



**Annex 2 to the proposal prepared for the
Board of Directors exercising the powers of the General Meeting
of Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.**

**The audited Annual Financial Statements and the related Business
(management) Report of the Company for 2020 prepared in accordance
with the International Financial Reporting Standards (IFRS)**



Business (management) Report for the Audited Annual Financial Statements of the Parent Company prepared in accordance with the International Financial Reporting Standards (IFRS) for 2020

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I. Presentation of the goals, strategy and activity of the Company

The business activity of **Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.** (registered office: 1033 Budapest Polgár utca 8-10.; hereinafter: the “Company” and/or “BIF”) in the first half of 2020 was along the lines of realizing the development strategy and goals listed below:

- Seeking out office and other buildings that fit the existing revenue-generating property portfolio of the Company and performing acquisitions.
- Utilizing the maximum revenue-generating potential in the existing property portfolio and the optimization of the operation of office buildings.
- The realization of the full developed concept of the 39-hectare Harsánylejtő development area in Budapest, District 3, owned by the Company.

As a Company developing and utilizing property, operating since December 31, 2018 as a regulated real estate investment company as defined in Act CII of 2011 on Regulated Real Estate Investment Companies (hereinafter: the “SZIT/REIT Act”), it is involved in the utilization of properties (office and other buildings and parking garages) owned by the Company by giving them into lease, the further development of such properties and the sale of its own construction lots, as well as property development projects on such construction lots and the utilization and sale of the such properties.

According to the property types it owns the Company is active in the field of the following property market segments:

- Office buildings
- Parking garages
- Construction lots
- Residential properties
- Hotels

Office buildings

In 2020, a total of 232 thousand m² new office area was delivered in Budapest, which meant a growth by more than three times compared to the previous year. The office corridor on Váci út remained the major target of investments in 2020 as well, and the total portfolio of this market increased above one million m². The total portfolio on the modern office market exceeded 3.9 m² by the end of 2020. At the end of 2020, a total office area of 470 thousand m² was under construction, of which about 160 thousand m² can be expected to be delivered by the end of 2021; the majority of the development activity tends to focus on the South-Buda market, where a total area of 73 thousand m² can be expected to be delivered in 2021. (Source: Eston).

The vacancy rate, which hit the record low of 5.6% at the end of 2019, started to increase and was at 9.1% at the end of 2020. Considering a continuing expansion of the developments and the third wave of the epidemic situation, real property traders expect an additional minor growth in the vacancy rate, which may be as high as 10-11% in 2021. After its record high in 2019, the demand for offices decreased in 2020 significantly, by 47% as a result of the pandemic. The total volume leased was 335 thousand m², and it was only in 2010 that a lower rate (311.5 thousand m²) has ever been registered. (Source: CBRE)

It is a general challenge that the pandemic situation has brought about numerous changes concerning the office use by tenants as well, and lessors probably have to prepare for such changes in the long run. With the spread of the culture of “home office” and distant working, the possibility for certain tenants to require a decreased leased area or the flexible utilization of office sizes cannot be excluded. The demand for the safe and hygienic operation of the working area, including common areas, elevators and the equipment supplying fresh air has also been clearly formulated. Modern, touchless solutions and tracking systems may also be expected to be added to the basic features required in modern offices.

Development activity can be expected to diminish in 2021, but the demand on the office market will presumably increase from the middle of the year, which is expected to stabilize the vacancy rate from the second half of the year. We expect rental fees to increase and the yields on the office market to decrease in 2021, while the dynamics of such changes can be expected to continue becoming moderated.

The activity of real property investors will foreseeably grow in 2021, as a large volume of capital not invested in 2020 is looking for its place on the market.

On December 31, our Company owned seven category ‘B’ and two category ‘A’ office buildings with excellent location from infrastructural and traffic perspective, and one of the current category ‘B’ office buildings (the office building located at Budapest, district XII, Városmajor str. 12-14, hereinafter: “Major Udvar (Városmajor12)”) is being upgraded to a category ‘A’ office building. Our existing, operating office buildings tended to be run at a utilization rate of 90% in the subject period, falling behind the average utilization rate measured on the market minimally.

In the first half of 2020, our Company acquired **the former “Posta Szálló” at Üllői str. 114-116 in district X of Budapest**, the iconic 13-storey tower building of the neighbourhood, which is being reconstructed for being used as a category ‘A’ office building (hereinafter: “Üllői str. Tower Office Building”). The 3-storey building next to it, once used as a training centre (hereinafter: the “Üllői str. Training Centre”) has also been added to our portfolio, which we intend to utilize as office area or training centre, corresponding to the market demand. These two buildings jointly increased our office portfolio by more than 10 thousand m².

The reconstruction of **Major Udvar (Városmajor12)** started in August of 2020 and is expected to be completed in Q1 of 2022. We managed to agree with one of the major tenants of the office building on its moving to our office building at Városmajor str. 35 in district XII of Budapest (hereinafter: “**Major Park (Városmajor u. 35)**”) successfully acquired at an auction in early 2020, which ensures the continuity of the lease. We developed a modern office and an archive at a floor space of nearly 3.3 thousand m² on several storeys for the tenant.

Our major goal in respect of our office buildings is to keep our tenants satisfied and thus encourage them to extend the term of their lease contracts, and try to achieve such goal by the introduction of new services and the continuous provision of operator’s presence and maintenance. In the case of our category “A” office buildings, we pay special attention to the modernisation of common areas and the overall renovation and upgrading of the office areas becoming vacant.

Parking garages

The market of the existing parking garages operating on commercial basis was also heavily hit by the pandemic situation. At the beginning of April, the government announced free parking on public areas to reduce the use of public transport and hold up the spread of the virus, and this measure remained in force until July 1. During the second wave of the epidemic, free parking on public areas was reintroduced in November 2020. In addition, the availability of free parking was also extended by a new Government Decree to parking garages, underground garages and outdoor parking areas operated for commercial purposes from 7.00 p.m. to 7.00 a.m. Free parking, which was originally meant to expire in December 2020, was extended because of the state of danger, therefore it continued into 2021.

Our Company owns 2 parking garages: **Aranykéz Parking Garage** (Budapest V. kerület Aranykéz utca 4-6.) located next to Vigadó Palota Office Building (Budapest V. kerület Apáczai Csere János utca 9.) (“Vigadó Palota Office Building”) and the **parking garage in Flórián Udvar Office Complex** (Budapest III. kerület Polgár utca 8-10.). The parking garage in Flórián Udvar Office Building is primarily intended to serve the tenants of the office building. Both of our parking garages strive at providing services of an utmost standard, including the use of the latest mobile application based parking system developed by Hungarian experts and modern payment methods. As the extraordinary measures introduced during the state of hazard gave rise to difficulties in the availability of free parking spaces in public places, our tenants who continued going to work to their offices maintained their parking spaces leased for reasons of convenience, what more, some of our major tenants even requested additional parking spaces to support their workers in reaching their workplace safely. The revenues from parking charged for based on parking meter diminished significantly during the curfew restrictions, which primarily affected Aranykéz Parking Garage located downtown.

Construction lots and residential buildings

The rust belt regulation announced in July, 2020 also mobilized developers, but no transactions were made by that time because of the uncertainties concerning the applicable VAT rate. From the governmental measures announced in October, 2020, the reintroduction of the 5% VAT rate on residential properties until 2022, and the new home creation subsidies were the ones which have a major impact on the market, including the market of plots suitable for the construction of residential buildings (source: KPMG). The new VAT rate of 5%, reintroduced universally, finally put an end to uncertainty. Low interest rates and the home creation subsidies provided by the state may help with sustaining the level of demand during the coronavirus pandemic as well. Newly built apartments in Budapest became more expensive by an average rate of 6.1% in 2020, representing a significant slow-down compared to the price increase by 19.5% measured in 2019 (source: Eltinga). In this new situation, increased attention is expected to be directed at the high prestige zones in Buda, which classically preserve their value, by customers buying for residential or investment purposes.

As part of the **Hársánylejtő Kertváros Project** to be realized by the Company as a developer (in District III of Budapest), the Company has launched development projects on a total area of 39 hectares in recent years in several phases (hereinafter: “Hársánylejtő Project”). The project has included construction lot development, residential property development and the creation of lots suitable for the construction of commercial units in the following breakdown:

- **Construction lot development:** A total of 153 construction lots were regulated, created and sold in phases I and II of the project. The phases were successfully concluded in terms of development and sales alike (the total area subject to phases I and II referred to above exceeds 25 hectares).
- **Residential property development**
 - In phases I and II of the residential property development, 40 apartments of floor spaces of 55 – 99 m² were constructed in total on an area of 1 hectare. The sale of the 20 apartments constructed in phase I of the residential property development was successfully concluded in 2019, while the technical delivery took place and the occupancy permit was issued for additional 20 apartments constructed in phase II of the project and only 2 apartments have remained available to potential buyers. The project owner is Hársánylejtő Ingatlanforgalmazó és -kezelő Kft, the exclusive owner of which is the Company (hereinafter: “Hársánylejtő Kft”).
 - In the second half of 2020, our Company sold the development area of 1 hectare, comprising 8 plots of land made suitable for the development of residential properties in phases III – IV. According to the current regulations, the Company could construct condominium properties including 30, 50 and 55 apartments respectively on another area of more than 2 hectares, comprised of 3 plots suitable for residential property development, however, the sale of these plots might be an alternative to development activity for the Company to make use of the growing demand as a result of the cutting of the VAT rate related to residential properties. **Commercial unit development:** there is a plot of an area of 0.4 hectare, which is suitable for the construction of a retail unit of ca. 1,000 m² and an additional office or other service function area of 1,500 m².
- **Office or residential property development:** a plot of 1 hectare suitable for the construction of an office complex of ca. 2500 m² or condominium properties.

The Company is continuously investigating the best opportunities in respect of the individual real properties. Decisions have been made to implement phases I and II of the Hársánylejtő Plot Development and phases I and II of the Hársánylejtő Residential Property Development, and such developments have been or are soon to be concluded. As for the other development opportunities, the Company will consider based on current market trends whether to start the developments or sell them as a construction lot/project.

In addition to the residential property development realized as part of Harsánylejtő Project, the Company realized a significant development project regarding the real property entered into the Land Register under Topographical No. 6775, Budapest, district I, physically located at 1012 Budapest, Attila str. 99 and 1012 Budapest, Logodi str. 42 (hereinafter: the “**Attila99Loft**” or “Attila str. property”). As part of this development project, 16 exclusive apartments, an automated parking system with 22 parking spaces, a restaurant and a bakery are being constructed in the real property. The building with a design inspired by New York will be made special not only by being located in the Castle District and the unique style of each apartment, but also the exclusive services to be offered in it. The Company wishes to utilize the apartments to be developed by leasing them after their completion expected to take place at the end of April, 2020.

Hotels

The hotel market of Budapest saw record low reservation rates and revenues in 2020. The revenue per room to let decreased by 82% in Budapest. Although a total of 580 new hotel rooms were delivered in 2020 on a national level as a result of development projects commenced in the previous period, additional planned developments became uncertain. The number of available hotel rooms also fell back significantly because of closures and it is uncertain for the time being when certain hotels can reopen, especially those specialized in receiving foreign tourists. Although domestic tourism seems to be on an upsurging trend, the figures of the previous years will probably remain unattainable without foreign guests, and this is particularly true for Budapest. According to forecasts, the hotel sector of Budapest can reach the pre-Covid level in 2-3 years, which is still one of the most promising indicators in the region (source: CBRE).

At the moment, there are 2 real properties owned by the Company which are operated by the companies leasing them as hotels (the Company generates no revenues from providing accommodation or catering services, but only leases the real properties owned). In one of the real properties of the most prominent location from the point of view of tourism, **the property at Madách square** (Madách Imre sqr 3 in district V of Budapest), there is a 4-star hotel with 115 rooms. The 3-star hotel with 81 rooms and 1 apartment in **building “C”** within **the real property complex on Üllői street** located in the catchment area of Liszt Ferenc international airport, more specifically the airport corridor Üllői street functions as a transit hotel.

One of the most outstanding real properties in the portfolio of the Company is located at a World Heritage Site under Andrassy str. 80-82 in district VI of Budapest (the “**Andrassy str. property**”). A Boutique Hotel concept is being developed currently for this plot of a total area of more than 1.4 thousand m², and an agreement is being negotiated for its utilization with an operator with significant references on the Budapest hotel market. The phasing of the development is fundamentally affected by how the coronavirus pandemic evolves and its impact on the market.

II. Profit and loss in 2020 and the prospects for and challenges in 2021

1. Profit and loss in 2020

The Company concluded a successful year in 2020, which was, however, full of challenges. According to its Audited Profit and Loss Statement prepared in accordance with the IFRS, BIF generated a **profit before taxation** in the amount of **HUF 4.487 million** in 2020, which represented a significant increase by ca. 2.2 billion HUF compared to year 2019. At the same time, the profit before taxation adjusted by the change in the fair value of investment properties grew from 2.151 million HUF in 2019 to 2.342 million HUF in the subject year (+191 million HUF, i.e. + 9%), primarily thanks to the revenues derived from the sale of Verseg Kastélyszálló and of plots suitable for the development of residential properties as part of Harsánylejtő Project and from increasing rental revenues primarily as a result of the purchase of Major Park (Városmajor 35) office building. The operating profit prorated to sales revenues (adjusted by the change in the fair value of investment properties), which indicates the operating efficiency of the Company, was 51% in 2020.

- The **net sales revenues** amounted to 4,752 million HUF as a whole in 2020 (+9%). The majority (a total of 83%) of the net sales revenues generated by BIF in 2020 was derived from the utilisation of investment properties like fees charged for rental, parking, operational and related mediated services, but the share of the revenues generated by the sale of construction lots as part of the Harsánylejtő Project was also significant (17%) in the subject period. Revenues from property utilization could increase in the subject period (+246 million HUF, + 7%) despite the diminishing of revenues from parking fees due to the introduction of free parking in public areas, while the revenue from property sales could increase significantly (+141 million HUF, +21%) thanks to the sale of development plots as part of Harsánylejtő Project.

Breakdown of net sales revenues

data in th HUF	2019	2020
Revenues from leasing and operating fee	2 949 319	3 235 913
Revenues from parking fee	475 159	410 721
Revenues related to mediated services	270 375	294 304
Revenues from property/lot sale	661 228	802 677
Other sales revenues	10 800	8 108
Total	4 366 881	4 751 723

- **Other operating income** increased to almost 3.5 billion HUF in 2020 as a result of the impact on the profit and loss arising from the fair value of investment properties and the sale of Verseg Kastélyszálló¹.
- **Material expenses** decreased by 145 million HUF, i.e. by 12% in 2020 compared to its value demonstrated in 2019. Such decrease was primarily caused by the additional fees and charges incurred in 2019 in connection with the acquisition of the Attila str. property and the leasing of the Vigadó Palota Office Building.
- **Personnel expenses** grew by 4% in 2020 compared to the previous year. Personnel expenses increased as a result of the growth in personnel numbers and organisational development realized to achieve the strategic goals of the Company. The average statistical number of the Company's employees changed to 46 in 2020 (compared to 43 in 2019).
- The growth seen in the line **depreciation and impairment** was caused by impairment on the equity share of subsidiaries in the first place.

¹ For further information, refer to Section III. 4.

- **Other operating expenses** were by 740 million HUF higher in 2020 than in the previous year. This change was brought about mainly by the decreasing of the market value accounted for some individual properties based on the IAS40 standard, the transfer of assets (road network) for no consideration to the Municipality of District III of Budapest as part of the Harsánylejtő Project in the subject year and the derecognition of specific, previously incurred in the interest of Harsánylejtő Project but not utilized investments in the subject year.
- As a result of the foregoing, the **operating profit** of 2020 increased to about 4.6 billion HUF, which represented a growth by 87% compared to the value in 2019. The operating profit adjusted by the change in the fair value of investment properties grew to 2,428 million HUF in 2020 from 2,301 million HUF in 2019 (+6%).
- The **profit/loss on financial transactions** improved to -86 million HUF in the subject period from -150 million HUF in the base period, as a result of the increase in interest income as a result of more efficient liquidity management on the one hand and exchange rate profit realized on EUR/HUF exchange transactions related to the payment of the purchase price of Major Park (Városmajor 35) Office Building on the other hand.
- Based on the provisions of the REIT Act, the Company was obligated to pay corporate tax only as long the REIT status was obtained (on October 20, 2017). Although the Company is still obliged to determine its corporate tax base, it is only required to pay corporate tax after such tax base in certain cases (e.g. the portion of the tax base prorated to revenues from affiliates). With regard to the foregoing, the actual tax expenses incurred by the Company in the subject year in the amount of 15 million HUF included 2 million HUF paid as corporate tax after revenues from affiliates and 13 million HUF paid as innovation contribution.

Profit and Loss Statement (IFRS, audited)

data in thousand HUF	2019	2020
Net revenue from sales	4 366 881	4 751 723
Other operating income	275 162	3 465 316
Changes in the inventory of internally generated products	-30 538	-178 595
Capitalized value of internally generated assets	58 441	-3 560
Material expenses	-1 214 206	-1 069 189
Personnel expenses	-457 018	-476 750
Other operating expenses	-470 732	-1 210 859
EBITDA	2 527 990	5 278 086
Depreciation and impairment	-81 170	-705 299
Operating profit	2 446 820	4 572 787
Financial income	56 813	148 215
Financial expenditure	-206 683	-234 242
Profit before taxes	2 296 950	4 486 760
Current tax expense	-13 270	-14 633
Deferred tax	0	0
Profit after taxes	2 283 680	4 472 127

- The portfolio of **investment properties** grew by 10.8 billion HUF to 52.5 billion HUF in 2020 compared to its amount as of 31 December, 2019. The significant increase is explained by the expansion of the portfolio² by successful acquisition of Major Park (Városmajor 35) Office Building and a further title of 511/1000 to the real property located at Topographical No. 38315/42, District X of Budapest (hereinafter: “Üllői street acquisition”) and the increase in the fair value of the properties in the portfolio. The Company chose the fair value model to carry investment properties according to the IAS40 Standard. The fair value of the investment properties owned by the Company is determined by an independent appraiser on a quarterly basis

² For further information, refer to Section III. 3.

in compliance with the REIT Act (valuations in 2020 were prepared by Seratus Ingatlan Tanácsadó Igazságügyi Szakértő Kft).

- The **net debt** of the Company (the amount of financial liabilities minus financial assets) grew by about 9.2 billion HUF by December 31, 2020 compared to the end of 2019. The growth in financial liabilities resulted from the loans drawn down³ in connection with the real property acquisitions successfully realized in 2020, whereas the decrease in financial assets could be primarily explained with the payments made for the developments related to Major Udvar (Városmajor 12) Office Building and the Attila str. property and the payment of dividend in the amount of 2.6 billion HUF in 2020.

Major balance sheet items (IFRS, audited)

data in thousand HUF	31.12.2019	31.12.2020
Investment properties	41 696 004	52 508 004
<i>Total long-term assets</i>	<i>42 705 903</i>	<i>53 204 467</i>
Cash and cash equivalents	14 491 973	10 733 676
<i>Total current assets</i>	<i>17 054 431</i>	<i>12 266 061</i>
Total assets	59 760 334	65 470 528
Issued capital	2 870 244	2 870 244
<i>Equity attributable to parent company:</i>	<i>41 754 856</i>	<i>42 358 140</i>
Financial liabilities	15 618 427	19 032 327
<i>Total long-term liabilities</i>	<i>15 629 760</i>	<i>19 047 990</i>
Financial liabilities	515 354	909 006
<i>Total short-term liabilities</i>	<i>2 375 718</i>	<i>4 064 398</i>
Total liabilities and equity	59 760 334	65 470 528

Major property, financial and profitability indicators

Name	31.12.2019	31.12.2020
Long-term assets to total assets ratio (“Long term assets”/“Total assets”)	71,46%	81,26%
Indebtedness (“Long term liabilities total”/“Total long term liabilities and equity attributable to parent company”)	27,24%	31,02%
Debt to equity ratio (“Long term liabilities total”/“Equity attributable to the parent company”)	37,43%	44,97%
Quick liquidity ratio (“Cash and cash equivalents”/“Short term liabilities total”)	610,00%	264,09%
Revenue proportionate income (“Operating profit”/“Net revenue from sales”)	56,03%	96,23%
Equity-proportionate profit (“Operating profit”/“Total equity attributable to the parent company”)	5,86%	10,80%

³ For further information, refer to Section III. 2.

2. Prospects for and challenges in the business year of 2021

In 2021, the Company intends to focus on the following **development areas**:

- Continuing the works commenced in Q3 of 2020 on the renovation of buildings “A” and “B” and the construction of building “C” of **Major Udvar** (Városmajor u. 12) and the lease of the increased office and parking areas of the office building.
- Leasing of the vacant areas in **Major Park** (Városmajor u. 35) purchased at the beginning of 2020 as a result of successful acquisition and elaboration of a concept for the development of additional office, parking house and commercial functions to make use of the opportunities created by the local building regulations amended at the end of 2020. Increasing the utilization ratio of **Flórián Udvar Office Building**, retention of current tenants, investigation and utilization of expansion opportunities.
- Completion of development/construction works on, occupancy of the building and continuing the sales activity aimed at the leasing of **Attila99Loft** successfully acquired at the beginning of 2019.
- **Harsánylejtő Project**
 - Transfer of ownership of public utility networks constructed in connection with completed plot development projects but not yet commissioned to the service provider.
 - Conclusion of the sale and the related legal processes (establishing of a condominium, creation of condominium units) of the residential properties constructed as part of the residential property development projects completed (phases I and II).
 - In the case of the construction lots included in Harsánylejtő Project where no decision has been made yet on the commencing of the development, investigating the possibilities concerning the commencement of the individual developments and/or their sale as construction lot/project based on current market trends.
- Elaboration of the development concept (initiating the amendment of the local building regulations, application for a construction and demolition permit) for **Bajcsy-Zsilinszky str. Office Building** (located at district VI of Budapest, Bajcsy-Zsilinszky str. 57), maximization of the utilization rate of the real property in its current condition in the transition period.
- Finalization of the hotel concept developed for the **Andrássy str. property** depending on changes to market conditions, initiating of a modification of the local building regulations to enhance development possibilities and obtaining the building permit, selection of the operator and the conclusion of the relevant lease contract.
- Review of the rental fees charged for commercial units, storage areas and parking spaces in **Aranykéz Parking Garage** with regard to changes to outdoor parking fees in the downtown area.
- Commencing the overall renovation, change of functionality of and concluding lease contracts for **Üllői str. Office Tower** and **Üllői str. Educational Centre**.
- Utilization of the development and efficiency improvement possibilities inherent in the existing properties (**portfolio “review”**)
- Seeking **acquisition opportunities** fitting into the strategy of the Company, performing the acquisitions and including the properties in question in the cash-generating portfolio.

In addition to the foregoing, the handling of the coronavirus situation and the examination of its short-term and long-term impact on the portfolio as a whole are also challenging.

III. Major events at the Company in 2020

1. General Meeting

With regard to the relevant provisions of Gov. Decree 102/2020 (IV.10.), the Board of Directors of the Company made a decision on April 29, 2020, by exercising the powers of the general meeting, on each issue on the agenda presented in the invitation to the general meeting published as of March 29, 2020, and such resolutions were announced on April 29, 2020 in accordance with the relevant provisions of law. The resolutions are available at the following link:

<https://www.bif.hu/befektetoknek/publikaciok/tozsdei-kozlemenyek/budapesti-ingatlan-nyrt-igazgatotanacs-a-altal-kozgyulesi-hataskorben-meghozott-hatarozatok>.

2. Financing

- Pursuant to the loan contract concluded by the Company and MFB Magyar Fejlesztési Bank Zrt (hereinafter: “MFB”) on February 6, 2020 based on the loan facility agreement entered into by the Company and MFB on November 7, 2018 for an amount of 20 billion HUF, MFB disbursed a fixed rate HUF loan for a term of 10 years in the total amount of HUF 2,914,540,200 to the Company for property purchase.
- Pursuant to the three loan contracts concluded by the Company and Takarékbank Zrt (hereinafter: “Takarékbank”) on August 21, 2020, Takarékbank provided/is providing the following fixed rate HUF loans for a term of 15 years to the Company:
 - a loan disbursed on September 15, 2020 in the amount of HUF 9,707,551,770 for the purpose of refinancing the total amount of debt assumed pursuant to the two loan contracts concluded on November 7, 2019 and the loan contract concluded on February 6, 2020 based on the loan facility agreement concluded by and between the Company and MFB on November 7, 2018 for an amount of 20 billion HUF;
 - a loan in the total amount of HUF 2,606,021,058 extended for the partial subsequent financing of real property purchase and the financing of real property renovation and investment, the first one of which was disbursed on September 1, 2020 in the amount of HUF 1,124,100,000, whereas the second one was disbursed on November 13, 2020 in the amount of HUF 143,750,000;
 - the loan disbursed on September 15, 2020 for the purpose of the refinancing of the total debt outstanding in the amount of HUF 1,661,513,172 based on the loan contract concluded by and between the Company and Takarékbank on March 8, 2018 for an amount of HUF 2,100,000,000.

3. Real property acquisitions

In 2020, the Company purchased the real properties specified below:

- On January 2, 2020, the Company concluded a real property sales contract with Városmajor Projekt Ingatlanhasznosító Korlátolt Felelősségű Társaság as seller to acquire the exclusive title of the seller to the real property of Topographical No. 6866, District XII of Budapest, physically located at 1122 Budapest, Városmajor utca 35; The acquisition was concluded in January, 2020.
- On May 5, 2020, the Company concluded a real property sales contract with Magyar Posta Zrt as seller to acquire the 511/1000 title of the seller to the real property of Topographical No. 38315/42, District X of Budapest, physically located at 1101 Budapest, Üllői út 114-116; the transaction was concluded in May, 2020.

4. Major real property sales

In 2020, the following major real property sales transactions were concluded by the Company:

- On May 12, 2020, the Company concluded a real property sales contract with Kastélyszálló Vendéglátóipari és Szolgáltató Kft as buyer to sell the exclusive title of the Company to the real property of Topographical No. 0122/2, unincorporated area of Verseg and the related movable properties owned by the Company; the transaction was successfully concluded in June, 2020.
- On December 2, 2020, the Company concluded a real property sales contract with Országos Szlovák Önkormányzat as buyer to sell the exclusive title of the Company to the real property of Topographical No. 34637/§/A/107, District VII of Budapest, physically located at 1081 Budapest, Rákóczi út 57.

5. Change to stock of treasury shares

On June 24, 2020, the Company acquired 5,200,000 shares issued by the Company (ISIN code: HU0000167986) at the price of HUF 250 each in a transaction concluded outside Budapest Stock Exchange. As a result of such transaction, the number of the treasury shares of the Company changed from 30,140,000 to 35,340,000.

6. Personal changes in 2020

Board of Directors, Audit Committee

No changes occurred in the composition of the Board of Directors or the Audit Committee between 1 January, 2020 and 31 December, 2020.

Management

- From January 1, 2020, dr. Kalicz Anita has been filling the position of the head of the legal department at the Company.
- On July 31, 2020, the employment of Janák Enikő, head of the sales and marketing department was terminated.
- From July 1, 2020 to January 17, 2021, the position of the head of the sales and marketing department of the Company was filled by Tóth Zsuzsanna.

IV. Risk factors influencing the effectiveness of the Company

The effectiveness of the activities of the Company is still influenced by the current macro- economic situation considerably, and the company management environment established as a result thereof, since the occupancy of the offices, the amount of the rents that can be realized depends on the financial situation, expectations of the lessee companies.

The Company performs its property utilization activities with a relative low level of risk, a significant part of the lease agreements concluded are of a fixed term, the average period remaining from the term is 2 to 3 years, but in special cases they can be for 5+5 or 10 years. Our lease agreements of an unspecified term have been concluded typically for several years. Due to the prior risk analysis of tenants and the security system both the extent of outstanding amounts and non-payment significantly decreased in the previous years and could maintain in 2020 as well its very low level similar to the previous years.

Since the refinancing in March, 2018 of the outstanding amount of the EUR loan taken out by the Company from CIB Bank Zrt, the Company has only had HUF-based long-term loans. Considering that about 89% of the Company's revenues are realized in HUF, the FX risk is practically minimal.

As a result of the following refinancing transaction also presented in Section III. 2, in September 2020, the Company was released of the interest rate risk attached to loans. Takarékbank disbursed on September 15, 2020 a fixed-rate loan of a term of 15 years in the amount of HUF 1,661,513,172 for the purpose of the refinancing of the total debt outstanding based on the loan contract concluded by and between the Company and Takarékbank on March 8, 2018 for an amount of HUF 2,100,000,000.

The detailed data concerning financial instruments can be found in paragraph 36 on “Financial Instruments” in Section III titled “Additional Explanations in the Chapter on “Additional Notes” to the audited Annual Financial Statements of the Parent Company for 2020, prepared in accordance with the International Financial Reporting Standards (IFRS). The Company has no other securities besides the BIF ordinary shares it owns (treasury shares), and entered into no derivative transactions.

Unfortunately, the new (third) wave of the coronavirus pandemic reached Hungary as well after the balance sheet day, in March, 2021. The current coronavirus situation and the changes to such situation may unfortunately have some negative impacts on the plans and objectives formulated by the Company for 2021, which are difficult to estimate or express in numerical terms for the time being, however, economic life may be expected to start getting back to normal in the second half of 2021 as the vaccines against coronavirus become more and more widespread. In order to minimize its exposure to risks due to the coronavirus pandemic (such as some of its tenants initiating the renegotiation or termination of their lease contracts, delays in current development projects or the renegotiation of its relations with suppliers/providers) and to protect its employees, the Company continues closely monitoring all changes to the current situation, with special regard to the measures of the government and official bodies, so that it may introduce new measures and provide information to its employees and partners accordingly.

V. Material events after the balance sheet day

Conclusion real property sales transaction

The real property sales transaction referenced in the second paragraph of Section III. 4 was concluded in the second half of January, 2021.

VI. General Company Information

1. Data of Company

Company name:	Budapesti Ingatlan Hasznosítási és Fejlesztési nyilvánosan működő Részvénytársaság
Abbreviated company name:	Budapesti Ingatlan Nyrt.
Registered office:	1033 Budapest, Polgár u. 8-10.
Post address (location of central administration):	1033 Budapest, Polgár u. 8-10.
Central electronic contact:	info@bif.hu
Website:	www.bif.hu
Date of the articles of association of the Company:	31.01.1995.
Date when the Company started its operation:	01.05.1994.
Court of Registration:	Company Registry Court of Budapest- Capital Regional Court
Company registration number:	Cg. 01-10-042813
Statistical number of the Company:	12041781-6820-114-01
Tax administration identification number:	12041781-2-41
Community tax number:	HU12041781
Share capital of the Company on 31 December 2019	HUF 2,870,244,400
Duration of the operation of the Company:	unspecified
Business year of the Company:	identical to the calendar year
Principal activity of the Company:	6820'08 Renting and operating of own or leased real estate

2. Company Management

General Meeting

Appointment and removal of executives belongs to the exclusive jurisdiction of the General Meeting. The Company did not conclude any specific agreement with executives and employees concerning severance pay, in this regard the relevant articles of the Civil Code shall be applied. No agreement has been concluded between the Company and any of its executive officer or employee, which provides for compensation in case the executive officer resigns or the employee terminates his/her employment, if the legal relationship between the executive officer or the employee is unlawfully terminated, or the legal relationship is terminated due to a public offer. The Company has not entered into an agreement which enters into force or is amended or terminated as a result of a change in the management of the Company following a public bid.

Amendment of the articles of association belongs to the exclusive jurisdiction of the General Meeting, with the following exceptions:

- If the amendment of the Articles of Association only concerns the company name, registered office, premises and branch offices, the site of central administration, and – with the exception of the principal activity – the scope of activity of the Company, the General Meeting decides with a simple majority of votes, by the power of which the Articles of Association authorize the

Board of Directors of the Company to modify the company name, registered office, premises and branch offices, the site of central administration, and – with the exception of the principal activity – the scope of activity of the Company at its own discretion with a resolution of the board of directors.

- By its resolution the General Meeting may authorize the Board of Directors to increase the capital of the Company. In the relevant general meeting resolution, the highest amount must be determined (approved share capital) to which the Board of Directors may increase the share capital of the Company. The authorization of the general meeting may concern any type and any manner of share capital increase. The authorization granted by the general meeting may be for five years at the most. In the case of share capital increase at the discretion of the board of directors the Board of Directors is entitled and obliged to amend the Articles of Association.

Board of Directors

The Company operates in a unified control system.

The Board of Directors is the management body of the Company, represents the Company before courts and other authorities, and towards third parties. The Board of Directors established the rules of its operation and operated according to its Order of Procedure in 2019. The majority of the members of the Board of Directors is independent.

The Board of Directors performs its activities as a body. It designates the issues necessary to be scheduled for discussion at its meeting from the issues in its jurisdiction, appoints the Board of Directors or management member responsible for the preparation of the issue, discusses the issue presented at the meeting of the Board of Directors, passes a resolution in that regard, and has its execution checked. The Board of Directors define for the period between the yearly balance closing general meetings the date of its regular sessions in it and the expected schedules to the necessary extent.

In 2020, the Board of Directors held 4 sessions. In 2020, the Board of Directors passed decisions through electronic means on 16 additional occasions.

Members of the Board of Directors of the Company (31 December 2020)

Name	Position	Start of assignment	End of assignment
dr. Anna Ungár	President	15.08.2017	15.08.2022
Kristóf Berecz	Vice President	15.08.2017	15.08.2022
Julian Tzvetkov	member	15.08.2017	15.08.2022
dr. Frigyes Hárshegyi	member	15.08.2017	15.08.2022
Miklós Vaszily	member	22.12.2017	15.08.2022

Audit Committee

According to the Articles of Association the following belong to the jurisdiction of the Audit Committee:

- commenting on the report according to the accounting act;
- tracking the audition of the report according to the accounting act;
- recommendation for the permanent auditor and their remuneration;
- preparation of the contract to be concluded with the permanent auditor;
- tracking the enforcement of professional requirements, incompatibility and independence requirements towards the permanent auditor, performing the tasks related to the cooperation with the permanent auditor, tracking other services provided by the permanent auditor for the Company besides the audit of the report according to the accounting act, and – if necessary – recommendations for the Board of Directors concerning the taking of measures;
- evaluating the operation of the financial reporting system and recommendation for taking the necessary measures;
- helping the work of the Board of Directors in order to appropriately control the financial reporting system; and
- tracking the efficiency of the internal control and risk management system.

The Audit committee made decisions electronically on 2 occasions in 2020, besides the Board of Directors meetings. Significant topics discussed at the sessions: approval of the annual financial statements of the Company and certain Companies it consolidated, recommendation for electing the Auditor and determining their remuneration, work schedule for internal audit.

Members of the Audit Committee of the Company (31 December 2020)

Name	Position	Start of assignment	End of assignment
Julian Tzvetkov	member	15.08.2017	15.08.2022
dr. Frigyes Hárshgyi	member	15.08.2017	15.08.2022
Miklós Vaszily	member	22.12.2017	15.08.2022

Remuneration of officials (Board of Directors, Audit Committee members)

At the annual ordinary general meeting of the Company in 2020 the general meeting decided that the members of the Board of Directors shall perform their tasks without remuneration in the business year of 2020 and the members of the Audit Committee shall perform their tasks with a monthly remuneration of gross HUF 300,000 per member in the business year of 2020.

3. Auditor

Auditor of the Company in 2020:

INTERAUDITOR Neuner, Henzl, Honti Tanácsadó Kft. (registered office: 1074 Budapest, Vörösmarty utca 16-18. A. ép. fszt. 1/F., person responsible for auditing: Zsuzsanna Freiszberger)

4. Disclosures

The announcements of the Company are published at:

- BÉT (www.bet.hu) website, MNB website (www.kozzetetelek.mnb.hu) and the Company's own website (www.bif.hu).

5. Share information

On 31 December 2020, the issued capital of the Company was 287,024,440 personal ordinary shares produced in dematerialized form, with a par value of HUF 10 each, from which 35,340,000 shares are owned by the Company. Section 6 of the Articles of Association of the Company details the rights and obligations connected to the shares. As of 1 October 2018, the shares are being traded in the 'Premium' category of the Budapest Stock Exchange and represent the entire issued capital; the Company has no other issued interests.

The trading of shares is not limited, pre-emption rights are not stipulated, but the transfer of shares is only possible by charging or crediting security accounts. When transferring shares, the shareholder may only exercise shareholder rights against the Company if the name of the new owner was registered in the share register.

The share register of the Company is managed by KELER Zrt.

Special control rights are presently not stipulated.

At the extraordinary general meeting of the Company held on 29 April, 2019, the general meeting authorized the Board of Directors to increase the capital of the Company by issuing vote priority shares with the conditions specified in the resolution of the general meeting. The Board of directors did not exercise this authority in 2020.

We are not aware of any shareholder agreement related to control rights.

Presently, there is no employee shareholder system at the Group. At the ordinary general meeting of the Company held on 29 April, 2019, the general meeting authorized the Board of Directors to increase the capital of the Company by issuing employee shares with the conditions specified in the resolution of the general meeting. The Board of Directors did not exercise this authority in 2020.

Minority rights: shareholders representing at least 1% of the votes might request summoning the general meeting of the Company at any time, indicating the reason and the purpose.

According to the Articles of Association the elected officials shall be elected by the General Meeting with simple majority.

By its resolution passed on April 29, 2020 by exercising the powers of the general meeting, the Board of Directors authorized the Board of Directors to purchase treasury shares. According to the authorization the Board of Directors may decide about the Company's purchase of registered ordinary shares issued by the Company. The lowest amount of consideration payable for one treasury share is HUF 1, and the highest amount can be 150% of the average stock exchange price, weighted with 180 days' traffic before the date of concluding the transaction at the most. The authorization is for a specified term from the date of the general meeting until 29 October 2021. Based on the authorization the maximum amount of treasury shares that can be obtained by the Company may not exceed 25% of the base capital.

Owners of the Company with more than 5% of interest based on the 31 December 2020 share register and the individual statements of the owners

Shareholder	31 December 2019		31 December 2020	
	Number of shares (pcs)*	Interest (%)	Number of shares (pcs)*	Interest (%)
PIÓ-21 Kft.	184 847 220	64.40**	184 847 220	64.40**
Own share***	30 140 000	10.50	35 340 000	12.31
Other shareholders	72 037 220	25.10	66 837 220	23.29
Total	287 024 440	100.00	287 024 440	100.00

* Registered share of BIF a par value of HUF 10

** Of which on 31 December, 2019 and on 31 December, 2020 1,090,260 BIF ordinary shares of a par value of HUF 10 granting an indirect interest of 4.49% and 0.38% respectively in the subsidiary of the Kft, through BFIN Asset Management AG

*** The Company may not exercise any shareholder's rights with the BIF treasury shares owned by the Company

Ownership interest of executives, employees in strategic positions in the Company (31 December 2020)

Nature	Name	Position	Start of assignment	End of assignment	Direct share property (number of shares)	Percentage of BIF shares with indirect influence
ITT	Dr. Anna Ungár	President of the BoD*	15.08.2017	15.08.2022	0	64.40%
ITT	Kristóf Berecz	Vice President of the BoD and CEO as of 1 December 2018	15.08.2017	15.08.2022	0	64.40%
ITT	Julian Tzvetkov	member of the BoD and the AC**	15.08.2017	15.08.2022	0	0
ITT	dr. Frigyes Hárshegyi	member of the BoD and the AC	15.08.2017	15.08.2022	0	0
ITT	Miklós Vaszi	member of the BoD and the AC	22.12.2017	15.08.2022	0	0
SP	Róbert Hrabovszki	Deputy Chief Financial Officer	19.03.2018	unspecified***	0	0

**Ownership interest of executives, employees in strategic positions in the Company
(31 December 2019)**

Nature	Name	Position	Start of assignment	End of assignment	Direct share property (number of shares)	Percentage of BIF shares with indirect influence
MBoD	Dr. Anna Ungár	President of the BoD*	15.08.2017	15.08.2022	0	64.40%
MBoD	Kristóf Berecz	Vice President of the BoD and CEO as of 1 December 2018	15.08.2017	15.08.2022	0	64.40%
MBoD	Julian Tzvetkov	member of the BoD and the AC**	15.08.2017	15.08.2022	0	0
MBoD	dr. Frigyes Hárshegyi	member of the BoD and the AC	15.08.2017	15.08.2022	0	0
MBoD	Miklós Vaszi	member of the BoD and the AC	22.12.2017	15.08.2022	0	0
SP	Róbert Hrabovszki	Deputy CEO, CFO	19.03.2018	unspecified***	0	0

VII. Changes in the number of employees, employment policy

The average statistical headcount at the Company was 46 persons in 2020 (43 persons in 2019) and 52 persons on 31 December 2020.

The Company has no employment policy liabilities.

VIII. Research and experimental development

Due to the nature of the activity of the Company, it does not perform research and experimental development.

IX. Personal changes in 2020

Detailed in Section 6 of Chapter III.

X. Environmental protection

Due to the nature of the activity, the Company does not produce and store hazardous wastes, BIF paid the air pollution fees after the exhaust gas emissions. No significant cost was recognized directly related to environmental protection in the previous business year or in the subject year.

XI. Corporate Governance Report and Statement

The Company has a Corporate Governance Report and Statement, reviews its company management system each year and modifies it as necessary. At the annual general meeting the shareholders vote on the approval of the Corporate Governance Report and following the general meeting, the Company discloses the Corporate Governance Report.

- The Corporate Governance Report is available at the www.bet.hu, www.bif.hu and www.kozzetetelek.hu websites.
- The Company prepares its Corporate Governance Report and Statement on the basis of the Responsible Company Management Recommendations published by the Budapesti Értéktőzsde Zrt.
- The Corporate Governance Report is adopted by the Board of Directors and approved by the general meeting. The Corporate Governance Report includes the recommendations of the BSE and the details and reasons for the deviations therefrom.
- The Corporate Governance Report contains the reasons for the practice applied outside the legislation.
- The Corporate Governance Report contains the main characteristics of the Company's internal control and risk management practices.

No one is appointed head of company at the Company.

Declaration of liability

Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. hereby declares that this Business (management) Report contains real data and statements, providing a true, correct and complete view of the position, development and performance of the Company presenting the main risks and uncertainty factors and does not omit any facts that might have any significance concerning the assessment of the position of the Company.

Budapest, 19 April, 2021

.....
dr. Ungár Anna
President of the Board of Directors

.....
Berecz Kristóf
Vice President of the Board of Directors, CEO



Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.

**Audited Annual Financial Statements of the Parent Company
prepared in accordance with the International Financial
Reporting Standards (IFRS)
December 31, 2020**

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Annual Statement of Financial Position

data in thousand HUF

	Explanations*	<u>31/12/2020</u>	<u>31/12/2019</u>
ASSETS			
Long-term loans			
Investment property	1	52 508 004	41 696 004
Intangible assets	2	351	603
Land, buildings and related rights	2	90 186	92 213
Plant, other equipment and installations	2	119 641	97 131
Construction and reconstruction in progress	2	486 285	809 452
Investments in related companies	3	0	3 000
Other non-current assets	3	0	7 500
Deferred tax assets		0	0
Long-term assets, total		<u>53 204 467</u>	<u>42 705 903</u>
Current assets			
Inventories	4	375 747	712 998
Trade receivables	5	220 383	89 355
Other short-term receivables and prepaid expenses and accrued income	6	936 255	1 760 105
Cash and cash equivalents	7	10 733 676	14 491 973
Current assets, total		<u>12 266 061</u>	<u>17 054 431</u>
Assets, total		<u>65 470 528</u>	<u>59 760 334</u>
LIABILITIES			
Equity			
Subscribed capital	8	2 870 244	2 870 244
Capital reserve	8	6 048 215	6 048 215
Revaluation reserve	9	731 904	1 078 973
Own shares repurchased	10	-3 048 120	-1 748 120
Profit reserve	11	31 283 770	31 221 864
P/L for the reporting year	11	4 472 127	2 283 680
Equity allocated to the parent company, total		<u>42 358 140</u>	<u>41 754 856</u>
Long-term liabilities			
Financial liabilities	13	19 032 327	15 618 427
Provisions for expected liabilities	14	15 663	11 333
Deferred tax liabilities	15	0	0
Other long-term liabilities	16	0	0
Long-term liabilities, total		<u>19 047 990</u>	<u>15 629 760</u>
Current liabilities			
Financial liabilities	17	909 006	515 354
Liabilities to creditors	18	1 841 171	137 353
Other short-term liabilities, accrued expenses and deferred income	19	1 314 221	1 723 011
Current liabilities, total		<u>4 064 398</u>	<u>2 375 718</u>
Liabilities and equity, total		<u>65 470 528</u>	<u>59 760 334</u>

*No. of additional explanation

Annual Statement of Comprehensive Income

data in thousand HUF	Explanations*	<u>31/12/2020</u>	<u>31/12/2019</u>
Net sales revenue	20	4 751 723	4 366 881
Other operating income	21	3 465 316	275 162
Changes in internally generated inventories	22	-178 595	-30 538
Own work capitalized	22	-3 560	58 441
Raw materials, consumables and other external charges	23	-1 069 189	-1 214 206
Staff costs	24	-476 750	-457 018
Depreciation and impairment	25	-705 299	-81 170
Other operating expenditure	26	-1 210 859	-470 732
Operating profit		4 572 787	2 446 820
Financial income	27	148 215	56 813
Financial expenses	27	-234 242	-206 683
Profit before taxes		4 486 760	2 296 950
Actual tax expenditure	28	-14 633	-13 270
Deferred tax	29	0	0
Profit after taxes		4 472 127	2 283 680
Attributable to:			
Part attributable to the parent company		4 472 127	2 283 680
Part attributable to the external owners		0	0
Other comprehensive income	30	-347 069	0
Change in the fair value of other properties less taxes		-347 069	0
Tax effect of changes in the fair value of other properties		0	0
Total comprehensive income		4 125 058	2 283 680
Attributable to:			
Part attributable to the parent company		4 125 058	2 283 680
Part attributable to the external owners		0	0
Weighted average ordinary shares (number of shares)		251 684 440	256 884 440
Earnings per share (HUF)			
Fund	31	17,77	8,89
Diluted	31	17,77	8,89

*No. of additional explanation

Annual Statement of Changes in Equity

Explanations*	8	10	8	9	11	11			
data in thousand HUF	Subscribed capital	Own shares repurchased	Capital reserve	Revaluation reserve	Profit reserve	P/L for the reporting year	Equity allocated to the parent company, total	Non-controlling participation	Equity, total
31/12/2018	2 870 244	-1 748 120	6 048 215	1 078 973	25 469 457	8 321 251	42 040 020	0	42 040 020
Reclassification of P/L from the previous year					8 321 251	-8 321 521			
Equity swap									
Equity issue									
Sale of equity									
Dividend					-2 568 844		-2 568 844		-2 568 844
Total comprehensive income						2 283 680	2 283 680		2 283 680
31/12/2019	2 870 244	-1 748 120	6 048 215	1 078 973	31 221 864	2 283 680	41 754 856	0	41 754 856
Reclassification of P/L from the previous year					2 283 680	-2 283 680			
Purchase of own shares		-1 300 000					-1 300 000		-1 300 000
Equity issue									
Sale of equity									
Dividend					-2 568 844		-2 568 844		-2 568 844
Increase in the profit reserve due to the sale of Verseg					347 069		347 069		347 069
Total comprehensive income				-347 069		4 472 127	4 125 058		4 125 058
31/12/2020	2 870 244	-3 048 120	6 048 215	731 904	31 283 770	4 472 127	42 358 140	0	42 358 140

*No. of additional explanation

Annual Cash Flow Statement

data in thousand HUF

	Explanations*	<u>2020</u>	<u>2019</u>
Profit before taxes		4 486 760	2 296 950
Adjustments of the profit before taxes		-15 436	-6 416
Adjusted profit before taxes		4 471 324	2 290 534
Interest expense		151 172	156 516
Non-cash flow items			
Depreciation	25	55 167	37 254
Impairment (additional payment)	25	647 500	40 000
Impairment (customer)	25	1 185	3 916
Credit loss (byer)	25	1 447	0
Adjustment due to inventory fair valuation	26	116 050	72 222
P/L from a fair valuation		-2 144 729	-889 974
Provisions for liabilities		4 330	-1 281
Non-operating cash flow P/L items		0	0
Revenues from the sale of tangible assets		-752 872	-7 447
Assets provided for no consideration, scrapping		315 531	0
Net working capital flow			
Change in trade receivables	5	-133 660	410 927
Change in other current assets	6	625 052	-216 221
Change in accounts payable	18	1 703 818	-54 030
Changes in other short-term liabilities	19	-15 139	319 719
Change in short-term financial liabilities	17	-393 652	254 187
Interest paid		-228 044	-205 847
Interest received		76 872	49 331
Income tax paid	28	-14 633	-13 270
Cash-flow from business activity		<u>4 486 719</u>	<u>2 246 536</u>
Purchase of tangible assets	1	-9 512 160	-1 117 514
Cash proceeds from the sale of property, plant and equipment		230 000	12 374
Revenue from the sale of shares	3	3 000	0
Funds used for investments		<u>-9 279 160</u>	<u>-1 105 140</u>
Income from capital issues		0	0
Equity purchase (-)/sale (+)		0	0
interest payment		0	0
Dividend		-2 568 844	-2 568 844
additional payment		-220 000	-40 000
Loans		15 551 455	14 372 612
Loan repayment		-11 743 903	-8 161 941
Cash flow from financing activity		<u>1 018 708</u>	<u>3 601 827</u>
Change in liquid assets		<u>-3 773 733</u>	<u>4 743 223</u>
Revaluation of FX-denominated liquid assets		15 436	6 416
Balance-sheet change in liquid assets		-3 758 297	4 749 639
Cash flow from financing activities	7	-3,758,297	4,749,639
Opening cash and cash equivalents	7	14,491,973	9,742,334
Closing cash and cash equivalents		10,733,676	14,491,973

*No. of additional explanation

Notes to the statements - general company information, key elements of the accounting policy, additional explanations and other information

I. General company information

1. Company profile

Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. (hereinafter: “Company”) was established on 31 January, 1995 by transformation. Its legal predecessor is Budapesti Ingatlanhasznosítási és Fejlesztési Kft., which was founded on 1 January, 1994 by the State Property Agency with a share capital of HUF 1,000,000.

The subscribed capital of the Company is HUF 2,870,244,400, which consists of 287,024,440, i.e. two hundred and eighty-seven million twenty-four thousand four hundred and forty ordinary registered shares, each with a nominal value of HUF 10, i.e. ten forints, produced in a dematerialized form.

From 20 October, 2017 the Company was active as a regulated real estate investment pre-company (hereinafter: “SZIE/Pre-REIT”) under Act CII of 2011 on regulated real estate investment companies (hereinafter: “SZIT/REIT Act”), and since 31 December, 2018 it has been active as a regulated real estate investment company (hereinafter: “SZIT/REIT”). The Company is engaged in real estate development and utilization for its own properties (offices and other buildings and parking garages) by leasing, further development and the sale of construction sites in its ownership, the implementation of real estate developments on them, and the utilization and sale of completed properties.

The operational management of the Company is performed by the Board of Directors.

The Company's shares are traded in the "PREMIUM" category of the Budapest Stock Exchange.

The Company's notices are published on: the BSE (www.bet.hu) website, the MNB website (www.kozzetetelek.mnb.hu) and the Company's own website (www.bif.hu).

Company data

Name of the Company:	Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.
Abbreviated company name:	Budapesti Ingatlan Nyrt.
Registered office:	1033 Budapest, Polgár u. 8-10.
Postal address (place of central administration):	1033 Budapest, Polgár u. 8-10.
E-mail address:	info@bif.hu
Website:	www.bif.hu
Date of the Articles of Association:	31.01.1995
Date of commencement of operation:	01.05.1994
Registry court:	Superior Court of Budapest, as company registry court
Company registry number:	Cg. 01-10-042813
Statistical number of the company:	12041781-6820-114-01
Tax Registration number:	12041781-2-41
Community tax number:	HU12041781
Share capital on December 31, 2019	HUF 2,870,244,400
Term of the operation of the Company	unspecified
Business year of the company	Identical to calendar year
Main business activity of the Company (TEÁOR):	6820'08 Renting and operating of own or leased real estate
Other activities of the Company according to TEÁOR:	<ul style="list-style-type: none"> – 6420'08 Asset management (holding) – 8110'08 Combined facilities support activities – 6832'08 Management of real estate – 6810'08 Buying and selling of own real estate

The IFRS chartered accountant responsible for the preparation of these 2019 IFRS Financial Statements of the Parent Company: dr. Horváthné Kalácska Katalin (1082 Budapest Hock János utca 4-6.; Chartered IFRS Accountant Registration No.: 123362).

The Company's auditor

INTERAUDITOR Neuner, Henzl, Honti Tanácsadó Kft. (registered office: H-1074 Budapest, Vörösmarty utca 16-18. A. ép. fszt. 1/F; company registration number: 01-09-063211; tax number: 10272172-2-42; number of registration with the Chamber of Hungarian Accountants: 000171; issuer's qualification number: K000107; person responsible for the audit: Zsuzsanna Freiszberger, name at birth: Zsuzsanna Freiszberger, mother's maiden name: Rózsa Mária Böczkös, residential address: H-2440 Százhalombatta, Rózsa utca 7.; place and date of birth: Barcs, 27/07/1977 auditor's registration number: 007229; issuer's qualification number: K000103

2. Officials and Ownership structure

2.1. Officials in the year 2020

Members of the Company's Board of Directors

Name	Position	Beginning of assignment	End of assignment
Dr Anna Ungár	President	15/08/2017	15/08/2022
Kristóf Berecz	Vice-President	15/08/2017	15/08/2022
Julian Tzvetkov	member	15/08/2017	15/08/2022
Dr Frigyes Hárshgyi	member	15/08/2017	15/08/2022
Miklós Vaszily	member	22/12/2017	15/08/2022

Members of the Company's Audit Committee

Name	Position	Beginning of assignment	End of assignment
Julian Tzvetkov	member	15/08/2017	15/08/2022
Dr Frigyes Hárshgyi	member	15/08/2017	15/08/2022
Miklós Vaszily	member	22/12/2017	15/08/2022

Shares held in the Company by executives and employees in strategic positions 31 December 2020

Nature	Name	Position	Start of assignment	End of assignment	Direct share property (number of shares)	Percentage of BIF shares with indirect influence
MBoD	Dr. Anna Ungár	President of the BoD*	15.08.2017	15.08.2022	0	64.40%
MBoD	Kristóf Berecz	Vice President of the BoD and CEO as of 1 December 2018	15.08.2017	15.08.2022	0	64.40%
MBoD	Julian Tzvetkov	member of the BoD and the AC**	15.08.2017	15.08.2022	0	0
MBoD	dr. Frigyes Hárshgyi	member of the BoD and the AC	15.08.2017	15.08.2022	0	0
MBoD	Miklós Vaszily	member of the BoD and the AC	22.12.2017	15.08.2022	0	0
SP	Róbert Hrabovszki	Deputy CEO, CFO	19.03.2018	unspecified***	0	0

*Board of Directors

**Audit Committee

***nature of employment

2.2. Change in senior executives, employees in strategic positions in 2020

In 2020 there were no changes in respect of the members of the Board of Directors and the Audit Committee.

Change in the management of the company compared to 31 December 2019:

- Since 1 January 2020, Dr Anita Kalicz has held the position of the Head of the Legal Department of the Company,
- On 31 July 2020, the employment of Head of Sales and Marketing Enikő Janák was terminated at the Company.
- Between 1 July 2020 and 17 January 2021, Zsuzsanna Tóth held the position of Head of the Sales and Marketing Department of the Company.

2.3. Remuneration of senior executives in 2020

The members of the Board of Directors performed their duties in the 2020 business year without remuneration, and the members of the Audit Committee performed their duties in the 2020 business year for a gross monthly remuneration of HUF 300,000 per member.

2.4. Persons authorized to sign the Financial Statements

According to Article 15.2 of the Articles of Association, the following persons are authorized to sign for the Company:

- a) the President of the Board of Directors jointly with another member of the Board of Directors or with an employee authorized to represent the Company,
- b) The Vice-President of the Board of Directors, jointly with another member of the Board of Directors or an employee authorized to represent the Company.

The Board of Directors is authorized to decide on the employees authorized to represent the Company.

2.5. Ownership structure

Company owners holding more than 5% of the shares based on the share register as at 31 December, 2019 and 31 December, 2020, and on the owners' individual declarations

Shareholder	31 December, 2019		as at 31 December 2020	
	Number of shares*	Participation (%)	Number of shares*	Participation (%)
PIÓ-21 Kft.	184,847,220	64.40**	184,847,220	64.40**
Equity shares***	30,140,000	10.50	35,340,000	12.31
Other shareholders	72,037,220	25.10	66,837,220	23.29
Total	287,024,440	100.00	287,024,440	100.00

* BIF ordinary shares with a nominal value of HUF 10 each

** Of which 1,090,260 ordinary BIF shares with a nominal value of HUF 10 each as of 31 December 2019 and 31 December 2020 represent 0.38% indirect share through the Company's subsidiary, BFIN Asset Management AG

*** The Company may not exercise shareholder rights by the BIF ordinary shares in its ownership

II. Key elements of the accounting policy

1. Key elements of the accounting policy

1.1. Reporting currency and foreign exchange balances

In view of the content and circumstances of the underlying business events, the Company's functional and reporting currency is the Hungarian forint.

The foreign exchange transactions performed in a currency other than HUF were initially recognized at the exchange rate valid on the day of performing such transactions. Foreign currency receivables and liabilities were converted to forint at the exchange rate valid on the balance-sheet cut-off date. The arising exchange rate differences are recognized in the profit and loss account among financial revenues and expenses.

The financial statements specify Hungarian forints (HUF), which is the Company's presentation currency rounded to the nearest thousand, except where otherwise indicated.

The transactions performed in a foreign currency are recognized in the functional currency - the foreign currency amount considered at the exchange rate between the reporting currency and the foreign currency valid on the transaction date. In the statement of comprehensive income, exchange differences arising on the settlement of monetary items, on initial recognition during the period or on the use of an exchange rate other than that used in the previous financial statements are recognized as income or expense in the period in which they arise. The monetary instruments and liabilities denominated in foreign currency are converted at the exchange rate valid at the end of the reporting period. The items valued at fair value and denominated in foreign currency are converted at the exchange rate valid on the date of determining the fair value. Exchange differences on trade receivables and trade payables are recognized in operating income, while exchange differences on loans are recognized in financial income or expenses.

1.2. Sales revenue

The Company earns revenues primarily on the services provided to its customers and third parties and on the sale of goods.

The Company recognizes sales revenue in accordance with IFRS 15 (which was issued in May 2014 and is effective for annual periods beginning on or after 1 January 2018).

The new standard introduces the basic directive that revenue is recognized when the goods or services are delivered to the buyer at the agreed price. Any separable related goods or services must be recognized separately and every allowance must be assigned to the appropriate elements of the contract. When the consideration changes, the minimum value may only be recognized if the likelihood of reimbursement does not include a significant risk. The costs incurred while obtaining a customer contract must be capitalized and amortized during the contractual term in a way that the Company should obtain the related benefits.

The net sales revenue comprises the amounts invoiced on the basis of the goods supplied or services provided during the year. Net sales are recognized when the amount of the revenue becomes clear and it is probable that the consideration will be available to the Company. The sales revenue includes the invoiced amounts less value added tax and discounts.

Revenue from the sale of services is recognized by the Company on a time proportionate basis (if permitted by the contract or confirmed by the customer) during the period, unless the relevant contracts and agreements contain milestones. In this case, sales are accounted for after each milestone is reached.

The Company accounts any additional costs incurred in relation to the conclusion of customer contracts if it expects to be reimbursed.

For deferred income, revenue is recognized at a discount.

1.3. Valuation and impairment of assets over one year

1.3.1. Investment property

A property is classified as investment property if it is held by the enterprise for the purpose of earning income from rent or capital appreciation, or both, and not for the purpose of subsequent sales or production of goods or provision of services or administration. Investment properties are always held for rental purposes.

Investment property is initially measured at cost, taking into account transaction costs. The Company has chosen the fair value model for the recognition of investment properties, and the difference arising from the change in fair value is charged to the profit/loss of the reporting year against other operating income. No ordinary depreciation is recognized for investment properties.

In accordance with the provisions of the REIT Act, the fair value of investment properties owned by the Company is determined by an independent valuer on a quarterly basis. The relevant valuations were made in 2020 by Seratus Ingatlan Tanácsadó Igazságügyi Szakértő Kft. As of December 31 of each year, the market value of the properties has been (is being) updated annually. The valuation is carried out in accordance with international valuation standards.

The valuation uses three valuation methods generally accepted in international asset valuation practice (the DCF method, the comparable market value method and the profits method) and then the market value of the properties is determined based on the precautionary principle.

Given that IAS40 recommends, but does not require, the use of an independent valuer to determine the market value, for investment property where a decision to sell has been made and the sale has commenced, the fair value method is based on the asset has an active market, i.e. there are concluded sales contracts. The actual market price of the property, i.e. the sales price (calculated from the average price) already included in the sales contracts, provides the best basis for determining the fair value.

Gains or losses arising from changes in the fair value of investment property are always recognized in the profit or loss (other operating income or other operating expenses) in the period in which they are incurred. Gains arising from changes in fair value cannot be distributed as dividends to shareholders. Investment property should be derecognized on disposal or when investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on the derecognition and disposal of investment property are recognized in the profit and loss account as income or expense in the period in which they arise.

1.3.2. Other properties

Other real estate in the Company comprises real estate held for use in relation to the sale of goods or the production or provision of services, and developed public utilities belong to this group.

The Company has chosen the fair value model for the recognition of other properties, except for developed public utilities. Valuation is carried out in accordance with the international valuation standards. The valuation uses three valuation methods generally accepted in international asset valuation practice (the DCF method, the comparable market value method and the profits method) and then the market value of the properties is determined based on the precautionary principle. Gains arising from changes in the fair value of other properties are recognized directly in the equity as a revaluation surplus.

Currently, the Company does not own any properties other than utilities.

The Company measures utility facilities at cost less annual depreciation.

Other properties are depreciated. Depreciation is based on fair value and, in the case of public utilities, cost. Depreciation is charged on a straight-line basis, with a depreciation rate of 2%.

1.3.3. Other tangible assets

Plant and equipment, and not property, are stated at cost less accumulated depreciation and impairment losses. Accumulated depreciation includes the recognized costs of non-accelerated depreciation incurred in relation to the continuous use and operation of the asset and of accelerated depreciation required by the significant damage or injury to the asset due to an unexpected, extraordinary event.

Historical cost (value at cost, production cost) value of an asset is the total amount of items that can be individually linked to the asset prior to commissioning and delivery to the warehouse in order to acquire, establish and commission the asset.

The historical cost (value at cost) comprises the purchase price net of discounts and increased by a mark-ups, any consideration, fees and commission paid for the transport and loading, foundation work, installation, commissioning and brokerage activities incurred in relation to the acquisition, commissioning and delivery of the asset to the warehouse, as well as all related taxes, tax-like items and customs duties.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when the future economic benefits associated with the item are likely to flow to the Company and the cost of the item can be measured reliably. All other costs of repairs and maintenance are recognized in the profit and loss account as incurred.

Additional expenditures on existing assets that extend the useful life of the asset or broaden the scope of using the asset are capitalized by the Company. Maintenance and repair costs are expensed as incurred.

The carrying amount of property, plant and equipment is reviewed at regular intervals to determine whether the carrying amount does not exceed the fair value of the asset, as this is required to account for an unplanned write-down to the fair value of the asset. The fair value of the asset is the higher of its selling price and its value in use. Value in use is the discounted value of the future cash flows generated by the asset. The discount rate includes the pre-tax interest rate, taking into account the time value of money and the effect of other risk factors associated with the asset. If no future cash flows can be allocated to the asset on its own, the cash flows of the unit to which the asset is a part shall be used. The impairment and accelerated depreciation determined by this method are recognized in the profit and loss account.

Tangible assets are depreciated by the straight-line method. The cost of an asset is depreciated over its useful life from the date it is taken into use. The Company regularly reviews useful lives and residual values.

The Company accounts accelerated depreciation for the tangible assets with net book values not expected to be recovered based on their future income-generating capacity. The Company makes the required calculations on the basis of an appropriate discounting of long-term future cash flow plans. Depreciation is determined on the basis of the expected useful lives, deterioration time, and physical and moral obsolescence of the assets. Assets representing an individual purchase value of less than HUF 100,000 are depreciated in one amount upon commissioning; assets between the purchase value of HUF 100,000 and HUF 200,000 are depreciated over two years; and for assets with a value higher than HUF 200,000 the depreciation rate is 20% for motor vehicles, 33% for information technological devices and administrative devices, each, and 14.5% for other assets.

At the end of each reporting period the Company assesses whether any change suggesting impairment has happened to any asset. If such a change has taken place, the Company estimates the value of the expected return on the asset. The expected return on an asset or cash-generating unit is the higher of the fair value less sales costs or the use value.

The Company recognizes impairment to the debit of the profit if the expected return on the asset is less than its book value. The Company makes the required calculations on the basis of an appropriate discounting of long-term future cash flow plans.

1.4. Intangible assets

Individually obtained intangible assets are recognized at cost, while the intangible assets acquired in the course of business combinations are disclosed at fair value at the time of the acquisition. An asset may be included in the books if its use can be proven to result in the future inflow of business benefits and its cost can be clearly established.

Following acquisition, the direct cost method applies to the intangible assets. The lives of these assets are either limited or cannot be determined. Assets with limited lives are depreciated by the linear method based on the best estimate of their lives. The period and method of amortization are revised annually, at the end of each financial (business) year. Disregarding development costs, internally generated intangible assets are not capitalized but are offset against the P/L in the year when they are incurred. Intangible assets are revised annually for impairment, either separately or at the level of the income-generating unit.

The costs of goods and software falling within the scope of brand names, licences and industrial property rights are capitalized and linearly derecognized during their useful life:

Concessions, licences and similar rights, and software	3-6 years
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1.5. Goodwill

Goodwill is the positive difference between the identifiable cost and the fair value of the net assets of the acquired subsidiary, affiliated company or jointly controlled company on the day of acquisition. Goodwill is not depreciated, but the Company examines every year if there are any signs suggesting that the book value is unlikely to be recovered. Goodwill is recognized at direct cost less any impairment.

1.6. Inventories

Inventories recorded by the Company are valued in accordance with IAS2.

The cost of inventory includes the cost of acquisition, the cost of conversion, and the cost of bringing the inventory to its present location and condition.

The cost may not include unusual material, labour and other production cost losses, as well as storage costs, unless they are included in the production process, administrative costs not incurred to bring inventories to their current condition and location, and sales costs.

1.7. Receivables

Liabilities are recognized in the statements at a nominal value reduced by the appropriate impairment generated for estimated losses. Based on the complete supervision of the receivables outstanding at the end of the year, an estimate was made on doubtful claims.

1.8. Financial assets

The financial assets within the scope of the IFRS9 standard fall into three measurement categories: assets measured at amortized cost after acquisition; assets measured at fair value through other comprehensive income after acquisition (FVOCI) and assets measured at fair value through profit or loss after acquisition (FVPL).

Subsequent to initial recognition, financial assets that are “held for trading” are measured at fair value through profit or loss (FVPL). Any unrealized exchange rate gains or losses on securities held for trading are recognized as other income (expense).

Other long-term investments that qualify as held to maturity, e.g. certain bonds, are recognized at amortized cost after the first recognition. The amortized cost is calculated in the period to maturity, at a discount or premium valid at the time of acquisition.

In the case of investments recognized at amortized cost, any profit or loss made when the investment is derecognized or impaired or in the depreciation period is accounted as revenue.

In the case of investments included in stock market trade, the market value is specified on the basis of the official price announced on the balance-sheet cut-off date. In the case of non-listed or non-traded securities, the market value is the market value of any comparable/substitute financial investment, and if this method cannot be used, the market value must be determined on the basis of the estimated future cash-flow of the asset related to the investment.

On every cut-off date the Company analyses if impairment needs to be recognized for a particular financial asset or for a group of assets. If in the case of assets recognized at amortized cost, any condition requires impairment, the latter is the difference between the carrying value of the asset and its amount discounted by the original effective interest rate of the future cash flows of the asset. Impairment is recognized in the profit and loss account. If any time later the amount of the accounted impairment decreases, it is reversed to the extent that prevents the carrying value of the asset from exceeding its amortized value valid on the cut-off date.

Investments into securities are valued at the price valid on the day of performance and initially at cost. Short-term investments containing securities held for trading purposes are recognized at fair market value valid on the day of the next report, and their value is calculated at the publicly quoted price valid on the balance-sheet cut-off date. Unrealized profits and losses are included in the profit and loss account.

1.9. Financial liabilities

The Company's statement of the financial position includes the following financial liabilities: trade and other current liabilities, loans, borrowings, bank overdrafts and futures. Their recognition and valuation are included in the relevant parts of the Notes to the Financial Statements as follows:

The Company values each financial liability at its fair value valid at the time of its initial recognition. In the case of loans account is taken of the transactions costs directly attributable to the acquisition of the financial liability.

The financial liabilities subject to the IFRS9 standard can be classified into three measurement categories: liabilities measured at amortised cost after acquisition; liabilities measured at fair value against other comprehensive income after acquisition (FVOCI); and liabilities measured at fair value through the profit or loss after acquisition (FVPL). The Company classifies the individual financial liabilities when they are acquired.

Financial liabilities valued at fair value through the profit or loss are liabilities acquired by the Company for trading purposes or qualified on their initial presentation at fair value through the profit or loss. Financial liabilities held for trading purposes include liabilities purchased by the Company primarily for the profit expected of short-term price fluctuations. This class also includes futures transactions not considered as efficient hedging instruments.

Loans and advances are recognized in the statements of the financial position at the amortized cost value calculated by the effective interest rate method. The profits and losses related to loans and advances are recognized in the profit and loss account during the calculation of depreciation by the effective interest rate method and when the financial liability is deregulated. Amortization is accounted as financial expenditure in the statement on income.

1.10. Provisions

The Company recognizes provisions for (legal or assumed) commitments incurred as a result of past events the Company is probably required to pay, provided that the amount of the commitment is reliably measurable.

Any amount recognized as a provision is the best estimate of the expenditure required to settle the current obligation at the balance sheet date, taking into account any risks and uncertainties characteristic of the obligation. If a provision is measured using the cash flow probably required for the payment of the existing commitment, the book value of the provision is the present value of such cash flows.

If part or all of the expenditure required to perform the obligation is expected to be recovered by another party, the receivable is recognized as an asset when it is materially certain that the entity will receive the reimbursement and the amount of the receivable can be measured reliably.

1.11. Corporate income tax

The corporate tax rate is based on the tax liability specified in the Corporate and Dividend Tax Act, amended by deferred tax. The corporate income tax liability includes tax components due in the reporting year and deferred taxes.

The tax payable for the reporting year is determined on the basis of the taxable profit of the reporting year. The taxable profit differs from the profit before taxes recognized in the financial statements, due to profits and losses non-taxable gains and losses and items that are included in the taxable profit of other years. The Company's current tax payment liability is determined on the basis of the tax rate in force or announced (provided that announcement is equivalent to entry into force) up to the balance-sheet cut-off date. Deferred tax is calculated by the liability method.

Deferred tax liability is incurred when there is a temporary difference between the recognition of an item in the annual report and its reconciliation according to the Act on Taxation. Deferred tax assets and tax liabilities are established using the tax rates applicable to the taxable revenues in years when recovery of the difference is expected due to the time displacement. The amount of deferred tax liabilities and tax assets reflect the Company's estimate on the method of realizing tax assets and tax liabilities on the balance-sheet cut-off date.

Deferred tax assets for deductible tax differences, tax credits and negative tax bases are recognized only to the extent that as a result of the Company's future activity taxable profits are likely to be available for offsetting the deferred tax asset.

At each balance-sheet date the Company accounts for the deferred tax assets not recognized in the balance sheet and carrying amount of recognized tax assets. It inventorizes that part of the receivables not previously included in the balance sheet on which recovery is expected as a reduction in the future income tax. In contrast, the Company's deferred tax assets must be reduced by any amount not expected to be covered by any available taxable profit.

The tax due in the reporting year and deferred tax are offset against the equity if they refer to items also offset against the equity in the same or in another period, including any amendments in the opening values of reserves due to retroactive changes in the accounting policy.

Deferred tax assets may be offset against deferred tax liabilities if the company is authorized by law to offset its actual tax assets and tax liabilities due from and to the same tax authority, and the Company intends to recognize these assets and liabilities on a net basis.

Due to the SZIE transformation, the Company has eliminated the deferred tax liability previously recognized, as in the future no tax liability is expected to arise in the regular course of its business.

1.12. Leasing

Financial leasing is a transaction including a lessor who assumes all the risks and costs involved in the possession of the asset under the lease conditions. All other leasing transactions are considered as operative leasing.

In the case of financial leasing, the assets leased by the Company qualify as the Company's assets and are recognized at their market value valid at the time of acquisition. A liability to the lessor is presented in the balance sheet as a financial leasing liability. The costs incurred in relation to the leasing are the differences between the fair value of the purchased assets and the total leasing liability and are accounted to the debit of the profit during the entire lease term in a way to represent a permanent and periodically incurred expenditure on the existing amount of the liability in the individual periods.

They arise from the difference between the total amount of liabilities and the market value of the leased asset at the time of acquisition, or after the relevant leasing term, in order to trace any change in the balance of the remaining liability from time to time, or they are recognized in the profit and loss account in the individual reporting periods.

1.13. Earnings per share (EPS)

Earnings per share are determined by taking into account the Company's earnings and the number of shares less the average number of repurchased treasury shares during the period.

The diluted earnings per share is calculated similarly to the earnings per share. However, during calculation all the outstanding shares suitable for dilution are taken into account, increasing the return payable on ordinary shares by the dividend and return on the convertible shares that can be taken into account in the given period, modified by any additional revenues and expenditure arising from conversion, increasing the weighted average number of outstanding shares by the weighted average number of those shares that would be outstanding if all the convertible shares were converted. There was no transaction in either the previous year or the year ended December 31, 2020 that would dilute this EPS rate.

1.14. Off-balance sheet items

Off-balance sheet liabilities are not included in the statement of financial position and income statement, constituting part of the financial statements unless they were acquired in a business combination. They are disclosed in the Notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote, minimal. Off-balance sheet receivables are not included in the statement of financial position or in the P/L account as part of the financial statements, but are disclosed in the Notes if an inflow of economic benefits is likely.

1.15. Own shares repurchased

The value of repurchased treasury shares is shown in a separate line within equity.

1.16. Dividend

The Company accounts for dividend in the year it is approved by the owners.

Dividends may be paid in accordance with the relevant provisions of the REIT Act and the Articles of Association:

Article 2.8 of the REIT Act stipulates that: *“Expected dividend: 90% of the profit made by a regulated real estate investment company or regulated real estate investment pre-company in the period between its registration as a regulated real estate investment company or regulated real estate investment pre-company and deregistration may be paid as dividends as defined in a separate legal act, and in the case of a project company of a regulated real estate investment company or regulated real estate investment pre-company, 100% of the profit made by the project company in the period between registration as a project company and deregistration, excluding, in the case of a regulated real estate investment company, a regulated real estate investment pre-company or their project company, the amount of the one-off conversion difference recognized in profit reserve in relation to conversion to the preparation of annual financial statements according to the IFRS as required in Act C of 2000 (hereinafter: “Accounting Act”).*

Article 3 (3) c) of the REIT Act provides that: *“On the basis of the memorandum of association, and proposed by the management, the annual general meeting proposes approval of a dividend corresponding to at least the expected amount of dividend, and in the event of approval, the dividend shall be paid within 30 trading days following approval of the financial statements, with the proviso that if amount of freely disposable funds available for the regulated investment company fails to reach the amount of the expected dividend, the management shall propose that at least 90% of the amount of freely disposable funds be paid as a dividend, ”*

Clause 16.3 of the Articles of Association: *“A shareholder is eligible for dividends if he or she or it is included in the share register on the cut-off date specified in a notice of dividend based on the resolution of the general meeting and published in relation to the payment of dividends. The date determined by the Board of Directors in the notice published in relation to the payment of dividends, which is relevant for the right to receive dividends, may differ from the date of the general meeting deciding on the payment of dividends. The starting date of dividend payment may not be later than on the 30th trading day (as defined in Act CXX of 2001 on the Capital Markets) following the approval of the financial statements. The Board of Directors must publish the notice of the payment of dividends within 15 days after the date of the general meeting resolving on the dividend, in accordance with the rules on the publication of notices. With regard to the dividend payable by the Company, the Board of Directors of the Company must, in its relevant proposal to the Annual General Meeting, propose the approval of at least the expected dividend as defined by at least in accordance with Article CII of 2011 on regulated real estate investment companies, provided that in the event that the freely disposable funds available for the Company fail to reach the amount of the expected dividend, the management should propose to pay at least 90% of the amount of the freely disposable funds as a dividend.*

The shareholder may claim the dividend from the Company within five years from the start date of dividend payment. The expiry of this period results in the forfeiture of rights. Any dividends not received are transferred to the Company's assets in excess of share capital. The shareholder cannot be obliged to repay the dividend accepted in good faith. Dividends are received in good faith only if the dividends due for the shareholder's shares are received from the dividend fund determined on the basis of the balance sheet approved by the general meeting, provided that no criteria excluding dividend receipt are applicable to the shareholder and the shareholder does not know or should not have known of the absence of any statutory conditions for payment.”

1.17. P/L on financial operations

The financial P/L includes interest and dividend revenues, interest and other financial expenditures, the profit and loss on the fair valuation of financial instruments, and any realized or non-realized exchange rate differences.

1.18. State aid

A state aid is recognized if the aid is likely to be recovered and the conditions of reimbursement have been fulfilled. If the aid serves the purpose offsetting a cost, it must be recognized to the benefit of the profit and loss account in the period when the cost to be offset is incurred (among other revenues). If an aid is linked to asset acquisition, it is recognized as deferred income and during the related useful life of the underlying asset it is recognized annually in equal amounts to the benefit to the P/L.

1.19. Items of exceptional magnitude and occurrence

An exceptional amount of revenue is revenue arising from a business event or contract that amounts to or exceeds 25% of the total accounting revenue for a given financial year.

Revenue of exceptional occurrence is any income not closely or directly related to the business operation of the company, or is outside the regular course of business, and its occurrence is ad hoc.

An exceptional cost is the cost of a business event or contract that amounts to or exceeds 25% of the total costs and expenses for a given financial year.

Exceptional costs are all costs or expenses that are not closely or directly related to the business operation of the company, fall outside the regular course of business, and are incurred on an occasional basis.

1.20. Events after the balance-sheet cut-off date

The events that took place after the end of the reporting period and provide additional information about the circumstances prevailing at the end of the Company's reporting period (amending items) are presented in the report. The events that took place after the reporting period and not requiring the modification of the reporting data are presented in notes, if relevant.

2. Changes in the accounting policy

The Company has compiled its financial statements in accordance with the provisions of all the standards and interpretations that entered into force on 1 January 2020.

The Company's accounting policy has been changed on 1 January 2017 to apply the IFRS standards. In 2020 the Company applied all the IFRS standards, amendments and interpretations effective as at 1 January 2020 and relevant for the operation of the Company.

IAS1 Preparation of Financial Statements (amended)

IASB published the amended IAS1 in December 2014. The purpose of the amendment is to encourage companies to decide on the information they wish to publish in their statements on a professional basis. The amendment clarifies that the threshold of criticality applies to the financial statements in full, and that the disclosure of irrelevant information may prevent the usefulness of the report. Moreover, the amendment also clarifies that the companies should adopt professional decisions on where and in what order to present their disclosures in their financial statements. The application of the amended standard does not change the Company's financial statements. Adopted by the European Union on 7 February 2018, the amendments are applicable in statements of reporting periods beginning on or after 1 January 2018.

IFRS9 Financial instruments: recognition and measurement (effective as from 1 January 2018)

This standard adopts new requirements related to the classification, measurement and impairment of financial assets and financial liabilities. The application of the IFRS 9 standard has an impact on the rating and measurement of the Company's financial assets, but does not influence the rating and evaluation of its financial liabilities.

The new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The application of the new standard will not change the Company's financial statements.

Based on changes in credit risk, impairment must be reviewed on each balance-sheet date and it needs to be assessed whether impairment is to be calculated up to the amount of the expected credit loss over the life or to the amount of the expected credit loss over the 12-month life. If it is impossible to assess at the level of the individual financial instruments whether credit risk has increased significantly, the assessment should be performed on a group level.

A simplified or a general approach may be used to measure and account for impairment.

– Simplified approach

All financial instruments valued under the simplified approach are valued at the life expectancy of the credit loss. The simplified approach is applied to receivables from customers and contractual assets.

– General approach

Based on the expected credit loss model, financial instruments are classified into three groups. The classification into three groups is based on changes in the credit risk of the financial instrument. The relative credit risk model is used to assess increased credit risk. Increase in the credit risk compared to the initial recognition is reflected in the reclassification of financial instruments between baskets.

Based on the expected credit loss model, impairment can be divided into three groups: (i) impairment calculated based on expected credit loss over 12 months, (ii) impairment calculated based on expected credit loss over life, and (iii) impairment calculated using the effective interest rate method.

The general approach is applied to other financial receivables and specific loans.

IAS16 Property, Plant and Equipment (amended) and IAS38 Intangible assets (amended)

In May 2014, IASB published the amendments of the standards IAS16 and IAS38. Both standards consider the expected future materialization of economic benefits of the asset as a basis of depreciation write-off. IASB clarifies that the calculation of depreciation based on revenues is inappropriate, because revenues from an activity for which the asset is not used usually also reflects factors other than the economic benefits materializing in the asset. IASB also clarified that revenues usually provide an inappropriate basis for measuring the materialization of economic benefits in intangible assets. The amendment is applicable to financial statements made of periods beginning on or after 1 January 2016. The application of the amended standards does not change the Company's financial statements, as it applies linear depreciation.

Amendments to IAS 40 “Investment Property”

(published on 8 December 2016, applicable in statements of reporting periods beginning on or after 1 January 2018).

The reclassification of investment properties is only possible if there has been a change in use. This change in the standard does not affect the Company's 2020 operations.

IFRS15 Recognition of revenue from contracts with customers

In May 2014, the IASB and the FASB issued a common standard. The basic principle of the new standard is for companies to recognize revenue on the basis of the amount of goods or services delivered to their customers, which reflects the consideration to which the company is expected to be entitled in exchange for those goods or services. The new standard results in a more detailed presentation of revenues, provides guidance for previously unclearly regulated transactions, and provides new guidance for multi-element agreements.

The new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted (the standard is effective through the IASB and has been adopted by the EU). The adoption of the new standard will not have a material impact on the Company's financial statements. The Company applied it already for the year 2018.

IFRS10 Consolidated Financial Statements and IAS28 Investments in Associates and Joint Ventures

The IASB has issued amendments to IFRS10 and IAS28. The amendments target the sale or contribution of assets between an investor and its associate or joint Venture. The main consequence of the amendments is that the total profit or loss can be recognized if the transaction includes a business activity (irrespective of whether or not it is performed by the subsidiary). Part of the profit or loss can be recognized if the subject of the transaction is an asset that does not represent a business activity, even if this asset belongs to the subsidiary. The amendment is applicable to financial statements made of periods beginning on or after 1 January 2016. The adoption of the amendments to the standards did not have a material impact on the Company's financial statements as the Company has no associates or joint ventures.

IFRIC 22 interpretation “Foreign Currency Transactions and Advance Consideration”
(applicable to reporting periods beginning on or after 1 January 2018)

This interpretation describes the method of determining the date relevant for the exchange rate in the case of transactions in relation to which non-monetary assets or non-monetary liabilities arising from the payment or receipt of advance consideration denominated in a foreign currency is derecognized during the initial recognition of (part or whole) of the related asset, expense or income. Pursuant to IAS 21, the performance date that determines the exchange rate applicable during the initial capitalization of the asset, expense or income will be identical with the date of capitalising the non-monetary assets or non-monetary liabilities financially settled in advance. If its payment is made in several instalments, the business entity must establish the dates of the financial performances of the individual parts separately. The IFRIC 22 provisions are only applicable if the business entity's non-monetary assets or non-monetary liabilities have arisen from a previous financial performance. The IFRIC22 does not include any guidance on the definition of monetary and non-monetary items. A fund paid or received in advance may give rise to the inclusion of either monetary or non-monetary assets. Companies are required to decide if the individual items are monetary or non-monetary in nature. The Company has assessed the impact of the new interpretation, which has a moderate impact on the financial statements. The Company takes this interpretation into account.

IFRS16 Leasing (effective as from 1 January 2019)

On 13 January 2016, IASB published a new standard about the recognition of leasing transactions. The application of the new leasing standard will be mandatory for the companies that adopt the IFRS in respect of the reporting periods beginning on or after 1 January 2019. The new standard replaces the current regulations of IAS17 on leasing, and fundamentally changes the accounting of operative leasing followed to date.

According to the IFRS16 standard on leases, the lessee must simultaneously account and quantify a right to use in the balance sheet among assets and a related financial liability among liabilities.

The right-to-use is measured similarly to other non-financial assets and depreciation is recognized accordingly. Initially, lease liabilities are measured at present value during the lease term, and this present value is calculated with the help of the implicit interest rate if such an interest rate can be accurately specified. If this interest rate is difficult or impossible to determine, the lessee may use the incremental borrowing rate for discounting purposes.

According to the IFRS16 standard, similarly to its predecessor (IAS17), the lessor is required to analyse whether a lease is to be classified as an operating lease or as a finance lease.

A lease transaction is a financial lease if the lessor essentially transfers all the risks and benefits involved in the ownership of the underlying asset to the lessee. Otherwise the particular transaction is considered as an operating lease. The lessor must recognise finance income over the lease term of a finance lease in a manner to result in a constant periodic rate of return on the lessor's net lease investment.

The lessor must recognise the operating lease payments on a straight-line basis or by another systematic method. The lessor should apply another systematic method if it is more representative of the pattern in which benefit from use of the underlying asset is diminished.

However, the standard requires that a leased investment property representing a right to use be measured at fair value if the business applies the fair value method described in IAS 40 (Investment Property) to its other investment property.

The Company has examined its rental and lease contracts and applies the requirements of IFRS16. On the lessee's side, the Company has not revealed any transactions that should be recognized as leases.

IAS28 Investments in Associates

Amendment due to long-term interests in associates (effective for annual periods beginning on or after 1 January 2019). It is irrelevant for the Company.

Amendment to the standard IAS19 "Employee benefits"

Plan amendment, restriction or accounting (applicable to reporting periods beginning on or after 1 January 2019). It is irrelevant for the Company, as it does not apply pension-based accounting.

IFRIC23 "Uncertainties Concerning the Treatment of Income Taxes" (effective for annual reporting periods beginning on or after 1 January 2019). It is irrelevant for the Company.

Amendments to the standards in force

- The modification of references to the Conceptual Framework (effective from 1 January 2020) References in IFRS standards and interpretations have been amended for the purpose of the new Conceptual Framework. The amendment did not have a material impact on the Company's assets and income.
- Amendments to IAS 1 and IAS 8 (effective from 1 January 2020) The amendments to the standard have clarified the concept of materiality. The amendment did not have a material impact on the Company's assets and income.
- Amendments to IFRS 9 and IFRS 7 (effective from 1 January 2020) The result of the Benchmark Interest Rate Reform is the amendment to the standards. Practical guidance on hedge accounting requirements. The amendment did not have a material impact on the Company's assets and income.
- Amendment to IFRS 3 Business Combinations (effective from 1 January 2020) The amendment to the standard clarifies changes in the concept of a business that a business or group of assets has been acquired. The amendment did not have a material impact on the Company's assets and income.

- Amendment to IFRS 16 Leases (effective from 1 June 2020) The amendment clarifies the treatment of COVID-19 lease discounts so that discounts are not accounted for as a lease change but are accounted for as if: they would not be lease modifications. The amendment did not have a material impact on the Company's assets and income.

Standards released but not yet effective

At the time of approval of the current IFRS Consolidated Financial Statements, the following standards and interpretations have been issued but are not yet effective:

- Amendment to IAS1: Classification of liabilities as current or long-term: In January 2020, the IASB amended IAS1 69-76 to specify the requirements for classifying liabilities as current and non-current. The Company is currently analysing the impact of the amendments on current practice.
- Property, plant and equipment Revenue before intended use - Amendment to IAS16:
In May 2020, the IASB issued an amendment to Property, Plant and Equipment - Revenue Before Intended Use, which prohibits companies from deducting from the cost of an item of property, plant and equipment the proceeds from the sale of a manufactured product before their intended use. The amendment is not expected to have a material impact on the Company's financial statements.
- Adverse contracts - contract performance costs - Amendment to IAS37:
In May 2020, the IASB amended IAS 37 to determine what costs a company should consider when assessing whether a contract is onerous or onerous. The amendments are not expected to have a material impact on the Company's financial statements. The amendments are not expected to have a material impact on the Company's financial statements.
- IFRS1 First-time Adoption of International Financial Reporting Standards - First-time Adoption of a Subsidiary:
As part of the annual improvements to IFRS standards in 2018–2020, the IASB amended IFRS1 First-time Adoption of International Financial Reporting Standards. The amendment is not expected to have a material impact on the Company's financial statements.
- Reference to Conceptual Framework - Amendment to IFRS3:
In May 2020, the IASB issued amendments to IFRS3 Business Combinations - Reference Conceptual Frameworks. The amendments are not expected to have a material impact on the Company's financial statements.
- IFRS9 Financial Instruments - Fees in the Financial Assets Derecognition “10 Percent” Test:
As part of the annual development of IFRS in 2018-2020, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees charged by a company in assessing whether the terms of a new or amended financial liability differ materially from the terms of the original financial liability. The amendments are not expected to have a material impact on the Company's financial statements.
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Associates and Joint Ventures: Sale or in-kind contributions between an investor and an associate or joint venture:
The management believes that the application of the amendment will not have an impact on the Company's financial statements

3. Uncertainty factors

When the accounting policy described in Section 1 is applied, estimates and assumptions not clearly definable from other sources need to be used for the determination of the values of the individual assets and liabilities at the given moment of time. The estimation procedure includes the decisions adopted on the basis of the available information and the relevant factors. These significant estimates and assumptions influence the value of the assets and liabilities, revenues and expenditures recognized in the financial statements, as well as the presentation of contingent assets and liabilities in the Notes. The actual results may differ from the estimated data.

The estimates are updated on a regular basis. If a change only affects a specific period, it must be recognized in the period of change in accounting estimates, and if the change affects both the period of change and future periods, it must be recognized in both periods. The main areas of the critical decisions made on the uncertainty of estimation and on the accounting policy, which have the most significant impact on the financial statements include the following:

3.1. Impairment on irrecoverable and doubtful receivables

The Company accounts impairment on irrecoverable and doubtful receivables and for the coverage of any losses arising from them, if customers are unable to pay. The estimates used for measuring the conformance of impairment recognized on irrecoverable and doubtful receivables must be based on the aging of receivables, customer rating, changes in the customer's payment habits.

3.2. Fair value determination

The uncertainty in determining fair value arises from the fact that the investment property representing a significant ratio of assets is valued by an authorized company, which may pose a risk but such risk is significantly mitigated by the following factors:

- an independent valuer, qualified and accepted by both the market and the lending banks, provides market value data,
- the valuation methods comply with the international standards,
- the fair value data are compiled from the data estimated using different methods on a prudent basis by the valuation company.

Another factor of uncertainty may include unexpected market developments, possibly an unexpected crisis situation, as a result of which the fair value of assets and real estate would suddenly change significantly. The Company seeks to mitigate this risk by conducting property valuations every year so that the report always includes the most up-to-date information possible.

4. Basis for the compilation of the financial statements

4.1. Approval and statement on compliance with the International Financial Reporting Standards

Approval of the separate financial statements by the Board of Directors These separate financial statements have been compiled on the basis of the Financial Reporting Standards promulgated and filed in the form of a regulation in the Official Journal of the European Union (EU). IFRS comprises standards and interpretations worded by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

The Company is required by law to prepare separate IFRS financial statements as of January 1, 2017. Unless otherwise indicated, the separate financial statements are presented in Hungarian forint, rounded to the thousand.

The Company's financial year is identical with the calendar year. The balance-sheet cut-off date for the business year 2020 is 31 December 2020.

4.2. Basis of preparing the report

The separate financial statements were compiled according to the standards and on the definitions given by IFRIC as released on 31 December 2020, which have been in force ever since. The financial statements have been compiled on the basis of the direct cost principle, with the exception of the cases where IFRS requires the application of a different method of measurement, as described in the accounting policy.

4.3. Valuation basis

For the separate financial statements, the measurement basis is the original cost, except for the following assets and liabilities, which are stated at fair value: derivative financial instruments, financial instruments at fair value through profit or loss and investment property.

During the compilation of the financial statements compliant with the IFRS standards the management needs to apply professional judgment, estimates and assumptions that have an impact on the applied accounting policies and on the sum total of the assets and liabilities, revenues and costs recognized in the report. The estimates and related assumptions are based on past experiences and numerous other factors, which can be considered as reasonable under the given conditions, and which have a result that lays the ground for the estimate of the book value of the assets and liabilities that cannot otherwise be clearly specified from other sources. The actual results may differ from these estimates.

Estimates and basic assumptions are regularly reviewed. Modifications of the accounting estimates are disclosed in the period when a particular estimate is modified if the modification only affects the given year, and in the period of modification as well as in future periods if the modification affects both the current and the future years.

III. Additional explanations

1. Investment property

data in thousand HUF	
as at 31 December 2019	41 696 004
Change in fair value	2 144 729
Change in assets in the course of construction	5 427 526
Activation	3 991 512
Sales	-751 767
as at 31 December 2020	52 508 004
as at 31 December 2019	41 696 004
as at 31 December 2020	52 508 004

Investment properties are valued by an independent valuer based on the following criteria:

Article 11 (1) of Act CII of 2011 on regulated real estate investment companies: The valuation of properties in the portfolio of a regulated real estate investment company may be performed by

- a) the market sales comparison appraisal method,
- b) the income appraisal method, or
- c) the cost appraisal method,

with the proviso that the choice of the appraisal method must be justified in detail and subsequently, the same method must be used for each property in each period.

The fair value of investment properties in 2020 was due to the following items:

- Increase in the fair value of investment properties may be explained by the expansion of the portfolio – as a result of a successful acquisition, the office building located at 35 Városmajor Street in District XII of Budapest (Major Park, 35 Városmajor Street) and an additional 511/1000 of the property of title deed no. 38315/42 in District X of Budapest (Üllői Street) – and by the increase in the fair value of the properties included in the portfolio. Increase in the fair value is explained on the one hand by improving market expectations, and on the other hand by the concluded lease contracts (higher occupancy rate and the contract expiration dates) in the case of office buildings utilized for rent.

Profit from income-generating investment property

data in thousand HUF	2020	2019
Net sales revenue	3 947 624	3 703 336
Other operating income	3 440 007	245 110
Capitalized value of internally generated assets	0	87 846
Changes in internally generated inventories	0	-4 000
Raw materials, consumables and other external charges	-872 893	-956 480
Staff costs	0	0
Depreciation and impairment	-20 895	2 972
Other operating expenditure	-680 702	-137 221
Revenues from financial operations	0	0
Expenses on financial operations	-196 958	0
Result	5 616 183	2 941 563

Increase in the net sales of investment properties compared to the base period (HUF 244,288,000) was mainly due to the expansion of the portfolio, but also had a significant effect on the enforcement of rent and operating fee increases (indexations) and the still relatively high occupancy rate. The other operating income includes the effect of the market revaluation of properties (HUF 2,677,631,000), and the profit on real estate sold and on related items (HUF 752,872,000). Other operating expenses show the effect of market devaluation (in the amount of HUF 532,903,000) in the case of properties where property development is in progress, but this is not yet reflected in the market valuation. The expenses on financial operations include interest on loans taken out for real estate development but not capitalized on the properties.

2. Intangible and tangible assets

data in thousand HUF	Intangible assets	Other properties	Machinery and equipment	Assets in the course of construction and advances	Total
Gross book value					
31 December, 2019	26 766	101 342	170 592	809 452	1 108 152
Increase and reclassification	0	0	74 854	0	74 854
Decrease and reclassification	0	0	-26 501	-323 167	-349 668
as at 31 December 2020	26 766	101 342	218 945	486 285	833 338
Depreciation					
31 December, 2019	26 163	9 129	73 461	0	108 754
Annual write-off	253	2 027	31 908	0	34 188
Decrease and reclassification	0	0	-6 065	0	-6 065
as at 31 December 2020	26 416	11 156	99 304	0	136 876
Net book value					
31 December, 2019	603	92 213	97 131	809 452	999 398
as at 31 December 2020	351	90 186	119 641	486 285	696 462

A significant part of the increase in gross value was due to the acquisition of passenger cars and computer equipment, while decrease was due to the sale of similar assets and the reclassification of technical and other equipment, constituting an integral part of investment property, to property.

3. Investments in related companies

data in thousand HUF	Hársánylejtő Kft.
31 December, 2019	3 000
as at 31 December 2019	0
Increase and reclassification	0
Sales	0
Impairment	-3 000
as at 31 December 2020	0

Although the Company recognizes investment in the amount of HUF 3 million in its books, corresponding to the subscribed capital of Hársánylejtő Ingatlanforgalmazó és -kezelő Kft (hereinafter: "Hársánylejtő Kft."), due to the loss-making operation of Hársánylejtő Kft. as well as the amount of additional payments granted to its subsidiary, accounted under other fixed assets in the amount of HUF 687.5 million, of which HUF 640 million was provided in the reporting year, but as 100% impairment was recognized for the total additional payment, this balance sheet item also shows a value equal to zero.

4. Inventories

data in thousand HUF	31/12/2020	31/12/2019
Raw materials	0	0
Work in progress	93 485	259 788
Finished product	67 084	79 376
Goods	215 178	373 834
Prepayments on inventories	0	0
Total	375 747	712 998

Most of the inventories comprise the real estate developments related to the land located at Harsánytelep, District III of Budapest, implemented or in progress for sale.

At the end of 2020, all inventory lines show a decrease compared to the previous year, due to the derecognition of the cost of building plots successfully sold and given into possession of during the year and of the value of improvements made to them.

The line work in progress (WIP) still contains increase in the value of own production accounted for in relation to the Harsánytelep plots under development, while the line of finished products has the increase in value of own production recorded on all public utility plots awaiting sale.

In the line for goods, the plots are recorded at cost, modified as follows.

The plots of land on Harsánytelep were transferred to the Company's books in 2014 during the merger of one of the Company's subsidiaries (Katlan). Due to IFRS consolidation, the cost of inventories previously classified as investment property in the subsidiary and then accounted for as IAS2 inventories became the fair value previously reported by our Company in accordance with the IFRS, in both the consolidated and the separate IFRS statements. The higher cost so recognized is reviewed at the end of each period and adjusted to the fair value of the sale of the land in order to obtain the IFRS market value of the inventories.

5. Trade receivables

data in thousand HUF	31/12/2020	31/12/2019
Trade receivables	145 464	-373 878
Impairment	-5 298	-6 655
Credit losses	-1 447	0
Adjustment for trade debtors with a credit balance	81 664	469 888
Total	220 383	89 355

The inventory of trade receivables shows a significant increase compared to the end of 2019, which is partly due to the fact that as a result of the development of the COVID-19 virus situation, several tenants requested a rescheduling of the Q2 rents, and the inventory of prepayments was not as significant as at the end of 2019.

The flows in recognized credit losses and impairments in the current year are shown in the table below:

data in thousand HUF	Opening	Increase	Decrease	Closing
Credit losses:				
accounts receivable	0	1 447	0	1 447
other receivables	0	0	0	0
Impairment:				
accounts receivable	6 655	1 185	2 542	5 298
other receivables	0	0	0	0
Credit losses and impairment	6 655	2 632	2 542	6 745

6. Other short-term receivables and prepaid expenses and accrued income

data in thousand HUF	31/12/2020	31/12/2019
Loans given (Harsánylejtő Kft.)	428 000	1 486 840
Other receivables	311 932	134 096
Accruals	41 369	99 293
Suppliers with a debit balance, and taxes	154 954	39 876
Total	936 255	1 760 105

Tax receivables and liabilities were assessed by tax type and, depending on the sign, were classified as other receivables or other liabilities, and consequently, a tax overpayment of HUF 144.2 million and suppliers with a debit balance in the amount of HUF 10.8 million were reclassified to receivables.

Reasons for the change in the current period:

- The significant decrease in the line of loans granted was caused by the fact that Harsánylejtő Kft. repaid a loan of HUF 1,058,840,000 to our Company.
- Other receivables show an increase due to VAT on advances received from tenants, and due to the imposition of VAT on rent and operating fee invoices for 2021.
- In the line of accruals, a significant part of the decrease is due to the fact that the interest on the loans repaid by Harsánylejtő Kft. was also paid, and thus the accrual only includes the interest on the remaining loan in the amount of HUF 36,348,000; and HUF 4,115,000 bonus on turnover was also recognized in this line.

7. Cash and cash equivalents

data in thousand HUF	31/12/2020	31/12/2019
Cash on hand	1 413	1 393
Bank	10 732 263	14 490 580
Total	10 733 676	14 491 973

The main reasons for the significant decrease in cash in 2020 included the new real estate acquisitions (see also Clause 1) and the payment of dividends for the 2019 business year (for more details see also Clause 12).

8. Subscribed capital and capital reserve

The subscribed capital of the Company is HUF 2,870,244,400, which consists, as of 31 December 2020, of 287,024,440, i.e. two hundred and eighty-seven million twenty-four hundred and forty dematerialized ordinary registered shares with a nominal value of HUF 10, i.e. ten forints each. The share capital according to IFRS is the same as the share capital registered by the Companies Court.

Subscribed capital

data in thousand HUF	31/12/2020	31/12/2019
Opening	2 870 244	2 870 244
Increase	0	0
Decrease	0	0
Closing	2 870 244	2 870 244

Capital reserve

data in thousand HUF	31/12/2020	31/12/2019
Opening	6 048 215	6 048 215
Increase	0	0
Decrease	0	0
Closing	6 048 215	6 048 215

The capital reserve includes the amount of the difference between the nominal value and the consideration of the shares at the time of the share issue, and the value of the funds and assets placed in the capital reserve. No such share transaction took place in the year under review.

9. Revaluation reserve

data in thousand HUF	31/12/2020	31/12/2019
Opening	1 078 973	1 078 973
Increase		
Decrease	-347 069	
Closing	731 904	1 078 973

In the revaluation reserve, the Company recognized the revaluation (adjusted for deferred tax) of 2 more investment properties in the balance sheet at the end of 2019 (Parking House in Aranykéz Street, located at 4-6 Aranykéz Str., District V of Budapest), and the property in Verseg (a non-agricultural park and miscellaneous buildings and a non-agricultural property described as a hunting lodge, registered under title deed no. 0122/2, located in a non-residential area of the village Verseg) according to the fair value method described in the former IAS16 standard, and since one of these properties was sold in H1 2020, the relevant HUF 347 million revaluation reserve was also derecognized.

10. Repurchased treasury shares

As at 31 December 2020, the Company owned 35,340,000 treasury shares representing HUF 1,300 million higher total nominal value than at the end of December 2019, due to the fact that on 24 June 2020, the Company acquired 5,200,000 Company-issued shares at a price of HUF 250 per share, in the framework of a transaction concluded outside the Budapest Stock Exchange (and thus r of treasury shares owned by the Company changed from 30,140,000 to 35,340,000 as a result of the transaction).

The Company recognizes its own shares in the balance sheet at cost as repurchased treasury shares reducing the equity.

data in thousand HUF	31/12/2020	31/12/2019
Opening	-1 748 120	-1 748 120
Increase	-1 300 000	0
Decrease	0	0
Closing	-3 048 120	-1 748 120

11. Profit reserve and profit for the year

data in thousand HUF	31/12/2020	31/12/2019
Profit reserve		
Opening	33 505 544	33 790 708
Increase	347 069	0
Decrease	-2 568 844	-2 568 844
Closing	31 283 770	31 221 864
P/L for the reporting year	4 472 127	2 283 680
Closing	35 755 896	33 505 544

In the reporting period change in the profit reserve was influenced by two opposite effects:

- An increase in the opening value of the profit reserve was the transfer of the HUF 2,283,680,000 profit of 2019. A further increase was due to the reversal of HUF 347,069,000 from the non-distributable fixed reserve to the disposable profit reserve as a result of the sale of the property at Verseg.
- A reducing item was the HUF 2,568,844,400 dividend payable after the profit of the 2019 business year, which was decided on 29 April, 2020 by the Board of Directors of the Company acting under the authority of the General Meeting. In relation to the 2020 Annual General Meeting of the Company, pursuant to Article 9 (2) of Government Decree 102/2020 (IV. 10.) on different provisions concerning the operation of persons and property pooling organizations, the Board of Directors of the Company, acting under the authority of the General Meeting, decided to pay a dividend of HUF 10 per ordinary share for the 2019 business year (shares owned by the Company do not entitle their holders to dividends). Dividends were paid on 11 June 2020.

12. Reconciliation of Equity

data in thousand HUF	Subscribed capital	Repurchased own (treasury) shares	Capital reserve	Revaluation reserve	Profit reserve	P/L for the reporting year	Equity	disposable profit reserve available for dividend payment
31 December, 2019 HAS	2 870 244		6 048 215		4 519 733	1 576 870	15 015 062	
Adjustment of purchase of own shares		-1 748 120					-1 748 120	
Adjustment of sale of own shares								
Reclassification of additional payments					47 500	-40 000	7 500	
Inventory adjustment					290 469	-72 222	218 247	
Revaluation reserve adjustment				1 078 973	-1 078 973			
Provisions for leave					-7 855	1 280	-6 575	
PPA – Bihari					19 004		19 004	
Investment Property Adjustment - IAS40					27 431 986	817 752	28 249 738	
Deferred tax								
31 December, 2019 IFRS	2 870 244	-1 748 120	6 048 215	1 078 973	31 221 864	2 283 680	41 754 856	5 455 049
31 December, 2020 HAS	2 870 244		6 048 215		2 887 759	3 042 308	14 848 526	
Adjustment of purchase of own shares		-3 048 120					-3 048 120	
Adjustment of sale of own shares								
Reclassification of additional payments					647 500	-647 500		
Inventory adjustment					218 246	-116 050	102 196	
Revaluation reserve adjustment				731 904	-731 904			
Provisions for leave					-6 574	-9 089	-15 663	
PPA – Bihari					19 004		19 004	
Receivables - Impairment						-1 447	-1 447	
IAS 40 Appreciation of derecognized property						-641 583	-641 583	
Investment property adjustment - IAS40					28 249 738	2 845 490	31 095 228	
Deferred tax								
31 December, 2020 IFRS	2 870 244	-3 048 120	6 048 215	731 904	31 283 770	4 472 127	42 358 140	5 181 052
Capital registered at Registry Court	2,870,244,400		90% of the payable free profit for the reporting year (taking into account the provisions of the REIT Act)					2 041 399

13. Non-current financial liabilities

data in thousand HUF	31/12/2020	31/12/2019
Long term loans	19 032 327	15 618 427
Total	19 032 327	15 618 427

Long-term loans include the full amount of long-term bank loans.

Bank loans

- Pursuant to the credit facility agreement concluded between the Company and MFB Magyar Fejlesztési Bank Zrt. (hereinafter: “MFB”) on 7 November 2018 for HUF 20 billion (hereinafter: the “Credit Facility Agreement”), MFB granted a loan of HUF 7,579,600,000 to the Company in accordance with the loan agreement signed by the Company and MFB on 3 September 2019.
- Based on the three loan agreements concluded between the Company and Takarékbank Zrt. (hereinafter: “Takarékbank”) on 21 August 2020, Takarékbank provided/will provide the following fixed-rate 15-year HUF-loans to the Company:
 - in order to refinance the total amount of debt owed under the two loan agreements concluded on 7 November, 2019 and the loan agreement concluded on 6 February, 2020 based on the Credit Facility Agreement concluded by the Company and MFB on 7 November 2018, a loan was granted in the amount of HUF 9,707,551,770 and disbursed on 15 September 2020;
 - a loan in the total amount of HUF 2,606,021,058 for the partial post-financing of the purchase of real estate and for financing real estate renovation and investment, of which the first part was disbursed in the amount of HUF 1,124,100,000 on 1 September 2020 and the second part in the amount of HUF 143,750,000 on 13 November 2020;
 - In order to refinance the total debt outstanding on the basis of the HUF 2,100,000,000 loan agreement concluded between the Company and Takarékbank on 8 March 2018, a loan was disbursed in the amount of HUF 1,661,513,172 on 15 September 2020.

The instalments of these loans and borrowings due in 2021 are included in short-term borrowings.

14. Provisions

data in thousand HUF	31/12/2020	31/12/2019
Provisions for contingent liabilities	15 663	11 333
Total	15 663	11 333

Due to the holidays not taken in 2020, the Company has set aside a provision for expected future payment obligations. The wage and contribution mass on untaken leave shows a significant increase compared to the previous year (which is related to travel restrictions due to the COVID-19 pandemic situation).

15. Deferred tax liabilities

Due to transformation into SZIE, the Company has eliminated the previously recognized deferred tax liability, as in the future its tax liability is not expected to arise in the normal course of business.

16. Other long-term liabilities

The value of other long-term liabilities is HUF 0 thousand.

17. Short-term financial liabilities

data in thousand HUF	31/12/2020	31/12/2019
Short-term portion of loans	909 006	515 354
Total	909 006	515 354

Current financial liabilities include the reclassification of short-term bank loans (see also paragraph 13 above).

During the compilation of separate financial Statements for 2020, the Company did not wish to avail itself of the possibility of a “payment moratorium” ensured in Government Decree 47/2020. (III. 18.) and Government Decree 62/2020. (III. 24.).

18. Liabilities to creditors

data in thousand HUF	31/12/2020	31/12/2019
Liabilities to creditors	1 841 171	137 353
Total	1 841 171	137 353

Similarly to the previous year, the supplier portfolio partly includes the costs of utility, telephone and other services related to real estate, however, the reason for the significant increase in the reporting year’s portfolio is that the Company has two major real estate developments in parallel (one of them called the Attila99Loft, the improvement of properties registered under title deed no. 6775 and located at 99 Attila street and 42 Logodi Street in District I of Budapest, and the other called Major Udvar, improvement of a property at 12-14 Városmajor Street in District XII of Budapest), which results in high-amount general contractor accounts and warranty withholdings.

19. Other short-term liabilities, accrued expenses and deferred income

data in thousand HUF	31/12/2020	31/12/2019
Advances + security deposit + VAT adjustment	1 002 887	974 845
Wages + taxes + contributions	49 707	174 178
Liabilities to owners in relation to dematerialization	75 280	75 280
Accruals	104 683	28 819
Adjustment for trade debtors with a credit balance	81 664	469 889
Other	0	0
Total	1 314 221	1 723 011

Developments in other current liabilities and accrued expenses were mainly determined by trade and other advances to customers, liabilities to the owners in relation to dematerialization, and accrued utility and other costs. Increase was partly due to a rise in the amount of security deposits received from customers. Accruals have also increased significantly, including partly the expected amounts of fees related to new acquisitions and partly the costs of services not yet invoiced by utilities. Reclassified customer overpayments decreased significantly.

20. Sales revenue

data in thousand HUF	2020	2019
Revenue from rents and operating fees	3 235 913	2 949 319
Income from parking fees	410 721	475 159
Revenue related to intermediary services	294 304	270 375
Revenue from services	0	0
Revenue from the sale of properties/land	802 677	661 228
Other sales revenues	8 108	10 800
Total	4 751 723	4 366 881

Increase in the revenue from rents and operating fees was due to indexation and the seasonal price increases fixed in the contracts. The utilization of leased car parks decreased slightly compared to the same period last year, which is also related to the introduction of free parking in Budapest due to the situation caused by the COVID-19 pandemic.

Intermediate services include utility and telephone charges billed to tenants. Re-invoicing mainly comprises the re-invoicing of the utility consumption by the tenants in the Flórián Udvar Office Building (8-10 Polgár Street, District III of Budapest), the electricity consumption of the tenants of the Victor Hugo Office Building (18-22 Victor Hugo Street, Budapest) and the consumption of tenants of the hotel located at 114-116 Üllői Street, District X of Budapest.

Revenue from the sale of properties/land also increased, due to the fact that in the first half of the year 2 units, and in the second half 8 more building plots were sold.

Other sales revenues include revenues that cannot be classified in the above groups.

The Company has no income from accommodation or catering services, it only rents out the properties it owns.

21. Other operating income

data in thousand HUF '	2020	2019
Fair valuation	2 677 631	145 676
Sale of property	752 872	0
Other operating income	34 813	129 486
Total	3 465 316	275 162

Other operating income includes increase in the fair value of the Company's investment properties in the fair value line. The “proceeds from the sale of the property” were realized by BIF during the sale of its property at Verseg and the related movables. Other income arises from retrospectively received, financially settled discounts, received compensation and the release of provisions.

22. Own performance capitalized

data in thousand HUF	2020	2019
Changes in internally generated inventories	-178 595	-30 538
Own work capitalized	-3 560	58 441
Own performance capitalized, total	-182 155	27 903

In the category “change in internally generated inventories”, the Company recognizes the capitalized cost of its own work on the plots, and the derecognition of the capitalized value of its own plots sold. Due to the derecognition of the inventory value of 10 building plots sold in the reporting year, internally generated inventories decreased significantly.

The capitalized value of self-produced assets includes the value of investment items transferred to inventories as a result of the review of previous investments on Harsánylejtő.

23. Raw materials, consumables and other external charges

data in thousand HUF	2020	2019
Material costs	151 984	128 748
Cost of services used	550 359	732 434
Cost of other services	29 337	41 073
Cost of goods sold	43 629	43 889
Value of (intermediary) services sold	293 880	268 062
Total	1 069 189	1 214 206

Raw materials, consumables and other external charges decreased by approximately HUF 145 million compared to the previous year, which was the result of changes in the various components.

The main reasons for the change include:

- Increase in material costs and in the intermediated services sold was mainly due to increased utility costs (electricity and gas) resulting from the expansion of the real estate portfolio.
- The value of services used decreased by approximately HUF 182 million in 2020 compared to the base period, and this decrease was mainly due to the following changes:
 - increased operating and maintenance costs due to the expansion of the real estate portfolio;
 - agency commissions related to the successful lease of the Vigadó Palota Office Building and the purchase of the property on Attila Street were charged in 2019, but there were no such payments in 2020;
 - the costs of expertise and other consulting costs decreased significantly.
- The cost of goods sold was at the same level in 2020 as in the base period.

- In the reporting period, decrease in the value of other services was partly due to lower fees and commissions related to the Credit Facility Agreement.

24. Staff costs

data in thousand HUF	2020	2019
Wage costs	375 723	352 340
Other payments to staff	30 417	29 588
Wage taxes	70 610	75 090
Total	476 750	457 018

The main reason for the increase in payments to staff was the increase in the number of employees and the organizational development related to the implementation of the Company's strategic goals. The average statistical headcount of the Company was 46 in 2020 (43 in 2019), while the headcount on 31 December 2020 was 52.

25. Depreciation and impairment

data in thousand HUF	2020	2019
Depreciation	55 167	37 254
Impairment	648 685	43 916
Credit losses	1 447	0
Total	705 299	81 170

The Company accounted for HUF 55,166,000 depreciation on non-investment property, plant and equipment in the reporting year. An impairment loss was recognized in the amount of HUF 1,185,000 on doubtful trade receivables and HUF 647,500,000 on additional payments; and an expense of HUF 1,447,000 was recognized as a credit loss in accordance with IFRS9.

The Company has assessed the need for credit losses to be recognized in relation to receivables in accordance with the requirements of IFRS9. The expected credit losses have been assessed on an aggregate basis for each asset group as follows:

- trade receivables: the simplified model is used by the Company (lifetime method),
- loans granted: according to our survey, the lending risk did not increase significantly since the initial recognition, and thus we calculated with the expected 12-month credit loss;
- additional payments: managed as impaired assets.

The following factors were considered in assessing credit loss:

- Has the credit risk of financial instruments increased significantly since initial recognition? / impaired financial assets:
 - additional payment to Harsánylejtő Kft.: receivable from the additional payment in the amount of HUF 647,500 thousand, for which we formed a 100% impairment, because the operation of the subsidiary is unprofitable, we considered the recovery of this receivable to be risky;
 - specific loans: these financial instruments of the Company are considered to be of low credit risk as these assets are typically not past due at the balance sheet date and the risk of default is negligible;
 - trade receivables: overdue receivables older than 30 days are almost insignificant, only 3% at the end of the reporting period, no significant trade receivables were made in previous years, there are no significant delays, therefore we consider these receivables to be low risk, typically not impaired the risk of default is negligible. Receivables in the amount of HUF 5,298 thousand were considered impaired, for which we formed a 100% impairment (see also the relevant data in the second detail table in Section 5).

- Predictive information (especially the effects of the COVID-19 virus situation) was also taken into account when estimating the credit loss on trade receivables. The Company's customers are divided into two groups: (i) customers operating in the segments most affected by the COVID-19 virus situation (restaurant, hotel), and (ii) customers operating in other sectors.
- In connection with trade receivables, the Company recorded a credit loss of HUF 1,447,000 (see also the relevant data in the detailed table in Section 5).

26. Other operating expenditure

data in thousand HUF	2020	2019
Impact of fair valuation on inventories	116 050	72 222
Fair valuation	532 903	0
Sale of real estate and movable property	0	4 927
Scrapping	93 946	948
Transfer without consideration	286 888	158 415
Taxes	173 396	163 659
Other expenditures	7 676	70 561
Total	1 210 859	470 732

The value of other operating expenses increased significantly during the period, which consists of the following items:

- the effect of fair valuation on inventories includes an adjustment for the effect of the valuation of inventories under IFRS in both years,
- due to the fair valuation of investment properties, this line also shows decrease in the market value accounted for in accordance with IAS40,
- significant scrapping took place in the year under review,
- HUF 283,657,000 increased by VAT was accounted for due to the derecognized value of the roads transferred to the Local Government of District III of Budapest free of charge, and moreover, a smaller plot of land worth HUF 3,231,000d was also transferred to the Local Government,
- taxes paid to local governments (property tax, land tax, and car tax) also increased in the year under review,
- the line “Other items” includes support paid to foundations (HUF 4,800,000), provisioning and impairment.

27. Income from and expenses of financial operations

Revenues from financial operations data in thousand HUF	2020	2019
Interest received	76 872	49 331
Exchange rate gain	71 343	7 482
Other	0	0
Total revenues	148 215	56 813

Expenses on financial operations data in thousand HUF	2020	2019
Interest paid	228 044	205 847
Exchange rate loss	3 198	836
Other	3 000	0
Expenses, total	234 242	206 683

Increase in the interest received is due to the commitment of disposable funds, while the interest paid is related to increase in the loan portfolio.

The largest part of the realized exchange rate gain in the current period is the exchange rate gain on the EUR/HUF exchanges related to the payment of the EUR purchase price of the property at 35 Városmajor Street in District XII of Budapest; and the realized exchange rate loss is insignificant because most of the income and expenses are generated in HUF.

28. Actual tax expenditure

data in thousand HUF	2020	2019
Corporate income tax	1 873	1 491
Business tax	0	0
Contribution to innovation	12 760	11 779
Other	0	0
Total actual tax	14 633	13 270

Due to the SZIE status, the Company was only obliged to pay corporate tax until the SZIE status was obtained (20 October, 2017). At the same time, the Company, being a SZIT, is required to determine its corporate tax base with a view to the provisions of the REIT Act, but it is only subject to corporate tax for the calculated base in certain cases (e.g. on a tax base proportionate to the income from related parties), and in view of this, the corporate income tax was set at HUF 1,873,000 (see the calculation below), and the payable innovation contribution obligation of HUF 12,760,000 was calculated as payable by the Company in 2020.

data in thousand HUF	
Profit before taxes as per IFRS	4 486 760
Tax adjustment (innovation contribution)	12 760
Pre-tax profit (adjusted for innovation contribution) according to the IFRS	4 474 000
Adjusting items under IFRS	-1 438 909
Adjusted profit before corporate income tax	3 035 091
	Increasing items
	1 283 034
	Decreasing items
	-800 895
Corporate tax base in 2020	3 517 230
The benefit on corporate tax to the REIT status is	0%
The ratio of related revenue to total revenue	0,59%
Corporate tax base (to revenue from related parties) in 2020	20 810
Corporate tax payable on related parties	1 873
Corporate tax liability in 2020	1 873

29. Deferred tax expense

data in thousand HUF	2020	2019
Deferred tax	0	0
Total	0	0

In 2017, due to the SZIE status, the deferred tax liability incurred in previous years was reversed.

30. Other comprehensive income

Other comprehensive income includes an expense of HUF 347 million derecognised due to the sale of the property at Verseg, revalued, in accordance with the previous IAS 16, as an expense.

The tax effect of the change in the fair value of other properties was HUF 0,000 in both 2020 and 2019.

31. Earnings per share

	2020	2019
P/L after taxes (data in thousand HUF)	4 472 127	2 283 680
Weighted average ordinary shares	251 684 440	256 884 440
Earnings per share (basic) (HUF) ("profit after taxes" to "the weighted average of ordinary shares")	17,77	8,89

Following the share conversion performed in 2019, the share capital of the Company consists of 287,024,440 registered ordinary dematerialized shares with a nominal value of HUF 10 each, of which 35,340,000 are treasury shares owned by the company and 251,684,440 constitute the weighted average of ordinary shares. (The Company's ordinary shares of a nominal value of HUF 10 could be traded on the Budapest Stock Exchange for the first time on 11 June, 2019.)

There are no factors at the Company that would dilute the earnings per share.

32. Assets and liabilities, financial position and profitability
32.1 Wealth indicators

Description	31/12/2020	31/12/2019
Long-term assets to total assets	81,26%	71,46%
Current assets to total assets	18,74%	28,54%
Parent company equity to total liabilities and equity	64,70%	69,87%
Indebtedness (ratio of long-term liabilities to parent-company equity and long-term liabilities)	31,02%	27,24%
Debt to equity ratio	44,97%	37,43%
Working capital (data in thousand HUF)	12 266 061	17 054 431
Working capital to equity	28,96%	40,84%
Coverage of assets over one year	79,61%	97,77%
Coverage for assets over one year, including liabilities	115,42%	134,37%

32.2 Indicators of the financial position

Description	31/12/2020	31/12/2019
Liquidity ratio	293,99%	717,86%
Quick asset ratio	253,87%	610,00%

32.3 Profitability indicators

Description	31/12/2020	31/12/2019
Profit on sales revenue	96,23%	56,03%
Return on equity	10,80%	5,86%

33. Information on business lines

All of the Company's properties are located in Budapest and its agglomeration (prior to the June 2020 sale of the Verseg property), and so the distribution of revenues and expenses by geographical regions is not justified. Given that the Company is engaged in the leasing, utilization and trading of real estate, the segments were formed accordingly also in 2020.

In addition, the Company's operating profit arising from operations that cannot be directly related to real estate is reported separately.

Developments in the revenues and expenses of the segments according to the above-mentioned classification in 2020 and 2019 are shown in the table below:

2020 data in thousand HUF	Plots of land on Hársánylejtő	Income- generating investment property	Operation	Total
Net sales revenue	803 889	3 947 624	210	4 751 723
Other operating income	0	3 440 007	25 309	3 465 316
Capitalized value of internally generated assets	-3 560	0	0	-3 560
Changes in internally generated inventories	-178 595	0	0	-178 595
Raw materials, consumables and other external charges	-59 475	-872 893	-136 821	-1 069 189
Staff costs	0	0	-476 750	-476 750
Depreciation and impairment	-2 527	-20 895	-681 877	-705 299
Other operating expenditure	-528 966	-680 702	-1 191	-1 210 859
Revenues from financial operations	0	0	148 215	148 215
Expenses on financial operations	0	-196 958	-37 284	-234 242
Profit before taxes	30 766	5 616 183	-1 160 189	4 486 760

2019 data in thousand HUF	Plots of land on Hársánylejtő	Income- generating investment property	Operation	Total
Net sales revenue	661 720	3 703 336	1 825	4 366 881
Other operating income	0	245 110	30 052	275 162
Capitalized value of internally generated assets	-29 405	87 846	0	58 441
Changes in internally generated inventories	-28 619	-4 000	2 081	-30 538
Raw materials, consumables and other external charges	-61 808	-956 480	-195 918	-1 214 206
Staff costs	0	0	-457 018	-457 018
Depreciation and impairment	-2 027	2 972	-82 115	-81 170
Other operating expenditure	-320 176	-137 221	-13 335	-470 732
Revenues from financial operations	0	0	56 813	56 813
Expenses on financial operations	0	0	-206 683	-206 683
Profit before taxes	219 685	2 941 563	-864 298	2 296 950

34. Risk Management

The Company's assets include cash and cash equivalents, securities, receivables from customers and other receivables and other assets – with the exception of taxes. Company liabilities include loans and advances, liabilities to customers and other liabilities, disregarding taxes and the gains and losses on the revaluation of financial liabilities at fair value.

The Company is exposed to the following financial risks:

- credit risk
- liquidity risk
- market risk

This section describes the above-described risks the Company is exposed to, the Company's objectives and policies, the measurement of procedures and risk management, and the Company's capital management. The Board of Directors have general responsibility for the Company's establishment, supervision and risk management.

The purpose of the Company's risk management policy is to screen and investigate the risks the Company may face, to set up adequate controls and to monitor risks. The risk management policy and system will be revised in order to reflect the changed market conditions and the Company's activities.

34.1. Capital management

The Company's policy is to retain the share capital in an amount that is sufficient for ensuring that the investors' and creditors' confidence maintains the Company's future development. Based on the benefits and security ensured by the Company's massive capital position, the Board of Directors makes efforts at maintaining the policy of only assuming higher exposure from lending if yield is higher.

The Company's capital structure comprises net debt and the Company's equity (the latter includes the subscribed capital, reserves and the shares and participations held by non-controlling owners).

In managing capital, the Company seeks to ensure that the Company's subsidiary can continue to operate while maximizing returns for owners through an optimal balance of debt and equity and maintaining an optimal capital structure to reduce the cost of capital. The Company also monitors whether or not its subsidiary's capital structure meets the local statutory requirements.

At the end of the reporting period the Company had the following net debt and equity:

data in thousand HUF	31/12/2020	31/12/2019
Loans and advances	19 941 333	16 133 781
Cash and cash equivalents	10 733 676	14 491 973
Net debt	9 207 657	1 641 808
Equity	42 358 140	41 754 856

34.2. Credit risk

Credit risk is the risk that reflects if the debtor or the partner fails to fulfil his contractual obligations and this causes financial loss for the Company. Financial assets exposed to credit risks may include long- or short-term allocations, cash and cash equivalents, and receivables from customers and other receivables.

The book values of financial assets show the maximum risk exposure. The following table shows the Company's maximum credit exposure on 31 December 2019 and 31 December 2018.

data in thousand HUF	31/12/2020	31/12/2019
Trade debtors	220 383	89 355
Cash and cash equivalents	10 733 676	14 491 973
Total	10 954 059	14 581 328

By continuously monitoring the collection risk of our overdue receivables and recognizing impairment, the risk is usually mitigated.

Customers are rated on an ongoing basis. The Company recorded an impairment loss of HUF 3,916,000 on doubtful trade receivables in the year under review. The risk of recovery on trade receivables past due and not yet due is insignificant.

34.3. Liquidity risk

Liquidity risk is the risk that the Company is unable to fulfil its financial obligations when they are due. The Company's liquidity management approach is to reveal the extent to which adequate liquidity can be provided for the performance of its liabilities on the due dates, under both usual and stressed conditions, without incurring unacceptable losses or jeopardizing the Company's good reputation.

A cash-flow plan is also prepared for the Company's subsidiary, which is regularly updated. The Company analyses the Company's cash requirements by a rolling prediction in order to ensure adequate liquidity for operation and the fulfilment of the financial indicators specified in the loan agreement. The excess cash generated at company level is held in deposit accounts and time deposits.

The maturity structure of financial liabilities (loans) is shown in the following tables:

data in thousand HUF	as at 31/12/2020	Due within 1 year*	Due within 2–5 years*	Due after 5 years*	Total
Financial liabilities	19 941 333	909 006	4 890 354	14 141 973	19 941 333

* principal repayments due

data in thousand HUF	as at 31/12/2019	Due within 1 year*	Due within 2–5 years*	Due after 5 years*	Total
Financial liabilities	16 133 781	515 354	4 430 633	11 187 794	16 133 781

* principal repayments due

34.4. Market risk

Market risk is the risk that market prices, exchange rates, interest rates and the prices of investments or their changes may affect the Company's profit or the value of the investment embodied in the financial instruments. The purpose of managing market risk is to manage and control exposures to market risks among acceptable limits with simultaneous profit optimization.

Since March 2018, when the then EUR loan owed to CIB Bank Zrt. was refinanced with a HUF loan, the Company has only had forint-based long-term loans. Considering that approximately 89% of the Company's revenues are realized in HUF, it practically has no FX risk.

As a result of the following refinancing transaction presented in Clause III/13, the Company eliminated its lending interest rate risk in September 2020. In order to refinance its HUF 2,100,000,000 loan under the loan agreement concluded by the Company and Takarékbank on 8 March 2018 for a long-term, variable rate loan, on 15 September 2020, Takarékbank disbursed a 15-year fixed-rate loan in the amount of HUF 1,661,513,172.

The Company does not conclude hedging transactions.

35. Sensitivity analysis

With a view to the facts described in Clause 34.4 above, the Company has not performed a separate sensitivity test.

36. Financial instruments

Financial instruments include loans granted, financial investments, receivables from customers from among current assets, securities and cash, loans and advances taken and customer liabilities.

31 December 2020 data in thousand HUF	Book value	Fair value
Financial assets		
<i>Financial liabilities carried at amortized cost loans and receivables</i>		
Trade receivables	227 128	220 383
Cash and cash equivalents	10 733 676	10 733 676
Financial liabilities		
<i>Financial liabilities carried at amortized cost liabilities</i>		
Financial liabilities	19 941 333	19 941 333
Liabilities to creditors	1 841 171	
31 December 2019 data in thousand HUF	Book value	Fair value
Financial assets		
<i>Financial liabilities carried at amortized cost loans and receivables</i>		
Trade receivables	96 010	89 355
Cash and cash equivalents	14 491 973	14 491 973
Financial liabilities		
<i>Financial liabilities carried at amortized cost liabilities</i>		
Financial liabilities	16 133 781	16 133 781
Liabilities to creditors	137 353	137 353

37. Remuneration of the Board of Directors and the Supervisory Board

The members of the Board of Directors performed their duties in the 2020 business year without remuneration, and the members of the Audit Committee performed their duties in the 2020 business year with a gross monthly remuneration of HUF 300,000 per member.

The Company and the subsidiary included in consolidation do not have a Supervisory Board.

38. Remuneration of senior and middle managers in key positions

data in thousand HUF	2020	2019
Gross salary	156 782	148 389
Wage taxes	28 273	29 774
Total	185 055	178 163

39. Items of exceptional magnitude and occurrence

In 2020, the Company did not have any revenue of exceptional magnitude or occurrence, or any expense of exceptional magnitude or occurrence.

40. Presentation of related parties
40.1. Subsidiary

Subsidiary	Registered office:	Vote and ownership shares	
		31/12/2020	31/12/2019
Harsánylejtő Kft.	H/1033 Budapest, Polgár u. 8-10.	100.00%	100.00%

As of December 31, 2020, the equity data of Harsánylejtő Kft., expressed in thousand forints, was:

data in thousand HUF	31/12/2020	31/12/2019
Equity	-30 295	-213 878
Subscribed capital	3 000	3 000
Capital reserve	0	0
Profit reserve	-264 379	-44 975
Committed reserve	687 500	47 500
P/L after taxes	-456 416	-219 403

The value of equity included in its 2020 annual report is negative as a result of ongoing but not yet sold condominium improvements and expenses incurred in relation to their financing.

Due to the loss made after taxes by Harsánylejtő Kft., in the Founder's Resolution no. 1/2021.03.29, between the balance-sheet cut-off date and the balance-sheet preparation date, the Company ordered the performance of an additional payment in the amount of HUF 35,000,000, which was transferred to the account of Harsánylejtő Kft. on 29 March 2021, thus improving its equity.

Related party transactions:

data in thousand HUF	31/12/2020	31/12/2019
Loan granted by BIF	428 000	1 486 840
BIF revenue	38 250	41 976
BIF expenditure	0	3 340
Wage + contribution claim	2 782	375

40.2. Other related party

In 2020, the Company had no business relationship with any other related party other than Harsánylejtő Kft.

IV. Other additional information

1. Off-balance items, litigations and other legal proceedings

1.1. Off-balance items that might influence the future liabilities of the Company

On December 31, 2020, the following liens existed on certain items constituting the assets of the company group:

Loan1

Beneficiary's name: MFB Magyar Fejlesztési Bank Zrt.

Pursuant to the credit facility agreement concluded between the Company and MFB Magyar Fejlesztési Bank Zrt. on 7 November 2018 for HUF 20 billion, MFB Magyar Fejlesztési Bank Zrt. granted a loan of HUF 7,579,600,000 to the Company in accordance with the loan agreement concluded by the Company and MFB Magyar Fejlesztési Bank Zrt. on 3 September 2019.

Description of the encumbered thing or right (asset)

- Property of title deed no. 24408/4 in District V of Budapest (H-1052 Budapest, Apáczai Csere János utca 9.)

Details of the contract containing the secured claim:

Loan agreement

Date of: 3 September 2019

Real property mortgage agreement – to secure multiple claims

Date of: 3 September 2019

Contract for pledge on receivables

Dated: 3 September 2019

Amount of secured claim/registered encumbrance:

HUF 20,000,000,000, i.e. twenty billion forints as principal and any interests and other charges accrued.

Loans2-4

Beneficiary's name: Takarékbank Zrt

Based on the three loan agreements concluded between the Company and Takarékbank Zrt. on 21 August 2020, Takarékbank provided/provides the following fixed-rate 15-year HUF-loans to the Company:

- in order to replace the total amount of debt owed under the two loan agreements concluded for HUF 20 billion on 7 November, 2018 between the Company and MFB Magyar Fejlesztési Bank Zrt., and the loan agreement concluded on 6 February, 2020, pursuant to the Credit Facility Agreement concluded by the Company and MFB on 7 November 2019, a loan had been granted in the amount of HUF 9,707,551,770 and was to be disbursed on 15 September 2021;
- a loan in the total amount of HUF 2,606,021,058 for the partial post-financing of the purchase of real estate and for financing real estate renovation and investment, of which the first part will be disbursed in the amount of HUF 1,124,100,000 on 1 September 2021 and the second part in the amount of HUF 143,750,000 on 13 November 2021;

- a loan will be disbursed on 15 September 2021 in the amount of HUF 1,661,513,172 for the repayment of the total amount of a loan of HUF 2,100,000,000 owed under a long-term loan agreement for a variable-rate loan between the Company and Takarékbank on 8 March 2018.

Description of the encumbered thing or right (asset)

- The real property of title deed no. 6979/1, located in District XII of Budapest (H-1122 Budapest, Városmajor utca 12-14.)
- The real property of title deed no. 6866, located in District XII of Budapest (H-1122 Budapest, Városmajor utca 35.)
- The real property of title deed no. 18059, located in District III of Budapest (H-1033 Budapest, Flórián tér).
- The real property of title deed no. 38315/42, located in District X of Budapest (H-1101 Budapest, Üllői út 114-116.)
- The real property of title deed no. 6775, located in District XII of Budapest (H-1012 Budapest, Városmajor utca 42).

Details of the contract containing the secured claim:Loan agreements (3)

Dated: 31 August 2020

Mortgage contract for real estate – with a specific amount to secure multiple claims

Dated: 31 August 2020

Agreement for the establishment of pledge on receivables – with a fixed amount to secure multiple claims

Dated: 31 August 2020

Security deposit agreement for a charge on the receivables of a payment account

Dated: 31 August 2020

Amount of secured claim/registered encumbrance:

HUF 14,700,000,000 limit

1.2. Litigations and other legal proceedings

As of 31 December 2020, Budapesti Ingatlan Nyrt. was a defendant in the following litigations

Litigations pending

- (i) Plaintiff: Shareholder Association of Listed Individual Investors; Defendant: Budapesti Ingatlan Nyrt. (arbitration proceedings)

Subject of the litigation: An action for annulment and suspension of the implementation of certain resolutions of the 2016 General Meeting and the Board of Directors of the Company.

No decision was made in relation to the lawsuit in 2020. In that regard, however, it should be pointed out that the possible annulment of the decisions challenged by the plaintiff and taken several years earlier would no longer have an effect on the current operation of the Company.

- (ii) Plaintiff: (Luther) Condominium, H-1081 Budapest, Rákóczi út 57; defendant: Budapesti Ingatlan Nyrt.

Subject of the litigation: Obligation to remedy an emergency and damage.

In its statement of claim, the plaintiff (condominium) requested in the claim pending before the Central Court of the Pest Districts that the Company be ordered to eliminate soaking in the roof of one of the sub-units owned by the Company in the condominium (a church building registered under title deed no. 34637/0/A/107 in District VIII of Budapest), repair the dislodged elements of the rainwater drainage system, replace its missing elements, eliminate the deterioration of the facade plaster layers and restore the previously fallen sandstone decorative elements. The antecedent of the claim of the condominium is that by its decision dated 26 April, 2019, the District V Government Office of the Capital City of Budapest obliged the condominium instead of the Company to eliminate the dangerous condition of the church building facade and roof structure, and the condominium opened a lawsuit in order to transfer the obligation to the Company.

In our Company's opinion, the claim of the condominium is completely unfounded, considering that the building structures referenced in the statement of claim and the official obligation are considered to be condominium's common property according to the condominium's effective memorandum of foundation and the applicable legislation, and pursuant to the relevant provisions of the memorandum of foundation as well as the prevailing statutes, the obligations and costs associated with the maintenance (upkeep and renovation) of those parts of the building, equipment and facilities that are the common property of the condominium must be borne by the condominium.

Our Company filed a substantive counterclaim against the lawsuit in court and, after three hearings, the court of first instance dismissed the plaintiff's claim. The plaintiff appealed against the judgment of first instance, but withdrew it prior to the second-instance hearing scheduled for 16 February 2021, and thus the judgment at first instance became final, in other words, the proceedings were terminated. In view of the fact that the plaintiff also requested termination of the proceedings, although there would have been no legal possibility to do this as the appeal had been withdrawn, the application was dismissed by the court in its order and an appeal still lies against this order.

As of 31 December 2020, Budapesti Ingatlan Nyrt. was an obligor in the following non-contentious proceedings:

Order for payment procedure:

Beneficiary: (Luther) Condominium, H-1081 Budapest, Rákóczi út 57., obligor: Budapesti Ingatlan Nyrt.

The beneficiary condominium filed a payment order against our Company for the payment of a common cost in the amount of HUF 16,016,859 comprising principal and accrued interests. Of this, our Company recognized and paid HUF 10,036,859, and for the discrepancy of HUF 5,980,000 the Company has lodged a statement of objection. The basis of our objection is that considering that no action was taken by the Condominium despite our request, the Company had the works necessary for the preservation of the roof structure performed by the bidder quoting the best price, for a fee of HUF 5,980,000 + VAT. In a separate statement sent to the condominium, the amount paid was set off against the common cost debt owed to the condominium. Pursuant to Section 6:49 (2) of Act V of 2013 on the Civil Code, obligations cease to the extent of the set-off. In the previous lawsuit filed by the Condominium against our Company in 2018 for the payment of common costs, the Curia expressly stated that in case of works absolutely necessary for the preservation and maintenance of the property, the law recognizes the reimbursement claims made by the owner who prepays the costs of preserving the object in common ownership against the community of owners. With regard to the difference in the order for payment, on 15 February 2021, the creditor made a statement to the effect that it did not request the conversion of the claim into a lawsuit, and requested the notary public to terminate the proceedings.

2. Significant post balance sheet events

Closing a property sale:

On 2 December 2020, the Company, as the seller, entered into a real estate sale and purchase agreement with the National Slovakian Minority Self-Government, as buyer, for the sale of the property of title deed no. 34637/0/A/107, located at H-1081 Budapest, Rákóczi út 57 in the residential area of District VIII of Budapest. The property sale transaction was closed in the second half of January 2021.

A “non-adjusting” event following the closing date of the balance sheet

Unfortunately, the new (third) wave of the coronavirus pandemic reached Hungary as well after the balance sheet day, in March, 2021. The current coronavirus situation and the changes to such situation may unfortunately have some negative impacts on the plans and objectives formulated by the Company for 2021, which are difficult to estimate or express in numerical terms for the time being, however, economic life may be expected to start getting back to normal in the second half of 2021 as the vaccines against coronavirus become more and more widespread. In order to minimize its exposure to risks due to the coronavirus pandemic (such as some of its tenants initiating the renegotiation or termination of their lease contracts, delays in current development projects or the renegotiation of its relations with suppliers/providers) and to protect its employees, the Company continues closely monitoring all changes to the current situation, with special regard to the measures of the government and official bodies, so that it may introduce new measures and provide information to its employees and partners accordingly.

Due to the Coronavirus situation, the Company has assessed and prepared estimates of whether there is significant uncertainty regarding the ability to continue its business as a going concern and has determined that it is appropriate to presume that the Company as a going concern will continue its activity in the foreseeable future.

3. Extraordinary and other regulated disclosures in 2020 and until the date of signing of these Financial Statements of the Parent Company

Date of publication	Subject of publication
31 March 2021	Monthly announcement of voting rights and share capital
26 March 2021	Invitation to the General Meeting of Budapesti Ingatlan Nyrt.
1 March 2021	Monthly announcement of voting rights and share capital
31 January, 2021	Monthly announcement of voting rights and share capital
31 December 2020	Monthly announcement of voting rights and share capital
21 December 2020	Calendar of corporate events
2 December 2020	Notice of the execution of a real property sales contract
30 November 2020	Monthly announcement of voting rights and share capital
24 November 2020	Special notice on credit rating
30 October 2020	Monthly announcement of voting rights and share capital
30 September 2020	Monthly announcement of voting rights and share capital
15 September 2020	Special notice on the final repayment of loan agreements
31 August 2020	Special notice on the signature of loan agreements
31 August 2020	Monthly announcement of voting rights and share capital
10 August 2020	Special notice on the execution of a general contractor agreement
31 July 2020	Monthly announcement of voting rights and share capital
30 June 2020	Monthly announcement of voting rights and share capital
24 June 2020	Change in treasury stock
2 June 2020	Monthly announcement of voting rights and share capital
26 May, 2020	Dividend payment by Budapesti Ingatlan Nyrt.
12 May, 2020	Notice of the execution of a real property sales contract
5 May, 2020	Notice of the execution of a real property sales contract
4 May, 2020	Supplementary information to the notice of dividend payment related to Budapesti Ingatlan Nyrt.'s 2018 business year
30 April 2020	Monthly announcement of voting rights and share capital
29 April 2020	Budapesti Ingatlan Nyrt.'s annual report
29 April 2020	Report on Responsible Corporate Governance
29 April 2020	Resolutions adopted by the Board of Directors of Budapesti Ingatlan Nyrt. under the authority of the General Meeting
17 April 2020	Budapesti Ingatlan Nyrt.'s notice of holding the 2020 Annual General Meeting
8 April 2020	A proposal to the General Meeting and proposals for resolution
31 March 2020	Monthly announcement of voting rights and share capital
29 March 2020	Invitation to the General Meeting of Budapesti Ingatlan Nyrt.
28 February 2020	Monthly announcement of voting rights and share capital
February 6, 2020	Special notice on the signature of a loan agreement
31 January, 2020	Monthly announcement of voting rights and share capital
27 January, 2020	Notice of the successful closing of a real property transaction
2 January, 2020	Notice of the execution of a real property sales contract

4. Authorizing the disclosure of the financial statements

The Board of Directors approved this 2020 Audited IFRS Annual Financial Statements of the Parent Company on the 19th of April, 2021 and authorized it for disclosure with its resolution.

Declaration of liability

Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. hereby declares that this 2020 Audited Annual Financial Statements of the Parent Company has been prepared to the best knowledge of the Company, in accordance with IFRS and provides a true and reliable image of the assets, liabilities, financial position as well as profits and losses of the Company, and does not omit any facts that might have any significance concerning the assessment of the situation of the Company.

Budapest, 19 April 2021

.....
Dr Anna Ungár
President of the Board of Directors
Address: H-1121 Budapest, Hegyhát út 23.

.....
Kristóf Berecz
Vice President of the Board of Directors, CEO
Address: H-1121 Budapest, Hegyhát út 23.