Appeninn Holding Asset Management Public Limited Company

2014. First Quarterly Report

Company name	Appeninn Nyrt.
Company adress	H-1022 Budapest, Bég u. 3-5.
Sectoral classification	Asset Management (real estate)
Reporting period	2014. I. quarter
Investment relations	Székely Gábor
Phone	+36 1 346 8869
E-mail	info@appeninnholding.com

Appeninn Holding Asset Management Public Limited Company made the first quarterly riport (consolidated) of 2014 (hereinafter: Report).

The report includes the Company's consolidated management report, the currant year's consolidated balance-sheet and profit and loss account with explanations of these reviews in accordance with IFRS of 2014.

Content of the consolidated management report

- Presentation of the company
- Overall of the first quarterly report of 2014 of Appeninn Holding Ltd.
- Events after the current year
- Analysis of industry enviroment
- Goals ans strategy
- Main resources, risk factors and their changes and uncertains
- Consolidated balance-sheet, profit and loss account and cash-flow account in accordance with IFRS
- Listing and representing the owners, whose got more than 5% (2014.03.31.)
- Senior officers, strategic employees
- The number of full-time employees (person)
- General information of financial data

COMPANY DESCRIPTION

Appeninn Holding Ltd has been established in December 2009 and the company 's revenue-generating business activities started in 2010. The Appeninn Ltd. has holding function in the corporate group and help and suppport the company's life with the following services:

- providing the property maintance and the management for the real estate rental of the subsidiaries
- active portfolio-management
- central management and administration, and to provide legal representation
- central management of contracts, finding the best offers
- renewal and conversion of properties and the management of organization and the professional supervision
- enforcement of claims
- providing a central dispatcher / Error Reporting and line operation
- organizing the guarding and protecting and the reception of the properties,
- advertising the rent offices/real estates, outsourcing the tenants, kepp the contact with the tenants
- the subsidiaries and their properties release on the appeninn.hu website
- advertisements in print and electronic media

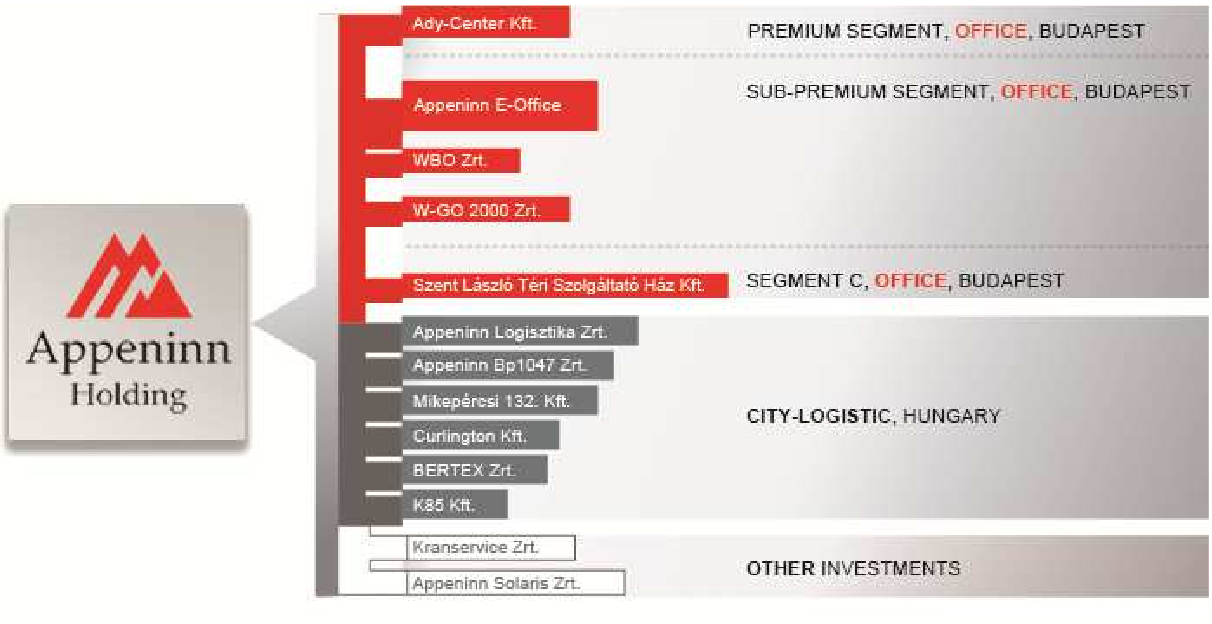
The Company is one fo the fastest growing real estate investment companies of Hungary.The Company focusing on the niche segments, where they can acquire low priced, but high- yield producing assets which are medium and long-term sustainable with investment use.The target fields are the B category business centers and and the industrial and logistics properties.

The Appeninn Holding aims to continuously broadening the portfolio of properties representing a classic, conservative business policy, means to develop a well-defined value based international real estate holding company.

The subsidiaries of the Company at the end of the period and the size of:

- Ady-Center Kft. (100 %)
- 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 %)
- Kranservice Zrt. (100 %)
- Mikepércsi út 132 Ingatlanhasznosító Kft. (100 %)
- WBO Zrt. (100 %)
- W-GO 2000 Zrt. (100 %)
- Szent László Téri Szolgáltató Ház Kft. (100 %)

The Group operates in the following structure:

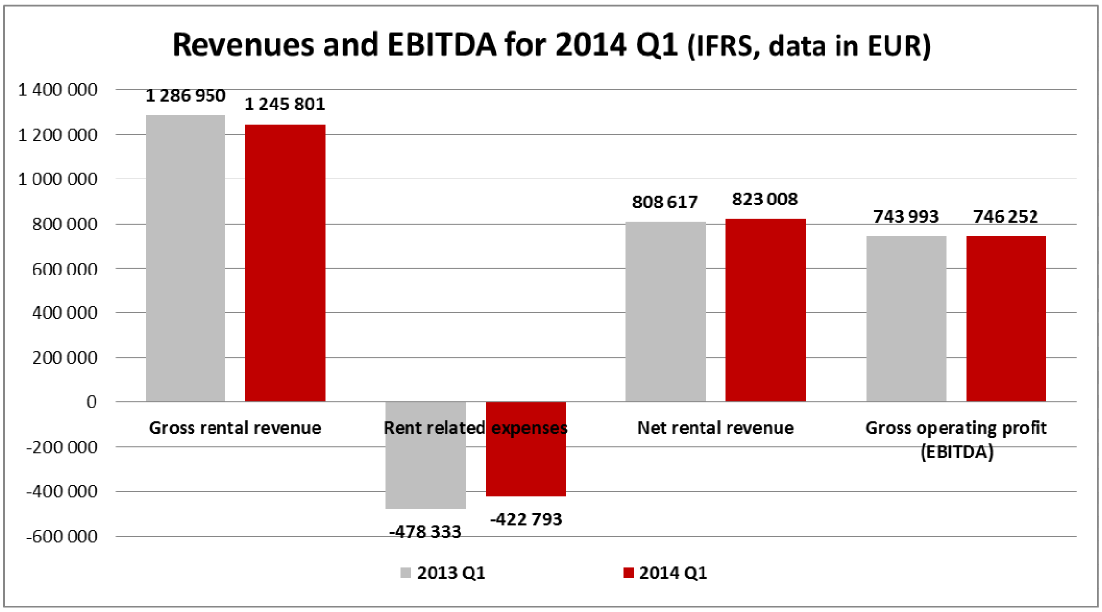


Overall of the first quarterly report of 2014 of Appeninn Holding Ltd.

According to the interim report of the Company Appeninn Holding's consolidated income according to IFRS for the first quarter of 2014 amounted to EUR 1,245 million. The consolidated and reduced direct costs net premium income reached 823 thousand euros, the company EBITDA result was 746 thousand euros, the profit after tax showed a profit of 100 thousand euros.

The Group's gross rental revenue **was 1,245 million in EUR.** Due to the forint based accounting subsidiary companies of and consolidation according to IFRS rules had to switch back to EUR data, so this compared to the previous period changes in the euro exchange rate caused only minor technical and accounting adjustment. Based on the Euro-denominated leases, rents are partially charged at the daily exchange rate of HUF the due date, and aggregate revenue presented in the report are presented at the end of the quarterly period rate. The euro exchange rate depreciated by 4.2 per cent compared with the base period average.

- **Costs related to real estate and asset leasing rental incomes declined more than 11 percent** over the previous quarter.
- **Therefore net rental income rose by nearly 2 percent, due to the increase in coverage.**
- **The** company **EDITBA results slightly exceeded the previous level of EUR 746 thousand, in terms of the ratio continued to improve, now nearly 60 percent.**



- **The Appeninn operating profit was EUR 551 thousand at the end of the first quarter. The profit before tax amounted to EUR 101 thousand. Due to the significant impact of several one-time items and profit before tax decrease:**
  - Profit before tax is reduced to one property in the company's substantial investment in, an amount of EUR 235 thousand loss of property revaluation line item is displayed (because the value of the property has not changed

much equal to the cost of the investment). On the other hand, the impact of the revaluation of property and credit these differences- accounting for the euro - the financial result line is no longer affecting the outcome Appeninn numbers.

- Profit before tax increased by a debt restructuring due to the decrease in interest charges, which improved by EUR 154 thousand pre-tax profit.

- **In light of the company's profit after tax was 101 thousand euros in the first three months, which earnings equal to the sum of the holders of the Company.**

The company's sales revenue provide more than 93 percent of property rental income, that exceeded the year's first three months of 1.1 EUR million. Operated by the Appeninn property portfolio occupancy rate is 95 percent above the level that the market average (81%) is far superior.

The Group's loan portfolio has a value of HUF 10 billion in addition to favorable conditions for restructuring in the past year, thanks to which the interest burden of these obligations and significantly decreased the term of loans is uniformly changed to a longer-term period of 10 years. In the past year, the Company has combined the related finance portfoli olements under the name of Appeninn E-Office Zrt. thereby increasing the efficiency of their operation, reducing the group's expenses.

The Company’s got significant positions at the metropolitan class B office market closed its protfolio’s energy efficiency screening. The screening is feasible as a result of energy efficiency investments in the company's start in 2014, the one-time investment that can increase operating costs for office property portfolio and improve the company's medium-term profitability.

The Group is still looking for the right valuation level, stable income producing ability, good location, properties belonging to the target market segment for its acquisition strategy.

CURRENT STATUS OF THE COMPANY'S CAPITAL CHANGES IN TEMPORARY

The Company's General Assembly held on January 2014th 17th authorized the Board of Directors of the company that started way before continuing further increase its share capital in the next five years, if this is supported expansion plans. The General Assembly authorization in force until 2019, from now a limit of HUF 10 billion, an opportunity to raise capital. Accordingly, the share capital of the board of Appeninn expand in the future, according to the prevailing conditions, providing the full spectrum of the finance company for further growth.

The Extraordinary General Meeting also decided that the definition of the company's board of directors supple number where indicated number of bodies expand, the current five-strong bottom border to 9 people.

The General Assembly decided to change the composition of the board of directors. Following the resignation of a former elected member, the GA elected György Ádámosi, Jr. for the President of Board of Directors, the main owner Lehn Consulting. In addition, a new expert also expanded the board of directors, a good knowledge of the domestic and international markets specialist, Gabor Varga, CEO of Euler Hermes in person.

EVENTS AFTER THE CURRENT YEAR

After the reporting period exterior work wa completed on the E-Appeninn E- Office's Gellért Hill project and the new tenant needs tenants transformation began. The appearance of the new tenant Gellért Hill project utilization reached a level of 80%.

The group received bids for centralized power procurement has been evaluated and has begun the conclusion of service contracts.
Thanks to the active energy management within the annual energy costs by 20-30% savings waiting for the company.

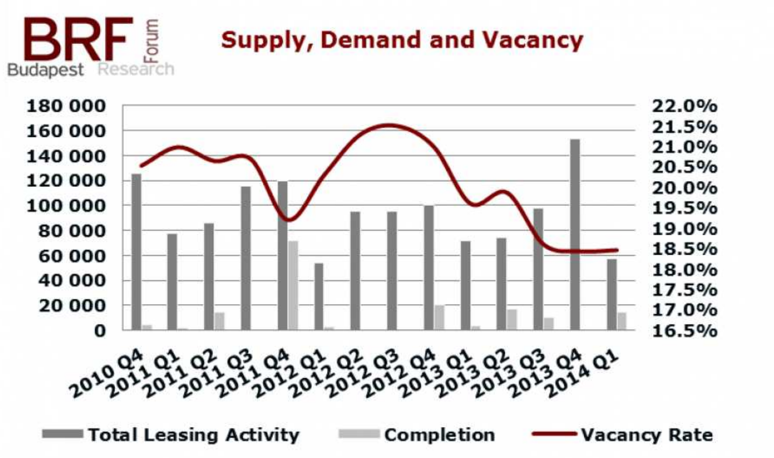
In May, the group started raising the planned construction projects of the year 2013 in their properties as planned energy efficiency, which is over five modern property built condensing boilers, heating systems installation. The boiler replacement and a further 10-20% reduction in energy costs caused by expectations based on energy calculations.

ANYLYSIS OF INDUSTRY ENVIROMENT

Budapest office market

First quarter of 2014, the total office stock in Budapest reached a total area of 3,184,500 square meters. In the quarter, ransferring to a new buildingin the premium segmen took place in Budapest city center, 14,500 square feet of gross leasable area has been on the market.

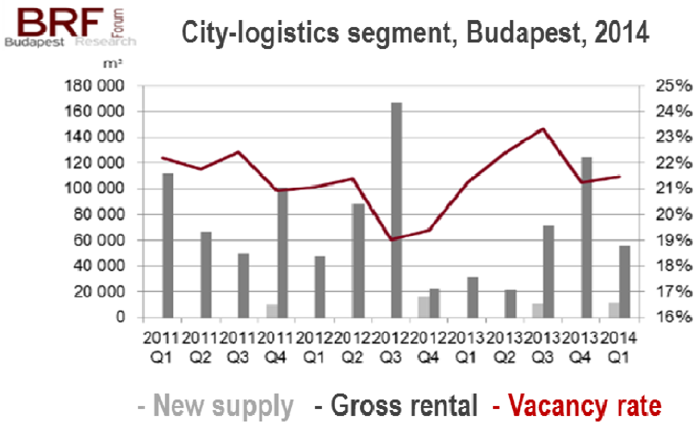
2014, in the first three months of rental demand was 57,200 square meters, of which 37,200 square meters are reserved by new tenants. The 18.6 percent vacancy rate remained almost unchanged, but increased by 0.1 percentage points compared to the fourth quarter of 2013. During this period, also in South-Buda with the lowest vacancy rate (12.2%), while still in the agglomeration was the highest (33.6%).



During the first quarter of 2014 a total of 158 lease agreements were concluded. The average deal size was 362 square meters, which is 12.8% lower value compared to the same period in 2013. The relatively low mean value caused by a lack of transactions over 5,000 square feet, and a large proportion of small transactions. Contracts for 80% less than 500 square meters was concluded, only ten have been under contract for 1000 square meters large area, of which seven were new leases and diversification. As to the composition of the demand for new tenants were dominant, which accounted for 44.1% of total rental.The contract extensions were 35%, the diversifications were 20,9 %. Similar to the previous quarter, the strongest leasing activity is now South-Buda and Váci corridor was measured; more than one-third of the total demand in these two submarkets registered.

City logistics

First quarter of 2014 the entire modern industrial stock in Budapest is 1,847,995 square meters respectively. In the first three months the stock has been extended with a new 11,090-square-foot warehouse building.



Source: BRF

Overall demand for industrial properties in the first quarter 2014 was 55,650 square feet, which represents a 77 percent increase compared to the same period in 2013. 72 per cent of the total demand for renewals made out of actual tenants, new tenants volume was only 15,740 square feet (28%). The largest transaction of the quarter was a 20,600-square-foot extension. The biggest new contract was concluded in 1070 square meters.

In the first quarter, a total of 19 lease contracts were signed, of which only entered into two contracts for a large area of 10,000 square meters; all of which were extension. In the logistics parks, the average size was 3,560 square feet of leased space, and 1,560 square meters of urban logistics parks. The rentals rationalization continued, resulting in a slight increase in the vacancy rate.

As a result of the unused areas of industrial real estate and the quarterly annual rate increased with 0.25 percentage points, the total portfolio increased 21,5%. Int he quarterly basis the vacancy rate reduced with 0,12 percentage points in the logistics parks, the vacancy rate in the city logistics increased -3,58 percentange points.

In 2014 as in the previous year volumes are relatively low development and low demand is expected to contract logistics sector. M0 ring road-side locations have remained the most popular, also in terms of large tenants. There’continued interest in the country experiencing the manufacturer's part towards a good quality buildings, and existing manufacturing facilities is further expanded by the current plant areas, particularly in the automotive industry.

Goals and strategy

Property management – Office market

According to Appeninn Holding's strategy is basically focusing on niche segments which low-priced but high-yield production operation by a professional to operate equipment acquired and maintained in the medium to long term investment purpose. The group primarily has metropolitan office buildings, but also acquires logistics, commercial properties nationally.. Due to the acquisitions of the last three 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 average.

The main expectations regarding Category B 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 finds it challenging 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.

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 pilar besides 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 market segment successfully obtained a high occupancy rate for the portfolio assets, and the company has an active portfolio management activity in order to optimise the portfolio's structure.

Rental of special vehicles

The KRANSERVICE Ltd. plays a unique role in the domestic vehicles' market in particular, self-propelled telescopic cranes rental of good off-road capability.

The company aims to use its resources efficiently in order to best exploit the existing capacities.

MAIN RESOURCES, RISK FACTORS AND THEIR CHANGES AND UNCERTAINS

- **Strenghts**

- The company's flexible, customer-oriented and cost-effective operation capable of achieving quality standards
- 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;
- Significant competitive advantage in market acquisition and retention
- Professional competence of the B-class office market segments far beyond the average
- Financing structure is in line with the revenue structure
- Rents are mainly denominated in euro, while the operating costs are in forint-based
- The Company's capital and source structure are balanced

Opportunities
- acquisition significantly undervalued real estate in the niche segments
- stabilization in the Hungarian real estate market in 2013
- Small and medium-sized enterprises tenant demand appears primarily int he B category
- The Swiss franc's exchange rate against the euro bonds the increasing predictability

Uncertanities
- It should be ensured, that the corporate structure and the internal resources could keep pace with the increasing demand and rapid growth(In HR and customer care systems)
- Development of the Utilization difficult to predict the newly acquired property case, it ties up resources, the creation of reserves may be required

Risk factors
- The settle of the financial problems of the Eurozone is not closed permanently
- The tenant debts' usually forint exchange rate may rise to sudden deterioration. The tenant deposits, however, offer adequate guarantees of the future in the treatment of potentially outstanding.

Financial risks

The treasury function Appeninn Plc. coordinates the participation in the financial markets with the business interests and under its activity analyzing the rising financial risks per business. Among the examined risks there are the market risk (currency risk, fair value interest rate risk and price risk), credit risk, default risk and cash flow interest rate risk. Financing of the activities of the PLC Appeninn primarily resulting from changes in foreign exchange and interest rate risks occur. In addition to determining the interest rate of the Hungarian forint EUR and CHF interest rates, the exchange rate of the EUR exchange rate determining. The efforts of Appeninn Plc to minimize the impact of these risks and i s not engaging in financial engineering for s or speculative purposes.

Market risks

The basic nature of the activities of the Appeninn Plc., 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 and continuous monitoring activities for tenants protecting the Company, so the group can immediatly response for any delays, preventing the formation of these overlapping

Foreign currency risk management

The Appeninn Plc's foreign currency borrowings for investment primarily in EUR and comprises a minimum of CHF denominated after the successful restructuring of the loan portfolio in 2013. The Company thus creating consistency between the rental incomes and the financing. All of the other liabilities incurred in foreign currency at the closing rate was evaluated with unrealized losses are expensed as incurred.

Assurances

Purchased assets from the investment loans (real estate) as collateral for the loan payable serve, so lender's contractual right to exert property rights in the case, if borrower violates the terms of contracts, for example will failure to make payment under the contract.

Appeninn Holding

APPEN BSE PRIME MARKET
Listed on the Prime Market of the Budapest Stock Exchange

FINANCIAL DATA - CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

BALANCE-SHEET

Consolidated statements of financial position - Assets	2014.03.31	2013.12.31
Goodwill	7 566 097	7 718 666
Other intangible assets	12 545	14 577
Investment properties	64 360 000	64 360 000
Property, plants and equipments	767 664	837 954
Deferred tax assets	364 671	361 008
Other financial assets	0	0
Investments in associates	0	5 052
Non-current assets	**73 070 977**	**73 297 257**
Inventories	3 810	3 941
Trade and other receivables	1 675 793	1 378 216
Prepayments and accrued income	110 646	156 590
Cash and cash equivalents	613 548	631 400
Current assets	**2 403 797**	**2 170 147**
Assets classified as held for sale	75 243	77 815
Total assets	**75 550 017**	**75 545 219**

Consolidated statements of financial position - Equity and liabilities	2014.03.31	2013.12.31
Issued capital	11 850 483	11 850 483
Other reserves	10 899 163	10 899 163
Treasury shares	-3 429 463	-2 792 588
Retained earnings	1 863 266	1 840 686
Shareholder's equity	**21 183 449**	**21 797 744**
Non-controlling interests	0	0
Total equity and reserves	**21 183 449**	**21 797 744**
Long-term loans	46 227 965	45 295 645
Deposits from tenants	710 591	632 215
Finance lease liabilities	1 536 145	1 521 680
Provisions	0	0
Deferred tax liabilities	2 316 283	2 407 565
Total non-current liabilities	**50 790 984**	**49 857 105**
Trade and other payables	718 745	995 417
Short-term loan	1 442 777	1 507 852
Current tax liability	281 639	189 643
Short-term finance lease liabilities	207 780	249 777
Deferred revenue and accrued expense	924 643	947 681
Total current liabilities	**3 575 584**	**3 890 370**
Total liabilities	**54 366 568**	**53 747 475**
Total equity and liabilities	**75 550 017**	**75 545 219**

Appeninn Holding

APPEN BSE PRIME MARKET
Listed on the Prime Market of the Budapest Stock Exchange

PROFIT AND LOSS ACCOUNT

Consolidated statement of comprehensive income	2014. Q1	2013. Q1
Property rental revenue	1 160 497	1 200 967
Property related expense	-377 639	-419 539
Vehicle lease revenue	85 304	85 983
Vehicle lease related expense	-45 154	-58 794
Net rental revenue	**823 008**	**808 617**
Administration expense	-76 447	-79 316
Employee related expense	-7 717	-11 292
Other income/(expense)	7 408	25 984
Gross operating profit (EBITDA)	**746 252**	**743 993**
Impairment of goodwill	-152 569	-132 592
Depreciation and amortization	-43 128	-48 609
Operating profit (EBIT)	**550 555**	**562 792**
Gain recognised on disposal of investment properties	0	0
Net result from the revaluation of investment properties	-235 372	0
Badwill related to acquisitions	0	40 498
Interest income	2 738	56 575
Interest expense	-207 278	-361 923
Other financial income/(expense)	-9 933	299 300
Profit before tax	**100 710**	**597 242**
Income tax expense	445	-33 088
Profit for the year	**101 155**	**564 154**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**101 155**	**564 154**
Attributable to:		
Owners of the Company	101 155	437 289
Non-controlling interest	0	126 864
Earnings per share (EURcent/pcs)	**0,29**	**1,42**
Diluted earnings per share (EURcent/pcs)	**0,29**	**1,42**
Long-term net asset value per share	**0,61**	**0,71**

SHAREHOLDERS' EQUITY

	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 2013	10 503 273	7 387 001	854 849	-64 441	-3 068 046	15 612 636	404 133	16 016 769
Total comprehensive income for the year								
Profit for the year	0	0	0	1 492 116	0	1 492 116	8 561	1 500 677
Issue of ordinary shares with premium	1 347 210	2 694 365	0	0	0	4 041 574	0	4 041 574
Non-controlling interests arising on current year acquisi	0	0	0	1 089 635	0	1 089 635	-449 747	639 888
Translation difference	0	0	-37 052	0	0	-37 052	37 052	0
Purchase of treasury shares	0	0	0	0	-4 111 414	-4 111 414	0	-4 111 414
Sale of treasury shares	0	0	0	0	4 386 872	4 386 872	0	4 386 872
Loss recognised on treasury shares	0	0	0	-676 623	0	-676 623	0	-676 623
Balance at 31 December 2013	**11 850 483**	**10 081 366**	**817 797**	**1 840 686**	**-2 792 588**	**21 797 744**	**0**	**21 797 744**
Total comprehensive income for the year								
Profit for the year	0	0	0	101 155	0	101 155	0	101 155
Purchase of treasury shares	0	0	0	0	-2 124 649	-2 124 649	0	-2 124 649
Sale of treasury shares	0	0	0	0	1 487 773	1 487 773	0	1 487 773
Recognized loss on treasury shares	0	0	0	-78 575	0	-78 575	0	-78 575
Balance at 31 March 2014	**11 850 483**	**10 081 366**	**817 797**	**1 863 266**	**-3 429 463**	**21 183 449**	**0**	**21 183 448**

CASH-FLOW STATEMENT

	2014. Q1	2013. Q1
Profit before tax	**102 120**	**597 242**
Adjustments:		
Net result from the revaluation of income-generating investment properties	235 372	0
Exchange rate difference not realised	-92 872	-494 283
Depreciation and amortization	43 128	48 609
Impairment of goodwill	152 569	152 569
Badwill	0	-39 228
Interest paid	102 470	122 964
Changes in trade and other receivables	-297 577	124 027
Changes in prepayments and accrued income	29 960	-8 378
Changes in inventories	131	9 364
Changes in deferred income and liabilities	152 933	884 971
Changes in deposit from tenants	78 376	-24 662
Income taxes paid	-2 508	-186 038
Net cash generated by operating activities	**504 102**	**1 187 157**
Acquisition of businesses, net of cash acquired	0	29 381
Net cash outflow on acquisition of joint ventures	5 052	0
Payments for property, plant and equipment	-235 372	0
Purchase and development of invesment property	0	30 620
Proceeds from disposal of investment property	0	-658 339
Net cash generated by investing activities	**-230 320**	**-598 339**
Proceeds from borrowings	206 590	0
Repayment of borrowings	-376 963	-562 492
Repayment of finance lease liabilities	-86 550	-143 093
Purchase of treasury shares	-983 355	0
Sale of treasury shares	1 038 273	0
Interest received	15 984	1 201
Interest paid	-105 613	-126 735
Net cash used in financing activities	**-291 634**	**-831 119**
Net increase in cash and cash equivalents	-17 852	-242 301
Cash and cash equivalents at the beginning of the year	631 400	1 014 230
Cash and cash equivalents at the end of the year	**613 548**	**771 929**

STATEMENT INFORMATION IN THIS REPORT ARE AUDIT

The data in this report is consolidated, non-audited by an independent auditor.

List and description of the owners whose got more than 5% (31. March 2014.)

Name	Nationality [1]	Activity [2]	Amount (pcs)	Share (%) [3]	Voting right (%) [3,4]	Comment [5]
Lehn Consult AG	K	T	16,548,612	45,34	49,52	

[1] Internal (B). Foreign (K)
[2] Custodian (L). Government (A). International Development Institute (F). Institutional (I). Company (T) Private (M). Employee, senior officer (D)

[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..

Senior officers, strategic employees

Type	Name	Position	Beginning of mandate	End/ termination of mandate	Shares held (pcs)
	György Ádámosi, Jr. owns the stake through the Lenh Consulting AG	President of the Board of Directors	17.01.2014.		16,548,612
	György Károly	Meber of the Board of Directors	12.04.2013		285,000
	Gábor Székely	Meber of the Board of Directors	12.03.2010.		6,800
	Balázs Szabó	Meber of the Board of Directors and meber of the Audit Comittee	10.04.2012.		0
	Győző Székelyi	Meber of the Board of Directors and meber of the Audit Comittee	30.09.2010.	17.01.2014.	0
	Lőrinc Éder	Meber of the Board of Directors and meber of the Audit Comittee	12.03.2010.		0
	Gábor Varga	Member of the Board of Directors	17.01.2014.		2,015
	Mónika Altmann	CFO	12.03.2010.		3,400

Headcount of full-time employees (person)

	Beginning of current year	End of current period
Corporate level	3	3

General information on financial data

	Yes	No
Audited		X
Consolidated	X	

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

Responsibility Statement of the Company

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, 27. May, 2014.

Appeninn Asset Management Holding Plc.

Gábor Székely
Member of
the Board of Directors

ifj. Ádámosi György
President of the Board of Directors