



**Annex 1 to the proposal of the Annual General Meeting of  
Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.**

**Report of the Board of Directors  
on the business activity of  
Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. in 2022**

**Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.** (registered office: 1033 Budapest Polgár utca 8-10.; Company Registration No.: 01-10-042813; website: [www.bif.hu](http://www.bif.hu); hereinafter: the “Company” and/or “BIF”) hereby informs its shareholders, business partners and investors on the management, the business activity in 2022 and the financial position of Company.

## **I. Management of the Company:**

The Company operates in a unified control system.

The Board of Directors is the executive body of the Company, which shall represent the Company in front of courts of law and other authorities, as well as third parties.

The Board of Directors established the rules of its operation and operated according to its Order of Procedure in 2022. The majority of the members of the Board of Directors are independent.

The Board of Directors performs its activities as a body. It designates the issues necessary to be put on the agenda of its meeting from the issues in its scope of responsibilities, appoints the member of the Board of Directors and/or management 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 provides for the monitoring of its implementation. The Board of Directors determines the dates of its regular meetings to be held in the period between its annual balance closing general meetings, as well as the expected agenda of such meetings to the necessary extent.

In 2022, the Board of Directors held 3 meetings. In 2022, the Board of Directors passed decisions through electronic means on 10 additional occasions.

### **Members of the Board of Directors of the Company (31 December 2022)**

<b>Name</b>	<b>Position</b>	<b>Beginning of assignment</b>	<b>End of assignment</b>
Dr Anna Ungár	President	30.04.2022	30.04.2027
Kristóf Berecz	Vice-President	30.04.2022	30.04.2027
Julian Tzvetkov	member	30.04.2022	30.04.2027
Dr Frigyes Hárshegyi	member	30.04.2022	30.04.2027
Miklós Vaszi	member	30.04.2022	30.04.2027

## **II. The Company's business policy and business activities in 2022**

The business activity of the Company in 2022 was along the lines of realizing the development strategy and goals listed below:

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

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

The Company is active in the following main segments of the real estate market according to the types of properties owned:

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

### **Office buildings**

In 2022, a total of 267 thousand m<sup>2</sup> new office area was delivered in Budapest, which meant a significant growth compared to the previous year as a result of the fact that some of the office deliveries scheduled to the end of 2021 were postponed to 2022. The office corridor on Váci road remained the major target of investments in 2022 as well, followed by the submarket of South-Buda. The total modern office market portfolio exceeded 4.25 million m<sup>2</sup> by the end of 2022. In the second half of 2022, several major office buildings were delivered, while own investments had a unique 39% share of the market. In 2023, investments are expected to be concentrated in the southern part of the city, with only one office park expansion to be realized in the Váci út office corridor, the largest submarket in Budapest.

The negative effect of the high number of expansions is that the vacancy rate continued to rise compared to 2021, standing at 11.3% at the end of 2022; the most saturated submarket was North Buda, with a rate of 4.1%. Realtors expect the vacancy rate to rise further in 2023 until new developments "wind down" by the second half of the year. The demand for office space continued to rise in 2022 to 391,000 m<sup>2</sup>, which represented a more modest increase (7%) compared to the previous year. (Source: CBRE, BRF)

There were fewer new investments launched in 2022, therefore only around 180 thousand m<sup>2</sup> are expected to be completed by 2023.

The change to the management fee played an increasingly important role in 2022 in the case of leases, as it has been representing an increasing share of the total occupancy cost. Due to various technical (energy efficiency) and financial factors, the management fee now ranges more widely (up to even €13/m<sup>2</sup>) than in the past. Average operating charges at the beginning of 2023 were around €5.5 for most category 'A' buildings, which may be due to a combination of significantly higher energy prices, increased cleaning and disinfection needs and the use of more modern mechanical equipment. (Source: CBRE, Portfolio)

On December 31, 2022, our Company owned six category "B" and three category "A" office buildings in prime locations in terms of infrastructure and transport. The revitalization of one of the former Category "B" office building at 12-14 Városmajor Street, District XII of Budapest (hereinafter: "**Major Udvar** (Városmajor u. 12)") to convert it to Category "A" was completed and handed over in October 2022.

In H1 2020, our Company acquired the former Posta Hotel at 114-116 Üllői út, Budapest, District X of Budapest, an iconic 13-storey tower building in the area, which was converted into a Category "A" office building (hereinafter: "**BIF Tower**") in a development project launched in 2021. The construction project was handed over in January 2023. In the case of the adjacent three-storey building, formerly operating as an educational centre (hereinafter: "Üllői Avenue Educational Centre"), our aim is to use it as an office or educational centre in line with market demand. The two buildings will add more than 10,000 m<sup>2</sup> of office space.

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

### Parking garages

Our Company owns 2 **parking garages**, the **Aranykéz Parking Garage** (Budapest V. district Aranykéz utca 4-6.) and the **Parking Garage of Flórián Udvar** Office Building (8-10 Polgár Street, District III of Budapest), located next to the Vigadó Palota Office Building (9 Apáczai Csere János Street, District V of Budapest, "Vigadó Palota Office Building"). The parking garage in the Flórián Udvar Office Building is primarily intended to serve the tenants of the office building. Both parking garages are equipped with the latest Hungarian mobile-app parking system and modern payment facilities to ensure maximum service quality. In line with the changes to the charges for public parking during the year, our service charges also changed in 2022. The number of passes did not decrease in 2022, meaning that the indirect impact of the increase in utility charges was not felt in that year. Shorter rentals (e.g. events) continue to help enhance occupancy.

### Building plots and residential properties

In the first half of 2022, the domestic real estate market was still booming, with prices rising in the first quarter by 26.8% in nominal terms and by 14.6% in real terms, due to high inflation. Prices in the housing market have risen by more than 350% in nominal terms since 2014, the start of a years-long increase.

In the first months of the last year, properties became more expensive in all regions of the country. The largest increases in unit prices, of more than 20%, were recorded in the Southern Great Plain and Central Transdanubia regions compared to 2021, but the Northern Hungary region was not far behind, either. The smallest price increase was recorded in Central Hungary, but its rate was nearly 16% even there.

The biggest increase in real estate prices was seen in the county capitals, also by more than 20%, but a similar 19% rise was recorded in other towns as well. Prices rose by more than 15% in Budapest and by 12% in the villages.

(Source: Portfolio Ingatlan)

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

- **Land development:** A total of 153 land plots have been developed, constructed and sold within the framework of Phases I-II. The project was successfully completed in terms of development and sales (the total area of the above-mentioned Phases I to II exceeds 25 hectares).
- **Residential property development**
  - In Phases I and II of the residential development, a total of 40 apartments of floor areas between 55 and 99 m<sup>2</sup> were built on an area of about 1 hectare. The sale of the 20 apartments built in Phase I of the residential development project was successfully completed in 2019, and the sale of the 20 additional apartments built in Phase II of the residential development project was successfully completed in H1 2021. The owner of the project is Harsánylejtő Ingatlanforgalmazó és -kezelő Kft. (hereinafter: "Harsánylejtő Kft."), which is 100% owned by the Company.
  - For two of the three plots of land suitable for residential development, sales contracts with reservation of title were signed in Q4 2021, one of which was delivered in possession in 2022 (the reservation of title subject to payment of the full purchase price for the two plots was terminated in Q4 2022 and is foreseen for H1 2024, respectively).
- A plot of land suitable for the development of a **commercial unit**, comprising a retail unit of approximately 1,000 m<sup>2</sup> and a further 1,500 m<sup>2</sup> of office or other service functions on an area of approximately 0.4 hectares.
- A sale and purchase agreement was signed in Q4 2022 for a plot of land of more than 2.4 hectares suitable for the development of **buildings of other functions**, for which the transfer of ownership has also been completed.

The Company is also investigating possibilities other than indicated above in respect of the utilization and sale of the plots of land owned by the Company.

In addition to the residential property development in the Harsánylejtő Project, the Company also owned a property of the function of residential property, registered under parcel number 6775 in District I of Budapest, located at 99 Attila Avenue, District I of Budapest, and 42 Logodi Street, H-1012 Budapest (hereinafter: "**Attila99Loft**" or "Attila Avenue Property") on 31 December 2022. Attila99Loft was the winner of the **Real Estate Awards "Residential Property Development of the Year 2021"** competition. The real property includes 16 exclusive apartments, a 22-space robotic parking system, a restaurant and a bakery. In addition to its location in the Castle District and the unique style of the apartments, the exclusive services available within the building ensure the uniqueness of the building modelled on the "New York" style. The apartments and commercial premises are leased by the Company.

One of the most prominent properties in the Company's portfolio is located at 80-82 Andrásy Avenue, District VI of Budapest, a World Heritage Site (hereinafter: "**Andrásy Avenue Property**"). On the more than 1,400 m<sup>2</sup> site, the Company prefers the possibility of a residential development with upscale apartments and services, taking into account the changing market needs and the district regulatory conditions.

### **Hotels**

In 2022, the annual number of hotel guest nights increased by 65% nationally compared to 2021, but decreased by 15.8% compared to 2019. In 2022, domestic hotels generated a total revenue of HUF 488 billion nationally. This figure was 75.6% higher than in 2021, but fell behind 2019 by 1.5%. The turnover of Budapest hotels in 2022 was HUF 191.1 billion, 123% higher than in 2021 but 20.9% lower than in 2019. The total revenue of hotels outside the capital was HUF 296.9 billion in 2022. This was 54.4% higher than the previous year but 10.6% lower than in 2019.

(Due to the restrictions imposed related to Covid-19, 2020 was not included in the benchmark.)

(Source: Hungarian Hotel & Restaurant Association)

The Company currently owns 1 property which is operated as a hotel by the tenant (the Company does not generate any income from accommodation or catering services, it only rents out the properties it owns). The **property at Madách Square** (3 Madách Imre Square, District V of Budapest), which has one of the most prominent downtown locations for the purposes of tourism, is a 4-star hotel with 115 rooms..

**"Building C"** of the **Üllői Avenue property complex** (114-116 Üllői Avenue, District X of Budapest), located in the airport corridor, in the vicinity of Liszt Ferenc International Airport (114-116 Üllői Avenue, District X of Budapest) has been leasing out by the Company for student accommodation (hereinafter: "**BIF HOSTEL**") since September 2021, taking advantage of the favourable conditions of the building (earlier, this building had been used as a 3-star transit hotel).

*The outbreak of the Russian-Ukrainian war on 24 February 2022 and the related international sanctions have a significant impact on the economic outlook and increase economic risks. In order to minimize the exposures to risks caused by the war conflict (eventual request for the amendment or termination of lease contracts, substantial increase in operating costs, possible delays in ongoing developments projects, and the renegotiation of supplier/service provider partnerships), the Company will continue to closely monitor the current situation – especially actions by the government and other official bodies –, take new measures, and inform its employees and partners accordingly.*

**III. Key financial data**

Key Financial Data of the Company's 2022 audited Consolidated Annual Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

<b>Profit and loss statement (IFRS, audited)</b>		
HUF '000'	<b>2021</b>	<b>2022</b>
Net sales revenue	4,916,389	10,293,076
Other operating income	6,201,800	2,883,212
Changes in internally generated inventories	-286,807	-123,863
Capitalized value of internally generated assets	-142,048	0
Raw materials, consumables and other external charges	-1,190,595	-2,068,658
Staff costs	-575,034	-678,665
Other operating expenditure	-395,436	-471,290
<b><u>EBITDA</u></b>	<b><u>8,528,269</u></b>	<b><u>9,833,812</u></b>
Depreciation and impairment	-174,111	-87,428
<b><u>Operating P/L</u></b>	<b><u>8,354,158</u></b>	<b><u>9,746,384</u></b>
Financial income	164,774	651,165
Financial expenses	-231,055	-335,871
<b><u>P/L before tax</u></b>	<b><u>8,287,877</u></b>	<b><u>10,061,678</u></b>
Actual tax expenditure	-18,693	-28,123
<b><u>P/L after tax</u></b>	<b><u>8,269,184</u></b>	<b><u>10,033,555</u></b>

<b>Key balance sheet items (IFRS, audited)</b>		
HUF '000'	<b>31.12.2021</b>	<b>31.12.2022</b>
Investment property	63,763,004	71,881,004
<u>Long-term assets, total</u>	<u>64,271,287</u>	<u>72,456,398</u>
Cash and cash equivalents	9,548,215	8,130,618
<u>Current assets, total</u>	<u>10,532,776</u>	<u>9,227,922</u>
<b><u>Assets, total</u></b>	<b><u>74,804,063</u></b>	<b><u>81,684,320</u></b>
Subscribed capital	2,870,244	2,870,244
<u>Equity allocated to the parent company, total:</u>	<u>50,515,526</u>	<u>55,515,392</u>
Financial liabilities	19,213,740	20,075,461
<u>Long-term liabilities, total</u>	<u>19,226,362</u>	<u>20,088,629</u>
Financial liabilities	1,270,565	1,446,747
<u>Current liabilities, total</u>	<u>5,062,175</u>	<u>6,080,299</u>
<b><u>Liabilities and equity, total</u></b>	<b><u>74,804,063</u></b>	<b><u>81,684,320</u></b>

#### **IV. Summary; proposals and recommendation of the Board of Directors**

The Board of Directors proposes the general meeting to approve the Audited Annual Financial Statements of the Parent Company prepared in accordance with the International Financial Reporting Standards (IFRS) for 2022 with the following main figures (data in thousand HUF):

Total assets	81,565,886
Equity	55,507,953
Sales revenue	10,289,516
Profit before taxes	10,040,210
Retained earnings	10,012,333

*With regard to the applicable provisions of the Articles of Association and the REIT Act, as well as the results of 2022, the Board of Directors proposes the payment of dividends against the retained earnings and profit reserve that can be paid as dividends based on the audited Annual Financial Statements of the Parent Company prepared in accordance with the International Financial Reporting Standards (IFRS) for 2022 in the amount of HUF 8,808,955,400, which is HUF 35 per share. In the course of the above dividend calculation, Company already divided the dividend for the treasury shares among the shareholders entitled to dividends in proportion to the nominal value of their shares.*

The Board of Directors proposes the general meeting to approve the Audited Consolidated Annual Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) for 2022 with the following main figures (data in thousand HUF):

Total assets	81,684,320
Equity	55,515,392
Sales revenue	10,293,076
Profit before taxes	10,061,678
Retained earnings	10,033,555

The Board of Directors of Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. hereby declares that the Audited Annual Financial Statements of the Parent Company and the Audited Consolidated Annual Financial Statements prepared in accordance with the International Financial Reporting Standards (IFRS) and the Business (Management) Reports of the Company, each prepared for 2022, contain true and correct data and statements and do not omit any fact that might have any significance concerning the assessment of the position of Company.

Budapest, 6 April, 2023

dr. Anna Ungár  
President of the Board of Directors

### Annex

- Annual Report 2022 – Annual Financial Report 2022 of the Parent Company (Audited Annual Financial Statements of the Parent Company prepared in accordance with the International Financial Reporting Standards (IFRS) for 2022 and Business (Management) Report)
- Consolidated Annual Report 2022 – Consolidated Annual Financial Report 2022 (Audited Consolidated Annual Financial Statements of Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. prepared in accordance with the International Financial Reporting Standards (IFRS) for 2022 and Consolidated Business (Management) Report)