APPENINN HOLDING PUBLIC LIMITED COMPANY

QUARTERLY REPORT FOR H1 OF 2016

Name of the Company	Appeninn Nyrt.
Address of the Company	H–1022 Budapest, Bég u. 3–5.
Sectoral classification	Asset management (real-estate property utilization)
Accounting system of the report	as per the IFRS requirements
Reporting period	Q2 of 2016
Audited data	interim data is not audited
Published on	24.08.2016
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Evaluation of the Chief Operating Officer in relation to Appeninn Group's performance in the second quarter of 2016

Mr. Gabor Székely (COO) has emphasized regarding the half year results of the Company:

Besides stable operation, Appeninn Nyrt. further expanded its property portfolio in the first half of this year, so that the Company's revenue in the following quarters may increase, and based on its earnings result so far this year the Company adheres to its intention of distribution of dividends. The Company closed the first six months of this year with a revenue of EUR 2.15 million, and with a net income of EUR 412,000.

Appeninn Nyrt., listed in the Budapest Stock Exchange in the Premium category, continued to register a stable performance in the first half of 2016, so the real estate investment managing Company sets out for the second half of this year with favorable prospects. The group closed the first half year of this year with a revenue of EUR 2.15 million, and with a net income of EUR 412,000. The small (3.9%) decrease in the revenue is due to the sale of some projects in accordance with last year's portfolio restructuring, as well as the forint exchange rate changes. Compared to the same period in the previous year, the earnings result was burdened by a financially not realized accounting exchange loss, as well as the extraordinary administration and bank expenditures related to the refinancing of a CHF 13 million bank loan successfully executed in December of the previous year. As significant elements of the EUR 1.043 thousand capital increase by share premium carried out in the first six months of this year, Appeninn acquired bonds issued by the Company in a face value of EUR 900,000, as well as two new properties worth EUR 1.575 thousand, increasing its equity by EUR 2.191 thousand. As a result, the cash generative capacity of the Company continues to improve, with the possibility of further increasing the revenue resulting from leasing already in the third quarter. Due to last year's decrease in the bonds issued by the Company supplemented by the bank credit decrease, the Company's debt service will at least EUR 650,000 lower this year. In the light of the figures for the first half of the year, the Board of Directors confirms its plan to pay dividends on this year's profit of Appeninn.

The Company maintains its plan of realizing further dynamic growth via the acquisition of properties and property managing projects (companies), thus improving its profit-generating capabilities. The real estate transaction that took place in August served the same purpose, further expanding Appeninn's property portfolio by purchasing a property of over 800 square meters in the Rózsadomb area of Budapest, the purchase price of which may return within 7 years, as a 6-year fixed-term lease agreement was signed immediately.

Appeninn Holding's first half-year in 2016 reflects steady operations

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (hereinafter referred to as the Company) has prepared its consolidated report (hereinafter referred to as the Report) in relation to half year of 2016 (hereinafter referred to as the Period Under Review). This Report consists of the Company's consolidated management report pertaining to the first half year of 2016, the consolidated balance sheet and consolidated profit & loss account for the period under review, prepared in line with the IFRS requirements, as well as the associated evaluations. The accounting principles applied in the report correspond to the accounting policy applied in the benchmark period. The reporting currency is EUR.

KEY ITEMS AT APPENINN HOLDING IN THE SECOND QUARTER OF 2016

Major values- consolidated	2016 1-6 mths* EUR	2015 1-6 mths* EUR
Profit & loss account		
Property rental revenue	2 151 840	2 240 415
Direct contribution from rental activities	1 480 152	1 499 789
Interest expense	(520 427)	(653 112)
Profit for the year	411 650	568 708
Eszközök, kötelezettségek és tőke:		
Investment properties	60 495 969	58 650 000
Total non-current liabilities	38 339 338	44 975 694
Current assets	1 355 679	4 413 100
Total current liabilities	2 934 888	3 731 666
Shareholder's equity	23 399 679	20 007 625

* The figures relating to the period have not been verified by an independent auditor
** Non IFRS classificatin of earnings

- Appeninn Nyrt. closed the first half of 2016 with sales revenues amounting to EUR 2,152 million. In the period under review, the Company's revenues are in line with the planned levels. The combined impact of the gap caused by portfolio elements sold in 2015 and exchange rate differences caused a 3.9% change.
- The Company's gross operating profit (EBITDA)
- The direct margin (i.e. the balance of sales revenues and direct costs) induced a 69% profit-generating level in 2016, which exceeds the 2015 level (67%). This growth was a result of the portfolio screening activities back in 2015.
- The Company used the capital revenues collected in 2015 on the portfolio elements to manage capital expenditures. The rate of savings realized on interests came to be 20% in 2016.
- The Company's profit after taxes in the first half of 2016 was EUR 412,000, whereas the amount of the profit before taxes arrived at EUR 469,000.

Appeninn Holding

FINANCIAL FIGURES – ANALYSIS OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

Profit & loss account	2016 1-6 mths* EUR	2015 1-6 mths* EUR
Continuing operations		
Property rental revenue	2 151 840	2 240 415
Property related expense	(671 688)	(740 626)
Direct contribution from rental activities	**1 480 152**	**1 499 789**
Administration expense	(308 417)	(135 360)
Employee related expense	(15 520)	(18 375)
Other income/(expense)	185	172 473
Gross operating profit (EBITDA)**	**1 156 400**	**1 518 527**
Impairment of goodwill	-	(131 398)
Depreciation and amortization	(350)	(3 492)
Operating profit (EBIT)**	**1 156 050**	**1 383 637**
Gain / Loss (-) recognised on disposal of investment properties	-	(221 649)
Net result from the revaluation of investment properties	35 170	-
Expenses for maintaining investment properties	(93 137)	(217 791)
Interest income	8 969	28 356
Interest expense	(520 427)	(653 112)
Other financial income/(expense)	(117 502)	415 979
Profit before tax	**469 123**	**735 420**
Income tax expense	(57 473)	(166 712)
Profit before tax from continuing operations	**411 650**	**568 708**
Discontinued operations		
Profit for the year from discontinued operations	-	-
Profit for the year	**411 650**	**568 708**
Other comprehensive income		
Exchange differences on translating operations	-	-
Other comprehensive income, net of taxes	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**411 650**	**568 708**
Attributable to:		
Owners of the Company	443 968	568 708
Non-controlling interest	(31 127)	-
Earnings per sahre and Diluted earnings per share (EURcent/pcs)	**1,12**	**1,61**
Net asset value by shares	**0,59**	**0,59**

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** Non IFRS classificatin of earnings

Profit on real-estate property rents:

- For the operated portfolio elements, the consistently high utilization rates maintained the level of revenues from the lease-out of real-estate properties. The 3.9% higher level in the baseline period was caused by the revenues that were realized on the real-estate properties that were subsequently sold by 2016 in the framework of the portfolio screening activities.
- The direct margin indicator for the Company (formerly called net rental and fee revenues) is the balance of the proceeds coming from the lease-out of properties and other assets and the direct expenditures of such leasing operations. Assessed with the use of the direct margin, the overall performance of the portfolio was measured to be 69% profitability after the 67% rate in 2015.
- Following the report as of 31 December 2015, two property elements were added to the Company's property portfolio in May and June 2016 in a combined value of EUR 1,576,000. The revenues from the new properties will be included in the consolidated data from the second half of 2016.
- In the Company's costs of administration, there were two items that led to the given difference: on the one hand, the posterior imposition of the building tax that had not been paid in the previous years in an amount of EUR 96,000, and on the other hand the proportionate annual fee of the collateral costs of credits for month 1–6 in an amount of EUR 77,000.
- During 2016, the Company accounted for EUR 93,000 expenses in relation to upkeeping its investment properties, which were incurred with the expenditures of maintenance and investment activities.

In the first half of 2016, the operating profit amounted to EUR 1,156,000.

Funding and financial profit

- A consequence of changing the financing structure at the Company in 2015 has been the decrease of interest expenses.
- As a result of the exchange rate changes in the period under review, the Company stated non-realized accounting losses in a total amount of EUR 114,000.
- With the alteration of the capital structure – share issue – in May 2016, now there is an option to redeem securities that carry 5–7.5% annual interest rates. The Company is now considering whether it wants to redeem these securities.

Consolidated profit of the Company

- The profit belonging to the Company’s controlled participations was EUR 444,000. The earnings per share amounted to EUR 1.12.
- From the EUR 24 million value of the Company’s equity, EUR 0.59 could be allocated to each issued share.

FINANCIAL FIGURES – CONSOLIDATED BALANCE SHEET

The Company's balance sheet as of 30th June 2016 was closed with EUR 65 million, indicating less than 2.2% increase in comparison with 31 December 2015.

Balance sheet - Assets	30. 06. 2016. * EUR	30. 06. 2015. * EUR	31. 12. 2015. EUR
Goodwill	2 149 186	5 491 052	2 149 186
Other intangible assets	3 066	7 888	3 133
Investment properties	60 495 969	58 650 000	58 920 000
Property, plants and equipments	92 554	92 725	70 864
Deferred tax assets	52 163	60 220	52 670
Other financial assets	1 236 123	-	1 247 659
Non-current assets	**64 029 061**	**64 301 885**	**62 443 512**
Inventories	3 700	3 714	3 737
Trade and other receivables	808 178	3 993 945	892 760
Prepayments and accrued income	102 209	111 280	90 167
Cash and cash equivalents	441 592	304 161	418 769
Current assets	**1 355 679**	**4 413 100**	**1 405 433**
Assets classified as held for sale	-	-	64 272
Total assets	**65 384 740**	**68 714 985**	**63 913 217**
Balance sheet- Equity and liabilities	**30. 06. 2016. * EUR**	**30. 06. 2015. * EUR**	**2015.12.31 EUR**
Issued capital	12 893 072	11 850 483	11 850 483
Other reserves	11 229 685	10 081 366	10 081 366
Treasury shares	(2 463 403)	(1 893 829)	(2 370 330)
Retained earnings	1 740 325	(48 245)	1 296 357
Shareholder's equity	**23 399 679**	**20 007 625**	**20 857 876**
Non-controlling interests	710 835	-	741 962
Total equity and reserves	**24 110 514**	**20 007 625**	**21 599 838**
Long-term loans	33 987 987	42 427 229	33 689 163
Issued corporate bonds	823 640	-	1 806 688
Tenants deposites	778 897	796 901	770 976
Deferred tax liabilities	2 748 814	1 751 564	2 787 609
Total non-current liabilities	**38 339 338**	**44 975 694**	**39 054 436**
Trade and other payables	1 650 866	1 438 039	1 495 492
Short-term loan	805 448	1 694 802	1 294 250
Current tax liability	178 206	348 382	201 543
Deferred revenue and accrued expense	300 368	250 443	267 658
Total current liabilities	**2 934 888**	**3 731 666**	**3 258 943**
Total liabilities	**41 274 226**	**48 707 360**	**42 313 379**
Total equity and liabilities	**65 384 740**	**68 714 985**	**63 913 217**

* The figures relating to the period have not been verified by an independent auditor

** Non IFRS classificatin of earnings

Fixed and current assets

- In the first half of 2016, the Company's assets portfolio grew by two real-estate properties at a combined value of EUR 1,575,000. The Company maintained the set of conditions formulated on 13.12.2015 for the valuation of the portfolio and goodwill. The estimated value of the Company's total property portfolio was EUR 60.4 million.
- In the first 6 months of the year, the Company executed upkeep and investment works for the preservation of the prevailing conditions in a total amount of EUR 93,000.

Structure of capital and liabilities

- As of 31 June 30, the portfolio of treasury shares was closed with 2,991,210 shares following the alienation of 118,365 shares, setoff of 295,295 shares and issuance of 3,300,000 shares during the first half of the year.
- The amount of Company's credits decreased with the principal repayments made during the quarter.
- In comparison with the first quarter of 2015, the credit restructuring decreased the overall volume of the Company's bank credits by EUR 6.5 million, which at the same time brought about significantly easier terms of payment for Appeninn Group. As a result of the credit restructuring, the amount of the Company's debt service is at least EUR 650,000 smaller annually from the business year starting in 2016.
- On 20 May 2016, the Company's Board of Directors made a decision on capital increase. The capital increase move in the period of May–August 2016 was closed with share issue and the transfer of in-kind contributions.

  The increase of the Company's capital has the purpose to moderate burdens on the cash flow and gearing, and at the same time enhance the availability of own funds. The company relies on this capital increase in order to strengthen its funding structure by means of a shift towards own funds, and therefore the Company interest and principal repayment obligations can be reduced in proportion of the external funds converted into own capital.

  The capital increase scheme was backed by a total amount of HUF 300.6 million representing the face value and interests of 90 EUR-denominated bonds and 10 HUF-denominated bonds issued by the Company. With the capital increase, the Company procured portfolio elements that contributed to its cost-efficient operating size. Due to the property portfolio elements acquired in the course of the Company's measure to increase its capital, the Company's ability to generate cash flow will further strengthen from the third quarter of the year as a result of the consequential economies of scale and volume. The Company's strategic objective is to create an opportunity for the application of its funds as capital income and dividends as an entity producing positive cash flow by effectively utilizing is business volumes.

CASH-FLOW STATEMENT

Net cash increase by 22 823 EUR in the first half year of 2016.

CASH-FLOW STATEMENT	2016 1-6 mths* EUR	2015 1-6 mths* EUR
Profit before tax	**501 441**	**735 420**
Net result from the revaluation of income-generating investment properties	57 967	217 791
Exchange rate difference not realised	113 905	1 729 167
Gain on disposal of investment properties	-	221 649
Depreciation and amortization	350	3 492
Changes of earnings allocated to non controlling interest	(31 127)	-
Impairment of goodwill	-	131 398
Gain/(loss) on disposed subsidiaries	-	(2 277 515)
Interest received	(8 969)	-
Interest paid	422 865	653 112
Changes in trade and other receivables	(65 747)	236 228
Changes in prepayments and accrued income	(12 042)	13 636
Changes in inventories	37	1
Changes in deferred income and liabilities	188 084	(364 197)
Changes in deposit from tenants	7 921	9 067
Income taxes paid	(119 098)	(42 541)
Net cash generated by operating activities	**1 055 587**	**1 266 708**
Net cash inflow on sale of subsidiaries	-	536 863
Payments for property, plant and equipment	(114 760)	(217 791)
Proceeds from disposal of property, plant and eqipment	(350)	(14 431)
Proceeds from disposal of assets held for sale	64 272	-
Proceeds from disposal (sale) of investment property	-	136 912
Net cash generated by investing activities	**(50 838)**	**441 553**
Repayment of borrowings	(661 168)	(1 254 977)
Interest received	8 969	-
Interest paid	(422 865)	(653 112)
Net cash used in financing activities	**(981 926)**	**(1 908 089)**
Net increase in cash and cash equivalents	**22 823**	**(199 828)**
Cash and cash equivalents at the beginning of the year	418 769	503 989
Cash and cash equivalents at the end of the year	**441 592**	**304 161**

** The figures relating to the period have not been verified by an independent auditor*

Consolidated Changes in the Shareholders' Equity

Shareholders' Equity (in EUR)	Share capital	Other reserve	Treasury shares	Retained earnings	Attributable to the Owners of the Parent	Non-controlling interests	Total equity and reserves
Balance at January 1, 2015	**11 850 483**	**10 081 366**	**(2 643 620)**	**(599 103)**	**18 689 126**	**-**	**18 689 126**
Total comprehensive income for the year	-	-	-	568 708	**568 708**	-	**568 708**
Sale of treasury shares	-	-	749 791	-	**749 791**	-	**749 791**
Balance at June 30, 2015	**11 850 483**	**10 081 366**	**(1 893 829)**	**(30 395)**	**20 007 625**	**-**	**20 007 625**

Shareholders' Equity (in EUR)	Share capital	Other reserve	Treasury shares	Retained earnings	Attributable to the Owners of the Parent	Non-controlling interests	Total equity and reserves
Balance at January 1, 2016	**11 850 483**	**10 081 366**	**(2 370 330)**	**1 296 357**	**20 857 876**	**741 962**	**21 599 838**
Total comprehensive income for the year	-	-		443 968	**443 968**	(31 127)	**412 841**
Transactions by the equity holders of the Company:							
Purchase of treasury shares	-	-	(199 214)	-	**(199 214)**	-	**(199 214)**
Sale of treasury shares	-	-	106 141	-	**106 141**	-	**106 141**
Issue of treasury shares	1 042 589	-	-	-	**1 042 589**	-	**1 042 589**
Increase by owners for the advance of othei	-	1 148 319	-	-	**1 148 319**	-	**1 148 319**
Balance at June 30, 2016	**12 893 072**	**11 229 685**	**(2 463 403)**	**1 740 325**	**23 399 679**	**710 835**	**24 110 514**

Events After the Period Under Review

Budapest, August 10, 2016. – Appeninn has purchased a property in Rózsadomb, the exclusive area of the 2nd district of Budapest. The company has signed a lease agreement for 6 years with Pénzügykutató Alapítvány (Financial Research Foundation) regarding the over 800 square meters large office. Appeninn Nyrt., listed in the Budapest Stock Exchange, has extended its real estate portfolio after purchasing an over 800 square meters large property on Felhévízi Street. The capabilities of the office are exceptionally favorable, since it is located in an exclusive part of the Rózsadomb area (above the area of the Daubner Confectionery). The purchase price could return for Appeninn within 7 years, since it has immediately signed a 6-year fixed-term lease agreement with Pénzügykutató Alapítvány (Financial Research Foundation). This transaction further supports the realization of Appeninn's strategy, which consists of expanding the company's portfolio via real estates with immediate usability and good capabilities. This enables the company to have an occupancy rate of the area it handles far above the market average, over 95 percent.

The changes did not affect the balance sheet items of the period under review. We are not aware of events affecting the closing balance items and profit of the period under review.

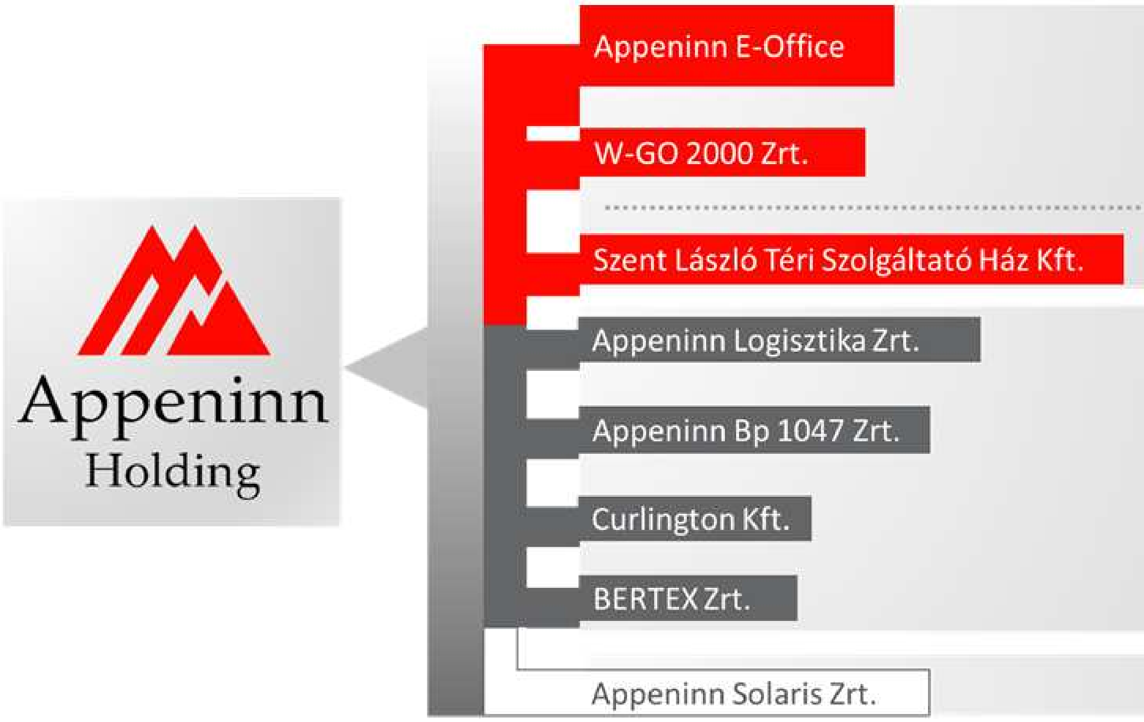
History of the Company

Appeninn Vagyonkezelő Holding Nyrt. was founded in December 2009, and started its income-generating business operations in 2010; today, the Company is one of the most dynamically growing property investment operators in Hungary. The Company is the owner and operator of 13 real-estate properties that are worth EUR 58.9 million in total.

Appeninn Holding has the goal to become a real-estate property holding company that represents traditional, conservative business policy and readily definable asset-based values through the continuous expansion of the Company's real-estate property portfolio.

During its operations, the Company focuses on such market segments where favourably priced assets with high earning-generating potentials can be acquired and held as medium and long-term investments. This target area includes – among others – category B office buildings, industrial and logistics properties, but the Company would also be willing to take part in investments of a similar portfolio approach in other business areas.

Appeninn Holding's structure (30th June 2016.):



ENERGY MANAGEMENT RESULTS

On 6 March 2015, Appeninn Asset Management Holding was recognized with the "Energy-Efficient Company" award of the Virtual Power Plant Program (VEP).

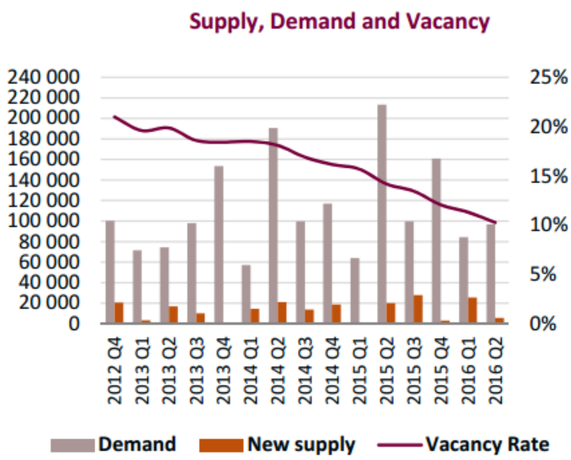
The award presented on the International Energy Saving Day was granted to the Company listed on the stock exchange in the framework of the competition having been announced by VEP. As a result of our energy-saving efforts, the carbon dioxide emission of the office buildings could also be proportionately reduced.

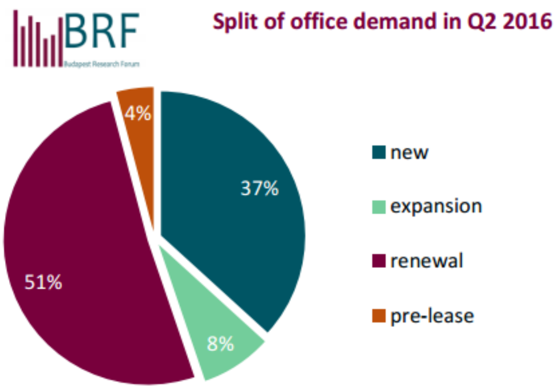
DESCRIPTION OF THE SECTORAL ENVIRONMENT

The Budapest Research Forum (BRF) reported the Q2 2016 office market analysis on 25th July 2016.

Office market in Budapest

One new speculative office building was delivered to the market in the second quarter of 2016 extending to 5,700 sq m in the CBD, whereas one office building (3,490 sq m) was excluded from the stock, as it was sold and is expected to change its function in the near future. The total modern office**stock** is currently 3,297,360 sq m. The total modern office stock comprises 2,632,780 sq m of Category ‘A’ and ‘B’ speculative, and 664,580 sq m of owner occupied buildings.





(source: BRF)

The office vacancy rate continued to decline further by 3.9 pps year-on-year and 1.0 pps quarter-on-quarter bottoming at 10.3%, the lowest level since the financial crises. The lowest vacancy rate (5.8%) was measured in South Buda submarket, whereas the Periphery region suffered from a 31.2% vacancy rate. The vacancy rate of the Non-Central Pest submarket improved the most by 8.1 pps y-o-y standing at 7.9% at the end of Q2 2016.

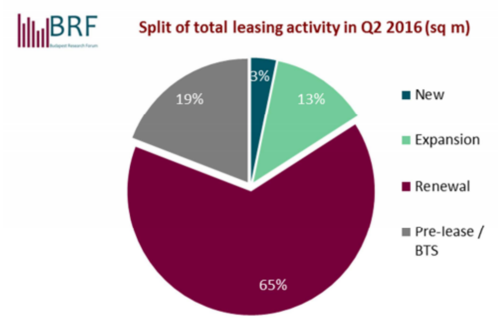
Demand in the second quarter of 2016 reached 129,172 sq m of transacted office space, which was 53% higher than in the previous quarter According to the BRF, 202 lease agreements were signed in Q2 2016, with an average deal size of 639 sq m. Renewals were the major driver of the market with a share of 51%. This was followed by new deals with a proportion of 37%. Expansions accounted for 8%, whereas pre-leases for 4%. No owner-occupied or BTS transaction was registered in this quarter. In terms of submarkets, Váci Corridor had the highest leasing activity, as 30.1% of all transactions were signed there. This was followed by Central Pest and Central Buda, with a share of 25.2% and 13.2% within the total leasing activity.

BRF registered altogether 26 transactions above 1,000 sq m, 13 renewals, 11 new deals and 2 pre-leases. 9 of these contracts were signed in Váci Corridor submarket, followed by Central Pest and Central Buda. The largest pre-lease transaction (2,100 sq m) was registered in Nordic Light, while the biggest new lease agreement was recorded in Haller Gardens, extending over 2,000 sq m. Net absorption totalled 36,526 sq m in Q2 2016, 24.7% higher than in the previous quarter. Out of this volume, Central Pest accounted for 14,933 sq m.

City logistics

In the second quarter of 2016 no new developments were completed, hence the Budapest agglomeration's modern industrial stock remains unchanged at 1,887,800 sq m.

Source: BRF



Source: BRF

Total leasing activity amounted to 92,100 sq m in Q2 2016, which marks a 22% decrease on the previous quarter and a 13% decline on a yearly basis. Similarly to previous quarters, most of the demand was generated by renewals with 65% of TLA, while new leases made up only 3% and expansions 13%.

Due to limited available space several large pre-leases were signed during the quarter, totalling 17,650 sq m and thereby representing 19% of the total demand for the period. The second quarter saw 21 industrial transactions in total, out of which two exceeded 10,000 sq m – these were all lease renewals.

The average deal size was 4,380 sq m, unchanged from the previous quarter but 18% above the quarterly average of the last three years. Approximately 93% of the leasing activity was recorded in logistics parks where the average deal size was 5,710 sq m. The average deal size in city logistics schemes equated to 1,080 sq m. The largest lease was signed in ProLogis Park Budapest Harbor Park, where a logistics company renewed on 20,860 sq m. The two largest pre-leases were both signed in Budapest Dock Szabadkikötő on a total area of 12,800 sq m. The largest new standard lease was a 2,000 sq m deal in the Gentraco warehouse, while the largest expansion took place in BILK with Transoflex's leasing. The vacancy rate currently stands at 9.7%, which is 1.1 pps above the level of Q1 2016 and thereby marks the first quarterly increase since Q3 2013. Currently there is 182,650 sq m vacant space, with only four schemes offering available areas larger than 10,000 sq m. Net absorption came out negative, totalling 20,640 sq m, which marks the volume by which the leased part of the industrial stock contracted during Q2 2016.

GOALS AND STRATEGY

Property management – office market

In line with its strategy, Appeninn Holding fundamentally focuses on such niche market segments where favourably priced assets promising high earning-generating potentials with professional operation can be acquired and held as medium and long-term investments. Primarily, the Group has office complexes in Budapest, but also acquires logistic, commercial properties nation-wide. Through its acquisitions in recent years, Appeninn has been able to broaden its property portfolio.

In addition to maintaining the utilization rate of the office properties belonging to the Company's portfolio on a favourable level, Appeninn attributes importance to satisfying the existing demands of tenants and keeping operating efficiency in the center of attention. The favourable locations and the applied leasing policy ensuring outstanding price-to-value ratios gives the Group a steady utilization rate over 95%, which goes well beyond the average in Budapest.

The principal expectations in relation to office properties include good location, easy access and beneficial functions – these criteria are eminently considered by the Company in its acquisitions. The Group owns the individual real-estate properties via its subsidiaries, and performs operation-related services (accounting, finance, maintenance) in a centralized manner, via the entities belonging to the holding company. To counterbalance the impacts of the economic environment on the tenants, the Company always aspires to continuously control and reduce operating costs, thereby responding to the tenants' cost reduction demands, and consequently the Company does not come under pressure to reduce rental levels, but there remains some room for increasing the amounts of rents even in the current market atmosphere.

Appeninn Nyrt. has a holding company function without the Group, and renders the following services within the Group:

- provision of real-estate property maintenance and operating services that are necessary for the lease-out activities of the subsidiaries
- active portfolio management
- centralized management and administration, as well as legal representation
- centralized arrangement of purchasing transactions, finding the most favourable offers
- organization and implementation of property renovation, conversion works, professional supervision
- receivables management
- provision and operation of the central dispatcher/fault reporting line
- organization of the security guarding and reception services of the properties
- advertising properties/offices to let, recruitment of tenants, maintaining contacts with the tenants
- publication of advertisements in the electronic and printed media, presentation of the subsidiaries and their properties at the appeninn.hu website

Property management – City Logistics

At the end of 2010, the Company made a definite move towards the warehousing and industrial property market, started to expand its portfolio in subsequent steps at a fast pace, thereby creating a massive second holdfast for the holding company beside the office market. The Company's entry into the new segment was implemented with abidance by the core values formulated in the office market: acquisition and management of properties that could be operated with over-the-average utilization rates and levels of earnings offering value to shareholders. In this market segment, Appeninn successfully focused on populating the portfolio with tenants, and pursued effective portfolio management activities towards the optimization of the portfolio structure.

MAIN RESOURCES, RISK FACTORS AND THEIR CHANGES, UNCERTAINTIES

Strengths

- The Company flexibly adapts itself to special customer demands
- The Company realizes cost-efficient operation
- Thoroughly considered property portfolio size and consequential volume-efficient management
- Maintenance of a coordinated funding and income structure
- The Company has a proper liquid asset portfolio
- The Company has well-balanced leverage.

Uncertainties

- Uncertainties relating to the accurate forecasting of utilization rates in new acquisitions
- Duration of tenant changeover for continuous lease

Opportunities

- The underpriced property market in Hungary is an attractive investment target for foreign investors
- Acquisition of undervalued properties in the niche market segments
- The demands of small and medium-sized enterprises as tenants mostly surface in category B
- Long-term cooperation with liquid companies with steady cash flow when the prime of the small and medium-sized enterprises are acquired

Risk factors and mitigation

- The creation of the portfolio for the "bad bank" (MARK Zrt.) planned to be founded by the National Bank of Hungary (MNB) has the potential to substantially influence the selling parameters of the properties that are currently available in the market.
- Appeninn Nyrt.'s Treasury function coordinates participation in the financial markets in line with the Company's long-term business interests.
- Investments in the Hungarian office market can influence pricing indirectly and in the long term.
- The risks of non-payment or default payment that are generally experienced in the corporate segment have already been managed by the Company by maintaining continuous customer monitoring. Customer monitoring activities are continuously developed by coordinating information flow among operations, energy management, customer management and finance.
- 0% of Appeninn Nyrt.'s FX-based investment loans are denominated in EUR.

CONSOLIDATED ENTITIES AND SHARES IN CONTROLLED PARTICIPATIONS

Company:	Controlled participation:
Appeninn-Angel Zrt.	100 %
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.	60 %
Szent László Téri Szolgáltató Ház Kft.	100 %
Appeninn-Investment Zrt.	100 %*
Pontott Kft.	100 %*

'*By the increase of the share capital the Issuer has acquired the 100% of the registered capital of the subsidiary Appeninn-Investment Zrt and Pontott Kft. Consolidated since 20th May 2016.

The subsidiaries listed above are included in the consolidated financial statement applied the full consolidation method.

DECLARATION ON THE AUDIT OF INFORMATION PRESENTED IN THE REPORT

The information and data presented in the Report have been consolidated, but have not been audited.

ISSUE OF NEW SHARES, AND NEW INVESTMENT

The Board of Directors of the Issuer on the meeting held on 20 May 2016 by the Resolution of the Board No. 1./2016.05.20. decided to increase the Issuer's capital by private offering of new shares. In relation to the increase of the share capital the Issuer has acquired the 100% of the registered capital of Pontott Productive, Service and Trade Limited Liability Company (3-5. Bég utca, Budapest, 1024; registration no.: 01-09-731476; tax number: 13363943-2-41; statistical number: 13363943-5829-113-01) with the nominal value of HUF 3.000.000,- by the Cg. 01-09-731476/58. no. ruling on amendment registration of the Company Registry Court of Budapest-Capital Regional Court.

CHANGES IN THE HEADCOUNT OF FULL-TIME EMPLOYEES (PERS.)

	Beginning of the period	End of the period
At company level	2	1

LIST AND DESCRIPTION OF OWNERS WITH STAKES LARGER THAN 5%

Name	Nationality[1]	Activity [2]	Number (pcs)	Stake (%) [3]	Voting right (%) [3,4]	Remark[5]
Lehn Consulting AG	F	BE	12 197 004	33.42	36.40	
E-Milorg Kft.	D	BE	7 300 000	20.00	21.79	
Appeninn Nyrt.	D	BE	2 991 210	8.20	-	Treasury shares

[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.

SENIOR OFFICERS, STRATEGIC EMPLOYEES

Name	Position	Starting date and end of the office	Shareholding (pcs)
György Ádámosi Jr. Indirect shareholding via Lehn Consulting AG	chairman of the BoD	17.01.2014 indefinite	12 197 004
Gábor Székely	BoD member, chairman of the Audit Committee	12.03.2010 indefinite	16 100
Balázs Szabó	BoD member, member of the Audit Committee	10.04.2012 indefinite	-
Lőrinc Éder	BoD member, member of the Audit Committee	12.03.2010 indefinite	-
Zoltán Prutkay	chief financial officer and BoD member	01.01.2015 indefinite	48 600
Attila Gábor Kovács	BoD member BoD member	15.04. 2016 indefinite	100 000

COMPANY'S DECLARATION OF LIABILITY

We, the undersigned hereby declare that to the best of our knowledge this interim report offers a reliable and true view of the financial standing and performance of Appeninn Nyrt. and its controlled undertakings, describes the major events and transactions that occurred and were consummated during the associated period, as well as the connected financial impacts exercised on the financial standing of Appeninn Nyrt. and its consolidated entities. In the period under review, there were no material changes in the accounting policy and accounting principles.

Budapest, 24th August 2016

Appeninn Holding Plc.

Zoltán Prutkay Gábor Székely

jointly as the members of the Board of Directors