Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.

Consolidated Annual Report 2021
Consolidated Annual Financial Report 2021

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This is the English translation of the official Hungarian version

A Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.

Audited Consolidated Annual Financial Statements of Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. prepared in accordance with the International Financial Reporting Standards (IFRS)
31 December, 2021

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Consolidated Annual Statement of Financial Position

data in thousand HUF	Explanations*	31/12/2021	31/12/2020
ASSETS			
Long-term loans			
Investment property	1	63 763 004	52 508 004
Intangible assets	2	7 024	351
Land, buildings and related rights	2	88 160	90 186
Plant, other equipment and installations	2	129 068	119 726
Construction and reconstruction in progress	2	284 031	486 285
Investments in related companies	3	0	0
Deferred tax assets	4	0	0
Long-term assets, total		**64 271 287**	**53 204 552**
Current assets			
Inventories	5	381 563	696 463
Trade receivables	6	132 109	404 664
Other short-term receivables and prepaid expenses and accrued income	7	470 889	506 405
Cash and cash equivalents	8	9 548 215	10 888 723
Current assets, total		**10 532 776**	**12 496 255**
Assets, total		**74 804 063**	**65 700 807**
LIABILITIES			
Equity			
Subscribed capital	9	2 870 244	2 870 244
Capital reserve	9	6 048 215	6 048 215
Revaluation reserve	10	731 904	731 904
Repurchased treasury shares	11	-3 048 120	-3 048 120
Profit reserve	12	35 644 099	30 687 500
P/L for the reporting year	12	8 269 184	4 956 599
Equity allocated to the parent company, total		**50 515 526**	**42 246 342**
Long-term liabilities			
Financial liabilities	13	19 213 740	19 032 327
Provisions for expected liabilities	14	12 622	19 086
Deferred tax liabilities	15	0	0
Other long-term liabilities	16	0	0
Long-term liabilities, total		**19 226 362**	**19 051 413**
Current liabilities			
Financial liabilities	17	1 270 565	909 006
Liabilities to creditors	18	1 667 183	1 982 055
Other short-term liabilities, accrued expenses and deferred income	19	2 124 427	1 511 991
Current liabilities, total		**5 062 175**	**4 403 052**
Liabilities and equity, total		**74 804 063**	**65 700 807**

**No. of additional explanation*

Consolidated Annual Statement of Comprehensive Income

data in thousand HUF	Explanations*	2021	2020
Net sales revenue	20	4 916 389	6 189 236
Other operating income	21	6 201 800	3 514 569
Changes in internally generated inventories	22	-286 807	-1 185 643
Capitalized value of internally generated assets	22	-142 048	138 487
Raw materials, consumables and other external charges	23	-1 190 595	-1 775 077
Staff costs	24	-575 034	-479 158
Depreciation and impairment	25	-174 111	-57 813
Other operating expenditure	26	-395 436	-1 242 405
Operating P/L		**8 354 158**	**5 102 196**
Financial income	27	164 774	110 284
Financial expenses	27	-231 055	-231 398
P/L before tax		**8 287 877**	**4 981 082**
Actual tax expenditure	28	-18 693	-24 483
Deferred tax	29	0	0
P/L after taxes		**8 269 184**	**4 956 599**
Attributable to:			
Parent company's share		**8 269 184**	**4 956 599**
External owner's share		**0**	**0**
Other comprehensive income		**0**	**-347 069**
Change in the fair value of other properties less taxes	30	0	-347 069
Tax effect of changes in the fair value of other properties		0	0
Total comprehensive income		**8 269 184**	**4 609 530**
Attributable to:			
Parent company's share		**8 269 184**	**4 609 530**
External owner's share			
Weighted average ordinary shares		251 684 440	251 684 440
Earnings per share (HUF)			
Fund	31	32,86	19,69
Diluted	31	32,86	19,69

**No. of additional explanation*

Consolidated Annual Statement of Changes in Equity

Explanations*	9	11	9	10	12	12			
data in thousand HUF	**Subscribed capital**	**Equity 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**
31/12/2019	**2 870 244**	**-1 748 120**	**6 048 215**	**1 078 973**	**30 633 394**	**2 275 882**	**41 158 588**	**0**	**41 158 588**
Reclassification of P/L from the previous year					2 275 882	-2 275 882			
Purchase of equity		-1 300 000					-1 300 000		-1 300 000
Equity issue									
Sale of equity									
Dividend					-2 568 844		-2 568 844		-2 568 844
Adjustment for deconsolidation									
Increase in the profit reserve due to the sale of Verseg					347 069		347 069		347 069
Total comprehensive income				-347 069		4 956 599	4 609 530		4 609 530
31/12/2020	**2 870 244**	**-3 048 120**	**6 048 215**	**731 904**	**30 687 500**	**4 956 599**	**42 246 342**		**42 246 342**
Reclassification of P/L from the previous year					4 956 599	-4 956 599			
Purchase of equity shares									
Equity issue									
Sale of equity share									
Dividend									
Adjustment for deconsolidation									
Increase in the profit reserve due to the sale of Verseg									
Total comprehensive income						8 269 184	8 269 184		8 269 184
31/12/2021	**2 870 244**	**-3 048 120**	**6 048 215**	**731 904**	**35 644 099**	**8 269 184**	**50 515 526**		**50 515 526**

**No. of additional explanation*

Consolidated Annual Cash Flow Statement

data in thousand HUF	Explanations*	2021	2020
P/L before tax		**8 287 877**	**4 981 082**
Adjustments of the profit before taxes		-6 994	-15 436
Adjusted profit before taxes		**8 280 883**	**4 965 646**
Net interest expenses	27	76 735	189 102
Non-cash flow items			
Depreciation	25	38 143	55 181
Impairment (customer and inventory)	25	135 968	1 185
Credit loss (buyer)	25	0	1 447
Unrealized exchange rate difference		0	15 436
Adjustment due to inventory fair valuation	26	9 451	138 577
P/L from a fair valuation	21, 26	-5 861 851	-2 144 729
Provisions for liabilities		-6 464	2 453
Non-operating cash flow P/L items		0	0
Revenues from the sale of tangible assets		-3 850	-752 872
Assets provided for no consideration, scrapping		10 890	315 531
Net working capital flow			
Change in trade receivables	6	136 587	-302 385
Change in other current assets		340 965	900 803
Change in accounts payable	18	-314 872	1 690 963
Changes in other short-term liabilities		612 436	-490 179
Change in short-term financial liabilities		0	-393 652
Interest paid	27	-226 171	-228 044
Interest received	27	149 436	38 942
Income tax paid	28	-18 693	-24 483
Cash-flow from business activity		**3 359 593**	**3 978 922**
Purchase of tangible assets		-5 826 167	-9 512 160
Cash proceeds from the sale of property, plant and equipment		576 100	230 000
Deconsolidation		0	0
Funds used for investments		**-5 250 067**	**-9 282 160**
Income from capital issues		0	0
Dividend	12	0	-2 568 844
Equity purchase (-)/sale (+)		0	0
Loans		1 451 978	15 551 455
Loan repayment		-909 006	-11 743 903
Cash flow from financing activity		**542 972**	**1 238 708**
Change in liquid assets		**-1 347 502**	**-4 064 530**
Revaluation of foreign currency-denominated liquid assets		6 994	15 436
Balance-sheet change in liquid assets		**-1 340 508**	**-4 049 094**
Change in liquid assets	8	-1 340 508	-4 049 094
Opening cash and cash equivalents	8	10 888 723	14 937 817
Closing cash and cash equivalents	8	9 548 215	10 888 723

** 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).

Corporate data of the Company

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, 2021	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:	– 4110'08 Development of building projects – 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 this 2021 IFRS Annual Consolidated Financial Statements: 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 u. 16-18. 1/F.; company registration number: 01-09-063211) elected by the General Meeting of the Company on 27 April 2021, has transferred its activity performed in the audit of the statements of public interest companies to Interauditor Consulting Kft. (registered office: H-1074 Budapest, Vörösmarty u. 16-18. A. fsz. 1/F.; company registration number: 01-09-388885) as its legal successor. As of 29 November 2021, the Company will be audited by Interauditor Consulting Kft. as a result of this succession.

2. Executives and Ownership structure

2.1. Executives in the year 2021

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 Hárshegyi	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 Hárshegyi	member	15/08/2017	15/08/2022
Miklós Vaszily	member	22/12/2017	15/08/2022

Ownership interest of executives, employees in strategic positions in the Company (31 December 2021)

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	15/08/2017	0	64.40%
MBoD	Kristóf Berecz	Vice President of the BoD and CEO as of 1 December 2018	15/08/2017	15/08/2017	0	64.40%
MBoD	Julian Tzvetkov	member of the BoD and the AC**	15/08/2017	15/08/2017	0	0
MBoD	dr. Frigyes Hárshegyi	member of the BoD and the AC	15/08/2017	15/08/2017	0	0
MBoD	Miklós Vaszily	member of the BoD and the AC	22/12/2017	15/08/2017	0	0
SP	Róbert Hrabovszki	Deputy CEO, CFO	19/03/2018	unspecified***	0	0

**Member of the Board of Directors*
***Member of Audit Committee*
****nature of employment*

2.2. Change in senior executives, employees in strategic positions in 2021

In 2021 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 2020:

- Between 18 January 2021 and 22 July 2021, Mr. Zoltán Fábián held the position of Head of the Sales and Marketing Department of the Company.
- From 1 September 2021 to 4 February 2022, Mr. László Mészáros held the position of Head of Operations,
- As of 1 October 2021, Mr. Attila Seres has been filling the position of Head of the Construction Department,
- Mr. Balázs Diószegi's position as Head of Development and Construction was terminated on 30 September 2021. Mr. Balázs Diószegi took up the position of Head of Development from 1 October 2021.

2.3. Remuneration of senior executives in 2021

The members of the Board of Directors performed their duties in the 2021 business year without remuneration, and the members of the Audit Committee performed their duties in the 2021 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

Owners of the Company with more than 5% of interest based on the 31 December 2020 and on the 31 December 2021 share register and the individual statements of the owners

	31 December 2020		31 December 2021	
Shareholder	**Number of shares (pcs)**	**Interest (%)**	**Number of shares (pcs)**	**Interest (%)**
PIÓ-21 Kft.	184,847,220	64.40*	184,847,220	64.40*
Takarékbank Zrt.	-	-	28,702,440	9.99
Own share**	35,340,000	12.31	35,340,000	12.31
Other shareholders	66,837,220	23.29	38,134,780	13.3
Total	**287,024,440**	**100.00**	**287,024,440**	**100.00**

**Of which 1,090,260 ordinary BIF shares with a nominal value of HUF 10 each as of 31 December 2020 and 31 December 2021 represent 0.38% indirect share through the Kft.'s subsidiary, BFIN Asset Management AG*
***The Company may not exercise any shareholder's rights with the BIF treasury shares owned by the Company*

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 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 valuated 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 method 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 expenses/income per real property. 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 2021 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 net in the Company's 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) 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 Group 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 Group. 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 Group 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 a lump sum 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.
Gains or losses arising on the derecognition or disposal of other tangible fixed assets are recognised by the Company net as revenue or expense in the statement of income for the period.

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

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 inventory prime costs comprise the acquisition costs, the conversion costs and the costs required for bringing the inventories at their current places and in their current 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.
The Company measures its inventories at cost, more specifically, by the FIFO method.

1.7. Accounts receivable

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 during the depreciation period or when the investment is derecognized or impaired 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 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 valuated 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 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 valuates 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 IFRS 9 standard can be classified into three measurement categories: liabilities measured at amortized 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 valuated 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 for settling 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 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 current 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 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 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 transformation into Pre-REIT, 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.

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, 2021 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. Repurchased equity

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 shareholder 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 acquisition 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 amounts 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 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 prepared its financial statements in accordance with the provisions of all the standards and interpretations that entered into force on 1 January 2021.
The Company's accounting policy has been changed on 1 January 2017 to apply the IFRS standards.
In 2021 the Company applied all the IFRS standards, amendments and interpretations effective as from 1 January 2021 and relevant for the operation of the Company.

Amendments to the standards in force

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective from 1 January 2021) Interest rate benchmark reform – Phase 2 The amendment did not have a material impact on the Company's assets and income.
- Amendments to IFRS 4 on insurance contracts (effective from 1 January 2021) Postponement of the first application of IFRS 9 for insurance companies. The amendment did not have a material impact on the Company's assets and income.
- Amendments to IFRS 16 Leases (from 1 January 2021) Extension of the practical position statement until 30 June 2022 for lessees to not account for lease concessions due to the COVID-19 pandemic as amendments to the lease contracts. 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:

- Amendments to the standards IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective from 1 January 2022) The annual revisions of IASB, which clarify wording or correct minor conclusions, errors or inconsistencies between requirements in standards. The amendment is not expected to have a material impact on the Company's financial statements.
- IFRS 17 Insurance contracts and amendments (effective from 1 January 2023): IFRS 17 regulates the accounting for insurance contracts and replaces IFRS 4. Deferral of the first application of IFRS 17 to 1 January 2023. The amendment is not expected to have a material impact on the Company's financial statements.

Standards issued but not yet adopted by the EU

For standards that have not yet been endorsed by the EU, the IASB's planned date of first application is assumed to be the expected date of first application for the time being.

- to IAS 1 Presentation of Financial Statements (effective from 1 January 2023) Classification of current and non-current liabilities.
- Amendments to IAS 12 Income taxes (effective from 1 January 2023) Deferred tax relating to assets and liabilities arising from a single transaction.
- Amendments to IFRS 17 Insurance contracts (effective from 1 January 2023) Initial application of IFRS 17 and IFRS 9 - Presentation of comparative information.
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (effective date uncertain) Sale or transfer of assets between an investor and its associate or jointly controlled entity.

No other new standard or interpretation or amendment is expected that would have a material impact on the Company's consolidated 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, and 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 prepared 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

The Board of Directors has approved the consolidated financial statements. These consolidated financial statements have been prepared 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 consolidated IFRS financial statements as of January 1, 2017.
Unless otherwise indicated, the consolidated financial statements are presented in Hungarian forint, rounded to the thousand.
The Company Group's financial year is identical with the calendar year. The balance sheet date for the business year 2021 is 31 December 2021.

4.2. Basis of preparing the report

The consolidated financial statements were prepared according to the standards and on the definitions given by IFRIC as released on and in force since released on 31 December 2021.
The financial statements have been prepared 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 consolidated 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.

5. Details of the business combination and the consolidated companies

As a subsidiary		Percentage of votes	
	Registered office	**31/12/2021**	**31/12/2020**
Harsánylejtő Ingatlanforgalmazó és -kezelő Kft. (hereinafter: Harsánylejtő Kft.)	H/1033 Budapest, Polgár u. 8-10.	100.00%	100.00%

III. Additional explanations

1. Investment property

data in thousand HUF

as at 31 December 2020	**52 508 004**
Change in fair value	5 861 851
Change in assets in the course of construction	-1 449 859
Activation	7 405 043
Sales	-562 035
as at 31 December 2021	**63 763 004**
as at 31 December 2020	**52 508 004**
as at 31 December 2021	**63 763 004**

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.

Changes in the fair value of investment property in 2021 were as follows:

– Of the investment property portfolio, 1 property (57 Rákóczi út, District VIII of Budapest) was sold, no new property was added to the portfolio, but 3 properties were under development, of which one (District I of Budapest, registered under parcel number 6775, located in kind at 99 Attila út, Budapest, District I and at 42 Logodi utca, H-1012 Budapest (hereinafter: "Attila99Loft" or "Attila Street Property"), the construction was completed by the end of July 2021.

- The total market value of investment properties increased by HUF 11,255 million on a year earlier, but this increase also includes the value of value-enhancing investments and capitalizations.
- 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.

The full renovation and category A revitalization of the office building at 12-14 Városmajor Street, District XII of Budapest (hereinafter: "Major Udvar (Városmajor u. 12)") started in 2020 and was ongoing in 2021, so it is still justified that the independent valuer used the cost calculation method instead of the market comparison method for the valuation of this property at the end of 2021 and the same was done by the valuer for the valuation of the 13-storey tower building at 114-116 Üllői út, District X of Budapest (hereinafter: "BIF Tower").

Profit from income-generating investment property

data in thousand HUF	2021	2020
Net sales revenue	4 512 249	3 947 624
Other operating income	6 028 156	3 440 007
Capitalized value of internally generated assets	0	0
Changes in internally generated inventories	0	0
Raw materials, consumables and other external charges	-1 000 359	-872 893
Staff costs	0	0
Depreciation and impairment	-120 687	-20 895
Other operating expenditure	-325 483	-680 702
Revenues from financial operations	0	0
Expenses on financial operations	-201 823	-196 958
P/L before tax	**8 892 053**	**5 616 183**

Increase in the net sales of investment properties compared to the base period (HUF 564,624,000) was partly due to increase in the inventory of rental properties (completion of the Attila99Loft), but to a considerable extent also to the enforcement of rent and operating fee increases (indexations) and increased occupancy. The line “other operating expenses” includes the impact of market devaluation (HUF 6,007,456,000). The “other operating expenses” include the impact of market devaluation (HUF 145,605,000). The expenses on financial operations include interest on loans taken out for a purpose other than real estate development and thus not capitalized on the properties.

Under IAS 23, the Company has been treating the Attila Street Property (until completion of the development and capitalization of the property), the Major Udvar (Városmajor u. 12) office building and the part of the property involved in the acquisition of Üllői út as qualifying assets. As given the magnitude of investments already in progress and planned, the improvement of these properties to the standard of the Company's intent for the purpose of rental will necessarily take place with a significant need for construction time, in accordance with IAS 23, the Company accounts for the interest due on the loans taken out to develop these properties on its investment accounts.

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 2020	**26 766**	**101 342**	**219 048**	**486 285**	**833 441**
Increase and reclassification	8 292	0	64 587	0	72 879
Decrease and reclassification	-4 509	0	-1 146	-202 254	-207 909
31 December 2021	**30 549**	**101 342**	**282 489**	**284 031**	**698 411**
Depreciation					
31 December 2020	**26 416**	**11 156**	**99 322**	**0**	**136 893**
Annual write-off	1 593	2 026	34 524	0	38 143
Decrease and reclassification	-4 484	0	19 576	0	15 092
31 December 2021	**23 525**	**13 182**	**153 422**	**0**	**190 128**
Net book value					
31 December 2020	**351**	**90 186**	**119 726**	**486 285**	**696 548**
31 December 2021	**7 024**	**88 160**	**129 068**	**284 031**	**508 283**

A significant part of the increase in the gross value of machinery and equipment was due to the purchase of cars, computer equipment and office equipment, while decrease was due to the sale of cars and the scrapping of worn-out machinery and equipment, office furniture and computer equipment.

3. Investments in related companies

Similarly to 2020, the line "investments in related companies" does not include any amount in 2021, considering that in 2021 the Company fully consolidated its subsidiary Harsánylejtő Kft.

4. Deferred tax assets

Due to the adoption of a Pre-REIT status, the Company does not recognize a deferred tax asset.

5. Inventories

data in thousand HUF	31/12/2021	31/12/2020
Raw materials	0	0
Work in progress	93 485	385 104
Finished product	71 895	67 084
Goods	216 183	232 797
Prepayments on inventories	0	11 478
Total	**381 563**	**696 463**

Most of the Company's inventories comprise the real estate developments related to the project at Harsánylejtő, District III of Budapest (condominium construction and the sale of a construction site), implemented or in progress for sale.

At year-end 2021, almost all inventory lines show a decrease on a year earlier, due to the derecognition of the cost of condominiums and related land parcels successfully sold and occupied in the first half of the year and the value of improvements made on them.

The line work in progress (WIP) still contains increase in the value of own production accounted for in relation to the Harsánylejtő 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 Harsánylejtő 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 IAS 2 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.

On behalf of the Company, Seratus Ingatlan Tanácsadó Igazságügyi Szakértő Kft., acting as an independent valuer, analysed the market value of the plots in stock; and the expert opinion confirmed that the market value of the plots far exceeds their value recorded at cost, so there was no need to account for impairment.

In the case of Harsánylejtő Kft., on the other hand, it was justified in the previous years to recognize impairment in respect of the condominium flats left in stock, as the cost of the superstructures far exceeded the sales price that could be achieved in the market.
However, by Q3 2021, all condominium apartments (the sale of which was successfully completed in the first half of the year), storage and parking spaces had been sold, so the entire inventory and the previously established impairment losses have been written off. At the end of the reporting year, Harsánylejtő Kft. has only HUF 11,478 thousand of inventory advances in its books, for which 100% impairment has been recognized.

The flows of the inventory and recognized impairment during the current year are shown in the table below:

data in thousand HUF	Inventory				Inventory impairment				Closing
Description	**Opening**	**Increase**	**Decrease**	**Closing**	**Opening**	**Increase**	**Decrease**	**Closing**	
Total	**838 511**	**102 795**	**548 265**	**393 041**	**142 048**	**11 478**	**142 048**	**11 478**	**381 563**

6. Trade receivables

data in thousand HUF	31/12/2021	31/12/2020
Trade receivables	149 367	329 734
Impairment	-129 191	-5 298
Loan losses	-1 447	-1 447
Adjustment due to trade debtors with a credit balance	113 380	81 675
Összesen	**132 109**	**404 664**

Trade receivables show a significant decrease (67%) compared to the end of 2020, partly due to the fact that while at the end of 2020, as a result of the COVID-19 virus situation, more tenants requested the parent company to allow them reschedule rent payments, by the end of 2021, the willingness of customers to pay had normalized and they are meeting their payment obligations on or before the due date. However, the hotel sector, which was the most affected by the COVID-19 virus, continues to face problems, and the Company has recognized a significant impairment loss (HUF 120,687,000) for one tenant. The subsidiaries' accounts receivable also dropped significantly (98%), as all condominium apartments, storage and parking spaces were sold and paid for, so the accounts receivable only include receivables for re-invoiced utility costs, but for which an impairment loss was also recognized (HUF 3,803,000).

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

data in thousand HUF	opening	increase	decrease	closing
Loan losses				
accounts receivable	1 447	0	0	1 447
other receivables	0	0	0	0
Impairment				
accounts receivable	5 298	124 490	597	129 191
other receivables	0	0	0	0
Loan losses and impairment	**6 745**	124 490	**597**	**130 638**

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

data in thousand HUF	31/12/2021	31/12/2020
Other receivables	435 924	326 052
Accruals	12 941	5 021
Suppliers with a debit balance, and taxes	22 024	175 332
Total	**470 889**	**506 405**

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 5.8 million and suppliers with a debit balance in the amount of HUF 16.2 million were reclassified to receivables.

Reasons for the change in the current period:

- Tax overpayments decreased significantly as the total deductible VAT receivable of HUF 160.5 million included in the previous year-end balance was recovered by the parent company (HUF 141.5 million) and the subsidiary (HUF 19 million) in the reporting year and it was used to settle other tax liabilities.
- Increase in accruals was due to increases in the accrual for bonus on sales, accruals for expenses for 2022 and accruals for income and accrued income.
- Other receivables show an increase due to VAT on advances received from tenants, and due to the imposition of VAT affecting the year 2021 on rent and operating charge invoices affecting the year 2022.

8. Cash and cash equivalents

data in thousand HUF	**31/12/2021**	**31/12/2020**
Cash on hand	1 784	1 522
Bank	9 546 431	10 887 201
Total	**9 548 215**	**10 888 723**

The principal reason for the HUF 1,341 million decrease in cash and cash equivalents in 2021 was the increased financing requirements due to ongoing real estate developments, although net borrowing also increased by HUF 543 million (see also Sections 13 and 17).

In the balance sheet 98.7% of the cash and cash equivalents come from the books of the Company, and 1.3% from the books of Harsánylejtő Kft.

9. Subscribed capital and capital reserve

The subscribed capital of the Company was HUF 2,870,244,400 as at 31 December 2021, which consisted of 287,024,440 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	**31/12/2021**	**31/12/2020**
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	**31/12/2021**	**31/12/2020**
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. As no such share transaction took place in the year under review, the value of the capital reserve did not change on a year earlier.

10. Revaluation reserve

data in thousand HUF	**31/12/2021**	**31/12/2020**
Opening	731 904	1 078 973
Increase		
Decrease	0	-347 069
Closing	**731 904**	**731 904**

In the revaluation reserve, the Company only recognized revaluation (adjusted for deferred tax) under the IAS16 fair value model for only one investment property (Aranykéz utca Parking House at 4-6 Aranykéz Street, District I of Budapest) in the balance sheet at the end of 2021, as the other property concerned (property registered under the parcel number 0122/2, in the outskirts of Verseg as the area withdrawn from cultivation and used as a park also accommodating other building, and an area withdrawn from cultivation and used for a hunting lodge) was sold in H1 2020, so the valuation reserve of HUF 347 million was also derecognized at that time.

11. Own shares repurchased

As of 31 December 2021, the Company held 35,340,000 treasury shares, which is the same as at the end of December 2020, as there was no treasury share transaction in the year under review, while in the base year, the Company acquired 5,200,000 shares issued by the Company on 24 June 2020 at a price of HUF 250 per share in a transaction outside the Budapest Stock Exchange.

The Company recognizes its equity shares in the balance sheet at cost as repurchased treasury shares reducing the equity. Cost of treasury shares: the consideration paid for the repurchase of treasury shares (the nominal value is included in this item, but is not deducted from the subscribed capital).

data in thousand HUF	31/12/2021	31/12/2020
Opening	-3 048 120	-1 748 120
Increase	0	-1 300 000
Decrease	0	0
Closing	**-3 048 120**	**-3 048 120**

12. Profit reserve and profit for the year

data in thousand HUF	31/12/2021	31/12/2020
Profit reserve		
Opening	35 644 099	32 909 276
Increase		347 069
Decrease		-2 568 844
Closing	**35 644 099**	**30 687 500**
P/L for the reporting year	8 269 184	4 956 599
Closing	**43 913 283**	**35 644 099**

Reasons for the change in the profit and loss reserve during the reporting period:

- An increase in the opening value of the profit reserve was the transfer of the HUF 4,956,599,000 profit of 2020.
- There was no decreasing item, since, according to Resolution No. 8/2021.04.27. of the Board of Directors made in the competence of the authority of the General Meeting of the Shareholders: "The Board of Directors has decided that, in view of the ongoing and planned developments of the Company, the Company will not pay a dividend for the financial year 2020 for reserve purposes".

13. Non-current financial liabilities

data in thousand HUF	31/12/2021	31/12/2020
Long-term loans	19 213 740	19 032 327
Total	**19 213 740**	**19 032 327**

Long-term loans include the full amount of long-term bank loans. The long-term loan portfolio increased by HUF 1,451,978,000 as a result of the drawdowns performed in 2021, but decreased by HUF 1,270,565,000 due to the reclassification of the repayments due in 2022, resulting in a net change of HUF 181,413,000.

Banki hitelek:

- 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 for 10 years 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 31 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 refinancing of the purchase of real estate and for financing real estate renovation and investment, of which the first disbursement of HUF 1,124,100,000 was made on 1 September 2020, and the second disbursement of HUF 143,750,000 on 13 November 2020, followed by the third disbursement of HUF 211,525,013 on 15 December 2021;
  - 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.
- Based on the loan agreement concluded by the Company and Takarékbank on 28 June 2021, Takarékbank granted/grants the Company a HUF loan with a 15-year fixed interest rate term for real estate renovation and investment purposes in the total amount of HUF 2,500,000,000. The first disbursement of the loan was made on 16 September 2021 in the amount of HUF 524,141,008 and the second disbursement was made on 15 December 2021 in the amount of HUF 716,312,052.

The instalments of these loans and borrowings due in 2022 are included in short-term borrowings (see: Section 17).

14. Provisions

data in thousand HUF	**31/12/2021**	**31/12/2020**
Provisions for contingent liabilities	12 622	19 086
Total	**12 622**	**19 086**

The Company reviews the provision for expected future payment obligations every year, and those formed in previous years are released annually in proportion to the obsolescence of liabilities, while new provisions are made in accordance with the expected payment obligations incurred in the current year. Of the above amount, HUF 6.5 million is recognized in the Company’s books and HUF 6.1 million in Harsánylejtő Kft.’s books. In the case of the parent company, in 2021 the payroll for untaken leave shows a significant decrease on a year earlier, as the high figures at the end of the base year were related to travel restrictions due to the COVID-19 virus situation, which eased significantly by the end of 2021.

15. Deferred tax liabilities

Due to transformation into Pre-REIT, 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	**31/12/2021**	**31/12/2020**
Short-term portion of loans	1 270 565	909 006
Total	**1 270 565**	**909 006**

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

18. Liabilities to creditors

data in thousand HUF	**31/12/2021**	**31/12/2020**
Liabilities to creditors	1 667 183	1 982 055
Total	**1 667 183**	**1 982 055**

Similarly to the previous year, the Company's suppliers partly include utilities, telephone and other services used for the real estate, but the significant decrease in the portfolio of the reporting year is due to the fact that the construction of the Attila Street property had been completed by the end of July 2021, and consequently, the performance guarantee withholding was released, although the Company's other two real property development projects, the Major Udvar office building (at 12 Városmajor Street) and the BIF Tower, which are also in progress, still result in a high level of general contractor invoices and warranty reserves. In the reporting year 91.6% of the portfolio came from the Company's books and a further 8.4% from the retention bonds from general contractor fees at Harsánylejtő Kft.

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

data in thousand HUF	**31/12/2021**	**31/12/2020**
Advances + security deposit + VAT adjustment	1 638 882	1 190 610
Wages + taxes + contributions	211 515	58 283
Liabilities to owners in relation to dematerialization	75 280	75 280
Accruals	85 370	106 154
Adjustment due to trade debtors with a credit balance	113 380	81 664
Other	0	0
Total	**2 124 427**	**1 511 991**

87% of the other current liabilities and accrued expenses come from the Company's books, and are 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 largely due to an increase in the amount of security deposits received from tenants and the amount of earnest money deposits received on building plots.
Additional significant increase resulted from the VAT payment liability due for December 2021 (and payable on 20 January 2022).
Accrued charges decreased by almost HUF 20 million, as the accrued amount of duties, which represented more than 60% of the duties paid in the previous year, was paid during the reporting year. A significant part of the year-end figure is made up of the bonuses and the taxes payable on them, calculated on the basis of the remuneration policy, the accrued costs of certain services used (e.g. planning, lawyers' and auditors' fees) and the accrued interest on loans calculated pro rata temporis for the reporting year.
Reclassified customer overpayments increased due to tenants' improving willingness to pay.

Only 0.2% of the above balance sheet items come from the books of Harsánylejtő Kft., and 54% of them are tax liabilities, 32% advances received and 13% accrued liabilities.

20. Sales revenue

data in thousand HUF	2021	2020
Revenue from rents and operating fees	3 665 808	3 235 913
Income from parking fees	459 941	410 721
Revenue related to intermediary services	389 039	296 602
Revenue from services	0	0
Revenue from the sale of properties/land	393 322	2 234 683
Other sales revenues	8 279	11 317
Total	**4 916 389**	**6 189 236**

Revenue only comprises gross offsets of economic benefits received to the credit of the Company's own account and due to the Company.

Rents are recognised as revenue by the Company on an ongoing basis over the term of the lease, with plot sales and apartment sales recognized as revenue at the relevant time.

The factors determining the timing of the inclusion of the sale of plots and the sale of apartments completed in the development of Harsánylejtő Kft. are the following:
- full payment of the purchase price,
- the seller gives the plot/apartment into the buyer’s possession and the buyer takes possession,
- the significant benefits and risks of ownership accrue to the buyer.

Parking fee revenue includes, on the one hand, revenue recognised on an ongoing basis in connection with rental contracts and, on the other hand, one-off revenue of this type arising from the use of free parking spaces in car parks providing seasonal parking services.

Increase (+13%) in the rent and management fee income is partly due to occupancy rates and partly to contractually fixed fee indexations and price increases.
Parking fee revenues increased by 12% in the year under review.

data in thousand HUF	2021	2020
Parking revenues from lease contracts	370 787	336 276
Periodic parking revenues	89 154	74 445
Total	**459 941**	**410 721**

Mediated services consist mainly of utility and telephone charges passed on to tenants, primarily from billing the utility consumption of the tenants of the Flórián Udvar Office Building (8-10 Polgár Street, Budapest, District III) and the electricity consumption of tenants of the Victor Hugo Office Building (18-22 Victor Hugo Street, Budapest). 2.6% of the mediated services were utility charges re-invoiced by Harsánylejtő Kft.
In addition, significant income was also generated from office development, conversion or refurbishment costs passed on to tenants. At Harsánylejtő Kft, the revenue from mediated services is around HUF 10 million.

The Company did not generate any income from the sale of real property/plots in the reporting year, although sale and purchase agreements with reservation of title were signed for two land plots in Q4 2021, but as the reservation of title conditional on payment of the full purchase price will expire in Q4 2022 and Q1 2023, the Company will realize these revenues in 2022 and 2023 (for the two building plots only deposits were received in 2021 (see also Section 19)). In contrast, ten building plots were sold in the base year.

In the reporting period, Harsánylejtő Kft. realized sales revenue from the sale of the properties it develops (residential, parking and storage) of approximately HUF 393 million, which decreased to approximately 27.5% in 2021, as the majority of the properties were sold in previous years.

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. Harsánylejtő Kft. records revenues related to contract amendments as other sales revenues.

21. Other operating income

data in thousand HUF	**2021**	**2020**
Fair valuation	6 007 456	2 677 631
Sale of real estate and movable property	3 850	752 872
Other operating income	190 494	84 066
Total	**6 201 800**	**3 514 569**

Other operating income includes increase in the fair value of the Company's investment properties in the fair value line, which shows a significant increase on a year earlier. The "Sale of immoveable and movable property" line shows the profit on the sale of the cars sold in the reporting year, while the base year figure shows the result of the sale of the immoveable and movable property in Verseg. The "Other income" is the result of financially settled concessions received retrospectively, compensation received and the derecognition of time-barred liabilities.
Harsánylejtő Kft.'s other income for the reporting period amounted to HUF 145 million, which was mainly due to the reversal of inventory impairment and, to a lesser extent, the recognition of provisions.

22. Own performance capitalized

data in thousand HUF	**2021**	**2020**
Changes in internally generated inventories	-286 807	-1 185 643
Capitalized value of internally generated assets	-142 048	138 487
Total own performance capitalized	**-428 855**	**-1 047 156**

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. In the reporting year, the costs were accounted on the plots only once, however, there were no sales, while the base year figure included the derecognized inventory value of 10 construction plots sold in 2020.
In the base year, own work capitalized included the value of investments transferred to inventories as a result of a review of the previous investments on Harsánylejtő, while in the reporting year there was no such a business event.
In the case of Harsánylejtő Kft., change in own work was HUF -291,618,000, which was due to the derecognized value of the apartments (as own work) that were taken into possession in the reporting year. Capitalized own work appears as change in the impairment of inventories reversed due to the derecognition of the land parcels for the housing units sold.

23. Raw materials, consumables and other external charges

data in thousand HUF	2021	2020
Material costs	208 633	158 426
Value of services used	639 515	1 195 043
Cost of other services	29 677	33 280
Cost of goods sold	14 309	94 448
Cost of services sold (mediated)	298 461	293 880
Total	**1 190 595**	**1 775 077**

Raw materials, consumables and other external charges decreased by approximately HUF 584 million on a year earlier, which was the result of changes in the individual components.
The main reasons for the change include:

- Increase in the cost of materials (+32%) and the mediated services sold (+2%) was mainly due to higher utility (electricity and gas) costs caused by the expansion of the real property portfolio and market price hikes.
- The value of services used at the group level decreased by approximately HUF 556 million in 2021 compared to the base period, because
  - subcontractor services used by Harsánylejtő Kft. for the construction of the condominiums decreased by HUF 605 million (-92%), since only repairs under defects liability (basement insulation and terrace repairs) were carried out on the condominiums in the reporting year,
  - However, the Company's total value of services was HUF 9.3 million (+9%) higher due to the expansion of the real property portfolio.
  - The COGS recognized on a group level in the reporting year amounts to merely 15% of the previous year's corresponding figure, as in the case of the Company it only includes the invoiced value of consumables, while 98% of the base figure was derived from the derecognized value of the building plots sold in 2020 and only 2% from the sale of consumables. In the case of Harsánylejtő Kft., this value decreased by 73%, as a significant part of the land belonging to the apartments had already been sold and therefore derecognized in the previous two years.
- The value of other services also fell by 11%.

24. Staff costs

data in thousand HUF	2021	2020
Wage costs	463 641	377 763
Other payments to staff	33 581	30 418
Wage taxes	77 812	70 977
Total	**575 034**	**479 158**

The main reason for the 23% 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, and the figure for the reporting year includes the bonus and taxes calculated on the basis of the remuneration policy.

In 2021, the Company's average statistical headcount was 48 (46 in 2020), while at 31 December 2021 the headcount was 50.
The administrative, legal and management tasks related to the operation of Harsánylejtő Kft. are carried out by BIF's legal and financial accounting department in a dual employment.

25. Depreciation and impairment

data in thousand HUF	2021	2020
Depreciation and impairment	**49 621**	**55 181**
Depreciation	38 143	55 181
Inventory impairment	11 478	0
Impairment of financial assets	**124 490**	**2 632**
Impairment of additional payment	0	0
Impairment of receivables	124 490	1 185
Loan losses	0	1 447
Total	**174 111**	**57 813**

The Company accounted for HUF38,128,000 depreciation on non-investment property, plant and equipment in the reporting year. The Company recorded an impairment loss of HUF 120,687,000 on doubtful trade receivables.
In the reporting period, Harsánylejtő Kft. recorded a depreciation of HUF 15,000 and an impairment of HUF 11,478,000 for advances on inventories and HUF 3,803,000 impairment on customers.

The Company has assessed the need for credit losses to be recognized in relation to receivables in accordance with the requirements of IFRS 9. Expected loan losses have been assessed on an aggregate basis for each asset group, and in the case of receivables, the simplified model is used by the Company (lifetime method),

The following factors were considered in assessing credit loss:

- Has the credit risk of financial instruments increased significantly since initial recognition? / impaired financial assets:
  - A significant impairment loss (HUF 124,490,000) was recognized on trade receivables at the group level in the reporting year, based on a case-by-case valuation. Of the receivables amounting to HUF 5,298,000, which was considered impaired in the base year, HUF 400,000 were received in the reporting year and HUF 197,000 were written off as expired receivables, thus the total amount of doubtful receivables was HUF 129,191,000, for which a 100% impairment was recognized (see also the relevant data in the second table in Section 6). In the case of receivables other than these, the accounts receivable overdue for more than 30 days are practically insignificant, representing only 3% at the end of the reporting period, and as no significant accounts receivable were made in previous years, and there are no significant delays, these receivables are also considered as carrying low risk and typically no impairment was recognized on them, as we expect full recovery for these receivables and the risk of default is negligible.
- Predictive information (especially the effects of the COVID-19 pandemic 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 pandemic situation (restaurants and hotels), and (ii) customers operating in other sectors.
- In relation to trade receivables, the Company re-assessed what the credit loss would be on the basis of the year-end trade receivables, as required by IFRS 9, but as this amount is lower than the amount recognized in the base year, it did not change the amount already recognized, based on the principle of prudence (see also the relevant data in the detailed table in Section 6).

26. Other operating expenditure

data in thousand HUF	2021	2020
Impact of fair valuation on inventories	9 451	138 577
Fair valuation	145 605	532 903
Sale of real estate and movable property	0	0
Scrapping	10 890	93 946
Assets provided for no consideration	0	286 888
Taxes	210 682	173 594
Other expenditures	18 808	16 497
Total	**395 436**	**1 242 405**

The value of other operating expenses decreased significantly during the period, which consisted of the following items:

- the adjustment for the effect of the fair valuation of inventories in the reporting year is only 7% of the previous year,
- due to the fair valuation of investment property, this line also includes decrease in the market value recorded under IAS40, which represents a mere 27% of the market value depreciation recorded in the base year,
- in the reporting year scrap only was 12% of the previous year,
- there were no assets provided for no consideration in 2021, however, the base data shows a significant value (the value of the roads transferred to the Municipality of District III of Budapest and the land transferred to the Municipality of District XII of Budapest),
- taxes settled with municipalities (building tax and land tax) and motor vehicle taxes also increased by 21% in the reporting year, as a result of the increased property portfolio and the increased motor vehicle fleet,
- the line “Other” includes, among others, the road maintenance contribution paid to the Municipality of District III of Budapest), the foundation grant paid to the Ecumenical Charity Organization of Hungary, the formation of a provision at the subsidiary and the compensation paid at a group level.

27. Income from and expenses of financial operations

Revenues from financial operations

data in thousand HUF	2021	2020
Interest received	149 436	38 942
Exchange rate gain	14 981	71 342
Other	357	0
Total revenues	**164 774**	**110 284**

Expenses on financial operations

data in thousand HUF	2021	2020
Interest paid	226 171	228 044
Exchange rate loss	4 884	3 354
Other	0	0
Expenses, total	**231 055**	**231 398**

Increase in the interest received is due to the profit on committed freely disposable cash, while the interest paid remained similar to the previous year. The latter line only includes interest on loans that the Company has not recognized as investment costs on investment property (see also Section 1).

The exchange rate gain realized in the reporting period is only 21% of the previous year's figure (the base was improved by a one-off item on the EUR/HUF exchange rate related to the payment of the EUR purchase price paid for the property at 35 Városmajor Street, District XII of Budapest). The realized foreign exchange losses are insignificant, as most of the company's income and expenses are in HUF.

28. Actual tax expenditure

data in thousand HUF	2021	2020
Corporate tax	573	1 873
Business tax	5 315	8 565
Contribution to innovation	12 805	14 045
Other	0	0
Total actual tax	**18 693**	**24 483**

Due to the Pre-REIT status, the Company was only obliged to pay corporate tax until the Pre-REIT status was obtained (on 20 October, 2017). At the same time, the Company, being a REIT, 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 573,000 (see the calculation below), and the payable innovation contribution obligation of HUF 12,008,000 was calculated as payable by the Company in 2021. At Harsánylejtő Kft., a business tax liability of HUF 5,315,000 and an innovation contribution of HUF 797,000 was calculated for the reporting year.

data in thousand HUF	
Profit before taxes as per IFRS	**8 183 750**
Tax adjustment (innovation contribution)	12 008
Pre-tax profit (adjusted for innovation contribution) according to the IFRS	**8 171 742**
Adjusting items under IFRS	-6 175 233
Adjusted profit before corporate income tax	**1 996 509**
Increasing items	1 145 254
Decreasing items	-916 007
Corporate tax base in 2021	**2 225 756**
The benefit on corporate tax to the REIT status is	**0%**
The ratio of related revenue to total revenue	0,29%
Corporate tax base (to revenue from related parties) in 2021	6 361
Corporate tax payable on related parties	573
Corporate tax liability in 2021	**573**

29. Deferred tax expense

data in thousand HUF	2021	2020
Deferred tax	0	0
Total	**0**	**0**

The Company did not account for any deferred tax liability, because the previously recognized deferred tax on the accrued loss of Harsánylejtő Kft. had already been released.

30. Other comprehensive income

In 2020, the other comprehensive income line included HUF 347 million revalued in accordance with IAS 16, derecognized due to the sale of the property in Verseg, and no transaction affecting the other comprehensive income was made in the reporting year.

The tax effect of the change in the fair value of other real property was HUF 0 in both 2021 and 2020.

31. Earnings per share

	2021	2020
P/L after taxes (thousand HUF)	8 269 184	4 956 599
Weighted average ordinary shares	251 684 440	251 684 440
Earnings per share (basic) (HUF) ("profit after taxes" to "the weighted average of ordinary shares")	**32,86**	**19,69**

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.

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

32. 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 2021.
The Company's subsidiary Harsánylejtő Kft. is treated as a separate segment, where the results of the Company's residential real estate development activities are recognized. The "Plots of land on Harsánylejtő" segment shows the proceeds from and expenditures on plots of land prepared for sale and yet to be improved, while the results that can be directly attributed to properties purchased by the Company for rent are recognized under the summary heading "Income-generating investment property". 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 2021 and 2020 are shown in the tables below:

31 December 2021 data in thousand HUF	**Harsánylejtő Condominiums**	**Plots of land on Harsánylejtő**	**Income-generating investment property**	**Operating**	**Total**
Net sales revenue	403 281	200	4 512 249	659	**4 916 389**
Other operating income	144 442	0	6 028 156	29 202	**6 201 800**
Capitalized value of internally generated assets	-142 048	0	0	0	**-142 048**
Changes in internally generated inventories	-291 618	4 811	0	0	**-286 807**
Raw materials, consumables and other external charges	-53 975	-9 175	-1 000 359	-127 086	**-1 190 595**
Staff costs	0	0	0	-575 034	**-575 034**
Depreciation and impairment	-15 281	-2 027	-120 687	-36 116	**-174 111**
Other operating expenditure	-13 897	-47 268	-325 483	-8 788	**-395 436**
Revenues from financial operations	357	0	0	164 417	**164 774**
Expenses on financial operations	0	0	-201 823	-29 232	**-231 055**
P/L before tax	**31 261**	**-53 459**	**8 892 053**	**-581 978**	**8 287 877**

31 December 2020 data in thousand HUF	**Harsánylejtő Condominiums**	**Plots of land on Harsánylejtő**	**Income-generating investment property**	**Operating**	**Total**
Net sales revenue	1 437 513	803 889	3 947 624	210	**6 189 236**
Other operating income	49 252	0	3 440 007	25 310	**3 514 569**
Capitalized value of internally generated assets	142 047	-3 560	0	0	**138 487**
Changes in internally generated inventories	-1 007 048	-178 595	0	0	**-1 185 643**
Raw materials, consumables and other external charges	-705 272	-59 475	-872 893	-137 437	**-1 775 077**
Staff costs	0	0	0	-479 158	**-479 158**
Depreciation and impairment	0	-2 527	-20 895	-34 391	**-57 813**
Other operating expenditure	-8 948	-551 492	-680 702	-1 263	**-1 242 405**
Revenues from financial operations	59	0	0	110 225	**110 284**
Expenses on financial operations	0	0	-196 958	-34 440	**-231 398**
P/L before tax	**-92 397**	**8 240**	**5 616 183**	**-550 944**	**4 981 082**

The Company's management does not monitor assets and liabilities at the segment level.

In the financial year 2021, the annual net sales from transactions with one of the Company's customers belonging to the segment “Income-generating investment properties" (HUF 1,191,568,803) exceeded 10% of the Company group's total annual sales.

33. 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.

33.1. 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	**31/12/2021**	**31/12/2020**
Loans and advances	20 484 305	19 941 333
Cash and cash equivalents	9 548 215	10 888 723
Net debt	**10 936 090**	**9 052 610**
Equity	50 515 526	42 246 342

33.2. 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 group's maximum credit exposure on 31 December 2021 and 31 December 2020.

data in thousand HUF	**31/12/2021**	**31/12/2020**
Trade debtors	132 109	404 664
Cash and cash equivalents	9 548 215	10 888 723
Total	**9 680 324**	**11 293 387**

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. Based on a case-by-case assessment, the Company recognised an impairment loss of HUF 124,490,000 on trade receivables at a group level. The risk of recovery on trade receivables past due and not yet due is insignificant.

33.3. 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.
The Company prepares a consolidated cash-flow plan, and regularly updates it. The Company analyses the 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.

At the end of the reporting year, the maturity of the Group's trade receivables of HUF 1,667,183,000 remained mostly within one year, except for the HUF 372,694,000 of retention bond recorded against general contractors used for real estate development. In the base year, the supplier portfolio was HUF 1,982,055,000, of which only HUF 337,675,000 was the amount of the retention bond.

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

data in thousand HUF	**as at 31/12/2021**	**Due within 1 year***	**Due within 2-5 years***	**Due after 5 years***	**Total**
Financial liabilities	20 484 305	1 270 565	5 224 025	13 989 715	20 484 305

** principal repayments due*

data in thousand HUF	**as at 31/12/2021**	**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*

33.4. 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 92% of the Company's consolidated 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 repay 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.

34. Sensitivity analysis

With a view to the fact that in the reporting year in the framework of the refinancing transaction described in Clause 33.4. above the Company eliminated its credit risk it used to be exposed to in the previous years, no separate sensitivity test was performed.

35. 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 2021 data in thousand HUF	**Book value**	**Fair value**
Financial assets		
Loans and receivables carried at amortized cost		
Trade receivables	262 747	132 109
Cash and cash equivalents	9 548 215	9 548 215
Financial liabilities		
Financial liabilities carried at amortized cost		
Financial liabilities	20 484 305	20 484 305
Liabilities to creditors	1 667 183	1 667 183

31 December 2020 data in thousand HUF	**Book value**	**Fair value**
Financial assets		
Loans and receivables carried at amortized cost		
Trade receivables		
Cash and cash equivalents	411 409	404 664
Financial liabilities	10 888 723	10 888 723
Financial liabilities carried at amortized cost		
Financial liabilities		
Liabilities to creditors		
Financial assets	19 941 333	19 941 333
Loans and receivables carried at amortized cost	1 982 055	1 982 055

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

The members of the Board of Directors performed their duties in the 2021 business year without remuneration, and the members of the Audit Committee performed their duties in the 2021 business year for a gross monthly remuneration of HUF 300,000 per member.
The Company and the subsidiary included in consolidation do not have a Supervisory Board.

37. Remuneration of senior and middle managers in key positions

data in thousand HUF	**2021**	**2020**
Gross salary	177 302	156 782
Wage taxes	30 141	28 273
Total	**207 443**	**185 055**

For the purposes of the above table, the following persons are considered to be key management personnel: the CEO, the Deputy CEO, Chief Financial Officer and the Heads of Department.

38. Items of exceptional amounts and occurrence

In 2021, the Company did not have any revenue of exceptional magnitude or occurrence, nor any expense of exceptional magnitude or occurrence.

39. Presentation of related parties

39.1 Subsidiary

Subsidiary	**Registered office**	Vote and ownership shares **31/12/2021**	 **31/12/2020**
Harsánylejtő Kft.	H/1033 Budapest, Polgár u. 8-10.	100.00%	100.00%

As of December 31, 2021, the equity data of Harsánylejtő Kft., expressed in thousand forints, was:

data in thousand HUF	**31/12/2021**	**31/12/2020**
Equity	**-14 452**	**-30 295**
Subscribed capital	3 000	3 000
Capital reserve	0	0
Profit reserve	-720 795	-264 379
Committed reserve	772 500	687 500
P/L after taxes	-69 157	-456 416

The equity accounted for in the 2021 annual accounts of Harsánylejtő Kft. is negative due to the expenses incurred in financing the defects liability problems related to the condominium apartments already sold.
Due to the loss made after taxes by Harsánylejtő Kft., in the Founder's Resolution No. 1/2022.03.28, the Company ordered an additional payment in the amount of HUF 20,000,000 between the balance sheet date and the balance sheet preparation date, and this amount was transferred to the account of Harsánylejtő Kft. on 28 March 2022, thus improving its equity.

Related party transactions:

data in thousand HUF	**31/12/2021**	**31/12/2020**
Loan granted by BIF	0	428 000
BIF revenue	9 041	38 250
BIF expenditure	0	0
Wage + contribution claim	506	2 782

39.2 Other related party

In 2021, in addition to Harsánylejtő Kft, the Company had a business relationship with PIÓ-21 Vagyonkezelő és Szolgáltató Kft. as a related party, and realized an income of HUF 6,194,000 from property lease from this relationship.

IV. Other additional information

1. Off-balance sheet items, litigation and other legal proceedings

1.1. Off-balance sheet items that may affect the Company's future liabilities

As at 31 December 2021, the following pledges encumbered certain items constituting the Company Group's assets:

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: 3 September 2019
Contract for a pledge of 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 Name Takarékbank Zrt
Based on the three loan agreements concluded between the Company and Takarékbank Zrt. on 31 August 2020, Takarékbank provided/provides 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 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 was granted in the amount of HUF 9,707,551,770 and will be disbursed on 15 September 2020;
- a loan in the total amount of HUF 2,606,021,058 for the partial refinancing of the purchase of real estate and for financing real estate renovation and investment, of which the first disbursement of HUF 1,124,100,000 was made on 1 September 2020, and the second disbursement of HUF 143,750,000 on 13 November 2020, while the third disbursement of HUF 211,525,013 was made on 15 December 2021;
- a loan will be disbursed on 15 September 2020 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)
Date: 31 August 2020
Mortgage contract for real estate - with a specific amount to secure multiple claims
Date of: 31 August 2020
Agreement for the establishment of a pledge of claims - with a fixed amount to secure multiple claims
Date of: 31 August 2020
Security deposit agreement for a charge on the receivables of a payment account
Date: 31 August 2020

Amount of secured claim/registered charge:
HUF 14,700,000,000 limit

Loan5
Based on the loan agreement concluded by the Company and Takarékbank on 28 June 2021, Takarékbank granted/grants the Company a HUF loan with a 15-year fixed interest rate term for real estate renovation and investment purposes in the total amount of HUF 2,500,000,000. The first disbursement of the loan was made on 16 September 2021 in the amount of HUF 524,141,008 and the second disbursement was made on 15 December 2021 in the amount of HUF 716,312,052.

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 agreement
Date: 28 June 2021
Mortgage contract for real estate - with a specific amount to secure multiple claims
Date: 28 June 2021
Agreement for the establishment of a pledge of claims - with a fixed amount to secure multiple claims
Date: 28 June 2021
Security deposit agreement for a charge on the receivables of a payment account
Date: 28 June 2021

Amount of secured claim/registered encumbrance:
HUF 2,500,000,000 and charges

1.2. Litigations and other legal proceedings

As of 31 December 2021, Budapesti Ingatlan Nyrt. was a defendant in the following lawsuits

Litigations pending

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

Subject-matter of the litigation: annulment of an arbitration award. In its award contested in the procedure, the Permanent Arbitration Tribunal acting alongside the Hungarian Chamber of Commerce and Industry finally dismissed the action brought by the Association of Interest Protection of Individual Investors on the Stock Exchange, in which the shareholder requested the annulment and suspension of the implementation of certain resolutions of the General Meeting and the Board of Directors of the Company in 2016.
No decision was made in relation to the lawsuit in 2021. In that regard, however, it should be pointed out that the possible annulment of the decisions challenged by the claimant and made several years earlier would no longer have an effect on the current operation of the Company.

(ii) Claimant: Dr Dorottya Szabó-Páljános; Co-defendants: the Company as 1st defendant, Groom Electrician Korlátolt Felelősségű Társaság as 2nd defendant, JAZMY Szolgáltató Kft. as 3rd defendant and Dr Zoltán Szabó 4th defendant.

Subject of the litigation: request for an order on the registration of the title of the claimant and the fourth defendant, each sharing half, to the property (residential property and garage) sold by the predecessor of the Company in 2010, and at simultaneous cancellation of the ownership of the 3rd defendant.
No decision was made in relation to the lawsuit in 2021. Taking into account that the pre-contract of sale concluded with the claimant provided for the possibility to appoint a third party as the buyer of the final sale contract, and that the final sale contract also contained reconciliation between the pre-contracting claimant and the Company, the action is, in the Company's view, unfounded. However, since the claimant is not seeking restitution and has no real property claim against the Company, and the properties sold have been out of the Company's possession for approximately 10 years, even in the event of a potential unsuccessful litigation, the Company may merely be required to tolerate registration of the claimant's and 4th defendant's title to the relevant properties, with no other legal consequences for the Company's assets.

2. Significant events after the balance sheet date

There were no significant events after the balance sheet date.

“Non-modifying” event after the balance sheet date

As a result of the widespread uptake of coronavirus vaccines, business activity started to return to normal in Hungary in the second half of 2021, and after the balance sheet date, in early 2022, and the restrictions previously imposed due to the pandemic were gradually lifted in Q1 2022 (e.g. the vast majority of health restrictions were lifted). Overall, the economic risks posed by the coronavirus pandemic decreased. However, the current coronavirus situation and its developments may continue to have adverse effects, difficult to estimate and quantify, on the Company's plans and objectives for 2022. The outbreak of the Russian-Ukrainian war on 24 February 2022 and the related international sanctions have a significant impact on the economic outlook and increase economic risks. In order to minimize the exposures caused by the coronavirus pandemic and the Russian-Ukrainian war (due to eventual request for the amendment or termination of lease contracts, possible delays in ongoing developments projects, and the renegotiation of supplier/service provider partnerships), the Company will continue to closely monitor the current situation – especially actions by the government and other official bodies –, take new measures, and inform its employees and partners accordingly.

In the context of the coronavirus situation and the effects of the Russian-Ukrainian war, the Company has assessed and made estimates as to whether there is any material uncertainty about its ability to continue as a going concern and has concluded that it is appropriate to assume that it will continue as a going concern for the foreseeable future, that there is no material uncertainty.

3. Extraordinary and other regulated disclosures in 2021 and until the date of signing of this Consolidated Financial Statements

Date of publication	Subject of publication
05 April 2022	Notice by the owner, disclosure of changes in the indirect extent of voting rights
31 March 2022	Monthly announcement of voting rights and share capital
29 March 2022	Invitation to the General Meeting of Budapesti Ingatlan Nyrt.
28 February 2022	Monthly announcement of voting rights and share capital
31 January, 2022	Monthly announcement of voting rights and share capital
27 January, 2022	Extraordinary information on the change of the Company's Investor Relations Officer
31 December 2021	Monthly announcement of voting rights and share capital
December 23, 2021	Calendar of corporate events
1 December 2021	Information on the succession of auditors
30 November 2021	Monthly announcement of voting rights and share capital
15 November 2021	Special notice on credit rating
05 November 2021	Information on the opening of legal proceedings
02 November 2021	Monthly announcement of voting rights and share capital
4 October 2021	Proprietary notification and disclosure of changes in voting rights
30 September 2021	Monthly announcement of voting rights and share capital
31 August 2021	Monthly announcement of voting rights and share capital
30 July 2021	Monthly announcement of voting rights and share capital
26 July 2021	Information on the conclusion of legal proceedings
21 July 2021	Special notice on the execution of a general contractor agreement
30 June 2021	Monthly announcement of voting rights and share capital
28 June 2021	Special notice on the signature of a loan agreement
31 May, 2021	Monthly announcement of voting rights and share capital
30 April 2021	Supplementary information to the notice of dividend payment related to Budapesti Ingatlan Nyrt.'s 2019 business year
30 April 2021	Monthly announcement of voting rights and share capital
27 April 2021	Report on Responsible Corporate Governance
27 April 2021	Resolutions adopted by the Board of Directors of Budapesti Ingatlan Nyrt. under the authority of the General Meeting
19 April 2021	A proposal to the General Meeting and proposals for resolution
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
29 January, 2021	Monthly announcement of voting rights and share capital

4. Authorization to publish financial statements

The Board of Directors approved the 2021 IFRS Audited Consolidated Annual Financial Statements on the 8th of April, 2022 and authorized it for disclosure with its resolution.

Declaration of liability

Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. hereby declares that the 2021 Audited Consolidated Annual Financial Statements has been prepared to the best knowledge of the Company, in accordance with the International Financial Reporting Standards and provides a true and fair view of the assets, liabilities, financial position as well as profits and losses of the Company and its consolidated company, and does not omit any facts that might have any significance concerning the assessment of the situation of the Company and its consolidated company.

Budapest, 8 April, 2022

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

Consolidated Business (Management) Report to the Audited Consolidated Annual Financial Statements of Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. prepared in accordance with the International Financial Reporting Standards (IFRS) for 2021

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

In 2021, **Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.** (registered office: H-1033 Budapest, Polgár utca 8-10., hereinafter: "Company" or "BIF") performed its business activity in accordance with the development strategy and objectives listed below:

- Identifying office and other buildings that fit into the Company's existing portfolio of income-generating real properties and making acquisitions.
- To maximise the income potential of the existing real property portfolio and optimise the operation of office buildings.
- Optimal utilisation of the Harsánylejtő development site owned by the Company in District III of Budapest.

Since 31 December, 2018 the Company has been active as a regulated real estate investment company (hereinafter: “SZIT/REIT”) under Act CII of 2011 on regulated real estate investment companies (hereinafter: “SZIT/REIT Act”) engaged in real property development and utilization for its own properties (offices, 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 Company is active in the following main segments of the real estate market according to the types of properties owned:

- Office buildings
- Parking garages
- Building plots
- Residential properties
- Hotels

Office buildings

In 2021, a total of 44,000 sq. m. of new office space was delivered in Budapest, an 81% decrease compared to the previous year, which was due to the fact that some of the office deliveries planned for the end of 2021 had been postponed to 2022. The Váci Avenue office corridor remained the main target for investment in 2021, with the South Buda submarket coming in second. The total modern office portfolio had exceeded 3.95 million sq. m. by the end of 2021. In H2 2021, the modern office stock in Budapest did not add any new office buildings, the lowest number of office deliveries in a year since 2013. The completion of most of the development projects has been postponed to 2022, and this means that already in Q1 2022, twice as many office deliveries are expected as in 2021, i.e. approximately 302,000 sq. m.

The vacancy rate increased slightly compared to 2020, standing at 9.2% at the end of 2021; the most saturated sub-market was Buda-Centre with a ratio of 5.5%. Taking into account the continued expansion of developments and the pandemic situation, real estate marketers expect the vacancy rate to continue to increase slightly, although not at the same pace as in the first waves of COVID-19. Demand for office space reached a low point before the start of 2021, but started to increase after the COVID restrictions were lifted, bringing annual demand to 365,000 sq. m., a more moderate (9%) increase compared to the previous year. (Source: CBRE, BRF)

The office market's Q4 2021 results continue to reflect the uncertainty caused by the pandemic, but there is cause for optimism with a slight increase in annual gross demand, an increase in the number of transactions and stagnation in the vacancy rate. Rents are not expected to change significantly in 2022, but it is clear that operating costs will increase. Average operating fees in early 2022 ranged between EUR 3.5 and EUR 5 for most Category A buildings, possibly due to increased cleaning and disinfection needs, more modern mechanical equipment and significantly higher energy prices. (Source: CBRE, Portfolio.) Given the above, older but well-maintained properties may benefit from pricing flexibility against new projects increasingly constrained by cost pressures.

As of 31 December 2021, the Company owned seven Category B and two Category A office buildings in prime locations in terms of infrastructure and transportation. The revitalization of one of the existing Category B office buildings (the office building at 12-14 Városmajor Street, District XII of Budapest, hereinafter: "Major Udvar (Városmajor u. 12)") to convert it to Category A is currently underway and is expected to be handed over in May 2022. Our existing and operating office buildings typically operated at an average occupancy rate of 88% during the period, which is marginally below the market average.

In H1 2020, our Company acquired the former Posta Hotel at **114-116 Üllői út, Budapest, District X of Budapest**, an iconic 13-storey tower building in the area, which will be converted into a Category A office building (hereinafter: "**BIF Tower**") in a development project launched in 2021. Construction is expected to be completed in Q3 2022. The adjacent three-storey building, formerly operating as an educational centre (hereinafter: "Üllői úti Oktatási Központ"), has also been included in our portfolio, and we aim to use it as an office or educational centre in line with market demand. The two buildings will add more than 10,000 sq. m. of office space. The property can be used for the development of a further 13,000 sq. m. of gross floor area by modifying the parameters of the District Building Code, which will allow the Company to diversify its real estate portfolio by developing 4500 residential units and entering the dormitory market by selling them to foreign partners.

In the case of our office buildings, our main objective is to maintain tenant satisfaction and thus extend tenancy contracts, which is achieved through the introduction of new services and a continuous operator presence and maintenance. For our Category A office buildings, we pay particular attention to modernising the common areas and renovating and upgrading vacant office space.

<u>Parking garages</u>

Our Company owns 2 parking garages, the **Aranykéz Parking Garage** (Budapest V. district Aranykéz utca 4-6.) and the **Parking Garage of Flórián Udvar Office Building** (8-10 Polgár Street, District III of Budapest), located next to the Vigadó Palota Office Building (9 Apáczai Csere János Street, District V of Budapest, "Vigadó Palota Office Building"). The parking garage in the Flórián Udvar Office Building is primarily intended to serve the tenants of the office building. Both parking garages are equipped with the latest Hungarian mobile-app parking system and modern payment facilities to ensure maximum service quality. The special emergency measures, including free parking in public areas, were extended up to May 2021. However, our tenants who continued to walk into their offices kept their leases for convenience, and some of our larger tenants requested additional leases to support their employees' safe access to work. Hourly parking volumes declined during the curfew period, primarily affecting Aranykéz Parking Garage located in the downtown area.

<u>Building plots and residential properties</u>

By 2021, Duna House estimates that the residential property market would have returned to pre-pandemic levels, with a 15% increase in the number of transactions compared to 2020. (Source: Duna House Transaction Count Estimate.)

In new development projects, simultaneously with rising construction demand, some building materials saw a surge in prices in 2021, often accompanied by shortages of building materials and supply problems. In addition, government measures such as tax rebates and the Green Home Programme continued to generate demand for new housing beyond 2022. (Source: Portfolio Ingatlan)

Within the framework of the **Harsánylejtő Kertváros** project (District III of Budapest), the Company launched a development project (hereinafter: "Harsánylejtő Project") in several phases over the past years, covering an area of approximately 39 hectares. As part of the project, land development, residential development and commercial units were developed as follows:

- A total of 153 land plots have been developed, constructed and sold within the framework of Phases I-II of the **land development.** The project was successfully completed in terms of development and sales (the total area of the above-mentioned Phases I to II exceeds 25 hectares).

- **Residential property development**
  - In Phases I and II of the residential development, a total of 40 apartments of floor areas between 55 and 99 sq. m. were built on an area of about 1 hectare. The sale of the 20 apartments built in Phase I of the residential development project was successfully completed in 2019, and the sale of the 20 additional apartments built in Phase II of the residential development project was successfully completed in H1 2021. The owner of the project is Harsánylejtő Ingatlanforgalmazó és -kezelő Kft. (hereinafter: "Harsánylejtő Kft."), which is 100% owned by the Company.
  - For two of the three plots of land on an area of more than 2 hectares suitable for residential development, sales contracts with reservation of title were signed in Q4 2021 (the termination of the reservation of title subject to payment of the full purchase price is foreseen for Q4 2022 and Q1 2023). The remaining property owned by the Company is currently zoned for the construction of a 50-apartment condominium, but the sale of the land could remain an alternative to development, taking advantage of the increased demand due to the reduction in VAT on housing.
- A plot of land suitable for the development of a **commercial unit**, comprising a retail unit of approximately 1000 sq. m. and a further 1500 sq. m. of office or other service functions on an area of approximately 0.4 hectares.
- More than 1 hectare of land suitable for **office or residential development**, suitable for the construction of an office complex of approximately 2500 sq. m. or condominiums.

The Company is constantly evaluating the best options for each property. So far, decisions have been taken on the implementation of Phases I and II of the Harsánylejtő Plot Development and Phases I and II of the Harsánylejtő Residential Property Development projects, which have been completed. For the other development opportunities, the Company will consider the options of launching the development or selling it as a land parcel or project based on current market trends.

In addition to the residential property development in the Harsánylejtő Project, the construction of a significant development project of the Company had been completed at the end of July 2021 for the property registered under parcel number 6775 in District I of Budapest, located at 99 Attila Avenue, District I of Budapest, and 42 Logodi Street, H-1012 Budapest (hereinafter: "**Attila99Loft"** or "Attila Avenue Property"). Attila99Loft was the winner of the **Real Estate Awards "Residential Property Development of the Year 2021**" competition**.** The development project included 16 exclusive apartments, a 22-space robotic parking system, a restaurant and a bakery. In addition to its location in the Castle District and the unique style of the apartments, the exclusive services available within the building ensure the uniqueness of the building modelled on the "New York" style. After completion of the construction, the apartments and commercial premises are leased by the Company.

<u>Hotels</u>

In 2021, the hotel industry already showed signs of recovery, with Budapest improving 66.8% in terms of revenue per available room and 43% in terms of occupancy index in H2 2021 on a year earlier, mainly due to the easing of travel restrictions, allowing for example the hosting of international (sports) events. In terms of the pace of recovery, experts expect the region's hotel market to recover by 2024. (Source: tourism.com, 3 February 2022)

The Company currently owns 1 property which is operated as a hotel by the tenant (the Company does not generate any income from accommodation or catering services, it only rents out the properties it owns). The **Madách Square property** (3 Madách Imre Square, District V of Budapest), which has one of the most prominent downtown locations for the purposes of tourism, is a 4-star hotel with 115 rooms. A 3-star hotel operated as a transit hotel in **"Building C"** of the **Üllői Avenue property complex** (114-116 Üllői Avenue, District X of Budapest), located in the airport corridor, in the vicinity of Liszt Ferenc International Airport (114-116 Üllői Avenue, District X of Budapest) up to 30 June 2021, which the Company has been leasing out for student accommodation (hereinafter: "**BIF HOSTEL**") since September 2021, taking advantage of the favourable conditions of the building.

One of the most prominent properties in the Company's portfolio is located at 80-82 Andrássy Avenue, District VI of Budapest, and a World Heritage Site (hereinafter: "**Andrássy Avenue Property**"). On the more than 1400 sq. m. site, the Company is exploring the possibility of a residential development with upscale apartments and services, in addition to the Boutique Hotel concept, taking into account the changing market needs and the district regulatory conditions.

II. Profit and loss in 2021, 2022 outlook and challenges

1. Profit and loss in 2021

The Company had a successful but challenging year in 2021, similar to the financial year 2020. Based on its audited consolidated profit and loss account prepared in accordance with IFRS, the Company achieved a **profit before tax of approximately HUF 8,288 million** in 2021, which represents a significant increase of approximately HUF 3.3 billion compared to 2020. Although profit before tax adjusted for the impact of the fair valuation of investment properties decreased from HUF 2,836 million in 2020 to HUF 2,426 million in 2021 (HUF -410 million or -14.5%), at the consolidated level the earnings before income tax adjusted for the impact of the fair valuation of investment properties, which is an indicator of the Company's operating efficiency, increased to a level of nearly 51% (+2.9 percentage points) in 2021.

- The total **net sales revenue** for the year 2021 amounted to HUF 4,916 million, a 21% decrease compared to the base year. One of the major reasons for this drop is that compared to the HUF 803 million revenue generated in 2020, in the reporting year we did not realise any profit from the development plots sold under the Harsánylejtő Project. In Q4 2021, a sales contract was signed with reservation of title until Q4 2022 for 2 plots (the termination of the title reservation conditional on the payment of the full purchase price is scheduled for Q4 2022 and Q1 2023), the down payment has been received, but the accounting of the sale result will be deferred to 2022 and 2023. The other main component of the decrease is the realisation of around HUF 1 billion lower residential sales revenue in 2021 compared to the base year, as a significant part of the apartments developed under the Harsánylejtő Project were sold in the previous years. The majority of the consolidated net sales revenue generated by the Company in 2021 was attributable to rental, parking, operation and related charges for mediated services from the use of investment properties (a combined 92% of revenue), with residential sales revenue from the Harsánylejtő Project accounting for 8% of the revenue generated in the period. Revenues from rent and management fees (+13%) and parking fees (+12%) also showed a significant increase in the reporting year, mainly due to higher occupancy rates, price hikes and indexations implemented at the beginning of the year. The above-referenced significant increases in fee income were related to the fact that the Major Udvar (Városmajor u. 12) project could not generate any income in 2021 due to the ongoing revitalisation of the office building (Category A), whereas in the base year this office building still generated a profit.

Breakdown of net sales revenues

data in thousand HUF	2020	2021
Revenue from rents and operating fees	3 235 913	3 665 808
Income from parking fees	410 721	459 941
Revenue related to intermediary services	296 602	389 039
Revenue from the sale of properties/land	2 234 683	393 322
Other sales revenues	11 317	8 279
Total	**6 189 236**	**4 916 389**

- **Other operating income** increased by more than 76% in 2021, by HUF 2.7 billion, mainly due to the significant impact of the fair valuation of investment properties, which had a positive impact of HUF 6 billion. This line also includes, among other things, income from the reversal of impairment, the sale of tangible fixed assets, as well as compensation, ex-post concessions and liabilities dismissed as time-barred.
- The amount of raw materials, consumables and other external charges decreased by HUF 584 million, or about 33%, in 2021 compared to the amount reported in 2020, due to the different direction of the changes in the individual profit elements. There was a significant decrease in the COGS line, due to the fact that, unlike in the base year, no land sales were made in the current year in the framework of the Harsánylejtő Project, and the result realised in the framework of the residential property development was limited to a few apartments. The value of services used decreased, mainly due to the fact that the value of subcontractor services used for the condominiums built by the subsidiary was HUF 0.6 billion lower in the reporting period due to the completion of the development. However, the cost of materials and sold mediated services increased, mainly due to service price increases and the expansion of our real estate portfolio.
- **Payments to staff** increased by 20% in 2021 on a year earlier. Increase in payments to staff due to the impact of increase in the headcount related to the expansion of the portfolio and the organisational development related to the achievement of the Company's strategic objectives.
- The main reason for the increase of approximately HUF 116 million in the **depreciation and impairment** line is the impairment of doubtful receivables in the amount of approximately HUF 121 million, related to a tenant in the hotel sector most affected by the COVID-19 virus outbreak. In addition, in the reporting year a total of HUF 15 million was recognised for impairment of inventories and, to a lesser extent, for impairment of other receivables. The company recorded depreciation of HUF 38 million on non-investment property, plant and equipment, compared to HUF 55 million in the base year.
- **Other operating expenses** in 2021 were HUF 847 million lower than in the previous year. The change was mainly due to the decrease in the market value of certain properties recognised under IAS40, which represents a decrease of HUF 387 million on a year earlier. In addition to the property valuation effect, there was a further decrease in the derecognition of assets provided for no consideration, as there was no impact on the result from this activity this year, unlike last year; and a decrease was also seen in the impact of fair value measurement on inventories, as a result of no property sales in 2021 under the Roughneck Project. Contrary to the above, the Company incurred a higher building tax liability as a result of the higher property portfolio compared to the previous year.
- As a result of the above, the **operating profit** for 2021 increased to approximately HUF 8.4 billion, 64% higher than in 2020, while the operating profit adjusted for the impact of fair value measurement of investment properties decreased to HUF 2,492 million in 2021 from HUF 2,957 million in 2020 (-16%). This profit was achieved despite the fact that, compared to the HUF 803 million revenue generated in the base year, in the reporting year we did not generate any revenue from the development plots sold under the Harsánylejtő Project, the revenue from the sale of residential properties was HUF 1 billion lower than in the base year, and the Major Udvar (Városmajor u. 12) project could not generate any revenue or profit in 2021 due to its ongoing development.
- **Profit or loss from financial transactions** improved to HUF -66 million in the period under review from HUF -121 million in the base period. On the income side, interest income increased and foreign exchange gains decreased compared to the base period. The former is due to efficient liquidity management, while the latter is due to the exchange rate gain recognized in the base period related to the payment of the purchase price of the Major Park (Városmajor 35) office building. On the expense side, there were no significant changes.

- Based on the requirements of the REIT Act, BIF was only obliged to pay corporate tax until the Pre-REIT status was obtained (on 20 October, 2017). Having a REIT status, the Company is required to determine its corporate tax base, but it is only subject to corporate tax payment for the calculated base in certain cases (e.g. on a tax base proportionate to the income from related parties). Taking the above into account, in the reporting year, approximately HUF 0.6 million of the BIF Group's actual tax expense of approximately HUF 18.7 million was corporate tax on income from related parties, approximately HUF 12.8 million was the amount of the group-wide innovation levy, and HUF 5.3 million was the amount of the business tax liability of Harsánylejtő Kft.

Profit and loss statement (IFRS, audited)

data in thousand HUF	**2020**	**2021**
Net sales revenue	6 189 236	4 916 389
Other operating income	3 514 569	6 201 800
Changes in internally generated inventories	-1 185 643	-286 807
Capitalized value of internally generated assets	138 487	-142 048
Raw materials, consumables and other external charges	-1 775 077	-1 190 595
Staff costs	-479 158	-575 034
Other operating expenditure	-1 242 405	-395 436
EBITDA	**5 160 009**	**8 528 269**
Depreciation and impairment	-57 813	-174 111
Operating P/L	**5 102 196**	**8 354 158**
Financial income	110 284	164 774
Financial expenses	-231 398	-231 055
P/L before tax	**4 981 082**	**8 287 877**
Actual tax expenditure	-24 483	-18 693
P/L after taxes	**4 956 599**	**8 269 184**

- The portfolio of **investment property** increased by HUF 11.3 billion to around HUF 63.8 billion in 2021 compared to the end of 2020. Increase in the real value was driven by value-enhancing investments and capitalisations on properties under development, as well as value gains from higher occupancy rates of income-generating properties. During the year under review, the property at 57 Rákóczi Avenue, District VIII of Budapest was sold and the Attila Avenue property was capitalised in the third quarter of 2021 (following the successful completion of the development).
- The fair value of the investment properties owned by the Company is determined quarterly by an independent valuer in accordance with the requirements of the REIT Act (the valuations for 2020 and 2021 were carried out by Seratus Ingatlan Tanácsadó Igazságügyi Szakértő Kft.). The valuations were carried out using the market comparison method for the year-end 2021, with the exception of 2 properties where the cost method was used.
- The Company's **net debt** (the value of financial liabilities less cash and cash equivalents) increased to around HUF 10.9 billion compared to HUF 9 billion at the end of 2020. Increase in financial liabilities is due to loan drawdowns in 2021, while the decrease in cash and cash equivalents is mainly due to increased financing needs for improvements on real estate.

Key balance sheet items (IFRS, audited)

data in thousand HUF	31/12/2020	31/12/2021
Investment property	52 508 004	63 763 004
Long-term assets, total	*53 204 552*	*64 271 287*
Cash and cash equivalents	10 888 723	9 548 215
Current assets, total	*12 496 255*	*10 532 776*
Assets, total	**65 700 807**	**74 804 063**
Subscribed capital	2 870 244	2 870 244
Equity allocated to the parent company, total	*42 246 342*	*50 515 526*
Financial liabilities	19 032 327	19 213 740
Long-term liabilities, total	*19 051 413*	*19 226 362*
Financial liabilities	909 006	1 270 565
Current liabilities, total	*4 403 052*	*5 062 175*
Liabilities and equity, total	**65 700 807**	**74 804 063**

Key indicators of the equity, financial and income position

Description	31/12/2020	31/12/2021
Long-term assets to total assets (Total long-term assets to total assets)	80.98%	85.92%
Indebtedness (total long-term liabilities to long-term liabilities and total equity allocated to the parent company)	31.08%	27.57%
Debt to equity ratio (total long-term liabilities to total equity allocated to the parent company)	45.10%	38.06%
Acid test ratio (Cash and cash equivalents to total short-term liabilities)	247.30%	188.62%
Return on sales (operating income to the net sales revenue)	82.44%	169.92%
Return on equity (operating income to total equity allocated to the parent company)	12.08%	16.54%

2. Outlook and challenges for the financial year 2022

In 2022, the Company will focus on the following areas of development:

- Completion of the renovation of buildings A and B of the Major Udvar (Városmajor u. 12) project and the construction of building C, which started in the third quarter of 2020, and the leasing of the office building, parking lot and restaurant areas.
- Lease the vacant areas of **Major Park** (Városmajor u. 35.), which was successfully acquired in early 2020 and is currently mainly suitable for storage purposes, retain existing tenants and develop a concept for the development of additional office, parking and commercial functions to take advantage of the opportunities offered by the local building code, which was amended at the end of 2020.
- Further increase the occupancy rate of the **Flórián Udvar Office Building.**
- For the **Attila99Loft**, built as a result of a development project in 2021, continuation of the sales activity for the rental of the building.
- **Harsánylejtő Project**
  - Transfer of ownership of utility networks not yet handed over in relation to the completed land developments.
  - Completion of warranty work on residential properties built under completed housing developments (Phases I to II).
  - For those parcels of land in the Harsánylejtő Project where no decision has yet been taken to commence development, the options for commencing individual developments and/or selling them as parcels/projects will be investigated based on current market trends.
- Development concept of the Bajcsy-Zsilinszky Avenue Office Building (at 57 Bajcsy-Zsilinszky Avenue, District VI of Budapest), maximizing the occupancy of the property in its current state during the transition period.
- In the case of the **Andrássy Avenue property**, the finalisation of the planned hotel or residential concept, depending on changes in market conditions.
- In the case of the **Aranykéz Parking Garage**, review the rentals for retail space, storage and parking in light of changes in outdoor parking rates in the city centre and maximise occupancy.
- Managing the complete refurbishment of the **BIF Tower** and concluding the lease contracts.
- Analysis of the possibilities of utilisation of the **Üllői Avenue Educational Centre**, partial renovation of the building in case of specific tenant demand and conclusion of lease contracts.
- Preparation for the required façade reconstruction in the office building at 18-22 Victor Hugo Street, District XIII of Budapest, jointly owned by BIF, the Hungarian Academy of Sciences and ITConsult-Pro Zrt., based on the construction plans completed in 2021. Managing the construction tender with the owners and organising the construction works while keeping the office building operational.
- Exploiting the development and efficiency improvement potential of existing properties (**portfolio review**).
- Identifying **acquisition opportunities** that fit in the Company's strategy, executing the acquisitions and integrating the property into the income generating portfolio.

In addition to the above, the management of the coronavirus situation and its impact on the overall portfolio, as well as the short- and long-term impacts of the Russian-Ukrainian war that broke out on 24 February 2022 and the related international sanctions will be challenging.

III. Major events at the Company in 2021

1. General Meeting

On 27 April 2021, the Board of Directors of the Company, with regard to the relevant provisions of Government Decree No. 502/2020. (XI.16.), adopted resolutions on all matters included in the agenda of the invitation to the General Meeting of Shareholders published on March 26, 2021, and published them on April 27, 2021, in accordance with the relevant legal provisions. The resolutions can be found at the following link:
https://www.bif.hu/investors/publicitans/stock-exchange-statements/resolutions-board-directors-budapesti-ingatlan-nyrt-exercising-powers-general-meeting-210427

2. Loans

- Based on the loan agreement concluded by the Company and Takarékbank Zrt. (hereinafter: "Takarékbank") on 21 August 2020, Takarékbank granted/grants the Company a HUF loan with a 15-year fixed interest rate term for the partial refinancing of the purchase of real property and for real estate renovation and investment purposes in the total amount of HUF 2,606,021,058, of which the third disbursement in the amount of HUF 211,525,013 was made on 15 December 2021.
- Based on the loan agreement concluded by the Company and Takarékbank on 28 June 2021, Takarékbank granted/grants the Company a HUF loan with a 15-year fixed interest rate term for real estate renovation and investment purposes in the total amount of HUF 2,500,000,000. The first disbursement of the loan was made on 16 September 2021 in the amount of HUF 524,141,008 and the second disbursement was made on 15 December 2021 in the amount of HUF 716,312,052.

3. Personal changes in 2021

Board of Directors and the Audit Committee

There were no changes in the composition of the Board of Directors and the Audit Committee between 1 January 2021 and 31 December 2021.

Management

- Between 18 January 2021 and 22 July 2021, Mr. Zoltán Fábián held the position of Head of the Sales and Marketing Department of the Company.
- From 1 September 2021 to 4 February 2022, Mr. László Mészáros held the position of Head of Operations,
- As of 1 October 2021, Mr. Attila Seres has been filling the position of Head of the Construction Department,
- Mr. Balázs Diószegi's position as Head of Development and Construction was terminated on 30 September 2021. Mr. Balázs Diószegi took up the position of Head of Development from 1 October 2021.

IV. Risk factors affecting the Company's performance

The effectiveness of the Company's activities will continue to be significantly affected by the macroeconomic situation and the resulting company's business environment, as the occupancy rate of offices and the amount of rent realisable depend on the financial situation and prospects of the tenant companies.

The Company performs its activities related to real properties at relatively low risk; the majority of the concluded lease contracts is for a fixed term, with an average remaining term of between 2 and 3 years, but in special cases up to 5+5 or 10 years. Our open-ended lease contracts have typically been running for several years.

Thanks to a preliminary tenant risk analysis and a security deposit system, the level of arrears in 2021 was able to remain at a very low level compared to the previous year, helped by the gradual recovery of the economy. While in 2020, due to the emergence of the COVID-19 pandemic, several tenants requested a rescheduling of rent payments, by the end of 2021, the payment capacity of customers has normalised and they are meeting their payment obligations on or before the due date. However, the tourism sector, which was the most affected by the COVID-19 virus, continues to face challenges, and we have recorded an impairment of around HUF 121 million for one of our tenants in the hotel sector.

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 92% of the Company's consolidated revenues are realized in HUF, it practically has no FX risk.

As a result of the refinancing transaction described below, the Company eliminated its lending interest rate risk in September 2020. Takarékbank disbursed on September 15, 2020 a fixed-rate HUF 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 outstanding amount of the long-term, floating rate HUF debt 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 35 on "Financial instruments" in Section III titled "Additional explanations" in the Chapter on "Notes to the statements" to the audited Consolidated Annual Financial Statements of the Company for 2021, prepared in accordance with the International Financial Reporting Standards (IFRS). Other than the BIF ordinary shares (treasury shares) held by the Company, the Company does not have any other securities and has not entered into any derivative transactions.

As a result of the widespread uptake of coronavirus vaccines, business activity started to return to normal in Hungary in the second half of 2021, and after the balance sheet date, in early 2022, and the restrictions previously imposed due to the pandemic were gradually lifted in Q1 2022 (e.g. the vast majority of health restrictions were lifted). Overall, the economic risks posed by the coronavirus pandemic decreased. However, the current coronavirus situation and its developments may continue to have adverse effects, difficult to estimate and quantify, on the Company's plans and objectives for 2022. The outbreak of the Russian-Ukrainian war on 24 February 2022 and the related international sanctions have a significant impact on the economic outlook and increase economic risks. In order to minimize the exposures caused by the coronavirus pandemic and the Russian-Ukrainian war (due to eventual request for the amendment or termination of lease contracts, possible delays in ongoing developments projects, and the renegotiation of supplier/service provider partnerships), the Company will continue to closely monitor the current situation – especially actions by the government and other official bodies –, take new measures, and inform its employees and partners accordingly.

Risks involved in the consolidated Harsánylejtő Kft.

The position of Harsánylejtő Kft. is highly dependent on its parent company, its market impact and its decisions.

The current situation related to the coronavirus, the measures taken by the Government in this context, and the economic effects of the Russian-Ukrainian war that ended on 24 February 2022 and the related international sanctions may also affect Harsánylejtő Kft. and its supplier and service provider relationships.

In strategic matters, Harsánylejtő Kft. must take its decisions in consultation with its parent company. As far as development is concerned, the parent company decides on strategic issues, while its subsidiary takes care of operational tasks.

V. Material events after the balance sheet date

There were no material events after the balance sheet date.

VI. General company information

1. Corporate data of the 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 2021	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. Corporate Governance

General Meeting

The appointment and removal of the executive officers is the exclusive competence of the General Meeting of the Shareholders. The Company has not concluded any special agreement with the executive officers and employees regarding severance payments, and thus in this respect, the relevant provisions of the Civil Code shall apply. No agreement has been entered into between the Company and any of its officers or employees providing for indemnification in the event of resignation of an officer or termination of employment by an employee, or in the event of wrongful termination of employment by an officer or employee, or termination of employment as a result of a public tender offer. The Company has not entered into any agreement that takes effect, is amended or terminated as a result of a change in control of the Company following a public purchase offer.

The General Meeting has exclusive power to amend the Statutes, with the following exceptions:

- If the amendment of the statutes only affects the name, registered office, places of business and branches of the Company, the place of central administration and the activities of the Company other than its principal activity, the General Meeting shall decide by simple majority, by virtue of which the statutes authorise the Board of Directors of the Company to amend the name, registered office, principal place of business, local offices and branches, central administration and the scope of activities of the Company other than its principal activities, by a decision of the Board of Directors, acting in its discretion.
- By resolution the General Meeting may authorise the Board of Directors to increase the share capital of the Company. The relevant resolution of the General Meeting must specify the maximum amount (authorised share capital) up to which the Board of Directors may increase the share capital of the Company. The General Meeting may authorise any type of increase in share capital by any means. The mandate of the General Meeting may be given for a maximum of five years. In the case of an increase in the share capital under the authority of the Board of Directors, the Board of Directors is obliged and entitled to amend the statutes.

Board of Directors

The Company operates under a single management system.
The Board of Directors is the Company's management body, representing the Company before courts and other authorities and in dealings with third parties. The Board of Directors has established its rules of operation and has operated in accordance with its adopted By-laws for the year 2021. The majority of the members of the Board of Directors are independent.

The Board of Directors acts as a body. It decides which of the matters falling within its remit of duties should be placed on the agenda of its meeting, appoints the member of the Board of Directors and/or of the management responsible for preparing the matter, discusses the matter submitted to the Board meeting, makes a decision on it and monitors its implementation. The Board of Directors must fix the dates of its regular meetings and, to the extent necessary, the expected agenda for its regular meetings for the period between the annual General Meetings to close the balance sheet.

The Board of Directors held 1 meeting in 2021. The Board of Directors made a further 14 decisions electronically in 2021.

Members of the Board of Directors of the Company (31 December 2021)

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 Hárshegyi	member	15/08/2017	15/08/2022
Miklós Vaszily	member	22/12/2017	15/08/2022

Audit Committee

Pursuant to the statutes, the Audit Committee has competence in the following matters:

- expressing an opinion on the financial statements under the Accounting Act;
- follow-up the audit of the financial statements prepared in accordance with the Accounting Act;
- proposal on the appointment and remuneration of the permanent auditor;
- preparing the contract with the permanent auditor;
- monitoring the enforcement of professional requirements, conflicts of interest and independence standards for the permanent auditor, performing duties related to co-operation with the permanent auditor, monitoring the services provided by the permanent auditor to the Company other than the audit of the accounts under the Accounting Act, and, if necessary, proposing to the Board of Directors to take measures;
- assessing the functioning of the financial reporting system and proposing the necessary measures;
- assisting the Board of Directors in its work to ensure proper control of the financial reporting system; and
- monitoring the efficiency of the internal control and risk management system.

In addition to the meetings of the Board of Directors, the Audit Committee decided electronically on 3 occasions in 2021.

Members of the Audit Committee of the Company (31 December 2021)

Name	Position	Beginning of assignment	End of assignment
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

Remuneration of the executive officers (Board of Directors and the Audit Committee)

At the 2021 Annual General Meeting of the Company, the General Meeting decided that the members of the Board of Directors should perform their duties in the 2021 business year without remuneration, and the members of the Audit Committee should perform their duties in the 2021 business year for a gross monthly remuneration of HUF 300,000 per member.

3. Auditor

In 2021 the Company's auditor was:

- INTERAUDITOR Neuner, Henzl, Honti Tanácsadó Kft. (registered office: H-1074 Budapest, Vörösmarty u. 16-18. 1/F.; company registration number: 01-09-063211) elected by the General Meeting of the Company on 27 April 2021, has transferred its activity performed in the audit of the statements of public interest business organizations to Interauditor Consulting Kft. (registered office: H-1074 Budapest, Vörösmarty u. 16-18. A. fsz. 1/F.; company registration number: 01-09-388885) as its legal successor. As of 29 November 2021, the Company will be audited by Interauditor Consulting Kft. as a result of this succession.

4. Disclosures

The Company discloses its public notices on:

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

5. Share information

As of 31 December 2021, the Company's share capital consisted of 287,024,440 dematerialised ordinary shares with a nominal value of HUF 10 each, of which 35,340,000 shares were held in treasury. Details of the rights and obligations vested in the shares are given in Section 6 of the Company's Articles of Association. As of 1 October 2018, the shares are traded in the "Premium" category of the Budapest Stock Exchange and represent the total issued share capital, there are no other issued shares of the Company.

Sale of the shares is not restricted, no pre-emption right has been stipulated, but the shares can only be transferred by debit or credit to the relevant securities account. When a share is transferred, the shareholder may only exercise his right vis-a-vis the Company if the new owner's name has been registered in the share shareholders' register.

The register of the Company's shareholders is maintained by KELER Zrt.

No special control rights are currently stipulated.

At the Annual General Meeting of the Company held on 29 April 2019, the General Meeting authorized the Board of Directors to increase the share capital of the Company by issuing preference shares with voting rights, under the conditions set out in the resolution of the General Meeting. This authorization was not used by the Board of Directors in 2021.

We are not aware of any shareholder agreement relating to management rights.

The Company does not currently have an employee share scheme. At the Annual General Meeting of the Company held on 29 April 2019, the General Meeting authorized the Board of Directors to increase the share capital of the Company by issuing employee shares under the conditions set out in the resolution of the General Meeting. This authorization was not used by the Board of Directors in 2021.

Minority rights: The shareholders representing at least 1% of the votes may at any time request the convention of the Company's general meeting, giving reasons and specifying its purpose.

According to the Statutes, the general meeting elects officers with a simple majority of the votes.

On 27 April 2021, by a resolution the Board of Directors, acting in the competence of the General Meeting, authorized the Board of Directors to purchase treasury shares. The authorization allows the Board of Directors to decide on the purchase by the Company of ordinary shares issued by the Company. The minimum amount of consideration that can be paid for a treasury share is HUF 1, and the maximum amount is up to 150% of the turnover-weighted average stock exchange price of the 180 days preceding the date of the transaction. The authorization is valid for a limited period from the date of the General Meeting until 27 October 2022. The maximum value of treasury shares acquired by the Company under the authorization may be up to 25% of the share capital.

Owners of the Company with more than 5% of interest based on the 31 December 2020 and on the 31 December 2021 share register and the individual statements of the owners

Shareholder	31 December 2020 Number of shares (pcs)	31 December 2020 Interest (%)	31 December 2021 Number of shares (pcs)	31 December 2021 Interest (%)
PIÓ-21 Kft.	184,847,220	64.40*	184,847,220	64.40*
Takarékbank Zrt.	-	-	28,702,440	9.99
Own share**	35,340,000	12.31	35,340,000	12.31
Other shareholders	66,837,220	23.29	38,134,780	13.3
Total	**287,024,440**	**100.00**	**287,024,440**	**100.00**

**Of which 1,090,260 ordinary BIF shares with a nominal value of HUF 10 each as of 31 December 2020 and 31 December 2021 represent 0.38% indirect share through the Kft.'s subsidiary, 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 2021)

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	15/08/2017	0	64.40%
MBoD	Kristóf Berecz	Vice President of the BoD and CEO as of 1 December 2018	15/08/2017	15/08/2017	0	64.40%
MBoD	Julian Tzvetkov	member of the BoD and the AC**	15/08/2017	15/08/2017	0	0
MBoD	dr. Frigyes Hárshegyi	member of the BoD and the AC	15/08/2017	15/08/2017	0	0
MBoD	Miklós Vaszily	member of the BoD and the AC	22/12/2017	15/08/2017	0	0
SP	Róbert Hrabovszki	Deputy CEO, CFO	19/03/2018	unspecified***	0	0

**Member of the Board of Directors*
***Member of Audit Committee*
****nature of employment*

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

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MBoD	Dr. Anna Ungár	President of the BoD*	15/08/2017	15/08/2017	0	64.40%
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MBoD	Julian Tzvetkov	member of the BoD and the AC**	15/08/2017	15/08/2017	0	0
MBoD	dr. Frigyes Hárshegyi	member of the BoD and the AC	15/08/2017	15/08/2017	0	0
MBoD	Miklós Vaszily	member of the BoD and the AC	22/12/2017	15/08/2017	0	0
SP	Róbert Hrabovszki	Deputy CEO, CFO	19/03/2018	unspecified***	0	0

**Member of the Board of Directors*
***Member of Audit Committee*
****nature of employment*

VII. Changes in the number of employees; employment policy

In 2021, the Company's average statistical headcount was 48 (46 in 2020), while at 31 December 2021 the headcount was 50.

The administrative, legal and management tasks related to the operation of Harsánylejtő Kft. are carried out by BIF's legal and financial accounting department in a dual employment.

The Company has no employment policy liabilities.

VIII. Research and experimental development

Due to the nature of its activities, the Company is not engaged in research and experimental development.

IX. Personal changes in 2021

They are described in Chapter III, Section 3.

X. Introduction of the consolidated entitiy of the Company

The Company has included Harsánylejtő Kft. in its Annual Consolidated Financial Statements for 2021 prepared in accordance with IFRS.

Harsánylejtő Kft. was founded on 25 August 2008 by Budapesti Ingatlan Nyrt. with a share capital of HUF 500,000 and has been 100% owned by the company since then. On 10 March 2016, the share capital of Harsánylejtő Kft. was increased to HUF 3,000,000. The company's core activity is the organisation of building construction projects.

Harsánylejtő Kft. has performed the development of condominiums with 5 apartments and an underground garage in two phases on 8 plots of land suitable for the construction of condominiums in the Harsánylejtő development area.
The sale of the 20 apartments built in Phase I of the residential development project was successfully completed in 2019, and the sale of the 20 additional apartments built in Phase II of the residential development project was successfully completed in H1 2021.

Harsánylejtő Kft. financed the purchase of the building plots required for the development and the construction of the developments with market-rate loans from the parent company, which it repaid in 2021 from the purchase price of the apartments it sold after the completion of the developments.

The parent company decides on the strategy for the developments, while its subsidiary is responsible for the operational aspects.

XI. Environmental protection

Due to the nature of the activity, the Company does not generate or store hazardous waste, and the air pollution charge for the combustion products emitted is paid by BIF. No significant costs were directly related to environmental protection, neither in the previous financial year nor in the reporting year.

XII. Report and Statement on Responsible Corporate Governance

The Company has a Report and Statement on Responsible Corporate Governance, and reviews and, if required, amends its corporate governance annually. At the Annual General Meeting, the shareholders vote on the approval of the Company's Report on Corporate Governance, and the Company publishes its Report on Corporate Governance after the meeting.

- The “Report on Responsible Corporate Governance” is accessible on the websites www.bet.hu www.bif.hu and www.kozzetetelek.hu.
- The Company compiles its report and statement on its responsible corporate governance on the basis of the Recommendations for Responsible Corporate Governance, published by Budapesti Értéktőzsde Zrt.
- Based on the Supervisory Board’s proposal, the Board of Directors consents to and the general meeting approves the Report and Statement on Responsible Corporate Governance. The Report on Responsible Corporate Governance includes BSE’s recommendations and gives details and reasons for any deviation from them.
- The Report on Responsible Corporate Governance includes BSE’s recommendations and gives details and reasons for any deviation from them.
- The Report on Corporate Governance contains the main features 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 the Consolidated Business (Management) Report 2021 contains real data and statements, providing a true, correct and complete view of the position, development and performance of the Company and its consolidated 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 and its consolidated company.

Budapest, 8 April, 2022

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dr. Anna Ungár	Kristóf Berecz
President of the Board of Directors	Vice President of the Board of Directors, CEO