Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.

Consolidated Annual Report
2019

Table of Contents

Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.

Consolidated Business (management) Report for the Audited Consolidated Annual Financial Statements prepared in accordance with the International Financial Reporting Standards (IFRS) for 2019

Table of Contents

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

At the extraordinary general meeting held on 23 December 2016 the shareholders of **Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.** (registered office: 1033 Budapest Polgár utca 8-10.; the "Company" and/or "BIF") requested the Board of Directors to develop the implementation plans for an entirely new development course that would improve the intensive development of the real estate property and thus the profitability of the Company. The business activity of the Company in 2019 was already along the lines of realizing these new development strategy and goals listed below:

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

As a Company developing and utilizing property, it is involved in the utilization of properties (office and other buildings and parking garages) owned by the Company by giving them into lease, the further development of such properties and the sale of its own construction lots, as well as property development projects on such construction lots and the utilization and sale of the such properties.

The National Tax and Customs Authority registered the Company as a regulated real estate investment company with effect from 31 December 2018 in accordance with the Company's application for registration as a regulated real estate investment company regulated by Act 102/2011 on regulated real estate investment companies (hereinafter: "REIT Act") initiated on 20 December 2018 at NAV.

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

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

Office buildings

The ratio of vacant properties hit a record low in Q4, 2019, i.e. 5.6% in the capital city as a whole. 46% of tenant activity could be measured in the Váci road corridor, which was followed by the partial markets of Non-Central Pest and Central Buda. Besides the decreasing vacancy rate, the office market also experienced an increase in rents in respect of existing office buildings and ongoing development projects alike. The total floor space of newly developed office blocks completed in Q4, 2019 was 24,300 m^2 and new entrants to the office market leased office areas on 28,170 m^2. 170 new lease contracts were registered in Q4 with an average size of 1,091 m^2 per transaction (source: CBRE).

On 31 December, 2019, our Company owned five category 'B' and two category 'A' office buildings with excellent location from in terms of infrastructure and traffic. These properties were utilized to an average extent of 93% at the end of the business year 2019, which slightly falls behind the data measured on the market. Our major goal in respect of our office buildings is to keep our tenants satisfied and thus encourage them to extend the term of their lease contracts, and try to achieve such goal by the introduction of new services and the continuous provision of operator's presence and maintenance. In the case of our category "A" office buildings, we pay special attention to the modernisation of common areas and the overall renovation and upgrading of the office areas becoming vacant.

We intend to reposition and develop two of our category "B" office buildings (the office building located at Városmajor str. 12-14 in district XII of Budapest ("**Városmajor 12 Office Building**") and the office building located at Bajcsy-Zsilinszky str. 57 in district VI of Budapest ("**Bajcsy-Zsilinszky str. Office Building**")) and we are investigating the technical possibilities of modernisation in the case of the remaining 3 buildings.
In the case of **Flórián Udvar Office Building** (Polgár str. 8-10 in district III of Budapest) and **BIFLOFT Office Building** (Üllői str. 114-116 of district X of Budapest), we lay special emphasis on marketing to solicit new tenants for the areas becoming vacant after the expiry of lease contracts.

Parking garages

Car traffic continues representing a material environmental and traffic problem in Budapest, due to as many as 260 thousand cars on the roads of the capital city each day. In addition to the P+R car parks and the existing parking garages operated on market terms, several new garage development projects have been launched to solve the problem arising from the mass use of cars and a growing number of buildings (hotels and office buildings) are offering their vacant capacities through a mobile application to satisfy the continuous demand. With electric cars becoming widespread, the demand for electric charging stations, as well as for related services (car wash and cosmetics and tyre change) is also growing in addition to the demand for parking spaces, which puts the market of parking garages on the path of continuous development.

Our Company owns 2 parking garages, which are primarily meant to serve the tenants of the office buildings closely connected to them.
The rate of utilization of **Aranykéz Parking Garage** (Aranykéz str. 4-6 in district V of Budapest) next to Vigató Palota Office Building (Apáczai Csere János str. 9 in district V of Budapest) continued growing in the business year of 2019, including significant increase in the number of contracts and the number of uses based on hourly rate alike.
The **parking garage** in **Flórián Udvar Office Building** is also owned by the Company and may be used not only by the tenants of the office building. Both of our parking houses strive at providing services of an utmost standard, including the use of the latest parking system based on a mobile application and developed by Hungarian experts and modern payment methods.

Construction lots

The market of construction lots is closely related to the events on the residential property market and the construction industry. According to the survey made by GKI in October 2019, the period of rising prices has come to an end on the residential property market and a supply market has started to evolve in Budapest. The increase of the VAT rate from 5% to 27%, the lack of capacity in the construction industry and growing construction prices reduced the momentum of development and that of sales on the market of new apartments, nevertheless, prices have grown by 16% on the average compared to a year before. Accordingly, we expect a similar slowing trend on the market of construction lots.

The market of construction lots is relevant in respect of the Harsánylejtő Kertváros project to be realized by the Company, as part of which our Company has launched development projects on a total area of 39 hectares in recent years in several phases ("**Harsánylejtő Project**"). The project has included construction lot development, residential property development and the creation of lots suitable for the construction of commercial units in the following breakdown:

- **Construction lot development:** A total of 153 construction lots were regulated, created and soled in phases I and II. The project was successfully concluded in terms of development and sales alike (the total area subject to phases I and II referred to above exceeds 25 hectares).

- **Residential property development**
  - In phases I and II of the residential property development, 40 apartments of floor spaces of 55 – 99 m^2 were constructed in total on an area of 1 hectare. The sale of the 20 apartments constructed in phase I of the residential property development was successfully concluded in 2019, while the remaining 20 apartments constructed in phase II of the project are expected to be delivered in the 1st half of 2020. The ratio of the properties sold was 60% at the end of 2019. The project owner is Harsánylejtő Ingatlanforgalmazó és -kezelő Kft., the exclusive owner of which is the Company.
  - The Company holds a final and binding building permit to construction 40 apartments on an area of 1 hectare comprised on 8 plots of the Company in phases III and IV of the residential property development.
  - According to the current regulations, the Company could construct condominium properties including 30, 50 and 55 apartments respectively on another area of more than 2 hectares, comprised of 3 plots suitable for residential property development.
- **Commercial unit development:** there is a plot of an area of 0.4 hectare, which is suitable for the construction of a retail unity of ca. 1,000 m^2.
- **Office development:** there is a plot of more than 1 hectare, which is suitable for the construction of an office complex of ca. 2,500 m^2.

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

Residential properties

In addition to the residential property development realized as part of Harsánylejtő Project, the Company signed a sales contract in December 2018 with Budapesti Elektromos Művek Nyrt. regarding the real property entered into the Land Register under Topographical No. 6775, Budapest, district I, physically located at 1012 Budapest, Attila str. 99 and 1012 Budapest, Logodi str. 42, exclusively owned by ELMŰ (the "Attila str. property"). After the conclusion of the acquisition, a development concept was elaborated for the said real property, based on which the Company signed a general contract with D.V.M. Construction Fővállalkozó Kft. in November 2019 in the subject of the reconstruction, construction and assembly works to be performed in the property. There will be 16 exclusive properties developed in the real property as part of the project. The building with a design inspired by New York will be made special not only by being located in the Castle District and the unique style of each apartment, but also the luxury services to be offered in it. We wish to utilize the apartments to be developed by leasing them after their completion.

Hotels

In line with the trend of the previous years, the number of guest nights spent in Budapest continued growing in 2019, too. In Q2 of 2019, the average utilization rate was 84.5% for hotels. In Q2, 2019, five new hotel development projects were completed and delivered with 530 rooms in total, four of which are located in Budapest and one in the country. There are 29 new hotel development projects under way, which will be marketed with 3,560 rooms. New hotel development projects tend to be dominated by 4-star developments. In recent years, hotels of 80 rooms or a bit more have been operated most efficiently, the demand for such hotels was the highest, however, according to new trends, hotels with 160 – 180 rooms tend to attract the most interest and investment. The hotel industry expected to enjoy significant growth in 2020 with regard to the launching of direct flights from Asia on the one hand and the reduction of tourism tax from 18% to 5% on the other hand. However, the coronavirus pandemic affects tourism to the highest extent from all industries, with special regard to catering units and hotels, which may have an adverse impact on development activity as well (source: CBRE).

The Company owns 3 real properties at the moment which are operated as hotels by the tenant companies. This means that the Company only leases its own real properties, but does not derive any revenue from providing accommodation or catering service directly.

In one of the real properties of the most prominent location from the point of view of tourism, the property at Madách square (Madách Imre sqr 3 in district V of Budapest), there is a **4-star hotel** with 115 rooms. Fenyőharaszt Castle (2174 Verseg, Fenyőharaszt Kastélyszálló) with a **4-star hotel** in it with 26 rooms + 4 apartments awaits people who are fond of rule tourism. The **3-star hotel** developed with 81 rooms and 1 apartment in building "C" within the real property complex located in the catchment area of Liszt Ferenc international airport, more specifically the airport corridor Üllői street functions as a transitional hotel.

One of the most outstanding real property in the portfolio of the Company is located at a World Heritage Site under Andrássy str. 82 in district VI of Budapest (the "Andrássy str. property"). A Boutique Hotel concept is being developed currently for this plot of an area of 1,442 m^2.

II. Profit and loss in 2019 and the prospects for and challenges in 2020

1. Profit and loss in 2019

The Company is successful, but concluded a year full of challenges in 2019. According to its Consolidated Audited Profit and Loss Statement prepared in accordance with the IFRS, BIF generated **HUF 2,290 million profit before taxation** in 2019, which represented a significant decrease by ca. 6 billion HUF compared to year 2018; at the same time, the profit before taxation adjusted by the change in the fair value of investment properties grew from 1.676 million HUF in 2018 to 2.144 million HUF (by 469 million HUF, i.e. by 28%), primarily thanks to the revenues derived from lease, the amount of which was increased significantly by the leasing of Vigadó Palota Office Building from October, 2018. The operating profit prorated to sales revenues and adjusted by the change in the fair value of investment properties, which indicates the efficient operation of the Company on a consolidated level, reached a level of more than 44% in 2019, which indicates a slight diminishing in the operating efficiency of the Company.

- The majority (a total of 70%) of the consolidated **net sales revenues** generated by BIF in 2019 was derived from fees charged for rental, parking, operational and related mediated services, but the share of the revenues generated by the sale of residential properties and construction lots as part of the Harsánylejtő Project was also significant (30%). The net sales revenues amounted to 5,288 million as a whole in 2019 (+39%) as, in addition to the increase in revenues derived from property utilization in the subject period (+ 1 billion HUF, +37%), which could be attributed among others to the leasing of Vigadó Palota Office Block, the increased rental fees and the relatively high continuous rate of utilization, the revenues from real property sales also increased thanks to the commencement of the sale of the apartments constructed as part of Harsánylejtő Project (+0.5 billion HUF, +47%).

Breakdown of the net sales revenues

data in th HUF	**2018**	**2019**
Net revenue from leasing and operating fee	1 752 756	2 949 739
Revenue from parking fee	368 102	475 159
Revenues related to mediated services	573 652	271 917
Revenues related to services	0	0
Revenue from property sales	1 073 018	1 580 759
Other sales revenues	24 529	10 680
Total	**3 792 057**	**5 288 254**

- **Other operating income** decreased by 95% to 350 million HUF in 2019 compared to the base period. A significant portion of the decrease in the subject period could be explained with the change in the fair value of the investment properties.
- **Material expenses** grew by 176.8 million HUF, i.e. by 9% in 2019 compared to its value demonstrated in 2018. Such increase could be explained to a major extent by the additional costs incurred in connection with Attila str. property added to the real property portfolio in 2019 and Vigadó Palota Office Building leased from October, 2018, as well as the removal of the cost of the apartments sold as part of the Harsánylejtő Project from the accounting records.
- **Personnel expenses** grew by 29% in 2019 compared to the previous period. Personnel expenses increased as a result of the growth in personnel numbers and organisational development realized to achieve the strategic goals of the Company. The averages statistical number of the Company's employees changed to 43 in 2019 (from 32 in 2018).
- The growth by 190 million HUF in the line **depreciation and impairment** was caused by the loss of value accounted to the Residential Property Development Harsánylejtő Project and an account receivable.
- **Other operating expenses** amounted to 505.2 million HUF in 2019 (+84%). The change could be attributed mainly to the assets (water utilities, playground and running track) handed over to the Municipality of Budapest and the Local Government of District III free of charge.

Profit and Loss Statement (IFRS, audited)

data in th HUF	**2018**	**2019**
Net revenue from sales	3 792 057	5 288 254
Other operating income	6 700 510	350 046
Changes in the inventory of internally generated products	809 163	132 299
Capitalized value of internally generated assets	0	58 441
Material expenses	-1 981 075	-2 157 835
Personnel expenses	-354 330	-458 306
Other operating expenses	-377 596	-505 240
EBITDA	**8 588 729**	**2 707 659**
Depreciation and impairment	-37 327	-227 173
Operating profit	**8 551 402**	**2 480 486**
Financial income	8 353	16 209
Financial expenses	-263 150	-206 683
Profit before taxes	**8 296 605**	**2 290 012**
Current tax expense	-16 551	-13 270
Deferred tax	522	-860
Profit after taxes	**8 280 576**	**2 275 882**

- As a result of the foregoing, the **operating profit** of 2019 decreased to 2,480.5 million HUF, which represented a decrease by 71% compared to the value in 2018. At the same time, the operating profit adjusted by the change in the fair value of investment properties grew to 2,334.8 million HUF in 2019 from 1,930.6 million HUF in 2018 (+21%).
- The **profit/loss on financial transactions** changed to -190.5 million HUF in the subject period from -254.8 million HUF in the base period. This increase could be explained by the fact that the Company refinanced its investment loan taken out from Takarékbank with a loan granted by MFB at a more favourable interest rate (for further details please refer to Section 2 in Chapter III).

- According to the provisions of REIT Act, the Company was obligated to pay corporate tax only as long as the obtaining of the REIT status (20 October, 2017). Although the Company is still obliged to determine its corporate tax base, it is only required to pay corporate tax after such tax base in certain cases (e.g. the portion of the tax base prorated to revenues from affiliates). With regard to the foregoing, the actual tax liabilities incurred in the subject year included 1.5 million HUF paid as corporate tax after revenues from affiliates and 11.8 million HUF paid as innovation contribution.

Major balance sheet items (IFRS, audited)

data in th HUF	**31.12.2018**	**31.12.2019**
Investment properties	39 799 004	41 696 004
Total long-term assets	*40 798 251*	*42 695 504*
Cash and cash equivalents	9 850 843	14 937 817
Total current assets	*12 610 378*	*17 284 975*
Total assets	**53 408 629**	**59 980 479**
Issued capital	2 870 244	2 870 244
Equity attributable to parent company:	*41 451 550*	*41 158 588*
Financial liabilities	9 153 569	15 618 427
Total long-term liabilities	*9 166 183*	*15 635 060*
Financial liabilities	769 541	515 354
Total short-term liabilities	*2 790 896*	*3 186 831*
Total liabilities and equity	**53 408 629**	**59 980 479**

- The portfolio of **investment properties** grew by 1,897 million HUF to 41,696 million HUF in 2019 compared to its amount as of 31 December, 2018. The growth could be attributed mainly to the acquisition of the Attila str. property, which was concluded in the subject period, and to a minor extent also to the increase of the fair value of the properties in the portfolio.
  The Company chose the fair value model to carry investment properties according to the IAS 40 Standard. The fair value of the investment properties owned by the Company is determined by an independent appraiser on a quarterly basis in compliance with the REIT Act (the relevant valuations for Q1 – Q3 of 2019 were made by Euro-Immo Expert Kft and the valuation for Q4 of 2019 was prepared by Seratus Ingatlan Tanácsadó Igazságügyi Szakértő Kft.).
- The **net debt** of the Company (the amount of financial liabilities minus financial assets) grew considerably, i.e. by 1,124 million HUF to 1,196 million HUF by 31 December, 2019 compared to the end of 2018. The growth of the net debt could be explained primarily with the loans drawn down in connection with the developments on Városmajor12 Office Building and Attila str. property (for further information please refer to Section 2 of Chapter III) and dividends paid in the amount of 2.6 billion HUF in 2019.

Major property, financial and profitability indicators

Name	**2018**	**2019**
Long-term assets to total assets ratio ("Long term assets"/"Total assets")	76.39%	71.18%
Indebtedness ("Long term liabilities total"/"Liabilities and equity total")	18.11%	27.53%
Debt to equity ratio ("Long term liabilities total"/"Equity attributable to the parent company")	22.11%	37.99%
Quick liquidity ratio ("Cash and cash equivalents"/"Short term liabilities total")	352.96%	468.74%
Revenue proportionate income ("Operating profit"/"Net revenue from sales")	225.51%	46.91%
Equity-proportionate profit ("Operating profit"/"Total equity attributable to the parent company")	20.63%	6.03%

2. Prospects for and challenges in the business year of 2020

In 2020, the Company intends to focus on the following **development areas**:

- Obtaining the building and demolition permits for **Városmajor12 Office Building**, commencing the renovation works in Office Buildings A and B and the construction works in building C and launching the related sales and marketing activities.
- The partial renovation of and the leasing of the vacant areas in **Városmajor35 Office Building** (Városmajor str. 35, district XII of Budapest) successfully acquired at the beginning of 2020, elaboration of a concept for additional office development.
- Continuing the construction works on, as well as the sales activity aimed at the leasing of, the 16 exclusive apartments in **Attila str. property** successfully acquired at the beginning of 2019.
- **Harsánylejtő Project**
  - Transfer of ownership of road and public utility networks constructed in connection with implemented plot development projects but not yet commissioned to the provider or the local government.
  - Conclusion of the sale (phase II) and commissioning (phases I and II) of the residential properties constructed as part of current residential property development projects (phases I and II).
  - In the case of the construction lots included in Harsánylejtő Project where no decision has been made yet on the commencing of the development, investigating the possibilities concerning the commencement of the individual developments and/or their sale as construction lot/project based on current market trends.
- Elaboration of a development concept for **Bajcsy-Zsilinszky str. Office Building** (initiating a modification of the district zoning regulations, obtaining the building and demolition permit).
- Finalization of the hotel concept developed for the **Andrássy str. property**, initiating a modification of the district zoning regulations to enhance development possibilities and obtaining the building permit, selection of the operator and the conclusion of the relevant lease contract.
- Utilization of the development and efficiency improvement possibilities inherent in the existing properties (**portfolio "review"**)
- Searching for **acquisition possibilities** matching the strategy of the Company, implementing the acquisitions and adding the property acquired to the income generating portfolio.

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

III. Major events at the Company in 2019

1. General Meeting

The Company held its annual general meeting on 22 April, 2019. The general meeting passed the following important resolutions:

a) The general meeting acknowledged and approved the report of the Auditor on the annual financial statements prepared by the Company for 2018 in accordance with IFRS and on the business (management) report of the Company.
b) The general meeting acknowledged and approved the report of the Auditor on the consolidated annual financial statements prepared by the Company for 2018 in accordance with IFRS and on the consolidated business (management) report of the Company.
c) The general meeting acknowledged and approved the report of the Audit Committee on the annual financial statements prepared by the Company for 2018 in accordance with IFRS, the business (management) report of the Company and the BoD report.
d) The general meeting acknowledged and approved the report of the Audit Committee on the consolidated annual financial statements prepared by the Company for 2018 in accordance with IFRS and on the consolidated business (management) report of the Company.
e) The general meeting acknowledged and approved the report of the BoD on the business year of 2018.
f) The general meeting acknowledged and approved the annual financial statements prepared by the Company for 2018 in accordance with IFRS and the business (management) report of the Company with a balance sheet total of 53,316,232 th HUF and an equity of 42,040,020 th HUF.
g) The general meeting acknowledged and approved the consolidated annual financial statements prepared by the Company for 2018 in accordance with IFRS and the consolidated business (management) report of the Company with a balance sheet total of 53,408,629 th HUF and an equity of 41,451,550 th HUF.
h) The general meeting established and approved the payment of dividends in the amount of HUF 2,568,844,400 (two billion five hundred and sixty-eight million eight hundred and forty-four thousand four hundred forint) from the retained earnings and profit reserve payable as dividend based on the annual financial statements prepared by the Company for 2018 in accordance with International Financial Reporting Standards (IFRS). The general meeting ordered the Board of Directors to provide for the prorated payment of the dividend determined for ordinary shares and to make an announcement on the dividend payment schedule and the shareholder identification date applicable to the dividend payment on or before May 10, 2019, with due regard to the relevant provision of Act CII of 2011 according to which dividend payment shall commence no later than on the 30th trading day following the approval of the financial report (as determined in Act CXX of 2001 on the Capital Market). The Company shall pay the dividend after treasury shares to shareholders eligible for dividend payment in proportion to the par value of their shares, as provided in Section 16.2 of the Articles of Incorporation. The general meeting gave the discharge for the members of the Board of Directors of the Company for their activities in 2018.
j) The general meeting elected INTERAUDITOR Neuner, Henzl, Honti Tanácsadó Kft. (registered office: 1074 Budapest, Vörösmarty utca 16-18. A. ép. fszt. 1/F.; company registry number: 01- 09-063211; tax number: 10272172-2-43.; chamber registration number: 000171; issuer qualification number: K000107, person responsible for performing the audit: Freiszberger Zsuzsanna, birth name: Freiszberger Zsuzsanna; mother's name: Böczkös Rózsa Mária, address: 2440 Százhalombatta, Rózsa u. 7.; date, place of birth: Barcs, 27.07.1977, auditor license number: 007229; issuer qualification number: K000103) to be the permanent auditor of the Company for the period between 16 May 2019 and 15 May 2020.
k) The general meeting decided that the members of the Board of Directors shall perform their duties in the business year of 2019 without remuneration.

l) The general meeting decided that the members of the Audit Committee shall perform their duties in the business year of 2019 with a salary of a monthly gross HUF 300,000 per member.
m) The general meeting decided that the permanent auditor of the Company shall be entitled to a remuneration in the business year of 2019 in the amount of HUF 6,000,000 +VAT for auditing the annual financial statements and the annual consolidated financial statements of the Company, prepared pursuant to the International Accounting Standards.
n) The general meeting approved the year 2018 Corporate Governance Report of the Company concerning the Responsible Company Management Recommendations of the Budapest Stock Exchange, drafted on a separate sheet.
o) The general meeting authorized the Board of Directors of Company to purchase treasury shares. According to the authorization, the Board of Directors may decide that the Company shall purchase registered ordinary shares issued by the Company with a par value of HUF 100 each. Such authorization shall also extend to a decision by the ordinary general meeting held by the Company in 2019 to convert the outstanding 28,702,444 ordinary shares with ISIN ID number HU0000088760 of the Company, each with a par value of HUF 100, into 287,024,440 ordinary shares with a par value of HUF 10 each (by dividing the par value of ten). In the latter case, the Board of Directors may decide that the Company shall purchase the ordinary shares issued by the Company with a par value of HUF 10 each. The lowest amount of consideration payable for one treasury share is HUF 1 and the highest amount payable shall be 150% of the average stock exchange price of the 180 days' period before the date of the transaction, to be weighted with traffic. The authorization is for a specified period from the day of the general meeting until 29 October 2020. The maximum value of treasury shares obtained by the Company based on the authorization may be 25% of the registered capital at the most.
p) The general meeting authorized the Board of Directors to increase the registered capital of the Company by issuing ordinary shares, employee shares and voting preferred shares subject to the following conditions:
   - Based on such authorization, the Board of Directors may raise the registered capital of the Company by issuing voting preferred shares and/or employee shares.
   - In addition to other inherent rights, the voting preferred shares issued based on the authorization grant their holders tenfold voting rights and entitle them to 1/10 of the dividend payable for ordinary shares.
   - The authorization applies to all methods of capital increase specified in the Civil Code.
   - The authorization shall be valid for a period of five years calculated from the date of this resolution.
   - The authorization excludes the preferential subscription right based on Section 14.4 of the Articles of Incorporation in the event of the private offering of the newly issued ordinary shares, preferred voting shares and employee shares.
   - Exercising its power granted in the authorization, the Board of Directors may decide on other matters related to increasing the registered capital which are otherwise delegated to the general meeting by the Civil Code or the Articles of Incorporation.
   - The Board of Directors may and shall amend the Articles of Incorporation in the event of increasing the registered capital based on the authorization.
   - Matters not regulated in the resolution shall be governed by the provisions of the Articles of Incorporation of the Company, the Civil Code and other relevant legal rules.
   - With the passing of the resolution, the authority granted to the Board of Directors by Resolution No. 17/2014 of the general meeting as of 22 April, 2014 and Resolutions No. 27/2017.08.15 and 29/2017.08.15 of the general meeting as of 15 August, 2017 to raise the registered capital of the Company shall expire.
   - The Board of Directors may increase the registered capital of the Board of Directors by no more than HUF 3,587,805,500 (three billion five hundred and eighty-seven million eight hundred and five thousand and five hundred forints) based on the authority granted to it as stated above. The general meeting unanimously resolved that the Company shall convert its 28,702,444 ordinary shares, of a par value of HUF 100 each, by modifying the par value and the number of the shares, with the amount of the registered capital, as well as the rights attached to the shares remaining

unchanged. Accordingly, the outstanding 28,702,444 ordinary shares with ISIN ID number HU0000088760 of the Company, each of a par value of HUF 100, shall be converted into 287,024,440 ordinary shares of a par value of HUF 10 each (by the division of the par value of ten). Following such conversion, the registered capital of the Company shall consist of 287,024,440 (two hundred and eighty-seven million twenty-two thousand four hundred and forty) dematerialized and registered ordinary shares, each of a par value of HUF 10 (ten forints).

r) The general meeting approved the amendment of the Articles of Incorporation of the Company in respect of the "Share Split" as proposed in the motion filed with the general meeting in connection with agenda item No. 8 as of 8 April, 2019 with unchanged content. The general meeting approved the amendment of the Articles of Incorporation of the Company in respect of certain changes to Act CII of 2011 on Real Estate Investment Trust (REIT Act) in 2018 as proposed in the motion filed with the general meeting in connection with agenda item No. 9 as of 8 April, 2019 with unchanged content.

s) The general meeting approved the amendment of the Articles of Incorporation of the Company in respect of modification of the company representation right and the rules governing signing on behalf of the Company as proposed in the motion filed with the general meeting in connection with agenda item No. 10 as of 8 April, 2019 with unchanged content.

2. Loans taken out

- MFB Magyar Fejlesztési Bank Zrt. ("MFB") extended, pursuant to the loan contract concluded by and between the Company and MNB on 3 September, 2019 based on the loan facility agreement entered into by the Company and MFB on 7 November, 2018 for an amount of 20 billion HUF, a fixed rate loan for a term of 10 years in the amount of HUF 7,579,600,000 to the Company for the purpose of the payoff of the outstanding amount of the investment loan taken out by the Company from Magyar Takarékszövetkezeti Bank Zrt. ("Takarékbank") based on the loan contract concluded on 24 November, 2017. As a result of the foregoing, the investment loan refinanced by the said transaction was paid off with the value date of 13 September, 2019.
- Pursuant to the two loan contracts concluded by the Company and MFB on 7 November, 2019 based on the loan facility agreement entered into by the Company and MFB on 7 November, 2018 for an amount of 20 billion HUF, MFB extended fixed rate HUF loans for a term of 10 years in the total amount of HUF 6,793,011,570 to the Company for property renovation/modernisation purposes.

3. Conclusion of the real property acquisition

In December 2018, Company concluded a sales contract with the Budapesti Elektromos Művek Nyrt. for the property owned by ELMŰ in 1/1 proportion, registered with Topographical No. Budapest, District I 6775 and located at 1012 Budapest, Attila str. 99. and 1012 Budapest, Logodi str. 42. The acquisition was concluded in January, 2019.

4. Share split

Based on the relevant resolution of the general meeting as of 2019, the Company converted its 28,702,444 ordinary shares, of a par value of HUF 100 each, by modifying the par value and the number of the shares, with the amount of the registered capital, as well as the rights attached to the shares remaining unchanged. Following such conversion, the registered capital of the Company consists of 287,024,440 dematerialized and registered ordinary shares, each of a par value of HUF 10. The ordinary shares of the Company of a par value of HUF 10 were traded at Budapest Stock Exchange on 11 June, 2019 for the first time.

5. Personal changes in 2019

Board of Directors, Audit Committee

No changes occurred in the composition of the Board of Directors or the Audit Committee between 1 January, 2019 and 31 December, 2019.

Management

- The employment of Gábor Sajgál as Head of the Business Development Department of the Company was terminated as of 31 May, 2019.
- The employment of László Győri as Head of the Maintenance and Service Department of the Company was terminated as of 25 April, 2019.
- The employment of Eszter Cseppel as Head of the Finance and Accounting Department of the Company was terminated as of 30 April, 2019.
- Since 15 April, 2019, the position of Head of the Maintenance and Service Department of the Company has been filled by Attila Fábián.
- Since 2 May, 2019, the position of Finance and Accounting Department of the Company has been filled by Katalin Kalácska dr. Horváthné.
- Since 30 April, 2019, the position of the Head of the Controlling Department of the Company has been filled by Győző Marton.

IV. Risk factors influencing the effectiveness of the Company

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

The Company performs its property utilization activities with a relative low level of risk, a significant part of the concluded lease agreements are specified term ones, for 2 to 3 years, but in special cases they can be for 5+5 or 10 years. Our unspecified term lease agreements have been concluded typically for several years. Due to the prior risk analysis of tenants and the security system both the extent of outstanding amounts and non-payment significantly decreased compared to the previous year.

Concerning a former risk in the operation of the Company due to the risk of changes in the EUR exchange rate a significant change occurred in 2018. The EUR-based loan debt at CIB Bank Zrt. was refinanced at the end of March 2018, so presently the Company only has forint based loans. Considering that 95% of the income of the Company is realized in forint, because of this it has practically no FX risk.

The long-term HUF loans of Company had variable interest rates (subject to 3 months BUBOR), so with the increase of interests on the financial market, the interest rate of forint loans could also have increased (interest risk). Therefore the Company decided, after having considered the processes and financing opportunities on the international and the Hungarian money markets, to refinance its debt outstanding based on the loan contract concluded with Takarékbank on 24 November, 2017 and MFB extended a fixed rate HUF loan for a term of 10 years in the amount of HUF 7,579,600,000 to the Company based on the credit facility agreement concluded with the Company for an amount of 20 billion HUF. Such refinancing mitigated the Company's exposure to interest rate risks considerably and the Company's outstanding loan debt of a favourable interest surcharge but a variable interest rate has been reduced to 1.76 billion HUF in total.

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 "Additional Notes" to the audited Annual Financial Statements of the Parent Company for 2019, prepared in accordance with the International Financial Reporting Standards (IFRS). The Company has no other securities besides the BIF ordinary shares it owns (treasury shares), and entered into no derivative transactions.

Unfortunately, coronavirus appeared in Hungary as well after the balance sheet day, i.e. in March, 2020. The coronavirus situation and the changes to such situation can be expected to have some negative impacts on the plans and objectives formulated by the Company for 2020, including current development projects, which are difficult to estimate or express in numerical terms for the time being. The spread of the coronavirus may affect the operation of our company through some of our tenants initiating the renegotiation or termination of their lease contracts, delays in our current development projects and our relations with suppliers and providers, as well as through our employees. In order to minimize its exposure to such risks and to protect its employees, our Company is closely monitoring all changes to the current situation, with special regard to the measures of the government and official bodies, so that it may introduce new measures and provide information to its employees and partners accordingly.

Risks relevant to Harsánylejtő Kft. as a consolidated company

The position of Harsánylejtő Kft is strongly dependant on its parent company, i.e. the market impacts on and the decisions made by the parent company.

The appearance of the coronavirus in Hungary and the ensuing measures of the Government affect Harsánylejtő Kft. and its relations with its suppliers and service providers as well. In addition, the spread of the virus can be expected to impact the trends on the residential property market, thus influencing the rate of the sales of apartments not yet sold.

As for the risk factors relevant to the efficiency of and the rate of return on the development project described in Chapter X, the contactor's default on the agreed-upon delivery date due to the performance of any construction work in an unworkmanlike manner requiring subsequent repair and/or lack of capacities should be mentioned on the one hand (it was for this reason among others that the contractor was replaced in phase II after 30 June, 2019 to mitigate the risk) and competition on the other hand. We can reduce the risks arising from the default on the due date of delivery by binding the general contractor in the contract to pay liquidated damages for delay on the one hand and by undertaking flexible delivery dates with the buyers on the other hand.

Harsánylejtő Kft. shall consult its parent company before making any decision on a strategic matter. As for the development, the parent company decides on strategic matters, while its subsidiary performs the operational tasks.

V. Material events after the balance sheet day

Real property acquisition

On 2 January, 2020, the Company signed a real property sales contract with Városmajor Projekt Ingatlanhasznosító Kft. to purchase the real property of Topographical No. 6866, district III, incorporated area of Budapest, physically located at 1122 Budapest, Városmajor str. 35. This office building with an excellent location and a floor space of 15,000 m^2 is special in that it holds a final and binding building permit for a 7-storey parking garage including 248 parking spaces, to be constructed in one of the most frequented streets of district XII in Budapest.

Loan taken out

On 6 February, 2019, the Company and MFB concluded a loan contract based on the loan facility agreement entered into by the Company and MFB on 7 November, 2018 for an amount of 20 billion HUF, based on which MFB extended a fixed rate HUF loan for a term of 10 years in the HUF equivalent of EUR 8,622,900 to the Company for the purpose of real property purchase.

VI. General company information

1. 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.
Registry Court:	Company Registry Court of Budapest- Capital Regional Court
Company registry number:	Cg. 01-10-042813
Statistical number of the Company:	12041781-6820-114-01
Tax administration identification number:	12041781-2-41
Community tax number:	HU12041781
Share capital of the Company on 31 December 2019	HUF 2,870,244,400
Duration of the operation of the Company:	unspecified
Business year of the Company:	identical to the calendar year
Principal activity of the Company:	6820’08 Renting and operating of own or leased real estate

2. Company management

General meeting

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

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

- If the amendment of the Articles of Association only concerns the company name, registered office, premises and branch offices, the site of central administration, and – with the exception of the principal activity – the scope of activity of the Company, the General Meeting decides with a simple majority of votes, by the power of which the Articles of Association authorize the Board of Directors of the Company to modify the company name, registered office, premises and branch offices, the site of central administration, and – with the exception of the principal activity – the scope of activity of the Company at its own discretion with a resolution of the board of directors.
- By its resolution the General Meeting may authorize the Board of Directors to increase the capital of the Company In the relevant general meeting resolution, the highest amount must be determined (approved share capital) to which the Board of Directors may increase the share capital of the Company. The authorization of the general meeting may concern any type and any manner of share capital increase. The authorization granted by the general meeting may be for five years at the most. In the case of share capital increase at the discretion of the board of directors the Board of Directors is entitled and obliged to amend the Articles of Association.

Board of Directors

The Company operates in a unified control system.
The Board of Directors is the management body of the Company, represents the Company before courts and other authorities, and towards third parties. The Board of Directors established the rules of its operation and operated according to its Order of Procedure in 2019. The majority of the members of the Board of Directors is independent.
The Board of Directors performs its activities as a body. It designates the issues necessary to be scheduled for discussion at its meeting from the issues in its jurisdiction, appoints the Board of Directors or management member responsible for the preparation of the issue, discusses the issue presented at the meeting of the Board of Directors, passes a resolution in that regard, and has its execution checked. The Board of Directors define for the period between the yearly balance closing general meetings the date of its regular sessions in it and the expected schedules to the necessary extent.

In 2019, the Board of Directors held 9 sessions. In 2019, the Board of Directors passed decisions through electronic means on 9 additional occasions.

Members of the Board of Directors of the Company (31 December 2019)

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

Audit Committee

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

– commenting on the report according to the accounting act;
– tracking the audition of the report according to the accounting act;
– recommendation for the permanent auditor and their remuneration;
– preparation of the contract to be concluded with the permanent auditor;

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

The Audit committee held one session in 2019, besides the Board of Directors meetings, with 100% turnout. Significant topics discussed at the session: approval of the yearly financial statements of the Company and certain Companies it consolidated, recommendation for electing the Auditor and determining their remuneration.

Members of the Audit Committee of the Company (31 December 2019)

Name	Position	Start 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

<u>Remuneration of officials (Board of Directors, Audit Committee members)</u>

At the yearly ordinary general meeting of the Company in 2019 the general meeting decided that the members of the Board of Directors shall perform their tasks without remuneration in the business year of 2019 and the members of the Audit Committee shall perform their tasks with a monthly remuneration of gross HUF 300,000 per member in the business year of 2019.

3. Auditor

Auditor of the Company in 2019:

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

4. Disclosures

The announcements of the Company are published at:

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

5. Share information

On 31 December 2019, the issued capital of the Company was 287,024,440 personal ordinary shares produced in dematerialized form, with a par value of HUF 10 each, from which 30,140,000 shares are owned by the Company. Section 6 of the Articles of Association of the Company details the rights and obligations connected to the shares. As of 1 October 2018, the shares are being traded in the 'Premium' category of the Budapest Stock Exchange and represent the entire issued capital; the Company has no other issued interests.

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

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

Special control rights are presently not stipulated. However, at the extraordinary general meeting of the Company held on 29 April, 2019, the general meeting authorized the Board of Directors to increase the capital of the Company by issuing vote priority shares with the conditions specified in Section III/1 above. The Board of directors did not exercise this authority in 2019.

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

Presently, there is no employee shareholder system at the Group. However, at the ordinary general meeting of the Company held on 29 April, 2019, the general meeting authorized the Board of Directors to increase the capital of the Company by issuing employee shares with the conditions specified in Section III/1 above. The Board of Directors did not exercise this authority in 2019.

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

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

At the yearly ordinary general meeting of the Company in 2019 the general meeting authorized the Board of Directors to purchase treasury shares. According to the authorization the Board of Directors may decide about the Company's purchase of registered ordinary shares issued by the Company. The lowest amount of consideration payable for one treasury share is HUF 1, and the highest amount can be 150% of the average stock exchange price, weighted with 180 days' traffic before the date of concluding the transaction at the most. The authorization is for a specified term from the date of the general meeting until 29 October 2020. Based on the authorization the maximum amount of treasury shares that can be obtained by the Company may not exceed 25% of the base capital.

Owners of the Company with more than 5% of interest based on the 31 December 2019 share register and the individual statements of the owners

	31 December 2018		**31 December 2019**	
Shareholder	**Number of shares (pcs)***	**Interest (%)**	**Number of shares (pcs)****	**Interest (%)**
PIÓ-21 Kft.	18 484 722	64,40***	184 847 220	64.40***
Own share****	3 014 000	10.50	30 140 000	10.50
Other shareholders	7 203 722	25.10	72 037 220	25.10
In total	**28 702 444**	**100.00**	**287 024 440**	**100.00**

**Registered share of BIF a par value of HUF 100*
*** Registered share of BIF a par value of HUF 10*
****Of which on 31 December, 2018 1,289,026 BIF ordinary shares of a par value of HUF 100 and on 31 December, 2019 1,090,260 BIF ordinary shares of a par value of HUF 10 granting an indirect interest of 4.49% and 0.38% respectively in the subsidiary of the Kft, through BFIN Asset Management AG*
***** The Company may not exercise any shareholder's rights with the BIF shares owned by the Company*

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

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

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

Ownership interest of executives, employees in strategic positions in the Company (31 December 2018)

Nature	Name	Position	Start of assignment	End of assignment	Direct share property (number of	Percentage of BIF shares with direct influence
MBoD	Dr. Anna Ungár	President of the BoD*	15.08.2017	15.08.2022	0	64.40%
MBoD	Kristóf Berecz	Vice President of the BoD and CEO as of 1 December, 2018	15.08.2017	15.08.2022	0	64.40%
MBoD	Julian Tzvetkov	member of BoD, AC**	15.08.2017	15.08.2022	0	0
MBoD	dr. Frigyes Hárshegyi	member of BoD, AC	15.08.2017	15.08.2022	0	0
MBoD	Miklós Vaszily	member of BoD, AC	22.12.2017	15.08.2022	0	0
SP	Gábor Sajgál	Head of Business Development Dep.	01.12.2018	unspecified***	0	0
SP	Róbert Hrabovszki	Deputy CEO, CFO	19.03.2018	unspecified***	0	0

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

VII. Changes in the number of employees, employment policy

The average statistical headcount at the Company was 43 persons in 2019 (32 persons in 2018) and 46 persons on 31 December 2019.

The Company has no employment policy liabilities.

VIII. Research and experimental development

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

IX. Personal changes in 2019

Detailed in Section 5 of Chapter III.

X. Introduction of the consolidated entities of Company

The Company consolidated Harsánylejtő Ingatlanforgalmazó és -kezelő Kft. (registered office: 1033 Budapest, Polgár u. 8-10) ("Harsánylejtő Kft.") in its Annual Consolidated Financial Statements prepared for 2019 according to the IFRS.

Harsánylejtő Kft. was founded (and has been fully owned since then) by Budapesti Ingatlan Nyrt. on 25 August 2008 with a registered capital of HUF 500,000. The capital of Company was increased to HUF 3,000,000 on 10 March 2016, the core activity of the company is: organization of building construction projects.

Harsánylejtő Kft. has been performing the construction of condominium properties comprising 5 apartments and an underground garage on its 8 lot properties suitable for the construction of condominiums in the Harsánylejtő development area in two phases.
The construction of 4 condominium properties in phase I, each comprising 5 apartments, as well as the sale of the apartments and other rooms were concluded in 2019.
As for the construction works on the 4 5-apartment condominium properties comprised in phase II, the contractor performed the construction works in an unworkmanlike manner requiring subsequent repair and had to be replaced for this reason after 30 June, 2019. The 20 apartments built as part of phase II are expected to be delivered in the second semester of 2020.

Harsánylejtő Kft. financed/finances the purchase of construction lots necessary for property development, as well as the developments with market interest loans received from the parent company, which are repaid from the purchase price of the apartments sold after the completion of the developments.

As for the developments, the parent company decides on strategic matters, while its subsidiary performs the operational tasks.

XI. Environmental protection

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

XII. Corporate Governance Report and Statement

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

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

No one is appointed head of company at the Company.

Declaration of liability

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

Budapest, 8 April 2020

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

Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.

Audited Annual Consolidated Financial Statements prepared in accordance with the International Financial Reporting Standards (IFRS)
December 31, 2019

Table of contents

Consolidated Annual Statement of Financial Position

data in th HUF	Explanations*	31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Investment properties	1	41 696 004	39 799 004
Intangible assets	2	603	506
Other properties and related rights representing assets	2	92 213	94 240
Technical and other PPE	2	97 231	113 166
Investments renovations	2	809 453	790 475
Share in affiliated companies	3	0	0
Deferred tax assets	4	0	860
Total non-current assets		**42 695 504**	**40 798 251**
Current assets			
Inventories	5	1 928 107	2 160 522
Trade receivables	6	102 279	509 125
Other short term receivables and accrued assets	7	316 772	89 888
Cash and cash equivalents	8	14 937 817	9 850 843
Total current assets		**17 284 975**	**12 610 378**
Total Assets		**59 980 479**	**53 408 629**
SOURCES			
Equity			
Issued capital	9	2 870 244	2 870 244
Capital reserve	9	6 048 215	6 048 215
Revaluation reserve	10	1 078 973	1 078 973
Repurchased treasury shares	11	-1 748 120	- 1 748 120
Retained earnings	12	30 633 394	24 921 662
Profit in the subject year	12	2 275 882	8 280 576
Total equity:		**41 158 588**	**41 451 550**
Long-term liabilities			
Financial liabilities	13	15 618 427	9 153 569
Provisions for expected liabilities	14	16 633	12 614
Deferred tax liabilities	15	0	0
Other long-term liabilities	16	0	0
Total long-term liabilities		**15 635 060**	**9 166 183**
Short-term liabilities			
Financial liabilities	17	515 354	769 541
Trade payables	18	275 656	380 987
Other liabilities, accrued expenditure and deferred income	19	2 395 821	1 640 368
Total short-term liabilities		**3 186 831**	**2 790 896**
Total liabilities and equity		**59 980 479**	**53 408 629**

**No. of additional explanation*

Consolidated Annual Statement of Comprehensive Income

data in th HUF	Explanations*	2019	2018
Net revenue from sales	20	5 288 254	3 792 057
Other operating income	21	350 046	6 700 510
Changes in the inventory of internally generated products	22	132 299	809 163
Capitalized value of internally generated assets	22	58 441	0
Material expenditure	23	- 2 157 835	- 1 981 075
Personal expenditure	24	- 458 306	- 354 330
Depreciation and impairment	25	- 227 173	- 37 327
Other operating expenditure	26	- 505 240	- 377 596
Operating profit		**2 480 486**	**8 551 402**
Financial income	27	16 209	8 353
Financial expenditure	27	- 206 683	- 263 150
Profit before taxes		**2 290 012**	**8 296 605**
Current tax expense	28	- 13 270	- 16 551
Deferred tax	29	- 860	522
Profit after taxes		**2 275 882**	**8 280 576**
From which:			
Part attributable to the parent company		**2 275 882**	**8 280 576**
Part attributable to the external owners		**-**	**-**
Other comprehensive income		**0**	**0**
Changes in the fair value of other properties without taxes		0	0
Tax effects of the changes in the fair value of other properties	30	0	0
Total comprehensive income		**2 275 882**	**8 280 576**
From which:			
Part attributable to the parent company		**2 275 882**	**8 280 576**
Part attributable to the external owners			
Weighted average of common shares (number of shares)		256 884 440	220 037 070
Earnings per share (HUF)			
Base	31	8.86	37.63
Diluted	31	8.86	37.63

**No. of additional explanation*

Consolidated annual statement of changes in equity

Explanations*	9	11	9	10	12	12			
Data in th HUF	**Issued capital**	**Repurchased treasury shares**	**Capital reserve**	**Revaluation reserve**	**Retained earnings**	**Profit in the subject year**	**Total equity attributable to the parent company**	**Non-controlling interest**	**Equity total**
31.12.2017	**2 583 220**	**-2 846 120**	**594 752**	**1 078 973**	**11 437 805**	**12 926 468**	**25 775 098**	**0**	**25 775 098**
Reclassification of profit from previous years					12 926 468	-12 926 468	0		0
Treasury share swap		229 000			531 000		760 000		760 000
Issuing of treasury shares	287 024		5 453 463				5 740 487		5 740 487
Disposing of treasury shares		869 000			2 035 000		2 904 000		2 904 000
Dividend					-2 008 611		-2 008 611		-2 008 611
Total comprehensive income						8 280 576	8 280 576		8 280 576
31.12.2018	**2 870 244**	**-1 748 120**	**6 048 215**	**1 078 973**	**24 921 662**	**8 280 576**	**41 451 550**	**0**	**41 451 550**
Reclassification of profit from previous years					8 280 576	-8 280 576	0		0
Treasury share swap							0		0
Issuing of treasury shares							0		0
Disposing of treasury shares							0		0
Dividend					-2 568 844		-2 568 844		-2 568 844
Total comprehensive income						2 275 882	2 275 882		2 275 882
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**

**No. of additional explanations*

Consolidated Annual Cash Flow Statement

data in th HUF	Explanations*	2019	2018
Profits before taxes		2 290 012	8 296 605
Corrections in the profits before taxes		- 6 416	6 704
Corrected profits before taxes		**2 283 596**	**8 303 309**
Interest expense	27	205 847	240 350
Non-cash items			
Depreciation	25	37 257	37 327
Impairment	25	189 916	0
Unrealized exchange rate difference		6 416	- 6 704
Profit from fair valuation	21	- 817 752	- 6 998 663
Provision for liabilities	14	4 019	2 807
Profit items related to non-operating cash flow			
Profit from selling PPE		- 7 447	0
Net working capital changes			
Changes in trade receivables	6	398 003	- 397 881
Changes in other current assets	7	- 180 469	- 290 515
Changes in trade payables	18	- 111 747	242 664
Changes in other short term liabilities	19	501 266	1 348 447
Changes in other long term liabilities	17	254 187	- 514 648
Interest paid	27	- 205 847	- 240 350
Income tax paid	28	- 13 270	- 16 551
Cash flows from operating activities		**2 543 975**	**1 709 592**
PPE procurement	1	- 1 117 618	- 680 876
Financial revenue from selling PPE		12 374	0
Repayment, termination and redemption of long-term loans and bank deposits +		0	0
Long-term loans and bank deposits -		0	0
Leaving consolidation	3	0	0
Cash flows from investing activities		**- 1 105 244**	**- 680 876**
Income from capital issuance	9	-	5 740 488
Dividend	12	- 2 568 844	- 2 008 611
Purchasing treasury shares (-)/sale(+)		-	2 904 000
Borrowing	13	14 372 612	2 654 081
Loan repayment	13	- 8 161 941	- 2 251 471
Cash flows from investing activities		**3 641 827**	**7 038 487**
Changes in cash		**5 080 558**	**8 067 203**
Revaluation of foreign currency cash		6 416	- 6 704
Changes in cash pursuant to the balance sheet		**5 086 974**	**8 060 499**
Increase in cash and cash equivalents	8	5 086 974	8 060 499
Opening cash and cash equivalents	8	9 850 843	1 790 344
Closing cash and cash equivalents	8	14 937 817	9 850 843

**No. of additional explanations*

Additional notes – general information about the company, determining elements of accounting policy and additional explanations, other information

I. General information

1. Introduction of the company

The **Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.** (hereinafter: Company) was established by transformation on January 31, 1995. Its legal predecessor was Budapesti Ingatlanhasznosítási és Fejlesztési Kft., founded on January 1, 1994 by Állami Vagyonügynökség (State Property Agency) with an issued capital of HUF 1,000,000.
The issued capital of the Company is HUF 2,870,244,400 consisting of 287 024 440 pieces of dematerialized common shares with a par value of HUF 10 each.

The Company is engaged in the management of its own properties by giving them into lease.

The operative control of the Company is performed by the Board of Directors.

The shares are being traded in the 'PREMIUM' category of the Budapest Stock Exchange.

Based on the application of the Company filed with the National Tax and Customs Administration for registration as a regulated real estate investment company pursuant to Act CII of 2011 on Regulated Real Estate Investment Companies (hereinafter: SZIT/REIT Act) on December 20, 2018, the National Tax and Customs Administration registered the Company as a regulated real estate investment pre-company effective as of December 31, 2018.

The means of publication of the announcement of the Company: via the website of the Budapest Stock Exchange (www.bet.hu), via the website of the Hungarian National Bank (Magyar Nemzeti Bank, hereinafter: MNB) (www.kozzetetelek.mnb.hu) and the company's own website (www.bif.hu).

Company data

Name of the Company:	Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.
Abbreviated company name:	Budapesti Ingatlan Nyrt.
Registered office:	1033 Budapest, Polgár u. 8-10.
Postal address (place of central administration):	1033 Budapest, Polgár u. 8-10.
E-mail address:	info@bif.hu
Website:	www.bif.hu
Date of the Articles of Association:	31.01.1995
Date of commencement of operation:	01.05.1994
Registry court:	Superior Court of Budapest, as company registry court
Company registry number:	Cg. 01-10-042813
Statistical number of the company:	12041781-6820-114-01
Tax Registration number:	12041781-2-41
Community tax number:	HU12041781
Share capital on December 31, 2019	HUF 2,870,244,400
Term of the operation of the Company	unspecified
Business year of the company	Identical to calendar year
Main business activity of the Company (TEÁOR):	6820'08 Renting and operating of own or leased real estate

Other activities of the Company according to TEÁOR:	- 6420'08 Asset management (holding) - 8110'08 Combined facilities support activities - 6832'08 Management of real estate - 6810'08 Buying and selling of own real estate

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

Auditor of the Company:
INTERAUDITOR Neuner, Henzl, Honti Tanácsadó Kft. (Registered office: 1074 Budapest, Vörösmarty utca 16-18. A. ép. fszt. 1/F; Incorporation No.: 01-09-063211; Tax Registration No.: 10272172-2-42; Hungarian Chamber of Auditors Registration No.: 000171; Number of Auditor Qualification: K000107; Person responsible for the audit: Freiszberger Zsuzsanna, Name at birth: Freiszberger Zsuzsanna, Mother's name: Böczkös Rózsa Mária, Address: 2440, Százhalombatta, Rózsa utca. 7; Date and place of birth: Barcs, 27.07.1977. Auditor Licence No.: 007229; Number of Auditor Qualification: K000103)

2. Officials, ownership structure

2.1. Officials in 2019

Members of the Board of Directors of the Company

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

Members of the Audit Committee of the Company

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

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

Nature	Name	Positions	Start of appointment	End of appointment	Direct share property (number of shares)	Percentage of BIF shares with direct influence
ITT	Dr. Ungár Anna	BoD* President	15.08.2017	15.08.2022	0	64.40%
ITT	Berecz Kristóf	BoD Vice President and CEO from December 1, 2018	15.08.2017	15.08.2022	0	64.40%
ITT	Tzvetkov Julian	Member of BoD, AC**	15.08.2017	15.08.2022	0	0
ITT	dr. Hárshegyi Frigyes	Member of BoD, AC	15.08.2017	15.08.2022	0	0
ITT	Vaszily Miklós	Member of BoD, AC	22.12.2017	15.08.2022	0	0
SP	Hrabovszki Róbert	CFO	19.03.2018	Unspecified***	0	0

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

2.2. Changes in executives and employees in strategic positions in 2019

No changes took place in terms of the members of the Board of Directors and the Audit Committee in 2019.

Changes in the management of the company compared to December 31, 2018:

- The employment of Sajgál Gábor, Head of the Business Development Department, ended at the Company on May 31, 2019.
- The employment of Győri László, Head of the Maintenance and Service Department, ended at the Company on April 25, 2019.
- The employment of Cseppel Eszter, Head of the Finance and Accounting Department, ended at the Company on April 30, 2019.
- As of April 15, 2019, Fábián Attila holds the position of Head of the Maintenance and Service Department of the Company.
- As of May 2, 2019, dr. Horváthné Kalácska Katalin holds the position of the Head of the Finance and Accounting Department of the Company.
- As of April 30, 2019, Marton Győző holds the position of Head of the Controlling Department of the Company.

2.3. Remuneration for executives in 2019

At the annual general meeting of the Company in 2019, the general meeting decided that the members of the Board of Directors shall perform their tasks without remuneration in the 2019 business year, while the members of the Audit Committee shall perform their tasks with a monthly remuneration of gross HUF 300,000 for each member in the 2018 business year.

2.4. Person authorized to sign the Statements

According to Section 15.2 of the Articles of Association, the following persons hold signature right:

a) the chairperson of the Board of Directors together with either another Board member or an employee with power of representation,

b) the deputy chairperson Board of Directors together with either another Board member or an employee with power of representation.

2.5. Ownership structure

Owners of the Company with more than 5% of interest based on the December 31, 2019 share register and the individual statements of the owners

Shareholder	December 31, 2018		December 31, 2019	
	Number of shares (pieces)*	**Interest (%)**	**Number of shares (pieces)****	**Interest (%)**
PIÓ-21 Kft.	18 484 722	64.40***	184 847 220	64.40***
Treasury shares****	3 014 000	10.50	30 140 000	10.50
Other shareholders	7 203 722	25.10	72 037 220	25.10
Total	**28 702 444**	**100.00**	**287 024 440**	**100.00**

** BIF common share with a par value of HUF 100*
*** BIF common share with a par value of HUF 10*
**** From which 1,289,026 pieces of BIF common shares with a par value of HUF 100 and an indirect interest of 4.49% on December 31, 2018, and 1,090,260 pieces of BIF common shares with a par value of HUF 10 and an indirect interest of 0.38% on December 31, 2019, through the subsidiary of the Kft., BFIN Asset Management AG.*
***** The shares owned by the company do not entitle their holder to receive dividend and do not provide voting preference*

II. Important elements of the accounting policy

1. Important elements of the accounting policy

1.1. Reporting currency and foreign currency balances

Considering the content and circumstances of the underlying economic events the functional and reporting currency of the parent company is Hungarian forint.

Initially, foreign currency dealings registered in currencies other than forint were registered at the foreign exchange rate effective on the day of performing such transactions. Receivables and liabilities in foreign currency were translated to forint using the exchange rate as of the closing of the balance sheet. The generated exchange rate differences are recognized in the statement of profit and loss among financial revenue and expenditure.

The financial statements were prepared in Hungarian forint (HUF), the presentation currency of the Company, rounded to the closest thousand value, except if indicated otherwise.

Transactions in foreign currencies are accounted for in the functional currency, using the currency of the statements and the exchange rate of the foreign currency effective on the day of the transaction to the amount in foreign currency. In the comprehensive statement of profit and loss the translation gains and losses generated when arranging monetary items, initial recognition during the period or due to using an exchange rate different from the exchange rate used in the previous financial statements are recognized as revenue and expenditure in the period when they were generated. Monetary assets and obligations denominated in foreign currency are translated using the exchange rate of the functional currency effective at the end of e reporting period. Items in foreign currency valuated at fair value are translated using the exchange rate effective at the time of determining the fair value. Translation gains and losses of trade receivables and trade payables are recognized in the profit or loss from business activity while gains and losses of loans are recognized in the income or expense of financial transactions line.

1.2. Revenue

The revenue of the Company is generated primarily from services provided and products sold for its customers and other third parties.
The company accounts its revenue in accordance with the IFRS 15 Standard (issued in May, 2014 and applicable to business years commending on January 1, 2018 or after such date).

The new standard introduces the basic principle that revenue may only be accounted when the assets or services are delivered to the buyer at the agreed price. All distinct goods or services must be accounted separately and all discounts must be allocated to the appropriate performance obligations of the contract. When consideration changes, the minimum value may be accounted when the likelihood of return does not entail significant risks. Incremental costs of obtaining the customer contract shall be capitalized and depreciated during the term of contract so that the profits related to the same may be acquired by the company.

Net sales revenues include the amounts invoiced based on goods delivered and services provided in the course of the business year. Net sales revenues shall be accounted when the amount of income becomes obvious and then it is presumable that the consideration may be realized by the Company. Net sales revenues contains the amount of the invoiced sums minus value added tax and discounts.
The revenues resulting from the sales of services will be accounted by the company on a pro-rated basis (if permitted by the contract or if performance is certified by the client) during the particular period, unless the relevant contracts and agreements contain milestones. In such case, the revenues will be accounted for after such milestones have been reached.

The Company presents the additional costs related to the conclusion of contracts, if it expects the return of the same, as assets.

Deferred revenues shall be accounted by discounting the revenues.

1.3. Evaluation and depreciation of non-current assets

1.3.1. Investment properties

A property is recognized as investment property if the company keeps it to achieve income from rent or value increase or both and not for future sales, producing products or providing services or administration. We always hold investment properties for giving them into lease.

Investment properties shall be evaluated initially at cost, considering transaction costs as well. The Company chose the fair value model for the recognition of investment properties, differences from the changes in fair value are recognized at the charge/for the benefit of the profit or loss in the subject year against other operating income. Investment properties have no planned depreciation.

In accordance with the provisions of the SZIT Act, an independent appraiser determines the fair value of investment properties owned by the Company on a quarterly basis. In quarters I-III of 2019, the related appraisals were prepared by Euro-Immo Expert Kft., while in quarter IV of 2019, the quarterly appraisals were prepared by Seratus Ingatlan Tanácsadó Igazságügyi Szakértő Kft. The annual actualization of the market value of properties is performed for December 31, each year. The evaluation is done considering the international evaluation norm.

In the course of evaluation, the three evaluation methods generally accepted in the international asset evaluation practice (cost approach, market comparison approach and income approach) are used, then the market value of properties is determined according to the principle of prudence.

Considering that to determine market value the IAS 40 standard recommends but does not require employing an independent valuator, in the case of investment properties where a decision was made about their sale and the selling procedure was started, the fair value calculation method considers it a starting point that the asset has an active market, that is, there are concluded sale and purchase contracts. To determine fair value, the actual market price, that is, the selling price in the already concluded sale and purchase contracts (the average price of them) provides the best basis.

Gains and losses from the changes in the fair value of investment properties is always accounted for (in the other operating incomes or other operating expenditure line) in the gains and losses of the period when such changes were generated. Profit from the changes in fair value cannot be distributed to shareholders as dividend. The investment property must be derecognized when alienated, or when the investment property is finally removed from use and no future economic benefits can be expected from its alienation. Gains and losses from the derecognition and alienation of investment properties shall be accounted for as income or expense in the statement of profit or loss in the period in question.

1.3.2. Other properties

Properties held for use related to the sale of products or the generation and provision of services and the developed public utility facilities are qualified as other property at the Company.

The company group chose the fair value model for recognizing other properties, except for developed public utilities. Evaluation at fair value is performed considering international evaluation norms. In the course of evaluation, the three evaluation methods generally accepted in the international asset evaluation practice (cost approach, market comparison approach and income approach) are used, then the market value of properties is determined according to the principle of prudence. Gains from the changes in the fair value of other properties are recognized directly as part of equity, as revaluation surplus.
Presently, the Company has no other property besides public utilities.
Public utilities are presented by the Company at cost, decreased by the amount of the yearly recognized amortization.

Depreciation is recognized for other properties. The basis for depreciation is fair value, and the cost in the case of public utilities. Depreciation is accounted for with straight line rates, the depreciation rate is 2%.

1.3.3. Other PPE

PPE besides properties is recognized at cost, decreased by the accumulated depreciation and impairment. Accumulated depreciation includes the recognized costs of planned depreciation related to continuous use and operation of the asset and of unplanned depreciation due to significant damage of the asset from unexpected, extraordinary events.

The cost (procurement, production) of the asset is the total amount of items that can be individually connected to the asset incurred for the procurement, establishment, putting into operation of the asset until the putting into operation or transportation into the warehouse.

The (procurement) cost includes the purchase price decreased by discounts, increased by additional charges, consideration, fees for transportation and loading, foundation laying, installation, putting into operation mediation activities in connection with the procurement, putting into operation, warehousing of the asset, the agent’s fee, taxes and parafiscal charges related to the procurement and customs charges.

Costs incurred later are only included in the book value of the asset or registered as a separate asset if it is probable that the item in question will provide future economic benefits for the company group and the cost of the item can be determined in a reliable manner. Costs of all other repairs and maintenances are accounted for in the statement of profit and loss as expense at the time they are incurred.

Additional expenditure spent on existing assets that extend the useful life of the asset or expand the utilization options of the asset are capitalized by the company group. Maintenance and repair costs are accounted for as costs when incurred.

The book value of PPE is reviewed at specified intervals in order to determine whether the book value exceeds the fair, market value of the asset, since in this case the recognition of unplanned depreciation becomes necessary, to the fair, market value of the asset. The fair, market value of the asset is the higher of the selling price and the value in use of the asset. The value in use is the discounted value of future cash-flows generated by the asset. The discount rate includes the interest rate in the Company before taxes, considering the time value of money and the effect of other risk factors related to the asset as well. If independent future cash flow cannot be allocated to the asset, then the cash flow of the unit the asset is a part of shall be used as basis. Depreciation, unplanned impairment determined this way is recognized in the statement of profit and loss.

Depreciation of PPE is accounted for according to the straight line method. The procurement cost of assets is depreciated from the date of putting into use during the useful life of the assets. The company group regularly reviews useful lives and residual values.

The Company recognizes unplanned depreciation for PPE in the case of which the net book value of the assets is not expected to be recovered based on their future ability to generate income. The Company prepares the necessary calculations based on the appropriate discounting of long term future cash flow plans.

When determining depreciation, the expected useful life, deterioration time, physical and moral obsolescence is considered. Assets below th HUF 100 individual procurement value are recognized in one amount as depreciation when put to use, assets between th HUF 100 to 200 procurement value are depreciated in the course of two years, and the depreciation rate used for assets over th HUF 200 is 20% in the case of vehicles, 33% in the case of IT machinery, also 33% in the case of administration technology equipment and 14.5% in the case of other assets.

At the end of every reporting period the Company assesses whether any changes occurred that might indicate depreciation in the case of any asset. If such changes occurred, the Company estimates the expected recovery value of the asset. The expected recovery value of an asset or cash generating unit is the higher of the fair value decreased by selling costs and the value in use. The Company recognizes depreciation against the earnings if the expected recovery value of the asset is lower than the book value. The Company prepares the necessary calculations based on the appropriate discounting of long term future cash flow plans.

1.4. Intangible assets

The intangible assets procured individually are recognized at procurement price and intangible assets obtained in the course of a business combination are recognized at fair value at the time of acquisition. Recognition in the books happens when using the asset is proven to result in the inflow of future economic benefits, and the costs of the same can be clearly determined.

After procurement the cost model is applicable to the intangible assets. The duration of such assets is finite or cannot be determined. Assets with finite life are amortized with the straight line method, based on the best estimate concerning lifetime. The amortization period and the method of amortization are reviewed annually at the end of the financial (business) year. Internally generated intangible assets are not capitalized with the exception of development costs, but are accounted for against the profit or loss in the year of their occurrence. Intangible assets are reviewed annually for depreciation on individual or CGU level.

The procurement costs of trade marks, licenses, assets and software under industrial property right protection are capitalized and are depreciated according to the straight line method during their estimated useful life:

Rights representing assets and other rights and software	3-6 years

1.5. Goodwill

Goodwill is the positive difference between the procurement value and the fair value of the identifiable net assets of the acquired subsidiary, affiliated company or jointly controlled company on the day of acquisition. Goodwill is not amortized but the Company annually assesses whether there are any signs indicating that the book value will probably not be recovered. Goodwill is recognized at cost decreased by possible impairment.

1.6. Inventories

Inventories registered by the Company are evaluated according to the IAS 2 standard.

The inventory cost includes the costs of procurement, the costs of conversion and the costs necessary for the inventories to get to their present location and condition.

The cost cannot include losses on unusual amount of material, work and other production costs, warehousing costs, except if such costs are parts of the production process, administrative management expenditure not incurred for getting the inventories to their present location and condition and sales costs.

1.7. Receivables

Receivables are presented in the statements at nominal value decreased by the appropriate amount of depreciation established for the estimated losses. Based on the full review of the outstanding amounts at the end of the year estimates were made concerning bad debts.

1.8. Financial assets

Financial assets in the scope of the IFRS 9 standard can be classified in the following three valuation categories: financial assets accounted at depreciated cost after recognition, financial assets evaluated at fair value reported in other comprehensive income (FVOCI), financial assets evaluated at fair value with all changes in fair value reporting in profit and loss (FVPL).

After initial recognition the financial assets that qualify as “trading” or “for sale” are evaluated at fair value with all changes reported in profit and loss (FVPL). The non-realized translation gains and losses achieved on trading securities is recognized as other income (expense).

Other long term investments qualifying as held to maturity, like certain bonds, are recognized after initial recognition at amortized cost. Calculation of the amortized cost is done considering the discount or premium at the time of acquisition during the period until maturity. In the case of investments registered at amortized cost, the profit or loss generated at the derecognition or depreciation of the investment or during the amortization period is recognized as income.

In the case of investments participating in foreign exchange trade, the market value is determined based on the official exchange rate announced on the closing of the balance sheet. In the case of securities not registered at the stock exchange or not traded, the market value is the market value of the similar/substitute financial investment; if this method is not applicable, then the market value is determined based on the estimated future cash flow of the asset connected to the investment.

The Company assesses it on every closing of the balance sheet whether it is necessary to recognize depreciation for the financial asset or group of assets. If such circumstances arise in the case of assets recognized at amortized cost that make the recognition of depreciation necessary, the amount of this will be the difference between the amount of the book value of the asset and the future cash flows of the asset discounted by the original effective interest rate. The depreciation is recognized in the statement of profit and loss. If the amount of recognized depreciation decreases in the future, it is reversed, but only to the extent that the book value of the asset does not exceed the amortized value on the closing of the balance sheet.

Securities for sale are evaluated at a rate effective as of the date of the transaction and at a procurement price initially. The short term investments containing securities kept for trading purposes are recognized at the fair market value effective in the date of the next statement and their value is calculated according to the publicly listed stock exchange rate effective on the balance sheet day. Non-realized profits and losses are included in the profit and loss statement.

1.9. Financial liabilities

The statement of the Company concerning the financial situation includes the following financial liabilities: trade payables and other short term liabilities, loans, credits, bank current account credits and futures. The recognition and evaluation of the above is in the relevant parts of the additional notes in the statements, according to the following:

The Company evaluates all financial liabilities at fair value at initial recognition. In the case of loans even those transaction costs are considered that are directly attributable to obtaining the financial liability.

The Company classifies financial liabilities under IFRS 9 into the following three evaluation categories: financial liabilities evaluated at depreciation cost after recognition, financial assets evaluated at fair value reported in other comprehensive income (FVOCI), financial assets evaluated at fair value with all changes in fair value reporting in profit and loss (FVPL).
The single financial liabilities are classified by the Company when acquired.

Financial liabilities evaluated at fair value through profit and loss are liabilities the Company obtained for trading, or that are classified as evaluated at fair value through profit and loss at initial recognition. Financial liabilities for trading include liabilities that the Company purchased primarily for the profit expected from short term exchange rate changes. Those futures that are not qualified as effective hedging instruments also belong in this category.

Loans and credits are recognized at amortized cost calculated with the effective interest rate method in the statement of financial situation. Gains and losses related to loans and credits are accounted for in the statement of profit and loss in the course of amortization calculated with the method of effective interest rate, and at the derecognition of the financial liability. The amortization is accounted for in the statement of profit and loss as financial expense.

1.10. Provisions

The Company creates provisions for the (legal or constructive) liabilities existing due to past events that the Company probably has to settle and if the amount of the obligation can be measured in a reliable manner.

The amount recognized as provision is the best estimate for the settlement of the existing obligation concerning the expense necessary on the closing of the balance sheet, considering the risks and uncertainties characterizing the obligation. If the cash flow that is expected to be necessary for the settlement of the existing obligation is used for the evaluation of the provision, the book value of the provision is the current value of this cash flow.

If a part or all the expenditure necessary for the settlement of the obligation is expected to be recovered by another party, the receivable is recognized as an asset if it is certain that the entity will receive the compensation and the amount of the receivable can be measured in a reliable manner.

1.11. Corporate tax

The amount of the corporate tax is based on the tax payment liability defined in the Act on corporate and dividend tax, modified by the deferred tax. The tax payment obligation includes subject year and deferred tax components.

The tax payment obligation in the current year is determined based on the taxable profit in the subject year. The taxable profit is different from the profit before taxes recognized in the statements, due to gains and losses not constituting the tax base and due to other such items that are considered in the taxable profit of other years. The current tax payment obligation of the Company is determined based on the tax rate effective or announced until the closing of the balance sheet, if the announcement is equivalent to becoming effective. Calculation of the deferred tax is calculated based on the liability method.

Deferred tax is generated in cases when there is a difference over time between the accounting for an item in the yearly statements and accounting for it in the settlement according to the tax law. The deferred tax asset and payable is determined using the tax rates concerning the taxable incomes of the years when the difference over time is expected to be recovered. The amount of the deferred tax asset and payable reflects the estimate of the Company on the closing of the balance sheet concerning the realization of tax assets and liabilities.

Deferred tax assets concerning deductible differences over time, tax benefits that can be carried forward and negative tax base are only recognized in the balance if it is probable that the Company realizes profit constituting tax base in the course of its future activity, against which the tax asset can be enforced.

On every closing of the balance sheet the Company assesses the deferred tax assets not recognized in the balance, and the book value of recognized tax assets. The part of receivables not recognized in the balance earlier that is expected to be recovered as decrease in the future income tax is recognized. Contrary to this, the deferred tax asset of the Company is decreased in the amount for the hedging of the recovery of which no profit after taxes is expected to be available.

The subject year and the deferred tax is accounted for directly against the equity, if it concerns items also accounted for against the equity in the same or another period, including the modifications of the opening value of the reserves due to the retroactively effective changes in the accounting policy.

Deferred tax assets and liabilities can be accounted for against each other if the Company has a legal right to account for its current tax assets and payables towards the same tax authority against each other and the Company intends the net settlement of such assets and liabilities.

Due to the SZIE transformation the Company derecognized the deferred tax liability recognized earlier, since it does not expect to have tax payment liabilities in the future in the normal course of business.

1.12. Lease

We discuss financial lease in the case if all the risks and costs from possessing the asset according to the conditions of the lease are borne by the customer. All other leases qualify as operative leases.

In the case of a financial lease the assets leased by the Company qualify as the assets of the Company and are recognized at market cost at the time of acquisition. The liability towards the lessor is recognized in the balance as a financial lease liability. Costs incurred in connection with the lease, the differences between the fair value of the acquired assets and the full lease liability are recognized against the earnings during the full duration of the lease so that they represent a permanent, periodically appearing expense concerning the current amount of the liability in the single periods.

The difference between all the liabilities and the market value of the leased asset at the time of acquisition is recognized in the statement of profit and loss beyond the duration of the relevant lease – so that the change in the balance of the remaining liability can be tracked from time to time – or in the single reporting periods.

1.13. Earnings per share (EPS)

Definition of the earnings per share is done considering the profit or loss of the Company and the inventory of shares decreased by the average inventory of repurchased treasury shares in the period.

Diluted earnings per share are calculated in a similar manner as earnings per share. However, when calculating it, all the shares in trading that can be diluted are considered, increasing the proceeds that can be distributed after the common shares by the dividend and proceeds of the shares that can be transformed and can be considered in the period in question, modified by the additional revenues and expenditures from the transformation – increasing the weighted average number of shares in trading by the weighted average number of additional shares that would be in trading if all the shares that could be transformed were actually transformed. There were no such transactions in either previously or in the year ending on December 31, 2019 that might dilute this EPS rate.

1.14. Off-balance items

Off-balance liabilities are not included in the statement of financial position and the statement of profit and loss, constituting parts of the yearly report, unless obtained in the course of business combinations. They are recognized in the additional notes except if the chance of the outflow of sources representing economic benefit is distant, minimal. Off-balance receivables are not included in the statement of financial position and the statement of profit and loss, constituting parts of the yearly report, but if the inflow of economic benefits is expected, they are recognized in the additional notes.

1.15. Repurchased treasury shares

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

1.16. Dividend

Dividend is accounted for by the Company in the year when the owners approved it.

Dividend will be paid pursuant to the applicable provisions of the SZIT Act and the Articles of Association:

Paragraph 8 of Section 2 of the SZIT Act: *"expected dividend: 90% of the profit and loss of the regulated real estate investment company or regulated real estate investment pre-company achieved from registration until deregistration payable as dividend as specified in separate laws, and, in the case of the project company of the regulated real estate investment companies or regulated real estate investment companies, 90% of the profit and loss of the project company achieved from registration until deregistration as project company payable as dividend as specified in separate laws, not including amount of the one-time transition difference recognized in retained earnings accounted for in relation to transitioning to the annual report according to IFRS standards in accordance with the provisions of Act C of 2000 on Accounting (hereinafter: the Accounting Act) in the case of regulated real estate investment companies, regulated real estate investment pre-companies or their project companies,"*

Subparagraph c) of Paragraph (3) of Section 3 of SZIT Act: *"based on the articles of association, the management proposes the approval of a dividend of at least the amount of the expected dividend in the annual general meeting of the company, in the case of the approval of which the dividend shall paid within 30 trading days from the approval of the accounting report on the condition that if the free financial instruments of the regulated real estate investment company does not reach the amount of the expected dividend, the management shall propose at least 90% of the free financial instruments to be distributed as dividend,"*

Section 16.3 of the Articles of Association: *"Shareholders eligible for dividend payment shall be those whose names are indicated in the Record of Shareholders on the date specified in the notice posted based on the resolution of the shareholders' meeting in connection with the dividend payment. The date determined by the Board of Management in the notice posted in connection with dividend payment and relevant to the eligibility for dividend may be different from the date of the shareholders' meeting deciding to pay dividend. The commencement date of dividend payment may not be later than the 30th trading day following the adoption of the statutory report (as determined in Act CXX of 2001 on the Capital Market). The notice of dividend payment shall be posted by the Board of Management in 15 days of the date of the shareholders' meeting deciding to pay dividend, in accordance with the rules governing the posting of notices. As for the dividend to be paid by the Company, the Board of Management shall propose to the annual shareholders' meeting the approval of a dividend of an extent no less than expected extent as defined in Act CII of 2011 on Regulated Real Estate Investment Companies, providing, however, that in the event the liquid funds of the Company are less than the amount of the expected dividend, the management shall propose the payment of no less than 90% of the liquid funds as dividend.*

The shareholder may demand the payment of the dividend in five years calculated from the commencement date of dividend payment. Such period of five years shall be deemed to be an absolute limitation period. Any dividend not received shall be added to the Company's assets in excess of the registered capital. The shareholder may not be obliged to repay any dividend received in good faith. The dividend may only be deemed to be received in good faith, if the amount of the dividend base determined based on the balance sheet adopted by the shareholders' meeting was prorated to the shares of the given shareholder, provided that there is no reason for the exclusion of the shareholder from the acquisition of shares and that the shareholder was not or should not have been aware of the fact that the statutory conditions of the payment were not fulfilled."

1.17. Income from financial transactions

The financial income includes interest and dividend income, interest and other financial expenditure, gains and losses on the evaluation of financial instruments at fair value, and the realized and non-realized translation gains and losses.

1.18. Government grants

Government grants are accounted for when it can be assumed that the grant will be received and the conditions for the disbursement of the grant are met. When the grant is to compensate costs then it must be accounted for against the statement concerning income in the period when the cost to be compensated is incurred (among other incomes). When the grant is connected to asset procurement then it must be recognized as deferred income and is accounted for against the profit or loss in the course of the useful life of the related asset in equal yearly amounts.

1.19. Items of exceptional volume and occurrence

Revenue of exceptional volume is any revenue arising from an economic event or contract that amounts to or exceeds 25% of the total accounted revenue of a given financial year.

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

Cost of exceptional volume is any cost arising from an economic event or contract that amounts to or exceeds 25% of the total accounted costs and expenditures of a given financial year.

Cost of exceptional occurrence is any cost or expenditure that is not closely or directly related to the business activities of the company, it is outside the regular course of business, and its occurrence is ad hoc.

1.20. Events after the closing of the balance sheet

Events occurring after the end of the reporting period that provide additional information about the circumstances at the end of the reporting period of the Company (modifying items) were presented in the statements. Those events after the reporting period that do not modify data of the statements are presented in the additional notes if significant.

2. Changes in the accounting policy

The Company compiled its statements in accordance with the provisions of all the standards and interpretations that became effective on January 1, 2019.

The accounting policy of the Company has changed from January 1, 2017 by the application of the IFRS standards.

In 2019, the Company applies all the IFRS standards, amendments and interpretations effective as of January 1, 2019 that are relevant from the perspective of the operation of the Company.

IAS 1 Compilation of financial statements (amended)
The IASB published the amendment of the IAS 1 in December 2014. The purpose of the amendment is to encourage the Companies to decide on a professional basis what information they disclose in their financial statements. The amendment clarifies that the threshold of significance is applicable to the full statement and that disclosing insignificant information might prevent the statements utilization. Additionally, the amendment clarifies that the Companies should make professional decisions about where and in what sequence they present their disclosures in the financial statements. The financial statements of the Company do not change due to the application of the amended standard. Being adopted by the European Union on February 7, 2018, the amendments are applicable as of January 1, 2018 and in all reporting periods commencing thereafter.

IFRS 9 Financial instruments: classification and evaluation (effective date: January 1, 2018)
The standard introduces new requirements concerning the classification, evaluation and depreciation of financial assets and financial liabilities. The application of the IFRS 9 standard has effects on the qualification and evaluation of the financial assets of the Company; however, it does not influence the qualification and evaluation of financial liabilities.
The new standard must be applied in the statements concerning the years beginning on January 1, 2018 or afterwards, earlier application is permitted. The application of the new standard does not influence the financial statements of the Company.

IAS 16 PPE (amended) and IAS 38 Intangible assets (amended)
The IASB published the amendments of IAS 16 and IAS 38 standards in May 2014. Both standards consider the expected utilization of the future economic benefits of the asset as basis for the depreciation. The IASB clarified that the income based method of calculation of the depreciation of assets is not suitable, since income from activities in the course of which the asset is used usually reflects other factors as well besides the economic benefits represented by the asset. The IASB also clarified that income is usually not suitable basis for the measurement of the utilization of economic benefits represented by intangible assets. The amendments must be applied in the statements concerning the years beginning on 1 January 2016 or afterwards. The financial statements of the Company will not change because of the application of the amended standards, since it applies straight line depreciation.

IAS 40 “Investment property” standard modifications
(publication on 8 December 2016, effective as of January 1, 2018, and in the reporting period commencing thereafter).
Investment properties may only be reclassified if a change has occurred in use.
The standard modification does not influence the activity of the Company in 2019.

IFRS 15 Accounting for income from customer agreements
In May 2014 the IASB and the FASB published a common standard. The basic principle of the new standard is that the Companies shall acknowledge their incomes according to the amount of goods handed over to or services provided for their customers, reflecting the consideration that the Company will probably be entitled for the good or services provided. The new standard results in a more detailed presentation of incomes, provides guidelines for transactions not clearly regulated before and provides new guidelines for multi-component agreements. The new standard must be applied in the statements concerning the years beginning on January 1, 2018 or afterwards, earlier application is permitted (the standard is effective through IASB, and has been adopted by EU). Adoption of the new standard does not have a significant effect on the financial statements of the Company. It was also applied by the Company for the year 2018.

IFRS 10 Consolidated financial statements and IAS 28 Investments in affiliated companies and joint ventures
The IASB publishes amendments for the IFRS 10 and IAS 28 standards. The amendments are aimed at the asset sales or transfers between the investor and its affiliated companies or joint venture. The main consequence of the amendments is that the total profit or loss is accounted for if the transaction includes business activities as well (regardless of whether it is in a subsidiary or no). Partial profit or loss is accounted for if the subject of the transaction is an asset that does not mean a business activity even if this asset belongs to a subsidiary. The amendments must be applied in the statements concerning the years beginning on 1 January 2016 or afterwards. The adoption of the amendments of the standards had no significant effect on the financial statements of the Company, since the Company has no affiliated companies or joint ventures.

IFRIC 22 interpretation "Transactions in foreign currencies and advance payments" (effective as of January 1, 2018, and in the reporting periods following such date).
The interpretations provide an answer to the question how the date relevant from the point of exchange rate should be determined in the case of transactions in a non-monetary asset or liability connected to an advance payment settled in a foreign currency is derecognized upon the initial recognition of the connected asset, expense or income (or a part of the same). Under the scope of IAS 21, the date of transaction determining the exchange rate applicable upon the initial capitalization of the asset, expense or income will be identical to the date of capitalization of the non-monetary assets or liabilities settled in advance. If it has been settled in several instalments, the company shall determine the date of payment of each instalment. The provisions of IFRIC 22 are only applicable in cases when the non-monetary assets or non-monetary liabilities of the company have resulted from earlier payments. IFRIC 22 does not include any provisions regarding the definition of monetary and non-monetary items. Amounts of money received or paid in advance can result both in monetary and non-monetary assets and liabilities. It is the companies' responsibility to decide whether the items are monetary or non-monetary. The Company has evaluated the effect of the new interpretation which has a moderate effect on the statement.
The Company will consider this interpretation.

IFRS 16 Lease (effective from 1 January 2019)
On 13 January 2016 the IASB issued a new standard concerning the accounting of leases. The application of the new lease standard will be mandatory for the companies applying the IFRS in the reporting periods beginning on January 1, 2019 or afterwards. The new standard replaces the present regulation of the IAS 17 Lease standard and may fundamentally change the accounting of operating leases used so far.

Pursuant to the IFRS 16 lease standard, the lessee is required to recognize and quantify a license to use assets at the assets side and a related liability on the liabilities side simultaneously.
The license to use assets is managed similarly to other non-financial assets, and their depreciation is accounted in the same manner. At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.
According to IFRS 16, the same as in the case of its predecessor (IAS 17), the fact whether a lease qualifies as operating or financial continues to be subject to examination at the side of the lessor.
A lease is classified as a finance lease if the lessor essentially transfers all risks and profits incidental to ownership of the underlying asset. Otherwise, the transactions qualify as operating lease. The lessor shall present the financial income during the term of the lease in a manner that it results in a flat rate return on investment in terms of the net lease investment of the lessor.

The lessor is required to present the rents resulting from operating lease with the linear method or other systematic method. The lessor is required to apply another systematic method if such method reflects the reduction of profit resulting from the use of the underlying asset.

However, the Standard sets forth the leased investment properties embodying right of use shall be measured at fair value when the entity applies the fair value model specified in the IAS 40 standard (Investment property) for its other investment properties.

The Company has examined its lease contracts and applies the requirements of IFRS 16. On the lessee's side, the Company did not find any transactions that should be recognized as leases.

IAS 28 Investments in affiliated companies and joint ventures
A modification due to long-term interests existing in affiliated companies (applicable in the business year commencing on January 1, 2019 and business years commencing thereafter). Not relevant to the Company.

IAS 19 "Employee benefits" standard (amendment)
Amendment of plan, limitation or accounting (applicable in the reporting period commencing on January 1, 2019 and reporting periods commencing thereafter). It is not relevant to the Company as it does not apply pension-based accounting.

IFRIC 23 "Uncertainties regarding the handling of income taxes" (applicable in the reporting period commencing on January 1, 2019 and reporting periods commencing thereafter). Not relevant to the Company.

3. Uncertainty factors

When applying the accounting policy presented in Section 1 estimates and assumptions need to be applied when determining the value of certain assets and liabilities concerning a given time that cannot be determined clearly from other sources. The estimation process includes the decisions and relevant factors based on the latest available information. These significant estimates and assumptions influence the value of the assets and liabilities, revenues and expenditures recognized in the financial statements and the presentation of the contingent assets and liabilities in the notes. The actual results might differ from the estimated data.

Estimates are continuously actualized. If the change only concerns the given period it must be considered in the period of the changes in the accounting estimates and if there are changes concerning both periods, it must be considered in the period of the change and in the future periods as well.

The main areas of the critical decisions taken in the field of estimate uncertainties and accounting policy that have the most significant effect on the amounts recognized in the financial statements are the following:

3.1. Depreciation recognized for non-recoverable and bad debts

The Company recognizes depreciation for non-recoverable and bad debts to hedge losses incurred due to the customers not being able to pay. The basis for the estimations used to evaluate the suitability of depreciation recognized for non-recoverable and bad debts is the ageing of receivables, the financial standing of the customer and the changes in the payment customs of the customer.

3.2. Determining fair value

The uncertainty of determining fair value comes from that the evaluation of the investment properties, constituting a significant proportion of the assets, is performed by a commissioned Company, which might pose a risk, but this is significantly mitigated by the following factors:

- the market value data is provided by an independent appraiser qualified and accepted by the market and the creditor banks alike,
- the appraisal methods are in line with the international standards,
- the Company performing appraisal generates fair value data from the data estimated with different methods according to the principle of prudence.

An additional uncertainty factor can be if unexpected market processes or unexpected crises occur, due to which the fair value of assets, properties would suddenly significantly change. The Company attempts to mitigate this risk by having the evaluation of the properties performed every year so the statements always contain the most up to date data.

4. Basis for the preparation of the statement

4.1. Acceptance and statement of compliance with the International Financial Reporting Standards

The Board of Directors accepted the consolidated financial statements of the Company. The consolidated financial statements of the Company were prepared according to the International Financial Reporting Standards, based on the standards announced as regulation in the Official Journal of the European Union (EU) and then introduced. The IFRS consists of the standards and interpretations drafted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

Legal requirements oblige the Company to prepare IFRS reports of the parent company from January 1, 2017.

The consolidated financial statements of the Company are presented in Hungarian forints, rounded to a thousand forint, if not indicated otherwise.

The financial (business) year of the company group is identical to the calendar one. The closing of the balance sheet of the 2019 business year is December 31, 2019.

4.2. Basis for the preparation of the statement

The consolidated financial statements of the Company were prepared according to the effective standards and IFRIC interpretations issued on December 31, 2019.

The report was compiled based on the cost principle, except for cases where the IFRS requires the use of another evaluation principle, like presented in the accounting policy.

4.3. Basis of evaluation

In the case of the consolidated financial statements of the Company, the basis for evaluation is the original cost, except for the following assets and obligations, presented at fair value: derivative financial instruments, financial instruments evaluated at fair value through profit and loss and investment properties.

In the course of preparing financial statements in compliance with the IFRSs it is necessary for the management to apply expert assessment, estimates and assumptions, with influence on the applied accounting policy and the amount of assets and liabilities, costs and expenditure in the report. The estimates and related assumptions are based on past experience and several other factors, considered reasonable under the given circumstances, and the result of which serves as basis for estimating the book value of assets and liabilities that cannot be clearly determined from other sources. Actual results may differ from such estimates.

The estimates and the base assumptions are regularly reviewed. The modification of accounting estimates is presented in the period of the modification of the estimate if the modification only concerns the year in question and in the period of modification and in future periods if the modification concerns both the present and the future years.

5. Details of the business combination, the companies included in the scope of consolidation

As a subsidiary		Voting power	
	address:	**31.12.2019.**	**31.12.2018.**
Harsánylejtő Kft.	1033 Budapest Polgár u. 8-10.	100.00%	100.00%

III. Additional explanations

1. Investment properties

(data in th HUF)

On December 31, 2018	**39 799 004**
Fair value	145 676
Other increase	0
Purchase	1 751 324
On December 31, 2019	**41 696 004**
On December 31, 2018	**39 799 004**
On December 31, 2019	**41 696 004**

Investment property data is prepared by the independent appraiser according to the following criteria:

Section 11 (1) of Act CII of 2011 on regulated property investment companies

Evaluation of the properties in the portfolio of regulated property investment companies can be done

a) with a method based on market comparison,

b) with a method based on yield calculation, or

c) with a method based on reproduction cost

provided that the selected method of evaluation must be justified in detail and in the future, it must be performed in each period with the same method for the property in question.

The changes in the fair value of investment properties in 2019 were from the following items:

– The increase in the fair value of investment properties can be traced back to the increase in the fair value of the real properties in the portfolio and the expansion of the portfolio (as a result of successful acquisition, the real property on Attila út was added to the real property portfolio (with topographical number Budapest District I 6775)). The increase in fair value is justified by the improving market expectations on the one hand, and the concluded lease agreements on the other (higher occupancy, expiration date of agreements) in the case of office buildings utilized by being rented out.

Profit or loss of the Investment, income-generating properties

data in th HUF	31.12.2019	31.12.2018
Net revenue from sales	3 703 336	2 695 929
Other operating income	245 110	6 620 848
Own work capitalized value	83 847	0
Material expenditure	-953 803	-814 599
Personal expenditure	0	0
Depreciation and amortization	0	0
Other operating expenditure	-141 136	0
Income from financial transactions	0	0
Expenditure of financial transactions	0	0
Profit	**2 937 354**	**8 502 178**

The increase in the net sales revenues of investment properties compared to the base period was mainly due to the lease of the Vigadó Palace Office Building (Budapest District V Apáczai Csere János utca 9.) in October 2018, but the enforcement of rent increases and the relatively high occupancy also had a significant effect.

2. Intangible assets and PPE

data in thousand HUF	Intangible assets	Other properties	Technical machinery and other equipment	Unfinished investments and advances	total
Gross book value					
On December 31, 2018	**27 895**	**101 342**	**266 556**	**790 475**	**1 186 268**
Increase and reclassification	765	0	39 280	18 977	59 022
Decrease and reclassification	-1 894	0	-135 141	0	-137 035
December 31, 2019	**26 766**	**101 342**	**170 695**	**809 452**	**1 108 255**
Depreciation					
On December 31, 2018	**27 389**	**7 102**	**153 390**	0	**187 881**
Yearly depreciation	225	2 027	32 399	0	34 651
Decrease and reclassification	-1 450	0	-112 325	0	-113 775
December 31, 2019	**26 163**	**9 129**	**73 464**	**0**	**108 756**
Net book value					
December 31, 2018	**506**	**94 240**	**113 166**	**790 475**	**998 387**
December 31, 2019	**603**	**92 213**	**97 231**	**809 453**	**999 500**

A major part of the increase of gross value resulted from investments performed on other properties, the procurement of computer technology assets and the procurement of equipment necessary for the operation of the hotel.

3. Investments in affiliated companies

No amount is in the Investments in affiliated companies line in 2019, just like in 2018, considering that the Company fully consolidated its remaining subsidiary in 2019.

4. Deferred tax asset

The following deductible and taxable differences causing tax differences were recognized in 2019 and 2018:

data in th HUF	31.12.2019	31.12.2018
Depreciation of trade receivables	0	0
PPE	0	0
Losses carried forward	0	860
Provision	0	0
Total deductible difference	**0**	**860**
Deferred tax asset total	**0**	**860**

The deferred tax asset is from the losses of Harsánylejtő Kft. carried forward. The Company does not recognize deferred tax liability due to SZIE status.

5. Inventories

data in th HUF	31.12.2019	31.12.2018
Raw material	0	0
Unfinished production	1 569 932	1 408 813
Finished product	79 376	96 718
Goods	278 799	654 991
Total	**1 928 107**	**2 160 522**

The majority of inventories are formed by the real property investments implemented and to be implemented for the purpose of passing through related to the District III, Harsánylejtő project (condominium construction, building plot sale).

At the end of 2019, compared to the previous year, the Finished product and Goods lines show a decrease due to the derecognition of the production cost of building plots successfully sold and leased during the year and the value of improvements made to them.

The increase of value developed by BIF and accounted in connection with the Harsánylejtő lots under development and the remaining apartments is recognized on the unfinished production line, while the increase of value developed by BIF and accounted in connection with lots with utility connections and waiting to be sold can be seen on the finished product line.

The increase of value assets developed by BIF accounted related to the Harsánylejtő lots to be further developed is recognized on the unfinished production line, while the value increase of property with utility connections developed by BIF waiting to be sold can be seen on the finished product line.

The lots are recognized at cost value in the goods line, modified with the following.

The Harsánylejtő lots were included in the Company's books by the merger of one of the subsidiaries of the Company (Katlan) in 2014. The cost value of the inventories classified as investment properties previously in the subsidiary, then reclassified under IAS 2 inventories became the fair value presented based on the IFRS standards as the company due to the IFRS consolidation, both in our consolidated IFRS statements and statements of the parent company. We examine the cost value presented this way at the end of each period and correct the same with the fair value of lot sales, this way generating the market value of the inventories according to IFRS

6. Trade receivables

data in th HUF	**31.12.2019**	**31.12.2018**
Trade receivables	-362 242	484 816
Depreciation	-5 368	-1 484
Reclassification	469 889	25 793
Total	**102 279**	**509 125**

Trade receivables comprise the unpaid amounts of the December rents and operating fees, and of the mediated services (telephone and utility fees) invoiced forward. The significant decrease in trade receivables is caused by the fact that several of our tenants already financially settled the fees that would have become due only at the beginning of January 2020.

7. Other short-term receivables and accrued assets

data in th HUF	**31.12.2019**	**31.12.2018**
Other receivables	182 527	78 327
Accrual	22 007	6 907
Advance	0	4 390
Reclassification	112 238	264
Total	**316 772**	**89 888**

The tax assets and liabilities are evaluated by tax form and are classified depending on the indication into the other receivable or other liability categories. As a result, a tax overpayment of HUF 112.2 million was reclassified to receivables.

Causes of changes in the subject period:

- In the reclassification line: Harsánylejtő Kft. has a HUF 71 million VAT receivable to be reclaimed, which amount decreases as the sale of the apartments progresses, therefore the Company will reclaim the remaining amount after the 100% sale has taken place. The books of the parent company show a HUF 39 million TAO overpayment, which will be transferred by the Company to the next tax liabilities after the end of the year.
- There is also an increase in the other receivables due to the VAT on the advances received from tenants, as well as due to the imposition of VAT for 2019 on the rent and operating fee invoices for 2020.

8. Cash and cash equivalents

data in th HUF	31.12.2019	31.12.2018
Cash	1 604	1 781
Bank	14 936 213	9 849 062
Total	**14 937 817**	**9 850 843**

The main reason for the significant increase in cash and cash equivalents at the end of 2019 is that in November 2019 the Company effected significant drawdowns (totaling approximately HUF 6,793 billion) of MFB loans, which will be used in accordance with the planned schedule of new investments, thus they increase the value of our free cash and cash equivalents (see also Section 13).

9. Issued capital and capital reserve

The share capital of the company is HUF 2,870,244,000 and the capital of the Company on December 31, 2019 consists of 287.024,440 pieces of registered, dematerialized common shares with a par value of HUF 10 each. The capital according to the IFRS is equal to the capital registered at the registry court.

Issued capital

data in th HUF	31.12.2019	31.12.2018
Opening	2 870 244	2 583 220
Increase	0	287 024
Decrease	0	0
Closing	**2 870 244**	**2 870 244**

Capital reserve

data in th HUF	31.12.2019	31.12.2018
Opening	6 048 215	594 752
Increase	0	5 453 463
Decrease	0	0
Closing	**6 048 215**	**6 048 215**

The capital reserve includes the amount of the difference between the par value and consideration of the shares upon the issuing of shares and the value of the cash, assets put into capital reserve.
The value of the capital reserve did not change compared to the previous year.

10. Revaluation reserve

data in th HUF	31.12.2019	31.12.2018
Revaluation reserve	1 078 973	1 078 973
Closing	**1 078 973**	**1 078 973**

The revaluation reserve line presents the appreciation of the 2 investment properties of the Company (parking garage at Aranykéz utca, Verseg) accounted for in the fair value model according to previous IAS 16.

11. Repurchased treasury share

On December 31, 2018, the Company had 3,014,000 treasury shares with a nominal value of HUF 100, while on December 31, 2019 it had 30,140,000 treasury shares with a nominal value of HUF 10.

The Company recognizes the treasury shares owned by the same on the repurchased treasury shares line of the balance sheet at cost value, as Items reducing Equity.

data in th HUF	**31.12.2019**	**31.12.2018**
Opening	-1 748 120	-2 846 120
Increase	0	0
Decrease	0	1 098 000
Closing	**-1 748 120**	**-1 748 120**

The value of repurchased treasury shares did not change compared to the previous year.

12. Retained earnings and profit in the subject year

data in th HUF	**31.12.2019**	**31.12.2018**
Retained earnings		
Opening	33 202 238	24 364 273
Increase	0	2 566 000
Decrease	-2 568 844	-2 008 611
Closing	30 633 394	24 921 662
Profit in the subject year	2 275 882	8 280 576
Closing	**32 909 276**	**33 202 238**

The decreasing item in the current period change in the profit reserve was the HUF 2,568,844,400 dividend paid out against the profits of 2018. At the Annual General Meeting of the Company on April 29, 2019, it was decided to pay a dividend of HUF 100 per common share after the 2018 business year, and the starting date of the dividend payment was May 15, 2019.

13. Long-term financial liabilities

data in th HUF	**31.12.2019**	**31.12.2018**
Long term loans	15 618 427	9 153 569
Total	**15 618 427**	**9 153 569**

The entire long term loans line consists of the long term part of bank loans.

Bank loans:

- A 10-year floating-rate refinancing loan taken in March 2018 from the Magyar Takarékszövetkezeti Bank Zrt. (Takarékbank) in the amount of HUF 2,022,766,172 to refinance the EUR loan provided by the CIB Bank Zrt.
- Pursuant to the loan agreement concluded between the Company and the MFB Magyar Fejlesztési Bank Zrt. (hereinafter: MFB) on September 3, 2019 on the basis of the credit line agreement concluded between the Company and the MFB on November 7, 2018 in the amount of HUF 20 billion (hereinafter: Credit Line Agreement), MFB granted a 10-year fixed-rate HUF loan to the Company in the amount of HUF 7,579,600,000 for the payoff of the investment loan debt, which the Company had with the Takarékbank on the basis of the loan agreement made on November 24, 2017. As a result of the above, the investment loan debt affected by the transaction was repaid on September 13, 2019.
- Pursuant to the two loan agreements concluded between the Company and the MFB on November 7, 2019 on the basis of the Credit Line Agreement, the MFB provided fixed-rate, 10-year term, HUF loans for real estate renovation/modernization to the Company in a total amount of HUF 6,793,011,570.

The installments of these loans due in 2020 are included in the short-term loans.

14. Provisions

data in th HUF	31.12.2019	31.12.2018
Provisions for expected liabilities	16 633	12 614
Total	**16 633**	**12 614**

The Company reviews the provisions for expected future payment obligations every year, those formed in previous years are released annually in proportion to the expected limitation of liabilities, and new ones are made in accordance with the expected payment obligations incurred in the current year. Of the above amount, HUF 11,333 thousand is in the books of the parent company and HUF 5,300 thousand in the books of the subsidiary.

15. Deferred tax liabilities

Due to the transformation to SZIE, the Company reversed the deferred tax liabilities recognized earlier, since it does not expect tax liabilities in future normal course of business.

16. Other long-term liabilities

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

17. Short term financial liabilities

data in th HUF	31.12.2019	31.12.2018
Short-term part of loans	515 354	769 541
Total	**515 354**	**769 541**

Short term financial liabilities include the reclassification of the short-term portion of the bank loans (see also Section 13 above).
In preparing these Financial Statements of the Parent Company, the Company did not intend to use the “debt moratorium” set out in Government Decrees 47/2020. (III. 18.) and 62/2020. (III. 24.).

18. Trade payables

data in th HUF	31.12.2019	31.12.2018
Trade payables	275 656	380 987
Total	**275 656**	**380 987**

Half of the amount of accounts payable in the subject year includes public utility, telephone and other used service liabilities related to the parent company's properties and liabilities due to guaranteed retention, and the other half comes from subcontracting fees and warranty retentions used by the subsidiary for ongoing housing developments.

19. Other liabilities, accrued expenditure and deferred income

data in th HUF	31.12.2019	31.12.2018
Advances + VAT correction	1 631 250	1 376 542
Wages+taxes+contributions	174 178	113 173
Dematerialisation-related liability towards owners	75 280	75 280
Accruals	45 224	49 580
Reclassification	469 889	25 793
Other	0	0
Total	**2 395 821**	**1 640 368**

The changes in other short term liabilities, accrued expenditure and deferred income are mainly determined by the advances, the VAT payment liabilities increased in the subject period, dematerialization-related liabilities towards owners and accrued public utility and other costs. The significant increase in the reclassified portfolio was due to tenant payments made before the payment deadline.

20. Revenue

data in th HUF	2019	2018
Income from leasing and operating fees	2 949 739	1 752 756
Income from parking fees	475 159	368 102
Income related to mediated services	271 917	573 652
Income related to services	0	0
Revenue from property sales	1 580 759	1 073 018
Other revenues	10 680	24 529
Total	**5 288 254**	**3 792 057**

The income only includes the gross recognized economic benefits received on the own account of the Company.

The Company accounts rent as revenues continuously during the term of the particular lease contract. The Company accounts sales of lots and apartments at a given time as revenues.

In the case of sale of lots and apartments completed by the development of Harsánylejtő Kft, the factors determining the time of being accounted as revenue are the following:

- payment of the purchase price in full,
- the seller delivers and the buyer accepts the lot/apartment,
- the buyer is entitled to the profits and risks incidental to ownership.

The main reason for the increase in lease income in the current period is the lease of the Vigadó Palace Office Building (Budapest V. kerület Apáczai Csere János utca 9.) in October 2018, and is also due to the enforcement of rent increases and the still relatively high occupancy rate.

The parking fee revenues include, on the one hand, the continuously accounted revenues related to the lease agreements, and, on the other hand, the ad-hoc revenues of this kind generated during the utilization of the free parking spaces in the parking garages providing the parking service.

data in th HUF	2019	2018
Parking revenues related to leases	328 985	248 166
Periodic parking revenues	146 174	119 935
Total	**475 159**	**368 102**

Mediated services include the utility and telephone fees re-invoiced to lessees. Re-invoicing includes mainly the re-invoicing of the utility consumption of the lessees of the Flórián Udvar Office Building (Budapest III. District Polgár street 8-10.), the electricity consumption of the lessees of the Victor Hugo Office Building (Budapest, Victor Hugo utca 18-22.), and the utility consumption of the hotel premises at Budapest District X Üllői út 114-116. The significant decrease in revenues from mediated services was mainly due to the settlement of the lessee construction in the Vigadó Palace Office Building in 2018.

The sales revenue of real estate shows an increase at group level, this increase is due to the apartment sales realized at Harsánylejtő Kft in the current year, because at the parent company, the sale of most of the lots was already realized in 2018, in phases I and II of the Harsánylejtő Projekt, which resulted in a decrease in the sales revenue of the parent company in the subject year.

Income that cannot be classified in the previous groups is among the other revenues.

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

21. Other operating income

data in th HUF	2019	2018
Fair valuation	145 676	6 620 831
Property sales	0	0
Other income	204 370	79 679
Total	**350 046**	**6 700 510**

In the other operating income, the increase in the fair value of investment properties measured at market value, as well as received compensations (BIF HUF 99.6 million, Harsánylejtő Kft. HUF 74.9 million), post-discounts (HUF 15.6 million) and tangible asset sales (12.4 million) revenues included in the other income are shown.

22. Value of capitalized own production

data in th HUF	2019	2018
Changes in the inventory of internally generated products	132 299	809 163
Capitalized value of internally generated assets	58 441	0
Total value of capitalized own production	**190 740**	**809 163**

In the Changes in the inventory of internally generated products, the Company recognizes the capitalization of the cost of works carried out on the lots kept in inventory and the reversal of the capitalized values of own lots sold, which resulted in a decrease of HUF 30,539 thousand at the parent company in the year under review. In Harsánylejtő Kft., on the other hand, the construction of the condominium is still in progress, which, despite the derecognition of the inventory value of the delivered apartments, still resulted in an increase of HUF 162,838 thousand in the stocks.
The Capitalized value of internally generated assets comprises the value of the investments removed due to the delivery of the playground and sports field facilities delivered to Municipality of District III of Budapest, and the water utilities delivered to the Municipality of Budapest, which were completed at Harsánylejtő and were undertaken as commitments in previous years.

23. Material expenditure

data in th HUF	2019	2018
Material expenditure	137 190	96 019
Value of services used	1 618 074	1 341 868
Value of other services	45 867	24 552
Cost of sold goods	87 610	86 253
Value of sold (mediated) services	269 094	432 383
Total	**2 157 835**	**1 981 075**

The amount of material expenditure increased in total by HUF 176.76 million compared to the previous year, but the change in the individual components is different.

Causes of change:

– the additional costs arising from the Attila út property (located at 1012 Budapest, Attila út 99. and 1012 Budapest, Logodi utca 42.) included in the real estate portfolio in 2019 and the Vigadó Palace Office Building leased as of October 2018, as well as the utility fees invoiced late by the service providers, and which were carried over from the previous year to the current year, account for a significant share of the increase in material expenditure,
– the increase in the services used is largely due to the additional maintenance costs generated due to the Vigadó Palace Office Building (e.g. fire alarm system, camera system, access control system), the costs of electrical installation in the BIFLOFT (Budapest District X Üllői út 114-116), the marketing costs related to the real property at Attila út, the custody and security fees increased for all properties, as well as agency commissions related to the successful lease of the Vigadó Palace Office Building and purchase of the Attila út property,
– the increase in other services was partly due to the availability charges related to the Credit Line Agreement and the contract amendment fees,
– the cost of sold goods at the parent company was halved due to the decrease in the sales volume of the Harsánylejtő building plots, but at the group level this was offset by the derecognition of the plot values of the apartments sold at the subsidiary,
– the significant decrease in the value of sold (mediated) services was mainly due to the settlement of the lessee construction in the Vigadó Palace Office Building in 2018.

24. Personal expenditure

data in th HUF	2019	2018
Wages	353 423	268 046
Other personal expenditure	29 588	28 028
Contributions	75 295	58 256
Total	**458 306**	**354 330**

One of the main reasons for the increase of personal expenditure was the increase in staff and organizational development related to the achievement of the strategic objectives of the Company. The average headcount of the employees of the company was 43 in 2019 (it was 32 in 2018).

25. Depreciation and impairment

data in th HUF	2019	2018
Depreciation	37 257	37 327
Impairment	189 916	0
Total	**227 173**	**37 327**

The Company recorded HUF 37,257 thousand depreciation on its non-investment tangible assets, and it recorded an impairment loss of HUF 186,000 thousand on inventories, and HUF 3,916 thousand on doubtful accounts receivables.

26. Other operating expenditure

data in th HUF	2019	2018
Effect of fair valuation on inventories	94 471	128 248
Other expenditure	410 769	249 348
Total	**505 240**	**377 596**

The fair value adjustment is the effect of the evaluation of inventories based on the IFRS in both years.
Other expenditure were largely accounted for by building and land taxes (HUF 163 million) settled with the Municipalities of Budapest, the value of assets (water utilities, playground and running tracks) delivered to the Municipality of Budapest and the Local Government of District III free of charge (HUF 158 million), the derecognized book value of tangible assets sold and disposed of (HUF 5.8 million), a grant to a foundation (HUF 5 million), penalties (HUF 11.4 million) and provisions (HUF 5.3 million).

27. Revenue and expenditure from financial transactions

Financial revenue

data in th HUF	2019	2018
Interest received	7 411	1 242
Translation gains	8 798	7 111
Other	0	0
Total revenue	**16 209**	**8 353**

Financial expenditure

data in th HUF	2019	2018
Interest paid	205 847	240 350
Translation losses	836	22 800
Other	0	0
Total expenditure	**206 683**	**263 150**

The decrease in interest paid is due to the payoff of the previous floating-rate investment loan of HUF 8 billion granted by Takarékbank with a loan of more favorable interest rate and approximately HUF 7.6 billion disbursed by MFB (see also Section 13).

28. Current tax expense

data in th HUF	2019	2018
Corporate tax	1 491	7 018
Local business tax	0	0
Innovation contribution	11 779	9 533
Total	**13 270**	**16 551**

Due to the SZIE status, the Company is only obliged to pay corporate tax until obtaining SZIE status (October 20, 2017). However, as a SZIE, the Company is obliged to establish the corporate tax base taking into consideration the provisions of the SZIT Act, but only has corporate tax payment obligation after the tax base received this way in certain cases (e.g. for revenue proportionate tax base from affiliated companies).

data in th HUF	
Profit before IFRS tax	**2 296 950**
Tax correction (innovation contribution)	11 779
Profit before IFRS tax (corrected with innovation contribution)	**2 285 171**
IFRS correction items	-705 529
Adjusted profit before corporate tax	**1 579 642**
Increasing items	264 389
Decreasing items	-47 029
Corporate tax base in 2019	**1 797 002**
Amount of corporate tax discount due to SZIT	0%
Corporate tax base (revenue proportionate from affiliated companies) in 2019	16 567
Corporate tax payable after affiliated companies	1 491
Corporate tax liability in the year 2019	**1 491**

29. Deferred tax

data in th HUF	2019	2018
Deferred tax	860	522
Total	**860**	**522**

We accounted deferred tax against the deferred loss of Harsánylejtő Kft. in the subject period, there was no need to account the same in the Company due to the SZIE status (the status is effective from October 20, 2017, therefore, it was to be accounted for in the base period).

30. Tax effect of the changes in the current value of properties

data in th HUF	2019	2018
Tax effect of the changes in the current value of other properties	0	0
Total	**0**	**0**

Here, the Company recognizes the changes in the deferred tax attributable to the appreciation of the 2 investment properties accounted for earlier in the fair value model according to IAS 16. In 2017 the deferred tax accounted for earlier was released due to SZIE status.

31. Earnings per share

data in th HUF	2019	2018
Taxable profit (th HUF)	2 275 882	8 280 576
Weighted average of common shares (pieces)	256 884 440	220 037 070*
Earnings per share (base) (HUF) (the ratio of the "Taxable profit" and the "weighted average of common shares")	**8.86**	**37.63***

* In order to make the data for the base period comparable, the actual base data has been adjusted to take into account the share split.

In the course of 2019, based on the resolution of the Annual General Meeting, the 28,702,444 ordinary shares of the Company with a nominal value of HUF 100 each were converted in such a way that the nominal value and number of shares were changed, but the share capital remained unchanged.
Following the share conversion, the share capital of the Company consists of 287,024,440 registered, dematerialized, ordinary shares with a nominal value of HUF 10 each, of which 30,140,000 are treasury shares owned by the Company. The weighted average of the ordinary shares is 256,884,440. (The Company's ordinary shares with a nominal value of HUF 10 could be traded on the Budapest Stock Exchange for the first time on June 11, 2019.)

No factors at the Company may dilute the earnings per share.

32. Segment Information

All the properties of the Company are in Budapest and its agglomeration, so the geographical breakdown of revenues and expenditures is not necessary. Considering that the activity of the Company includes the renting, utilization and trading of properties, the segments were created accordingly in 2019.
The Company's subsidiary, Harsánylejtő Kft. is treated as a separate segment, where we present the results of the Company's activities related to residential real estate development, the “Harsánylejtő plots” segment aggregates revenues and related expenses from the sale of plots prepared for sale and still under development within the framework of the Harsánylejtő Project, while the “Investment, income-generating properties” summarizes the results that can be directly attributed to properties purchased by the Company for lease. Besides this, operating income from the operation of the Company that cannot be directly connected to properties is recognized separately.

The following table includes the changes of the revenues and expenditures of the segments established according to the above-mentioned classification in 2019 and 2018:

2019 (data in th HUF)	**Harsány-lejtő Kft.**	**Harsánylejtő plots**	**Investment, income-generating properties**	**Operating**	**total**
Net revenue from sales	921 428	662 501	3 703 336	989	5 288 254
Other operating income	74 884	143	245 110	29 909	350 046
Value of capitalized own production	162 838	- 55 945	83 847	0	190 740
Material expenditure	- 946 969	- 87 255	- 953 803	- 169 808	- 2 157 835
Personal expenditure	- 1 289	0	0	- 457 017	- 458 306
Depreciation and impairment	- 186 003	- 2 027	0	- 39 143	- 227 173
Other operating expenditure	- 12 258	- 270 203	- 141 136	- 81 643	- 505 240
Income from financial transactions	1 317	0	0	14 892	16 209
Expenditure of financial transactions	0	0	0	- 206 683	- 206 683
Profit before taxes	**13 948**	**247 214**	**2 937 354**	**- 908 504**	**2 290 012**

2018 (data in th HUF)	**Harsány-lejtő Kft.**	**Harsánylejtő plots**	**Investment, income-generating properties**	**Operating**	**total**
Net revenue from sales	0	1 074 683	2 695 929	21 445	**3 792 057**
Other operating income	0	66 498	6 620 848	13 164	**6 700 510**
Value of capitalized own production	855 581	0	0	-46 418	**809 163**
Material expenditure	-859 260	-183 293	-814 599	-123 923	**-1 981 075**
Personal expenditure	-10	0	0	-354 320	**-354 330**
Depreciation and impairment	0	0	0	-37 327	**-37 327**
Other operating expenditure	-2 117	-128 248	0	-247 231	**-377 596**
Income from financial transactions	6	0	0	8 347	**8 353**
Expenditure of financial transactions	0	0	0	-263 150	**-263 150**
Profit before taxes	**-5 800**	**829 640**	**8 502 178**	**-1 029 413**	**8 296 605**

33. Risk management

The assets of the Company include cash, securities, trade and other receivables and other assets, except for taxes. The resources of the Company include loans and credits, trade and other liabilities, except for taxes and profit or loss from 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 presents the above risks of the Company, the goals, policies of the Company, process assessment, risk management and management capital of the Company. The Board of Directors bears general responsibility concerning the incorporation, supervision and risk management of the Company.

The purpose of the risk management policy of the Company is to screen and investigate risks the Company faces and to set the appropriate controls and control risks. The risk management policy and system are reviewed to reflect the changed market circumstances and the activities of the Company.

33.1. Capital management

It is the policy of the Company to preserve the capital stock which is enough for the trust of investors and creditors to maintain the future development of the Company. The Board of Directors strives to maintain the policy to only accept higher levels of exposure from loans in the case of a higher yield, based on the benefits provided by a strong capital position and security.

The capital structure of the Company consists of the net debt and the equity of the Company (this one includes the issued capital, the reserves and the interest of non-controlling shareholders).

When managing risks, the Company strives to ensure that the members of the Company can continue their activities and at the same time maximize recovery for owners by balancing loan capital and equity in the best possible way and to keep the best capital structure to decrease capital costs. The Company also considers whether the capital structure of its member companies is in compliance with the local legal regulations.

The net debt and equity at the end of the reporting period was as follows:

data in th HUF	**31.12.2019**	**31.12.2018**
Credits, loans	16 133 781	9 923 110
Cash and cash equivalents	14 937 817	9 850 843
Net debt	**1 195 964**	**72 267**
Equity	41 158 588	41 451 550

33.2. Credit risk

Credit risk means the risk that the debtor or partner will not perform their contractual obligations, which results in financial loss for the Company. Cash exposed to credit risks can be long or short term placements, cash and cash equivalents, trade and other receivables.

The book value of cash shows the maximum risk exposure. The following table shows the maximum credit risk exposure of the Company on December 31, 2019 and December 31, 2018.

data in th HUF	**31.12.2019**	**31.12.2018**
Trade receivables	102 279	509 125
Cash and cash equivalents	14 937 817	9 850 843
Total	**15 040 096**	**10 359 968**

Generally, the risks are mitigated by continuous monitoring of the collection risk of our past due receivables and accounting for depreciation.

We classify customers on a continuous basis. The Company accounted th HUF 3,916 for bad debts. The collection risk is insignificant for our past due and outstanding trade receivables.

33.3. Liquidity risk

The liquidity risk is the risk of the Company not being able to perform its financial liabilities in due time. The liquidity management approach of the Company is to provide appropriate liquidity for the performance of its liabilities in due time at all times, to the extent possible, under both usual and stressed circumstances without incurring unacceptable losses or risking the reputation of the Company.

A Cash-flow plan is also prepared in the case of the member companies of the Company, which is updated continuously. The Company reviews the cash requirements of the Company in order to provide the cash necessary for operation and meeting the financial indicators specified in the credit agreement with rolling forecast. Cash surplus on the Company's level manifests on depository accounts, in fixed-term deposits.

33.4. Market risk

Market risk is the risk that the market prices, like exchange rates, interest rates and prices, changes of investments into investment funds will influence the profit of the Company or the value of its investments in financial instruments. The purpose of market risk management is to manage and control exposure to market risks within acceptable limits, while optimizing profit.

In 2018, a significant change occurred in terms of the risk arising from the change of EUR exchange rates applicable to the Company before. The EUR-based debt outstanding against CIB Bank Zrt. was refinanced at the end of March 2018, therefore, now the Company only has long-term HUF-based loans. Due to the fact that approximately 95% of the income of the Company is realized in HUF, the Company basically does not have any FX risks.

Out of the Company's long-term HUF loans, only the loan at Takarékbank (amount of principal debt on December 31, 2019: HUF 1,761,169,172) has a floating interest rate, which is linked to the 3-month BUBOR, thus, with the increase in the money market interest rates, the interest rate of the given forint loan also increases (interest rate risk). In September 2019, the Company refinanced its other previous floating-rate investment loan provided by Takarékbank with a 10-year fixed-rate loan from MFB, significantly reducing the Company's interest rate risk (see also Sections III./13 and 27, and IV./2).

The Company is continuously examining the international and Hungarian financial market trends, financing possibilities, including the possibility of refinancing its loan with variable rates with fixed rate loan, and will decide on further refinancing depending on such options.
The Company does not enter into transactions for the hedging of exchange rates.

34. Sensitivity analysis

The Company has determined that its results, taking into account the refinancing indicated in Section 34.4 above that reduces the interest rate risk, may depend on the following key variable of a financial nature: interest rate risk. The Company performed the following sensitivity analysis for this key variable in the case of its floating rate loan unpaid on December 31, 2019 (the following sensitivity analysis was performed regarding the change of the interest paid for this floating rate loan in 2019 ("Net variable interest expense" or "Net variable interest")).

Result of the interest sensitivity analysis (data in th HUF, % changes indicated separately) (in the percentage of interest changes):

With current interests	**2019**
Earnings before taxes (without Net variable interest)	2 319 371
Net variable interest expense	-29 359
Earnings before taxes	**2 290 012**
Assets total	**59 980 479**
1%	
Earnings before taxes (without Net variable interest)	2 319 371
Net variable interest expense	-29 653
Earnings before taxes	**2 289 718**
Changes in earnings before taxes	**-294**
Changes in earnings before taxes (%)	**-0.013%**
Net assets	**59 980 185**
Changes in net assets	**-294**
Changes in net assets (%)	**0.000%**
5%	
Earnings before taxes (without Net variable interest)	2 319 371
Net variable interest expense	-30 827
Earnings before taxes	**2 288 544**
Changes in earnings before taxes	**-1 468**
Changes in earnings before taxes (%)	**-0.064%**
Net assets	**59 979 011**
Changes in net assets	**-1 468**
Changes in net assets (%)	**-0.002%**
10%	
Earnings before taxes (without Net variable interest)	2 319 371
Net variable interest expense	-32 295
Earnings before taxes	**2 287 076**
Changes in earnings before taxes	**-2 936**
Changes in earnings before taxes (%)	**-0.128%**
Net assets	**59 977 543**
Changes in net assets	**-2 936**
Changes in net assets (%)	**-0.005%**
-1%	
Earnings before taxes (without Net variable interest)	2 319 371
Net variable interest expense	-29 065
Earnings before taxes	**2 290 306**
Changes in earnings before taxes	**294**
Changes in earnings before taxes (%)	**0.013%**
Net assets	**59 980 773**
Changes in net assets	**294**
Changes in net assets (%)	**0.000%**

-5%	
Earnings before taxes (without Net variable interest)	2 319 371
Net variable interest expense	-27 891
Earnings before taxes	**2 291 480**
Changes in earnings before taxes	**1 468**
Changes in earnings before taxes (%)	**0.064%**
Net assets	**59 981 947**
Changes in net assets	**1 468**
Changes in net assets (%)	**0.002%**

-10%	
Earnings before taxes (without Net variable interest)	2 319 371
Net variable interest expense	-26 423
Earnings before taxes	**2 292 948**
Changes in earnings before taxes	**2 936**
Changes in earnings before taxes (%)	**0.128%**
Net assets	**59 983 415**
Changes in net assets	**2 936**
Changes in net assets (%)	**0.005%**

35. Financial instruments

Loans given, invested financial assets, the trade receivables, securities and cash from the current assets and credits received, loans and trade payables qualify as financial instruments.

December 31, 2019 data in th HUF	**Book value**	**Fair value**
Financial assets		
Loans and receivables		
Registered at amortized cost		
Trade receivables	107 647	102 279
Cash and cash equivalents	14 937 817	14 937 817
Financial liabilities		
Liabilities registered at amortized cost		
Financial liabilities	16 133 781	16 133 781
Trade payables	275 656	275 656

December 31, 2018 data in th HUF	**Book value**	**Fair value**
Financial assets		
Loans and receivables		
Registered at amortized cost		
Trade receivables	510 609	509 125
Cash and cash equivalents	9 850 843	9 850 843
Financial liabilities		
Liabilities registered at amortized cost		
Financial liabilities	9 923 110	9 923 110
Trade payables	380 987	380 987

Fair value was determined in both years at fair value in accordance with level 2.

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

In 2019 the members of the Board of Directors at the parent company performed their tasks without remuneration in the 2019 business year and the members of the Audit Committee performed their tasks with a monthly remuneration of HUF 300,000/month per member. There is no Supervisory Board at the Company and the consolidated subsidiary.

37. Remuneration of top and middle managers in key positions

data in th HUF	**2019**	**2018**
Gross wage	148 389	124 473
Contributions	29 774	26 139
Total	178 163	150 612

38. Items of exceptional volume and occurrence

In 2019, the Company did not have any revenue of exceptional volume or occurrence, nor any expense of exceptional volume or occurrence.

39. Data of affiliated companies

39.1. Subsidiary

		Voting and interest	
Subsidiary	**Registered office**	**31.12.2019**	**31.12.2018**
Harsánylejtő Kft.	1033 Budapest Polgár u. 8-10.	100.00%	100.00%

Equity data of Harsánylejtő Kft. on December 31, 2019 in th HUF:

Equity	-213 878
Equity	-213 878
Issued capital	3 000
Capital reserve	0
Retained earnings	-44 975
Deposited reserve	47 500
Profit after tax	-219 403

The value of the equity of Harsánylejtő Kft. in its statement of 2019 is negative on account of the condominium developments in progress but not yet sold and the expenditure incurred in relation to the funding of the same.
The Company, as the owner of Harsánylejtő Kft. ordered supplementary contribution in its Resolution of the Founder No. 3/2020.03.17 in the amount of HUF 220,000,000, which was transferred to the account of Harsánylejtő Kft. on March 18, 2020, this way settling the equity situation of the company.

Transactions concluded between the affiliated companies:

data in th HUF	**31.12.2019**	**31.12.2018**
Loan provided by BIF	1 486 840	1 263 840
BIF Revenue	41 976	35 397
BIF Expense	3 340	5 306
Salary+contribution claim	375	0

39.2. Other affiliated companies:

In 2019, in addition to Harsánylejtő Kft., the Company had no business relationship with any other affiliated company, since the K4A Lapkiadó Kft (1033 Budapest, Polgár utca 8-10.) was removed from the group of affiliated companies in 2018.

IV. Other additional information

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

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

On December 31, 2019, the following liens existed on certain items constituting the assets of the company group:

Loan1
Name of beneficiary: MFB Magyar Fejlesztési Bank Zrt.
Pursuant to the HUF 20 billion credit line agreement concluded between the Company and MFB Magyar Fejlesztési Bank Zrt. on November 7, 2018, and according to the loan agreement concluded between the Company and MFB Magyar Fejlesztési Bank Zrt., the MFB Magyar Fejlesztési Bank Zrt. provided a loan of HUF 7,579,600,000 to the Company.

Name of mortgaged item, right (interest):

- Real property with topographical number Budapest, District V., 24393/0/A/1 (1052 Budapest, Aranykéz u. 4-6.)
- Real property with topographical number Budapest, District VII., 34214/3 (1070 Budapest, Madách Imre tér 3.)
- Real property with topographical number Budapest, District V., 24408/4 (1052 Budapest, Apáczai Csere János utca 9.)

Identifiers of the contract including the secured claim:
Loan agreement
Date: September 3, 2019
Blanket mortgage on real property
Date: September 3, 2019
Mortgage contract encumbering the claim
Date: September 3, 2019

Amount of the secured claim / collateral registered:
HUF 20,000,000,000, that is, a principal amount of twenty billion forints plus the charges thereof

Loan2-3

Name of beneficiary: MFB Magyar Fejlesztési Bank Zrt.

Pursuant to the HUF 20 billion credit line agreement concluded between the Company and MFB Magyar Fejlesztési Bank Zrt. on November 7, 2018, and according to the two loan agreements concluded between the Company and MFB Magyar Fejlesztési Bank Zrt. on November 7, 2019, the MFB Magyar Fejlesztési Bank Zrt. provided a loan totaling HUF 6,793,011,570 to the Company.

Name of mortgaged item, right (interest):

- Real property with topographical number Budapest District XII. 6979 (1122 Budapest, Városmajor utca 12-14.)
- Real property with topographical number Budapest District I. 6775 (1012 Budapest, Logodi utca 42.)

Identifiers of the contract including the secured claim:

2 loan agreements
Date: November 7, 2019
Blanket mortgage on real property
Date: November 7, 2019
Mortgage contract encumbering the claim
Date: November 7, 2019

Amount of the secured claim / collateral registered:

HUF 20,000,000,000, that is, a principal amount of twenty billion forints plus the charges thereof

Loan4

Name of beneficiary: Takarékbank Zrt.

Name of mortgaged item, right (interest):

- Real property with topographical number Budapest 18059 (interest of 8454/10000) (1033 Budapest, Polgár u. 8-10.)

Identifiers of the contract including the secured claim:

Loan agreement
Date: March 8, 2018
Blanket mortgage on real property
Date: March 8, 2018
Mortgage contract encumbering the claim
Date: March 8, 2018

Amount of the secured claim / collateral registered:

HUF 2,100,000,000, that is, a principal amount of two billion and one hundred million forints plus the charges thereof

1.2. Litigations, other judicial proceedings

On December 31, 2018, Budapesti Ingatlan Nyrt. was a party to the following litigation proceedings as defendant.

Litigation proceedings pending

(i) Plaintiff: Tőzsdei Egyéni Befektetők Érdekvédelmi Szövetsége (Advocacy Association of Stock Market Investors), shareholder; defendant: Budapesti Ingatlan Nyrt. (court of arbitration proceedings)

Subject of the lawsuit: Action initiated to repeal certain 2016 resolutions of the general meeting and Board of Directors of the Company and to suspend the execution of the same.
No decisions were made in 2019 in relation to the lawsuit. However, we would like to highlight in this regard that the possible repealing of the resolutions attacked by the plaintiff and made years ago will have no effect on the current operation of the Company.

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

Subject of the lawsuit: Emergency and obligation to compensate for damages.
The plaintiff condominium requested in its prayer for relief in the lawsuit pending before the Central District Court of Pest that the Company be ordered with regard to one of the condominium units owned by the Company in the condominium registered with topographical number Budapest, District VIII 34637/0/A/107 to eliminate the soaking of the roof of the church building, to repair the slippery elements of the rainwater drainage system, replace its missing elements, eliminate the deterioration of the facade plaster layers and to restore the previously fallen sandstone decorative elements. The antecedent of the condominium's claim is that by the decision of the 5th District Office of the Government Office of Budapest dated April 26, 2019, not the Company but the condominium shall eliminate the dangerous condition of the church building facade and roof structure, and the condominium attempts to transfer the obligation contained in the decision to the Company in the framework of the present lawsuit.
In the opinion of our Company, the claim of the condominium is completely unfounded, considering that the building structures referred to in the statement of claim and the official decision are considered to be common property of the condominium according to the valid Conditions, Covenants & Restrictions of the condominium and the relevant legal provisions, and the obligations and costs related to the maintenance (maintenance, renovation) of the building parts, fittings and equipment that are the common property of the condominium shall be borne by the condominium in accordance with the relevant provisions of the Conditions, Covenants & Restrictions and the applicable legislation..
Otherwise, it was indicated in the lawsuit initiated earlier by the condominium against the Company, which was concluded in a final and binding manner in 2018 and which our Company won on the legal basis of its defense, and in the review procedure closed before the Supreme Court in 2019 the Supreme Court also indicated, that the maintenance of the affected building structures and the preservation of their condition, since it is the common property of a condominium, are (or would have been) the obligations of the condominium. We filed a substantive counterclaim against the lawsuit in court, and hopefully the lawsuit will end with the Company winning the lawsuit.

2. Significant post balance sheet events

Real property acquisition:
On January 2, 2020, the Company entered into a real estate purchase agreement with the seller, Városmajor Projekt Ingatlanhasznosító Kft. in the subject of the purchase of the real property with topographical number Budapest, incorporated area, District XII, 6866, located at Budapest, Városmajor utca 35. The special feature of the 15,000-square-meter, well-located office building is that it has a legal building permit for the construction of a 7-storey, 248-space parking garage in one of the busiest streets in the 12th district.

Borrowing:

Based on the HUF 20 billion credit line agreement concluded between the Company and MFB Magyar Fejlesztési Bank Zrt. on November 7, 2018, a loan agreement was concluded between the Company and MFB Magyar Fejlesztési Bank Zrt. on February 6, 2020, on the basis of which the MFB Magyar Fejlesztési Bank Zrt. provided a 10-year, fixed-rate HUF loan to the Company for the purchase of real estates in the amount equal to EUR 8,622,900.

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

Unfortunately, after the closing date of the balance sheet, in March 2020, the coronavirus appeared in Hungary as well. Sadly, the coronavirus situation and its development is expected to have a negative impact on the Company's plans and objectives for 2020, including its ongoing developments. These expected negative effects are difficult to be estimated and quantified yet. The spread of the corona virus will likely affect the business via the renegotiation or termination of lease contracts by some of our tenants who are expected to initiate them, or the possible delay in ongoing developments, or through our supplier and service relationships and employees. In order to minimize the above risk exposure and to protect its employees, the Company closely monitors the current situation, especially the measures of governmental and official bodies, and introduces accordingly new measures and provides information to its employees and partners.

Due to the coronavirus situation, the Company has assessed and prepared estimates of whether there is significant uncertainty regarding the ability to continue the business, and has determined that it is appropriate to assume that the business activity can continue in the foreseeable future and there is no significant uncertainty.

3. Extraordinary and other regulated disclosures in 2019 and until the date of signing of these Consolidated Financial Statements

Date of disclosure	Subject of disclosure
March 27, 2020	Notice of the general meeting of Budapesti Ingatlan Nyrt.
February 28, 2020	Monthly disclosure of voting rights and registered capital
February 6, 2020	Extraordinary information on signing a loan agreement
January 31, 2020	Monthly disclosure of voting rights and registered capital
January 27, 2020	Announcement of successful completion of real property transaction
January 2, 2020	Information on signing a real property sales agreement
December 31, 2019	Monthly disclosure of voting rights and registered capital
December 20, 2019	Corporate calendar of events
December 2, 2019	Monthly disclosure of voting rights and registered capital
November 18, 2019	Extraordinary information on credit rating
November 11, 2019	Extraordinary information on signing a general contract
November 7, 2019	Extraordinary information on signing loan agreements
November 6, 2019	Extraordinary information on litigation initiated by a subsidiary
October 31, 2019	Monthly disclosure of voting rights and registered capital
September 30, 2019	Monthly disclosure of voting rights and registered capital
September 13, 2019	Extraordinary information (related to the announcement published on September 3, 2019 regarding the final repayment of a debt)
September 3, 2019	Extraordinary notice on signing a loan agreement
September 2, 2019	Monthly disclosure of voting rights and registered capital
August 30, 2019	Budapesti Ingatlan Nyrt. 2019 Semi-Annual Report
July 31, 2019	Monthly disclosure of voting rights and registered capital
June 28, 2019	Monthly disclosure of voting rights and registered capital
June 7, 2019	Information of Budapesti Ingatlan Nyrt. in connection with the decimation of the nominal value of BIF Nyrt.'s ordinary shares with a nominal value of HUF 100
May 31, 2019	Announcement of Budapesti Ingatlan Nyrt. on the procedure for the conversion of the ordinary shares of BIF Nyrt. with a nominal value of HUF 100 by decimating the nominal value
May 31, 2019	Personal news
May 31, 2019	Monthly disclosure of voting rights and registered capital
May 14, 2019.	Effective Articles of Association of Budapesti Ingatlan Nyrt.
May 9, 2019	Additional information for the dividend payment announcement of Budapesti Ingatlan Nyrt. for the 2017 business year
April 30, 2019	Minutes of the General Meeting of Budapesti Ingatlan Nyrt.
April 30, 2019	Dividend payment of Budapesti Ingatlan Nyrt.
April 30, 2019	Monthly disclosure of voting rights and registered capital
April 29, 2019	Annual report of Budapesti Ingatlan Nyrt.
April 29, 2019	Corporate Governance Report
April 29, 2019	Resolutions of the annual general meeting of Budapesti Ingatlan Nyrt.
April 8, 2019	Proposals for the general meeting and motions
April 1, 2019	Monthly disclosure of voting rights and registered capital
March 31, 2019	Notice of the general meeting of Budapesti Ingatlan Nyrt.
February 28, 2019	Monthly disclosure of voting rights and registered capital
January 31, 2019	Monthly disclosure of voting rights and registered capital

4. Authorizing the disclosure of the financial statements

The Board of Directors approved this 2019 Audited Annual IFRS Consolidated Financial Statements on the 8th of April, 2020 and authorized it for disclosure with its resolution.

Declaration of liability

Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. hereby declares that this 2019 Audited Annual Consolidated Financial Statements has been prepared to the best knowledge of the Company, in accordance with IFRS and provides a true and reliable image of the assets, liabilities, financial position as well as profits and losses of the Company and the company included in the consolidation, and does not omit any facts that might have any significance concerning the assessment of the situation of the Company and the company included in the consolidation.

Budapest, April 8, 2020

……………………………………….	……………………………………….
dr. Ungár Anna	Berecz Kristóf
President of the Board of Directors	Vice President of the Board of Directors, CEO
address: 1121 Budapest, Hegyhát út 23.	address: 1121 Budapest, Hegyhát út 23.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.

Report on the consolidated financial statements prepared in accordance with the International Financial Reporting Standards

Opinion

We have audited the consolidated financial statements of **Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.** and its subsidiary (hereinafter collectively referred to as "the Group"),prepared in accordance with the International Financial Reporting Standards, which consolidated financial statements comprise the consolidated statement of financial position for the year ended on 31 December 2019 – in which the identical total amount of assets and liabilities is **HUF 59.980.479 thousand** –, the consolidated statement of comprehensive income for the financial year then ended – in which the net profit for the year is **HUF 2.275.882 thousand in profit** and the total comprehensive income for the year is **HUF 2.275.882 thousand in profit** –, a consolidated statement of changes in equity, a consolidated statement of cash flows, as well as notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the Company's consolidated financial position as at 31 December 2019 and its consolidated financial performance and consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards adopted by the EU and with the Act C of 2000 on accountancy applicable in Hungary (hereinafter: „Accountancy Act").

Basis for the opinion

The audit was performed in line with the Hungarian National Audit Standards and in compliance with the acts and laws on accounting applicable in Hungary. A more thorough description of our liability prescribed by these standards is contained in the section of this report titled „ The liability of the auditor for the audit of the consolidated financial statements".

We are independent from the company in accordance with applicable laws in force in Hungary and the "Regulations on the (Ethical) Rules of Conduct for Auditors and Disciplinary Procedures" of the Chamber of Hungarian Auditors and in respect of matters not regulated therein, in accordance with the "Code of Ethics for Professional Auditors" issued by the International Ethics Standards Board for Accountants (IESBA Code), and we comply with other norms of ethics mentioned in those norms, as well.

We are convinced that the audit evidence obtained by us provides sufficient and suitable ground for our opinion.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the current consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

We have fulfilled our responsibilities set out in the "The liability of the auditor for the audit of the coonsolidated financial statements" section of this audit report, including those related to the topics below. As a consequence of this, our audit covered the execution of the audit procedure based on our risk assessment about the existence of material misstatements in the consolidated financial statements. Results of our audit procedures – including those aiming to cover the matters below – are the basis of our audit opinion on the consolidated financial statements.

Key audit matters	Audit procedures carried out
Investment properties	
The matter below has been described in detail in point II.1.3.1 and in point III.1 of the Notes to the consolidated financial statement. Investment properties of the Company are valued based on the fair value model. Market value of the investment properties are determined for every period end. Valuation is based on internationally accepted valuation methods, using the three internationally acceptable method (cost-based method, market-based comparison, cash-flow based method), where the value of the property is determined using the precautionary principle. Gain or loss arising in the period from valuation effect of investment properties is accounted though the profit and loss statement (other operating revenue or loss). Valuation of investment properties at the period end was considered to be a key audit matter, as investment properties represent a major part of the Group's assets.	During the course of our audit we have examined the control procedures related to the valuation of the investment properties. We have also examined the report of the independent valuation expert and the adequacy of the methods used by the expert, reliability of the input data and the used presumptions – including management judgements – based on our knowledge of the industry and professional judgement of our internal valuation experts. We have tested the valuation of the investment properties and examined that the accounting of the valuation is in line with the relevant standards. We have examined the ownership documents of the properties, and the accounting of the new purchases in the period. We have examined the disclosures connected to the investment properties.
A detailed explanation of the issue is provided in Section II.1.9 of the Annual Financial Statements. and III. It is included in paragraphs 13 and 17 "Financial liabilities", "Long-term financial liabilities" and "Short-term financial liabilities". The Company refinanced its previous loans during 2018 and 2019 on the basis of agreements concluded with Magyar Takarékszövetkezeti Bank Zrt. and MFB Magyar Fejlesztési Bank Zrt.; and took out new loans from MFB Magyar Fejlesztési Bank Zrt. Loan collateral is provided in Note IV. 1.1. The examination of loans is a key area, as they form a significant part (86%) of the Liabilities, in the total amount of HUF 16,134 thousand.	During our loan verification procedures, we asked for confirmation from the financial institutions providing the loans. We asked for loan agreements and examined compliance with the conditions. We also checked the adequacy of the settlement of interest and the reclassification of installments due next year. We requested and examined the documents of the refinancing in 2019. We examined the proper application of the rules used by the Company for the registration and settlement of financial liabilities, and their compliance with the requirements of the relevant standards. We have examined the adequacy of the disclosures.

Other information: The consolidated Annual Report

Other information consists of the consolidated annual report of **Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.** for the year 2019. Management is responsible for the preparation of this consolidated annual report in accordance with the accounting act and applicable provisions of other legal regulations. The opinion on the consolidated financial statements expressed in the "Opinion" section of our independent auditor's report does not relate to the consolidated annual report.

Our responsibility in connection with our audit of the consolidated financial statements is to read the consolidated annual report and in the course of this, to assess whether the consolidated annual report is in any material way inconsistent with the consolidated financial statements or our knowledge obtained in the course of the audit or whether otherwise it appears that it contains any material misstatements. If on the basis of our work we reach the conclusion that the other information contains any material misstatement, it is our obligation to report this and the nature of the misstatement.

In accordance with the accounting act, we are also responsible for assessing whether the consolidated annual report is in accordance with the accounting act and applicable provisions of other legal regulations, and to express an opinion about this and the consistency between the consolidated annual report and the consolidated financial statements.

As the Company is a listed company, based on the Accounting Act, our responsibility is to consider whether the consolidated annual report is compliant with the requirements set out in points (e) and (f) of subsection (2) of Section 95/B of the Accounting Act. Based on the Accounting Act, we also have to declare whether the information set out in points (a) to (d) and point (g) of subsection (2) of Section 95/B of the Accounting Act has been made available in the consolidated annual report.

In our opinion, the 2019 consolidated annual report of **Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.** – including requirements set out in points (e) and (f) of subsection (2) of Section 95/B of the Accounting Act- is consistent with the 2019 consolidated financial statements of **Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.** prepared in accordance with the International Financial Reporting Standards, and the consolidated annual report has been prepared in accordance with the provisions of the Accounting Act.

The information set out in points (a) to (d) and point (g) of subsection (2) of Section 95/B of the Accounting Act has been made available in the consolidated annual report. The consolidated annual report does not consist non-financial information report set out in 95/C. §, and 134. § (5) points of the Accounting Act, as the Company is not obliged to report such information based on 95/C. section of the Accounting Act.

As other laws do not stipulate any other requirements on the consolidated annual report for the Company, we express no opinion in this respect.

We are not aware of any other material inconsistencies or material misstatements in the consolidated annual report, therefore we have nothing to report in this regard.

Management's [and appointed managers'] Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting act, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and according to the specific situation, to disclose information relating to the company as a going concern. Furthermore, management is responsible for preparing the consolidated financial statements based on the principle of going concern. Management must rely on the principle of going concern, unless a different provision prevents the application of such principle and there are any facts or circumstances inconsistent with continuing as a going concern.

Persons appointed as managers are responsible for supervising the process of the Company's financial reporting.

The liability of the auditor for the audit of the consolidated financial statements

It is our goal to obtain assurance during the audit that the consolidated financial statements do not contain any substantial false statements either originating from fraud or mistake, furthermore to issue our independent audit report containing our opinion based on the audit. The sufficient degree of certainty is a high-level certainty, yet there is no guarantee that the audit performed in line with the Hungarian National Audit Standards reveals all existing false statements. The false statements may originate from fraud or mistake and they qualify as substantial if it may be reasonably expected that these independently or jointly influence the business decisions of the readers of the consolidated financial statements.

We apply a professional perspective during the audit in line with the Hungarian National Audit Standards and we maintain professional scepticism.

Furthermore:

- Risks of substantial false statements of the consolidated financial statements, either originating from fraud or from mistake, are identified and assessed; we create and execute auditing processes suitable for the handling of such risks, furthermore sufficient and adequate audit evidence is obtained to be able to base our opinion. The risk of not revealing a substantial false statement due to fraud is greater than not revealing the same caused by mistake as fraud may include conspiracy, falsification, wilful omissions, false statements or the ignoring of internal controls;

- We become familiar with the internal control mechanisms relevant for the audit in order to design such audit procedures that suffice among the given circumstances but we do not analyse them for the purpose to form an opinion about the efficiency of the internal control system of the Company.

- The adequacy of the accountancy policy applied by the management, furthermore the rationality of the accountancy assessments and the related publications made by the management are evaluated.

- Conclusions are drawn based on the obtained audit evidence, whether the management was right to apply the principle of „going concern" by preparing the consolidated financial statements, furthermore whether substantial insecurities exist concerning such events or conditions that might raise significant doubts about the ability of the Company to conduct its business. If conclusion is drawn that substantial insecurities exist, then in our independent audit report we have to bring the attention to the related publications in consolidated financial statements or if the publications in this regard are not suitable, then our opinion has to be qualified. Our conclusions are based on the audit evidence obtained before the date of the independent audit report. Nonetheless, future events or conditions might cause the Company ceasing its business.

- The comprehensive presentation, structure and content of the consolidated financial statements are evaluated, including the publications in the supplementary appendix, furthermore it is also assessed whether the consolidated financial statements present the transactions and events realistically.

- We inform, inter alia, the planned scope and schedule of the audit, the substantial findings of the audit to the persons authorized for control tasks, including significant deficiencies of the internal control mechanisms applied by the Company identified during our audit if there was any.

We hereby issue a declaration to persons entrusted with management to the effect that we complied with relevant ethical requirements concerning independence and that we communicate them all contacts and other issues where it can be reasonably assumed that they affect our independence, together with, as and where appropriate, the precautionary measures adopted.

Out of matters communicated to persons entrusted with management, we determined the ones that were the most important in the course of auditing the consolidated financial statements for the current period and that, thus, were also key audit issues. We disclose these matters in our audit report, unless the law or other regulations forbid us to disclose them publicly or if – under very rare circumstances – we conclude that a specific matter cannot be communicated in the auditor's report as, based on reasonable expectations, the detrimental implications would be more profound than the public benefits of their communication.

Declaration about other legal and regulatory requirements

In accordance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we hereby make the following statements in our independent auditor's report, in addition to reporting obligations required by Hungarian National Auditing Standards:

Appointment of the auditor and the duration of its appointment
At its General Meeting on April 29, 2019, the Company elected our company to audit the 2019 financial statements of Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. Our mandate is valid until 15 May 2020 at the latest. The mandate of our Company has been practically continuous since May 1, 2012, it was interrupted from May 15, 2017 to August 15, 2017 due to the election and recall of another auditing Company.

Consistency between the auditor's report and the supplementary report addressed to the audit committee
We confirm that our audit opinion in this auditor's report concerning the consolidated financial statements are consistent with the supplementary report addressed to the audit committee of the Company that we issued on 8 April 2020, in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council

The provision of non-audit services
We hereby declare that we did not provide the company with any prohibited, non-audit services outlined in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council. In addition, we declare that we did not provide the Company and the businesses controlled by the Company with such other, non-audit services that are not included in the consolidated annual report.

The person signing the report qualifies as the partner responsible for the audit appointment resulting in the present independent auditor's report.

Budapest, 8 April 2020

Péter Honti
Managing Director

Zsuzsanna Freiszberger
auditor, member of the Hungarian Chamber of Auditors
007229

INTERAUDITOR Kft.
1074 Budapest
Vörösmarty u. 16-18. A. ép.
Adószám: 10272172-2-42

INTERAUDITOR Kft.
H-1074 Budapest, Vörösmarty utca 16-18. A. ép. fszt. 1/F.
000171

Declaration of Liability

Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. (hereinafter: the "Company") hereby declares that the Consolidated Annual Report 2019, as published by the Company, was prepared, to the best of its knowledge, in accordance with the the International Financial Reporting Standards (IFSR), provides a true, correct and complate account of the position, assets, liabilities, development and performance of the Company and its consolidated company, presenting major risks and factors of uncertainty, and does not omit any facts that might have any significance concerning the assessment of the position of the Company or its consolidated company.

Budapest, April 29, 2020

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