



The updated strategy of Appenninn Holding Plc.

March 5, 2020



Appenninn
Holding Nyrt.



Appenninn Plc. is going to keep operating with an unchanged but updated strategy

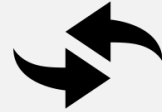
STARTING POSITION

Since its foundation in 2009, Appenninn Plc underwent dynamic growth and numerous changes. In June 2018, the Company approved a 5-year business strategy, which is still to be followed but in an updated form.



Changes made in 2019

- The ownership structure was rearranged
- New management was assigned
- New market trends were to be followed



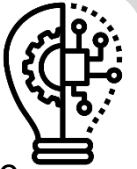
RENEWAL OF THE STRATEGY

Elements to be kept

- **Shareholder value creation** with well financed, above-market-yield acquisitions
- Target segments: high quality **office buildings, commercial properties** in Budapest
- Dynamic **expansion**
- Focus on the Budapest market - which is considered **high-yield** in international comparison - but with an international outlook

New elements

- Entry into the market of touristic developments
- Enforcement of the principle of value saving and value creation





Appenninn Plc. is in a strong position

STARTING POSITION

The company's key data at the end of 2019



Total property value

EUR 150.3m



Total leasable office space

57,000 m²



Total area suitable for development

42 hectares

WAULT: 4.5 years

Market capitalisation EUR 50m

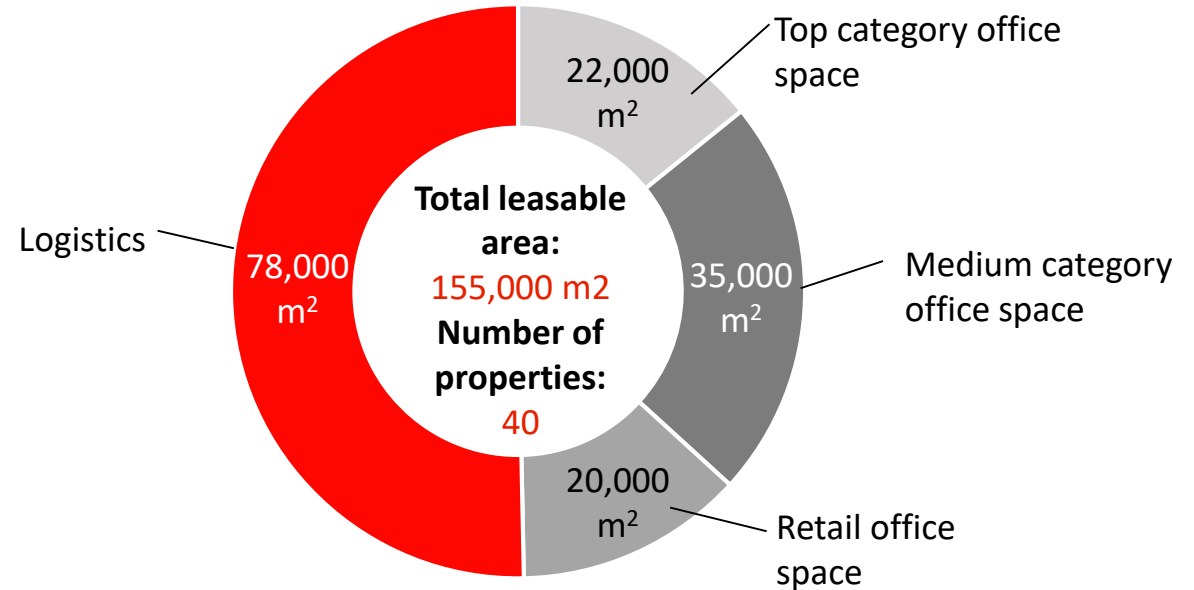
Appraiser



Auditor



THE SETUP OF THE COMPANY'S PROPERTY PORTFOLIO



Development sites:

Club Aliga 40 hectares + 195 moorings
Port in Balatonfüred + 173 moorings



Largest tenants:

- Leading media company, retail company and telecommunications companies
- Banks, insurance companies, tourism companies, health care, information technology and education companies



Growth is still in the focus of the strategy



The growth strategy is still based on unchanged key elements:

Shareholder value creation within the strategic target segments is supported by continuous acquisition and development related to carefully selected targets, with related financial coverage provided by the use of innovative, beneficial financing solutions and the divestment of low-yield elements.



Strategic target segments

- **In the office building market:** Expansion is brought about by the selective acquisition of high quality office buildings promising high yield, located primarily in Budapest, which may be accompanied with the entry into carefully selected Central European markets.
- **In the retail market:** We intend to keep expanding the portfolio with the involvement of industry experts, based on thorough yield calculations, aiming at nationwide geographic diversification in our typical floorspace category (1000-2000 m2).
- A new segment is **tourism**, where the Company is starting major development projects in cooperation with co-investors in excellent locations (e.g. Club Aliga), which typically, but not exclusively, will generate significant revenues from 2023 onwards.



Financing

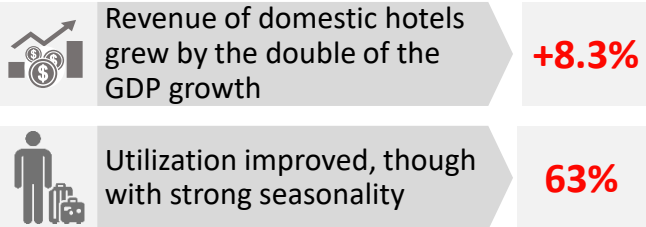
- In 2019, the Company took part in the **Bond Funding for Growth Scheme** (Növekedési Kötvényprogram - NKP) with an issue value of HUF 20.1 billion (~EUR60m), and will further search for long-term, fix interest financing solutions, where the related repayment of principal is mostly or completely due after the start of the revenue-earning phase of the investment.
- The participation at industrial **subsidy tenders** in the target segments, especially in tourism, is an addition to the big picture.
- Furthermore, the **divestment** of low-yield elements is also addressed, a part of which will be performed during the year of 2020-21.



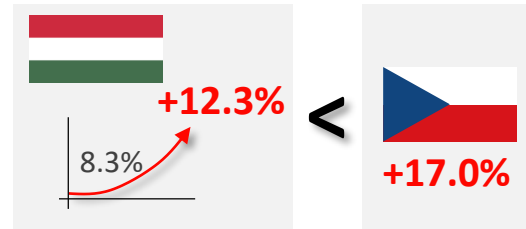
New target segment: tourism

The significance of tourism from the aspect of national economy

Hungarian tourism market, 2019



Changes in the number of guest nights in the past 5 years



Based on the big picture in the industry and the comparisons in the region - on top of the recent fast growth - there is further significant potential in tourism.

Existing qualities of Appenninn in tourism

FÜRED



Year of acquisition	2020
Co-owner	Attila Balázs (25%)
Present size	2 ha + 170 moorings
Present total value	EUR 4m
Advantage of the location	In a central location of the "Capital of Balaton"

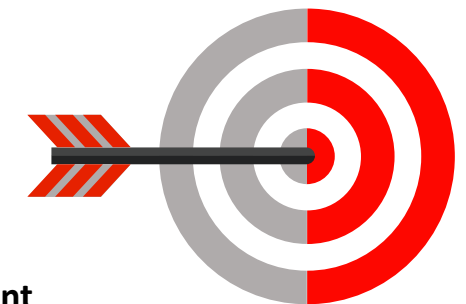
ALIGA



Year of acquisition	2019
Co-owner	Lexan Holding (25.01%)
Present size	40 ha + 195 moorings
Present total value	EUR 30m
Advantage of the location	An hour's drive from Budapest

Appenninn's strategic goals in tourism

- Development of a **tourism property portfolio**, which has a reliable income-generating ability based on the beneficial macroeconomic trends and the already existing development locations.
- Provision of extraordinary yield by the use of **internal synergies** (e.g. Balaton sailing ports) in the set-up and operation of the portfolio, and the involvement of external professional **cooperative partners** (e.g. hotel operating companies).
- During the developments, the enforcement of the principles of **sustainability**, cooperation with **local communities** and **alignment with the environment**.



The principle of value saving and value creation



The Company, on top of the examination of property market segments, intends to specify as a general principle, that in the scope of its operation, it follows the principle of **value saving and value creation**.



In Hungary, there are a lot of properties, due to historic reasons, either in unworthy bad condition, or **underdeveloped and unexploited** considering their location.



It is Appenninn's conviction and practice that subsequent to the search of these properties, the evaluation of related development possibilities and the performance of appropriate negotiations, the **acquisition and development** of the elements, which promise financial return are not only a **business opportunity but a responsibility** for a Hungarian public limited company.



The renovation of Club Aliga, which has already been started, is a great example. It was a state-owned property between 1990 and 2007, than between 2007 and 2019, subsequent to privatisation, due to further deterioration, its value was continuously decreasing. Subsequent to the 2019 acquisition, Appenninn immediately **started the planning of new development projects**, and in the beginning of 2020, they were already started.



We have the same attitude with regard to all other property segments. In the scope of our development projects, we intend to apply a **green attitude**, with energy efficiency and low carbon emission solutions, in line with the long-term approach of value creation.



Examination of further strategic directions

SYNERGIES

In line with the rearrangement of the ownership structure, Appeninn Plc. **can no longer regard** the synergies with the Konzum/Opus Group **primary**. However, it is still important that its dynamic growth is realised so that the synergies within the Appeninn Group can be exploited - for example, the focus of office acquisitions in Budapest supports the exploitation of operating synergies of Appeninn Üzemeltető (Operations) Plc. Further synergies can be realised in the selection of **co-investors**, especially in development projects.

REGIONAL PRESENCE

Appeninn Plc. is further investigating the options related to the **entry to Central European markets**. We believe that this step is to be made only subsequent to very thorough selection, selecting appropriate local expert partners, with the chance of the establishment of a significant portfolio, thus actual acquisitions will probably take place only in 2021. In the region, there are more mature, lower yield and less risky markets, e.g. Poland, Slovakia, and on the contrary, less mature, higher yield and more risky markets, like Serbia, Croatia and Bulgaria. Our intention is that **one well selected elements of each market types** will constitute Appeninn's first two target markets.

SZIT(REIT) TRANSFORMATION

The acquisition SZIT qualification (Regulated Property Market Company, a local equivalent of REIT) is on the agenda. Already in 2019, Appeninn **started the examination of and compliance with the laws and regulations** which are the clear conditions of the SZIT transformation: limitation of its activities to a specified subset, a subsidiary structure of at most two levels, provision of an appropriate rate of public ownership, etc. The investments related to high-yield, new target segments (e.g. tourism) identified by the Company justify further examinations due to the laws and regulations necessary for the SZIT transformation.

NEW TARGET SEGMENTS

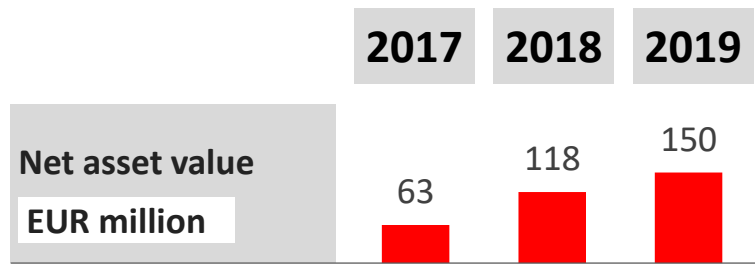
The source of the growth may be provided by new target segments outside of the existing segments, and their scope **is being continuously examined by the Company**, with certain restrictions, such as the principle that expansion is to be related to areas closely aligned with the elements of the present portfolio. The simplest example is **logistics**: in Appeninn's portfolio, there already are logistic elements, thus whether this target segment offers further opportunities and whether sub-segments may be generated are to be examined. In the coming years, Appeninn is planning to continuously evaluate the opportunities in similar new target segments, while maintaining the priority of the present main activity.



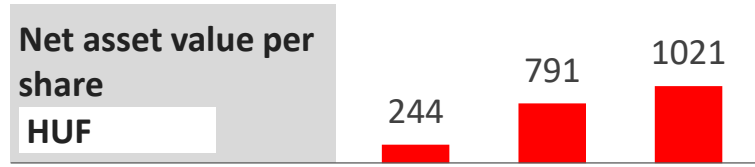


Preliminary financial forecast

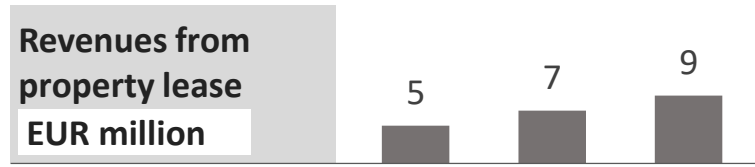
Changes in 2018 -2019



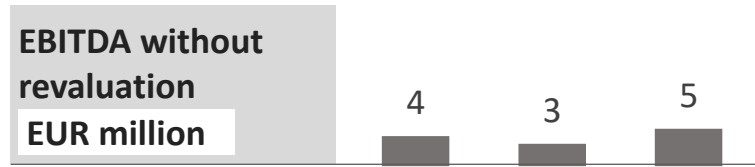
Assets grew dynamically in the past three years



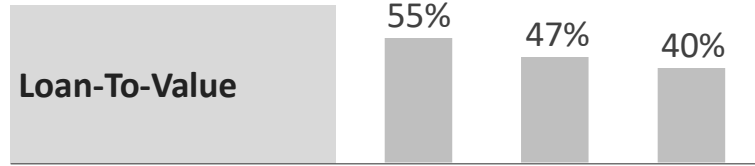
The company has been expanding its asset base since 2018 along with the same amount of registered capital



Revenues primarily come from rent

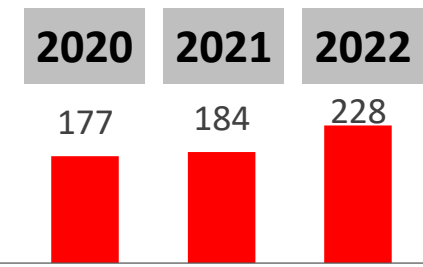


The Company intends to take into account the EBITDA calculated without property revaluation

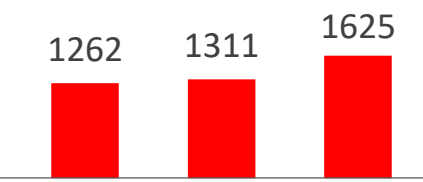


Since the use of the Bond Funding for Growth Scheme, the Company has been following a more conservative financing model*

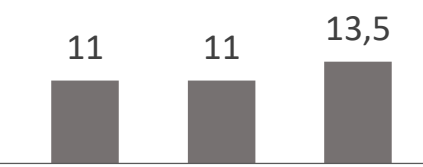
Expected growth (2020-22)



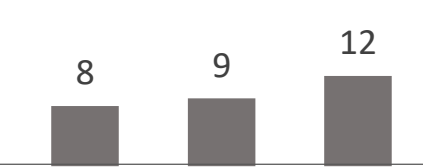
Expansion is able to keep up with the strategic goals even in compliance with the credit rating requirements related to the Bond Funding for Growth Scheme



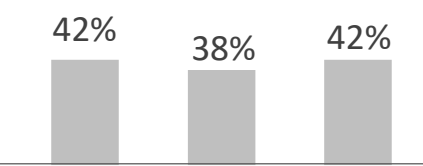
Present plans do not include a capital increase, thus the running base will not change either



Other revenues are primarily expected from hotel operations from 2023



The future increase of EBITDA is in proportion with the growth of assets along with market-compatible fees and vacancy rates



The rate of indebtedness and the availability of funds for debt service are planned to be kept within the credit rating zone

*From the 2019 data onwards, the definition of LTV will also follow the credit rating expectations



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Thank you for your attention!



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