

APPENINN ASSET MANAGEMENT HOLDING

PUBLIC LIMITED COMPANY

2015. FIRST QUARTERLY REPORT

Company name	Appeninn Nyrt.
Company address	H-1022 Budapest, Bég u. 3-5.
Sectoral classification	Asset Management (property management)
Reporting period	2015. I. quarter
Investment relations	Gábor Székely
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This is the consolidated report of the Appeninn Asset Management Holding Public Limited Company on the first quarter of 2015, thereafter referred to as the "Report".

The Report includes the consolidated management report for 2015 Q1, the Consolidated Balance Sheet in line with the International Financial Reporting Standards (IFRS), the Profit and Loss Report, and an assessment of these reports.

CONTENT OF THE CONSOLIDATED MANAGEMENT REPORT

- Company introduction
- Summary of Appeninn Holding Ltd activities and results for 2015 Q1
- Key events after the reported period
- Background about industry environment
- Objectives and strategy
- Main resources, risk factors and their changes and uncertainties
- Consolidated balance-sheet, profit and loss account and cash-flow account in accordance with IFRS
- List of shareholders with a stake exceeding 5% (2015.03.31.)
- Managing executives, strategic employees
- Headcount of full-time employees (No. of people)
- General information pertaining of financial data

COMPANY DESCRIPTION

Appeninn Holding Nyrt. was founded in December 2009, and the business operation was launched in 2010. The Appeninn Nyrt. is a holding in the company group and provides the other group members with the following services:

- maintenance and operational services required for the affiliates' letting activities
- active portfolio management
- central management and administration, legal representation
- central procurement, search for best deals
- organisation, execution and technical supervision of property renovation and refurbishing
- claims management
- provide and operate a central dispatcher/hotline
- organise security and receptionist services
- advertise properties/offices to let, mediate and keep in touch with tenants
- feature affiliates and their properties on the appeninn.hu website
- place advertisements in electronic media and press.

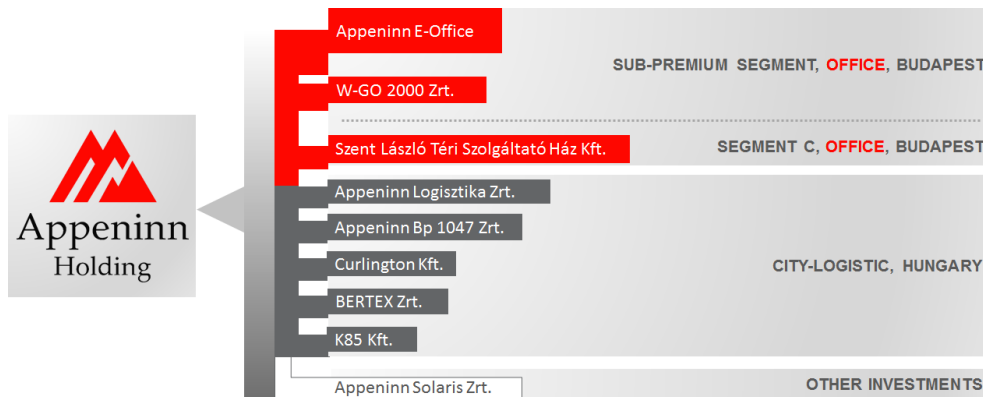
The company is now one of Hungary's dynamically developing real estate investment companies. It focuses on niche market segments in which low-cost assets promising high yields can be acquired and held on to as medium and long-term investments. The target area includes the Category B office building market as well as industrial and logistics properties, but the Appeninn Holding is also interested in investments of a similar portfolio approach in other business areas.

The objective of the Appeninn Holding is to become an international property holding that represents a traditional, conservative business policy and readily definable asset-based values through the continuous expansion of the company's property portfolio.

Company affiliates at the end of the reported period and Company's stake in percentage are as follows:

- Appeninn-Bp1047 Zrt. (100 %)
- Appeninn E-Office Zrt. (100 %)
- Appeninn-Logisztika Zrt. (100 %)
- Appeninn-Solaris Zrt. (100 %)
- BERTEX Zrt. (100%)
- Curlington Kft. (100 %)
- K85 Ingatlanhasznosító Kft. (100 %)
- Mikepércsi út 132 Ingatlanhasznosító Kft. (100 %)
- W-GO 2000 Zrt. (100 %)
- Szent László Térei Szolgáltató Ház Kft. (100 %)

The Group operates in the following structure:

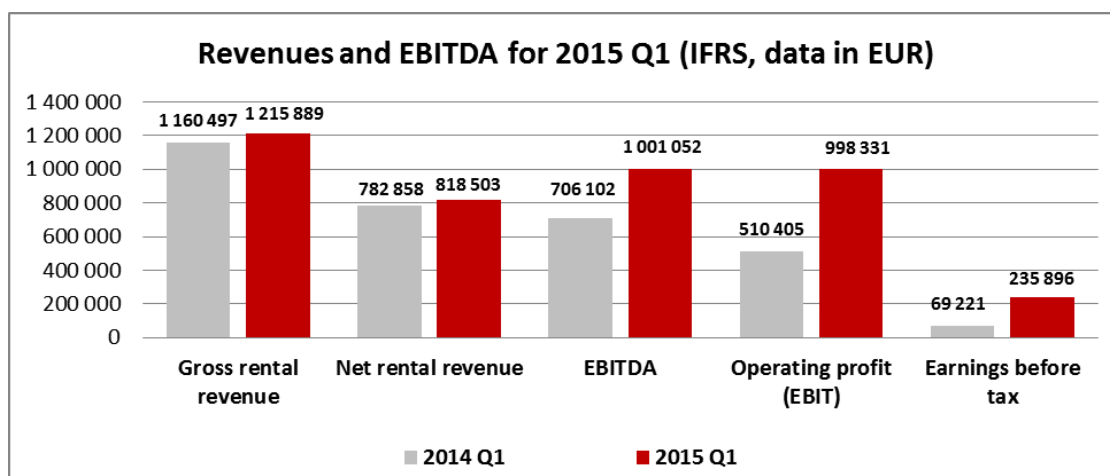


14 properties in the value of 58.65 million EUR are owned and operated by the company.

SUMMARY OF APPENINN HOLDING'S ACTIVITIES FOR 2015 Q1

According to the company's interim report prepared in accordance with the IFRS, Appeninn Holding's consolidated rental revenue for the first quarter of 2015 amounted to EUR 1.216 million. The consolidated net rental revenue reduced by the direct costs reached 818 thousand euros, the company's EBITDA was 1.001 million euros, and the profit after tax showed a profit of 79 thousand euros.

- In 2014 the Group's **gross rental revenue was EUR 1.216 million**. Revenues increased by nearly 5 percent year-over-year due in part to new rental revenues stemming from the letting of an office building in Buda, that was refurbished last year.
- **Costs related to the real estate and assets leasing increased by 5 percent** year-over-year, adding up to a total of EUR 397 thousand.
- **Net rental income was EUR 818 thousand**, which is about 5 percent higher than last year's value of EUR 783 thousand.
- **The company's EBITDA amounted to EUR 1.001 million**, exceeding the results of last year's first quarter by nearly 42 percent. The growth was boosted by a EUR 162.338 compensation from WING Zrt.



- **The operating profit of Appeninn Group was EUR 998 thousand** in the first quarter of 2015, which exceeds the figure of 2014's first quarter by 96 percent.
- **The company's earnings before tax showed a profit of 236 thousand euros**. The following items had a **significant effect** on earnings before tax:
 - In the first quarter the Group recorded a net loss of 266,296 euros in connection with the sale of K85 Ingatlanhasznosító Kft., while expenditures related to the project in Kelenhegy caused a further loss of 153,974 euros.
 - Other financial incomes and expenses made up for a profit of 74,490 euros in the first quarter. Changes in CHF/EUR caused a total loss of 2,741,101 euros that occurred mainly at W-GO 2000 Zrt.
- **The company's profit after tax was EUR 79 thousand** in the first quarter of 2015, which is equal to the profit attributable to the company's shareholders.

As a result of the sale of Kranservice Zrt., 100 percent of the Company's revenues are stemming from property letting. The **company operated its portfolio with an occupancy rate of over 95 percent**, which is well above the market average of 84.3 percent.

“The first quarter results of our Holding are very auspicious, we reached rental income and EBITDA levels as high as never before. The current market environment enabled us to gradually increase our rental fees, and this already had an impact on new contracts and in the case of expiring contracts, as we reached better conditions in renewal negotiations. We are planning to purchase a new income generating property from the resources liberated by the portfolio cleaning,” Gábor Székely, CEO of Appeninn Plc commented on quarterly results.

Appeninn's energy efficiency developments were remunerated

On March 6, 2015, Appeninn Nyrt. received the “Energy Efficient Company” award by the Virtual Power Plant Program. The BSE-listed company was awarded on World Energy Saving Day at the ceremony of the competition announced by the Virtual Power Plant Program. The Holding successfully reduced heat consumption by more than 40 percent in five of its office buildings and one of its condominiums, thanks to energy efficiency investments effectuated last year. As a result of energy saving, CO2 emission of the office buildings also decreased proportionately.



MAIN CHANGES IN THE REPORTED PERIOD

On 8 October 2014 the company signed an agreement about the transfer of Kranservice Zrt., one of its subsidiaries. The closing of the transaction took place on March 27, 2015.

On March 3, 2015, i-Cell Mobilsoft Zrt. gained a stake of 24,66% in Appennin Vagyonkezelő Holding Nyrt. and as a consequence of which exceeding the 5%, 10%, 15%, 20% and 25% threshold values (26.65%).

On March 30, 2015, the number of APPENINN ordinary shares owned by Lehn Consulting AG has changed to 14,422,245 and as a consequence of which, the extent of its stake has changed to 42.70%, exceeding the 40% threshold value.

EVENTS AFTER THE REPORTED PERIOD

The number of APPENINN ordinary shares owned by Lehn Consulting AG changed to 12,622,245 on April 27, 2015, and as a consequence of which, the extent of its stake has changed to 37.39%, exceeding the 40% threshold value.

On April 27, 2015, the extent of i-Cell Mobilsoft Zrt.'s stake in Appennin Vagyonkezelő Holding Nyrt. has changed to 31.99%, exceeding the 30% threshold value.

On April 28, 2015, Wallis Motor Pest Kft. gained a stake of 6.39% in Appennin Vagyonkezelő Holding Nyrt. and as a consequence of which exceeding the 5% threshold value (6.92%).

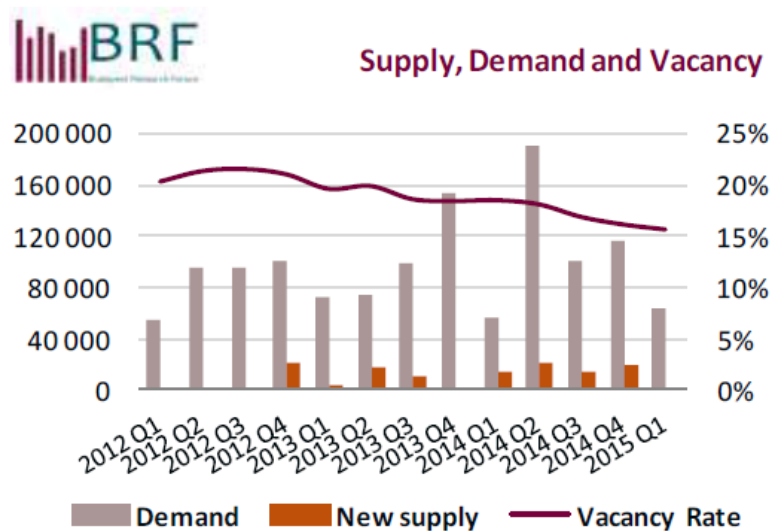
Appennin Nyrt. has sold 100% of the quota of its subsidiary, the K85 Ingatlanhasznosító Kft. Consequently, as of May 12, 2015, the number of Appennin Nyrt.'s own shares has reduced to 5.46%, exceeding no threshold values. Accordingly, the total number of the treasury shares of Appenninn Nyrt. reduced to 1,993,132 shares.

ANALYSIS OF INDUSTRY ENVIRONMENT

Budapest office market

According to the report of the Budapest Research Forum (BRF), no new office buildings were delivered to the market in the first quarter of 2015, thus the total Budapest office stock (including owner-occupied and speculative buildings) decreased to 3,230,100 square metres of office space (only a 0.25 percent decline quarter-over-quarter). As the result of the annual stock revision, 4 buildings were excluded from the modern stock as they no longer meet the BRF's definition standards and 30 buildings GLA's were amended due to re-measurements in 2014.

The office vacancy rate declined by 2.8 pps year-over-year and by 0.5 pps quarter-over-quarter, currently standing at 15.7%. The lowest vacancy rate (10.2%) was measured in the South Buda submarket; Váci út corridor has the highest vacancy rate with 18.7% in Budapest, whilst the Periphery region suffers from a 32.6% vacancy rate.

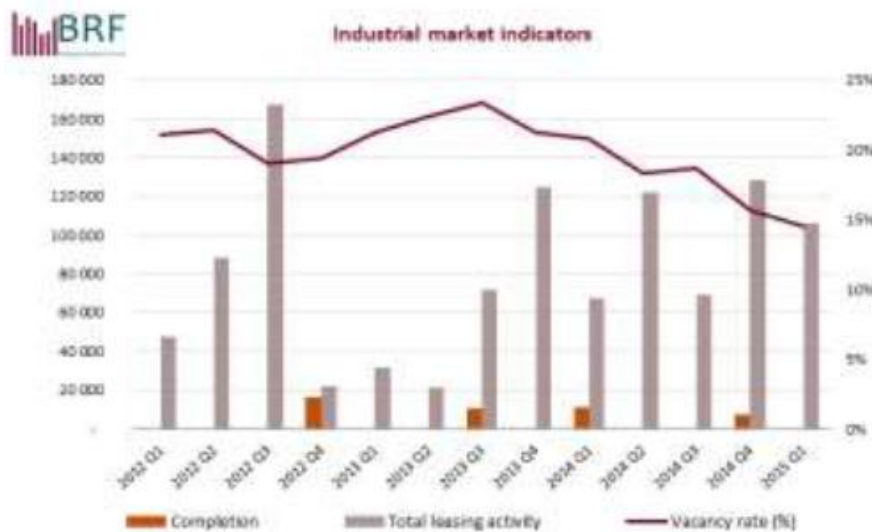


Demand in Q1 2015 was slightly less (by 5%) than the 5-year average of the first quarters' lettings, comprising 64,010 square metres, which is though only half of the record level registered in the fourth quarter of 2014. The share of renewals and new deals shifted in Q1 2015 and new deals were the major driver of the market with a 43% market share. Renewals accounted for 31%, expansions showed a higher market share compared to previous periods with 19%.

According to BRF, 165 deals were closed in the first quarter of 2015, with an average size of 388 square metres. This equals to the level of Q1 2014 and lags behind the average level of the previous five Q1 periods, which averaged 488 square metres.

City logistics

BRF has conducted its annual size review in the first quarter. 10 schemes were affected, increasing the total stock size by nearly 30,000 square metres, bringing the total modern industrial stock in Budapest to 1,885,610 square metres. The vacancy rate continued to decrease further, standing at 14.5% at the end of March 2015, reaching its lowest level since 2008. This substantial improvement corresponds to a decline of 6.7 pps year-over-year and 1.2 pps quarter-over-quarter.



The total leasing activity equated to 105,860 square metres, which is approximately 20% lower than the previous quarter; however shows a significant 40% improvement on the average quarter activity registered in the last five years. Demand was driven by lease re-negotiations, which equated to 67% of the total leasing activity, while new leases and expansion represented 16, and 17 percent respectively. The largest renewals were signed in Prologis Park Budapest-Gyál, where two occupiers renewed their leases on 14,420 square metres and 12,170 square metres. The largest expansion took place in the same logistics park on 5,940 sq m.

36 leasing transactions were registered by the Budapest Research Forum in the first quarter of 2015. The highest activity was enjoyed in logistics parks: more than 90% of the total leasing activity was registered here with an average deal size of approximately 3,400 square metres, which is almost 25% smaller than the 2014 average.

OBJECTIVES AND STRATEGY

Property management – Office market

As laid out in its strategy the Appeninn Holding' primarily focuses on niche market segments in which low-cost assets promising high yields through professional operation can be acquired and held onto as medium and long-term investments. The company groups' property assets mostly consist of office buildings in Budapest, but the Appeninn Holding acquires logistics and industrial properties in the whole territory of Hungary. Due to the acquisitions of the last years, the development of the Company shows a continuously increasing trend.

In addition to maintaining an advantageous occupancy rate regarding the office buildings on the company portfolio, it is very important for the Appeninn Nyrt. to meet tenants' expectations regarding service and to maintain operational efficiency. The adequate location of the properties and the Company's rental policy ensure an outstanding price/value ratio and a consolidated occupancy rate higher than 95%, which is well above the Budapest average.

The main expectations regarding office buildings are the following: good location, accessibility, advantageous facilities, all of which are taken into consideration when the Company acquires new property. The Company group owns the different properties through the affiliates, and it provides centralised operation services (accounting, finances, maintenance) through the Holding's companies. The Company handles the challenge to counterbalance the effects of the adverse economic situation on the tenants, but a reduction in the operational costs meets tenants' expectations for reduced utility expenses. Therefore, there is no pressure on the Company to reduce rental fees, and amongst current market circumstances there is a space for a modest increase of the rental fees.

Property management – city logistics

At the end of 2010 the company turned forcefully toward the warehouse and industrial real estate market, expanding its portfolio in several steps at a rapid pace, creating a stable Holding the second leg next to the office market. The entry in the new segment took place while the office market is formulated basic values above the average occupancy operated property, acquiring and running the next target shareholder value creation. The Appeninn in this segment of the market with a portfolio of tenants topping focused, successful, and active portfolio management and operations in order to optimize the portfolio structure.

Rental of special vehicles

The company kept the Kranservice Plc. in their portfolio, as an additional, revenue generating element which is not the part of their core business activity, but plays a unique role in the domestic market of its special vehicles capacity, self-propelled telescopic crane with good off-road capability. The subsidiary company's revenue provided gradually a smaller income to the group gross rental revenues in parallel with the expansion of the property portfolio. The KRANSERVICE transaction was closed in March, 2015.

MAIN RESOURCES, RISK FACTORS AND THEIR CHANGES AND UNCERTAINTIES

Strengths

- The Company can provide flexible, customer-oriented and cost-efficient property management at a high level;
- There is no significant competition from the rivals in the area of expertise and technical standard;
- Stable operations due to the volume of the property portfolio and the average tenant size;
- Considerable competitive advantage in market acquisition and market retaining;
- Well-above average professional competences in the Category B office market segment;
- The financing structures is in line with the Company's incomes;
- The rental fees are denominated in Euro, while the operational costs are denominated in Forint;
- The Company has a balanced equity and liabilities structure.

Weaknesses

- It must be ensured that the corporate structure and the internal resources can keep up with the growing demands (in the area of HR and customer care) and fast growth;
- Predicting occupancy rate is difficult in case of newly acquired properties. It requires resources, and accumulating reserves for this purpose might be necessary.

Opportunities

- The acquisition of significantly underpriced properties in the niche market segments;
- Stabilisation of the Hungarian real estate market in 2015;
- Small and medium-size enterprises primarily look for Category B offices;
- The under-priced Hungarian real estate market provides an attractive target for foreign investors, so far the portfolio elements could be marketable with sufficient yield

Threats

- The financial problems of the Eurozone have not been fully dealt with;
- The establishment of MARK Zrt.'s (a bad bank founded by the HNB) portfolio could significantly impact the selling parameters of the market property portfolio;
- In general, tenants' debts could increase at a sudden drop of the HUF exchange rate. Deposits could nevertheless provide an adequate guarantee to manage eventual tenants' debt;
- The development of CHF/EUR

Financial risks

The treasury function of the Appenninn Nyrt. co-ordinates the financial markets participation in accordance with the Company's interests. The risks that occur during the Company's activity are analysed according to deals and segments. Among the examined risks there are the market risk (FX risk, real value interest rate risk and price risk), credit risk, default risk and

cash flow interest rate risk. Financing of the activities of the Appeninn Holding primarily resulting from changes in foreign exchange and interest rate risks occur. The key interest rate of the Hungarian forint and EUR interest rate. The to determining exchange rate is the EUR exchange rate. Appeninn Plc's main intention to minimize the impact of these risks and the company does not engage in a financial construct

Market risks

Resulting from Appeninn Plc.'s core activity the Hungarian office market investments indirectly affect the development of the price. In the corporate sector is generally seen in non-payment or late payment and their risk, so the prior and continuous monitoring activities for tenants protecting the Company, so the group can immediately response for any delays, preventing the formation of these overlapping.

FX risk management

The Appeninn Plc's FX investment loans primarily denominated in EUR after the successful restructuring of the loan portfolio in 2013. With this, the Company made a huge step towards creating a healthy balance between their rental incomes and financing, a process the Group is planning to continue in 2015 as well. As of March 31, 2015, one of the Group's subsidiaries still had a substantial FX position in CHF/EUR, which is accounting for 25.5% of the Group's debt portfolio. All of the other liabilities incurred in foreign currency were accounted at the closing date FX rate, with unrealized exchange rate changes being recorded on the other financial income/expense line.

Guarantees

The assets (properties) purchased from the investment loans are mortgaged. The creditor has contractual rights to exercise his ownership rights in the event the mortgage taker breaches his contractual obligations, e.g. through non-payment of the debt services stipulated in the contract.

FINANCIAL DATA - CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

BALANCE-SHEET

data in EUR

Assets	March 31, 2015	December 31, 2014
Goodwill	5 622 448	5 622 448
Other intangible assets	6 785	7 892
Investment properties	58 650 000	60 950 000
Property, plants and equipments	94 313	81 782
Deferred tax assets	63 421	60 249
Investments in associates	0	0
Non-current assets	64 436 967	66 722 371
Inventories	3 911	3 715
Trade and other receivables	4 224 769	3 561 774
Prepayments and accrued income	130 353	124 916
Cash and cash equivalents	346 913	503 989
Current assets	4 705 946	4 194 394
Assets classified as held for sale	2 314 056	834 889
Total assets	71 456 969	71 751 654
Equity and liabilities	March 31, 2015	December 31, 2014
Issued capital	11 850 483	11 850 483
Other reserves	10 081 366	10 081 366
Treasury shares	-2 523 636	-2 643 620
Retained earnings	-515 693	-599 103
Shareholder's equity	18 892 520	18 689 126
Non-controlling interests	0	0
Total equity and reserves	18 892 520	18 689 126
Long-term loans	43 508 507	44 005 435
Deposits from tenants	839 665	797 160
Deferred tax liabilities	1 844 664	1 894 665
Total non-current liabilities	46 192 836	46 697 260
Trade and other payables	2 345 495	3 735 138
Short-term loan	1 723 735	1 820 602
Current tax liability	290 565	15 603
Deferred revenue and accrued expense	139 780	641 792
Total current liabilities	4 499 575	6 213 135
Liabilities directly associated with assets classified as held for sale	1 872 038	152 133
Total liabilities	52 564 449	53 062 528
Total equity and liabilities	71 456 969	71 751 654

Profit and loss account

data in EUR

	2015 Q1	2014 Q1
Continuing operations		
Property rental revenue	1 215 889	1 160 497
Property related expense	-397 386	-377 639
Net rental revenue	818 503	782 858
Administration expense	-51 494	-76 447
Employee related expense	-6 233	-7 717
Other income/(expense)	240 276	7 408
Gross operating profit (EBITDA)	1 001 052	706 102
Impairment of goodwill	0	-152 569
Depreciation and amortization	-2 721	-43 128
Operating profit (EBIT)	998 331	510 405
Gain / Loss (-) recognised on disposal of investment properties	-266 296	0
Net result from the revaluation of investment properties	-153 974	-235 372
Interest income	21 327	2 738
Interest expense	-437 982	-207 278
Other financial income/(expense)	74 490	-1 272
Profit before tax	235 896	69 221
Income tax expense	-156 703	445
Profit before tax from continuing operations	79 193	69 666
Discontinued operations		
Profit for the year from discontinued operations	0	31 489
Profit for the year	79 193	101 155
Other comprehensive income		
Exchange differences on translating operations	0	0
Other comprehensive income, net of taxes	0	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	79 193	101 155
Attributable to:		
Owners of the Company	79 193	101 155
Non-controlling interest	0	0
Earnings per share (EURcent/pcs)	0,23	0,20
Diluted earnings per share (EURcent/pcs)	0,00	0,09

SHAREHOLDERS' EQUITY

data in EUR

	Share capital	Other reserve	Translation reserve	Retained earnings	Treasury shares	Attributable to the Owners of the Parent	Non-controlling interests	Total equity and reserves
Balance at 1 January 2014	11 850 483	10 081 366	0	2 480 778	-2 792 588	20 406 783	0	20 406 783
Total comprehensive income for the year								
Profit for the year - modified	0	0	0	-2 699 032	0	-2 699 032	0	-2 699 032
Purchase of treasury shares	0	0	0	0	3 823 591	3 823 591	0	3 823 591
Sale of treasury shares	0	0	0	0	-3 674 623	-3 674 623	0	-3 674 623
Loss recognised on treasury shares	0	0	0	-380 849	0	-380 849	0	-380 849
Balance at 31 December 2014	11 850 483	10 081 366	0	-599 103	-2 643 620	18 689 126	0	18 689 126
Total comprehensive income for the year								
Profit for the year - modified	0	0	0	79 193	0	79 193	0	79 193
Sale of treasury shares	0	0	0	0	119 984	119 984	0	119 984
Recognized gain on treasury shares	0	0	0	4 218	0	4 218	0	4 218
Balance at 31 March 2015	11 850 483	10 081 366	0	-515 692	-2 523 636	18 892 521	0	18 892 521

CASH-FLOW

data in EUR

	2015Q1	2014Q1
Profit before tax	235 896	102 120
Net result from the revaluation of income-generating investment property	153 974	235 372
Exchange rate difference not realised	1 257 126	-92 872
Gain on disposal of investment properties	266 296	0
Gain on disposal of assets held for sale	17 170	0
Depreciation and amortization	2 721	43 128
Impairment of goodwill	0	152 569
Share based payments	124 203	0
Loss on disposed subsidiaries	-1 920 611	0
Interest paid	437 982	102 470
Changes in trade and other receivables	-663 036	-297 577
Changes in prepayments and accrued income	-5 437	29 960
Changes in inventories	-196	131
Changes in deferred income and liabilities	463 232	152 933
Changes in deposit from tenants	150 130	78 376
Income taxes paid	-510	-2 508
Net cash generated by operating activities	518 940	504 102
Net cash inflow on sale of subsidiaries	529 007	5 052
Payments for property, plant and equipment	-153 974	-235 372
Purchase and development of investment property	-14 145	0
Proceeds from disposal of property, plant and equipment	92 307	0
Net cash generated by investing activities	453 195	-230 320
Proceeds from borrowings	0	206 590
Repayment of borrowings	-691 229	-376 963
Repayment of finance lease liabilities	0	-86 550
Purchase of treasury shares	0	-983 355
Sale of treasury shares	0	1 038 273
Interest received	0	15 984
Interest paid	-437 982	-105 613
Net cash used in financing activities	-1 129 211	-291 634
Net increase in cash and cash equivalents	-157 076	-17 852
Cash and cash equivalents at the beginning of the year	503 989	595 696
Cash and cash equivalents at the end of the year	346 913	577 844

DECLARATION ON THE AUDIT OF THE REPORTED FIGURES

The figures in the flash report are consolidated, but are not audited by an independent auditor.

List and introduction of shareholders with a stake exceeding 5% (31.03.2015.)

Name	Nationality ¹	Activity ²	Amount (pcs)	Share (%) ³	Voting right (%) ⁴	Comment ⁵
Lehn Consulting AG	F	C	14,422,245	39.51	42.70	
i-Cell Mobilsoft Zrt.	I	C	9,000	24.66	26.65	
Appenninn Nyrt.	I	C	2,728,031	7.47	-	treasury shares

¹ Domestic (I). Foreign (F)

² Custodian (Cu). Government (G). International Development Institute (IDD). Institutional (I). Company (C) Private (P). Employee, senior officer (E)

³ Rounded to two decimal place

⁴ Voting rights at the general meetings of ensuring participation in decision-making

⁵ E.g. : strategic investors, financial investors, etc..

Managing executive, strategic employees (31.03.2015.)

Type	Name	Position	Beginning of mandate	End/termination of mandate	Shares held (pcs)
	György Ádamosi owns the stake through the Lehn Consulting AG	Chairman of the Board of Directors	17.01.2014.		14,422,245
	Zoltán Prutkay	Member of the Board of Directors Chief Financial Officer	30.04.2015		600
	Gábor Székely	Chairman of the Audit Committee Member of the Board of Directors	12.03.2010.		11,000
	Balázs Szabó	Member of the Board of Directors and member of the Audit Committee	10.04.2012.		0
	Lőrinc Éder	Member of the Board of Directors and member of the	12.03.2010.		0

		Audit Committee			
	Gábor Varga	Member of the Board of Directors	17.01.2014.	30.04.2015	2,015
	Mónika Altmann	CFO	12.03.2010.		4,930

Headcount of full-time employees (No. of people)

	Beginning of current	End of current period
Corporate level	3	3

General information pertaining to the financial data

	Yes	No				
Audited	<input type="checkbox"/>	<input checked="" type="checkbox"/>				
Consolidated	<input checked="" type="checkbox"/>	<input type="checkbox"/>				
Accounting principles	Hungarian	<input type="checkbox"/>	IFRS	<input checked="" type="checkbox"/>	Other	<input type="checkbox"/>

Declaration of liability

I, the undersigned declare that to the best of my knowledge, this interim report gives a true and fair view of the Appeninn Plc. and its controlled undertakings financial position and performance and describes the major events that occurred during the relevant period and transactions, as well as undertaking included in those Appeninn Plc. and consolidation within the financial impact on the situation. In the period of the accounting policies and accounting principles did not change.

Budapest, 27 May, 2015.

Appeninn Asset Management Holding Plc.

György Ádámosi

Chairman of the Board of Directors