APPENINN ASSET MANAGEMENT HOLDING

PUBLIC LIMITED COMPANY

2015. SECOND QUARTERLY REPORT

Company name	Appeninn Nyrt.
Company address	H-1022 Budapest, Bég u. 3-5.
Sectoral classification	Asset Management (property management)
Reporting period	2015. II. 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 second quarter of 2015, thereinafter referred to as the “Report”.

The Report includes the consolidated management report for 2015 Q2, the Consolidated Balance Sheet in line with the International Financial Reporting Standards (IFRS), the consolidated 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 Q2, summary about key events and transactions and the effects of these on the financial position of the Holding and the consolidated companies
- 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% (2015.06.30.)
- Managing executives, strategic employees
- Headcount of full-time employees (No. of people)
- General information pertaining of financial data
- Declaration of liabilty

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

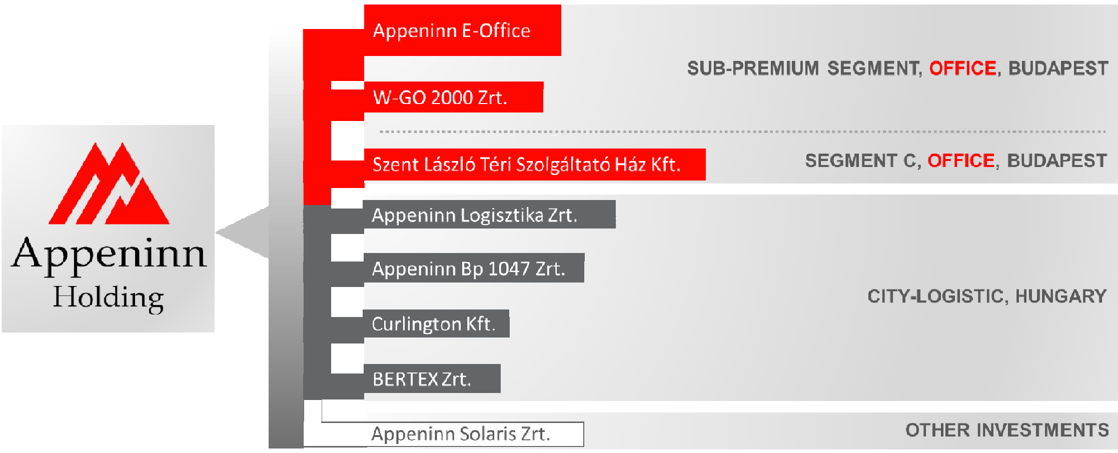
feature affiliates and their properties on the appeninn.hu website, handling advertisements
The company is now one of Hungary's dynamically developing real estate investment companies. It focuses on niche market segments in which low-cost assets promising high yields can be acquired and held on as medium 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 %)
- W-GO 2000 Zrt. (100 %)
- Szent László Téri Szolgáltató Ház Kft. (100 %)
- Appeninn-Angel Zrt. (100 %)

The Group operates in the following structure:



12 properties in the value of 58.65 million EUR are owned and managed by the company.

SUMMARY OF APPENINN HOLDING'S ACTIVITIES FOR 2015 Q II, OF KEY EVENTS AND TRANSACTIONS AND THE EFFECTS OF THESE ON THE FINANCIAL POSITION OF THE HOLDING AND THE CONSOLIDATED AFFILIATES

According to the Company's interim report prepared in accordance with the IFRS, Appeninn Holding's consolidated rental revenue for the second quarter of 2015 amounted to EUR 2.240 million. The consolidated net rental revenue reduced by the direct costs reached 1.5 million euros, the company's EBITDA result was 1.5 million euros, the profit before tax showed a profit of 717.5 thousand euros and the profit after tax showed a profit of 551 thousand euros.

- At the first six months of the year 2015 the group's gross rental revenues were EUR **2.240 million. Costs related to the real estate and assets leasing increased by 3 percent** compared to the previous year's same period, adding up to a total of EUR 740 thousand**.**
- **Net rental income (according to IFRS) was EUR 1.5 million**, which was about 12 percent lower compared to the same period of the previous year's value of EUR 1.7 million.
- An amount of EUR 160 thousand compensation related to one of the previously sold property, accured as other income, influenced the EBITDA positively. 2015 Q2 the company's **EBITDA amounted to EUR 1.5 million**, improving last years ratio by 3 percent. **The operating profit of Appeninn Group reached EUR 1.366 million at the end of the second quarter, 27 percent over the same figure of the previous year. The company's profit before the tax reached EUR 717 thousand.** This profit figure was **significantly influenced** by the following **items:**
  - The profit have been reduced by a loss of a property sale in H1, EUR 222 thousand, and by a EUR 218 thousand due to the loss from the revaluation of investment properties .
  - The expenditures and incomes of financial operations recorded EUR 416 thousand profit. The change of the CHF/EUR rate caused an EUR 1.7 million loss during first six months, while sale of divestments linked to portfolio elements added EUR 2.4 million to the financial profit.
- **The company's after tax profit was EUR 551 thousand in the first six months of 2015, which equal to the profit attributable to company's owners.**.

From the Q2 of 2015, after completing the sale of the company's subsidiary company, which was specialized in renting special vehicles, the company's revenues are coming solely from rental income. The real estate portfolio operated by Appeninn is still over a 95 percent occupancy rate, well over the market average of 85.8 percent.

Gábor Székely, operational director of Appeninn Plc, commenting the results of H1: „The results of the group's first half year were very prosperous, since we could increase the company's profit producing ability. Leasing and operating offices has a solid potential for income generation, and among the current yield environment, it offers a competitive alternative to investors. We noticed a high demand for leasing among Hungarian small and medium-size companies, which offers us stability to maintain the utilization of properties on a high level."

MAIN CHANGES IN THE REPORTED PERIOD

In the second quarter of the year, the stake of the main owner of Appeninn Plc., Lehn Consulting AG, has changed on 27 April 2015, to 12.622.245 shares, therefore the company's voting ratio crossed over the 40% threshold, and reduced to 37.39%.

The stake of i-Cell Mobilsoft Zártkörűen Működő Részvénytársaság has changed on 27 April 2015, to 29.59%, therefore the company's voting ratio crossed over the 30% threshold, and reached 31.99%.

A Wallis Motor Pest Kft. gained a stake of 6,39%, therefore the company's voting ratio, crossed over the 5% threshold, reached 6.92%.

EVENTS AFTER THE REPORTED PERIOD

The stake of the main owner of Appeninn Plc., Lehn Consulting AG, has changed on 17 August 2015, to 12.422.245 shares, therefore the company's voting ratio without stepping over treshold, reduced to 35.99%.

A stake and voting ratio of Wallis Motor Pest Kft. reduced from 6,39%, to 4.2%, and crossed over the 5% threshold.

i-Cell Mobilsoft Zártkörűen Működő Részvénytársaság has transfered its 29.59% Appeninn stake to i-Cell Informatikai Fejlesztő és Szolgáltató Kft. therefore its voting right reduced to 0, while i-Cell Informatikai Fejlesztő és Szolgáltató Kft.'s voting right crossed over the 30% threshold and increased to 31.14%.

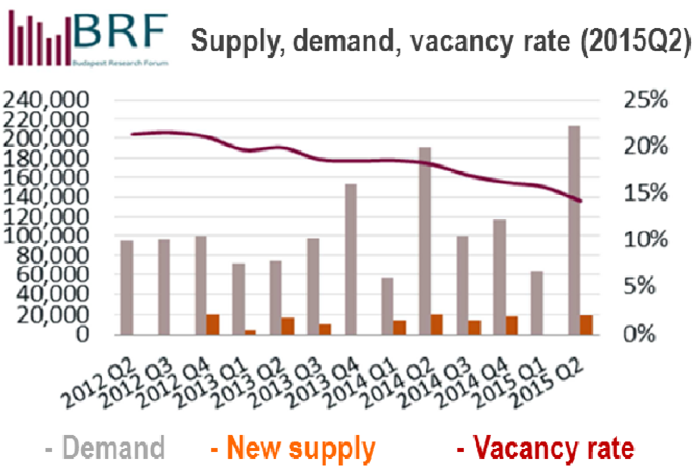
Analysis of industry enviroment

Budapest office market

According to Budapest Research Forum's (BRF) data one new speculative office building was delivered on the market in Q2 2015. The handover of Váci Greens' new block further increased the modern office stock by 20,100 sq m. Now the total Budapest office stock - including 642,300 sq m owner occupied and 2,607,900 sq speculative buildings – reached 3,250,200 sq m.

The office vacancy rate continued to decline further in Budapest and reached 14.2% by the end of Q2 2015. This is the lowest figure on record in the last 6 years, while year-on-year decline represented a 3.4 pps, whilst quarter-onquarter change amounted for -1.5 pps.

On submarket level, the lowest vacancy rate was again measured in South Buda with only 8.8%. The highest figure was registered in the Periphery (31.3%), the largest quarter-on-quarter change was witnessed in Váci Corridor where the vacancy rate fell by 2.4 pps down to 16.3%. There were 13 new transactions above 1,000 sq m out of which 7 were signed in Váci Corridor.



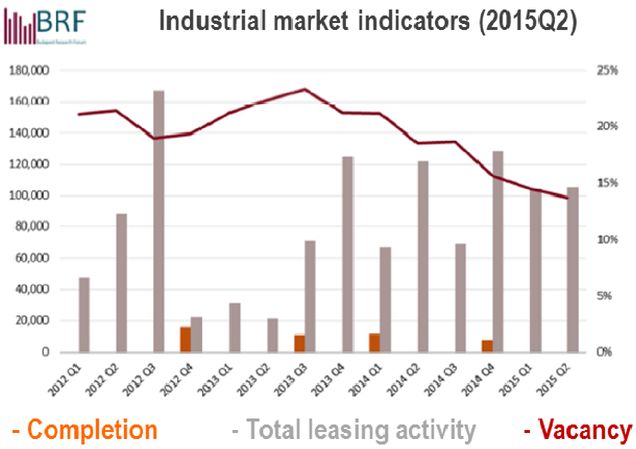
Demand in Q2 2015 reached 213,500 sq m transacted office space, which is more than 3-times the level of the Q1 2015 demand and exceeds the outstanding volume of Q2 2014 by 10%. Pre-leases were the major driver of demand on the market with a share of 37%. This was caused by two large transactions: Magyar Telekom and Nokia Networks both signed pre-lease agreements on 55,000 sq m and 25,000 sq m, respectively. Renewals accounted for 29%; new deals gave 26% of the total leasing activity, whilst expansions accounted for 8%. No owner-occupied transaction was registered.

213 deals were closed in Q2 2015, with an average size of 1,002 sq m. Excluding the two pre-leases, average deal size is 632 sq m, nearly in line with the 3-year average of 609 sq m. Net absorption totalled 66,150 sq m, 52% of this volume was registered in Váci corridor submarket alone.

City logistic

Based on the data of BRF size of the modern industrial stock in Budapest and its surroundings remained unchanged totalling 1,885,610 sq m in the second quarter of 2015.

The total volume of lease transactions reached 105,575 sq m in the second quarter of 2015, this level was almost in line with the previous quarter's figure. The vacancy rate continued to decrease further bottoming at 13.7%. The decline of the rate reached 0.8 percentage points q-o-q and 4.8 percentage points y-o-y. The vacancy rate of city logistics dropped remarkably by 3.9 percentage points q-o-q, standing at 14.1% at the end of June 2015.



23 leasing transactions with an average deal size of 4,590 sq m were registered by the Budapest Research Forum in Q2 2015. 93% of the total leasing activity was registered in logistics parks, where the average transaction size was 5,455 sq m. It reached 1,480 sq m in city logistics.

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.

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.

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 underpriced 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 portfolio (this entity, settled by National Bank of Hungary, will handle some of the bad RE assets,) could influence the price level of the RE assets in Hungary
- 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.
- Changes of CHF/ EUR rate

Financial risks

The treasury function of the Appeninn 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 step the Company created a healthy balance between their rental incomes and financing and the company's intention to continue this process in 2015. As of 30 June 2015 one of the Holding subsidiary has a significant CHF/EUR liability that covers 25.5% of the holding whole loan volume. All of the other liabilities incurred in foreign currency was accounted at the closing date FX rate with unrealized losses are expensed as incurred.

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.

Appeninn Holding

APPEN BÉT PRÉMIUM KATEGÓRIA

FINANCIAL DATA – CONSOLIDATED BALANCE SHEET, INCOME STATEMENT, SHAREHOLDERS EQUITY AND CASH-FLOW TABLES ACCORDING TO IFRS AND EVALUATION OF THE FINANCIAL POSITION AND RESULTS OF THE ISSUER AND THE CONSOLIDATED COMPANIES

CONSOLIDATED BALANCE SHEET

data in EUR

Assets	June 30, 2015	December 31, 2014
Goodwill	5 491 052	5 622 448
Other intangible assets	7 888	7 892
Investment properties	58 650 000	60 950 000
Property, plants and equipments	92 725	81 782
Deferred tax assets	60 220	60 249
Investments in associates	0	0
Non-current assets	**64 301 885**	**66 722 371**
Inventories	3 714	3 715
Trade and other receivables	3 993 945	3 561 774
Prepayments and accrued income	111 280	124 916
Cash and cash equivalents	304 161	503 989
Current assets	**4 413 100**	**4 194 394**
Assets classified as held for sale	0	834 889
Total assets	**68 714 985**	**71 751 654**

Equity and liabilities	June 30, 2015	December 31, 2014
Issued capital	11 850 483	11 850 483
Other reserves	10 081 366	10 081 366
Treasury shares	-1 893 829	-2 643 620
Retained earnings	-30 395	-599 103
Shareholder's equity	**20 007 625**	**18 689 126**
Non-controlling interests	0	0
Total equity and reserves	**20 007 625**	**18 689 126**
Long-term loans	42 427 229	44 005 435
Deposits from tenants	796 901	797 160
Deferred tax liabilities	1 751 564	1 894 665
Total non-current liabilities	**44 975 694**	**46 697 260**
Trade and other payables	1 438 039	3 735 138
Short-term loan	1 694 802	1 820 602
Current tax liability	348 382	15 603
Deferred revenue and accrued expense	250 443	641 792
Total current liabilities	**3 731 666**	**6 213 135**
Liabilities directly associated with assets classified as held for sale	0	152 133
Total liabilities	**48 707 360**	**53 062 528**
Total equity and liabilities	**68 714 985**	**71 751 654**

PROFIT AND LOSS ACCOUNT

data in EUR

	2015 Q2	2014 Q2
Continuing operations		
Property rental revenue	2 240 415	2 422 933
Property related expense	-740 626	-716 127
Net rental revenue	**1 499 789**	**1 706 806**
Administration expense	-135 360	-206 289
Employee related expense	-18 375	-24 262
Other income/(expense)	154 623	-25 735
Gross operating profit (EBITDA)	**1 500 677**	**1 450 520**
Impairment of goodwill	-131 398	-375 103
Depreciation and amortization	-3 492	-4 082
Operating profit (EBIT)	**1 365 787**	**1 071 335**
Gain / Loss (-) recognised on disposal of investment properties	-221 649	37 177
Net result from the revaluation of investment properties	-217 791	-379 559
Interest income	28 356	18 658
Interest expense	-653 112	-730 804
Other financial income/(expense)	415 979	25 943
Profit before tax	**717 570**	**42 750**
Income tax expense	-166 712	-83 184
Profit before tax from continuing operations	**550 858**	**-40 434**
Discontinued operations		
Profit for the year from discontinued operations	0	80 540
Profit for the year	**550 858**	**40 106**
Other comprehensive income		
Exchange differences on translating operations	0	0
Other comprehensive income, net of taxes	**0**	**0**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**550 858**	**40 106**
Attributable to:		
Owners of the Company	550 858	40 106
Non-controlling interest	0	0
Earnings per share (EURcent/pcs)	**1,61**	**-0,12**
Diluted earnings per share (EURcent/pcs)	**0,00**	**0,24**
Net asset value per share	**0,59**	**0,55**

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	550 858	0	550 858	0	550 858
Sale of treasury shares	0	0	0	0	749 791	749 791	0	749 791
Recognized loss on treasury shares	0	0	0	17 850	0	17 850	0	17 850
Balance at 30 June 2015	**11 850 483**	**10 081 366**	**0**	**-30 395**	**-1 893 829**	**20 007 625**	**0**	**20 007 625**

CASH-FLOW

data in EUR

	2015Q2	2014Q2
Profit before tax	**717 570**	**138 112**
Net result from the revaluation of income-generating investment properti	217 791	404 346
Exchange rate difference not realised	1 729 167	6 018
Gain on disposal of investment properties	221 649	-37 027
Depreciation and amortization	3 492	87 647
Impairment of goodwill	131 398	375 103
Loss on disposed subsidiaries	-2 277 515	0
Interest paid	653 112	-673 246
Changes in trade and other receivables	254 078	-592 000
Changes in prepayments and accrued income	13 636	-51 055
Changes in inventories	1	169
Changes in deferred income and liabilities	-364 197	864 105
Changes in deposit from tenants	9 067	231 508
Income taxes paid	-42 541	-107 812
Net cash generated by operating activities	**1 266 708**	**645 868**
Net cash inflow on sale of subsidiaries	536 863	0
Net cash outflow on acquisition of joint ventures	0	5 052
Payments for property, plant and equipment	-217 791	-404 346
Purchase and development of invesment property	-14 431	0
Proceeds from disposal of property, plant and eqipment	136 912	1 517 706
Net cash generated by investing activities	**441 553**	**1 118 412**
Repayment of borrowings	-1 254 977	-720 332
Repayment of finance lease liabilities	0	-122 532
Purchase of treasury shares	0	-2 457 487
Sale of treasury shares	0	1 464 543
Interest received	0	31 968
Interest paid	-653 112	-63 748
Net cash used in financing activities	**-1 908 089**	**-1 867 588**
Net increase in cash and cash equivalents	-199 828	-103 308
Cash and cash equivalents at the beginning of the year	503 989	631 400
Cash and cash equivalents at the end of the year	**304 161**	**528 092**

APPENINN'S KEY FINANCIAL RATIOS IN PERIOD 2015 Q2

Key financial ratios	2015.06.30	2014.12.31
Equity ratio	2.43	2.83
Return on equity (ROE)	0.03	- 0.15
Return on assets (ROA)	0.01	- 0.04

Key financial ratios of the Group moved towards positive direction y-o-y bases. 2015 Q2 profit shows a significant surplus therefore share capital increased, on the other hand volume of loans decreased by EUR 1.7 billion, which effected positively the equity ratio as well.

ROE and ROE changed positively because of the more efficient operation of the Group in 2015 Q2.

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% (30.06. 2015.)

Name	Nationality [1]	Activity [2]	Amount (pcs)	Share (%) [3]	Voting right (%) [4]	Comment [5]
Lehn Consulting AG	F	C	12.622.245	34,58	36,58	
i-Cell Mobilsoft Zrt.	I	C	10.800.000	29,59	31,30	
Appeninn Nyrt.	I	C	1.993.132	5,46	–	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 (30. 06. 2015.)

Type	Name	Position	Beginning of mandate	End/termination of mandate	Shares held (pcs)
	György Ádámosi owns the stake through the Lenh Consulting AG	Chairman of the Board of Directors	17.01.2014.		12,622,245
	Prutkay Zoltán	CFO Member of the Board of Directors	2015.04.30.		600
	Gábor Székely	Chairman of the Audit Committee Member of the Board of Directors	12.03.2010.		13,100
	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 Audit Committee	12.03.2010.		0
	Mónika Altmann	CFO	12.03.2010.		5,500

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		X
Consolidated	X	

Accounting principles	**Hungarian**	**IFRS** X	**Other**

Declaration of liability

We, the undersigned declare that to the best of our 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, 26 August, 2015

Appeninn Asset Management Holding Plc.
György Ádámosi Jr.
Chairman of the Board of Directors