



**Report of the Board of Directors
on the business activity of Budapesti Ingatlan Hasznosítási és
Fejlesztési Nyrt. in 2018**

Budapest, 29 April 2019

The **Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.** (registered office: 1033 Budapest Polgár utca 8-10.; Company Registration No.: 01-10-042813; website: www.bif.hu; hereinafter: Company) intends to inform its shareholders, business partners and investors herewith on the management, business activity of 2018 and financial position of Company

I. Management of Company

The Company operates in a unified control system. The Board of Directors is the management body of Company, represents 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 2018. The majority of the members of the Board of Directors is independent.

The Board of Directors performs its activities as a body. It designates the issues necessary to be scheduled for discussion at its meeting from the issues in its jurisdiction, appoints the Board of Directors member responsible for the preparation of the issue, discusses the issue presented at the meeting of the Board of Directors, passes a resolution in that regard, and has its execution checked. The Board of Directors prepares a work schedule for the period between the yearly balance closing general meetings, defining the date of its regular sessions in it and the expected schedules to the necessary extent.

In 2018 the Board of Directors held nine sessions. In 2018 additionally the Board of Directors passed decisions through electronic means nine times.

Members of Company's Board of Directors (31 December 2018)

Name	Position	Start of assignment	End of assignment
dr. Anna Ungár	Chairwoman	15.08.2017	15.08.2022
Kristóf Berecz	Vice-chairman	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

II. The Company's business policy and business activities in 2018

At the extraordinary general meeting held on 23 December 2016 the shareholders of Company requested the Board of Directors to develop the implementation plans for an entirely new development course that would improve the intensive development of the real estate property and thus the profitability of Company. The business activity of Company in 2018 was already along the lines of realizing these new development strategy and goals listed below:

- Seeking out office buildings that fit the existing revenue-generating property portfolio of 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 Company

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

From 20 October 2017 – since being registered by the National Tax and Customs Authority (hereinafter NTCA) – it continued its activities as a regulated real estate investment pre-company (hereinafter: SZIE) according to the provisions of Act 102/2011 on regulated real estate investment companies (hereinafter: SZIT Act). The NTCA registered Company as a regulated real estate investment company with effect from 31 December 2018 in accordance with Company's application for registration as a regulated real estate investment company regulated by the SZIT Act initiated on 20 December 2018 at NAV.

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

- Office market
- Parking garage market
- Construction lot/residential property market
- Hotel market

Office market segment

On 30 June 2018 our Company owned five category 'B' and two category 'A' office buildings with excellent location from infrastructural and traffic perspective. When utilizing our properties the main criteria are the properties' appropriate profit generating ability, expected value increase and potential for further development. Keeping up with the quality demands on the side of demand the offices are on a high standard of quality in a technical condition suitable for their category and the modern day demands. By continuously increasing the service level, the appropriate development and maintenance of properties our Company managed to solicit tenants and extend the majority of the lease agreements for a long term, thereby further strengthening our market position. Due to the excellent characteristics, the continuously controlled and developed technical condition, the expected service level and the active sales activity our cash-generating office buildings operated at the end of the 2018 business year with an average occupancy of 92%.

It can be described as an outstanding event regarding Company's office leasing activity that a lease agreement was signed on 14 September 2018 for the renting of the total area of the office building of Vigadó Palace exceeding 15,000 m², located at 1052 Budapest, Türr István utca 6. The Vigadó Palace, located in the heart of the inner city, became the property of Company as a result of a transaction concluded at the beginning of December 2017. Following a partial renovation, the property was utilized within a short period of time via the conclusion of the above-mentioned contract.

Parking garage market segment

As a result of the completed and ongoing developments of Budapest's downtown, the demand for quality parking garages increased, thus the occupancy rate for the **Aranykéz Parking Garage** under the address Budapest, District V, Aranykéz utca 4-6. and owned by Company grew, our contract portfolio and the number of parkings with an hourly fee have also increased significantly in 2018.

Besides that, Company also owns the **parking garage** under the address Budapest III., Polgár utca 8-10. forming part of the **Flórián Udvar Office Building** which office building provides parking services available for the public as well.

Both parking garages strive to provide maximum levels of service for its customers with the newest, Hungarian-developed parking system.

Construction lot/residential property market segment

Our Company launched a development project in the past years in several stages in the green area of Óbuda, on the side of the Testvérhegy, under the name Harsánylejtő Kertváros (hereinafter: Harsánylejtő Project) in an area of approx. 39 hectares.

The realization and sale of the I. construction lot development stage consisting of 88 lot properties was completed successfully, the realization of Stage II consisting of 65 lot properties was also concluded successfully, and the sales reached 90% by the end of 2018 (the whole area of Stages I and II exceeds 25 hectares).

In addition to the above-mentioned lot development stages, additional plots with a total area of about 3 hectares have been constructed suitable for the construction of condominiums with 30-50 apartments, which provide Company with further development opportunities.

Also in the framework of Harsánylejtő Project, the Harsánylejtő Ingatlanforgalmazó és -kezelő Kft. owned solely by Company is in the implementation of a residential property development as investor on 8 lot properties, consisting of 40 apartments. The sales of the 20 apartments to be delivered in stage I of the residential property development in quarter II of 2019 reached 95% by 30 December 2018, the other 20 apartments to be realized in Stage II of the residential property development are expected to be delivered in quarter IV of 2019, the sales thereof reached 20% by the end of 2018. The Company holds a building permit with regard to the planned Stage III and IV of the real estate development on additional 8 properties for the construction of 40 apartments.

Hotel market

The Company currently owns 3 properties that operate as a hotel in the operation of companies leasing them from Company In the property at one of the most prominent locations in terms of tourism located at Budapest, District VII. Madách tér 3-4. a **4-star hotel** is operating with 115 rooms. The 2174 Verseg-Fenyőharaszt - Fenyőharaszt Castle Hotel in which a **4-star hotel** operates with 26 rooms + 4 apartments addresses those interested in rural tourism. In Building C of the real estate complex at Budapest, District X. Üllői út 114-118. located at the airport corridor and in the vicinity of Liszt Ferenc International Airport a **3-star transit hotel** operates with 81 rooms + 1 apartment. These properties are leased by Company to hotel operators, their occupancy is practically 100%.

III. Significant financial data

Significant financial data of Company's Consolidated Financial Statements for 2018 prepared in accordance with the International Financial Reporting Standards (IFRS)

Statement of profit and loss		
data in th HUF	2017	2018
Net revenue from sales	3 805 550	3 792 057
Other operating income	10 607 646	6 700 510
Changes in stocks of finished goods and in work in progress	-64 150	809 163
Material expenses	-1 131 316	-1 981 075
Personal expenses	-210 030	-354 330
Other operating expenses	-287 437	-377 596
<u>EBITDA</u>	12 720 263	8 588 729
Depreciation and impairment	-24 663	-37 327
<u>Operating profit</u>	12 695 600	8 551 402
Financial income	40 018	8 353
Financial expenses	-143 067	-263 150
<u>Profit before taxes</u>	12 592 551	8 296 605
Current tax expense	-97 631	-16 551
Deferred tax	431 548	522
<u>Profit after taxes</u>	12 926 468	8 280 576

Significant balance sheet items

data in th HUF	31.12.2017	31.12.2018
Investment properties	31 417 004	39 799 004
<i>Total long-term assets</i>	<u>32 395 516</u>	<u>40 798 251</u>
Cash and cash equivalents	1 790 344	9 850 843
<i>Total current assets</i>	<u>3 861 485</u>	<u>12 610 378</u>
Total assets	<u>36 257 001</u>	<u>53 408 629</u>
Issued capital	2 583 220	2 870 244
<i>Equity attributable to the parent company:</i>	<u>25 775 098</u>	<u>41 451 550</u>
Financial liabilities	9 265 607	9 153 569
<i>Total long-term liabilities</i>	<u>9 275 414</u>	<u>9 166 183</u>
Financial liabilities	112 113	769 541
<i>Total short-term liabilities</i>	<u>1 206 489</u>	<u>2 790 896</u>
Total liabilities and equity	<u>36 257 001</u>	<u>53 408 629</u>

IV. Summary, motions and recommendations of the Board of Directors

The Board of Directors submits to the Audit Committee and proposes to the General Meeting to approve the Annual Financial Statements of the Parent Company prepared in accordance with International Financial Reporting Standards (IFRS) for 2018 with the following main figures (data in thousand HUF):

Total assets:	53 316 232
Equity:	42 040 020
Sales revenues:	3 792 057
Profit before taxes:	8 337 802
Retained earnings:	8 321 251

With regard to the applicable provisions of the Articles of Association and the SZIT Act, as well as the outstanding results of 2018, the Board of Directors proposes the payment of dividends against the retained earnings and profit reserve that can be paid as dividends based on the Annual Financial Statements of the Parent Company for 2018 in the amount of 2,568,844,400 forints, which is 100 forints per shares. In the course of the above dividend calculation, Company has already divided the dividend for the treasury shares among the shareholders entitled to dividends in proportion to the nominal value of their shares.

The Board of Directors submits to the Audit Committee and proposes to the General Meeting to approve the Consolidated Annual Financial Statements of Company for the year 2018 prepared by Company in accordance with International Financial Reporting Standards (IFRS) with the following main figures (data in thousand HUF):

Total assets:	53 408 629
Equity:	41 451 550
Sales revenues:	3 792 057
Profit before taxes:	8 296 605
Retained earnings:	8 280 576



Board of Director's Report 2018

The Board of Directors of the Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. hereby declares that the Annual Report of the Parent Company 2018 and the Consolidated Annual Report 2018 prepared in accordance with the IFRS provide true and fair data and statements, and do not omit any facts that might have any significance concerning the assessment of the position of Company

Budapest, 29 April, 2019

dr. Anna Ungár
Chairwoman of the Board of
Directors

Annexes

- Annual Report of the Parent Company 2018
- Consolidated Annual Report 2018