APPENINN VAGYONKEZELŐ HOLDING

PUBLIC LIMITED COMPANY

2013 Q4 REPORT

Company name:	Appeninn Nyrt.
Company address:	1022 Budapest, Bég u. 3-5.
Industry:	Asset management (property management)
Reported period:	2013 Q4
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This is the consolidated report of the Appeninn Vagyonkezelő Holding Public Limited Company on the fourth quarter of 2013, thereinafter referred to as the “Report”.

The Report includes the consolidated management report for 2013 Q4, 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 Nyrt.’s activities for 2013 Q4
- Events after the reported period
- Industry environment
- Objectives and Strategy
- Main resources, risk factors and their changes, uncertainties
- Consolidated balance sheet according to IFRS accounting principles
- List and introduction of shareholders with a stake exceeding 5% (as of 31 Dec 2013)
- Managing executives, strategic employees
- Headcount of full-time employees (No. of people)
- General information pertaining to the financial data

COMPANY INTRODUCTION

The Appeninn Vagyonkezelő 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
- enforcement of claims
- 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.

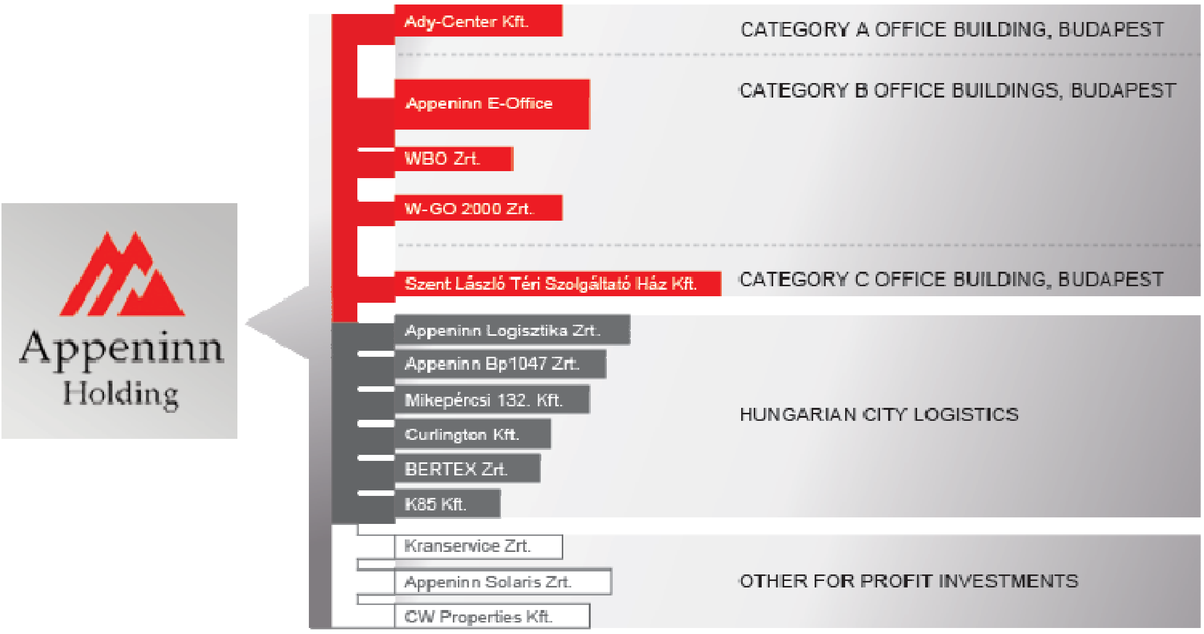
The company is now one of Hungary's most dynamically developing investment companies. It focuses on niche market segments in which low-cost assets promising high yields can be acquired and held on to as medium and long-term investments. The target area includes the Category A and B office building market as well as industrial and logistics properties, but the Appeninn Vagyonkezelő Holding Nyrt. 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:

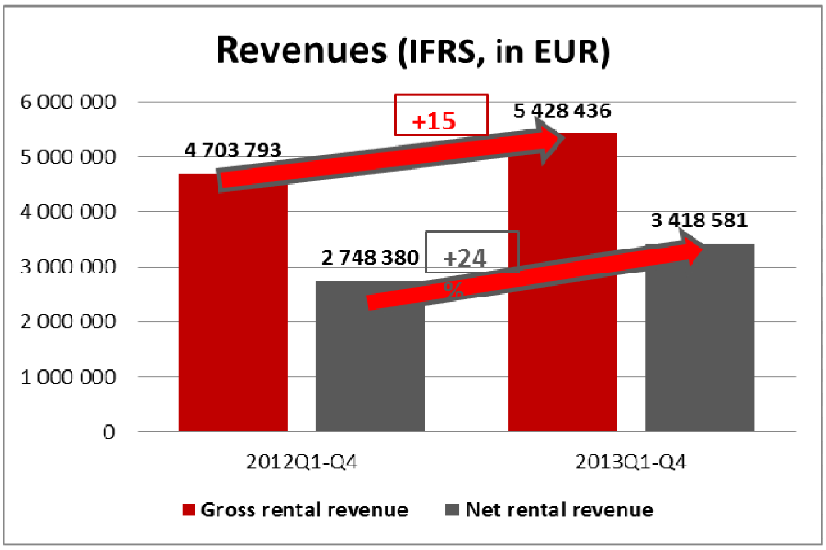
- Ady-Center Kft. (100%)
- Appeninn-Bp1047 Zrt. (100%)
- Appeninn E-Office Zrt. (100%)
- Appeninn-Logisztika Zrt. (100%)
- Appeninn-Solaris Zrt. (100%)
- BERTEX Zrt. (100%)
- Curlington Kft. (100%)
- CW Properties Kft. (50%)
- K85 Ingatlanhasznosító Kft. (100%)
- Kranservice Zrt. (100%)
- Mikepércsi út 132 Ingatlanhasznosító Kft. (100%)
- WBO Zrt. (100%)
- W-GO 2000 Zrt. (100%)
- Szent László Téri Szolgáltató Ház Kft. (100%)

The structure of Company group activities:



SUMMARY OF APPENINN HOLDING NYRT.'S ACTIVITIES FOR 2013 Q4

According to the Company's flash report prepared in accordance with the IFRS the Appeninn Holding's consolidated rental fee revenue for the fourth quarter of 2013 grew by 15% to EUR 5.4 million. The consolidated net rental revenue reduced with the direct costs reached around EUR 3.4 million and a 24.4% growth, compared with the previous year. The Company's profit after tax was EUR 1.5 million.



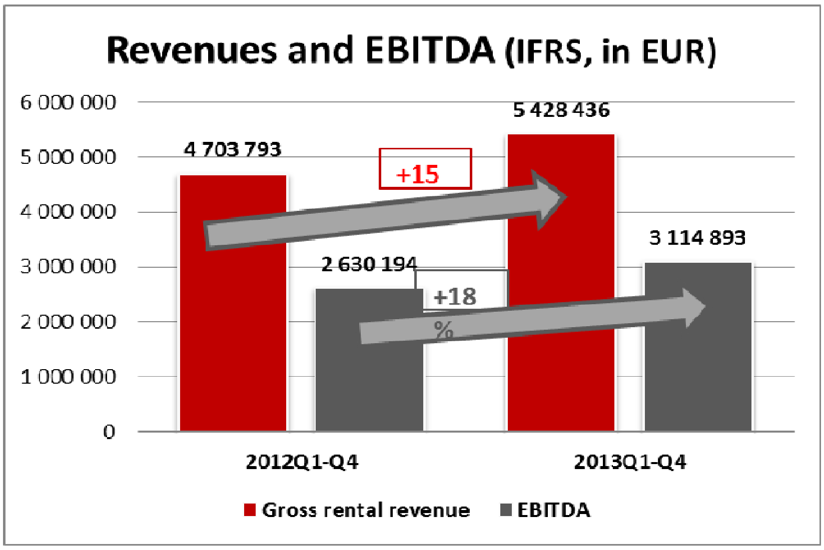
The dynamic growth in Company revenues can be traced back to the following reasons:

- The occupancy rate of the property portfolio managed by Appeninn Nyrt. stood firmly above 95%, which is highly above the market average.
- The Company could manage the properties acquired last year with an occupancy rate similar to other Company properties acquired earlier. The total property asset of the Company is more than 63 000 square metres.

The majority of the Company's financing, revenues and property appraisal carried out each year denominated in Euro, therefore the Profit and Loss Report and the Company's Balance Sheet hereinafter will be denominated in Euros as well.

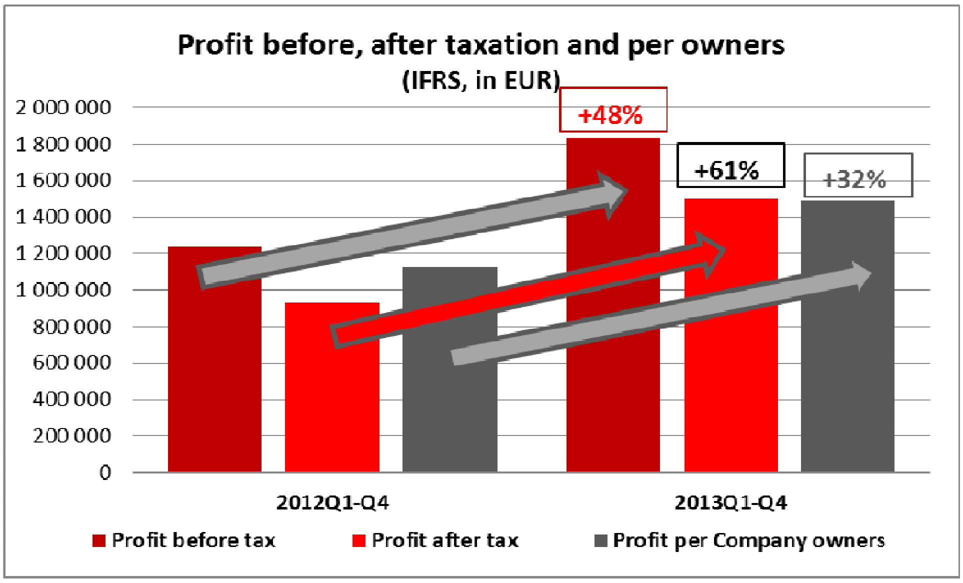
Rental revenue provides around 94% of the Company's revenue, and it increased by 17% compared with the last quarter of the previous year and it reached EUR 5.1 million.

In addition to the property portfolio expansion it is also important for the Appeninn Nyrt. to further improve the Company's operational efficiency. **The EBITDA of the Company improved even further: it was 18% higher than in the same period of the previous year, and by the end of the year it reached EUR 3.1 million.**



The operating profit of the Appeninn Nyrt. at the end of 2013 Q4 was EUR 2.6 million, 10% higher than the operating profit for the same quarter in the previous year. The property portfolio revaluation decreased the profit before tax by EUR 327 000, and the loan-related non-realised translation difference increased it by EUR 466 000.

In light of this, the Company's profit before tax increased by 48% to EUR 1.8 million from EUR 1.2 million compared with the same period in the previous year. Profit after tax increased more than 60%, and it was EUR 1.5 million. The profit per owners increased to EUR 1.49 million from EUR 919 000 in 2012 Q4.



Due to the restructuring of the HUF 10 billion Company group's credit portfolio the interests on the liabilities decreased significantly, and all loan maturity was unified for a 10-year long tenor, which boosted the Company's financial stability and profit generating capacity. The portfolio elements belonging to one creditor were unified under the Appeninn E-Office Zrt.

last year, which resulted in increased efficiency and a reduction in the Company group's expenses.

The Company – with a stronghold in the Category B office building market in Budapest – completed the energy efficiency check of its property portfolio. The energy efficiency boosting investments to be realised following it will be launched in 2014 in order to increase operational efficiency of the office building property portfolio and the company's mid-term profitability.

The Holding continues to look for properties that are adequately priced, can generate stable revenues, are in a good location and belong to the targeted market segment, in line with the company's acquisition strategy.

In regards to the IFRS reports on the Company's activity, the highlights in the real estate industry affecting the Company the most were as follows:

- According to the International Financial Reporting Standards, the *properties acquired during the year*, and the performance of the owner Company shall be calculated into the consolidated report *only from the time of the acquisition*.
- According to the IFRS *the revaluation of properties registered in a foreign currency must be regularly performed*, because *the difference resulting from the currency exchange rate changes can modify the profit*. In 2013 Q4 it meant that compared with the 2013 Q3 Euro exchange rate at HUF 298.48, on the property portfolio registered in EUR and evaluated at a HUF 296.61 exchange rate a EUR 327 000 FX rate loss was generated on the closing day that had an adverse effect of the interim results.
- Due to the foreign exchange rate changes of the bank loans, the Company had a non-realised revaluation profit of EUR 466 000 in this period.

CAPITAL CHANGES IN THE REPORTED PERIOD

At the Annual General Meeting on 12 April 2013 the Company decided to increase its share capital by HUF 400 million, raising it from HUF 3.250 million to HUF 3,650 million. The court registration and the dematerialisation of shares were completed in the fourth quarter of 2013. The share capital increase took place through a private placement of new shares, in the course of which the Company issued 4,000,000 (four million) dematerialised registered ordinary shares (hereinafter: shares) of HUF 100 (one hundred forints) nominal value, with a share series number identical to the already traded ordinary shares. The shares were issued against a HUF 1,200 million non-cash contribution, and the issue price of the shares is HUF 300 each.

EVENTS AFTER THE REPORTED PERIOD

- The Extraordinary General Meeting held on 17 January 2014 authorised the Board of Directors to continue the share capital increase in the next five years if the growth plans support it. The General Meeting's authorisation valid until 2019 provides a HUF 10 billion ceiling for the share capital increase. Pursuant to this resolution, the Board of Directors can increase the Appeninn Vagyonkezelő Holding Nyrt.'s share capital according to the given financial circumstances of the Company, and thus ensure a full spectrum of financing opportunities in order to support further growth for the Company.

- The Company shall proceed with preparations regarding the purchase of portfolio elements that are line with the Company's acquisition strategy, primarily in the office building market as well as in the industrial and logistics properties segment.

INDUSTRY ENVIRONMENT

Office building market in Budapest

According to the analysis of the Budapest Real Estate Consultants Conciliation Forum in Q4 no new office buildings were opened, therefore **the total area of Budapest office space remained 3,172,400 square metres**. In the course of 2013 a total of 30,100 square metres of new office space was opened, which consists of a 30 percent increase compared with 2012. Further recovery is expected on the supply side during 2014 when several projects reach the handover phase. The volume of the new supply for 2014 is predicted to reach 67,000 square metres.

At the end of Q4 the vacancy rate stood at 18.4%, 0.2% less than in the previous quarter. In yearly terms it means a more significant, 2.6% drop compared with the fourth quarter of 2012. The rate didn't show considerable changes in regards to the different market segments, vacancy rate remains the lowest in Dél-Buda and in the central Pest area with 13.2% and 14.3%, respectively.

The volume of gross letting was remarkably high in the fourth quarter (153,500 square metres). However, 77% of this volume was due to contract extensions. The largest newly signed rental contract did not reach the volume of 1,000 square metres. The yearly net rent volume amounted to 190,500 square metres, which was a 9% increase compared with 2012.

215 rental contracts were signed in the fourth quarter of 2013, with a fairly large average rented area of 714 square metres, due to the contract extensions of large rented spaces. **The 745 transactions recorded in 2013 amounted to an average area of 534 square metres.**

City logistics

According to the analysis of the Budapest Real Estate Consultants Conciliation Forum in Q4 no new development was opened in Budapest, therefore **the total area of modern industrial and logistics property in Budapest remained unchanged with 1,833,640 square meters**.

The demand for industrial and logistics properties in the last quarter of 2013 amounted to 124,705 square metres, a figure 75% higher than in the previous quarter. At the same time, **the yearly demand reached a total of 248,865 square meters**, a 30% drop compared with the volume registered in 2012.

The contract extension rate within the rental section dropped to 29.6% in the last quarter. New contracts amounted to 43% of the transactions, and expansions generated an additional 18.5%. Extensions amounted to 34% and new transactions amounted to 37% of the yearly demand, respectively.

Altogether 22 rental contracts were signed in the fourth quarter, six of these deals for an area larger than 10,000 square metres. **Due to the remarkably high demand, the vacancy rate of industrial and logistics properties decreased by 2.1% compared with the previous quarter, which amounts to 21.7% of the total industrial and logistics properties space**. Although it showed improvement in the fourth quarter, the vacancy rate is still 2.3% higher compared with the figures registered in the last quarter of 2012 (19.4%).

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OBJECTIVES AND STRATEGY

Property management – office building 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 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 made a more determined move towards the warehouses and industrial property market. In a number of steps it expanded the Company portfolio at a fast pace, and consequently created a stable second pillar for the Holding besides the office building market. The entrance to the new market segment followed the basic principles applied in the office building market: the objective was to acquire and operate properties with an above average occupancy rate that generates shareholders' dividend at the same time. The Appeninn Nyrt. 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.

Leasing out special industrial vehicles

The Kranservice Zrt. obtained a unique position in the Hungarian special vehicles' market through the leasing out of mobile telescopic cranes. The company aims to use its resources efficiently in order to best exploit the existing capacities.

MAIN RESOURCES, RISK FACTORS AND THEIR CHANGES, 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 2013;
- Small and medium-size enterprises primarily look for Category B offices;
- Fixing the FX rate of the Swiss Franc to the Euro resulted in enhanced predictability.

Threats

- The financial problems of the Eurozone have not been fully dealt with;
- 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.

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 market risks (such as FX risks, real value interest risks and price risks), loan risks, payment risks and cash flow interest risks. The Appeninn Nyrt. seeks to mitigate the effect of these risks. The Company does not engage in a financial construction for speculative purposes.

Market risks

Resulting from its core activity the investments of Appeninn Nyrt. do not directly influence price generation. In the reported year the Appeninn Nyrt. experienced a drop in market demand, which was primarily due to adverse changes in the economy. Financing the Company's business activities mainly consists of risks resulting from foreign exchange rate changes and interest risks. Besides the base interest rate for the Hungarian forint, the CHF and EUR base rates are important; and the foreign exchange rates to be taken into consideration are the CHF and EUR exchange rates.

Management of FX risks

The FX based investment loans of the Appeninn Nyrt. are primarily denominated in CHF and a small part in Euro, therefore these have a significant impact on the Company assets. The Appeninn Nyrt. continuously and successfully aims to convert the Company's loan structure into Euro, in order to keep the right balance between the rental fee incomes and Company financing. For investment loans evaluated on the closing day's FX rate, provisions appropriate to the ratio of the time elapsed between the borrowing and the loan's maturity date in proportion of the amount of unrealized exchange losses recorded as deferred cumulative expenditures are entered into the books. Any other expenses that occurred in a foreign currency are calculated with the exchange rate of the closing day as unrealised exchange loss expenditure.

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.

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FINANCIAL FIGURES – CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS REPORT

BALANCE SHEET

data in EUR Consolidated statements of financial position - Assets	2013.12.31	2012.12.31
Goodwill	8 081 258	6 783 518
Other intangible assets	14 577	21 635
Investment properties	64 360 000	57 990 000
Property, plants and equipments	837 954	1 046 764
Deferred tax assets	361 008	397 223
Investments in associates	5 052	0
Non-current assets	**73 659 849**	**66 239 140**
Inventories	3 941	13 310
Trade and other receivables	1 356 081	1 526 115
Prepayments and accrued income	37 011	139 153
Cash and cash equivalents	629 790	1 014 230
Current assets	**2 026 823**	**2 692 808**
Assets classified as held for sale	77 815	210 443
Total assets	**75 764 487**	**69 142 391**

Consolidated statements of financial position - Equity and liabilities	2013.12.31	2012.12.31
Issued capital	11 850 483	10 503 273
Other reserves	10 899 163	8 241 850
Treasury shares	-2 792 588	-3 068 046
Retained earnings	1 957 799	-64 441
Shareholder's equity	**21 914 857**	**15 612 636**
Non-controlling interests	0	404 133
Total equity and reserves	**21 914 857**	**16 016 769**
Long-term loans	45 815 498	44 505 170
Deposits from tenants	632 215	513 142
Finance lease liabilities	1 720 929	1 834 268
Deferred tax liabilities	2 407 565	1 939 946
Total non-current liabilities	**50 576 207**	**48 792 526**
Trade and other payables	860 386	677 180
Short-term loan	1 205 486	2 249 967
Current tax liability	189 647	171 681
Short-term finance lease liabilities	75 770	369 453
Deferred revenue and accrued expense	942 134	864 815
Total current liabilities	**3 273 423**	**4 333 096**
Total liabilities	**53 849 630**	**53 125 622**
Total equity and liabilities	**75 764 487**	**69 142 391**

PROFT AND LOSS REPORT

data in EUR Consolidated statement of profit or loss and other comprehensive income	2013.	2012.
Property rental revenue	5 083 611	4 357 356
Property related expense	-1 819 642	-1 706 892
Vehicle lease revenue	344 825	346 437
Vehicle lease related expense	-190 213	-248 521
Net rental revenue	**3 418 581**	**2 748 380**
Administration expense	-367 334	-285 440
Employee related expense	-40 911	-64 477
Other income/(expense)	104 557	231 731
Gross operating profit (EBITDA)	**3 114 893**	**2 630 194**
Impairment of goodw ill	-486 626	-221 127
Depreciation and amortization	-13 651	-32 039
Operating profit (EBIT)	**2 614 616**	**2 377 028**
Gain recognised on disposal of investment properties	-185 864	37 195
Net result from the revaluation of investment properties	326 946	-2 884 130
Badw ill related to acquisitions	38 561	738 729
Interest income	61 625	78 529
Interest expense	-1 488 650	-1 416 208
Other financial income/(expense)	466 234	2 307 802
Profit before tax	**1 833 468**	**1 238 945**
Income tax expense	-332 791	-304 984
Profit for the year	**1 500 677**	**933 961**
Other comprehensive income		
Exchange differences on translating operations	0	-15 363
Other comprehensive income, net of taxes	**0**	**-15 363**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1 500 677**	**918 598**
Attributable to:		
Ow ners of the Company	1 492 115	1 127 120
Non-controlling interest	8 562	-208 522
Earnings per share (EUR cent/pcs)	**5**	**4**
Diluted earnings per share (EUR cent/pcs)	**5**	**4**
Long-term net asset value per share	**60**	**48**

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CHANGES IN EQUITY AND RESERVES

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 2012	9 679 700	4 679 221	870 212	-1 175 763	-1 052 973	13 000 397	646 234	13 646 631
Total comprehensive income for the year								
Prior year adjustments	0	31 165	0	-31 165	0	0	0	0
Profit for the year	0	0	0	1 142 486	0	1 142 486	-208 525	933 961
Issue of ordinary shares with premium	823 573	2 676 615	0	0	0	3 500 188	0	3 500 188
Non-controlling interests arising on current y	0	0	0	0	0	0	-33 576	-33 576
Translation difference	0	0	-15 363	0	0	-15 363	0	-15 363
Purchase of treasury shares	0	0	0	0	-6 664 765	-6 664 765	0	-6 664 765
Sale of treasury shares	0	0	0	0	4 649 693	4 649 693	0	4 649 693
Balance at 31 January 2012	**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	1 492 115	0	1 492 115	8 561	1 500 676
Issue of ordinary shares with premium	1 347 210	2 694 365	0	0	0	4 041 574	0	4 041 574
Purchasing of minority interest	0	0	0	1 089 635	0	1 089 635	-449 747	639 888
Translation reserve effect of the elimination of non-controlling interest	0	0	-37 052	0	0	-37 052	37 052	0
Translation difference	0	0	0	0	0	0	0	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	-559 509	4 386 872	3 827 363	0	3 827 363
Balance at 31 December 2013	**11 850 483**	**10 081 366**	**817 797**	**1 957 799**	**-2 792 588**	**21 914 857**	**0**	**21 914 857**

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% (as of 31 Dec 2013)

Name	Nationality[1]	Activity[2]	Quantity (pcs)	Ownership stake (%)[3]	Voting right (%)[3,4]	Comment[5]
Lehn Consult AG	F	B	22,008,612	60.30	64.83	

[1] Domestic (D). Foreign (F)
[2] Asset manager (A). General government (G). International Development Institution (F). Institutional (I). Business entity (B) Private (P). Employee, Managing executive (E)
[3] Should be rounded to two decimal figures
[4] Voting right ensuring participation in the decision making process at the issuing general meeting of shareholders
[5] E.g.: strategic investor, financial investor, etc.

Managing executive, strategic employees

Type	Name	Position	Beginning of mandate	End/ termination of mandate	Shares held (pcs)
	György Károly	Chairman of the BD	12.04.2013.		315.000
	Gábor Székely	Board member, CEO	12.03.2010.		6.800
	Balázs Szabó	BD and SB member	10.04.2012.		0
	Győző Székelyi	BD and SB member	30.09.2010.	17.01.2014.	0
	Lőrinc Éder	BD and SB member	12.03.2010.		0
	Mónika Altmann	CFO	12.03.2010.		4.400

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

	Beginning of current year	End of current period
Company 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

Undersigned, we hereby declare that to our best knowledge the present flash report provides a true and valid picture on the financial position and performance of the Appeninn Nyrt. and its supervised enterprises. This flash report describes the main events and transactions that occurred in the reported period, and the financial effects thereof on Appeninn Nyrt. and companies in its consolidated group. No changes were effectuated in the reported period regarding accounting policies and accounting principles.

Budapest, 27 February 2014

Appeninn Vagyonkezelő Holding Nyrt.

György Károly	György Ádámosi
Chairman of the Board of Directors	member of the Board of Directors
	Chairman of the Audit Committee