Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.

Consolidated Annual Report
2020

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

The business activity of **Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.** (registered office: 1033 Budapest Polgár utca 8-10.; hereinafter: the "Company" and/or "BIF") in the first half of 2020 was along the lines of realizing the 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, operating since December 31, 2018 as a regulated real estate investment company as defined in Act CII of 2011 on Regulated Real Estate Investment Companies (hereinafter: the "SZIT/REIT Act"), 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.

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

In 2020, a total of 232 thousand m^2 new office area was delivered in Budapest, which meant a growth by more than three times compared to the previous year. The office corridor on Váci út remained the major target of investments in 2020 as well, and the total portfolio of this market increased above one million m^2. The total portfolio on the modern office market exceeded 3.9 m^2 by the end of 2020. At the end of 2020, a total office area of 470 thousand m^2 was under construction, of which about 160 thousand m^2 can be expected to be delivered by the end of 2021; the majority of the development activity tends to focus on the South-Buda market, where a total area of 73 thousand m^2 can be expected to be delivered in 2021. (Source: Eston).

The vacancy rate, which hit the record low of 5.6% at the end of 2019, started to increase and was at 9.1% at the end of 2020. Considering a continuing expansion of the developments and the third wave of the epidemic situation, real property traders expect an additional minor growth in the vacancy rate, which may be as high as 10-11% in 2021. After its record high in 2019, the demand for offices decreased in 2020 significantly, by 47% as a result of the pandemic. The total volume leased was 335 thousand m^2, and it was only in 2010 that a lower rate (311.5 thousand m^2) has ever been registered. (Source: CBRE)

It is a general challenge that the pandemic situation has brought about numerous changes concerning the office use by tenants as well, and lessors probably have to prepare for such changes in the long run. With the spread of the culture of "home office" and distant working, the possibility for certain tenants to require a decreased leased area or the flexible utilization of office sizes cannot be excluded. The demand for the safe and hygienic operation of the working area, including common areas, elevators and the equipment supplying fresh air has also been clearly formulated. Modern, touchless solutions and tracking systems may also be expected to be added to the basic features required in modern offices.

Development activity can be expected to diminish in 2021, but the demand on the office market will presumably increase from the middle of the year, which is expected to stabilize the vacancy rate from the second half of the year. We expect rental fees to increase and the yields on the office market to decrease in 2021, while the dynamics of such changes can be expected to continue becoming moderated.

The activity of real property investors will foreseeably grow in 2021, as a large volume of capital not invested in 2020 is looking for its place on the market.

On December 31, 2020 our Company owned seven category 'B' and two category 'A' office buildings with excellent location from infrastructural and traffic perspective, and one of the current category 'B' office buildings (the office building located at Budapest, district XII, Városmajor str. 12-14, hereinafter: "Major Udvar (Városmajor12)") is being upgraded to a category 'A' office building. Our existing, operating office buildings tended to be run at a utilization rate of 90% in the subject period, falling behind the average utilization rate measured on the market minimally.
In the first half of 2020, our Company acquired **the former "Posta Szálló" at Üllői str. 114-116 in district X of Budapest**, the iconic 13-storey tower building of the neighbourhood, which is being reconstructed for being used as a category 'A' office building (hereinafter: "Üllői str. Tower Office Building"). The 3-storey building next to it, once used as a training centre (hereinafter: the "Üllői str. Training Centre") has also been added to our portfolio, which we intend to utilize as office area or training centre, corresponding to the market demand. These two buildings jointly increased our office portfolio by more than 10 thousand m^2.
The reconstruction of **Major Udvar (Városmajor12)** started in August of 2020 and is expected to be completed in Q1 of 2022. We managed to agree with one of the major tenants of the office building on its moving to our office building at Városmajor str. 35 in district XII of Budapest (hereinafter: "**Major Park (Városmajor35)**") successfully acquired at an auction in early 2020, which ensures the continuity of the lease. We developed a modern office and an archive at a floor space of nearly 3.3 thousand m^2 on several storeys for the tenant.
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.

Parking garages

The market of the existing parking garages operating on commercial basis was also heavily hit by the pandemic situation. At the beginning of April, the government announced free parking on public areas to reduce the use of public transport and hold up the spread of the virus, and this measure remained in force until July 1. During the second wave of the epidemic, free parking on public areas was reintroduced in November 2020. In addition, the availability of free parking was also extended by a new Government Decree to parking garages, underground garages and outdoor parking areas operated for commercial purposes from 7.00 p.m. to 7.00 a.m. Free parking, which was originally meant to expire in December 2020, was extended because of the state of danger, therefore it continued into 2021.

Our Company owns 2 parking garages: **Aranykéz Parking Garage** (Budapest V. kerület Aranykéz utca 4-6.) located next to Vigadó Palota Office Building (Budapest V. kerület Apáczai Csere János utca 9.) ("Vigadó Palota Office Building") and the **parking garage in Flórián Udvar Office Complex** (Budapest III. kerület Polgár utca 8-10.). The parking garage in Flórián Udvar Office Building is primarily intended to serve the tenants of the office building. Both of our parking garages strive at providing services of an utmost standard, including the use of the latest mobile application based parking system developed by Hungarian experts and modern payment methods. As the extraordinary measures introduced during the state of hazard gave rise to difficulties in the availability of free parking spaces in public places, our tenants who continued going to work to their offices maintained their parking spaces leased for reasons of convenience, what more, some of our major tenants even requested additional parking spaces to support their workers in reaching their workplace safely. The revenues from parking charged for based on parking meter diminished significantly during the curfew restrictions, which primarily affected Aranykéz Parking Garage located downtown.

Construction lots and residential buildings

The rust belt regulation announced in July, 2020 also mobilized developers, but no transactions were made by that time because of the uncertainties concerning the applicable VAT rate. From the governmental measures announced in October, 2020, the reintroduction of the 5% VAT rate on residential properties until 2022, and the new home creation subsidies were the ones which have a major impact on the market, including the market of plots suitable for the construction of residential buildings (source: KPMG). The new VAT rate of 5%, reintroduced universally, finally put an end to uncertainty. Low interest rates and the home creation sunsidies provided by the state may help with sustaining the level of demand during the coronavirus pandemic as well. Newly built apartments in Budapest became more expensive by an average rate of 6.1% in 2020, representing a significant slow-down compared to the price increase by 19.5% measured in 2019 (source: Eltinga). In this new situation, increased attention is expected to be directed at the high prestige zones in Buda, which classically preserve their value, by customers buying for residential or investment purposes.

As part of the **Harsánylejtő Kertváros Project** to be realized by the Company as a developer (in District III of Budapest), the Company has launched development projects on a total area of 39 hectares in recent years in several phases (hereinafter: "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 sold in phases I and II of the project. The phases were 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 technical delivery took place and the occupancy permit was issued for additional 20 apartments constructed in phase II of the project and only 2 apartments have remained available to potential buyers. The project owner is Harsánylejtő Ingatlanforgalmazó és -kezelő Kft, the exclusive owner of which is the Company (hereinafter: "Harsánylejtő Kft").
    - In the second half of 2020, our Company sold the development area of 1 hectare, comprising 8 plots of land made suitable for the development of residential properties in phases III – IV.
    - 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, however, the sale of these plots might be an alternative to development activity for the Company to make use of the growing demand as a result of the cutting of the VAT rate related to residential properties.
- **Commercial unit development:** there is a plot of an area of 0.4 hectare, which is suitable for the construction of a retail unit of ca. 1,000 m^2 and an additional office or other service function area of 1,500 m^2.
- **Office or residential property development:** a plot of 1 hectare suitable for the construction of an office complex of ca. 2,500 m^2 or condominium properties.

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 Plot Development 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.

In addition to the residential property development realized as part of Harsánylejtő Project, the Company realized a significant development project 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 (hereinafter: the "**Attila99Loft**" or "Attila str. property"). As part of this development project, 16 exclusive apartments, an automated parking system with 22 parking spaces, a restaurant and a bakery are being constructed in the real property. 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 exclusive services to be offered in it. The Company wishes to utilize the apartments to be developed by leasing them after their completion expected to take place at the end of April, 2021.

<u>Hotels</u>

The hotel market of Budapest saw record low reservation rates and revenues in 2020. The revenue per room to let decreased by 82% in Budapest. Although a total of 580 new hotel rooms were delivered in 2020 on a national level as a result of development projects commenced in the previous period, additional planned developments became uncertain. The number of available hotel rooms also fell back significantly because of closures and it is uncertain for the time being when certain hotels can reopen, especially those specialized in receiving foreign tourists. Although domestic tourism seems to be on an upsurging trend, the figures of the previous years will probably remain unattainable without foreign guests, and this is particularly true for Budapest. According to forecasts, the hotel sector of Budapest can reach the pre-Covid level in 2-3 years, which is still one of the most promising indicators in the region (source: CBRE).

At the moment, there are 2 real properties owned by the Company which are operated by the companies leasing them as hotels (the Company generates no revenues from providing accommodation or catering services, but only leases the real properties owned). 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. The 3-star hotel with 81 rooms and 1 apartment in **building "C"** within **the real property complex on Üllői street** located in the catchment area of Liszt Ferenc international airport, more specifically the airport corridor Üllői street functions as a transit hotel.

One of the most outstanding real properties in the portfolio of the Company is located at a World Heritage Site under Andrássy str. 80-82 in district VI of Budapest (the "**Andrássy str. property**"). A Boutique Hotel concept is being developed currently for this plot of a total area of more than 1.4 thousand m^2, and an agreement is being negotiated for its utilization with an operator with significant references on the Budapest hotel market. The phasing of the development is fundamentally affected by how the coronavirus pandemic evolves and its impact on the market.

II. Profit and loss in 2020 and the prospects for and challenges in 2021

1. Profit and loss in 2020

The Company concluded a successful year in 2020, which was, however, full of challenges. According to its Audited Consolidated Profit and Loss Statement prepared in accordance with the IFRS, BIF generated a **profit before taxation** in the amount of HUF **4,981 million** in 2020, which represented a significant increase by ca. 2.7 billion HUF compared to year 2019. At the same time, the profit before taxation adjusted by the change in the fair value of investment properties grew from 2,144 million HUF in 2019 to 2,836 million HUF in the subject year (+692 million HUF, i.e. + 32%), primarily thanks to the revenues derived from the sale of Verseg Kastélyszálló and of plots suitable for the development of residential properties as part of Harsánylejtő Project and from increasing rental revenues primarily as a result of the purchase of Major Park (Városmajor 35) office building. The operating profit prorated to sales revenues (adjusted by the change in the fair value of investment properties), which indicates the consolidated operating efficiency of the Company, was 48% in 2020.

- The **net sales revenues** amounted to 6,189 million HUF as a whole in 2020 (+17%). The majority (a total of 64%) of the consolidated net sales revenues generated by BIF in 2020 was derived from the utilisation of investment properties like 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 (36%) in the subject period. Revenues from property utilization could increase in the subject period (+246 million HUF, + 7%) despite the diminishing of revenues from parking fees due to the introduction of free parking in public areas, while the revenue from property sales could increase significantly (+654 million HUF, +41%) thanks to the sale of development plots as part of Harsánylejtő Project, as well as the continuing sale of residential properties developed here.

Breakdown of net sales revenues

data in thousand HUF	2019	2020
Revenues from leasing and operating fee	2 949 739	3 235 913
Revenues from parking fee	475 159	410 721
Revenues related to mediated services	271 917	296 602
Revenues from property/lot sale	1 580 759	2 234 683
Other sales revenues	10 680	11 317
Total	**5 288 254**	**6 189 236**

- **Other operating income** increased to 3.5 billion HUF in 2020 compared to the relevant value in the base period as a result of the impact on the profit and loss arising from the fair value of investment properties and the sale of Verseg Kastélyszálló[1].
- **Material expenses** decreased by 383 million HUF, i.e. by 18% in 2020 compared to its value demonstrated in 2019. The significant reduction of the volume of services provided by subcontractors involved in the residential property developments as part of Harsánylejtő Project contributed to such change to a major extent, but additional fees and charges incurred in 2019 in connection with the acquisition of the Attila str. property and the leasing of the Vigadó Palota Office Building also contributed to the change.
- Group-level **personnel expenses** grew by 4.5% in 2020 compared to the previous year. 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 decrease by about 169 million HUF in the line **depreciation and impairment** was caused by the impairment accounted in 2019 as part of Harsánylejtő Project Residential Property Development in the first place.

[1] *For further information, refer to Section III. 4.*

- **Other operating expenses** were by 737 million HUF higher in 2020 than in the previous year. This change was brought about mainly by the decreasing of the market value accounted for some individual properties based on the IAS40 standard, the transfer of assets (road network) for no consideration to the Municipality of District III of Budapest as part of the Harsánylejtő Project in the subject year and the derecognition of specific, previously incurred in the interest of Harsánylejtő Project but not utilized investments in the subject year.
- As a result of the foregoing, the **operating profit** of 2020 increased to about 5.1 billion HUF, which is more than two times the value in 2019. The operating profit adjusted by the change in the fair value of investment properties grew to about 2,957 million HUF in 2020 from 2,335 million HUF in 2019 (+27%).
- The **profit/loss on financial transactions** improved to -121 million HUF in the subject period from -190 million HUF in the base period, as a result of the increase in interest income as a result of more efficient liquidity management on the one hand and exchange rate profit realized on EUR/HUF exchange transactions related to the payment of the purchase price of Major Park (Városmajor35) Office Building on the other hand.
- Based on the provisions of the REIT Act, the Company was obligated to pay corporate tax only as long as the regulated real estate investment pre-company (SZIE/Pre-REIT) status was obtained (on October 20, 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 expenses incurred by BIF Group in the subject year in the amount of 24.5 million HUF included 2 million HUF paid as corporate tax after revenues from affiliates, 14 million HUF paid as innovation contribution on group level and the local business tax liability of Harsánylejtő Kft, which amounted to 8.5 million HUF.

Profit and Loss Statement (IFRS, audited)

data in thousand HUF	**2019**	**2020**
Net revenue from sales	5 288 254	6 189 236
Other operating income	350 046	3 514 569
Changes in the inventory of internally generated products	132 299	-1 185 643
Capitalized value of internally generated assets	58 441	138 487
Material expenses	-2 157 835	-1 775 077
Personnel expenses	-458 306	-479 158
Other operating expenses	-505 240	-1 242 405
EBITDA	**2 707 659**	**5 160 009**
Depreciation and impairment	-227 173	-57 813
Operating profit	**2 480 486**	**5 102 196**
Financial income	16 209	110 284
Financial expenditure	-206 683	-231 398
Profit before taxes	**2 290 012**	**4 981 082**
Current tax expense	-13 270	-24 483
Deferred tax	-860	0
Profit after taxes	**2 275 882**	**4 956 599**

- The portfolio of **investment properties** grew by 10.8 billion HUF to 52.5 billion HUF in 2020 compared to its amount as of 31 December, 2019. The significant increase is explained by the expansion of the portfolio[2] by successful acquisition of Major Park (Városmajor35) Office Building and a further title of 511/1000 to the real property located at Topographical No. 38315/42, District X of Budapest (hereinafter: “Üllői street acquisition”) and the increase in the fair value of the properties in the portfolio. The Company chose the fair value model to carry investment properties according to the IAS40 Standard.

[2] *For further information, refer to Section III. 3.*

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 (valuations in 2020 were prepared by Seratus Ingatlan Tanácsadó Igazságügyi Szakértő Kft).

- The **net debt** of the Company (the amount of financial liabilities minus financial assets) grew to about 9 billion HUF by December 31, 2020 compared to the end of 2019. The growth in financial liabilities resulted from the loans drawn down[3] in connection with the real property acquisitions successfully realized in 2020, whereas the decrease in financial assets could be primarily explained with the payments made for the developments related to Major Udvar (Városmajor12) Office Building and the Attila str. property and the payment of dividend in the amount of 2.6 billion HUF in 2020.

Major balance sheet items (IFRS, audited)

data in thousand HUF	**31.12.2019**	**31.12.2020**
Investment properties	41 696 004	52 508 004
Total long-term assets	*42 695 504*	*53 204 552*
Cash and cash equivalents	14 937 817	10 888 723
Total current assets	*17 284 975*	*12 496 255*
Total assets	**59 980 479**	**65 700 807**
Issued capital	2 870 244	2 870 244
Equity attributable to parent company:	*41 158 588*	*42 246 342*
Financial liabilities	15 618 427	19 032 327
Total long-term liabilities	*15 635 060*	*19 051 413*
Financial liabilities	515 354	909 006
Total short-term liabilities	*3 186 831*	*4 403 052*
Total liabilities and equity	**59 980 479**	**65 700 807**

Major property, financial and profitability indicators

Name	**31.12.2019**	**31.12.2020**
Long-term assets to total assets ratio (“Long term assets”/”Total assets”)	71.18%	80.98%
Indebtedness (“Long term liabilities total”/”Total long term liabilities and equity attributable to parent company”)	27.53%	31.08%
Debt to equity ratio (“Long term liabilities total”/”Equity attributable to the parent company”)	37.99%	45.10%
Quick liquidity ratio (“Cash and cash equivalents”/”Short term liabilities total”)	468.74%	247.30%
Revenue proportionate income (“Operating profit”/”Net revenue from sales”)	46.91%	82.44%
Equity-proportionate profit (“Operating profit”/”Total equity attributable to the parent company”)	6.03%	12.08%

[3] *For further information, refer to Section III. 2.*

2. Prospects for and challenges in the business year of 2021

In 2021, the Company intends to focus on the following **development areas**:

- Continuing the works commenced in Q3 of 2020 on the renovation of buildings "A" and "B" and the construction of building "C" of **Major Udvar** (Városmajor12) and the lease of the increased office and parking areas of the office building.
- Leasing of the vacant areas in **Major Park** (Városmajor35) purchased at the beginning of 2020 as a result of successful acquisition and elaboration of a concept for the development of additional office, parking house and commercial functions to make use of the opportunities created by the local building regulations amended at the end of 2020. Increasing the utilization ratio of **Flórián Udvar Office Building**, retention of current tenants, investigation and utilization of expansion opportunities.
- Completion of development/construction works on, occupancy of the building and continuing the sales activity aimed at the leasing of **Attila99Loft** successfully acquired at the beginning of 2019.
- **Harsánylejtő Project**
  - Transfer of ownership of public utility networks constructed in connection with completed plot development projects but not yet commissioned to the service provider.
  - Conclusion of the sale and the related legal processes (establishing of a condominium, creation of condominium units) of the residential properties constructed as part of the residential property development projects completed (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 the development concept (initiating the amendment of the local building regulations, application for a construction and demolition permit) for **Bajcsy-Zsilinszky str. Office Building** (located at district VI of Budapest, Bajcsy-Zsilinszky str. 57), maximization of the utilization rate of the real property in its current condition in the transition period.
- Finalization of the hotel concept developed for the **Andrássy str. property** depending on changes to market conditions, initiating of a modification of the local building regulations to enhance development possibilities and obtaining the building permit, selection of the operator and the conclusion of the relevant lease contract.
- Review of the rental fees charged for commercial units, storage areas and parking spaces in **Aranykéz Parking Garage** with regard to changes to outdoor parking fees in the downtown area.
- Commencing the overall renovation, change of functionality of and concluding lease contracts for **Üllői str. Office Tower** and **Üllői str. Educational Centre.**
- Utilization of the development and efficiency improvement possibilities inherent in the existing properties (**portfolio "review"**)
- Seeking **acquisition opportunities** fitting into the strategy of the Company, performing the acquisitions and including the properties in question in the cash-generating portfolio.

In addition to the foregoing, the handling of the coronavirus situation 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 2020

1. General Meeting

With regard to the relevant provisions of Gov. Decree 102/2020 (IV.10.), the Board of Directors of the Company made a decision on April 29, 2020, by exercising the powers of the general meeting, on each issue on the agenda presented in the invitation to the general meeting published as of March 29, 2020, and such resolutions were announced on April 29, 2020 in accordance with the relevant provisions of law. The resolutions are available at the following link: https://www.bif.hu/befektetoknek/publikaciok/tozsdei-kozlemenyek/budapesti-ingatlan-nyrt-igazgatotanacsa-altal-kozgyulesi-hataskorben-meghozott-hatarozatok.

2. Financing

- Pursuant to the loan contract concluded by the Company and MFB Magyar Fejlesztési Bank Zrt (hereinafter: "MFB") on February 6, 2020 based on the loan facility agreement entered into by the Company and MFB on November 7, 2018 for an amount of 20 billion HUF, MFB disbursed a fixed rate HUF loan for a term of 10 years in the total amount of HUF 2,914,540,200 to the Company for property purchase.
- Pursuant to the three loan contracts concluded by the Company and Takarékbank Zrt (hereinafter: "Takarékbank") on August 21, 2020, Takarékbank provided/is providing the following fixed rate HUF loans for a term of 15 years to the Company:
  - a loan disbursed on September 15, 2020 in the amount of HUF 9,707,551,770 for the purpose of refinancing the total amount of debt assumed pursuant to the two loan contracts concluded on November 7, 2019 and the loan contract concluded on February 6, 2020 based on the loan facility agreement concluded by and between the Company and MFB on November 7, 2018 for an amount of 20 billion HUF;
  - a loan in the total amount of HUF 2,606,021,058 extended for the partial subsequent financing of real property purchase and the financing of real property renovation and investment, the first one of which was disbursed on September 1, 2020 in the amount of HUF 1,124,100,000, whereas the second one was disbursed on November 13, 2020 in the amount of HUF 143,750,000;
  - the loan disbursed on September 15, 2020 for the purpose of the refinancing of the total debt outstanding in the amount of HUF 1,661,513,172 based on the loan contract concluded by and between the Company and Takarékbank on March 8, 2018 for an amount of HUF 2,100,000,000.

3. Real property acquisitions

In 2020, the Company purchased the real properties specified below:

- On January 2, 2020, the Company concluded a real property sales contract with Városmajor Projekt Ingatlanhasznosító Korlátolt Felelősségű Társaság as seller to acquire the exclusive title of the seller to the real property of Topographical No. 6866, District XII of Budapest, physically located at 1122 Budapest, Városmajor utca 35; The acquisition was concluded in January, 2020.
- On May 5, 2020, the Company concluded a real property sales contract with Magyar Posta Zrt as seller to acquire the 511/1000 title of the seller to the real property of Topographical No. 38315/42, District X of Budapest, physically located at 1101 Budapest, Üllői út 114-116; the transaction was concluded in May, 2020.

4. Major real property sales

In 2020, the following major real property sales transactions were concluded by the Company:

- On May 12, 2020, the Company concluded a real property sales contract with Kastélyszálló Vendéglátóipari és Szolgáltató Kft as buyer to sell the exclusive title of the Company to the real property of Topographical No. 0122/2, unincorporated area of Verseg and the related movable properties owned by the Company; the transaction was successfully concluded in June, 2020.
- On December 2, 2020, the Company concluded a real property sales contract with Országos Szlovák Önkormányzat as buyer to sell the exclusive title of the Company to the real property of Topographical No. 34637/§/A/107, District VII of Budapest, physically located at 1081 Budapest, Rákóczi út 57.

5. Change to stock of treasury shares

On June 24, 2020, the Company acquired 5,200,000 shares issued by the Company (ISIN code: HU0000167986) at the price of HUF 250 each in a transaction concluded outside Budapest Stock Exchange. As a result of such transaction, the number of the treasury shares of the Company changed from 30,140,000 to 35,340,000.

6. Personal changes in 2020

Board of Directors, Audit Committee

No changes occurred in the composition of the Board of Directors or the Audit Committee between 1 January, 2020 and 31 December, 2020.

Management

- From January 1, 2020, dr. Kalicz Anita has been filling the position of the head of the legal department at the Company.
- On July 31, 2020, the employment of Janák Enikő, head of the sales and marketing department was terminated.
- From July 1, 2020 to January 17, 2021, the position of the head of the sales and marketing department of the Company was filled by Tóth Zsuzsanna.

IV. Risk factors influencing the effectiveness of the Company

The effectiveness of the activities of the Company is still influenced by the current macro- economic situation considerably, 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 lease agreements concluded are of a fixed term, the average period remaining from the term is 2 to 3 years, but in special cases they can be for 5+5 or 10 years. Our lease agreements of an unspecified term 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 in the previous years and could maintain in 2020 as well its very low level similar to the previous years.

Since March 2018, when the outstanding amount of the EUR loan owed to CIB Bank Zrt. was refinanced with a HUF loan, the Company has only had HUF-based long-term loans. Considering that about 92% of the Company's consolidated revenues are realized in HUF, it practically has no FX risk.

As a result of the following refinancing transaction also presented in Section III. 2 the Company eliminated its lending interest rate risk in September 2020. Takarékbank disbursed on September 15, 2020 a fixed-rate HUF loan of a term of 15 years in the amount of HUF 1,661,513,172 for the purpose of the refinancing of the total outstanding amount of the long-term, floating rate HUF debt based on the loan contract concluded by and between the Company and Takarékbank on March 8, 2018 for an amount of HUF 2,100,000,000.

The detailed data concerning financial instruments can be found in paragraph 35 on "Financial instruments" in Section III titled "Additional explanations" in the Chapter on "Notes to the statements" to the audited Consolidated Annual Financial Statements of the Parent Company for 2020, 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, the new (third) wave of the coronavirus pandemic reached Hungary as well after the balance sheet date, in March, 2021. The current coronavirus situation and the changes to such situation may unfortunately have some negative impacts on the plans and objectives formulated by the Company for 2021, which are difficult to estimate or express in numerical terms for the time being, however, economic life may be expected to start getting back to normal in the second half of 2021 as the vaccines against coronavirus become more and more widespread. In order to minimize its exposure to risks due to the coronavirus pandemic (such as some of its tenants initiating the renegotiation or termination of their lease contracts, delays in current development projects or the renegotiation of its relations with suppliers/providers) and to protect its employees, the Company continues 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.

<u>Risks relevant to Harsánylejtő Kft as a consolidated company</u>

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 have affected 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 sale of the 2 apartments not yet sold.

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 date

<u>Conclusion real property sales transaction</u>

The real property sales transaction referenced in the second paragraph of Section III. 4 was concluded in the second half of January, 2021.

VI. General Company Information

1. Data of Company

Company name:	Budapesti Ingatlan Hasznosítási és Fejlesztési nyilvánosan működő Részvénytársaság
Abbreviated company name:	Budapesti Ingatlan Nyrt.
Registered office:	1033 Budapest, Polgár u. 8-10.
Post address (location of central administration):	1033 Budapest, Polgár u. 8-10.
Central electronic contact:	info@bif.hu
Website:	www.bif.hu
Date of the articles of association of the Company:	31.01.1995.
Date when the Company started its operation:	01.05.1994.
Court of Registration:	Company Registry Court of Budapest- Capital Regional Court
Company registration number:	Cg. 01-10-042813
Statistical number of the Company:	12041781-6820-114-01
Tax administration identification number:	12041781-2-41
Community tax number:	HU12041781
Share capital of the Company on 31 December 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 2020, the Board of Directors held 4 sessions. In 2020, the Board of Directors passed decisions through electronic means on 16 additional occasions.

Members of the Board of Directors of the Company (31 December 2020)

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 made decisions electronically on 2 occasions in 2020, besides the Board of Directors meetings. Significant topics discussed at the sessions: approval of the annual financial statements of the Company and certain Companies it consolidated, recommendation for electing the Auditor and determining their remuneration, work schedule for internal audit.

Members of the Audit Committee of the Company (31 December 2020)

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

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

At the annual ordinary general meeting of the Company in 2020 the general meeting decided that the members of the Board of Directors shall perform their tasks without remuneration in the business year of 2020 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 2020.

3. Auditor

Auditor of the Company in 2020:

– 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 2020, 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 35,340,000 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.

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 the resolution of the general meeting. The Board of directors did not exercise this authority in 2020.

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

Presently, there is no employee shareholder system at the Group. 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 the resolution of the general meeting. The Board of Directors did not exercise this authority in 2020.

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.

By its resolution passed on April 29, 2020 by exercising the powers of the general meeting, the Board of Directors 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 2021. 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 and on the 31 December 2020 share register and the individual statements of the owners

	31 December 2019		31 December 2020	
Shareholder	**Number of shares (pcs)***	**Interest (%)**	**Number of shares (pcs)***	**Interest (%)**
PIÓ-21 Kft.	184 847 220	64.40**	184 847 220	64.40**
Own share***	30 140 000	10.50	35 340 000	12.31
Other shareholders	72 037 220	25.10	66 837 220	23.29
Total	**287 024 440**	**100.00**	**287 024 440**	**100.00**

** BIF ordinary shares with a nominal value of HUF 10 each*

***Of which 1,090,260 ordinary BIF shares with a nominal value of HUF 10 each as of 31 December 2019 and 31 December 2020 represent 0.38% indirect share through the Kft.'s subsidiary, BFIN Asset Management AG*

**** The Company may not exercise any shareholder's rights with the BIF treasury shares owned by the Company*

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

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 Chief Financial Officer	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 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 Chief Financial Officer	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 46 persons in 2020 (43 persons in 2019) and 52 persons on 31 December 2020.

The administrative, legal and business administration tasks related to the operation of Harsánylejtő Kft are performed by the legal department and the finance and accounting department of BIF in the form of dual employment.

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 2020

Detailed in Section 6 of Chapter III.

X. Introduction of the consolidated entitiy of the Company

The Company consolidated Harsánylejtő Kft. in its Annual Consolidated Financial Statements for 2020, prepared 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 registered capital of Harsánylejtő Kft 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 performed 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 were delivered in the second half 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, the Company does not produce and store hazardous wastes, BIF 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 and its consolidated company presenting the main risks and uncertainty factors and does not omit any facts that might have any significance concerning the assessment of the position of the Company and its consolidated company.

Budapest, 19 April, 2021

……………………………………….	……………………………………….
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, 2020

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Consolidated Annual Statement of Financial Position

data in thousand HUF	Explanations*	31/12/2020	31/12/2019
ASSETS			
Long-term loans			
Investment property	1	52 508 004	41 696 004
Intangible assets	2	351	603
Land, buildings and related rights	2	90 186	92 213
Plant, other equipment and installations	2	119 726	97 231
Construction and reconstruction in progress	2	486 285	809 453
Investments in related companies	3		
Deferred tax assets	4		
Long-term assets, total		**53 204 552**	**42 695 504**
Current assets			
Inventories	5	696 463	1 928 107
Trade receivables	6	404 664	102 279
Other short-term receivables and prepaid expenses and accrued income	7	506 405	316 772
Cash and cash equivalents	8	10 888 723	14 937 817
Current assets, total		**12 496 255**	**17 284 975**
Assets, total		**65 700 807**	**59 980 479**
LIABILITIES			
Equity			
Subscribed capital	9	2 870 244	2 870 244
Capital reserve	9	6 048 215	6 048 215
Revaluation reserve	10	731 904	1 078 973
Own shares repurchased	11	-3 048 120	-1 748 120
Profit reserve	12	30 687 500	30 633 394
P/L for the reporting year	12	4 956 599	2 275 882
Equity allocated to the parent company, total		**42 246 342**	**41 158 588**
Long-term liabilities			
Financial liabilities	13	19 032 327	15 618 427
Provisions for expected liabilities	14	19 086	16 633
Deferred tax liabilities	15		
Other long-term liabilities	16		
Long-term liabilities, total		**19 051 413**	**15 635 060**
Current liabilities			
Financial liabilities	17	909 006	515 354
Liabilities to creditors	18	1 982 055	275 656
Other short-term liabilities, accrued expenses and deferred income	19	1 511 991	2 395 821
Current liabilities, total		**4 403 052**	**3 186 831**
Liabilities and equity, total		**65 700 807**	**59 980 479**

**No. of additional explanation*

Consolidated Annual Statement of Comprehensive Income

data in thousand HUF	Explanations*	2020	2019
Net sales revenue	20	6 189 236	5 288 254
Other operating income	21	3 514 569	350 046
Changes in own-manufactured inventories	22	-1 185 643	132 299
Capitalized value of own-manufactured assets	22	138 487	58 441
Raw materials, consumables and other external charges	23	-1 775 077	-2 157 835
Staff costs	24	-479 158	-458 306
Depreciation and impairment	25	-57 813	-227 173
Other operating expenditure	26	-1 242 405	-505 240
Operating profit		**5 102 196**	**2 480 486**
Financial income	27	110 284	16 209
Financial expenses	27	-231 398	-206 683
Profit before taxes		**4 981 082**	**2 290 012**
Actual tax expenditure	28	-24 483	-13 270
Deferred tax	29	0	-860
Profit after taxes		**4 956 599**	**2 275 882**
Attributable to:			
Part attributable to the parent company		**4 956 599**	**2 275 882**
Part attributable to the external owners		0	0
Other comprehensive income		**-347 069**	0
Change in the fair value of other properties less taxes		-347 069	0
Tax effect of changes in the fair value of other properties	30	0	0
Total comprehensive income		**4 609 530**	**2 275 882**
Attributable to:			
Part attributable to the parent company		**4 609 530**	**2 275 882**
Part attributable to the external owners			
Weighted average ordinary shares (number of shares)		251 684 440	256 884 440
Earnings per share (HUF)			
Fund	31	19.69	8.86
Diluted	31	19.69	8.86

**No. of additional explanation*

Consolidated Annual Statement of Changes in Equity

Explanations*	9	11	9	10	12	12			
data in thousand HUF	**Subscribed capital**	**Own shares repurchased**	**Capital reserve**	**Revaluation reserve**	**Profit reserve**	**P/L for the reporting year**	**Equity allocated to the parent company, total**	**Non-controlling participation**	**Equity, total**
31/12/2018	**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 P/L from the previous year					8 280 576	-8 280 576			
Equity swap									
Issue of own shares									
Sale of equity									
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**
Reclassification of P/L from the previous year					2 275 882	-2 275 882			
Purchase of equity		-1 300 000					-1 300 000		-1 300 000
Equity issue									
Sale of equity									
Dividend					-2 568 844		-2 568 844		-2 568 844
Adjustment for deconsolidation									
Increase in the profit reserve due to the sale of Verseg					347 069		347 069		347 069
Total comprehensive income				-347 069		4 956 599	4 609 530		4 609 530
31/12/2020	**2 870 244**	**-3 048 120**	**6 048 215**	**731 904**	**30 687 500**	**4 956 599**	**42 246 342**		**42 246 342**

**No. of additional explanation*

Consolidated Annual Cash Flow Statement

data in thousand HUF	Explanations*	2020	2019
Profit before taxes		**4 981 082**	**2 290 012**
Adjustments of the profit before taxes		**-15 436**	**-6 416**
Adjusted profit before taxes		**4 965 646**	**2 283 596**
Net interest expenses	27	189 102	198 436
Non-cash flow items			
Depreciation	25	55 181	37 257
Impairment (customer and inventory)	25	1 185	189 916
Credit loss (buyer)	25	1 447	
Unrealized exchange rate difference		15 436	6 416
Adjustment due to inventory fair valuation	26	138 577	94 471
P/L from a fair valuation	21, 26	-2 144 729	-912 223
Provisions for liabilities	14	2 453	4 019
Non-operating cash flow P/L items		0	0
Revenues from the sale of tangible assets		-752 872	-7 447
Assets provided for no consideration, scrapping		315 531	0
Net working capital flow			
Change in trade receivables	6	-302 385	398 003
Change in other current assets		900 803	-180 469
Change in accounts payable	18	1 690 963	-111 747
Changes in other short-term liabilities	19	-490 179	501 266
Change in short-term financial liabilities		-393 652	254 187
Interest paid	27	-228 044	-205 847
Interest received	27	38 942	7 411
Income tax paid	28	-24 483	-13 270
Cash-flow from business activity		**3 978 922**	**2 543 975**
Purchase of tangible assets	1	-9 512 160	-1 117 618
Cash proceeds from the sale of property, plant and equipment		230 000	12 374
Funds used for investments		**-9 282 160**	**-1 105 244**
Income from capital issues		0	0
Dividend	12	-2 568 844	-2 568 844
Equity purchase (-)/sale (+)		0	0
Loans	13	15 551 455	14 372 612
Loan repayment	13	-11 743 903	-8 161 941
Cash flow from financing activity		**1 238 708**	**3 641 827**
Change in liquid assets		**-4 064 530**	**5 080 558**
Revaluation of foreign currency-denominated liquid assets		**15 436**	**6 416**
Balance-sheet change in liquid assets		**-4 049 094**	**5 086 974**
Cash flow from financing activities		-4 049 094	5 086 974
Opening cash and cash equivalents	8	14 937 817	9 850 843
Closing cash and cash equivalents	8	10 888 723	14 937 817

**No. of additional explanation*

Notes to the statements - general company information, key elements of the accounting policy, additional explanations and other information

I. General company information

1. Company profile

Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. (hereinafter: "Company") was established on 31 January, 1995 by transformation. Its legal predecessor is Budapesti Ingatlanhasznosítási és Fejlesztési Kft., which was founded on 1 January, 1994 by the State Property Agency with a share capital of HUF 1,000,000.
The subscribed capital of the Company is HUF 2,870,244,400, which consists of 287,024,440, i.e. two hundred and eighty-seven million twenty-four thousand four hundred and forty ordinary registered shares, each with a nominal value of HUF 10, i.e. ten forints, produced in a dematerialized form.
From 20 October, 2017 the Company was active as a regulated real estate investment pre-company (hereinafter: "SZIE/Pre-REIT") under Act CII of 2011 on regulated real estate investment companies (hereinafter: "SZIT/REIT Act"), and since 31 December, 2018 it has been active as a regulated real estate investment company (hereinafter: "SZIT/REIT"). The Company is engaged in real estate development and utilization for its own properties (offices and other buildings and parking garages) by leasing, further development and the sale of construction sites in its ownership, the implementation of real estate developments on them, and the utilization and sale of completed properties.
The operational management of the Company is performed by the Board of Directors.
The Company's shares are traded in the "PREMIUM" category of the Budapest Stock Exchange.
The Company's notices are published on: the BSE (www.bet.hu) website, the MNB website (www.kozzetetelek.mnb.hu) and the Company's own website (www.bif.hu).

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:	– 4110'08 Development of building projects – 6420'08 Asset management (holding) – 8110'08 Combined facilities support activities – 6832'08 Management of real estate – 6810'08 Buying and selling of own real estate

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

The Company's auditor

INTERAUDITOR Neuner, Henzl, Honti Tanácsadó Kft. (registered office: H-1074 Budapest, Vörösmarty utca 16-18. A. ép. fszt. 1/F; company registration number: 01-09-063211; tax number: 10272172-2-42, registered by the Chamber of Hungarian Accountants under no.: 000171; issuer's qualification number: K000107; person responsible for the audit: Zsuzsanna Freiszberger, name at birth: Zsuzsanna Freiszberger, mother's maiden name: Rózsa Mária Böczkös, residential address: H-2440 Százhalombatta, Rózsa utca 7.; place and date of birth: Barcs, 27/07/1977; auditor's registration number: 007229; issuer's qualification number: K000103

2. Officials and Ownership structure

2.1. Officials in the year 2020

Members of the Company's Board of Directors

Name	Position	Beginning of assignment	End of assignment
Dr Anna Ungár	President	15/08/2017	15.08.2022
Kristóf Berecz	Vice-President	15.08.2017	15.08.2022
Julian Tzvetkov	member	15.08.2017	15.08.2022
Dr Frigyes Hárshegyi	member	15.08.2017	15.08.2022
Miklós Vaszily	member	22.12.2017	15.08.2022

Members of the Company's Audit Committee

Name	Position	Beginning of assignment	End of assignment
Julian Tzvetkov	member	15.08.2017	15.08.2022
Dr Frigyes Hárshegyi	member	15.08.2017	15.08.2022
Miklós Vaszily	member	22.12.2017	15.08.2022

Shares held in the Company by executives and employees in strategic positions 31 December 2020

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*

2.2. Change in senior executives, employees in strategic positions in 2020

In 2020 there were no changes in respect of the members of the Board of Directors and the Audit Committee.

Change in the management of the company compared to 31 December 2019:

- Since 1 January 2020, Dr Anita Kalicz has held the position of the Head of the Legal Department of the Company,
- On 31 July 2020, the employment of Head of Sales and Marketing Enikő Janák was terminated at the Company.
- Between 1 July 2020 and 17 January 2021, Zsuzsanna Tóth held the position of Head of the Sales and Marketing Department of the Company.

2.3. Remuneration of senior executives in 2020

The members of the Board of Directors performed their duties in the 2020 business year without remuneration, and the members of the Audit Committee performed their duties in the 2020 business year with a gross monthly remuneration of HUF 300,000 per member.

2.4. Persons authorised to sign the Financial Statements

According to Article 15.2 of the Articles of Association, the following persons are authorized to sign for the Company:

a) the President of the Board of Directors jointly with another member of the Board of Directors or with an employee authorized to represent the Company,
b) The Vice-President of the Board of Directors, jointly with another member of the Board of Directors or an employee authorized to represent the Company.

The Board of Directors is authorized to decide on the employees authorized to represent the Company.

2.5. Ownership structure

Company owners holding more than 5% of the shares based on the share register as at 31 December, 2019 and 31 December, 2020, and on the owners' individual declarations

Shareholder	31 December, 2019 Number of shares*	31 December, 2019 Participation (%)	31 December 2020 Number of shares*	31 December 2020 Participation (%)
PIÓ-21 Kft.	184,847,220	64.40**	184,847,220	64.40**
Equity shares***	30,140,000	10.50	35,340,000	12.31
Other shareholders	72,037,220	25.10	66,837,220	23.29
Total	**287,024,440**	**100.00**	**287,024,440**	**100.00**

** BIF ordinary shares with a nominal value of HUF 10 each*
*** Of which 1,090,260 ordinary BIF shares with a nominal value of HUF 10 each as of 31 December 2019 and 31 December 2020 represent 0.38% indirect share through the Kft.'s subsidiary, BFIN Asset Management AG*
**** The Company may not exercise shareholder rights by the BIF ordinary shares in its ownership*

II. Key elements of the accounting policy

1. Key elements of the accounting policy

1.1. Reporting currency and foreign exchange balances

In view of the content and circumstances of the underlying business events, the Company's functional and reporting currency is the Hungarian forint.
The foreign exchange transactions performed in a currency other than HUF were initially recognised at the exchange rate valid on the day of performing such transactions. Foreign currency receivables and liabilities were converted to forint at the exchange rate valid on the balance-sheet cut-off date. The arising exchange rate differences are recognized in the income statement among financial revenues and expenses.
The financial statements have been prepared in Hungarian forints (HUF), which is the Company's presentation currency rounded to the nearest thousand, except where otherwise indicated.
The transactions performed in a foreign currency are recognized in the functional currency - the foreign currency amount considered at the exchange rate between the reporting currency and the foreign currency valid on the transaction date. In the statement of comprehensive income, exchange differences arising on the settlement of monetary items, on initial recognition during the period or on the use of an exchange rate other than that used in the previous financial statements are recognized as income or expense in the period in which they arise. The monetary instruments and liabilities denominated in foreign currency are converted at the exchange rate valid at the end of the reporting period. The items valuated at fair value and denominated in foreign currency are converted at the exchange rate valid on the date of determining the fair value. Exchange differences on trade receivables and trade payables are recognized in operating income, while exchange differences on loans are recognized in financial income or expenses.

1.2. Sales revenue

The Company earns revenues primarily on the services provided to its customers and third parties and on the sale of goods.
The Company recognizes revenue in accordance with IFRS 15 (which was issued in May 2014 and is effective for annual periods beginning on or after 1 January 2018).
The new standard introduces the basic directive that revenue is recognized when the goods or services are delivered to the buyer at the agreed price. Any separable related goods or services must be recognised separately and every allowance must be assigned to the appropriate elements of the contract. When the consideration changes, the minimum value may only be recognised if the likelihood of reimbursement does not include a significant risk. The costs incurred while obtaining a customer contract must be capitalised and amortised during the contractual term in a way that the Company should obtain the related benefits.
The net sales revenue comprises the amounts invoiced on the basis of the goods supplied or services provided during the year. Net sales are recognized when the amount of the revenue becomes clear and it is probable that the consideration will be available to the Company. The sales revenue includes the invoiced amounts less value added tax and discounts.
Revenue from the sale of services is recognized by the Company on a time proportionate basis (if permitted by the contract or confirmed by the customer) during the period, unless the relevant contracts and agreements contain milestones. In this case, sales are accounted for after each milestone is reached.
The Company accounts any additional costs incurred in relation to the conclusion of customer contracts if it expects to be reimbursed.
For deferred income, revenue is recognized at a discount.

1.3. Valuation and impairment of assets over one year

1.3.1. Investment property

Property is recognised as investment property if the entity maintains it in order to make income from rental fees or value increase, or both, and not for subsequent sales, product manufacturing, service provision or business administration. Investment properties are always held for rental purposes.
Initially, investment properties must be valuated at direct cost, taking transaction costs into account. The Company has chosen the fair value model for the recognition of investment properties, and the difference arising from the change in fair value is charged to the profit/loss of the reporting year against other operating income. No ordinary depreciation is recognized for investment properties.
In accordance with the provisions of the REIT Act, the fair value of investment properties owned by the Company is determined by an independent valuer on a quarterly basis. The relevant valuations were made in 2020 by Seratus Ingatlan Tanácsadó Igazságügyi Szakértő Kft. As of December 31 of each year, the market value of the properties has been (is being) updated annually. The valuation is carried out in accordance with international valuation standards.
The valuation uses three valuation methods generally accepted in international asset valuation practice (the DCF method, the comparable market value method and the profits method) and then the market value of the properties is determined based on the precautionary principle.
Given that IAS40 recommends, but does not require, the use of an independent valuer to determine the market value, for investment property where a decision to sell has been made and the sale has commenced, the fair value method is based on the asset has an active market, i.e. there are concluded sales contracts. The actual market price of the property, i.e. the sales price (calculated from the average price) already included in the sales contracts, provides the best basis for determining the fair value.
Gains or losses arising from changes in the fair value of investment property are always recognized in the profit or loss (other operating income or other operating expenses) in the period in which they are incurred. Gains arising from changes in fair value cannot be distributed as dividends to shareholders. Investment properties must be derecognized on alienation or when the investment property is permanently withdrawn from use and no economic benefits can be expected from its alienation in the future. Gains and losses on the derecognition and alienation of investment properties must be recognized as revenues or expenditure of the given period in the income statement.

1.3.2. Other properties

Other real estate in the Company comprises real estate held for use in relation to the sale of goods or the production or provision of services, and developed public utilities belong to this group.
The Company has chosen the fair value model for the recognition of other properties, except for developed public utilities. Valuation is carried out in accordance with the international valuation standards. The valuation uses three valuation methods generally accepted in international asset valuation practice (the DCF method, the comparable market value method and the profits method) and then the market value of the properties is determined based on the precautionary principle. Gains arising from changes in the fair value of other properties are recognized directly in the equity as a revaluation surplus.
Currently, the Company does not own any properties other than utilities.
The Company measures utility facilities at cost less annual depreciation.
Other properties are depreciated. Depreciation is based on fair value and, in the case of public utilities, cost. Depreciation is charged on a straight-line basis, with a depreciation rate of 2%.

1.3.3. Other tangible assets:

Plant and equipment, and not property, are stated at cost less accumulated depreciation and impairment losses. Accumulated depreciation includes the recognized costs of non-accelerated depreciation incurred in relation to the continuous use and operation of the asset and of accelerated depreciation required by the significant damage or injury to the asset due to an unexpected, extraordinary event.

Historical cost (value at cost, production cost) is the total amount of the costs incurred in the interest of purchasing, creating, or commissioning assets before the date of commissioning or warehousing, if such items can be individually linked to the asset.
The historical cost (value at cost) comprises the purchase price net of discounts and increased by a mark-ups, any consideration, fees and commission paid for the transport and loading, foundation work, installation, commissioning and brokerage activities incurred in relation to the acquisition, commissioning and delivery of the asset to the warehouse, as well as all related taxes, tax-like items and customs duties.
Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when the future economic benefits associated with the item are likely to flow to the Company Group and the cost of the item can be measured reliably. All other costs of repairs and maintenance are recognized in the profit and loss account as incurred.
Additional expenditures on existing assets that extend the useful life of the asset or broaden the scope of using the asset are capitalized by the Company Group. Maintenance and repair costs are expensed as incurred.
The book value of tangible assets is revised at specified intervals in order to establish if the book value exceeds the fair market value of the asset, and if it does, accelerated depreciation is required to the fair market value of the asset. The fair market value of the asset is the higher of the sales price or the use value of the asset. Use value is the discounted value of future fund flows generated by the asset. A discount rate includes the interest rate before corporate taxes, with a view to the time value of money and the effects of other risk factors related to the asset. If no future cash flow can be assigned to the asset independently, the cash flow of the unit that includes the asset must be taken as a basis. The impairment and accelerated depreciation determined by this method are recognized in the income statement.
Tangible assets are depreciated by the straight-line method. The cost of an asset is depreciated over its useful life from the date it is taken into use. The Company Group regularly reviews useful lives and residual values.
The Company accounts accelerated depreciation for the tangible assets with net book values not expected to be recovered based on their future income-generating capacity. The Company makes the required calculations on the basis of an appropriate discounting of long-term future cash flow plans.
Depreciation is determined on the basis of the expected useful lives, deterioration time, and physical and moral obsolescence of the assets. Assets representing an individual purchase value of less than HUF 100,000 are depreciated in one amount upon commissioning; assets between the purchase value of HUF 100,000 and HUF 200,000 are depreciated over two years; and for assets with a value higher than HUF 200,000 the depreciation rate is 20% for motor vehicles, 33% for information technological devices and administrative devices, each, and 14.5% for other assets.
At the end of each reporting period the Company assesses whether any change suggesting impairment has happened to any asset. If such a change has taken place, the Company estimates the value of the expected return on the asset. The expected return on an asset or cash-generating unit is the higher of the fair value less sales costs or the use value. The Company recognizes impairment to the debit of the profit if the expected return on the asset is less than its book value. The Company makes the required calculations on the basis of an appropriate discounting of long-term future cash flow plans.

1.4. Intangible assets

Individually obtained intangible assets are recognized at cost, while the intangible assets acquired in the course of business combinations are disclosed at fair value at the time of the acquisition. An asset may be included in the books if its use can be proven to result in the future inflow of business benefits and its cost can be clearly established.
Following acquisition, the direct cost method applies to the intangible assets. The lives of these assets are either limited or cannot be determined. Assets with limited lives are depreciated by the linear method based on the best estimate of their lives. The period and method of amortisation are revised annually, at the end of each financial (business) year. Disregarding development costs, own manufactured intangible assets are not capitalised but are offset against the P/L in the year when they are incurred. Intangible assets are revised annually for impairment, either separately or at the level of the income-generating unit.

The costs of goods and software falling within the scope of brand names, licenses and industrial property rights are capitalised and linearly derecognised during their useful life:

Concessions, licences and similar rights, and software	3-6 years

1.5. Goodwill

Goodwill is the positive difference between the identifiable cost and the fair value of the net assets of the acquired subsidiary, affiliated company or jointly controlled company on the day of acquisition. Goodwill is not depreciated, but the Company examines every year if there are any signs suggesting that the book value is unlikely to be recovered. Goodwill is recognised at the direct cost less any impairment.

1.6. Inventories

Inventories recorded by the Company are valued in accordance with IAS2.
The inventory prime costs comprises the acquisition costs, the conversion costs and the costs required for bringing the inventories at their current places and in their current condition.
The cost may not include unusual material, labour and other production cost losses, as well as storage costs, unless they are included in the production process, administrative costs not incurred to bring inventories to their current condition and location, and sales costs.
The Company measures its inventories at cost, more specifically, by the FIFO method.

1.7. Receivables

Liabilities are recognized in the statements at a nominal value reduced by the appropriate impairment generated for estimated losses. Based on the complete supervision of the receivables outstanding at the end of the year, an estimate was made on doubtful claims.

1.8. Financial assets

The financial assets within the scope of the IFRS9 standard fall into three measurement categories: assets measured at amortised cost after acquisition; assets measured at fair value through other comprehensive income after acquisition (FVOCI) and assets measured at fair value through profit or loss after acquisition (FVPL).
Subsequent to initial recognition, financial assets that are “held for trading” are measured at fair value through profit or loss (FVPL). Any unrealised exchange rate gains or losses on securities held for trading is recognized as other income (expense).
Other long-term investments that qualify as held to maturity, e.g. certain bonds, are recognized at amortized cost after the first recognition. The amortized cost is calculated in the period to maturity, at a discount or premium valid at the time of acquisition. In the case of investments recognized at amortized cost, any profit or loss made during the depreciation period or when the investment is derecognized or impaired is accounted as revenue.
In the case of investments included in stock market trade, the market value is specified on the basis of the official price announced on the balance-sheet cut-off date. In the case of non-listed or non-traded securities, the market value is the market value of any comparable/substitute financial investment, and if this method cannot be used, the market value must be determined on the basis of the estimated future cash-flow of the asset related to the investment.
On every cut-off date the Company analyses if impairment needs to be recognized for a particular financial asset or for a group of assets. If in the case of assets recognised at amortized cost, a condition requires impairment, the latter is the difference between the carrying value of the asset and its amount discounted by the original effective interest rate of the future cash flows of the asset. Impairment is recognized in the income statement. If any time later the amount of the accounted impairment decreases, it is reversed to the extent that prevents the carrying value of the asset from exceeding its amortized value valid on the cut-off date.

Investments into securities are valuated at the price valid on the day of performance and initially at cost. Short-term investments containing securities held for trading purposes are recognized at fair market value valid on the day of the next report, and their value is calculated at the publicly quoted price valid on the balance-sheet cut-off date. Unrealized profits and losses are included in the income statement.

1.9. Financial liabilities

The Company's statement of the financial position includes the following financial liabilities: trade and other current liabilities, loans, borrowings, bank overdrafts and futures. Their recognition and valuation are included in the relevant parts of the Notes to the Financial Statements as follows:
The Company valuates each financial liability at its fair value valid at the time of its initial recognition. In the case of loans account is taken of the transactions costs directly attributable to the acquisition of the financial liability.
The financial liabilities subject to the IFRS9 standard can be classified into three measurement categories: liabilities measured at amortised cost after acquisition; liabilities measured at fair value through other comprehensive income after acquisition (FVOCI) and liabilities measured at fair value through profit or loss after acquisition. The Company determines the classification of the individual financial liabilities when they are acquired.
Financial liabilities valuated at fair value through the profit or loss are liabilities acquired by the Company for trading purposes or qualified on their initial presentation at fair value through the profit or loss. Financial liabilities held for trading purposes include liabilities purchased by the Company primarily for the profit expected of short-term price fluctuations. This class also includes futures transactions not considered as efficient hedging instruments.
Loans and advances are recognized in the statements of the financial position at the amortized cost value calculated by the effective interest rate method. The profits and losses related to loans and advances are recognized in the income statement during the calculation of depreciation by the effective interest rate method and when the financial liability is deregulated. Amortization is accounted as financial expenditure in the statement on income.

1.10. Provisions

The Company recognizes provisions for (legal or assumed) commitments incurred as a result of past events the Company is probably required to pay, provided that the amount of the commitment is reliably measurable. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, taking the risks and uncertainties characteristic of the obligation into account. If a provision is measured using the cash flow probably required for the payment of the existing commitment, the book value of the provision is the present value of such cash flows.
If part or all of the expenditure required to perform the obligation is expected to be recovered by another party, the receivable is recognized as an asset when it is materially certain that the entity will receive the reimbursement and the amount of the receivable can be measured reliably.

1.11. Corporate income tax

The corporate tax rate is based on the tax liability specified in the Corporate and Dividend Tax Act, amended by deferred tax. The corporate income tax liability includes tax components due in the reporting year and deferred taxes.
The tax payable for the current year is determined on the basis of the taxable profit of the reporting year. The taxable profit differs from the profit before taxes recognized in the financial statements, due to profits and losses non-taxable gains and losses and items that are included in the taxable profit of other years. The Company's current tax payment liability is determined on the basis of the tax rate in force or announced (provided that announcement is equivalent to entry into force) up to the balance-sheet cut-off date. Deferred tax is calculated by the liability method.

Deferred tax liability is incurred when there is a temporary difference between the recognition of an item in the annual report and its reconciliation according to the Act on Taxation. Deferred tax assets and tax liabilities are established using the tax rates applicable to the taxable revenues in years when recovery of the difference is expected due to the time displacement. The amount of deferred tax liabilities and tax assets reflect the Company’s estimate on the method of realizing tax assets and tax liabilities on the balance-sheet cut-off date.
Deferred tax assets for deductible tax differences, tax credits and negative tax bases are recognized only to the extent that as a result of the Company’s future activity taxable profits are likely to be available for offsetting the deferred tax asset.
At each balance-sheet date the Company accounts for the deferred tax assets not recognized in the balance sheet and carrying amount of recognized tax assets. It inventorizes that part of the receivables not previously included in the balance sheet on which recovery is expected as a reduction in the future income tax. In contrast, the Company’s deferred tax assets must be reduced by any amount not expected to be covered by any available taxable profit.
The tax due in the reporting year and deferred tax are offset against the equity if they refer to items also offset against the equity in the same or in another period, including any amendments in the opening values of reserves due to retroactive changes in the accounting policy.
Deferred tax assets may be offset against deferred tax liabilities if the company is authorized by law to offset its actual tax assets and tax liabilities due from and to the same tax authority, and the Company intends to recognize these assets and liabilities on a net basis.
Due to the SZIE transformation, the Company has eliminated the deferred tax liability previously recognized, as in the future no tax liability is expected to arise in the regular course of its business.

1.12. Leasing

Financial leasing is a transaction including a lessor who assumes all the risks and costs involved in the possession of the asset under the lease conditions. All other leasing transactions are considered as operative leasing.
In the case of financial leasing, the assets leased by the Company qualify as the Company’s assets and are recognized at their market value valid at the time of acquisition. A liability to the lessor is presented in the balance sheet as a financial leasing liability. The costs incurred in relation to the leasing are the differences between the fair value of the purchased assets and the total leasing liability and are accounted to the debit of the profit during the entire lease term in a way to represent a permanent and periodically incurred expenditure on the existing amount of the liability in the individual periods.
They arise from the difference between the total amount of liabilities and the market value of the leased asset at the time of acquisition, or after the relevant leasing term, in order to trace any change in the balance of the remaining liability from time to time, or they are recognized in the income statement in the individual reporting periods.

1.13. Earnings per share (EPS)

Earnings per share are determined by taking into account the Company's earnings and the number of shares less the average number of repurchased treasury shares during the period.
The diluted earnings per share are calculated similarly to the earnings per share. However, during calculation all the outstanding shares suitable for dilution are taken into account, increasing the return payable on ordinary shares by the dividend and return on the convertible shares that can be taken into account in the given period, modified by any additional revenues and expenditure arising from conversion, increasing the weighted average number of outstanding shares by the weighted average number of those shares that would be outstanding if all the convertible shares were converted. There was no transaction in either the previous year or the year ended December 31, 2019 that would dilute this EPS rate.

1.14. Off-balance sheet items

Off-balance sheet liabilities are not included in the statement of financial position and income statement, constituting part of the financial statements unless they were acquired in a business combination. They are disclosed in the Notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote, minimal. Off-balance sheet receivables are not included in the statement of financial position or in the P/L account as part of the financial statements, but are disclosed in the Notes if an inflow of economic benefits is likely.

1.15. Own shares repurchased

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

1.16. Dividend

The Company accounts for dividend in the year it is approved by the owners.
Dividends may be paid in accordance with the relevant provisions of the REIT Act and the Articles of Association:
Article 2.8 of the REIT Act stipulates that: *“Expected dividend: 90% of the profit made by a regulated real estate investment company or regulated real estate investment pre-company in the period between its registration as a regulated real estate investment company or regulated real estate investment pre-company and deregistration may be paid as dividends as defined in a separate legal act, and in the case of a project company of a regulated real estate investment company or regulated real estate investment pre-company, 100% of the profit made by the project company in the period between registration as a project company and deregistration, excluding, in the case of a regulated real estate investment company, a regulated real estate investment pre-company or their project company, the amount of the one-off conversion difference recognized in profit reserve in relation to conversion to the preparation of annual financial statements according to the IFRS as required in Act C of 2000 (hereinafter: “Accounting Act”).*
Article 3 (3) c) of the REIT Act provides that: *“On the basis of the memorandum of association, and proposed by the management, the annual general meeting proposes approval of a dividend corresponding to at least the expected amount of dividend, and in the event of approval, the dividend shall be paid within 30 trading days following approval of the financial statements, with the proviso that if amount of freely disposable funds available for the regulated investment company fails to reach the amount of the expected dividend, the management shall propose that at least 90% of the amount of freely disposable funds be paid as a dividend, "*
Clause 16.3 of the Articles of Association: *“A shareholder is eligible for dividends if he or she or it is included in the share register on the cut-off date specified in a notice of dividend based on the resolution of the general meeting and published in relation to the payment of dividends. The date determined by the Board of Directors in the notice published in relation to the payment of dividends, which is relevant for the right to receive dividends, may differ from the date of the general meeting deciding on the payment of dividends. The starting date of dividend payment may not be later than on the 30th trading day (as defined in Act CXX of 2001 on the Capital Markets) following the approval of the financial statements. The Board of Directors must publish the notice of the payment of dividends within 15 days after the date of the general meeting resolving on the dividend, in accordance with the rules on the publication of notices. With regard to the dividend payable by the Company, the Board of Directors of the Company must, in its relevant proposal to the Annual General Meeting, propose the approval of at least the expected dividend as defined by at least in accordance with Article CII of 2011 on regulated real estate investment companies, provided that in the event that the freely disposable funds available for the Company fail to reach the amount of the expected dividend, the management should propose to pay at least 90% of the amount of the freely disposable funds as a dividend.*
The shareholder may claim the dividend from the Company within five years from the start date of dividend payment. The expiry of this period results in the forfeiture of rights. Any dividends not received are transferred to the Company's assets in excess of share capital. The shareholder cannot be obliged to repay the dividend accepted in good faith. Dividends are received in good faith only if the dividends due for the shareholder’s shares are received from the dividend fund determined on the basis of the balance sheet approved by the general meeting, provided that no criteria excluding dividend receipt are applicable to the shareholder and the shareholder does not know or should not have known of the absence of any statutory conditions for payment.”

1.17. P/L on financial operations

The financial P/L includes interest and dividend revenues, interest and other financial expenditures, the profit and loss on the fair valuation of financial instruments, and any realized or non-realized exchange rate differences.

1.18. State aid

A state aid is recognized if the aid is likely to be recovered and the conditions of reimbursement have been fulfilled. If the aid serves the purpose offsetting a cost, it must be recognized to the benefit of the income statement in the period when the cost to be offset is incurred (among other revenues). If an aid is linked to asset acquisition, it is recognized as deferred income and during the related useful life of the underlying asset it is recognised annually in equal amounts to the benefit to the P/L.

1.19. Items of exceptional amounts and occurrence

An exceptional amount of revenue is revenue arising from a business event or contract that amounts to or exceeds 25% of the total accounting revenue for a given financial year.
Revenue of exceptional occurrence is any income not closely or directly related to the business operation of the company, or is outside the regular course of business, and its occurrence is ad hoc.
An exceptional cost is the cost of a business event or contract that amounts to or exceeds 25% of the total costs and expenses for a given financial year.
Exceptional costs are all costs or expenses that are not closely or directly related to the business operation of the company, fall outside the regular course of business, and are incurred on an occasional basis.

1.20. Events after the balance-sheet cut-off date

The events that took place after the end of the reporting period and provide additional information about the circumstances prevailing at the end of the Company's reporting period (amending items) are presented in the report. The events that took place after the reporting period and not requiring the modification of the reporting data are presented in notes, if relevant.

2. Changes in the accounting policy

The Company has compiled its financial statements in accordance with the provisions of all the standards and interpretations that entered into force on 1 January 2020.
The Company's accounting policy has been changed on 1 January 2017 to apply the IFRS standards.
In 2020 the Company applied all the IFRS standards, amendments and interpretations effective as at 1 January 2020 and relevant for the operation of the Company.

IAS1 Preparation of Financial Statements (amended)
IASB published the amended IAS 1 in December 2014. The purpose of the amendment is to encourage companies to decide on the information they wish to publish in their statements on a professional basis. The amendment clarifies that the threshold of criticality applies to the financial statements in full, and that the disclosure of irrelevant information may prevent the usefulness of the report. Moreover, the amendment also clarifies that the companies should adopt professional decisions on where and in what order to present their disclosures in their financial statements. The application of the amended standard does not change the Company's financial statements. Adopted by the European Union on 7 February 2018, the amendments are applicable in statements of reporting periods beginning on or after 1 January 2018.

IFRS9 Financial instruments: recognition and measurement (effective as from 1 January 2018)
This standard adopts new requirements related to the classification, measurement and impairment of financial assets and financial liabilities. The application of the IFRS9 standard has an impact on the rating and measurement of the Company's financial assets, but does not influence the rating and evaluation of its financial liabilities.
The new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The application of the new standard will not change the Company's financial statements.

Based on changes in credit risk, impairment must be reviewed on each balance-sheet date and it needs to be assessed whether impairment is to be calculated up to the amount of the expected credit loss over the life or to the amount of the expected credit loss over the 12-month life. If it is impossible to assess at the level of the individual financial instruments whether credit risk has increased significantly, the assessment should be performed on a group level.
A simplified or a general approach may be used to measure and account for impairment.

– Simplified approach
  All financial instruments valued under the simplified approach are valued at the life expectancy of the credit loss. The simplified approach is applied to receivables from customers and contractual assets.
– General approach
  Based on the expected credit loss model, financial instruments are classified into three groups. The classification into three groups is based on changes in the credit risk of the financial instrument. The relative credit risk model is used to assess increased credit risk. Increase in the credit risk compared to the initial recognition is reflected in the reclassification of financial instruments between baskets.
  Based on the expected credit loss model, impairment can be divided into three groups: (i) impairment calculated based on expected credit loss over 12 months, (ii) impairment calculated based on expected credit loss over life, and (iii) impairment calculated using the effective interest rate method.

The general approach is applied to other financial receivables and specific loans.

IAS16 Property, Plant and Equipment (amended) and IAS38 38 Intangible assets (amended)
In May 2014, IASB published the amendments of the standards IAS16 and IAS38. Both standards consider the expected future materialization of economic benefits of the asset as a basis of depreciation write-off. IASB clarifies that the calculation of depreciation based on revenues is inappropriate, because revenues from an activity for which the asset is not used usually also reflects factors other than the economic benefits materializing in the asset. IASB also clarified that revenues usually provide an inappropriate basis for measuring the materialization of economic benefits in intangible assets. The amendment is applicable to financial statements made of periods beginning on or after 1 January 2016. The application of the amended standards does not change the Company's financial statements, as it applies linear depreciation.

Amendments to IAS 40 "Investment Property"
(published on 8 December 2016, applicable in statements of reporting periods beginning on or after 1 January 2018).
The reclassification of investment properties is only possible if there has been a change in use.
This change in the standard does not affect the Company's 2020 operations.

IFRS15 Recognition of revenue from contracts with customers
In May 2014, the IASB and the FASB issued a common standard. The basic principle of the new standard is for companies to recognize revenue on the basis of the amount of goods or services delivered to their customers, which reflects the consideration to which the company is expected to be entitled in exchange for those goods or services. The new standard results in a more detailed presentation of revenues, provides guidance for previously unclearly regulated transactions, and provides new guidance for multi-element agreements. The new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted (the standard is effective through the IASB and has been adopted by the EU). The adoption of the new standard will not have a material impact on the Company's financial statements. The Company applied it already for the year 2018.

IFRS10 Consolidated Financial Statements and IAS28 Investments in Associates and Joint Ventures
The IASB has issued amendments to IFRS10 and IAS28. The amendments target the sale or contribution of assets between an investor and its associate or joint Venture. The main consequence of the amendments is that the total profit or loss can be recognised if the transaction includes a business activity (irrespectively of whether or not it is performed by the subsidiary). Part of the profit or loss can be recognised if the subject of the transaction is an asset that does not represent a business activity, even if this asset belongs to the subsidiary. The amendment is applicable to financial statements made of periods beginning on or after 1 January 2016.

The adoption of the amendments to the standards did not have a material impact on the Company's financial statements as the Company has no associates or joint ventures.

IFRIC 22 interpretation "Foreign Currency Transactions and Advance Consideration" (applicable to reporting periods beginning on or after 1 January 2018)
This interpretation describes how to determine the date relevant for the exchange rate in the case of transactions in relation to which non-monetary assets or non-monetary liabilities arising from the payment or receipt of advance consideration denominated in a foreign currency is derecognised during the initial recognition of (part or whole) of the related asset, expense or income. Pursuant to IAS 21, the performance date that determines the exchange rate applicable during the initial capitalisation of the asset, expense or income will be identical to the date of capitalising the non-monetary assets or non-monetary liabilities financially settled in advance.
If its payment is made in several instalments, the business entity must establish the dates of the financial performances of the individual parts separately. The IFRIC 22 provisions are only applicable if the business entity's non-monetary assets or non-monetary liabilities have arisen from a previous financial performance. The IFRIC22 does not include any guidance on the definition of monetary and non-monetary items. A fund paid or received in advance may give rise to the inclusion of either monetary or non-monetary assets. Companies are required to decide if the individual items are monetary or non-monetary in nature. The Company has assessed the impact of the new interpretation, which has a moderate impact on the financial statements. The Company takes this interpretation into account.

IFRS16 Leasing (effective as from 1 January 2019)
On 13 January 2016, IASB published a new standard about the recognition of leasing transactions. The application of the new leasing standard will be mandatory for the companies that adopt the IFRS in respect of the reporting periods beginning on or after 1 January 2019. The new standard replaces the current regulations of IAS17 on leasing, and fundamentally changes the accounting of operative leasing followed to date.
According to the IFRS16 standard on leases, the lessee must simultaneously account and quantify a right to use in the balance sheet among assets and a related financial liability among liabilities.
The right-to-use asset is measured similarly to other non-financial assets and depreciation is also recognised accordingly. Initially, lease liabilities are measured at present value during the lease term, and this present value is calculated with the help of the implicit interest rate if such an interest rate can be accurately specified. If this interest rate is difficult or impossible to determine, the lessee may use the incremental borrowing rate for discounting purposes.
According to the IFRS16 standard, similarly to its predecessor (IAS17), the lessor is required to analyse whether a lease is to be classified as an operating lease or as a finance lease.
A lease transaction is a financial lease if the lessor essentially transfers all the risks and benefits involved in the ownership of the underlying asset to the lessee. Otherwise the particular transaction is considered as an operating lease. The lessor must recognise finance income over the lease term of a finance lease in a manner to result in a constant periodic rate of return on the lessor's net lease investment.
The lessor must recognise the operating lease payments on a straight-line basis or by another systematic method. The lessor should apply another systematic method if it is more representative of the pattern in which benefit from use of the underlying asset is diminished.
However, the standard requires that a leased investment property representing a right to use be measured at fair value if the business applies the fair value method described in IAS 40 (Investment Property) to its other investment property.
The Company has examined its rental and lease contracts and applies the requirements of IFRS16. On the lessee's side, the Company has not revealed any transactions that should be recognized as leases.

IAS28 Investments in Associates
Amendment due to long-term interests in associates (effective for annual periods beginning on or after 1 January 2019). It is irrelevant for the Company.

Amendment to the standard IAS19 "Employee benefits"
Plan amendment, restriction or accounting (effective for annual periods beginning on or after 1 January 2019). It is irrelevant for the Company, as it does not apply pension-based accounting.

IFRIC23 "Uncertainties Concerning the Treatment of Income Taxes" (effective for annual periods beginning on or after 1 January 2019). It is irrelevant for the Company.

Amendments to the standards in force

- The modification of references to the Conceptual Framework (effective from 1 January 2020) References in IFRS standards and interpretations have been amended for the purpose of the new Conceptual Framework. The amendment did not have a material impact on the Company's assets and income.
- Amendments to IAS 1 and IAS 8 (effective from 1 January 2020) The amendments to the standard have clarified the concept of materiality. The amendment did not have a material impact on the Company's assets and income.
- Amendments to IFRS 9 and IFRS 7 (effective from 1 January 2020) The result of the Benchmark Interest Rate Reform is the amendment to the standards. Practical guidance on hedge accounting requirements. The amendment did not have a material impact on the Company's assets and income.
- Amendment to IFRS 3 Business Combinations (effective from 1 January 2020) The amendment to the standard clarifies changes in the concept of a business that a business or group of assets has been acquired. The amendment did not have a material impact on the Company's assets and income.
- Amendment to IFRS 16 Leases (effective from 1 June 2020) The amendment clarifies the treatment of COVID-19 lease discounts so that discounts are not accounted for as a lease change but are accounted for as if: they would not be lease modifications. The amendment did not have a material impact on the Company's assets and income.

Standards released but not yet effective

At the time of approval of the current IFRS Consolidated Financial Statements, the following standards and interpretations have been issued but are not yet effective:

- Amendment to IAS1: Classification of liabilities as current or long-term: In January 2020, the IASB amended IAS1 69-76 to specify the requirements for classifying liabilities as current and non-current. The Company is currently analysing the impact of the amendments on current practice.
- Property, plant and equipment Revenue before intended use - Amendment to IAS16:
  In May 2020, the IASB issued an amendment to Property, Plant and Equipment - Revenue Before Intended Use, which prohibits companies from deducting from the cost of an item of property, plant and equipment the proceeds from the sale of a manufactured product before their intended use. The amendment is not expected to have a material impact on the Company's financial statements.
- Adverse contracts - contract performance costs - Amendment to IAS37:
  In May 2020, the IASB amended IAS 37 to determine what costs a company should consider when assessing whether a contract is onerous or onerous. The amendments are not expected to have a material impact on the Company's financial statements. The amendments are not expected to have a material impact on the Company's financial statements.
- IFRS1 First-time Adoption of International Financial Reporting Standards - First-time Adoption of a Subsidiary:
  As part of the annual improvements to IFRS standards in 2018–2020, the IASB amended IFRS1 First-time Adoption of International Financial Reporting Standards. The amendment is not expected to have a material impact on the Company's financial statements.
- Reference to Conceptual Framework - Amendment to IFRS3:
  In May 2020, the IASB issued amendments to IFRS3 Business Combinations - Reference Conceptual Frameworks. The amendments are not expected to have a material impact on the Company's financial statements.
- IFRS9 Financial Instruments - Fees in the Financial Assets Derecognition "10 Percent" Test:
  As part of the annual development of IFRS in 2018-2020, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees charged by a company in assessing whether the terms of a new or amended financial liability differ materially from the terms of the original financial liability. The amendments are not expected to have a material impact on the Company's financial statements.

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Associates and Joint Ventures: Sale or in-kind contributions between an investor and an associate or joint venture:
  The management believes that the application of the amendment will not have an impact on the Company's financial statements.

3. Uncertainty factors

When the accounting policy described in Section 1 is applied, estimates and assumptions not clearly definable from other sources need to be used for the determination of the values of the individual assets and liabilities at the given moment of time. The estimation procedure includes the decisions adopted on the basis of the available information and the relevant factors. These significant estimates and assumptions influence the value of the assets and liabilities, revenues and expenditures recognized in the financial statements, as well as the presentation of contingent assets and liabilities in the Notes. The actual results may differ from the estimated data.
The estimates are updated on a regular basis. If a change only affects one given period, it must be recognized in the period of change in accounting estimates, and if the change affects both the period of change and future periods, it must be recognised in both periods.
The main areas of the critical decisions made on the uncertainty of estimation and on the accounting policy, which have the most significant impact on the financial statements include the following:

3.1. Impairment on irrecoverable and doubtful receivables

The Company accounts impairment on irrecoverable and doubtful receivables and for the coverage of any losses arising from them, If customers are unable to pay. The estimates used for measuring the conformance of impairment recognised on irrecoverable and doubtful receivables are based on the aging of receivables, customer rating, changes in the customer's payment habits.

3.2. Fair value determination

The uncertainty in determining fair value arises from the fact that the investment property representing a significant ratio of assets is valued by an authorized company, which may pose a risk but such risk is significantly mitigated by the following factors:

- an independent valuer, qualified and accepted by both the market and the lending banks, provides market value data,
- the valuation methods comply with the international standards,
- the fair value data are compiled from the data estimated using different methods on a prudent basis by the valuation company.

Another factor of uncertainty may include unexpected market developments, possibly an unexpected crisis situation, as a result of which the fair value of assets and real estate would suddenly change significantly.
The Company seeks to mitigate this risk by conducting property valuations every year so that the report always includes the most up-to-date information possible.

4. Basis for the compilation of the financial statements

4.1. Approval and statement on compliance with the International Financial Reporting Standards

The Board of Directors has approved the consolidated financial statements. These consolidated financial statements have been compiled on the basis of the Financial Reporting Standards promulgated and filed in the form of a regulation in the Official Journal of the European Union (EU). IFRS comprises standards and interpretations worded by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).
The Company is required by law to prepare consolidated IFRS financial statements as of January 1, 2017.
Unless otherwise indicated, the consolidated financial statements are presented in Hungarian forint, rounded to the thousand.

The Company Group's financial year is identical with the calendar year. The balance-sheet cut-off date for the business year 2020 is 31 December 2020.

4.2. Basis of preparing the report

The consolidated financial statements were prepared according to the standards and on the definitions given by IFRIC as released on and in force since released on 31 December 2020.
The financial statements have been compiled on the basis of the direct cost principle, with the exception of the cases where IFRS requires the application of a different method of measurement, as described in the accounting policy.

4.3. Valuation basis

For the consolidated financial statements, the measurement basis is the original cost, except for the following assets and liabilities, which are stated at fair value: derivative financial instruments, financial instruments at fair value through profit or loss and investment property.
During the compilation of the financial statements compliant with the IFRS standards the management needs to apply professional judgment, estimates and assumptions that have an impact on the applied accounting policies and on the sum total of the assets and liabilities, revenues and costs recognized in the report. The estimates and related assumptions are based on past experiences and numerous other factors, which can be considered as reasonable under the given conditions, and which have a result that lays the ground for the estimate of the book value of the assets and liabilities that cannot otherwise be clearly specified from other sources. The actual results may differ from these estimates.
Estimates and basic assumptions are regularly reviewed. Modifications of the accounting estimates are disclosed in the period when a particular estimate is modified if the modification only affects the given year and in the period of modification as well as in future periods if the modification affects both the current and the future years.

5. Details of the business combination and the consolidated companies

As a subsidiary		Voting right,	
	Registered office:	**31/12/2020**	**31/12/2019**
Harsánylejtő Ingatlanforgalmazó és -kezelő Kft. (hereinafter: "Harsánylejtő Kft.")	H/1033 Budapest, Polgár u. 8-10.	100.00%	100.00%

III. Additional explanations

1. Investment property

data in thousand HUF

as at 31 December 2019	**41 696 004**
Change in fair value	2 144 729
Change in assets in the course of construction	5 427 526
Activation	3 991 512
Sales	-751 767
as at 31 December 2020	**52 508 004**
as at 31 December 2019	**41 696 004**
as at 31 December 2020	**52 508 004**

Investment properties are valued by an independent valuer based on the following criteria:
Article 11 (1) of Act CII of 2011 on regulated real estate investment companies: The valuation of properties in the portfolio of a regulated real estate investment company may be performed by

a) the market sales comparison appraisal method,
b) the income appraisal method, or
c) the cost appraisal method,

with the proviso that the choice of the appraisal method must be justified in detail and subsequently, the same method must be used for each property in each period.

The fair value of investment properties in 2020 was due to the following items:

– Increase in the fair value of investment properties may be explained by the expansion of the portfolio – as a result of a successful acquisition, the office building located at 35 Városmajor Street in District XII of Budapest (Major Park, 35 Városmajor Street) and an additional 511/1000 of the property of title deed no. 38315/42 in District X of Budapest (Üllői Street) – and by the increase in the fair value of the properties included in the portfolio. Increase in the fair value is explained on the one hand by improving market expectations and on the other hand by the concluded lease contracts (higher occupancy rate and the contract expiration dates) in the case of office buildings utilized for rent.

The complete renovation of the office building located at 12-14 Városmajor Street in District XII of Budapest, and its revitalization in category “A” started in 2020, so it became justified to change the valuation method used by the independent valuer from the market comparison method used to determine the value at the balance-sheet cut-off date at 31 December 2019 to the cost calculation method for the purpose of valuation at the end of 2020.

Profit from income-generating investment property

data in thousand HUF	2020	2019
Net sales revenue	3 947 624	3 703 336
Other operating income	3 440 007	245 110
Capitalized value of own-manufactured assets	0	87 846
Changes in own-manufactured inventories	0	-4 000
Raw materials, consumables and other external charges	-872 893	-956 480
Staff costs	0	0
Depreciation and impairment	-20 895	2 972
Other operating expenditure	-680 702	-137 221
Revenues from financial operations	0	0
Expenses on financial operations	-196 958	0
Profit before taxes	**5 616 183**	**2 941 563**

Increase in the net sales of investment properties compared to the base period (HUF 244,288,000) was mainly due to the expansion of the portfolio, but also had a significant effect on the enforcement of rent and operating fee increases (indexations) and the still relatively high occupancy rate. The other operating income includes the effect of the market revaluation of properties (HUF 2,677,631,000), and the profit on real estate sold and on related items (HUF 752,872,000). Other operating expenses show the effect of market devaluation (in the amount of HUF 532,903,000) in the case of properties where property development is in progress, but this is not yet reflected in the market valuation. The expenses on financial operations include interest on loans taken out for a purpose other than real estate development and thus not capitalized on the properties.
Pursuant to the IAS23 standard, the Company considers the properties located at 99 Attila Street and at 42 Logodi Street, District I of Budapest (hereinafter: “Attila99Loft” and “Attila úti ingatlan”), the office building called Major Udvar (12 Városmajor Street) and the part of the property affected by the Üllői Street acquisition as qualified assets. As given the magnitude of investments already in progress and planned, the improvement of these properties to the standard of the Company's intent for the purpose of rental will necessarily take place with a significant need for construction time, in accordance with IAS 23, the Company accounts for the interest due on the loans taken out to develop these properties on its investment accounts.

2. Intangible and tangible assets

data in thousand HUF	Intangible assets	Other properties	Machinery and equipment	Assets in the course of construction and advances	Total
Gross book value					
31 December, 2019	**26 766**	**101 342**	**170 695**	**809 452**	**1 108 255**
Increase and reclassification			74 854		74 854
Decrease and reclassification			-26 501	-323 167	-349 668
31 December 2020	**26 766**	**101 342**	**219 048**	**486 285**	**833 441**
Depreciation					
as at 31 December 2019	**26 163**	**9 129**	**73 464**		**108 756**
Annual write-off	253	2 027	31 923		34 203
Decrease and reclassification			-6 065		-6 065
31 December 2020	**26 416**	**11 156**	**99 322**		**136 893**
Net book value					
31 December, 2019	**603**	**92 213**	**97 231**	**809 453**	**999 500**
31 December 2020	**351**	**90 186**	**119 726**	**486 285**	**696 548**

A significant part of the increase in gross value was due to the acquisition of passenger cars and computer equipment, while decrease was due to the sale of similar assets and the reclassification of technical and other equipment, constituting an integral part of investment property, to property.

3. Investments in related companies

Similarly to 2019, the line “investments in related companies” does not include any amount in 2020, considering that in 2020 the Company will fully include its remaining subsidiary in the consolidation.

4. Deferred tax asset

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

5. Inventories

data in thousand HUF	31/12/2020	31/12/2019
Raw materials	0	0
Work in progress	385 104	1 558 454
Finished product	67 084	79 376
Goods	232 797	278 799
Prepayments on inventories	11 478	11 478
Total	**696 463**	**1 928 107**

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

At the end of 2020, all inventory lines show a decrease compared to the previous year, due to the derecognition of the cost of building plots successfully sold and given into possession of during the year and of the value of improvements made to them.

Work in progress still contains increase in the value of own production accounted for in relation to the Harsánylejtő plots under development and the homes not yet sold, while the line of finished products has the increase in value of own production recorded on all public utility plots awaiting sale.

In the line for goods, the plots are recorded at cost, modified as follows.

In the books of Harsánylejtő Kft., the value of unfinished production is HUF 291,619,000, which includes homes still to be sold, while the value of inventories is HUF 99,122,000, which includes the land belonging to homes. In addition, Harsánylejtő Kft. records an advance on inventories of HUF 11,478,000 in its books.

The plots of land on Harsánylejtő were transferred to the Company's books in 2014 during the merger of one of the Company's subsidiaries (Katlan). Due to IFRS consolidation, the cost of inventories previously classified as investment property in the subsidiary and then accounted for as IAS 2 inventories became the fair value previously reported by our Company in accordance with the IFRS, in both the consolidated and the separate IFRS statements. The higher cost so recognized is reviewed at the end of each period and adjusted to the fair value of the sale of the land in order to obtain the IFRS market value of the inventories.

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

At Harsánylejtő Kft., on the other hand, it was justified to recognize impairment in respect of the condominium flats left in stock, as the cost of the superstructures far exceeded the sales price that could be achieved in the market.

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

data in thousand HUF	Inventory				Inventory impairment				Closing
Description	**Opening**	**Increase**	**Decrease**	**Closing**	**Opening**	**Increase**	**Decrease**	**Closing**	
Work in progress	1 558 454	660 705	1 692 007	527 152	0	186 000	43 952	142 048	**385 104**
Finished product	79 376	11 486	23 778	67 084	0	0		0	**67 084**
Construction site for sale	464 799	290 389	522 391	232 797	186 000	0	186 000	0	**232 797**
Advance for inventory	11 478	0	0	11 478					**11 478**
Total	**2 114 107**	**962 580**	**2 238 176**	**838 511**	**186 000**	**186 000**	**229 952**	**142 048**	**696 463**

6. Trade receivables

data in thousand HUF	**31/12/2020**	**31/12/2019**
Trade receivables	329 734	-362 242
Impairment	-5 298	-5 368
Credit losses	-1 447	
Adjustment due to trade debtors with a credit balance	81 675	469 889
Total	**404 664**	**102 279**

Trade receivables show a significant increase compared to the end of 2019, which is partly due to the fact that as a result of the development of the COVID-19 virus situation, several tenants requested the parent company to reschedule Q2 rents, and prepayments were not as significant as at the end of 2019. The subsidiary's receivables also increased, due to the fact that the registration of the homes completed and sold in Phase 2 of the Harsánylejtő Condominiums (as separate sub-units) is still in progress, however, the latter is a precondition for the disbursement of the bank loan and/or CSOK support (government aid for the creation of family homes).

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

data in thousand HUF	opening	increase	decrease	closing
Credit losses				
accounts receivable	0	1 447	0	1 447
other receivables	0	0	0	0
Impairment				
accounts receivable	6 655	1 185	2 542	5 298
other receivables	0	0	0	0
Credit losses and impairment	**6 655**	**2 632**	**2 542**	**6 745**

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

data in thousand HUF	31/12/2020	31/12/2019
Other receivables	326 052	182 527
Accruals	5 021	22 007
Suppliers with a debit balance, and taxes	175 332	112 238
Total	**506 405**	**316 772**

Tax receivables and liabilities were assessed by tax type and, depending on the sign, were classified as other receivables or other liabilities, and consequently, a tax overpayment of HUF 163.6 million and suppliers with a debit balance in the amount of HUF 11.7 million were reclassified to receivables.

Reasons for the change in the current period:

– Reclassification: The books of the parent company show a deductible VAT receivable of HUF 141.5 million and an overpayment of HUF 2 million in corporate income tax, which will be reclaimed by the Company or used for meeting other tax liabilities in the next VAT return after the end of the year.
– Harsánylejtő Kft. has a HUF 19 million reclaimable VAT receivable, which amount decreases as the sale of the homes progresses, and therefore the Company will reclaim any remaining amount after the 100% sale has taken place.
– Other receivables also show an increase due to VAT on advances received from tenants, and due to the imposition of VAT on rent and operating fee invoices for 2021.

8. Cash and cash equivalents

data in thousand HUF	31/12/2020	31/12/2019
Cash on hand	1 522	1 604
Bank	10 887 201	14 936 213
Total	**10 888 723**	**14 937 817**

The main reasons for the significant decrease in cash in 2020 included the new real estate acquisitions (see also Clause 1) and the payment of dividends for the 2019 business year (for more details see also Clause 12). In the balance sheet 98.6% of the cash and cash equivalents come from the books of the Company, and 1.4% from the books of Harsánylejtő Kft.

9. Subscribed capital and capital reserve

The subscribed capital of the Company is HUF 2,870,244,400, which consists, as of 31 December 2020, of 287,024,440, i.e. two hundred and eighty-seven million twenty-four hundred and forty dematerialized ordinary registered shares with a nominal value of HUF 10, i.e. ten forints each. The share capital according to IFRS is the same as the share capital registered by the Companies Court.

Subscribed capital

data in thousand HUF	**31/12/2020**	**31/12/2019**
Opening	2 870 244	2 870 244
Increase	0	0
Decrease	0	0
Closing	**2 870 244**	**2 870 244**

Capital reserve

data in thousand HUF	**31/12/2020**	**31/12/2019**
Opening	6 048 215	6 048 215
Increase	0	0
Decrease	0	0
Closing	**6 048 215**	**6 048 215**

The capital reserve includes the amount of the difference between the nominal value and the consideration of the shares at the time of the share issue, and the value of the funds and assets placed in the capital reserve. As no such share transaction took place in the year under review, the value of the capital reserve did not change compared to the previous year.

10. Revaluation reserve

data in thousand HUF	**31/12/2020**	**31/12/2019**
Opening	1 078 973	1 078 973
Increase		
Decrease	-347 069	
Closing	**731 904**	**1 078 973**

In the revaluation reserve, the Company recognized the revaluation (adjusted for deferred tax) of 2 more investment properties in the balance sheet at the end of 2019 (Parking House in Aranykéz Street, located at 4-6 Aranykéz Str., District V of Budapest), and the property in Verseg (a non-agricultural park and miscellaneous buildings and a non-agricultural property described as a hunting lodge, registered under title deed no. 0122/2, located in a non-residential area of the village Verseg) according to the fair value method described in the former IAS16 standard, and since one of these properties was sold in H1 2020, the relevant HUF 347 million revaluation reserve was also derecognized.

11. Own shares repurchased

As at 31 December 2020, the Company owned 35,340,000 treasury shares representing HUF 1,300 million higher total nominal value than at the end of December 2019, due to the fact that on 24 June 2020, the Company acquired 5,200,000 Company-issued shares at a price of HUF 250 per share, in the framework of a transaction concluded outside the Budapest Stock Exchange (and thus r of treasury shares owned by the Company changed from 30,140,000 to 35,340,000 as a result of the transaction).

The Company recognizes its own shares in the balance sheet at cost as repurchased treasury shares reducing the equity.

data in thousand HUF	**31/12/2020**	**31/12/2019**
Opening	-1 748 120	-1 748 120
Increase	-1 300 000	0
Decrease	0	0
Closing	**-3 048 120**	**-1 748 120**

12. Profit reserve and profit for the year

data in thousand HUF	**31/12/2020**	**31/12/2019**
Profit reserve		
Opening	32 909 276	33 202 238
Increase	347 069	0
Decrease	-2 568 844	-2 568 844
Closing	30 687 500	30 633 394
P/L for the reporting year	4 956 599	2 275 882
Closing	**35 644 100**	**32 909 276**

In the reporting period change in the profit reserve was influenced by two opposite effects:

– An increase in the opening value of retained earnings was the transfer of the HUF 2,283,680,000 profit of 2019. A further increase was due to the reversal of HUF 347,069,000 from the non-distributable fixed reserve to the disposable profit reserve as a result of the sale of the property at Verseg.
– A reducing item was the HUF 2,568,844,400 dividend payable after the profit of the 2019 business year, which was decided on 29 April, 2020 by the Board of Directors of the Company acting under the authority of the General Meeting. In relation to the 2020 Annual General Meeting of the Company, pursuant to Article 9 (2) of Government Decree 102/2020 (IV. 10.) on different provisions concerning the operation of persons and property pooling organizations, the Board of Directors of the Company, acting under the authority of the General Meeting, decided to pay a dividend of HUF 10 per ordinary share for the 2019 business year (shares owned by the Company do not entitle their holders to dividends). Dividends were paid on 11 June 2020.

13. Non-current financial liabilities

data in thousand HUF	**31/12/2020**	**31/12/2019**
Long term loans	19 032 327	15 618 427
Total	**19 032 327**	**15 618 427**

Long-term loans include the full amount of long-term bank loans.

Bank loans

- Pursuant to the credit facility agreement concluded between the Company and MFB Magyar Fejlesztési Bank Zrt. (hereinafter: "MFB") on 7 November 2018 for HUF 20 billion (hereinafter: the "Credit Facility Agreement"), MFB granted a loan of HUF 7,579,600,000 to the Company in accordance with the loan agreement signed by the Company and MFB on 3 September 2019.
- Based on the three loan agreements concluded between the Company and Takarékbank Zrt. (hereinafter: "Takarékbank") on 21 August 2020, Takarékbank provided/will provide the following fixed-rate 15-year HUF-loans to the Company:
  - in order to refinance the total amount of debt owed under the two loan agreements concluded on 7 November, 2019 and the loan agreement concluded on 6 February, 2020 based on the Credit Facility Agreement concluded by the Company and MFB on 7 November 2018, a loan was granted in the amount of HUF 9,707,551,770 and disbursed on 15 September 2020;
  - a loan in the total amount of HUF 2,606,021,058 for the partial post-financing of the purchase of real estate and for financing real estate renovation and investment, of which the first part was disbursed in the amount of HUF 1,124,100,000 on 1 September 2020 and the second part in the amount of HUF 143,750,000 on 13 November 2020;
  - In order to refinance the total debt outstanding on the basis of the HUF 2,100,000,000 loan agreement concluded between the Company and Takarékbank on 8 March 2018, a loan was disbursed in the amount of HUF 1,661,513,172 on 15 September 2020.

The instalments of these loans and borrowings due in 2021 are included in short-term borrowings.

14. Provisions

data in thousand HUF	**31/12/2020**	**31/12/2019**
Provisions for contingent liabilities	19 086	16 633
Total	**19 086**	**16 633**

The Company reviews the provision for expected future payment obligations every year, and those formed in previous years are released annually in proportion to the expected obsolescence of liabilities, while new provisions are made in accordance with the expected payment obligations incurred in the current year. Of the above amount, HUF 15,663,000 is recognised in the Company's books and HUF 3,423,000 in Harsánylejtő Kft.'s books. In the case of the parent company, the salary and contributions due for holidays not taken in 2020 shows a significant increase by HUF 4,330,000 on a year earlier (which is related to the travel restrictions due to the COVID-19 pandemic situation). Provisions for liquidated damages related to housing sales at the subsidiary decreased by HUF 1,878,000.

15. Deferred tax liabilities

Due to transformation into SZIE, the Company has eliminated the previously recognized deferred tax liability, as in the future its tax liability is not expected to arise in the normal course of business.

16. Other long-term liabilities

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

17. Short-term financial liabilities

data in thousand HUF	31/12/2020	31/12/2019
Short-term portion of loans	909 006	515 354
Total	**909 006**	**515 354**

Current financial liabilities include the reclassification of short-term bank loans (see also paragraph 13 above). During the compilation of theses Audited Consolidated IFRS Financial Statements for 2020, the Company did not wish to avail itself of the possibility of a "payment moratorium" ensured in Government Decree 47/2020. (III. 18.) and Government Decree 62/2020. (III. 24.).

18. Liabilities to creditors

data in thousand HUF	31/12/2020	31/12/2019
Liabilities to creditors	1 982 055	275 656
Total	**1 982 055**	**275 656**

Similarly to the previous year, the Company's supplier portfolio partly includes the costs of utility, telephone and other services related to real estate, however, the reason for the significant increase in the current year's portfolio is that the Company has two major real estate developments in parallel (one of them called the Attila99Loft, the improvement of properties registered under title deed no. 6775 and located at 99 Attila street and 42 Logodi Street in District I of Budapest, and the other called Major Udvar, improvement of a property at 12-14 Városmajor Street in District XII of Budapest), which results in high-amount general contractor accounts and warranty withholdings.
93.4% of the current year's portfolio comes from the Company's books, and a further 6.6% comes from the warranty withholding of subcontracting fees used at Harsánylejtő Kft. due to ongoing housing developments.

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

data in thousand HUF	31/12/2020	31/12/2019
Advances + security deposit + VAT adjustment	1 190 610	1 631 250
Wages + taxes + contributions	58 283	174 178
Liabilities to owners in relation to dematerialization	75 280	75 280
Accruals	106 154	45 224
Adjustment due to trade debtors with a credit balance	81 664	469 889
Other	0	0
Total	**1 511 991**	**2 395 821**

87% of the other current liabilities and accrued expenses come from the Company's books, and are mainly determined by trade and other advances to customers, liabilities to the owners in relation to dematerialization, and accrued utility and other costs. Increase was partly due to a rise in the amount of security deposits received from customers.
Accruals have also increased significantly, including partly the expected amounts of fees related to new acquisitions and partly the costs of services not yet invoiced by utilities. However, reclassified customer 9tenant) overpayments decreased significantly.
No more than 13% of the above balance-sheet items come from the books of Harsánylejtő Kft., And a significant part of them (HUF 187.7 million) are advances on home purchases received from customers, while accrued expenses amount to HUF 1.5 million.

20. Sales revenue

data in thousand HUF	2020	2019
Revenue from rents and operating fees	3 235 913	2 949 739
Income from parking fees	410 721	475 159
Revenue from mediated services	296 602	271 917
Revenue from services	0	0
Revenue from the sale of real properties/land	2 234 683	1 580 759
Other sales revenues	11 317	10 680
Total	**6 189 236**	**5 288 254**

This revenue only includes gross offsets of economic benefits received and receivable by the Company for its own account.

The Company recognizes the rental fees on a regular basis during the given lease contract, and proceeds from the sale of land and the sale of the homes as sales revenue at the given time.

In the case of the sale of plots and homes developed by Harsánylejtő Kft., the following factors determine the date of entry into sales:

- payment of the full purchase price,
- the seller is in possession of the plot/home and the buyer takes it over,
- the significant benefits and risks of ownership belong to the buyer.

Revenues from parking fees include, on the one hand, continuously accounted revenues related to lease contracts, and, on the other hand, one-off revenues of this kind generated during the utilization of free parking spaces in parking garages providing temporary parking services.

Increase in the revenue from rents and operating fees was due to indexation and the seasonal price increases fixed in the contracts.

data in thousand HUF	2020	2019
Parking revenues from lease contracts	336 276	328 985
Periodic parking revenues	74 445	146 174
Total	**410 721**	**475 159**

The utilization of leased car parks decreased slightly compared to the same period last year, which is also related to the introduction of free parking in Budapest due to the situation caused by the COVID-19 pandemic.

Intermediate services include utility and telephone charges billed to tenants. Re-invoicing mainly comprises the re-invoicing of the utility consumption by the tenants in the Flórián Udvar Office Building (Budapest III, Polgár utca 8-10.), the electricity consumption of the tenants of the Victor Hugo Office Building (Budapest, Victor Hugo utca 18-22.) and the consumption of tenants of the hotel located at Budapest X, Üllői út 114-116.

Revenue from the sale of properties/land also increased, due to the fact that in H1 2 units and in H2 8 more building plots were sold by the Parent Company.

The Subsidiary realized sales revenue in the amount of HUF 1,437,513,000 in the reporting period, a significant part of which was housing sales revenue, which increased by 64.33% compared to the previous year.

Other sales revenues include revenues that cannot be classified in the above groups.

The Company has no income from accommodation or catering services, it only rents out the properties it owns. Harsánylejtő Kft. records revenues related to contract amendments as other sales revenues.

21. Other operating income

data in thousand HUF	2020	2019
Fair value method	2 677 631	145 676
Sale of real estate and movable property	752 872	0
Other operating income	84 066	204 370
Total	**3 514 569**	**350 046**

Other operating income includes increase in the fair value of the Company's investment properties in the fair value line. The "proceeds from the sale of the property" were realized by BIF during the sale of its property at Verseg and the related movables. Other income arises from retrospectively received, financially settled discounts, received compensation and the release of provisions.
Harsánylejtő Kft.'s other income amounted to HUF 49,253 thousand in the reporting period, of which HUF 43,952 thousand arose from the reversal of the impairment of inventories and HUF 5,300 thousand from the settlement of the use of provisions.

22. Own performance capitalized

data in thousand HUF	2020	2019
Changes in own-manufactured inventories	-1 185 643	132 299
Capitalized value of own-manufactured assets	138 487	58 441
Capitalized own performance, total	**-1 047 156**	**190 740**

In the category "change in internally generated inventories", the Company recognizes the capitalized cost of its own work on the plots and the derecognition of the capitalized value of its own plots sold. Due to the derecognition of the inventory value of 10 building plots sold in the reporting year, internally generated inventories decreased significantly.
The capitalized value of self-produced assets includes the value of investment items transferred to inventories as a result of the review of previous investments on Harsánylejtő.

At Harsánylejtő Kt., change in internally generated inventories was HUF -1,007,0048,000, due to the fact that the completed and occupied homes (constituting internally generated goods) were derecognized in the amount of HUF 1,504,283,000 during the year, however, the subcontractors' final invoices received in relation to the construction of the condominiums in Phase 2, the costs of technical inspection and the material costs caused an increase in inventories by HUF 497,235,000.
The capitalized value of internally generated assets shows the transfer of the 2019 impairment on inventories in the amount of HUF 186,000,000 and the reversal of the impairment of HUF 43,952,000 due to derecognised homes.

23. Raw materials, consumables and other external charges

data in thousand HUF	2020	2019
Material costs	158 426	137 190
Cost of services used	1 195 043	1 618 074
Cost of other services	33 280	45 867
Cost of goods sold	94 448	87 610
Value of (intermediary) services sold	293 880	269 094
Total	**1 775 077**	**2 157 835**

Raw materials, consumables and other external charges decreased by approximately HUF 383 million compared to the previous year, which was the result of changes in the various components.
The main reasons for the change include:

- Increase in material costs and in the intermediated services sold was mainly due to increased utility costs (electricity and gas) resulting from the expansion of the real estate portfolio.
- The value of services used at the group level decreased by approximately HUF 423 million in 2020 compared to the base period, as
  - the subcontracting services used by Harsánylejtő Kft. for the construction of the Condominiums decreased by HUF 240 million,
  - the Company had a total of HUF 182 million less value of services used, which decrease was mainly due to the following changes:
    - increased operating and maintenance costs due to the expansion of the real estate portfolio;
    - agency commissions related to the successful lease of the Vigadó Palota Office Building and the purchase of the property on Attila Street were charged in 2019, but there were no such payments in 2020;
    - the costs of expertise and other consulting costs decreased significantly.
- The cost of goods sold was at the same level in 2020 as in the base period.
- In the reporting period, decrease in the value of other services was partly due to lower fees and commissions related to the Credit Facility Agreement.

24. Staff costs

data in thousand HUF	2020	2019
Wage costs	377 763	353 423
Other payments to staff	30 418	29 588
Wage taxes	70 977	75 295
Total	**479 158**	**458 306**

The main reason for the increase in payments to staff was the increase in the number of employees and the organizational development related to the implementation of the Company's strategic goals.
The average statistical headcount of the Company was 46 in 2020 (43 in 2019), while the headcount on 31 December 2020 was 52.

25. Depreciation and impairment

data in thousand HUF	2020	2019
Depreciation	55 181	37 257
Impairment	1 185	189 916
Credit losses	1 447	
Total	**57 813**	**227 173**

The Company accounted for HUF 55,166,000 depreciation on non-investment property, plant and equipment in the reporting year. The Company recorded an impairment loss of HUF 1,185,000 on doubtful trade receivables, and an expense of HUF 1,447,000 was recognized as a credit loss in accordance with IFRS 9. Harsánylejtő Kft. accounted for HUF 15,000 depreciation in the reporting period.

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

The following factors were considered in assessing credit loss:

- Has the credit risk of financial instruments increased significantly since initial recognition? / impaired financial assets:
  - The accounts receivable overdue for more than 30 days are almost insignificant, representing only 3% at the end of the reporting period, and as no significant accounts receivable were made in previous years, and there are no significant delays, these receivables are also considered to carry low risk and have not been impaired, as we expect full recovery for these receivables and the risk of default is negligible. Receivables in the amount of HUF 5,298,000 were considered impaired, and a 100% impairment was recognized on them (see also the relevant data in the second detail table in Clause 6).
- Predictive information (especially the effects of the COVID-19 pandemic situation) was also taken into account when estimating the credit loss on trade receivables. The Company's customers are divided into two groups: (i) customers operating in the segments most affected by the COVID-19 pandemic situation (restaurants and hotels), and (ii) customers operating in other sectors.
- In relation to trade receivables, the Company recorded a credit loss of HUF 1,447,000 (see also the relevant data in the detailed table in Clause 6).

26. Other operating expenditure

data in thousand HUF	**2020**	**2019**
Impact of fair valuation on inventories	138 577	94 471
Fair value method	532 903	0
Sale of real estate and movable property	0	4 927
Scrapping	93 946	948
Transfer without consideration	286 888	158 415
Taxes	173 594	164 705
Other expenditures	16 497	81 774
Total	**1 242 405**	**505 240**

The value of other operating expenses increased significantly during the period, which consists of the following items:

- the effect of fair valuation on inventories includes an adjustment for the effect of the valuation of inventories under IFRS in both years,
- due to the fair valuation of investment properties, this line also shows decrease in the market value accounted for in accordance with IAS40,
- significant scrapping took place in the year under review,
- HUF 283,657,000 increased by VAT was accounted for due to the derecognised value of the roads transferred to the Local Government of District III of Budapest free of charge, and moreover, a smaller plot of land worth HUF 3,231,000 was also transferred to the local government,
- taxes paid to local governments (property tax, land tax, and car tax) also increased in the year under review,
- the line “Other items” includes support paid to foundations (HUF 4,800,000), provisioning and impairment.

27. Income from and expenses of financial operations

Revenues from financial operations

data in thousand HUF	2020	2019
Interest received	38 942	7 411
Exchange rate gain	71 342	8 798
Other	0	0
Total revenues	**110 284**	**16 209**

Expenses on financial operations

data in thousand HUF	2020	2019
Interest paid	228 044	205 847
Exchange rate loss	3 354	836
Other	0	0
Expenses, total	**231 398**	**206 683**

Increase in the interest received is due to the commitment of disposable funds, while the interest paid is related to increase in the loan portfolio.

The largest part of the realized exchange rate gain in the current period is the exchange rate gain on the EUR/HUF exchanges related to the payment of the EUR purchase price of the property at 35 Városmajor Street in District XII of Budapest; and the realized exchange rate loss is insignificant because most of the income and expenses are generated in HUF, of which the exchange rate loss incurred at Harsánylejtő Kft amounted to HUF 156,000.

28. Actual tax expenditure

data in thousand HUF	2020	2019
Corporate income tax	1 873	1 491
Business tax	8 565	0
Contribution to innovation	14 045	11 779
Other	0	0
Total actual tax	**24 483**	**13 270**

Due to the SZIE status, the Company was only obliged to pay corporate tax until the SZIE status was obtained (20 October, 2017). At the same time, the Company, being a SZIT, is required to determine its corporate tax base with a view to the provisions of the REIT Act, but it is only subject to corporate tax for the calculated base in certain cases (e.g. on a tax base proportionate to the income from related parties), and in view of this, the corporate income tax was set at HUF 1,873,000 (see the calculation below), and the payable innovation contribution obligation of HUF 12,760,000 was calculated as payable by the Company in 2020. At Harsánylejtő Kft., a business tax liability of HUF 8,565,000 and an innovation contribution of HUF 1,285,000 were calculated for the reporting year.

data in thousand HUF	
Profit before taxes as per IFRS	**4 486 760**
Tax adjustment (innovation contribution)	12 760
Pre-tax profit (adjusted for innovation contribution) according to the IFRS	**4 474 000**
Adjusting items under IFRS	-1 438 909
Adjusted profit before corporate income tax	**3 035 091**
Increasing items	1 283 034
Decreasing items	-800 895
Corporate tax base in 2020	**3 517 230**
The benefit on corporate tax to the REIT status is	**0%**
The ratio of related revenue to total revenue	0,59%
Corporate tax base (to revenue from related parties) in 2020	20 810
Corporate tax payable on related parties	1 873
Corporate tax liability in 2020	**1 873**

29. Deferred tax expense

data in thousand HUF	2020	2019
Deferred tax	0	-860
Total	0	**-860**

In the reporting period, the Company did not account for any deferred tax liability, and the deferred tax that was previously recognized in the base period for the deferred loss of Harsánylejtő Kft. was also released.

30. Other comprehensive income

Other comprehensive income includes an expense of HUF 347 million derecognised due to the sale of the property at Verseg, revalued, in accordance with the previous IAS 16, as an expense.

The tax effect of the change in the fair value of other properties was HUF 0,000 in both 2020 and 2019.

31. Earnings per share

	2020	2019
P/L after taxes (data in thousand HUF)	4 956 599	2 275 882
Weighted average ordinary shares (number of shares)	251 684 440	256 884 440
Earnings per share (basic) (HUF) (“profit after taxes" to “the weighted average of ordinary shares")	**19.69**	**8.86**

Following the share conversion performed in 2019, the share capital of the Company consists of 287,024,440 registered ordinary dematerialized shares with a nominal value of HUF 10 each, of which 35,340,000 are treasury shares owned by the company and 251,684,440 constitute the weighted average of ordinary shares. (The Company's ordinary shares of a nominal value of HUF 10 could be traded on the Budapest Stock Exchange for the first time on 11 June, 2019.)
There are no factors at the Company that would dilute the earnings per share.

32. Information on business lines

All of the Company's properties are located in Budapest and its agglomeration (prior to the June 2020 sale of the Verseg property), and so the distribution of revenues and expenses by geographical regions is not justified. Given that the Company is engaged in the leasing, utilization and trading of real estate, the segments were formed accordingly also in 2020.
The Company's subsidiary Harsánylejtő Kft. is treated as a separate segment, where the results of the Company's residential real estate development activities are recognized. The "Harsánylejtő plots" segment shows the proceeds from and expenditures on plots of land prepared for sale and yet to be improved, while the results that can be directly attributed to properties purchased by the Company for rent are recognized under the summary heading "Investment property for income-generating purposes". In addition, the Company's operating profit arising from operations that cannot be directly related to real estate is reported separately.

Developments in the revenues and expenses of the segments according to the above-mentioned classification in 2020 and 2019 are shown in the table below:

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

2019 data in thousand HUF	**Harsánylejtő Condominiums**	**Plots of land on Harsánylejtő**	**Income-generating investment property**	**Operating**	**Total**
Net sales revenue	922 509	661 720	3 703 336	689	**5 288 254**
Other operating income	75 026	0	245 110	29 910	**350 046**
Capitalized value of own-manufactured assets	0	-29 405	87 846	0	**58 441**
Changes in own-manufactured inventories	164 918	-28 619	-4 000	0	**132 299**
Raw materials, consumables and other external charges	-965 812	-61 808	-956 480	-173 735	**-2 157 835**
Staff costs	0	0	0	-458 306	**-458 306**
Depreciation and impairment	-186 000	-2 027	2 972	-42 118	**-227 173**
Other operating expenditure	-12 258	-342 425	-137 221	-13 336	**-505 240**
Revenues from financial operations	1 317	0	0	14 892	**16 209**
Expenses on financial operations	0	0	0	-206 683	**-206 683**
Profit before taxes	**-300**	**197 436**	**2 941 563**	**-848 687**	**2 290 012**

33. Risk Management

The Company's assets include cash and cash equivalents, securities, receivables from customers and other receivables and other assets – with the exception of taxes. Company liabilities include loans and advances, liabilities to customers and other liabilities, disregarding taxes and the gains and losses on the revaluation of financial liabilities at fair value.

The Company is exposed to the following financial risks:
- credit risk
- liquidity risk
- market risk

This section describes the above-described risks the Company is exposed to, the Company's objectives and policies, the measurement of procedures and risk management, and the Company's capital management. The Board of Directors have general responsibility for the Company's establishment, supervision and risk management.

The purpose of the Company's risk management policy is to screen and investigate the risks the Company may face, to set up adequate controls and to monitor risks. The risk management policy and system will be revised in order to reflect the changed market conditions and the Company's activities.

33.1. Capital management

The Company's policy is to retain the share capital in an amount that is sufficient for ensuring that the investors' and creditors' confidence maintains the Company's future development. Based on the benefits and security ensured by the Company's massive capital position, the Board of Directors makes efforts at maintaining the policy of only assuming higher exposure from lending if yield is higher.
The Company's capital structure comprises net debt and the Company's equity (the latter includes the subscribed capital, reserves and the shares and participations held by non-controlling owners).
In the course of capital management, the Company makes efforts at ensuring that the Company members can continue their activities and simultaneously maximize return for the owners by an optimum equilibrium between the loan principal and the equity, and by maintaining an optimum capital structure in order to reduce capital costs. The Company also monitors whether or not its subsidiary's capital structure meets the local statutory requirements.

At the end of the reporting period the Company had the following net debt and equity:

data in thousand HUF	**31/12/2020**	**31/12/2019**
Loans and advances	19 941 333	16 133 781
Less: Cash and cash equivalents	10 888 723	14 937 817
Net debt	9 052 610	1 195 964
Equity	**42 246 342**	**41 158 588**

33.2. Credit risk

Credit risk is the risk that reflects if the debtor or the partner fails to fulfil his contractual obligations and this causes financial loss for the Company. Financial assets exposed to credit risks may include long- or short-term allocations, cash and cash equivalents, and receivables from customers and other receivables.
The book values of financial assets show the maximum risk exposure. The following table shows the Company's maximum credit exposure on 31 December 2020 and 31 December 2019.

data in thousand HUF	31/12/2020	31/12/2019
Trade debtors	404 664	102 279
Cash and cash equivalents	10 888 723	14 937 817
Total	**11 293 387**	**15 040 096**

By continuously monitoring the collection risk of our overdue receivables and recognizing impairment, the risk is usually mitigated.
Customers are rated continuously. The Company recorded an impairment loss of HUF 3,916,000 on doubtful trade receivables. The risk of recovery on trade receivables past due and not yet due is insignificant.

33.3. Liquidity risk

Liquidity risk is the risk that the Company is unable to fulfil its financial obligations when they are due. The Company's liquidity management approach is to reveal the extent to which adequate liquidity can be provided for the performance of its liabilities on the due dates, under both usual and stressed conditions, without incurring unacceptable losses or jeopardizing the Company's good reputation.
A cash-flow plan is also prepared for the Company's subsidiary, which is regularly updated. The Company analyses the Company's cash requirements by a rolling prediction in order to ensure adequate liquidity for operation and the fulfilment of the financial indicators specified in the loan agreement. The excess cash generated at Company level is held in deposit accounts and time deposits.

At the end of the reporting year, the maturity of HUF 1,982,055,000 due as trade payables in the Company's books is mostly within one year, except for the HUF 337,675,000 of warranty withholdings recorded against general contractors in relation to property improvements. In the base year, the supplier portfolio was HUF 275,656,000, of which only HUF 148,835,000 was the amount of warranty withholdings.

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

data in thousand HUF	**as at 31/12/2020**	**Due within 1 year***	**Due within 2–5 years***	**Due after 5 years***	**Total**
Financial liabilities	19 941 333	909 006	4 890 354	14 141 973	19 941 333

** principal repayments due*

data in thousand HUF	**as at 31/12/2019**	**Due within 1 year***	**Due within 2–5 years***	**Due after 5 years***	**Total**
Financial liabilities	16 133 781	515 354	4 430 633	11 187 794	16 133 781

** principal repayments due*

33.4. Market risk

Market risk is the risk that market prices, exchange rates, interest rates and the prices of investments or their changes may affect the Company's profit or the value of the investment embodied in the financial instruments. The purpose of managing market risk is to manage and control exposures to market risks among acceptable limits with simultaneous profit optimization.

Since March 2018, when the outstanding amount of the EUR loan owed to CIB Bank Zrt. was refinanced with a HUF loan, the Company has only had HUF-based long-term loans. Considering that approximately 92% of the Company's consolidated revenues are realized in HUF, it practically has no FX risk.

As a result of the following refinancing transaction presented in Clause III/13, the Company eliminated its lending interest rate risk in September 2020. Takarékbank disbursed on September 15, 2020 a fixed-rate HUF loan of a term of 15 years in the amount of HUF 1,661,513,172 for the purpose of the refinancing of the total outstanding amount of the long-term, floating rate HUF debt based on the loan contract concluded by and between the Company and Takarékbank on March 8, 2018 for an amount of HUF 2,100,000,000.

The Company does not conclude hedging transactions.

34. Sensitivity analysis

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

35. Financial instruments

Financial instruments include loans granted, invested financial assets, receivables from customers from among current assets, securities and cash, loans and advances taken and customer liabilities.

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

31 December 2019 data in thousand HUF	**Book value**	**Fair value**
Financial assets		
Financial liabilities carried at amortised cost and loans and receivables		
Trade receivables	107 647	102 279
Cash and cash equivalents	14 937 817	14 937 817
Financial liabilities		
Financial liabilities carried at amortised cost and liabilities		
Financial liabilities	16 133 781	16 133 781
Liabilities to creditors	275 656	275 656

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

The members of the Board of Directors performed their duties in the 2020 business year without remuneration, and the members of the Audit Committee performed their duties in the 2020 business year with a gross monthly remuneration of HUF 300,000 per member.
The Company and the subsidiary included in consolidation do not have a Supervisory Board.

37. Remuneration of senior and middle managers in key positions

data in thousand HUF	2020	2019
Gross salary	156 782	148 389
Wage taxes	28 273	29 774
Total	**185 055**	**178 163**

38. Items of exceptional amounts and occurrence

In 2020, the Company did not have any revenue of exceptional magnitude or occurrence, or any expense of exceptional magnitude or occurrence.

39. Presentation of related parties

39.1 Subsidiary

		Vote and ownership shares	
Subsidiary	**Registered office:**	**31/12/2020**	**31/12/2019**
Harsánylejtő Kft.	H/1033 Budapest, Polgár u. 8-10.	100.00%	100.00%

As of December 31, 2020, the equity data of Harsánylejtő Kft., expressed in thousand forints, was:

data in thousand HUF	31/12/2020	31/12/2019
Equity	-30 295	-213 878
Subscribed capital	3 000	3 000
Capital reserve	0	0
Profit reserve	-264 379	-44 975
Committed reserve	687 500	47 500
P/L after taxes	-456 416	-219 403

The value of equity included in its 2020 annual report is negative as a result of ongoing but not yet sold condominium improvements and expenses incurred in relation to their financing.
Due to the loss made after taxes by Harsánylejtő Kft., in the Founder's Resolution no. 1/2021.03.29, between the balance-sheet cut-off date and the balance-sheet preparation date, the Company ordered the performance of an additional payment in the amount of HUF 35,000,000, which was transferred to the account of Harsánylejtő Kft. on 29 March 2021, thus improving its equity.

Related party transactions:

data in thousand HUF	31/12/2020	31/12/2019
Loan granted by BIF	428 000	1 486 840
BIF revenue	38 250	41 976
BIF expenditure	0	3 340
Wage + contribution claim	2 782	375

39.2 Other related party

In 2020, the Company had no business relationship with any other related party other than Harsánylejtő Kft.

IV. Other additional information

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

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

On December 31, 2020, the following liens existed on certain items constituting the assets of the company group:

Loan1
Beneficiary's name: MFB Magyar Fejlesztési Bank Zrt.
Pursuant to the credit facility agreement concluded between the Company and MFB Magyar Fejlesztési Bank Zrt. on 7 November 2018 for HUF 20 billion, MFB Magyar Fejlesztési Bank Zrt. granted a loan of HUF 7,579,600,000 to the Company in accordance with the loan agreement concluded by the Company and MFB Magyar Fejlesztési Bank Zrt. on 3 September 2019.

Description of the encumbered thing or right (asset)
- Property of title deed no. 24408/4 in District V of Budapest (H-1052 Budapest, Apáczai Csere János utca 9.)

Details of the contract containing the secured claim:
Loan agreement
Date of: 3 September 2019
Real property mortgage agreement – to secure multiple claims
Date of: 3 September 2019
Contract for pledge on receivables
Dated: 3 September 2019

Amount of secured claim/registered encumbrance:
HUF 20,000,000,000, i.e. twenty billion forints as principal and any interests and other charges accrued.

Loans2-4
Beneficiary's name: Takarékbank Zrt
Based on the three loan agreements concluded between the Company and Takarékbank Zrt. on 21 August 2020, Takarékbank provided/provides the following fixed-rate 15-year HUF-loans to the Company:
- in order to replace the total amount of debt owed under the two loan agreements concluded for HUF 20 billion on 7 November, 2018 between the Company and MFB Magyar Fejlesztési Bank Zrt., and the loan agreement concluded on 6 February, 2020, pursuant to the Credit Facility Agreement concluded by the Company and MFB on 7 November 2019, a loan had been granted in the amount of HUF 9,707,551,770 and was be disbursed on 15 September 2021;
- a loan in the total amount of HUF 2,606,021,058 for the partial post-financing of the purchase of real estate and for financing real estate renovation and investment, of which the first part will be disbursed in the amount of HUF 1,124,100,000 on 1 September 2021 and the second part in the amount of HUF 143,750,000 on 13 November 2021;
- a loan will be disbursed on 15 September 2021 in the amount of HUF 1,661,513,172 for the repayment of the total amount of a loan of HUF 2,100,000,000 owed under a long-term loan agreement for a variable-rate loan between the Company and Takarékbank on 8 March 2018.

Description of the encumbered thing or right (asset)
- The real property of title deed no. 6979/1, located in District XII of Budapest (H-1122 Budapest, Városmajor utca 12-14.)
- The real property of title deed no. 6866, located in District XII of Budapest (H-1122 Budapest, Városmajor utca 35.)

- The real property of title deed no. 18059, located in District III of Budapest (H-1033 Budapest, Flórián tér).
- The real property of title deed no. 38315/42, located in District X of Budapest (H-1101 Budapest, Üllői út 114-116.)
- The real property of title deed no. 6775, located in District XII of Budapest (H-1012 Budapest, Városmajor utca 42).

Details of the contract containing the secured claim:
Loan agreements (3)
Dated: 31 August 2020
Mortgage contract for real estate – with a specific amount to secure multiple claims
Dated: 31 August 2020
Agreement for the establishment of pledge on receivables – with a fixed amount to secure multiple claims
Dated: 31 August 2020
Security deposit agreement for a charge on the receivables of a payment account
Dated: 31 August 2020

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

1.2. Litigations and other legal proceedings

As of 31 December 2020, Budapesti Ingatlan Nyrt. was a defendant in the following litigations:

Litigations pending

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

Subject of the litigation: An action for annulment and suspension of the implementation of certain resolutions of the 2016 General Meeting and the Board of Directors of the Company.
No decision was made in relation to the lawsuit in 2020. In that regard, however, it should be pointed out that the possible annulment of the decisions challenged by the plaintiff and taken several years earlier would no longer have an effect on the current operation of the Company.

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

Subject of the litigation: Obligation to remedy an emergency and damage.
In its statement of claim, the plaintiff (condominium) requested in the claim pending before the Central Court of the Pest Districts that the Company be ordered to eliminate soaking in the roof of one of the sub-units owned by the Company in the condominium (a church building registered under title deed no. 34637/0/A/107 in District VIII of Budapest), repair the dislodged elements of the rainwater drainage system, replace its missing elements, eliminate the deterioration of the facade plaster layers and restore the previously fallen sandstone decorative elements. The antecedent of the claim of the condominium is that by its decision dated 26 April, 2019, the District V Government Office of the Capital City of Budapest obliged the condominium instead of the Company to eliminate the dangerous condition of the church building facade and roof structure, and the condominium opened a lawsuit in order to transfer the obligation to the Company.

In our Company's opinion, the claim of the condominium is completely unfounded, considering that the building structures referenced in the statement of claim and the official obligation are considered to be condominium's common property according to the condominium's effective memorandum of foundation and the applicable legislation, and pursuant to the relevant provisions of the memorandum of foundation as well as the prevailing statutes, the obligations and costs associated with the maintenance (upkeep and renovation) of those parts of the building, equipment and facilities that are the common property of the condominium must be borne by the condominium.
Our Company filed a substantive counterclaim against the lawsuit in court and, after three hearings, the court of first instance dismissed the plaintiff's claim. The plaintiff appealed against the judgment of first instance, but withdrew it prior to the second-instance hearing scheduled for 16 February 2021, and thus the judgment at first instance became final, in other words, the proceedings were terminated.
In view of the fact that the plaintiff also requested termination of the proceedings, although there would have been no legal possibility to do this as the appeal had been withdrawn, the application was dismissed by the court in its order and an appeal still lies against this order.

As of 31 December 2020, Budapesti Ingatlan Nyrt. was an obligor in the following non-contentious proceedings:

Order for payment procedure:

Beneficiary: (Luther) Condominium, H-1081 Budapest, Rákóczi út 57., obligor: Budapesti Ingatlan Nyrt.
The beneficiary condominium filed a payment order against our Company for the payment of a common cost in the amount of HUF 16,016,859 comprising principal and accrued interests. Of this, our Company recognized and paid HUF 10,036,859, and for the discrepancy of HUF 5,980,000 the Company has lodged a statement of objection. The basis of our objection is that considering that no action was taken by the Condominium despite our request, the Company had the works necessary for the preservation of the roof structure performed by the bidder quoting the best price, for a fee of HUF 5,980,000 + VAT. In a separate statement sent to the condominium, the amount paid was set off against the common cost debt owed to the condominium. Pursuant to Section 6:49 (2) of Act V of 2013 on the Civil Code, obligations cease to the extent of the set-off. In the previous lawsuit filed by the Condominium against our Company in 2018 for the payment of common costs, the Curia expressly stated that in case of works absolutely necessary for the preservation and maintenance of the property, the law recognizes the reimbursement claims made by the owner who prepays the costs of preserving the object in common ownership against the community of owners. With regard to the difference in the order for payment, on 15 February 2021, the creditor made a statement to the effect that it did not request the conversion of the claim into a lawsuit, and requested the notary public to terminate the proceedings.

2. Significant events after the balance sheet date

Closing a property sale:
On 2 December 2020, the Company, as the seller, entered into a real estate sale and purchase agreement with the National Slovakian Minority Self-Government, as buyer, for the sale of the property of title deed no. 34637/0/A/107, located at H-1081 Budapest, Rákóczi út 57 in the residential area of District VIII of Budapest. The property sale transaction was closed in the second half of January 2021.

A "non-adjusting" event following the closing date of the balance sheet
Unfortunately, the new (third) wave of the coronavirus pandemic reached Hungary as well after the balance sheet date, in March, 2021. The current coronavirus situation and the changes to such situation may unfortunately have some negative impacts on the plans and objectives formulated by the Company for 2021, which are difficult to estimate or express in numerical terms for the time being, however, economic life may be expected to start getting back to normal in the second half of 2021 as the vaccines against coronavirus become more and more widespread.

In order to minimize its exposure to risks due to the coronavirus pandemic (such as some of its tenants initiating the renegotiation or termination of their lease contracts, delays in current development projects or the renegotiation of its relations with suppliers/providers) and to protect its employees, the Company continues 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.
Due to the Coronavirus situation, the Company has assessed and prepared estimates of whether there is significant uncertainty regarding the ability to continue its business as a going concern and has determined that it is appropriate to presume that the Company as a going concern will continue its activity in the foreseeable future.

3. Extraordinary and other regulated disclosures in 2020 and until the date of signing of these Consolidated Financial Statements

Date of publication	Subject of publication
31 March 2021	Monthly announcement of voting rights and share capital
26 March 2021	Invitation to the General Meeting of Budapesti Ingatlan Nyrt.
1 March 2021	Monthly announcement of voting rights and share capital
31 January, 2021	Monthly announcement of voting rights and share capital
31 December 2020	Monthly announcement of voting rights and share capital
21 December 2020	Calendar of corporate events
2 December 2020	Notice of the execution of a real property sales contract
30 November 2020	Monthly announcement of voting rights and share capital
24 November 2020	Special notice on credit rating
30 October 2020	Monthly announcement of voting rights and share capital
30 September 2020	Monthly announcement of voting rights and share capital
15 September 2020	Special notice on the final repayment of loan agreements
31 August 2020	Special notice on the signature of loan agreements
31 August 2020	Monthly announcement of voting rights and share capital
10 August 2020	Special notice on the execution of a general contractor agreement
31 July 2020	Monthly announcement of voting rights and share capital
30 June 2020	Monthly announcement of voting rights and share capital
24 June 2020	Change in treasury stock
2 June 2020	Monthly announcement of voting rights and share capital
26 May, 2020	Dividend payment by Budapesti Ingatlan Nyrt.
12 May, 2020	Notice of the execution of a real property sales contract
5 May, 2020	Notice of the execution of a real property sales contract
4 May, 2020	Supplementary information to the notice of dividend payment related to Budapesti Ingatlan Nyrt.'s 2018 business year
30 April 2020	Monthly announcement of voting rights and share capital
29 April 2020	Budapesti Ingatlan Nyrt.'s annual report
29 April 2020	Report on Responsible Corporate Governance
29 April 2020	Resolutions adopted by the Board of Directors of Budapesti Ingatlan Nyrt. under the authority of the General Meeting
17 April 2020	Budapesti Ingatlan Nyrt.'s notice of holding the 2020 Annual General Meeting
8 April 2020	A proposal to the General Meeting and proposals for resolution
31 March 2020	Monthly announcement of voting rights and share capital
29 March 2020	Invitation to the General Meeting of Budapesti Ingatlan Nyrt.
28 February 2020	Monthly announcement of voting rights and share capital
February 6, 2020	Special notice on the signature of a loan agreement
31 January, 2020	Monthly announcement of voting rights and share capital
27 January, 2020	Notice of the successful closing of a real property transaction
2 January, 2020	Notice of the execution of a real property sales contract

4. Authorizing the disclosure of the financial statements

The Board of Directors approved this 2020 Audited IFRS Annual Consolidated Financial Statements on the 19th of April, 2021 and authorized it for disclosure with its resolution.

Declaration of liability

Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. hereby declares that this 2020 Audited Annual Consolidated Financial Statements has been prepared to the best knowledge of the Company, in accordance with the International Financial Reporting Standards and provides a true and fair view of the assets, liabilities, financial position as well as profits and losses of the Company and its consolidated company, and does not omit any facts that might have any significance concerning the assessment of the situation of the Company and its consolidated company.

Budapest, 19 April 2021

……………………………………….	……………………………………….
Dr Anna Ungár	Kristóf Berecz
President of the Board of Directors	Vice President of the Board of Directors, CEO
Address: H-1121 Budapest, Hegyhát út 23.	Address: H-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 65.700.807 thousand –, the consolidated statement of comprehensive income for the financial year then ended – in which the net profit for the year is HUF 4.956.599 thousand in profit and the total comprehensive income for the year is HUF 4.609.530 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 of the Group in accordance with the applicable laws of Hungary, with the Hungarian Chamber of Auditors' Rules on ethics and professional conduct of auditors and on disciplinary process and, as well as with respect to issues not covered by these Rules, with the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code) and we also comply with further ethical requirements set out in these.

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 Company’s assets, furthermore the valuation of investment properties includes significant estimates of future rents, inflation and property occupancy.	During the course of our audit we have examined the control procedures related to the valuation of the investment properties. With the involvement of our property valuation specialists 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 – to assess the expertise of the external expert in such assessments. 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.
Loans	
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”. In 2020 the Company refinanced part of its previous loans on the basis of agreements concluded with Takarékbank Zrt., and borrowed additional loans from Takarékban Zrt. Loan collateral is provided in Note IV. 1.1. The examination of loans is a key area, as they form a significant part (85%) of the Liabilities, in the total amount of HUF 19,941,333 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 2020. 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 2020. 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 2020 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 2020 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, 2020, the Company elected our company to audit the 2020 financial statements of Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. Our mandate is valid until 15 May 2021 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 2021, 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, 19 April 2021

Péter Honti Managing Director	Zsuzsanna Freiszberger auditor, member of the Hungarian Chamber of Auditors 007229

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 2020, 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 and its consolidated company.

Budapest, April 27, 2021

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