

# Management Report

## 1 Company information

Name: Futureal Development Holding Ingatlanforgalmazó  
Korlátolt Felelősségű Társaság  
Tax number: 14434459-2-42  
Registered address: 1082 Budapest, Futó utca 47-53. VII. emelet  
Company registration number: 01-09-903759

Futureal Development Holding Kft. (“the Company”) was established on 14 July 2008. The Company was registered on 19 August 2008 by the Metropolitan Court of Budapest as Court of Registration. On 17.12.2020, Dr. Péter Futó sold his shares in the Company to Futureal Holding BV, which thus became 100% owner of the Company.

The Company’s ownership structure as at 31 December 2023:

<b>Shareholders</b>	<b>Face value of shares</b>	<b>Ownership share %</b>
Futureal Holding B.V.	11 520 000€	100%

## 2 **Business Environment**

### *Market Update - General*

Global economies are under significant pressure for many years now, starting with the pandemic and continuing with economic impacts of the Russian invasion of Ukraine (utility prices, costs of financing, inflation, uncertainty in tenant demanding, disrupted supply chains).

### *Office market*

In the midst of these geopolitical challenges, the office market is experiencing several critical dynamics. Many companies are in the process of revamping and reorganizing their office spaces to better align with the evolving work landscape. The rise of hybrid work arrangements, which have become more prevalent in the wake of the COVID-19 pandemic, has created a need for flexible office spaces that can accommodate both remote and in-person work.

As a result, more and more emphasis is placed on optimizing the occupied space, which leads to preferences for renegotiating lease terms or even searching for new locations. This approach is seen as a safer and more efficient organizational solution because it allows companies to maintain a smaller office space while still being in prime urban locations.

The uncertainty of energy prices is significantly impacting the operational expenses of office buildings. Landlords and tenants are actively seeking technological solutions to mitigate these costs, improve energy efficiency, and implement renewable energy strategies. These initiatives fit into comprehensive ESG strategies of the companies.

Futureal Holding Group's and Futureal Development Holding Kft's unwavering commitment to sustainability aligns seamlessly with the growing demand for sustainable office spaces. The company's focus on ESG credentials provides a competitive edge, especially in light of the EU-wide initiative aimed at enhancing the energy efficiency of non-residential buildings.

### *Industrial market*

Despite the rapid growth in modern industrial and logistics space supply in recent years, continued inflationary pressures, weak currency, structural changes in financing have been leading to raising construction costs which constrains future growth and cause gradual further rent increase. In Greater Budapest, Q4 prime rents remained stable between EUR 5.75 per sqm and EUR 5.90 per sqm, which still translates to a 5% year-on-year increase.

The Company anticipates that the industrial market will continue to grow. Due to the continuous flow of foreign direct investments (FDI) into Hungary and relocation of production from conflict areas (back) to Europe, the manufacturing sector emerges as one of the key drivers of the today's warehouse and industrial market. During the year of 2023, more than 350,000 sqm of new logistics space was added to the Hungarian stock. Still, a considerable amount of new supply is expected to arrive which, paired with the last three years' stock boom is expected to further increase vacancy in outdated and inefficient stock therefore slow down the current rent increase cycle in 2024. However, a significant amount of this new pipeline is already pre-let, so available supply will remain at healthy levels. As the supply will offer multiple options, most tenants could be increasingly prioritizing ESG values and energy-saving solutions in their decisions. We remain committed to our focus on constructing sustainable and environmentally friendly facilities for our industrial tenants.

#### *Retail market*

The retail property market is in a constant state of evolution, largely driven by the adoption of technology. Retailers are increasingly focused on creating a seamless integration between online and in-store experiences, with initiatives such as buy-online-pick-up-in-store (BOPUS) and self-checkout systems. We can expect to see a greater use of digital, dynamic signage, AI-driven personalization, and augmented/virtual reality in stores to enhance the overall customer experience.

In addition, sustainable development is gaining prominence among retailers and consumers. This growing emphasis on sustainability has led to increased interest in ESG practices among landlords and tenants. The Company is committed to ESG principles and is actively working to enhance its commercial assets by reducing energy consumption and carbon footprint. This not only contributes to a more sustainable future but also results in cost savings, benefiting both the company and its tenants.

#### *Green Financing*

In line with its commitment to support sustainable development, the Company issued a total of EUR 125m, 15-years, amortizing, unsecured green bonds by private placement in January 2023 (FUTUREAL2038/I, Futureal Development Holding Kft. issuer, Futureal Holding B.V. guarantor). The bonds were issued in line with Futureal Holding Green Finance Framework and are addition to the green bond issue (2021) and its tap issue done in 2022 (FUTUREAL 2031). Proceeds from this new bond issue will be (similarly to previous issuances) used to finance eligible projects within Futureal Holding group with clear environmental benefits.

### 3 Impact report

Futureal Development Holding Kft herewith presents impact report issued by Futureal Holding.

Futureal Holding, as part of its Green Financing Framework, committed to report (“Impact Report”) on impact metrics, including type of certification and degree of certification, estimated annual GHG emissions avoided (in tCO<sub>2</sub>e) or estimated energy savings (in MWh) for green buildings and expected annual renewable energy generation (MWh) and installed renewable energy capacity (MW) for renewable energy projects financed through its green bonds. The Impact Report is prepared on annual basis. The data presented below are as at 2023 year end.

#### Certification overview

Project Name	Energy Performance Certificate (old)	Certificate No.	Energy Performance Certificate (2024)	Certificate No.
Etele Plaza	BB	HET-01209648	A+; A+	
Budapest ONE Phase 1	CC	HET-01050636	C; C *	HET-1006-7249
Budapest ONE Phase 2	AA	HET-01598178	B; B	HET-1003-8357
Budapest ONE Phase 3	AA	HET-01598180	B; B	HET-1003-8360
Corvin Innovation Campus Phase 1	AA+	HET-01539661	A+; A+	HET-1006-3034
HelloParks Maglód MG1	BB	HET-01588270	in progress	
HelloParks Maglód MG3	BB	HET-01568099	in progress	
HelloParks Fót FT1	-	-	A+; A+	HET-1001-0440
HelloParks Fót FT2	-	-	A+; A+	HET-1001-0444
HelloParks Fót FT6	-	-	A+; A+	HET-1001-0940
HelloParks Páty PT1	BB	HET-01636469	in progress	

#### Emission avoided/Energy Savings

Futureal Holding calculates CO<sub>2</sub> savings in tons per annum leveraging energy efficiency regulations which were valid at the time of the construction. Using this regulatory driven method the calculated saving of CO<sub>2</sub> as at 2023 year end over the assets for which proceeds from bonds were used amounted to 1.359 tons. Below table summarizes the detail of the calculation:

Project name	Reference primary demand	Primary energy demand	Calculated/reference	Source of energy	Energy demand	Specific CO <sub>2</sub> emission	Estimated CO <sub>2</sub> consumption	Estimated CO <sub>2</sub> reduction	Sum of estimated CO <sub>2</sub> reduction
	according to EPC valid at the time of construction	according to EPC valid at the time of construction							
	E <sub>prim</sub> [KWh/m <sup>2</sup> a]	E <sub>prim</sub> [KWh/m <sup>2</sup> a]							
		%		E	e <sub>co2</sub>	E <sub>co2</sub>	E <sub>co2</sub>	E <sub>co2</sub>	
					[MWh/a]	[g/kWh]	[t/a]	[t/a]	[t/a]
Etele Plaza	202.02	168.92	0.836	grid electricity	4947.4	365	1805.8	295.9	379.1
				district heating	1861.6	273	508.2	83.3	
Budapest ONE Phase 1	99.32	85.97	0.866	N/A*	445.48	365	162.6	21.9	55.2
					909.44	273	248.3	33.4	
Budapest ONE Phase 2	99.12	65.68	0.663	grid electricity	340.34	365	124.2	41.9	105.9
				district heating 1	680.87	273	185.9	62.7	
				district heating 2	13.93	273	3.8	1.3	
Budapest ONE Phase 3	99.2	67.8	0.683	grid electricity	344.29	365	125.7	39.8	97.1
				district heating 1	650.68	273	177.6	56.2	
				district heating 2	12.9	273	3.5	1.1	
Corvin Innovation Campus Phase 1	100	50.12	0.501	grid electricity	246.68	365	90	44.9	94.4
				district heating	363.21	273	99.2	49.5	
HelloParks Maglód MG1	61.29	40.68	0.664	grid electricity	470.4	365	171.7	57.7	103.1
				natural gas	663.8	203	134.8	45.3	
HelloParks Maglód MG3	68.14	42.48	0.623	grid electricity	431.8	365	157.6	59.3	117.2
				natural gas	756.6	203	153.6	57.8	
HelloParks Fót FT1	40.27	34.84	0.865	Grid electricity + natural gas	1578.2	221.3	349.2	66.4	66.4
HelloParks Fót FT2	39.8	34.63	0.870	Grid electricity + natural gas	1564.5	221.2	346.1	51.9	51.9
HelloParks Fót FT6	40.44	36.36	0.899	Grid electricity + natural gas	931.4	225.0	209.5	39.8	39.8
HelloParks Páty PT1	76.31	37.48	0.491	grid electricity	575.7	365	210.1	106.9	249.2
				natural gas	700.7	203	142.2	142.2	
								<b>Total:</b>	<b>1359</b>

This methodology of calculation of CO<sub>2</sub> savings includes the following consumption categories:

- Heating and Cooling
- Air-conditioning related consumption
- Energy consumption related to domestic hot water production

- Lighting in common areas and tenant premises

The methodology excludes the following consumption categories:

- Energy consumption of plugged in devices (used by the tenants in the building)
- For tenant installed IT hardware equipment
- Lift operation
- Electric vehicles charging

### Renewable Energy

Project Name	Share of renewable energy (%)
Etele Plaza	46.1%
Budapest ONE Phase 1	14.0%
Budapest ONE Phase 2	11.3%
Budapest ONE Phase 3	9.7%
Corvin Innovation Campus Phase 1	25.3%
HelloParks Maglód MG1	4.1%
HelloParks Maglód MG3	2.4%
HelloParks Fót FT1	19.8%
HelloParks Fót FT2	9.5%
HelloParks Fót FT6	19.7%
HelloParks Páty PT1	3.2%
*Percentage of calculated primary energy demand	

## 4 Major developments of the reported period

### Changes:

The Company has on 31<sup>st</sup> January 2023 successfully issued a third series of bonds in an amount of EUR 125 million (face value) in accordance with the Issuer's green finance framework.

## 5 Results

<b>Description (Data in EUR)</b>	<b>01.01.2023-31.12.2023</b>
Net Sales revenues	375
Other income	18 542
Material Expenses	58 338
Depreciation	721
Other Expenses	132 661
<b>Operating Loss</b>	<b>-184 276</b>
Financial Income	40 059 227
Financial Expenses	45 995 595
<b>Profit Before Tax</b>	<b>-6 120 644</b>
Corporate Income Tax	0
<b>Profit After Tax</b>	<b>-6 120 644</b>

The financial income includes the following items: the dividend received from Finext Nyrt. and OTP Bank Nyrt. in total amount of EUR 7,920,933; the interest income on loan receivables in the amount of EUR 21,266,159; interest on other financial assets (government bond, treasury bill, units of investment fund, bank deposit and OTC derivatives) in the amount of EUR 5,529,395; and the remaining amount derived mainly from exchange gains.

The financial expenses consist of three main items. One is the interest payable on bonds in the amount of EUR 19,965,619 and the second one is the impairment loss on shares in the amount of EUR 10,052,755 and the third one is the realized and unrealized exchange loss on financial transactions in the amount of EUR 15,977,221.

## 6 Review of the fulfilments of the covenants:

### (i) Rating of the Bonds

Based on the latest assessment made on 8 December 2023, the rating of the Company is BB- with a Negative Outlook.

The Company is for the purposes of the following paragraph named “the Issuer”

### (ii) The Issuer Bond Debt to Equity Undertaking

**Bond Debt to Equity Undertaking** = (Total Net Issuer Bonds and Other Borrowings) / (Consolidated Equity), where

**Total Net Issuer Bonds and Other Borrowings:** Total Issuer Bonds and Other Borrowings, reduced by the Cash and Cash Equivalents,

**Total Issuer Bonds and Other Borrowings:**

(a) the total amount of bonds issued by any of the Issuing Entities that are outstanding to third parties (not being part of Futureal Group) that are not subordinated to the Bonds, plus

(b) any other third party loans and borrowings of the Issuing Entities that are outstanding to third parties (being not part of Futureal Group) that are not subordinated to the Bonds,

**Issuing Entities:**

- (i) the Issuer,
- (ii) the Guarantor (Futureal Holding B.V.) and
- (iii) any other legal entity within the Futureal Group that issues bond(s) that are guaranteed (by way of a guarantee, suretyship or other liability arrangement) by the Guarantor or the Issuer, during the term of such guarantee,

**Consolidated Equity:** the total equity indicated in the consolidated balance sheet of the Guarantor, and

**Cash and Cash Equivalents:** the Cash and Cash Equivalents as indicated in the consolidated balance sheet of the Guarantor, i.e. Futureal Holding BV. (dated 31.12.2023) based on the latest audited financial statements (for the avoidance of doubt, not including restricted cash).



	<i>FUTURE2031&amp; FUTURE2036</i>	<i>FUTURE2038/1 EUR Green</i>
<i>In EUR</i>	<b>2023.12.31</b>	<b>2023.12.31</b>
<b>Consolidated Equity</b>	<b>405 369 099</b>	<b>405 369 099</b>
<i>In EUR</i>	<b>2023.12.31</b>	<b>2023.12.31</b>
Bonds (non-current)	425 786 903	425 786 903
Bonds (current)	20 087 377	20 087 377
<b>Issuer Bonds and Other Borrowings</b>	<b>445 874 280</b>	<b>445 874 280</b>
<b>Cash and cash equivalents</b>	<b>131 458 503</b>	<b>131 458 503</b>
<b>Treasury bills and government bonds</b>	<b>0</b>	<b>14 845 123</b>
<b>Total Net Issuer Bonds and Other Borrowings</b>	<b>314 415 777</b>	<b>299 570 654</b>
<b>Bond Debt to Equity Undertaking</b>	<b>0,78</b>	<b>0,74</b>

As at 31 December 2023 the Bond related Issuer Undertakings were fulfilled.

## 7 Key performance indicators

### Profitability indicators

Description	Calculation	01/01/2022-31/12/2022	01/01/2023-31/12/2023
Pre-tax profit/(loss) to sales net profit margin	pre-tax profit (loss) / net sales revenues	192129,00%	-1632171,70%
Operating profit/(loss) to sales profit margin	operating profit (loss) / net sales revenues	-6029,53%	-49140,27%
Pre-tax profit/(loss) to return on equity	pre-tax profit/(loss) / equity	11,70%	-4,74%
After-tax profit/(loss) to equity	after-tax profit (loss) / equity	11,22%	-4,74%
Operating profit/(loss) to return on asset	operating profit/(loss) / (non-current assets + inventories)	-0,19%	-0,04%

### Net assets position

Description	Calculation	01/01/2022-31/12/2022	01/01/2023-31/12/2023
Equity	equity / balance sheet total	31,24%	22,06%
Coverage of non-current assets	non-current assets / equity	197,09%	351,56%
Equity growth ratio	equity in the reporting year / equity in the previous year	112,64%	91,43%
Equity to share capital	equity / share capital	1226,03%	1120,93%
Debt/equity ratio	liabilities / equity	214,46%	341,60%

### Liquidity indicators

Description	Calculation	01/01/2022-31/12/2022	01/01/2023-31/12/2023
Cash ratio	cash / current liabilities	218,59	3599,64
Acid test	(receivables + cash at bank and in hand + securities) / current liabilities	220,97	16704,99
Current ratio	(current assets + prepayments) / (current liabilities + accruals)	20,40	8,64

Date: Budapest 30 April 2024



David Hendrych, Managing Director



Zsuzsa Laszlo, Managing Director