildings anticipating 10% return in the following 2 to 3 years. Through regional acquisition opportunities, the Group intends to develop mutual relations with international partners.

(2) Property development: Beyond property investments the Group foresees odd opportunities for developments in the office and small business markets. Expecting the increase of small business participation, Appeninn Group plans to develop 80 to 100 small business facilities with 8.8% to 9% returns as well as their marketing at a return of 6.5% to 7% in Hungary and CEE.

Among small business facilities the strategic plan includes the development of class "A" office buildings at a size of 35,000 m^2 as well as to explore development potential in its existing portfolio within the next five years. To accomplish the strategic plan there is currently 23,000 m^2 of land plot available in Kecskemét and Budapest (Normafa str. XII). Favourable financing conditions are available to accomplish the strategy due to the size of KONZUM Group and financial environment.

(3) Strategy within KONZUM and OPUS Groups: Utilising the synergy available in KONZUM Group, Appeninn Group is making an effort to shift the current customer mix into premium direction and compensate any underutilisation with resources available within the Group.

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

Due to the successful restructuring of the debt portfolio from 2013 to 2015, the Group's foreign currency based loans are denominated in euros. As a result, Appening Group has made a significant step to match lease income with financing. The main components of operating expenses include personnel costs, utilities, professional fees and taxes. Because operating expenses are denominated in HUF the Group is exposed to foreign exchange losses that are not hedged by the Group. Adverse changes in exchange rate affect the profitability of the Group in a negative way.

CONSOLIDATED ENTITIES AND SHARES IN CONTROLLED PARTICIPATIONS

Company	Parent company	Voting and ownership %
Appeninn A59 Kft.	Appeninn Nyrt.	100%
Appeninn BLT Kft.	Appeninn Nyrt.	100%
Appeninn Credit Zrt.	Appeninn Nyrt.	100%
Appeninn E-Office Vagyonkezelő Zrt.	Appeninn Nyrt.	100%
Appeninn Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft.	Curlington Ingatlanfejlesztési Kft.	100%
Appeninn Project-BTBG Kft.	Appeninn Nyrt.	100%
Appeninn Project-EGRV Kft.	Appeninn Nyrt.	100%
Appeninn Project-MSRC Kft.	Appeninn Nyrt.	100%
Appeninn Property Vagyonkezelő Zrt.	Appeninn Nyrt.	100%
Appeninn Üzemeltető Zrt.	Appeninn Nyrt.	100%
Appeninn-Bp 1047 Zrt.	Appeninn Nyrt.	100%
Appen-Retail Kft.	Appeninn Property Vagyonkezelő Zrt.	100%
Bertex Ingatlanforgalmazó Zrt.	Appeninn Nyrt.	100%
Curlington Ingatlanfejlesztési Kft.	Appeninn Nyrt.	100%
Felhévíz-Appen Kft.	Appeninn Property Vagyonkezelő Zrt.	100%
Sectura Ingatlankezelő Kft.	Szent László téri Szolgáltatóház Kft.	100%
Szent László téri Szolgáltatóház Kft.	Appeninn Nyrt.	100%
VCT89 Ingatlanhasznosító Kft.	Szent László téri Szolgáltatóház Kft.	100%

Appeninn Credit Zrt is classified as asset held for sale due to the ongoing sale process.

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

DECLARATION ON THE AUDIT OF INFORMATION PRESENTED IN THE INTERIM REPORT

The information and data presented are consolidated and in line with the IFRS standards effective on 1 January, 2018, but not audited by independent auditor.

List and description of owners with stakes larger than 5% **(30.06.2018)**

Name	Nationality[1]	Activity[2]	Number (pcs)	Stake (%)[3]	Voting right (%)[3,4]	Remark[5]
Konzum PE Magántőkealap	B	T	10.144.567	21,41	21,45[6]	
Konzum Plc.	B	T	8.860.027	18,70	18,74	
Konzum II. Ingatlanbefektetési Alap	B	T	6.478.874	13,68	13,70	
OTP Ingatlanbefektetési Alap	B	T	2.420.372	5,11	5,12	

1 Domestic (D). Foreign (F)
2 Trustee (T). Budgetary (B). International Development Institute (Dev). Institutional (I). Business entity (BE) Private (P). Employee, senior officer (E)
3 To be specified as rounded to two decimals
4 Voting rights allowing participation in decision-making at the general meeting of the issuing entity
5 E.g.: professional investor, financial investor, etc.
6 On 23 August 2018 KONZUM PE sold 9,755,567 ordinary shares in Appeninn to BDPST Ingatlanforgalmazó és Beruházó Zrt. As a result of the transaction KONZUM PE reduced its ownership interest from 20.59% to 0.82%.

The Company's share capital consists of 47,371,419 dematerialised ordinary shares at HUF 100 par of which 40,248 represent treasury shares.

SENIOR OFFICERS, STRATEGIC EMPLOYEES

Name	Position	Starting date and end of the office	Shareholding (pcs)
Gellért Jászai	Chairman of the Board	2018.04.20. indefinite	-
Aladin Ádám Linczényi	Member of the Board	2018.08.23. indefinite	1.762
János Tima	Member of the Board, Chairman of Audit Committee	2018.08.23. indefinite	-
Judit Dr. Tóth	Member of the Board, Member of Audit Committee	2018.08.23. indefinite	-
Zoltán Malik	Member of the Board, Member of Audit Committee	2018.08.23. indefinite	-
Gábor Tomcsányi	Chief Executive Officer	2018.08.23. indefinite	-
György Ádámosi	Member of the Board, Member of Audit Committee	20.04.2018 -23.08.2018.	-
Sándor Juhász	Member of the Board	20.04.2018 -23.08.2018.	-
Orsolya Dr. Egyedné Dr. Páricsi	Member of the Board, Member of Audit Committee	20.04.2018 -23.08.2018.	-
Dóra Dr. Halápi	Member of the Board, Member of Audit Committee	20.04.2018 -23.08.2018.	-

Declaration of Appeninn Group

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

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

Budapest, 28 September 2018

Gellért Jászai	Aladin Linczényi
Chairman of the Board	Member of the Board

Appeninn Vagyonkezelő Holding Plc