



Consolidated Business (management) Report

**for the 2017 audited Consolidated Financial Statements of
Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. prepared in
accordance with the International Financial Reporting
Standards (IFRS)**

English translation for information purposes only

I. Presentation of the goals, strategy, activity and market environment 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.; hereinafter: the Company) 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. As a result the year 2017 business activity of the Company was already along the lines of realizing these new development strategy and goals listed below:

- Seeking out office buildings that fit the existing revenue-generating property portfolio of the Company and performing the acquisition.
- 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 ha Harsánylejtő area of development in Budapest, District 3, owned by the Company.

As a Company developing and utilizing property, its activity is the utilization of properties (office building and parking garage) owned by the Company by giving it into lease, further development of such properties and selling its own construction lots.

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

- Office market
- Parking garage market
- Construction lot market

1. Office market

On 31 December 2017 our Company owned six category 'B' and two category 'A' office buildings with excellent location from infrastructural and traffic perspective. When utilizing our properties the main criteria are the properties' appropriate profit generating ability, expected value increase and potential for further development. Keeping up with the quality demands on the side of demand the offices are on a high standard of quality in a technical condition suitable for their category and the modern day demands. By continuously increasing the service level, the appropriate development and maintenance of properties our Company managed to solicit tenants and extend the majority of the lease agreements for a long term, thereby further strengthening our market position. Due to the excellent characteristics, continuously controlled and developed technical condition and the expected service level our downtown office buildings operate with an average occupancy of 95%. The Vigadó Palace office building, purchased in December 2017 is an exception, the modernization and putting into operation of which started immediately after acquisition and is expected to finish by the end of Q1 of 2018.

2. Parking garage market

Due to the downtown developments characteristic of the past years (District 5., Szervita tér, Váci 1, Nádor tér underground garage construction) the demand for quality parking garages – like the Aranykéz Parking Garage under the address Budapest, District 5, Aranykéz utca 4-6 and owned by the Company - showed a great increase in 2017. In part due to the above mentioned developments and in part due to the full scale internal renovation of Aranykéz Parking Garage completed in Q2 of 2017 and the expansion of services the occupancy of the parking garage increased.

Besides that the Company owns the parking garage under the address Budapest III., Polgár utca 8-10 that is part of the Flórián Udvar Office Building but provides parking services available for the public as well. In 2017 – due to the 100% occupancy of the office building and the introduction of public parking against payment from Autumn 2016 – the occupancy of the parking garage increased to almost 100%. Both parking garages strive to provide maximum levels of service for its customers with the newest, Hungarian-developed parking system.

3. Construction lot market

Our Company realized a construction lot development project in the past years in several stages in the green area of Óbuda, on the side of the Testvérhegy, under the name Harsánylejtő Suburbia. The realization and sale of Stage I, consisting of 88 lot properties, was completed successfully. In Stage II of the development 65 lots, suitable for building 4 and 6 apartment condominiums were established and equipped with public utilities. Due to the booming property market, the preferable credit constructs, available for the population and for companies alike, government apartment purchase programs, CSOK, and the 5% VAT content of newly built apartments the sales of Stage II of the development reached 86% by the end of the year 2017. Besides the development of the lots of stage II additional 3 lots with an area of 4.000-8.000 m², suitable for building a 30-50 apartment condominium, with the construction of residential streets and the realization of the full public utility network.

II. Year 2017 earnings and expectations

1. Year 2017 earnings:

Main consolidated financial data (IFRS)

Statement of profit and loss		
data in th HUF	2016	2017
Net revenue from sales	2 754 918	3 805 550
Other operating income	4 953 000	10 607 646
Changes in stocks of finished goods and works in progress	48 022	-64 150
Material expenses	-1 120 255	-1 131 316
Personal expenses	-358 453	-210 030
Other operating expenses	-4 704 362	-287 436
EBITDA	1 572 870	12 720 264
Depreciation and impairment	-32 280	-24 663
Operating income	1 540 590	12 695 600
Financial income	25 358	40 018
Financial expenses	-92 870	-143 066
Profit before taxes	1 473 078	12 592 551
Current tax expense	-112 404	-97 631
Deferred tax	34 383	431 548
Profit after taxes	1 395 057	12 926 468

Main balance sheet data

data in th HUF	2016	2017
Investment properties	13 212 074	31 417 004
<i>Long-term assets total</i>	<u>13 445 727</u>	<u>32 395 516</u>
<i>Current assets total</i>	<u>5 915 909</u>	<u>3 861 485</u>
Total Assets	<u>19 361 636</u>	<u>36 257 001</u>
Issued capital	2 583 220	2 583 220
<i>Total Equity</i>	<u>15 500 121</u>	<u>25 775 098</u>
Financial liabilities	2 003 639	9 265 607
<i>Total Long-term liabilities</i>	<u>2 540 596</u>	<u>9 275 414</u>
<i>Total Shortterm liabilities</i>	<u>1 320 919</u>	<u>1 206 489</u>
Total Liabilities and Equity	<u>19 361 636</u>	<u>36 257 001</u>

The year 2017 Consolidated earnings prepared according to the IFRS differ from the relevant individual data of the Company with the effects of the consolidation of the activity of the only consolidated subsidiary of the Company, Harsánylejtő Ingatlanforgalmazó és -kezelő Kft., introduced in detail in Section X., in the subject year.

2. Expectations for the business year of 2018.

During 2018 the activity of the Company focuses on 4 key areas according to the principles specified in the strategy of the Company:

- further increasing the occupancy of the buildings in the existing revenue-generating property portfolio, seeking out and realizing the additional performance-enhancement potentials in the properties, putting into operation the portfolio elements not yet being operated in the past year, conducting the developments necessary to do so, then utilizing such portfolio components, ensuring the value increase of the properties by eliminating joint property;
- selling the elements not fitting into the existing revenue-generating portfolio at a price exceeding the market, appraisal value if possible, seeking out and presenting the acquisition opportunities fitting into the portfolio and the strategy of BIF, conducting the acquisition in the case of approval and adjusting the property in question to the revenue-generating portfolio;
- selling the lots of the Harsánylejtő construction lots (Stage II) development area yet owned by the Company, handing over the realized road and public utility networks to service provider and municipal ownership, closing the construction lot development project;
- completing the first stage of the Condominium development project of the Harsánylejtő development area, selling the constructed apartments, starting the next stages and preliminary sales of the condominium development, conducting the additional development concepts according to schedule.

Considering that as of 20 October 2017 the Company has been operating as a regulated property investment pre-incorporation company (SZIE) so according to the presently effective rules it cannot perform property development activities for selling purposes. Therefore, the property development activities of the Company were outsourced at the end of 2017 and the condominium development is being performed by the – consolidated - Harsánylejtő Kft., to be handed over in the middle of 2019 according to our plans.

As a consequence of the SZIT status, the corporate tax and local business tax payment obligation of the Company ends, this improves profitability.

In 2018, in the course of the conclusion, extension, renegotiation of lease agreements we strive to modify the EUR-based lease agreements to HUF-based ones. After refinancing the loan of HUF 8 billion received from Takarékbank Zrt. for acquisition purposes and the EUR-based CIB-loan approximately in the amount of HUF 2 billion, expiring at the end of Q1 2018 the foreign currency risk of the Company ends.

We plan on continuously increasing the occupancy of properties included in the portfolio or put into operation through acquisitions; from this, we expect a significant increase in the earnings from property utilization.

III. Significant events at the Company in 2017

1. General meetings

1.1. On 12 May 2017 the Company held its repeated yearly ordinary general meeting. The general meeting passed the following significant resolutions:

The general meeting accepted the recommendation considering the distribution of profit (according to which the Company does not pay dividends for the year 2016). The general meeting acknowledged the statements of the Board of Directors and the Audit Committee and the report of the Auditor. The general meeting accepted the year 2016 yearly report of the Company. The general meeting acknowledged the report of the Audit committee and the report of the Auditor about the consolidated yearly report. The general meeting accepted the year 2016 consolidated yearly report of the Company. On the last day of the business year of 2016, 31 December 2016, the general meeting gave the discharge for the business year of 2016 for the members of the Board of Directors holding positions in the board of directors of the Company.

The general meeting elected the auditor of the Company for the period between 16 May 2017 and 15 May 2018 (AJKA Könyvvizsgáló, Tanácsadó és Szolgáltató Kft., person responsible for performing the audit: Budai Katalin) The general meeting accepted the recommendation about the remuneration of the Board of Directors members, the audit committee members and the auditor. The general meeting approved the Company Management Report of the Company Responsible. The general meeting authorized the Board of Directors of the Company to purchase treasury shares.

1.2. On 15 August 2017 the Company held an extraordinary general meeting. The general meeting passed the following significant resolutions:

The general meeting approved that the Company should initiate the procedure to register the Company as a regulated property investment company, and accepted the related amendments of the articles of association, specified in the relevant general meeting submission with its content unchanged.

The general meeting recalled Berecz Kristóf, Tzvetkov Julian, dr. Hárshegyi Frigyes, Bajnok Judit and dr. Ungár Anna from their positions as Board of Directors members and Tzvetkov Julian, dr. Hárshegyi Frigyes and Bajnok Judit from their positions in the Audit committee of the Company and elected Berecz Kristóf, Tzvetkov Julian, dr. Hárshegyi Frigyes, dr. Ungár Anna and Horváth László to be members of the Board of Directors for the period between 15 August 2017 and 15 August 2022 and elected Tzvetkov Julian, dr. Hárshegyi Frigyes and Horváth László to be members of the Audit committee of the Company for the period between 15 August 2017 and 15 August 2022.

The general meeting elected INTERAUDITOR Neuner, Henzl, Honti Tanácsadó Kft.(person responsible for performing the audit: Freiszberger Zsuzsanna) to be the permanent auditor of the Company for the period between 15 August 2017 and 15 May 2018. The general meeting accepted the recommendation about the remuneration of the auditor.

The general meeting authorized the Board of Directors of the Company to purchase treasury shares.

The general meeting accepted the information of the Board of Directors according to the provisions of Section 3:223 (4) of the Civil Code concerning the treasury share transaction of the Company concluded on 4 July 2017.

The general meeting accepted the Executive Share Program according to the recommendation of the Board of Directors.

The general meeting authorized the Board of Directors to increase the capital of the Company by issuing employee shares with unchanged conditions as specified in the relevant general meeting submission and accepted the related amendment of the Articles of Association with unchanged conditions as specified in the relevant general meeting submission.

The general meeting authorized the Board of Directors to increase the capital of the Company by issuing priority vote shares with unchanged conditions as specified in the relevant general meeting submission.

1.3. On 22 December 2017 the Company held an extraordinary general meeting. The general meeting passed the following significant resolution:

The general meeting unanimously elected Vaszily Miklós to be a member of the Board of Directors and the Audit Committee for the period between 22 December 2017 and 15 August 2022.

2. Public purchase offer

In its statement received by the Company on 3 May 2017, PIÓ-21 Vagyonkezelő és Szolgáltató Kft. stated that on 3 May 2017 it submitted a mandatory public purchase offer according to Section 68 (3) of the Capital Market Act to the Central Bank of Hungary for approval, in order to purchase any and all personal dematerialized ordinary shares issued by the Company, representing voting rights, introduced to BÉT, with a par value of HUF 100 each. As the result of the public purchase offer approved by the Central Bank of Hungary and published by the Bidder on 26 May 2017 the accepting shareholders accepted the offer of the Bidder in a valid manner concerning 3 990 949 ordinary shares issued by the Company within the offer period.

3. Initiation of the procedure to be registered as a regulated property investment company by the Company

At the extraordinary general meeting of the Company held on 15 August 2017 the shareholders approved the initiation of the procedure by the Company to be registered as a regulated property investment company (SZIT).

According to the resolution of the general meeting the Company initiated the registration of the Company as a regulated property investment pre-incorporation company at the National Tax and Customs Administration based on Act 102/2011. In accordance with the request, on 20 October 2017 the National Tax and Customs Administration registered the Company as a regulated property investment pre-incorporation company. Based on Section 4 (3) of Act 102/2011 the regulated property investment pre-incorporation company (SZIE) shall comply with all the requirements concerning regulated property investment companies by 31 December 2018. The SZIE is basically the “lobby” of SZIT, a company that has not complied with all the requirements concerning SZIT yet, but accepts to do so and to obtain SZIT status.

Until compliance with all the requirement system of SZIT, the final deadline of which is 31 December 2018, the Company shall operate as a SZIT pre-incorporation company (SZIE); however, even during this temporary, pre-incorporation period, the Company still enjoys the benefits of SZIT tax rules. In accordance with legal regulations the SZIT-s perform their activities free of corporate tax and local business tax, thereby their profitability significantly increases and, similar to property funds, only two percent of property tax is imposed on them.

4. Starting condominium property development

In May 2017 the Company signed 4 general contracts with A-Híd Zrt. concerning the performance of realization, construction, fit-out works (until turnkey condition) of 5 apartment residential buildings with ground level +2 floors and 1 underground garage on four construction lots on Harsánylejtő, Budapest, District 3. After 20 October 2017 the development will be continued by Harsánylejtő Kft, fully owned by the Company.

5. Property acquisition

In November 2017 the Company purchased the property under the address 1052 Budapest, Türr István utca 6, registered under lot number Budapest, urban area, District 5, 24408/4, registered as a developed office building. The emblematic building with an area of almost 15 000 square meters, which was the seat of K&H Bank until 2012, perfectly fits the property portfolio of the Company, and after purchasing it and starting its utilization it is expected to significantly increase the occupancy and thus the market value of Aranykéz Parking Garage in its direct vicinity, owned by the Company under the address Budapest, District 5, Aranykéz utca 4-6. The property has excellent location, so after its planned partial renovation, transformation the Board of Directors expects it can be rented out for a high rent easily and within a short time.

6. Loans

Based on the loan agreement concluded by and between the Company and Magyar Takarékszövetkezeti Bank Zrt. on 24 November 2017, Magyar Takarékszövetkezeti Bank Zrt. provided a forint based investment loan of HUF 8.000.000.000 for the Company.

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. During 2017 the non-occupancy rate of the Budapest office market decreased below 8% - in part due to the growing economy and in part due to the strong demand and moderate office developments – which is a historic low point. Tenants seeking offices to rent in Budapest did not face such a limited available area in the past 5 years. However, the trend observable in the market, according to which the tenants move to more modern offices as the years pass, will increase the rates at which older, first and second generation office buildings become vacant, thereby balancing the full market rate in this regard. Concerning average rent a slow but steady increase can be observed. In the market that can be characterized by careful optimism, exploiting the excellent location of the buildings of the Company – since presently there are practically hardly any empty offices in the central areas of Pest – the market position can be further strengthened by increasing the quality standards of the services of the buildings, investments, developments and soliciting growth-oriented tenants.

Considering the activities of the Company, the changes in the EUR exchange rate was an additional risk factor, since the Company had loans taken out in EUR as well, the amount of which is EUR 6 442 154 at the end of 2017. The Company has no specific risk management policy to manage foreign currency risks.

The detailed data concerning financial instruments is in Section 40: Financial Instruments of the year 2017 audited consolidated Yearly Financial Statements, prepared in accordance with the International Financial Reporting Standards. The Company has no other securities besides the BIF ordinary shares it owns (treasury shares), and entered into no derivative transactions.

Risks concerning the consolidated Harsánylejtő Ingatlanforgalmazó és -kezelő Kft.

The situation of the Company significantly depends on its parent company, the market influences it faces and its decisions.

Concerning the efficiency, recovery of the development according to Section X it can be a risk factor on the one hand that the periodical lack of capacities at the contractor in the course of the realization of the development may cause delays in the accepted delivery deadline and on the other that in 2017 other projects that are competitors of the development started in several locations in Budapest, strengthening the competition situation.

We could mitigate the risks from the delays of the delivery deadline by including default penalty in the contract, enforceable against the general contractor, on the one hand, and by making the delivery deadline flexible towards customers on the other.

In strategic matters decisions need to be taken in coordination with the parent company. Concerning development the parent company decides in strategic matters and its subsidiary performs operative tasks.

V. Significant events between the balance sheet date and the date of preparing the balance

According to the extraordinary information of the Company, published on 2 February 2018, the interest of Horváth László in the Company that provided voting rights decreased under 5%.

With its preliminary voluntary information published on 6 March 2018, the Company informed its shareholders, business partners, investors about its year 2017 activity and the achieved results.

A change occurred in the company management in the period between 31 December 2017 and the signing of this management report, from 19 March 2018 the Deputy CEO, CFO of the Company is Hrabovszki Róbert.

Based on the loan agreement concluded between the Company and Magyar Takarékszövetkezeti Bank Zrt. and for the final payment of the EUR credit debt of the Company towards CIB Bank Zrt, on 26 March 2018, Magyar Takarékszövetkezeti Bank Zrt. provided a HUF loan of HUF 2.022.766.172 for the Company. As the result of the above, after the final payment of the EUR credit debt towards CIB Bank Zrt, the Company will only have HUF based credit debts.

On 4 April 2018 the Company concluded an exchange agreement with Waybridge Estates Kft. According to the exchange agreement the parties exchange the ownership of the properties owned exclusively by Waybridge Estates Kft. under lot numbers Budapest, District 6, urban area, 28614/0/A/1; 28614/0/A/2; 28614/0/A/3; 28614/0/A/5; 28614/0/A/6 and 28614/0/A/7, under the address 1062 Budapest, Andrásy út 80. szám to the ownership of the 400 000 Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. personal dematerialized ordinary shares with a par value of HUF 100 each and owned by the Company (ISIN code: HU0000088760).

By the closure of the transaction (the expected date of which is 20 April 2018) the Company shall be the exclusive owner of all the sub-deposits of the condominium under the address Andrásy út 80. – which building is in the direct neighbor of the property under the address Andrásy út 82., already owned by the Company – and the number of treasury shares owned by the Company changes from 4 864 000 to 4 464 000 with this transaction. As the result of the transaction the proportion of treasury shares owned by the Company will decrease from 18,83% to 17,28%.

VI. General company information

1. Company data

Company name:	Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.
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 operations:	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:	HUF 2.583.220.000
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.

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 2017.

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 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 prepares a work schedule for the period between the yearly balance closing general meetings, defining the date of its regular sessions in it and the expected schedules to the necessary extent.

In 2017 the Board of Directors held 9 sessions with an average turnout of 91%. In 2017 the Board of Directors passed decisions through electronic means 8 times.

Members of the Board of Directors in 2017

Name	Position	Start of assignment	End of assignment
dr. Ungár Anna*	Chairperson	15.08.2017	15.08.2022
Berecz Kristóf*	Vice-chairperson	15.08.2017	15.08.2022
Tzvetkov Julian*	member	15.08.2017	15.08.2022
dr. Hárshgyi Frigyes*	member	15.08.2017	15.08.2022
Bajnok Judit	member	26.08.2016	15.08.2017
Horváth László	member	15.08.2017	20.11.2017
Vaszily Miklós	member	22.12.2017	15.08.2022

*dr. Ungár Anna, Berecz Kristóf, Tzvetkov Julian and dr. Hárshgyi Frigyes were recalled then reelected by the General Meeting held on 15 August 2017, for details see Section IX, Personal Changes in 2017.

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 two sessions in 2017, besides the Board of Directors meetings, with 100% turnout. Significant topics discussed at the session: approval of the yearly report of the Company and certain Companies it consolidated, recommendation for electing the Auditor and determining their remuneration. The Audit Committee (with a new composition from 15 August 2017) confirmed the audit committee chairperson position of dr. Hárshegyi Frigyeszt.

Members of the Audit Committee of the Company in 2017

Name	Position	Start of assignment	End of assignment
Tzvetkov Julian	member	15.08.2017	15.08.2022
dr. Hárshegyi Frigyes	member	15.08.2017	15.08.2022
Bajnok Judit	member	26.08.2016	15.08.2017
Horváth László	member	15.08.2017	20.11.2017
Vaszily Miklós	member	22.12.2017	15.08.2022

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

At the year 2017 ordinary general meeting of the Company the general meeting decided that the members of the Board of Directors shall perform their tasks without remuneration in the business year of 2017 and the members of the Audit Committee shall perform their tasks with a monthly remuneration of gross HUF 300 000 (three hundred thousand forints) per member in the business year of 2017.

3. Auditor

The Auditor of the Company in 2017:

- until 15 May 2017: INTERAUDITOR Neuner, Henzl, Honti Tanácsadó Kft. (registered office: 1074 Budapest, Vörösmarty utca 16-18. A. ép. fszt. 1/F., person responsible for auditing: Tóth Julianna)
- from 16 May 2017 until 15 August 2017: AJKA Könyvvizsgáló, Tanácsadó és Szolgáltató Kft. (Registered office: 1026 Budapest, Pasaréti út 78. fszt. 1.; person responsible for auditing: Budai Katalin)
- from 15 August 2017 until 15 May 2018: INTERAUDITOR Neuner, Henzl, Honti Tanácsadó Kft. (registered office: 1074 Budapest, Vörösmarty utca 16-18. A. ép. fszt. 1/F., person responsible for auditing: Freiszberger Zsuzsanna)

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 2017 the issued capital of the Company was 25 832 220 personal dematerialized ordinary shares with a par value of HUF 100 each, from which 4 864 000 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. The shares are being traded in the 'STANDARD' 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 5 August 2017 the general meeting authorized the Board of Directors to increase the capital of the Company by issuing vote priority shares with the unchanged conditions specified in the relevant general meeting proposal related to schedule item 6 and published on 25 July 2017. The Board of directors did not exercise this authority in 2017.

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 extraordinary general meeting of the Company held on 15 August 2017 the general meeting authorized the Board of Directors to increase the capital of the Company by issuing employee shares with the unchanged conditions specified in the relevant general meeting proposal related to schedule item 6 and published on 25 July 2017. The Board of directors did not exercise this authority in 2017.

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 extraordinary general meeting of the Company held on 15 August 2017 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 purchasing the personal, series 'A' ordinary shares issued by the Company with a par value of HUF 100. The lowest amount of consideration payable for one treasury share is HUF 1, that is, one forint, and the highest amount can be 150% of the stock exchange average exchange rate, weighted with 3 months' 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 14 February 2019. 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 2016 and the 31 December 2017 share register and the individual statements of the owners

Shareholder	31 December 2016		31 December 2017	
	Number of shares (piece)	Interest (%)	Number of shares (db)	Interest (%)
PIÓ-21 Kft.	7 700 858	29,81	11 691 807	45,26
BFIN ASSET MANAGEMENT AG*	0	0,00	6 792 915	26,30
FHB KERESKEDELMI BANK ZRT.	2 583 480	10,00	0	0,00
DONADÖME KFT.	6 247 515	24,18	0	0,00
Horváth László	4 376 039	16,94	1 288 812	4,99
Treasury share**	100 000	0,39	4 864 000	18,83
Other shareholders	4 824 308	18,68	1 194 666	4,62
Total	25 832 200	100,00	25 832 200	100,00

*fully owned by PIÓ-21 Kft.

**Shares owned by the company do not grant rights to dividend and voting rights

In 2017 the Company purchased BIF shares on two occasions, 1 700 000 shares on 4 July 2017 and 3 064 000 on 27 October 2017. As the result of the transactions the number of treasury shares owned by the Company changed from 100 000 to 4 864 000 and as the result of the dealings the proportion of treasury shares owned by the Company increased to 18,83%.

In 2017 several changes occurred in the person and ownership ratio of the owners of the Company with more than 5% of interest. The direct interest of PIÓ-21 Kft. increased to 45,26%, (the indirect interest is 71,55%, since PIÓ-21 Kft. is the 100% owner of BFIN ASSET MANAGEMENT AG) the interest of BFIN ASSET MANAGEMENT AG increased from 0% to 32,88 %, then decreased to 26,29 %, the interest of DonaDöme Kft. decreased from 24,18% to 0%, the interest of FHB Kereskedelmi Bank Zrt. decreased from 10% to 0%, the interest of Horváth László decreased from 16,94% to below 5%.

Interest of executives, employees in strategic positions in the Company (31 December 2017)

Nature	Name	Position	Start of assignment	End of assignment	Direct share property (number of shares)	Percentage of BIF shares with direct influence
ITT	Dr. Ungár Anna	BoD* chairperson	15.08.2017	15.08.2022	0	74,61 %
ITT	Berecz Kristóf	BoD vice- chairperson	15.08.2017	15.08.2022	0	74,61 %
ITT	Tzvetkov Julian	BoD, AC** member	15.08.2017	15.08.2022	0	0
ITT	dr. Hárshegyi Frigyes	BoD, AC member	15.08.2017	15.08.2022	0	0
ITT	Vaszily Miklós	BoD, AC member	22.12.2017	15.08.2022	0	0
SP	Sajgál Gábor	CEO	01.12.2016	Unspecified***	0	0

*Board of Directors

**Audit Committee

***nature of employment

Interest of executives, employees in strategic positions in the Company (31 December 2016)

Nature	Name	Position	Start of assignment	End of assignment	Direct share property (number of shares)	Percentage of BIF shares with direct influence
ITT	Dr. Ungár Anna	BoD* chairperson	26.08.2016	26.08.2021	0	32.87 %
ITT	Berecz Kristóf	BoD vice-chairperson	26.08.2016	26.08.2021	0	32,87%
ITT	Tzvetkov Julian	BoD, AC** member	26.08.2016	26.08.2021	0	0
ITT	dr. Hárshegyi Frigyes	BoD, AC member	26.08.2016	26.08.2021	0	0
ITT	Bajnok Judit	BoD, AC member	26.08.2016	26.08.2021	0	0
SP	Sajgál Gábor	CEO	01.12.2016	Unspecified***	0	0
SP	Farkas Zoltán	Director of Finances and Accounting	26.05.2015	30.09.2017	0	0
SP	Németh-Szabó Tímea	Head of Controlling Department	08.12.2008	Unspecified***	0	0

* Board of Directors

** Audit Committee

*** nature of employment

VII. Changes in the number and average wage of employees, employment policy

The average statistical headcount at the Company was 24 persons on 31 December 2016 and 24 persons on 31 December 2017. The average wages did not change significantly from the reference year to the subject year.

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 2017
1. Board of Directors, Audit Committee

The extraordinary general meeting of the Company held on 15 August 2017 recalled Berecz Kristóf, Tzvetkov Julian, dr. Hárshegyi Frigyes, Bajnok Judit and dr. Ungár Anna from their positions as Board of Directors members and Tzvetkov Julian, dr. Hárshegyi Frigyes and Bajnok Judit from their positions in the Audit committee of the Company and elected Berecz Kristóf, Tzvetkov Julian, dr. Hárshegyi Frigyes, dr. Ungár Anna and Horváth László to be members of the Board of Directors for the period between 15 August 2017 and 15 August 2022 and elected Tzvetkov Julian, dr. Hárshegyi Frigyes and Horváth László to be members of the Audit committee of the Company for the period between 15 August 2017 and 15 August 2022.

In his letter dated 20 November 2017, Horváth László renounced his membership in the Board of Directors and the Audit Committee of the Company, effective from 20 November 2017.

At the extraordinary general meeting held on 22 December 2017 the general meeting unanimously elected Vasziy Miklós to be a member of the Board of Directors and the Audit Committee, for the period between 22 December 2017 and 15 August 2022.

In the period between 31 December 2017 and the preparation of the statement no changes occurred in the person of the executives.

2. Employees in strategic positions

The employment of Farkas Zoltán, the head of finances and accounting, at the Company was terminated by the Parties with mutual understanding, effective from 30 September 2017.

X. Introduction of the consolidated entities of the Company

The Company consolidated Harsánylejtő Ingatlanforgalmazó és -kezelő Kft in its year 2017 consolidated yearly financial statements prepared according to IFRS.

Harsánylejtő Ingatlanforgalmazó és -kezelő Kft (registered office: 1033 Budapest, Polgár u. 8-10.), was founded (and is fully owned since then) by Budapesti Ingatlan Nyrt, on 25 August 2008, with a capital of th HUF 500. The share capital of the Company was increased to th HUF 3 000 on 10 March 2016, principal activity of the company: organization of building construction projects. Harsánylejtő Kft. performs the property development for sale activities of the BIF group after 20 October 2017. On 31 December 2017 it has 8 lot properties suitable for the building of condominiums in the Harsánylejtő development area, form which the construction of condominiums is in progress in 4 lots.

Harsánylejtő Kft. finances the purchase of construction lots necessary for property development and the developments itself from market interest loans received from the parent company, paid back from the purchase price of apartments it sold after the completion of the development.

Concerning the development the parent company decides in strategic matters, the subsidiary performs operative tasks.

The following personal changes occurred at the consolidated Harsánylejtő Kft.in 2017:

On 26 April 2017, Budapesti Ingatlan Nyrt., as the single owner of Harsánylejtő Kft., decided to elect Sajgál Gábor and Farkas Zoltán to be managing directors of Harsánylejtő Kft. for the period between 26 April 2017 and 30 April 2020, with a joint power of representation of the managing directors.

On 29 September 2017, Budapesti Ingatlan Nyrt., as the single owner of Harsánylejtő Kft., decided to recall Farkas Zoltán from his position as managing director, effective from 29 September 2017, and appoint Sajgál Gábor to be managing director with independent power of representation.

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. Responsible company management report and statement

The Company has a Responsible Company Management report and statement, reviews its company management system each year and modifies it as necessary. At the annual ordinary general meeting the shareholders vote about the approval of the Responsible Company Management Report of the Company and after the general meeting the Company discloses the Responsible Company Management Report.

- The Responsible Company Management Report can be viewed on the websites www.bet.hu, www.bif.hu and www.kozzetetelek.hu.
- The Company prepares its responsible company management report and statement based on the Responsible Company Management Recommendations published by Budapesti Értéktőzsde Zrt.
- The Board of Directors accepts the Responsible Company Management Report and the general meeting approves it. The Responsible Company Management Report includes the recommendations of BÉT and the details and reasons of the differences compared to that.
- The Responsible Company Management Report includes the reasons for practices applied besides the provisions of the legal regulations.
- The Responsible Company Management Report includes the main characteristics of the internal control and risk management practice of the Company.

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 reliable image of the situation, development and performance of the Company and its consolidated entity, presenting the main risks and uncertainty factors, and does not omit any facts that might have any significance concerning the assessment of the situation of the Company and its consolidated entity. The Company is responsible for the reimbursement of damages caused by failing to provide regular and extraordinary information or the misleading content of the same.

Budapest, 5 April 2018

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

.....
Sajgál Gábor
CEO