Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.

Consolidated Annual Report
2018

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Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.

Consolidated Business (management) Report for the Audited Consolidated Annual Financial Statements of Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. prepared in accordance with the International Financial Reporting Standards (IFRS) for 2018

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

At the extraordinary general meeting held on 23 December 2016 the shareholders of **Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.** (registered office: 1033 Budapest Polgár utca 8-10.; hereinafter: Company and/or BIF) 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

<u>Office market segment</u>

On 31 December 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. (hereinafter: Harsánylejtő Kft.) owned solely by Company (see Section X for more information) 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%.

II. Earnings in 2018 and expectations, challenges in 2019

1. Earnings in 2018, significant consolidated financial data (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
EBITDA	12 720 263	8 588 729
Depreciation and impairment	-24 663	-37 327
Operating profit	12 695 600	8 551 402
Financial income	40 018	8 353
Financial expenses	-143 067	-263 150
Profit before taxes	12 592 551	8 296 605
Current tax expense	-97 631	-16 551
Deferred tax	431 548	522
Profit after taxes	**12 926 468**	**8 280 576**

Significant balance sheet items

data in th HUF	**2017.12.31**	**2018.12.31**
Investment properties	31 417 004	39 799 004
Total long-term assets	*32 395 516*	*40 798 251*
Cash and cash equivalents	1 790 344	9 850 843
Total current assets	*3 861 485*	*12 610 378*
Total assets	**36 257 001**	**53 408 629**
Issued capital	2 583 220	2 870 244
Equity attributable to the parent company:	*25 775 098*	*41 451 550*
Financial liabilities	9 265 607	9 153 569
Total long-term liabilities	*9 275 414*	*9 166 183*
Financial liabilities	112 113	769 541
Total short-term liabilities	*1 206 489*	*2 790 896*
Total liabilities and equity	**36 257 001**	**53 408 629**

Significant indicators concerning property, finances and profitability

Name	2017	2018
Long-term assets to total assets ratio ("Long term assets"/"Total assets")	89.35%	76.39%
Indebtedness ("Long term liabilities total"/"Liabilities and equity total")	26.46%	18.11%
Debt to equity ratio ("Long term liabilities total"/"Equity attributable to the parent company")	35.99%	22.11%
Quick liquidity ratio ("Cash and cash equivalents"/"Short term liabilities total")	148.39%	352.96%
Revenue proportionate income ("Operating profit"/"Net revenue from sales")	333.61%	225.51%
Equity-proportionate profit ("Operating profit"/"Total equity attributable to the parent company")	49.26%	20.63%

The Company's consolidated results for year 2018 prepared in accordance with the IFRS differ from the relevant data of the Parent Company with the effects of the consolidation of the activity in the subject year of Company's only subsidiary Harsánylejtő Kft. included in the consolidation range and described in more detail in Section X.

2. Expectations and challenges for the 2019 business year

In 2019, Company focuses on the following areas:

- **Harsánylejtő Project**
  - The sale of the construction lots still available in Stage II of lot development in Harsánylejtő Kertváros (90% sold by the end of 2018), handing over the road and public utility networks realized in connection with the development to service provider and municipality ownership.
  - Delivery of Stage I of the Harsánylejtő Kertváros residential property development and the sale and delivery of the 4 residential apartments to be constructed in Stage II. Subject to the pre-sales of Stage II, starting the sale and realization of Stages III and IV with a total of 40 residential properties. The total area of Stages I-IV of the property development exceeds 2 hectares.
  - Designing the following development concepts in the more than 4 hectares area (m^2 data refer to the gross constructed area of the separate development concepts):
  - 2,500 m^2 office complex project
  - construction of a commercial unit with 1,000 m^2 of floor space
  - 11,500 m^2 residential property potential, on which Company intends to construct according to the plans 3 condominiums with 135 apartments each.
- Designing the development concept of **Bajcsy-Zsilinszky Road Office Building** and **Városmajor Office Building** (obtaining the building and demolition permits).
- Designing the development concept of the property located at Budapest, District I **Attila út 99.** acquired in the beginning of 2019.
- Designing the utilization and development concept of the property complex at Budapest, District VI **Andrássy út 80-82.** being also a World Heritage Site.

- **Portfolio „review”**
- **Acquisition activity**
  - Seeking out acquisition opportunities fitting into the strategy of Company, performing the acquisitions and including the property in question in the cash-generating portfolio.
- **Reviewing opportunities from changes in legal regulations**
  - Pursuant to the amendment of the SZIT Act effective from 26 July 2018, the scope of activities that can be performed by regulated real estate investment companies has been supplemented with the activity of organizing building construction projects, which allows Company itself to carry out real estate development activities for the purpose of sale on the properties of the Harsánylejtő construction lot.

III. Significant events at Company in 2018

1. General meeting

On 26 April 2018 Company held its yearly ordinary general meeting. The general meeting passed the following significant resolutions:

a) The general meeting accepted the following:
   – the report of the Board of Directors for 2017 on the management, and the financial situation and business policy of Company,
   – the report of the Audit Committee on the annual report of the Parent Company and the annual consolidated report of the Company Group prepared in accordance with the International Financial Reporting Standards (IFRS) for 2017,
   – the report of the Auditor on the annual report of the Parent Company and the annual consolidated report of the Company Group prepared in accordance with the IFRS for 2017, and the Business (Management) Report of the Parent Company and the Consolidated Business (Management) Report of the Company Group,
   – the annual report of the Parent Company and the annual consolidated report of the Company Group prepared in accordance with the IFRS for 2017, and the Business (Management) Report of the Parent Company and the Consolidated Business (Management) Report of the Company Group.
b) The general meeting acknowledged the establishment and payment of dividend in the amount of HUF 2,008,610,800 that is, two billion eight million six hundred and ten thousand eight hundred forints against the retained earnings and profit reserve payable as dividend based on the based on the report of the Parent Company prepared in accordance with the IFRS for 2017, and ordered the Board of Directors to take care of the payment of the dividend determined after the ordinary shares proportionate to the number of shares to the holders of ordinary shares registered in the Share Register of Company as of 20 April 2018. The starting date of the payment of dividend after the ordinary shares was 17 May 2018.
c) The General Meeting gave the discharge for the members of the Board of Directors for their year 2017 activities.
d) The general meeting elected INTERAUDITOR Neuner, Henzl, Honti Tanácsadó Kft.(registered office: 1074 Budapest, Vörösmarty utca 16-18. A. ép. fszt. 1/F.; company registry number: 01- 09-063211; tax registraton number: 10272172-2-43.; chamber registration number: 000171; financial institution qualification number: T-000171/94, person responsible for performing the audit: Freiszberger Zsuzsanna, birth name: Freiszberger Zsuzsanna; mother’s name: Böczkös Rózsa Mária, address: 2440 Százhalombatta, Rózsa u. 7.; date, place of birth: Barcs, 27.07.1977, auditor license number: 007229) to be the permanent auditor of Company for the period between 16 May 2018 and 15 May 2019.
e) The general meeting decided that the members of the Board of Directors shall perform their duties in the business year of 2018 without remuneration.

f) The general meeting decided that the members of the Audit Committee shall perform their duties in the business year of 2018 with a salary of a monthly gross HUF 300,000 (three hundred thousand forints) per member.
g) The general meeting decided that the permanent auditor of Company shall be entitled to a remuneration in the business year of 2018 in the amount of HUF 5,700,000 + VAT for auditing the annual report of the Parent Company and the annual consolidated report of the Company Group prepared pursuant to the International Accounting Standards.
h) The general meeting approved the year 2017 Corporate Governance Report of Company concerning the Corporate Governance Recommendations of the Budapest Stock Exchange, drafted on a separate sheet.
i) The general meeting authorized the Board of Directors of Company to purchase treasury shares. According to the authorization the Board of Directors can decide about having Company purchase registered ordinary shares issued by Company with a par value of HUF 100 each. The lowest amount of consideration that can be paid for one treasury share is HUF 1 that is, one forint, and the highest amount can be 150% of the stock exchange base rate weighted with the 3 months of traffic before the date of the transaction at the most. The authorization is for a specified period from the day of the general meeting until 25 October 2019. The maximum value of treasury shares obtained by Company based on the authorization can be 25% of the capital stock at the most.
j) The general meeting unilaterally accepted the information of the Board of Directors according to Section 3:223 (4) of the Civil Code concerning the treasury share transactions of Company concluded on 26 October 2017 and 4 April 2018.

2. Borrowing, signing of Credit Line Agreement

- Based on the refinancing loan contract concluded by and between Company and Magyar Takarékszövetkezeti Bank Zrt. in March 2018 Magyar Takarékszövetkezeti Bank Zrt. provided a loan in the amount of HUF 2,022,766,172 for Company, as a result of which Company completed the final payoff for its EUR based loan debt at CIB Bank Zrt with a value date of 29 March 2018.
- On 7 November 2018, Company signed with the MFB Magyar Fejlesztési Bank Zártkörűen Működő Részvénytársaság as financing bank a credit line agreement of HUF 20 billion that may be used for real estate purchase, real estate development and refinancing purposes (hereinafter: Credit Line Agreement), with a fixed maturity of 10 years and providing fixed-rate HUF-based financing.

3. Property acquisitions, treasury share transactions:

- On 4 April 2018 Company concluded an exchange agreement with Waybridge Estates Kft. According to the exchange agreement the parties exchanged the ownership of the properties owned exclusively by Waybridge Estates Kft. in 1/1 proportion under lot numbers Budapest, District 6, urban area, 28614/0/A/1; 28614/0/A/2; 28614/0/A/3; 28614/0/A/5; 28614/0/A/6 and 28614/0/A/7, under the address 1062 Budapest, Andrássy út 80.to the ownership of the 400,000 Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. registered dematerialized ordinary shares with a par value of HUF 100 each and owned by Company (ISIN code: HU0000088760). With the closure of the transaction Company became the exclusive owner of all the sub-deposits of the condominium under the address Andrássy út 80. – which building is in the direct vicinity of the property under the address Andrássy út 82., already owned by Company – and the number of treasury shares owned by Company changed from 4,864,000 to 4,464,000.
- On 18 December 2018, Company concluded a sales contract with the Budapesti Elektromos Művek Nyrt. for the property owned by ELMŰ in 1/1 proportion, registered with Topographical No. Budapest, District I 6775 and located at 1012 Budapest, Attila út 99. and 1012 Budapest, Logodi utca 42.

- On 4 December 2018, Company sold 1,250,000 BIF shares owned by it, with a price of HUF 2,000/share, in the framework of a transaction concluded outside the Budapest Stock Exchange. Thus, the number of shares owned by Company was reduced from 4,464,000 to 3,214,000. With the sale of these own shares – HUF 1,400 per share on the basis of the issue price of HUF 600 per share taken into account in case of the sold shares –, Company realized a total exchange profit of HUF 1,750,000,000.
- On 10 December 2018, Company sold 200,000 BIF shares owned by it, with a price of HUF 2,020/share, in the framework of a transaction concluded outside the Budapest Stock Exchange. With the transaction, the number of shares owned by Company was reduced from 3,214,000 to 3,014,000. With the sale of these own shares – HUF 1,420 per share on the basis of the issue price of HUF 600 per share taken into account for 150,000 shares from the sold shares and HUF 1,440 per share on the basis of the issue price of HUF 580 per share taken into account for 50,000 shares –, Company realized a total exchange profit of HUF 285,000,000.

4. Private capital increase

On 10 September 2018, the Board of Directors of Company - with the authorization of the shareholders included in resolution No. 10 adopted by the General Meeting on 22 April 2014 - decided to increase the share capital of Company through the private placement of new shares. The Board of Directors of Company requested Magyar Takarékszövetkezeti Bank Zrt. to issue its statement of acceptance for the 2,870,244 registered common shares to be issued with a par value of HUF 100 and issue value of HUF 2,000 per share, produced by dematerialized means. The Magyar Takarékszövetkezeti Bank Zrt. made its commitment statement for acceptance on 11 September 2018 and made the financial contribution of HUF 5,740,488,000 available to Company The new shares that were subsequently produced were also introduced on the Budapest Stock Exchange.

5. Reclassification of BIF shares into Premium category

Pursuant to Decision No. 287/2018 of the executive director of Budapesti Értéktőzsde Zrt., the common shares of Company registered at the BSE shall be considered as Premium category shares effective as of 1 October 2018.

6. Ownership changes announced as extraordinary information

On 18 July 2018, the BFIN Asset Management AG sold in the framework of a transaction concluded outside the Budapest Stock Exchange a portion of the BIF shares owned by it to PIÓ-21 Kft. As a result of the transaction, the ownership share entitling to voting decreased in Company under 5%, while the direct ownership share of PIÓ-21 Kft. entitling to voting increased to 59,91%.

7. Personal changes

Board of Directors, Audit Committee

- No changes occurred in the composition of the Board of Directors and the Audit Committee between 1 January 2018 and 31 December 2018.

Management

- Róbert Hrabovszki was appointed to Deputy CEO, CFO of Company, effective from 19 March 2018.
- Based on the decision of the Board of Directors, as of 1 December 2018 Kristóf Berecz, acting as the current deputy chairman of the Board of Directors, will act as CEO of Company as deputy chairman CEO. The coming years - both through the availability of significant resources waiting to be invested and the transformation into regulated real estate investment company in the end of December 2018 - offer such development opportunities for Company that have justified the restructuring of Company's management structure by integrating the management of Company (Board of Directors) and its operational executive body (Management). By merging the position of the deputy chairman and the Chief Executive Officer, Company can further enhance its operation, through the concentration of positions the decisions necessary for the realization of development projects, and the changes necessary to operate more efficiently can be made faster. The Board of Directors of Company decided to set up an independent business development body in order to make optimal use of the already available and according to the plans continuously expanding investment resources, to exploit the business opportunities resulting from the SZIT status as widely as possible and to effectively implement the planned new projects, under the leadership of Company's former Chief Executive Officer, Gábor Sajgál.

IV. Risk factors influencing the effectiveness of Company

The effectiveness of the activities of Company is still strongly influenced by the current macro- economic situation, and the company management environment established as a result thereof, since the occupancy of the offices, the amount of the rents that can be realized depends on the financial situation, expectations of the lessee companies.
The Company performs its property utilization activities with a relative low level of risk, a significant part of the concluded lease agreements are specified term ones, for 2 to 3 years, but in special cases they can be for 5+5 or 10 years. Our unspecified term lease agreements 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 compared to the previous year.

Concerning a former risk in the operation of Company due to the risk of changes in the EUR exchange rate a significant change occurred in 2018. The EUR-based loan debt at CIB Bank Zrt. was refinanced at the end of March 2018, so presently Company only has forint based loans. Considering that 95% of the income of Company is realized in forint, because of this it has practically no FX risk.

The long term forint loans of Company have variable interest rates, subject to 3 months BUBOR, so with the increase of interests in the financial market the interest rate of forint loans also increases (interest risk). The Company continuously reviews international and Hungarian financial market processes, financing opportunities, including opportunities for refinancing variable interest loans with fixed interest loans; Company decides on possible refinancing depending on such opportunities.

The detailed data concerning financial instruments is in Section 35: Financial Instruments of the audited Consolidated Annual Financial Statements for 2018, 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.

Risks concerning the consolidated Harsánylejtő Ingatlanforgalmazó és -kezelő Kft.

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

Concerning the efficiency, recovery of the development according to Section X it can be a risk factor on the one hand that the periodical lack of capacities at the contractor in the course of the realization of the development may cause delays in the accepted delivery deadline and on the other that in 2018 other projects that are competitors of the development started in several locations in Budapest, strengthening the competition situation. We could mitigate the risks from the delays of the delivery deadline by including default penalty in the contract, enforceable against the general contractor, on the one hand, and by making the delivery deadline flexible towards customers on the other.
In strategic matters decisions need to be taken in coordination with the parent company. Concerning development, the parent company decides in strategic matters and its subsidiary performs operative tasks.

V. Significant events following the closing date of the balance sheet

By the date of the signing of this Consolidated Business (management) Report no such event has occurred.

VI. General company information

1. Data of Company

Company name:	Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.
Abbreviated company name:	Budapesti Ingatlan Nyrt.
Registered office:	1033 Budapest, Polgár u. 8-10.
Post address (location of central administration):	1033 Budapest, Polgár u. 8-10.
Central electronic contact:	info@bif.hu
Website:	www.bif.hu
Date of the articles of association of Company:	31.01.1995.
Date when Company started its operation:	01.05.1994.
Registry Court:	Company Registry Court of Budapest- Capital Regional Court
Company registry number:	Cg. 01-10-042813
Statistical number of Company:	12041781-6820-114-01
Tax administration identification number:	12041781-2-41
Community tax registraton number:	HU12041781
Share capital of Company on 31 December	HUF 2,870,244,400
Duration of the operation of Company:	unspecified
Business year of Company:	identical to the calendar year
Principal activity of 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 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 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 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 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 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 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 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 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 9 sessions. In 2018 the Board of Directors passed decisions through electronic means 9 times.

Members of the Board of Directors of Company (31 December 2018)

Name	Position	Start of assignment	End of assignment
dr. Anna Ungár	Chairwoman	15.08.2017	15.08.2022
Kristóf Berecz	Deputy 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

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 Company besides the audit of the report according to the accounting act, and – if necessary – recommendations for the Board of Directors concerning the taking of measures;
- evaluating the operation of the financial reporting system and recommendation for taking the necessary measures;
- helping the work of the Board of Directors in order to appropriately control the financial reporting system; and
- tracking the efficiency of the internal control and risk management system.

The Audit committee held one session in the first half of 2018, besides the Board of Directors meetings, with 100% turnout. Significant topics discussed at the session: approval of the yearly financial statements of Company and certain Companies it consolidated, recommendation for electing the Auditor and determining their remuneration.

Members of the Audit Committee of Company (31 December 2018.)

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 yearly ordinary general meeting of Company in 2018 the general meeting decided that the members of the Board of Directors shall perform their tasks without remuneration in the business year of 2018 and the members of the Audit Committee shall perform their tasks with a monthly remuneration of gross HUF 300 000 (three hundred thousand forints) per member in the business year of 2018.

3. Auditor

Auditor of Company in 2018:
- 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 Company are published at:
- BÉT (www.bet.hu) website, MNB website (www.kozzetetelek.mnb.hu) and Company's own website (www.bif.hu).

5. Share information

On 31 December 2018 the issued capital of Company was 28,702,444 registered dematerialized ordinary shares with a par value of HUF 100 each, from which 3,014,000 shares are owned by Company Section 6 of the Articles of Association of 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; 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 Company if the name of the new owner was registered in the share register.

The share register of Company is managed by KELER Zrt.

Special control rights are presently not stipulated. However, at the extraordinary general meeting of Company held on 5 August 2017 the general meeting authorized the Board of Directors to increase the capital of Company by issuing vote priority shares with the unchanged conditions specified in the relevant general meeting proposal related to schedule item 6 and published on 25 July 2017. The Board of directors did not exercise this authority in 2018.

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

Presently, there is no employee shareholder system at the Group. However, at the extraordinary general meeting of Company held on 15 August 2017 the general meeting authorized the Board of Directors to increase the capital of Company by issuing employee shares with the unchanged conditions specified in the relevant general meeting proposal related to schedule item 6 and published on 25 July 2017. The Board of directors did not exercise this authority in the first half of 2018.

Minority rights: shareholders representing at least 1% of the votes might request summoning the general meeting of Company at any time, indicating the reason and the purpose.
According to the Articles of Association the elected officials shall be elected by the General Meeting with simple majority.

At the yearly ordinary general meeting of Company in 2018 the general meeting authorized the Board of Directors to purchase treasury shares. According to the authorization the Board of Directors may decide on Company's purchase of registered ordinary shares issued by Company with a par value of HUF 100. The lowest amount of consideration payable for one treasury share is HUF 1, that is, one forint, and the highest amount can be 150% of the stock exchange average exchange rate, weighted with 3 months' traffic before the date of concluding the transaction at the most. The authorization is for a specified term from the date of the general meeting until 25 October 2019. Based on the authorization the maximum amount of treasury shares that can be obtained by Company may not exceed 25% of the base capital.

Owners of Company with more than 5% of interest based on the 31 December 2018 share register and the individual statements of the owners

	31 December 2017		31 December 2018	
Shareholder	**Number of shares (piece)**	**Interest (%)**	**Number of shares (piece)**	**Interest (%)**
PIÓ-21 Kft.	11 691 807	45.26	18 484 722*	64.40*
BFIN Asset Management AG*	6 792 915	26.30		
Treasury share**	4 864 000	18.83	3 014 000	10.50
Other shareholders	2 483 478	9.61	7 203 722	25.10
In total	**25 832 200**	**100.00**	**28 702 444**	**100.00**

From which 1,289,026 shares, 4,49% indirect interest is via the Kft's Subsidiary, the BFIN Asset Management AG
*** Fully owned by PIÓ-21 Kft. in 100%*
**** Shares owned by Company do not grant rights to dividend and voting rights*

Ownership interest of executives, employees in strategic positions in Company (31 December 2018)

Nature	Name	Position	Start of assignment	End of assignment	Direct share property (number of shares))	Percentage of BIF shares with indirect influence
ITT	Dr. Anna Ungár	Chairwoman of the BoD*	15.08.2017	15.08.2022	0	64.40%
ITT	Kristóf Berecz	Deputy Chairman of the BoD and CEO as of 1 December 2018	15.08.2017	15.08.2022	0	64.40%
ITT	Julian Tzvetkov	member of the BoD and the AC**	15.08.2017	15.08.2022	0	0
ITT	dr. Frigyes Hárshegyi	member of the BoD and the AC	15.08.2017	15.08.2022	0	0
ITT	Miklós Vaszily	member of the BoD and the AC	22.12.2017	15.08.2022	0	0
SP	Gábor Sajgál	Business Development Manager	01.12.2018	unspecified***	0	0
SP	Róbert Hrabovszki	Deputy Chief Financial Officer	19.03.2018	unspecified***	0	0

**Board of Directors*
***Audit Committee*
****nature of employment*15.08.2022

Ownership interest of executives, employees in strategic positions in Company (31 December 2017)

Nature	Name	Position	Start of assignment	End of assignment	Direct share property (number of	Percentage of BIF shares with direct influence
ITT	Dr. Anna Ungár	BoD* Chairwoman	15.08.2017	15.08.2022	0	74.61%
ITT	Kristóf Berecz	BoD deputy chairman	15.08.2017	15.08.2022	0	74.61%
ITT	Julian Tzvetkov	member of BoD, AC**	15.08.2017	15.08.2022	0	0
ITT	dr. Frigyes Hárshegyi	member of BoD, AC	15.08.2017	15.08.2022	0	0
ITT	Miklós Vaszily	member of BoD, AC	22.12.2017	15.08.2022	0	0
SP	Gábor Sajgál	CEO	01.12.2016	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 Company was 32 persons in 2018 (24 persons in 2017) and 39 persons on 31 December 2018.

The Company has no employment policy liabilities.

VIII. Research and experimental development

Due to the nature of the activity of Company, it does not perform research and experimental development.

IX. Personal changes in 2018

Detailed in Section 7 of Chapter III.

X. Introduction of the consolidated entities of Company

The Company consolidated Harsánylejtő Ingatlanforgalmazó és -kezelő Kft. in its Interim Consolidated Financial Statements for the 1st half of 2018 prepared according to IFRS.

Harsánylejtő Ingatlanforgalmazó és -kezelő Kft. (registered office: 1033 Budapest, Polgár u. 8-10.), was founded (and is fully owned since then) by Budapesti Ingatlan Nyrt., on 25 August 2008, with a capital of HUF 500,000. The capital of Company was increased to HUF 3,000,000 on 10 March 2016, principal activity of the company: organization of building construction projects. Harsánylejtő Kft. performed the property development for sale activities of the BIF group in 2018.

On 31 December 2018 it has 8 lot properties suitable for the building of condominiums in the Harsánylejtő development area (10,486 m2), on which the construction of condominiums was in progress then and is in progress now as well.

On 27 June 2018 Harsánylejtő Kft. concluded 4 general contractor contracts with RENESCO Energiahatékonysági, Szolgáltató, és Kereskedelmi Kft. (company registry number: 07-09-027141) for the performance of the realization-construction-installation works of 5 apartment residential buildings with a ground level + 2 floors of apartments and 1 underground garage each on the construction lots it owns and registered under lot numbers Budapest, District III. 20646/74; 20646/75; 20646/76 and 20646/77 to turnkey condition, by which Stage II of the development is realized.

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

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

XI. Environmental protection

Due to the nature of the activity, Budapesti Ingatlan Nyrt. does not produce and store hazardous wastes, Company paid the air pollution fees after the exhaust gas emissions. No significant cost was recognized directly related to environmental protection in the previous business year or in the subject year.

XII. 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, 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 Corporate Governance 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 Company's internal control and risk management practices.

No one is appointed head of company at 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 and fair view of the position, development and performance of Company and its subsidiary, 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 Company and its subsidiary.

Budapest, 8 April 2019

……………………………………….	……………………………………….
dr. Anna Ungár	Kristóf Berecz
Chairwoman of the Board of Directors	Deputy Chairman - CEO

Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.

Audited Consolidated Annual Financial Statements of Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. prepared in accordance with the International Financial Reporting Standards (IFRS) December 31, 2018.

Table of Contents

Consolidated statement of financial position

	Explanation *	Data in th HUF 31.12.2018	Data in th HUF 31.12.2017
ASSETS			
Non-current assets			
Investment properties	1	39 799 004	31 417 004
Intangible assets	2	506	490
Investment properties	2	94 240	117 192
Intangible assets	2	113 166	127 240
Investment properties	2	790 475	733 252
Share in affiliated companies	3	-	-
Deferred tax assets	4	860	338
Total non-current assets		**40 798 251**	**32 395 516**
Current assets			
Inventories	5	2 160 522	1 565 750
Trade receivables	6	509 125	111 244
Other short term receivables and accrued assets	7	89 888	394 147
Cash and cash equivalents	8	9 850 843	1 790 344
Total Current assets		**12 610 378**	**3 861 485**
Total Assets		**53 408 629**	**36 257 001**
SOURCES			
Equity			
Issued capital	9	2 870 244	2 583 220
Capital reserve	9	6 048 215	594 752
Revaluation reserve	10	1 078 973	1 078 973
Repurchased treasury shares	11	- 1 748 120	- 2 846 120
Retained earnings	12	24 921 662	11 437 805
Profit in the subject year	12	8 280 576	12 926 468
Total equity:		**41 451 550**	**25 775 098**
Long-term liabilities			
Financial liabilities	13	9 153 569	9 265 607
Provisions for expected liabilities	14	12 614	9 807
Deferred tax liabilities	15	-	-
Other long-term liabilities	16	-	-
Total long-term liabilities		**9 166 183**	**9 275 414**
Short-term liabilities			
Financial liabilities	17	769 541	112 113
Trade payables	18	380 987	145 027
Other liabilities, accrued expenses and deferred income	19	1 640 368	949 349
Total short-term liabilities		**2 790 896**	**1 206 489**
Total Liabilities and Equity		**53 408 629**	**36 257 001**

**No. of additional explanation*

Consolidated statement of comprehensive income

	Explanation *	Data in th HUF **31.12.2018**	Data in th HUF **31.12.2017**
Net revenue from sales	20	3 792 057	3 805 550
Other operating income	21	6 700 510	10 607 646
Changes in stocks of finished goods and works in progress	22	809 163	- 64 150
Material expenses	23	- 1 981 075	- 1 131 316
Personal expenses	24	- 354 330	- 210 030
Depreciation and amortization	25	- 37 327	- 24 663
Other operating expenses	26	- 377 596	- 287 437
Operating profit		**8 551 402**	**12 695 600**
Financial income	27	8 353	40 018
Financial expenses	27	- 263 150	- 143 067
Profit before taxes		**8 296 605**	**12 592 551**
Current tax expense	28	- 16 551	- 97 631
Deferred tax	29	522	431 548
Profit after taxes		**8 280 576**	**12 926 468**
From which:			
Part attributable to the parent company		**8 280 576**	**12 926 468**
Part attributable to external owner		**-**	**-**
Other comprehensive income		**-**	**96 100**
Changes in the fair value of other properties without taxes		-	-
Tax effects of the changes in the fair value of other properties	30	-	96 100
Other comprehensive income		**8 280 576**	**13 022 568**
From which:			
Part attributable to the parent company		**8 280 576**	**13 022 568**
Part attributable to external owner			
Weighted average of common share (number of shares)		22 003 707	24 187 027
Earnings per share (HUF)			
Base	31	376.33	534.44
Diluted	31	376.33	534.44

**No. of additional explanation*

Consolidated statement of changes in equity

Explanation*	9	11	9	10	11	12			
	Issued capital	**Repurchased treasury shares**	**Capital reserve**	**Revaluation reserve**	**Retained earnings**	**Profit in the subject year**	**Total equity attributable to the parent company**	**Non-controlling interest**	**Equity total**
Data in th HUF									
31.12.2016	**2 583 220**	**-49 000**	**594 752**	**982 873**	**9 993 219**	**1 395 057**	**15 500 121**	**0**	**15 500 121**
Reclassification of profit from previous years					1 395 057	-1 395 057	0		0
Repurchased treasury shares		-2 797 120					-2 797 120		-2 797 120
Correction for leaving consolidation					49 529		49 529		49 529
Dividend							0		0
Total comprehensive income				96 100	0	12 926 468	13 022 568		13 022 568
31.12.2017	**2 583 220**	**-2 846 120**	**594 752**	**1 078 973**	**11 437 805**	**12 926 468**	**25 775 098**	**0**	**25 775 098**
Reclassification of profit from previous years					12 926 468	-12 926 468	0		0
Treasury share swap		229 000			531 000		760 000		760 000
Issuing treasury shares	287 024		5 453 463				5 740 487		5 740 487
Disposing of treasury shares		869 000			2 035 000		2 904 000		2 904 000
Dividend					-2 008 611		-2 008 611		-2 008 611
Total comprehensive income						8 280 576	8 280 576		8 280 576
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**

**No. of additional explanation*

Consolidated statement of cash flows

	Explanation*	Data in th HUF 31.12.2018	Data in th HUF 31.12.2017
Profit before tax		8 296 605	12 592 551
Interest expense	27	240 350	-394
Non-cash items			
Depreciation	25	37 327	23 086
Impairment		0	1 577
Non-realised translation gains and losses		-6 704	-4 586
Profit from fair valuation	21	-6 998 663	-10 904 588
Provision for liabilities	14	2 807	421
Profit items related to non-operating cash flow			
Proceeds from selling PPE		0	0
Net working capital changes			
Change in trade receivables	6	-397 881	-31 747
Change in other current assets	7	-290 515	114 775
Change in trade payables	18	242 664	27 369
Changes in other short term liabilities	19	1 348 447	311 328
Changes in other long term liabilities		-514 648	-1 587
Interest paid	27	-240 350	394
Income tax paid	28	-16 551	-97 631
Cash flows from operating activities		**1 702 888**	**2 030 968**
PPE procurement	1	-680 876	-8 068 210
Financial revenue from selling PPE		0	0
Leaving consolidation		0	49 529
Cash flows from investing activities		**-680 876**	**-8 018 681**
Income from capital issuance	9	5 740 488	
Purchasing treasury shares (-)/sale(+)	11	2 904 000	-2 797 120
Dividend	12	-2 008 611	0
Supplementary contribution		0	0
Borrowing		2 654 081	7 379 750
Repayment		-2 251 471	-564 736
Cash flows from financing activities		**7 038 487**	**4 017 894**
Increase in cash and cash equivalents	8	8 060 499	-1 969 819
Opening cash and cash equivalents	8	1 790 344	3 760 163
Closing cash and cash equivalents	8	9 850 843	1 790 344

**No. of additional explanation*

Additional notes – general information, determining elements of the accounting policy and additional explanation, other information

I. General information

1. Introduction of the company

The Company was established by transformation on January 31, 1995. Its legal predecessor was Budapesti Ingatlanhasznosítási és Fejlesztési Kft., founded on January 1, 1994 by Állami Vagyonügynökség (State Property Agency) with an issued capital of th HUF 1 000.

The issued capital of the Company is HUF 2,870,244,400, consisting of 28,702,444 pieces of dematerialised common share with a par value of HUF 100 each.

The Company is engaged in the management of its own properties by giving them into lease.

The operative control of the Company is performed by the Board of Directors. The supervision tasks related to the operation of the Company are performed by the Audit Committee.

The shares are being traded in the 'PREMIUM' category of the Budapest Stock Exchange.

As of October 20, 2017 (registration by the National Tax and Customs Administration, [Nemzeti Adó- és Vámhivatal, hereinafter: NTCA]), the company has been operating as a regulated real estate investment pre-company (hereinafter: SZIE) as specified and regulated in Act CII of 2011 on Real Estate Investment Trusts (hereinafter: SZIT Act). Based on the application of the Company filed with NTCA for the registration as a real estate investment pre-company regulated in the SZIT Act on December 20, 2018, NTCA registered the Company as a regulated real estate investment pre-company effective as of December 31, 2018.

The means of publication of the announcement of the Company: via the website of the Budapest Stock Exchange (www.bet.hu), via the website of the Hungarian National Bank (Magyar Nemzeti Bank, hereinafter: MNB) (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.
Email 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 No.	12041781-2-41
Community tax number:	HU12041781

Share capital on December 31, 2018	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 (TEÁOR):	6820'08 Renting and operating of own or leased real estate
Other activities according to TEÁOR:	– 6420'08 Activities of holding companies – 8110'08 Combined facilities support activities – 6832'08 Management of real estate on a fee or contract basis – 6810'08 Buying and selling of own real estate

The IFRS chartered accountant responsible for the preparation of these 2018 IFRS Consolidated Financial Statements: Dr. Horváthné Kalácska Katalin (1082 Budapest, Hock János utca 4-6.; Chartered Accountant Registration No.: 123362).

Auditor of the Company:

INTERAUDITOR Neuner, Henzl, Honti Tanácsadó Kft. (Registered office: 1074 Budapest, Vörösmarty utca 16-18. A. ép. fszt. 1/F; Incorporation No.: 01-09-063211; Tax Registration No.: 10272172-2-42; Hungarian Chamber of Auditors Registration No.: 000171; Number of Auditor Qualification.: K000107; person responsible for the audit: Freiszberger Zsuzsanna, Name at birth: Freiszberger Zsuzsanna, Mother's name: Böczkös Rózsa Mária, Address: 2440, Százhalombatta, Rózsa utca. 7; Date and place of birth: Barcs, 27.07.1977. Auditor Licence No.: 007229; Number of Auditor Qualification: K000103)

2. Officials, ownership structure

2.1. Officials in 2018

Members of the Board of Directors of the Company

Name	Position	Start of appointment	End of appointment
dr. Ungár Anna	Chairwoman	15.08.2017	15.08.2022
Berecz Kristóf	Deputy-Chairperson	15.08.2017	15.08.2022
Tzvetkov Julian	member	15.08.2017	15.08.2022
dr. Hárshegyi Frigyes	member	15.08.2017	15.08.2022
Vaszily Miklós	member	22.12.2017	15.08.2022

Members of the Audit Committee of the Company

Name	Position	Start of appointment	End of appointment
Tzvetkov Julian	member	15.08.2017	15.08.2022
dr. Hárshegyi Frigyes	member	15.08.2017	15.08.2022
Vaszily Miklós	member	22.12.2017	15.08.2022

Ownership interest of executives, employees in strategic positions in the Company (December 31, 2018)

Nature	Name	Positions	Start of appointment	End of appointment	Direct share property (number of shares)	Percentage of BIF shares with direct influence
ITT	Dr. Ungár Anna	BoD* Chairwoman	15.08.2017	15.08.2022	0	64.40%
ITT	Berecz Kristóf	BOD deputy chairperson and CEO from December 1, 2018	15.08.2017	15.08.2022	0	64.40%
ITT	Tzvetkov Julian	Member of BOM, AC**	15.08.2017	15.08.2022	0	0
ITT	dr. Hárshegyi Frigyes	Member of BOD, AC	15.08.2017	15.08.2022	0	0
ITT	Vaszily Miklós	Member of BOM, AC	22.12.2017	15.08.2022	0	0
SP	Sajgál Gábor	Chief Business Development Officer	01.12.2018	Unspecified ***	0	0
SP	Hrabovszki Róbert	CFO	19.03.2018	Unspecified***	0	0

**Board of Directors*
***Audit committee*
****nature of employment*

2.2. Changes in executives and employees in strategic positions in 2018

No changes took place in terms of the members of the Board of Directors and the Audit Committee in 2018.

Changes in the management of the company compared to December 31, 2017:

- as of March 19, 2018, the Chief Financial Officer of the company is Hrabovszki Róbert.
- Based on the decision of the Board of Directors, the office of CEO will be fulfilled by Berecz Kristóf from December 1, 2018 (besides his current position as the Chairman of the Board of Directors) as Deputy Chairman - CEO. The Board of Directors of the Company decided to establish an independent business development organisation for the optimal use of investment resources (already available and continuously expanding based on the plans), the exploitation of the business opportunities arising from the SZIT status to the highest possible extent and the efficient implementation of the planned new projects. The Board of Directors appointed previous CEO, Sajgál Gábor, to be the head of such organisation.

2.3. Remuneration for executives in 2018

At the annual general meeting of the Company in 2018 the general meeting decided that the members of the Board of Directors shall perform their tasks without remuneration in the 2018 business year and the members of the Audit Committee shall perform their tasks with a monthly remuneration of gross HUF 300,000 (three hundred thousand forints) for each member in the 2018 business year.

2.4. Person authorized to sign the statement

According to Section 15.2 of the Articles of Association, the members of the Board of Directors are entitled to sign the statement together with either another Board member or an employee with power of representation. The Board of Directors is entitled to decide about the person of the employees with power of representation.

2.5. Ownership structure

Owners of the Company with more than 5% of interest based on the December 31, 2018 share register and the individual statements of the owners

	December 31, 2017		December 31, 2018	
Shareholder	**Number of shares (pieces)**	**Interest (%)**	**Number of shares (pieces)**	**Interest (%)**
PIÓ-21 Kft.	11 691 807	45.26	18 484 722*	64.40*
BFIN Asset Management AG**	6 792 915	26.30		
Treasury share***	4 864 000	18.83	3 014 000	10.50
Other shareholders	2 483 478	9.61	7 203 722	25.10
Total	**25 832 200**	**100.00**	**28 702 444**	**100.00**

**From which 1 289 026 pieces of shares, an indirect interest of 4.49% through the subsidiary of the Kft., BFIN Asset Management AG*
*** In the 100% ownership of PIÓ-21 Kft.*
**** The shares owned by the company do not entitle their holder to receive dividend and do not provide voting preference.*

II. Important elements of the accounting policy

1. Important elements of the accounting policy

1.1. Reporting currency and foreign currency balances

Considering the content and circumstances of the underlying economic events the functional and reporting currency of the parent company is Hungarian forint.

Initially, foreign currency dealings registered in currencies other than forint were registered at the foreign exchange rate effective on the day of performing such transactions. Receivables and liabilities in foreign currency were translated to forint using the exchange rate as of the closing of the balance sheet. The generated exchange rate differences are recognized in the statement of profit and loss among financial income and expenditure.

The financial statements were prepared in Hungarian forint (HUF), the presentation currency of the Company, rounded to the closest thousand value, except if indicated otherwise.

Transactions in foreign currencies are accounted for in the functional currency, using the currency of the statements and the exchange rate of the foreign currency effective on the day of the transaction to the amount in foreign currency. In the comprehensive statement of profit and loss the translation gains and losses generated when arranging monetary items, initial recognition during the period or due to using an exchange rate different from the exchange rate used in the previous financial statements are recognized as revenue and expenditure in the period when they were generated. Monetary assets and obligations denominated in foreign currency are translated using the exchange rate of the functional currency effective at the end of e reporting period. Items in foreign currency valuated at fair value are translated using the exchange rate effective at the time of determining the fair value. Translation gains and losses of trade receivables and trade payables are recognized in the profit or loss from business activity while gains and losses of loans are recognized in the income or expense of financial transactions line.

1.2. Revenue

The revenue of the Company is generated primarily from services provided and products sold for its customers and other third parties.

The company accounts its revenue in accordance with the IFRS 15 Standard (issued in May, 2014 and applicable to business years commencing on January 1, 2018 or after such date).

The new standard introduces the basic principle that revenue may only be accounted when the assets or services are delivered to the buyer at the agreed price. All distinct goods or services must be accounted separately and all discounts must be allocated to the appropriate performance obligations of the contract. When consideration changes, the minimum value may be accounted when the likelihood of return does not entail significant risks. Incremental costs of obtaining the customer contract shall be capitalised and depreciated during the term of contract so that the profits related to the same may be acquired by the company.

Net sales revenues include the amounts invoiced based on goods delivered and services provided during the business year. Net sales revenues shall be accounted when the amount of income becomes obvious and then it is presumable that the consideration may be realised by the Company. Net sales revenues contain the amount of the invoiced sums minus value added tax and discounts.
The revenues resulting from the sales of services will be accounted by the company on a pro-rated basis (if permitted by the contract or if performance is certified by the client) during the particular period, unless the relevant contracts and agreements contain milestones. In such case, the revenues will be accounted after such milestones have been reached.

The Company presents the additional costs related to the conclusion of contracts, if it expects the return of the same, as assets.

Deferred revenues shall be accounted by discounting the revenues.

1.3. Evaluation and depreciation of non-current assets

1.3.1. Investment properties

A property is recognized as investment property if the company keeps it to achieve income from rent or value increase or both and not for future sales, producing products or providing services or administration. We always hold investment properties for giving them into lease.

Investment properties shall be evaluated initially at cost, considering transaction costs as well. The Company chose the fair value model for the recognition of investment properties, differences from the changes in fair value are recognized at the charge/for the benefit of the profit or loss in the subject year against other operating income. Investment properties have no planned depreciation.

In accordance with the provisions of the SZIT Act, an independent appraiser, Euro-Immo Expert Kft. determines the fair value of investment properties owned by the Company on a quarterly basis. The annual actualization of the market value of properties is performed for 31 December each year. The evaluation is done considering the international evaluation norm. In the course of evaluation the three evaluation methods generally accepted in the international asset evaluation practice (cost approach, market comparison approach and income approach) are used, then the market value of properties is determined according to the principle of prudence.

Considering that to determine market value the IAS 40 standard recommends but does not require employing an independent valuator, in the case of investment properties where a decision was made about their sale and the selling procedure was started, the fair value calculation method considers it a starting point that the asset has an active market, that is, there are concluded sale and purchase contracts. To determine fair value, the actual market price, that is, the selling price in the already concluded sale and purchase contracts (the average price of them) provides the best basis.

Gains and losses from the changes in the fair value of investment properties is always accounted for (in the other operating incomes or other operating expenses line) in the gains and losses of the period when such changes were generated. Profit from the changes in fair value cannot be distributed to shareholders as dividend. The investment property must be derecognized when alienated, or when the investment property is finally removed from use and no future economic benefits can be expected from its alienation. Gains and losses from the derecognition and alienation of investment properties shall be accounted for as income or expense in the statement of profit or loss in the period in question.

1.3.2. Other properties

Properties held for use related to the sale of products or the generation and provision of services and the developed public utility facilities are qualified as other property at the Company.

The company group chose the fair value model for recognizing other properties, except for developed public utilities. Evaluation at fair value is performed considering international evaluation norms. In the course of evaluation the three evaluation methods generally accepted in the international asset evaluation practice (cost approach, market comparison approach and income approach) are used, then the market value of properties is determined according to the principle of prudence. Gains from the changes in the fair value of other properties are recognized directly as part of equity, as revaluation surplus.

Presently, the Company has no other property besides public utilities.

Public utilities are presented by the Company at cost, decreased by the amount of the yearly recognized amortization.

Depreciation is recognized for other properties. The basis for depreciation is fair value, and the cost in the case of public utilities. Depreciation is accounted for with straight line rates, the depreciation rate is 2%.

1.3.3. Other PPE

PPE besides properties is recognized at cost, decreased by the accumulated depreciation and impairment. Accumulated depreciation includes the recognized costs of planned depreciation related to continuous use and operation of the asset and of unplanned depreciation due to significant damage of the asset from unexpected, extraordinary events.

The cost (procurement, production) of the asset is the total amount of items that can be individually connected to the asset incurred for the procurement, establishment, putting into operation of the asset until the putting into operation or transportation into the warehouse.

The (procurement) cost includes the purchase price decreased by discounts, increased by additional charges, consideration, fees for transportation and loading, foundation laying, installation, putting into operation mediation activities in connection with the procurement, putting into operation, warehousing of the asset, the agent’s fee, taxes and parafiscal charges related to the procurement and customs charges.

Costs incurred later are only included in the book value of the asset or registered as a separate asset if it is probable that the item in question will provide future economic benefits for the company group and the cost of the item can be determined in a reliable manner. Costs of all other repairs and maintenances are accounted for in the statement of profit and loss as expense at the time they are incurred.

Additional expenses spent on existing assets that extend the useful life of the asset or expand the utilization options of the asset are capitalized by the company group. Maintenance and repair costs are accounted for as costs when incurred.

The book value of PPE is reviewed at specified intervals in order to determine whether the book value exceeds the fair, market value of the asset, since in this case the recognition of unplanned depreciation becomes necessary, to the fair, market value of the asset. The fair, market value of the asset is the higher of the selling price and the value in use of the asset. The value in use is the discounted value of future cash-flows generated by the asset. The discount rate includes the interest rate in the Company before taxes, considering the time value of money and the effect of other risk factors related to the asset as well. If independent future cash flow cannot be allocated to the asset then the cash flow of the unit the asset is a part of shall be used as basis. Depreciation, unplanned impairment determined this way is recognized in the statement of profit and loss.

Depreciation of PPE is accounted for according to the straight line method. The procurement cost of assets is depreciated from the date of putting into use during the useful life of the assets. The company group regularly reviews useful lives and residual values.
The Company recognizes unplanned depreciation for PPE in the case of which the net book value of the assets is not expected to be recovered based on their future ability to generate income. The Company prepares the necessary calculations based on the appropriate discounting of long term future cash flow plans.

When determining depreciation the expected useful life, deterioration time, physical and moral obsolescence is considered. Assets below th HUF 100 individual procurement value are recognized in one amount as depreciation when put to use, assets between th HUF 100 to 200 procurement value are depreciated in the course of two years, and the depreciation rate used for assets over th HUF 200 is 20% in the case of vehicles, 33% in the case of IT machinery, also 33% in the case of administration technology equipment and 14.5% in the case of other assets.

At the end of every reporting period the Company assesses whether any changes occurred that might indicate depreciation in the case of any asset. If such changes occurred, the Company estimates the expected recovery value of the asset. The expected recovery value of an asset or cash generating unit is the higher of the fair value decreased by selling costs and the value in use. The Company recognizes depreciation against the earnings if the expected recovery value of the asset is lower than the book value. The Company prepares the necessary calculations based on the appropriate discounting of long term future cash flow plans.

1.4. Intangible assets

The intangible assets procured individually are recognized at procurement price and intangible assets obtained in the course of a business combination are recognized at fair value at the time of acquisition. Recognition in the books happens when using the asset is proven to result in the inflow of future economic benefits, and the costs of the same can be clearly determined.

After procurement the cost model is applicable to the intangible assets. The duration of such assets is finite or cannot be determined. Assets with finite life are amortized with the straight line method, based on the best estimate concerning lifetime. The amortization period and the method of amortization are reviewed annually at the end of the financial (business) year. Internally generated intangible assets are not capitalized with the exception of development costs, but are accounted for against the profit or loss in the year of their occurrence. Intangible assets are reviewed annually for depreciation on individual or CGU level.

The procurement costs of trade marks, licenses, assets and software under industrial property right protection are capitalized and are depreciated according to the straight line method during their estimated useful life:

Rights representing assets and other rights and software	3-6 years

1.5. Goodwill

Goodwill is the positive difference between the procurement value and the fair value of the identifiable net assets of the acquired subsidiary, affiliated company or jointly controlled company on the day of acquisition. Goodwill is not amortized but the Company annually assesses whether there are any signs indicating that the book value will probably not be recovered. Goodwill is recognized at cost decreased by possible impairment.

1.6. Inventories

Inventories registered by the Company are evaluated according to the IAS 2 standard.

The inventory cost includes the costs of procurement, the costs of conversion and the costs necessary for the inventories to get to their present location and condition.

The cost cannot include losses on unusual amount of material, work and other production costs, warehousing costs, except if such costs are parts of the production process, administrative management expenses not incurred for getting the inventories to their present location and condition and sales costs.

1.7. Receivables

Receivables are presented in the statements at nominal value decreased by the appropriate amount of depreciation established for the estimated losses. Based on the full review of the outstanding amounts at the end of the year estimates were made concerning bad debts.

1.8. Financial assets

Financial assets in the scope of the IFRS 9 standard can be classified in the following three valuation categories: financial assets evaluated at depreciated cost after recognition, financial assets evaluated at fair value reported in other comprehensive income (FVOCI), financial assets evaluated at fair value with all changes in fair value reporting in profit and loss (FVPL).

After initial recognition the financial assets that qualify as “trading” or “for sale” are evaluated at fair value with all changes reported in profit and loss (FVPL). The non-realized translation gains and losses achieved on trading securities is recognized as other income (expense).

Other long term investments qualifying as held to maturity, like certain bonds, are recognized after initial recognition at amortized cost. Calculation of the amortized cost is done considering the discount or premium at the time of acquisition during the period until maturity. In the case of investments registered at amortized cost, the profit or loss generated at the derecognition or depreciation of the investment or during the amortization period is recognized as income.

In the case of investments participating in foreign exchange trade, the market value is determined based on the official exchange rate announced on the balance sheet date. In the case of securities not registered at the stock exchange or not traded, the market value is the market value of the similar/substitute financial investment; if this method is not applicable, then the market value is determined based on the estimated future cash flow of the asset connected to the investment.

The Company assesses it on every balance sheet date whether it is necessary to recognize depreciation for the financial asset or group of assets. If such circumstances arise in the case of assets recognized at amortized cost that make the recognition of depreciation necessary, the amount of this will be the difference between the amount of the book value of the asset and the future cash flows of the asset discounted by the original effective interest rate. The depreciation is recognized in the statement of profit and loss. If the amount of recognized depreciation decreases in the future, it is reversed, but only to the extent that the book value of the asset does not exceed the amortized value on the balance sheet date.

Securities for sale are evaluated at a rate effective as of the date of the transaction and at procurement cost initially. The short term investments containing securities kept for trading purposes are recognised at the fair market value effective in the date of the next statement and their value is calculated according to the publicly listed stock exchange rate effective on the balance sheet day. Non-realised profits and losses are included in the profit and loss statement.

1.9. Financial liabilities

The consolidated statement of the Company concerning the financial situation includes the following financial liabilities: trade payables and other short term liabilities, loans, credits, bank current account credits and futures. The recognition and evaluation of the above is in the relevant parts of the notes in the consolidated statements, according to the following:

The Company evaluates all financial liabilities at fair value at initial recognition. In the case of loans even those transaction costs are considered that are directly attributable to obtaining the financial liability.

The Company classifies financial liabilities under IFRS 9 into the following three evaluation categories: financial liabilities evaluated at depreciation cost after recognition, financial assets evaluated at fair value reported in other comprehensive income (FVOCI), financial assets evaluated at fair value with all changes in fair value reporting in profit and loss (FVPL). The single financial liabilities are classified by the Company when acquired.

Financial liabilities evaluated at fair value through profit and loss are liabilities the Company obtained for trading, or that are classified as evaluated at fair value through profit and loss at initial recognition. Financial liabilities for trading include liabilities that the Company purchased primarily for the profit expected from short term exchange rate changes. Those futures that are not qualified as effective hedging instruments also belong in this category.

Loans and credits are recognized at amortized cost calculated with the effective interest rate method in the statement of financial situation. Gains and losses related to loans and credits are accounted for in the statement of profit and loss in the course of amortization calculated with the method of effective interest rate, and at the derecognition of the financial liability. The amortization is accounted for in the statement of profit and loss as financial expense.

1.10. Provisions

The Company creates provisions for the (legal or constructive) liabilities existing due to past events that the Company probably has to settle and if the amount of the obligation can be measured in a reliable manner.

The amount recognized as provision is the best estimate for the settlement of the existing obligation concerning the expense necessary on the balance sheet date, considering the risks and uncertainties characterizing the obligation. If the cash flow that is expected to be necessary for the settlement of the existing obligation is used for the evaluation of the provision, the book value of the provision is the current value of this cash flow.

If a part or all the expenses necessary for the settlement of the provision is expected to be recovered by another party, the receivable is recognized as an asset if it is certain that the entity will receive the compensation and the amount of the receivable can be measured in a reliable manner.

1.11. Corporate tax

The amount of the corporate tax is based on the tax payment liability defined in the Act on corporate and dividend tax, modified by the deferred tax. The tax payment obligation includes subject year and deferred tax components.

The tax payment obligation in the current year is determined based on the taxable profit in the subject year. The taxable profit is different from the profit before taxes recognized in the statements, due to gains and losses not constituting the tax base and due to other such items that are considered in the taxable profit of other years. The current tax payment obligation of the Company is determined based on the tax rate effective or announced until the balance sheet date, if the announcement is equivalent to becoming effective. Calculation of the deferred tax is calculated based on the liability method.

Deferred tax is generated in cases when there is a difference over time between the accounting for an item in the yearly statements and accounting for it in the settlement according to the tax law. The deferred tax asset and payable is determined using the tax rates concerning the taxable incomes of the years when the difference over time is expected to be recovered. The amount of the deferred tax asset and payable reflects the estimate of the Company on the balance sheet date concerning the realization of tax assets and liabilities.

Deferred tax assets concerning deductible differences over time, tax benefits that can be carried forward and negative tax base are only recognized in the balance if it is probable that the Company realizes profit constituting tax base in the course of its future activity, against which the tax asset can be enforced.

On every balance sheet date the Company assesses the deferred tax assets not recognized in the balance, and the book value of recognized tax assets. The part of receivables not recognized in the balance earlier that is expected to be recovered as decrease in the future income tax is recognized. Contrary to this, the deferred tax asset of the Company is decreased in the amount for the hedging of the recovery of which no profit after taxes is expected to be available.

The subject year and the deferred tax is accounted for directly against the equity, if it concerns items also accounted for against the equity in the same or another period, including the modifications of the opening value of the reserves due to the retroactively effective changes in the accounting policy.

Deferred tax assets and liabilities can be accounted for against each other if the Company has a legal right to account for its current tax assets and payables towards the same tax authority against each other and the Company intends the net settlement of such assets and liabilities.

Due to the SZIE transformation, the Company derecognized the deferred tax liability recognized earlier, since it does not expect to have tax payment liabilities in the future in the normal course of business.

1.12. Lease

We discuss financial lease in the case if all the risks and costs from possessing the asset according to the conditions of the lease are borne by the customer. All other leases qualify as operative leases.

In the case of a financial lease the assets leased by the Company qualify as the assets of the Company and are recognized at market cost at the time of acquisition. The liability towards the lessor is recognized in the balance as a financial lease liability. Costs incurred in connection with the lease, the differences between the fair value of the acquired assets and the full lease liability are recognized against the earnings during the full duration of the lease so that they represent a permanent, periodically appearing expense concerning the current amount of the liability in the single periods.

The difference between all the liabilities and the market value of the leased asset at the time of acquisition is recognized in the statement of profit and loss beyond the duration of the relevant lease – so that the change in the balance of the remaining liability can be tracked from time to time – or in the single reporting periods.

1.13. Earnings per share (EPS)

Definition of the earnings per share is done considering the profit or loss of the Company and the inventory of shares decreased by the average inventory of repurchased treasury shares in the period.

Diluted earnings per share are calculated in a similar manner as earnings per share. However, when calculating it, all the shares in trading that can be diluted are considered, increasing the proceeds that can be distributed after the common share by the dividend and proceeds of the shares that can be transformed and can be considered in the period in question, modified by the additional revenues and expenditures from the transformation – increasing the weighted average number of shares in trading by the weighted average number of additional shares that would be in trading if all the shares that could be transformed were actually transformed. There were no such transactions in either the year ending on December 31, 2017 or in the year ending on December 31, 2018 that might dilute this EPS rate.

1.14. Off-balance items

Off-balance liabilities are not included in the balance and the statement of profit and loss, constituting parts of the yearly report, unless obtained in the course of business combinations. They are recognized in the notes except if the chance of the outflow of sources representing economic benefit is distant, minimal. Off-balance receivables are not included in the balance and the statement of profit and loss, constituting parts of the yearly report, but if the inflow of economic benefits is expected, they are recognized in the notes.

1.15. Repurchased treasury shares

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

1.16. Dividend

Dividend is accounted for by the Group in the year when the owners approved it.

Dividend will be paid pursuant to the applicable provisions of the SZIT Act:
Paragraph 8 of Section 2 of the SZIT Act: *„expected dividend: 90% of the profit and loss of the regulated real estate investment company or regulated real estate investment pre-company achieved from registration until deregistration payable as dividend as specified in separate laws, and, in the case of the project company of the regulated real estate investment companies or regulated real estate investment companies, 90% of the profit and loss of the project company achieved from registration until deregistration as project company payable as dividend as specified in separate laws, not including amount of the one-time transition difference recognised in retained earnings accounted for in relation to transitioning to the annual report according to IFRS standards in accordance with the provisions of Act C of 2000 on Accounting (hereinafter: the Accounting Act) in the case of regulated real estate investment companies, regulated real estate investment pre-companies or their project companies"*
Subparagraph c) of Paragraph (3) of Section 3 of SZIT Act: „*based on the articles of association, the management proposes the approval of a dividend of at least the amount of the expected dividend in the annual general meeting of the company, in the case of the approval of which the dividend shall paid within 30 trading days from the approval of the accounting report on the condition that if the free financial instruments of the regulated real estate investment company does not reach the amount of the expected dividend, the management shall propose at least 90% of the free financial instruments to be distributed as dividend."*

1.17. Income from financial transactions

The financial income includes interest and dividend income, interest and other financial expenses, gains and losses on the evaluation of financial instruments at fair value, and the realized and non-realized translation gains and losses.

1.18. Government grants

Government grants are accounted for when it can be assumed that the grant will be received and the conditions for the disbursement of the grant are met. When the grant is to compensate costs then it must be accounted for against the statement concerning income in the period when the cost to be compensated is incurred (among other incomes). When the grant is connected to asset procurement then it must be recognized as deferred income and is accounted for against the profit or loss in the course of the useful life of the related asset in equal yearly amounts.

1.19. Events after the balance sheet date

Events occurring after the end of the reporting period that provide additional information about the circumstances at the end of the reporting period of the Company (modifying items) were presented in the statements. Those events after the reporting period that do not modify data of the statements are presented in the notes if significant.

2. Changes in the accounting policy

The Company compiled its statements in accordance with the provisions of all the standards and interpretations that became effective on January 1, 2018.

The accounting policy of the Company has changed from January 1, 2018 by the application of the IFRS standards.

In 2018, the Company applies all the IFRS standards, amendments and interpretations effective as of January 1, 2018 that are relevant from the perspective of the operation of the Company.

IAS 1 Compilation of financial statements (amended)
The IASB published the amendment of the IAS 1 in December 2014. The purpose of the amendment is to encourage the Companies to decide on a professional basis what information they disclose in their financial statements. The amendment clarifies that the threshold of significance is applicable to the full statement and that disclosing insignificant information might prevent the statements utilization. Additionally, the amendment clarifies that the Companies should make professional decisions about where and in what sequence they present their disclosures in the financial statements. The financial statements of the Company do not change due to the application of the amended standard. Being adopted by the European Union on February 7, 2018, the amendments are applicable as of January 1, 2018 and in all reporting periods commencing thereafter.

IFRS 9 Financial instruments: classification and evaluation (effective date: January 1, 2018)
The standard introduces new requirements concerning the classification, evaluation and depreciation of financial assets and financial liabilities. The application of the IFRS 9 standard has effects on the qualification and evaluation of the financial assets of the Company; however, it does not influence the qualification and evaluation of financial liabilities.
The new standard must be applied in the statements concerning the years beginning on January 1, 2018 or afterwards, earlier application is permitted. The application of the new standard does not influence significantly the financial statements of the Company.

IAS 16 PPE (amended) and IAS 38 Intangible assets (amended)
The IASB published the amendments of IAS 16 and IAS 38 standards in May 2014. Both standards consider the expected utilization of the future economic benefits of the asset as basis for the depreciation. The IASB clarified that the income based method of calculation of the depreciation of assets is not suitable, since income from activities in the course of which the asset is used usually reflects other factors as well besides the economic benefits represented by the asset. The IASB also clarified that income is usually not suitable basis for the measurement of the utilization of economic benefits represented by intangible assets. The amendments must be applied in the statements concerning the years beginning on 1 January 2016 or afterwards. The financial statements of the Company will not change because of the application of the amended standards, since it applies straight line depreciation.

IAS 40 ”Investment property” standard modifications
(publication on 8 December 2016, effective as of January 1, 2018, and in the reporting period commencing thereafter).
Investment properties may only be reclassified if a change has occurred in use.
The standard modification does not influence the activity of the Company in 2018.

IFRS 15 Accounting for income from customer agreements
In May 2014 the IASB and the FASB published a common standard. The basic principle of the new standard is that the Companies shall acknowledge their incomes according to the amount of goods handed over to or services provided for their customers, reflecting the consideration that the Company will probably be entitled for the good or services provided. The new standard results in a more detailed presentation of incomes, provides guidelines for transactions not clearly regulated before and provides new guidelines for multi-component agreements. The new standard must be applied in the statements concerning the years beginning on January 1, 2018 or afterwards, earlier application is permitted (the standard is effective through IASB, and has been adopted by EU). Adoption of the new standard does not have a significant effect on the financial statements of the Company. It is applied by the Company for the year 2018.

IFRS 10 Consolidated financial statements and IAS 28 Investments in affiliated companies and joint ventures
The IASB publishes amendments for the IFRS 10 and IAS 28 standards. The amendments are aimed at the asset sales or transfers between the investor and its affiliated companies or joint venture. The main consequence of the amendments is that the total profit or loss is accounted for if the transaction includes business activities as well (regardless of whether it is in a subsidiary or not). Partial profit or loss is accounted for if the subject of the transaction is an asset that does not mean a business activity even if this asset belongs to a subsidiary. The amendments must be applied in the statements concerning the years beginning on 1 January 2016 or afterwards. The adoption of the amendments of the standards had no significant effect on the financial statements of the Company, since the Company has no affiliated companies or joint ventures.

IFRIC 22 interpretation "Transactions in foreign currencies and advance payments" (effective as of January 1, 2018, and in the reporting periods following such date).
The interpretations provides an answer to the question how the date relevant from the point of exchange rate should be determined in the case of transactions in a non-monetary asset or liability connected to an advance payment settled in a foreign currency is derecognised upon the initial recognition of the connected asset, expense or income (or a part of the same). Under the scope of IAS 21, the date of the transaction determining the exchange rate applicable upon the initial capitalisation of the asset, expense or income will be identical to the date of capitalisation of the non-monetary assets or liabilities settled in advance. If it has been settled in several instalments, the company shall determine the date of payment of each instalment. The provisions of IFRIC 22 are only applicable in cases when the non-monetary assets or non-monetary liabilities of the company have resulted from earlier payments. IFRIC 22 does not include any provisions regarding the definition of monetary and non-monetary items. Amounts of money received or paid in advance can result both in monetary and non-monetary assets and liabilities. It is the companies' responsibility to decide whether the items are monetary or non-monetary. The Company has evaluated the effect of the new interpretation which has a moderate effect on the statement.
The Company will consider this interpretation.

IFRS 16 Lease (effective from 1 January 2019)
On 13 January 2016 the IASB issued a new standard concerning the accounting of leases. The application of the new lease standard will be mandatory for the companies applying the IFRS in the reporting periods beginning on January 1, 2019 or afterwards. The new standard replaces the present regulation of the IAS 17 Lease standard and may fundamentally change the accounting of operating leases used so far.

The evaluating of the scope and financial impact of IFRS 16 has started. The expected financial impact is related to the lease of offices. Based on these preliminary estimates, the Company expects a significant change in the consolidated statements of financial position. The impact expected in the consolidated profit and loss account is insignificant. The quantification of analyses and effects is in progress also at the time of the preparation of these consolidated financial statements.

Pursuant to the IFRS 16 lease standard, the lessee is required to recognise and quantify a licence to use assets at the assets side and a related liability on the liabilities side simultaneously.
The licence to use assets is managed similarly to other non-monetary assets, and their depreciation is accounted in the same manner. At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.
According to IFRS 16, the same as in the case of its predecessor (IAS 17), the fact whether a lease qualifies as operating or financial continues to be subject to examination at the side of the lessor.

A lease is classified as a finance lease if the lessor essentially transfers all risks and profits incidental to ownership of the underlying asset. Otherwise, the transactions qualify as operating lease. The lessor shall recognise the financial income during the term of the lease in a manner that it result in a flat rate return on investment in terms of the net lease investment of the lessor.
The lessor is required to recognise the rents resulting from operating lease with the linear method or other systematic method. The lessor is required to apply another systematic method if such method reflects the reduction of profit resulting from the use of the underlying asset. The Company has examined the potential impact of the IFRS 16 standard on the profit/loss and financial position of the Company and it is prepared for the application of the standard.

However, the Standard sets forth that the investment properties subject to lease embodying licence of use shall be evaluated at fair value when the entity applies the fair value model specified in the IAS 40 standard (Investment property) for its other investment properties.

IAS 28 Investments in affiliated companies and joint ventures
A modification due to long-term interests existing in affiliated companies. (applicable in the business year commencing on January 1, 2019 and business years commencing thereafter)

IAS 19 “Employee benefits” standard (amendment)
Amendment of plan, limitation or accounting (applicable in the reporting period commencing on January 1, 2019 and reporting periods commencing thereafter).

3. Uncertainty factors

When applying the accounting policy presented in Section 1 estimates and assumptions need to be applied when determining the value of certain assets and liabilities concerning a given time that cannot be determined clearly from other sources. The estimation process includes the decisions and relevant factors based on the latest available information. These significant estimates and assumptions influence the value of the assets and liabilities, revenues and expenditures recognized in the financial statements and the presentation of the contingent assets and liabilities in the notes. The actual results might differ from the estimated data.

Estimates are continuously actualized. If the change only concerns the given period it must be considered in the period of the changes in the accounting estimates and if there are changes concerning both periods, it must be considered in the period of the change and in the future periods as well.

The main areas of the critical decisions taken in the field of estimate uncertainties and accounting policy that have the most significant effect on the amounts recognized in the financial statements are the following:

3.1. Depreciation recognized for non-recoverable and bad debts

The Company recognizes depreciation for non-recoverable and bad debts to hedge losses incurred due to the customers not being able to pay. The basis for the estimations used to evaluate the suitability of depreciation recognized for non-recoverable and bad debts is the ageing of receivables, the financial standing of the customer and the changes in the payment customs of the customer.

3.2. Determining fair value

The uncertainty of determining fair value comes from that the evaluation of the investment properties, constituting a significant proportion of the assets, is performed by a commissioned Company, which might pose a risk, but this is significantly mitigated by the following factors:

- the market value data is provided by an independent appraiser qualified and accepted by the market and the creditor banks alike,
- the appraisal methods are in line with the international standards,
- the Company performing appraisal generates fair value data from the data estimated with different methods according to the principle of prudence,

An additional uncertainty factor can be if unexpected market processes or unexpected crises occur, due to which the fair value of assets, properties would suddenly significantly change. The Company attempts to mitigate this risk by having the evaluation of the properties performed every year so the statements always contain the most up to date data.

4. Basis for the preparation of the statement

4.1. Acceptance and statement of compliance with the International Financial Reporting Standards

The Board of Directors accepted the consolidated financial statements. The consolidated financial statements were prepared according to the International Financial Reporting Standards, based on the standards announced as regulation in the Official Journal of the European Union (EU) and then introduced. The IFRS consists of the standards and interpretations drafted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

Legal requirements oblige the Company to prepare consolidated IFRS reports from January 1, 2017.

The consolidated financial statements are presented in Hungarian forints, rounded to a thousand forint, if not indicated otherwise.

The financial (business) year of the Company is identical to the calendar one. The balance sheet date of the 2018 business year is December 31, 2018.

4.2. Basis for the preparation of the statement

The consolidated financial statements were prepared according to the effective standards and IFRIC interpretations issued on December 31, 2018.

The report was compiled based on the cost principle, except for cases where the IFRS requires the use of another evaluation principle, like presented in the accounting policy.

4.3. Basis of evaluation

In the case of the consolidated financial statements, the basis for evaluation is the original cost, except for the following assets and obligations, presented at fair value: derivative financial instruments, financial instruments evaluated at fair value through profit and loss and investment properties.

In the course of preparing financial statements in compliance with the IFRSs it is necessary for the management to apply expert assessment, estimates and assumptions, with influence on the applied accounting policy and the amount of assets and liabilities, costs and expenses in the report. The estimates and related assumptions are based on past experience and several other factors, considered reasonable under the given circumstances, and the result of which serves as basis for estimating the book value of assets and liabilities that cannot be clearly determined from other sources. Actual results may differ from such estimates.

The estimates and the base assumptions are regularly reviewed. The modification of accounting estimates is presented in the period of the modification of the estimate if the modification only concerns the year in question and in the period of modification and in future periods if the modification concerns both the present and the future years.

5. Data of the business combination, consolidated entities

As subsidiary		Voting power	
	address:	**31.12.2018**	**31.12.2017**
Harsánylejtő Kft.	1033 Budapest Polgár u. 8-10.	100.00%	100.00%

III. Additional explanation

1. Investment properties

(data in thousand HUF)

On December 31, 2017	**31 417 004**
Fair value	6 620 831
Other increase	1 001 169
Purchase	760 000
On December 31, 2018	**39 799 004**
On December 31, 2017	**31 417 004**
On December 31, 2018	**39 799 004**

Investment property data is prepared by the independent appraiser according to the following criteria:

Section 11 (1) of Act CII of 2011 on regulated property investment companies

Evaluation of the properties in the portfolio of regulated property investment companies can be done

a) with a method based on market comparison,
b) with a method based on yield calculation, or
c) with a method based on reproduction cost

provided that the selected method of evaluation must be justified in detail and in the future it must be performed in each period with the same method for the property in question.

The changes in the fair value of investment properties in 2018 were from the following items:

- The increase in the fair value of investment properties can be traced back to the increase in the fair value of properties in the portfolio. The increase in fair value is justified by the improving market expectations on the one hand, and the concluded lease agreements on the other (higher occupancy, expiration date of agreements) in the case of office buildings utilized by being rented out.
- On April 4, 2018, the Company concluded a swap agreement with Waybridge Estates Kft. Pursuant to the swap agreement, the parties exchanged the exclusive ownership of the real properties at Topographical No. Budapest District VI, 28614/0/A/1; 28614/0/A/2; 28614/0/A/3; 28614/0/A/5; 28614/0/A/6 and 28614/0/A/7 located on incorporated land owned exclusively by Waybridge Estates Kft. physically located at 1062 Budapest, Andrássy út 80. for the right of ownership of the 400 000 pieces of dematerialised common share a with a par value of HUF 100 each owned by Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. (ISIN code: HU0000088760). Upon closing the transaction, the Company became the exclusive owner of all condominium units of the condominium located at Andrássy út 80., – which building neighbouring the building at Andrássy út 82. already owned by the Company directly– and the treasury shares owned by the Company changed to 4 464 000 pieces from the previous 4 864 000 pieces. As a result of the transaction, the ratio of treasury shares owned by the Company reduced to 17.28% from the previous 18.83%.

Profit or loss of the investment properties

Data in th HUF	31.12.2018	31.12.2017
Net revenue from sales	2 695 929	1 758 463
Other operating income	6 620 848	10 595 537
Changes in stocks of finished goods and in work in progress	0	0
Material expenses	-814 599	-537 333
Personal expenses	0	0
Depreciation and amortisation	0	0
Other operating expenses	0	-91
Income from financial transactions	0	0
Expenses of financial transactions	0	0
Profit	**8 502 178**	**11 816 576**

Main reasons of the increase of net revenue from sales of the investment properties compared to base period include the renegotiation of expiring lease agreements and the greater increase in the unit price of the same agreements and the small-scale increase of occupancy.

2. Intangible assets and PPE

Data in thousand HUF	Intangible assets	Other properties	Technical machinery and other equipment	Unfinished investments and advances	total
Gross book value					
On December 31, 2017	**27 657**	**203 882**	**260 867**	**733 251**	**1 225 657**
Increase and reclassification	238	0	21 561	57 224	79 023
Decrease and reclassification	-	-21 772	-15 872	0	-37 644
December 31, 2018	**27 895**	**182 110**	**266 556**	**790 475**	**1 267 036**
Depreciation					
On December 31, 2017	**27 167**	**86 690**	**133 627**	0	**247 484**
Yearly depreciation	222	0	29 024	-	29 246
Decrease and reclassification	-	1 180	-9 261	-	-8 081
December 31, 2018	**27 389**	**87 870**	**153 390**	**0**	**268 649**
Net book value					
December 31, 2017	**490**	**117 192**	**127 240**	**733 251**	**978 173**
December 31, 2018	**506**	**94 240**	**113 166**	**790 475**	**998 387**

A major part of the increase of gross value resulted from investments performed on other properties, the procurement of computer technology assets and the procurement of equipment necessary for the operation of the hotel.

3. Investments in affiliated companies

No amount is in the Investments in affiliated companies line in 2018 – just like in 2017 – considering that the Company fully consolidated its remaining subsidiary in 2018.

4. Deferred tax asset

The following deductible and taxable differences causing tax differences were recognized in 2018 and 2017.

Data in th HUF	**31.12.2018**	**31.12.2017**
Depreciation of trade receivables	0	0
PPE	0	0
Losses carried forward	860	338
Provision	0	0
Total deductible difference	**860**	**338**
Deferred tax asset total	**860**	**338**

The deferred tax asset is from the losses of Harsánylejtő Kft. carried forward. The Company does not recognize deferred tax liability due to SZIE status.

5. Inventories

Data in th HUF	**31.12.2018**	**31.12.2017**
Raw materials	-	-
Unfinished production	1 408 813	529 993
Finished product	96 718	166 375
Goods	654 991	869 382
Total	**2 160 522**	**1 565 750**

The majority of inventories are formed by the real property investments implemented and to be implemented the purpose of passing through related to Harsánylejtő (building of condominium, sale of building lot).

The increase of value assets developed by BIF accounted related to the Harsánylejtő lots to be further developed is recognised on the unfinished production line, while the value increase of property with utility connections developed by BIF waiting to be sold can be seen on the finished product line.
Lots are recognised in the goods line at cost value, modified with the following.
The Harsánylejtő lots were included in the Company's books by the merger of one of the subsidiaries of the Company (Katlan) in 2014. The cost value of the inventories classified as investment properties previously in the subsidiary, than reclassified under IAS 2 inventories became the fair value presented based on the IFRS standards at the company due to the IFRS consolidation, both in our consolidated IFRS statements and IFRS statements of the parent company. We assess the cost value presented this way at the end of each period and correct the same with the fair value of lot sales, this way generating the market value of the inventories according to IFRS.

6. Trade receivables

Data in th HUF	31.12.2018	31.12.2017
Trade receivables	484 816	75 315
Depreciation	-1 484	-1 484
Reclassification	25 793	37 413
Total	**509 125**	**111 244**

Trade receivables are the unpaid amounts of the December rents and operating fees, and of the mediated services (telephone and utility fees) invoiced forward. The significant increase in trade receivables are caused by the fact that the new lessee occupying Vigadó Palota settled the majority of its invoices in the beginning of 2019.

7. Other short-term liabilities and accrued assets

Data in th HUF	31.12.2018	31.12.2017
Other receivables	78 327	123 718
Accrual	6 907	10 785
Advance payment	4 390	7 087
Reclassification	264	252 557
Total	**89 888**	**394 147**

The tax assets and liabilities are not evaluated by tax form but in a consolidated manner and are classified depending on indication into the other receivable or other liability categories.

Causes of changes in the subject period:

– Reclassification line: There was refundable VAT in Harsánylejtő Kft., which was refunded to us after inspection by the National Tax and Customs Administration.
– There is a reduction at the other receivables line, since the Company’s receivable against natural person that was outstanding on December 31, 2017 was settled in the first semester of 2018.

8. Cash and cash equivalents

Data in th HUF	31.12.2018	31.12.2017
Cash	1 781	1 517
Bank	9 849 062	1 788 827
Total	**9 850 843**	**1 790 344**

The significant increase in cash in 2018 is caused by the fact that our company issued (in the framework of private capital increase) and sold treasury shares (For further details, see Explanation No. 9 and 11).

9. Issued capital and capital reserve

The issued capital of the company is th HUF 2,870,244, and the capital of the Company consists of 28,702,444 pieces of dematerialised common share with a par value of HUF 100 each. The capital according to the IFRS is equal to the capital registered at the registry court.

Issued capital

Data in th HUF	31.12.2018	31.12.2017
Opening	2 583 220	2 583 220
Increase	287 024	0
Decrease		0
Closing	**2 870 244**	**2 583 220**

The increase of issued capital is caused by the fact that the Company issued 2,870,244 pieces of shares in the framework of private capital increase in September 2018.

Capital reserve

Data in th HUF	31.12.2018	31.12.2017
Opening	594 752	594 752
Increase	5 453 463	0
Decrease		0
Closing	**6 048 215**	**594 752**

The capital reserve includes the amount of the difference between the par value and the consideration of the shares upon the issuing of shares and the value of the cash and assets put into capital reserve.

10. Revaluation reserve

Data in th HUF	31.12.2018	31.12.2017
Revaluation reserve	1 078 973	1 078 973
Closing	**1 078 973**	**1 078 973**

The revaluation reserve line presents the appreciation of the 2 investment properties of the Company (Aranykéz utca, Verseg) accounted for in the fair value model according to previous IAS 16.

11. Repurchased treasury shares

On December 31, 2017 the Company had 4,864,000 treasury shares. This amount reduced to 3,014,000 on December 31, 2018.

Causes of the change:
– 400,000 pieces were transferred under the swap agreement presented in Section 1 above,
– and the 1,250,000 and 200,000 pieces sold in December 2018.

The Company recognises the treasury shares owned by the same on the repurchased treasury shares line of the balance sheet at cost value, as Items reducing Equity.

Data in th HUF	31.12.2018	31.12.2017
Opening	-2 846 120	-49 000
Increase		-2 797 120
Decrease	1 098 000	0
Closing	**-1 748 120**	**-2 846 120**

12. Retained earnings and profit in the subject year

Data in th HUF	31.12.2018	31.12.2017
Retained earnings		
Opening	24 364 273	11 437 805
Increase	2 566 000	
Decrease	-2 008 611	
Closing	24 921 662	11 437 805
Profit in the subject year	8 280 576	12 926 468
Closing	**33 202 238**	**24 364 273**

The change of retained earnings in the subject period was influenced by two effects of opposite directions:

- A decreasing item was the dividend paid against the profit of 2017 in the amount of HUF 2,008,610,800. The annual general meeting of the Company held on April 26, 2018 passed resolutions, amongst others, for the distribution of dividend in the amount of HUF 94 per common share of business year 2017. The commencement date of distribution of dividend was May 17, 2018.
- Retained earnings were increased by the effect of accounting the reduction of treasury shares implemented under the swap agreement presented in Section 1 above (the difference of the cost value of treasury shares and purchase price of the real property according to the swap agreement in the amount of HUF 531,000,000), and the difference of the cost value of the shares sold in December 2018 and value at the time of sale in the amount of HUF 2,035,000,000.

13. Long-term financial liabilities

Data in th HUF	31.12.2018	31.12.2017
Long-term loans	9 153 569	9 265 607
Total	**9 153 569**	**9 265 607**

The entire long term loans line consists of the long term part of bank loans:

1. The long term part of the first instalment of the HUF 8 billion loan facility received from Magyar Takarékszövetkezeti Bank Zrt. in November 2017 for acquisition purposes in the amount of th HUF 7,379,750; and the long term part of the remaining part of the amount of th HUF 620,250 drawn down in January 2018. We reclassified the repayment instalments due within 365 days to short term loans.
2. The refinancing loan taken out from Magyar Takarékszövetkezeti Bank Zrt. for refinancing the EUR loan provided by CIB Bank Zrt. in March 2018 in the amount of HUF 2,022,766,172. A part of this loan is presented amongst the short-term loans.

14. Provisions

Data in th HUF	31.12.2018	31.12.2017
Provisions for expected liabilities	12 614	9 807
total	**12 614**	**9 807**

Company created provisions in the previous years for expected payment liabilities. The provision is released each year proportionate to the expected limitation of the liability.

15. Deferred tax liabilities

Due to the transformation to SZIE, the Company reversed the deferred tax liabilities recognised earlier, since it does not expect tax liabilities in future normal course of business.

16. Other long-term liabilities

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

17. Short term financial liabilities

Data in th HUF	31.12.2018	31.12.2017
Short-term part of loans	769 541	112 113
Total	**769 541**	**112 113**

Reclassification of the short term part of bank loans (for details, see Section 13 above).

18. Trade payables

Data in th HUF	31.12.2018	31.12.2017
Trade payables	380 987	145 027
Total	**380 987**	**145 027**

The amount of accounts payable in the subject year includes public utility, telephone and other used service liabilities related to properties and liabilities due to guaranteed retention.

19. Other liabilities, accrued expenses and deferred income

Data in th HUF	31.12.2018	31.12.2017
Advances + VAT correction	1 376 542	426 354
Wages+taxes+contributions	113 173	357 639
Dematerialisation-related liability towards owners	75 280	75 280
Accruals	49 580	43 004
Reclassification	25 793	46 580
Other	0	493
Total	**1 640 368**	**949 350**

The changes in other short term liabilities, accrued expenses and deferred income are mainly determined by the advances, the VAT payment liabilities reduced in the subject period, dematerialization-related liabilities towards owners and accrued public utility and other costs. The majority of the increase is from the increase in the amount of advances.

20. Revenue

Data in th HUF	31.12.2018	31.12.2017
Income from leasing and operating fees	1 752 756	1 260 537
Income from parking fees	368 102	270 829
Income related to mediated services	573 652	225 437
Income related to services	0	540
Revenue from property sales	1 073 018	2 031 891
Other revenues	24 529	16 316
Total	**3 792 057**	**3 805 550**

The income only includes the gross recognized economic benefits received on the own account of the Company.

The mediated services line includes the public utility and telephone fees invoiced forward to lessees. Invoice forwarding is mostly from the forwarded invoices of the public utility consumption of the lessees of Flórián Udvar, the electricity consumption of the lessees in Victor Hugo utca and the public utility consumption of the leased hotel premises under the address Zágrábi út 1-3.

The Company accounts rent as revenues continuously during the term of the particular lease contract. The Company accounts sales of lots at a given time as revenues.

In the case of sale of lots, the factors determining the time of being accounted as revenue are the following:

- payment of the purchase price in full,
- the seller delivers and the buyer accepts the lot,
- the buyer is entitled to the profits and risks incidental to ownership.

Income that cannot be classified in the previous groups is among the other revenues.

21. Other operating income

Data in th HUF	**31.12.2018**	**31.12.2017**
Fair valuation	6 620 831	10 595 538
Property sales		
Other income	79 679	12 108
Total	**6 700 510**	**10 607 646**

Profit from the fair valuation and sale of investment properties and other income is recognized in the other operating income line.

22. Changes in stocks of finished goods and works in progress

Data in th HUF	**31.12.2018**	**31.12.2017**
Changes in stocks of finished goods and works in progress	809 163	-64 150
total	**809 163**	**-64 150**

In the Changes in stocks of finished goods and works in progress, the Company recognises the capitalisation of the cost of works carried out on the lots kept in inventory and the reversal of the capitalised values of own lots sold. The building of the condominium increased this item significantly in Harsánylejtő Kft.

23. Material expenses

Data in th HUF	**31.12.2018**	**31.12.2017**
Material expenses	96 019	69 544
Value of services used	1 341 868	654 839
Value of other services	24 552	24 613
Cost of sold goods	86 253	133 980
Value of sold (mediated) services	432 383	248 340
total	**1 981 075**	**1 131 316**

One of the main reasons for the increase of material expenses is the accounting for of the condominium construction works started in Harsánylejtő Kft.

24. Personal expenses

Data in th HUF	31.12.2018	31.12.2017
Wages	268 046	156 189
Other personal expenses	28 028	16 273
Contributions	58 256	37 568
total	**354 330**	**210 030**

One of the main reasons for the increase of personal expenses was the increase in staff and organisational development related to the achievement of the strategic objectives of the Company. The average statistic headcount of the employees of the company was 32 in 2018 (it was 24 in 2017).

25. Depreciation

Data in th HUF	31.12.2018	31.12.2017
Depreciation	37 327	24 663
total	**37 327**	**24 663**

Depreciation accounted for after the non-investment PPE of the Company.

26. Other operating expenses

Data in th HUF	31.12.2018	31.12.2017
Effect of fair valuation on inventories	128 248	144 914
Other expenses	249 348	142 523
total	**377 596**	**287 437**

The fair value adjustment is the effect of the evaluation of inventories based on the IFRS in both years.

27. Revenue and expenditure from financial transactions

Financial revenue

Data in th HUF	31.12.2018	31.12.2017
Interest received	1 242	400
Translation gains	7 111	39 508
Other		110
Total revenue	**8 353**	**40 018**

Financial expenditure

Data in th HUF	31.12.2018	31.12.2017
Interest paid	240 350	84 973
Translation losses	22 800	13 376
Other		44 718
Total expenditure	**263 150**	**143 067**

The increase of interest paid is the result of the increased volume of loans.

28. Current tax expense

Data in th HUF	31.12.2018	31.12.2017
Corporate tax	7 018	67 644
Local business tax		29 987
Innovation contribution	9 533	
total	**16 551**	**97 631**

Due to the SZIE status, the Company is only obliged to pay corporate tax until obtaining SZIE status (October 20, 2017). However, as a SZIE, the Company is obliged to establish the corporate tax base taking into consideration the provisions of the SZIT act, but only has corporate tax payment obligation after the tax base received this way in certain cases (e.g. for revenue proportionate tax base from affiliated companies).

Data in th HUF		
Profit before IFRS tax (corrected with innovation contribution)		**8 328 269**
IFRS correction items		4 296 560
Adjusted profit before corporate tax		**4 031 709**
	Increasing items	417 448
	Decreasing items	-382 187
Corporate tax base in 2018		**4 066 970**
	Amount of corporate tax discount due to SZIT	0%
Corporate tax in 2018		0
	Corporate tax payable after affiliated companies	7 018
Corporate tax liability in the year 2018		**7 018**

29. Deferred tax

Data in th HUF	31.12.2018	31.12.2017
Deferred tax	522	431 548
Total	**522**	**431 548**

We accounted deferred tax against the deferred loss of Harsánylejtő Kft. in the subject period, there was no need to account the same in the Company due to the SZIE status (the status is effective from October 20, 2017, therefore, it was to be accounted for in the base period).)

30. Tax effect of the changes in the current value of properties

Data in th HUF	31.12.2018	31.12.2017
Tax effect of the changes in the current value of other properties	0	96 100
total	**0**	**96 100**

Here, the Company recognizes the changes in the deferred tax attributable to the appreciation of the 2 investment properties accounted for earlier in the fair value model according to IAS 16. In 2017, the deferred tax accounted for earlier was released due to SZIE status.

31. Earnings per share

Data in th HUF	31.12.2018	31.12.2017
Taxable profit (th HUF)	8 280 576	12 926 468
Weighted average of common share (pieces)	22 003 707	24 187 027
Earnings per share (base) (HUF) (the ratio of the "Taxable profit" and the "weighted average of common share")	**376.33**	**534.44**

No factors at the Company may dilute the earnings per share.

32. Segment Information

All the properties of the Company are in Budapest and its agglomeration, so the geographical breakdown of revenues and expenditures is not necessary. Considering that the activity of the Company includes the renting, utilization and trading of properties, the segments were created accordingly in 2018. Besides this, operating income from the operation of the Company that cannot be directly connected to properties is recognized separately.

The following table includes the changes of the revenues and expenditures of the segments established according to the above-mentioned classification in 2018 and 2017:

December 31, 2018 Data in th HUF	Harsány-lejtő Kft.	Harsány-lejtő	Cash generating	Operating	Total
Net revenue from sales	0	1 074 683	2 695 929	21 445	**3 792 057**
Other operating income	0	66 498	6 620 848	13 164	**6 700 510**
Changes in stocks of finished goods and works in progress	855 581	0	0	-46 418	**809 163**
Material expenses	-859 260	-183 293	-814 599	-123 923	**-1 981 075**
Personal expenses	-10	0	0	-354 320	**-354 330**
Depreciation and impairment	0	0	0	-37 327	**-37 327**
Other operating expenses	-2 117	-128 248	0	-247 231	**-377 596**
Income from financial transactions	6	0	0	8 347	**8 353**
Expenses of financial transactions	0	0	0	-263 150	**-263 150**
Profit before tax	**-5 800**	**829 640**	**8 502 178**	**-1 029 413**	**8 296 605**

December 31, 2017 Data in th HUF	Harsány-lejtő Kft.	Harsány-lejtő	Cash generating	Operating	total
Net revenue from sales	0	2 035 347	1 758 463	11 740	**3 805 550**
Other operating income	332	1 216	10 595 537	10 561	**10 607 646**
Changes in stocks of finished goods and works in progress	280 247	0	0	-344 397	**-64 150**
Material expenses	-281 100	-537 510	-537 333	224 627	**-1 131 316**
Personal expenses	0	0	0	-210 030	**-210 030**
Depreciation and impairment	0	0	0	-24 663	**-24 663**
Other operating expenses	0	-144 913	-91	-142 433	**-287 437**
Income from financial transactions	0	0	0	40 018	**40 018**
Expenses of financial transactions	0	0	0	-143 067	**-143 067**
Profit before tax	**-521**	**1 354 140**	**11 816 576**	**-577 644**	**12 592 551**

33. Risk management

The assets of the Company include cash, securities, trade and other receivables and other assets, except for taxes. The resources of the Company include loans and credits, trade and other liabilities, except for taxes and profit or loss from 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 presents the above risks of the Company, the goals, policies of the Company, process assessment and risk management and the management capital of the Company. The Board of Directors bears general responsibility concerning the incorporation, supervision and risk management of the Company.

The purpose of the risk management policy of the Company is to screen and investigate risks the Company faces and to set the appropriate controls and control risks. The risk management policy and system are reviewed to reflect the changed market circumstances and the activities of the Company.

33.1. Capital management

It is the policy of the Company to preserve the capital stock which is enough for the trust of investors and creditors to maintain the future development of the Company. The Board of Directors strives to maintain the policy to only accept higher levels of exposure from loans in the case of a higher yield, based on the benefits provided by a strong capital position and security.

The capital structure of the Company consists of the net debt and the equity of the Company (this one includes the issued capital, the reserves and the interest of non-controlling shareholders).

When managing risks, the Company strives to ensure that the members of the Company can continue their activities and at the same time maximize recovery for owners by balancing loan capital and equity in the best possible way and to keep the best capital structure to decrease capital costs. The Company also considers whether the capital structure of its member companies is in compliance with the local legal regulations.

The net debt and equity at the end of the reporting period was as follows:

Data in th HUF	**31.12.2018**	**31.12.2017**
Credits, loans	9 923 110	9 377 720
Cash	9 850 843	1 790 344
Net debts	**72 267**	**7 587 376**
Equity	41 451 550	25 775 098

33.2. Credit risk

Credit risk means the risk that the debtor or partner will not perform their contractual obligations, which results in financial loss for the Company. Cash exposed to credit risks can be long or short term placements, cash and cash equivalents, trade and other receivables.

The book value of cash shows the maximum risk exposure. The following table shows the maximum credit risk exposure of the Company on December 31, 2018 and December 31, 2017.

Data in th HUF	31.12.2018	31.12.2017
Trade receivables	509 125	111 244
Cash	9 850 843	1 790 344
total	**10 359 968**	**1 901 588**

Generally, the risks are mitigated by continuous monitoring of the collection risk of our past due receivables and accounting for depreciation.

We classify customers on a continuous basis. The Company accounted th HUF 1,484 for bad debts. The collection risk is insignificant for our past due and outstanding trade receivables.

33.3. Liquidity risk

The liquidity risk is the risk of the Company not being able to perform its financial liabilities in due time. The liquidity management approach of the Company is to provide appropriate liquidity for the performance of its liabilities in due time at all times, to the extent possible, under both usual and stressed circumstances without incurring unacceptable losses or risking the reputation of the Company.

The member companies of the Company prepare cash-flow plans, to be continuously updated. The Company reviews the cash requirements of the Company in order to provide the cash necessary for operation and meeting the financial indicators specified in the credit agreement with rolling forecast. Cash surplus on Company level manifests on depository accounts, in fixed-term deposits.

33.4. Market risk

Market risk is the risk that the market prices, like exchange rates, interest rates and prices, changes of investments into investment funds will influence the profit of the Company or the value of its investments in financial instruments. The purpose of market risk management is to manage and control exposure to market risks within acceptable limits, while optimizing profit.

34. Sensitivity analysis

The Company determined that its profits may depend on the following key financial variable: interest risk. The sensitivity analyses were performed for this key variable.

Result of the interest sensitivity analysis (data in th HUF, percentage changes indicated separately) (in the percentage of interest changes):

With current interests	**31.12.2018**
Earnings before taxes (without interest)	8 536 954
Net interest expense	-240 350
Earnings before taxes	**8 296 604**
Assets total	**53 408 629**
1%	
Earnings before taxes (without interest)	8 536 954
Net interest expense	-242 753
Earnings before taxes	**8 294 201**
Changes in earnings before taxes	**-2 403**
Changes in earnings before taxes (%)	**-0.029%**

Net assets	**53 406 226**
Changes in net assets	**-2 403**
Changes in net assets (%)	**-0.005%**
5%	
Earnings before taxes (without interest)	8 536 954
Net interest expense	-252 367
Earnings before taxes	**8 284 587**
Changes in earnings before taxes	**-12 017**
Changes in earnings before taxes (%)	**-0.145%**
Net assets	**53 396 612**
Changes in net assets	**-12 017**
Changes in net assets (%)	**-0.023%**
10%	
Earnings before taxes	8 536 954
Net interest expense	-264 385
Earnings before taxes	**8 272 569**
Changes in earnings before taxes	**-24 035**
Changes in earnings before taxes (%)	**-0.290%**
Net assets	**53 384 594**
Changes in net assets	**-24 035**
Changes in net assets (%)	**-0.045%**
-1%	
Earnings before taxes	8 536 954
Net interest expense	-237 946
Earnings before taxes	**8 299 007**
Changes in earnings before taxes	**2 403**
Changes in earnings before taxes (%)	**0.029%**
Net assets	**53 411 032**
Changes in net assets	**2 403**
Changes in net assets (%)	**0.005%**
-5%	
Earnings before taxes	8 536 954
Net interest expense	-228 332
Earnings before taxes	**8 308 621**
Changes in earnings before taxes	**12 017**
Changes in earnings before taxes (%)	**0.145%**
Net assets	**53 420 646**
Changes in net assets	**12 017**
Changes in net assets (%)	**0.023%**
-10%	
Earnings before taxes	8 536 954
Net interest expense	-216 315
Earnings before taxes	**8 320 639**
Changes in earnings before taxes	**24 035**
Changes in earnings before taxes (%)	**0.290%**
Net assets	**53 432 664**
Changes in net assets	**24 035**

Changes in net assets (%) **0.045%**

35. Financial instruments

Loans given, invested financial assets, the trade receivables, securities and cash from the current assets and credits received, loans and trade payables qualify as financial instruments.

December 31, 2018 data in th HUF	**Book value**	**Fair value**
Financial assets		
Loans and receivables		
Registered at amortized cost		
Trade receivables	510 609	509 125
Cash and cash equivalents	9 850 843	9 850 843
Financial liabilities		
Liabilities registered at amortized cost		
Financial liabilities	9 923 110	9 923 110
Trade payables	380 987	380 987

December 31, 2017 data in th HUF	**Book value**	**Fair value**
Financial assets		
Loans and receivables		
Registered at amortized cost		
Trade receivables	112 728	111 244
Cash and cash equivalents	1 790 344	1 790 344
Financial liabilities		
Liabilities registered at amortized cost		
Financial liabilities	9 377 720	9 377 720
Trade payables	145 027	145 027

Fair value was determined at fair value according to the 2nd level in both years.

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

In 2018 the members of the Board of Directors at the parent company performed their tasks without remuneration in the 2018 business year and the members of the Audit Committee performed their tasks with a monthly remuneration of HUF 300 000/month per member. There is no Supervisory Board at the Company and the consolidated subsidiary.

37. Remuneration of top and middle managers in key positions

data in th HUF	**31.12.2018**	**31.12.2017**
Gross wage	124 473	64 637
Contributions	26 139	15 190
total	**150 612**	**79 827**

38. Data of affiliated companies

38.1 Subsidiary

Subsidiary	Registered office	Voting and interest 31.12.2018	Voting and interest 31.12.2017
Harsánylejtő Kft.	1033 Budapest Polgár u. 8-10.	100.00%	100.00%

Equity data of Harsánylejtő Kft. on December 31, 2018 in th HUF:

Equity	-34,477
Issued capital	3,000
Capital reserve	7,500
Retained earnings	-3,777
Profit after tax	-41,200

The value of the equity of Harsánylejtő Kft. in its statement of 2018 is negative on account of the condominium developments in progress but not yet sold and the expenses incurred in relation to the funding of the same.
The Company, as the owner of Harsánylejtő Kft. ordered supplementary contribution in its Resolution of the Founder No. 1/2019.02.25 in the amount of HUF 40,000,000, which was transferred to the account of Harsánylejtő Kft. on March 6, 2019, this way settling the equity situation of the company.

Transactions concluded between the affiliated companies:

Data in th HUF	**31.12.2018**	**31.12.2017**
Loan provided by BIF	1 263 840	1 157 324
BIF Revenue	35 397	912 362
BIF Expense	5 306	120

38.2 Other affiliated companies

K4A Lapkiadó Kft (1033 Budapest, Polgár utca 8-10.)

Transactions concluded between the affiliated companies in 2018:

Data in th HUF	**2018**
BIF Revenue	39 684
BIF Expense	5 306

IV. Other additional information

1. Off-balance items, litigations and other judicial proceedings

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

Pursuant to the agreement concluded between the Company and A-Híd Építő Zrt., the Company assumed unconditional suretyship towards k A-Híd Építő Zrt. for the liabilities of Harsánylejtő Kft. arising from the four contracting agreements concluded between Harsánylejtő Kft. and A-Híd Építő Zrt. in the subject of the construction and assembly works of the condominiums consisting of five apartments and underground parking lot (ground floor plus two floors) on the building lots registered at Budapest, District III. Topographical No. 20646/60; 20646/61; 20646/62 and 20646/63. The Company has no outstanding liabilities arising from the agreement currently.

On December 31, 2018, the following mortgage rights are registered on certain property items of the company group:

Loan
Name of beneficiary: Magyar Takarékszövetkezeti Bank Zrt.
Name of mortgaged item, right (interest):
Budapest property under lot number 24393/0/A/ (1052 Budapest, Aranykéz u. 4-6.)
Budapest property under lot number 34214/3 (1070 Budapest, Madách Imre tér 3.)
Budapest property under lot number 24408/4 (1052 Budapest, Türr István utca 6.)
Identifiers of the contract including the secured claim:
Loan contract
Date: November 2017
Blanket mortgage on real property
Date: November 2017
Mortgage contract encumbering the claim
Date: November 2017
Deposit agreement
Date: November 2017
The amount of the secured claim / total amount of collateral registered:
HUF 8,000,000,000, that is, a principal amount of eight billion forints plus charges

Loan 2
Name of beneficiary: Magyar Takarékszövetkezeti Bank Zrt.
Name of mortgaged item, right (interest):
Budapest property under lot number 18059 (interest of 8454/10000) (1033 Budapest, Polgár u. 8-10.)
Identifiers of the contract including the secured claim
Loan contract
Date: March 8
Blanket mortgage on real property
Date: March 8
Mortgage contract encumbering the claim
Date: March 8
Amount of the secured claim / total amount of collateral registered
HUF 2,100,000,000, that is, a principal amount of two billion one hundred million Forints plus charges

1.2. Litigations, other judicial proceedings

On December 31, 2018, Budapesti Ingatlan Nyrt. was a party to the following litigation proceedings as defendant

Litigation proceedings pending

(i) Plaintiff: Tőzsdei Egyéni Befektetők Érdekvédelmi Szövetsége (Advocacy Association of Stock Market Investors), shareholder; defendant: Budapesti Ingatlan Nyrt. (court of arbitration proceedings)
Subject of the lawsuit: Action initiated to repeal certain 2016 resolutions of the general meeting and board of directors of the Company and to suspend the execution of the same. No decisions were made in 2018 in relation to the lawsuit. However, we would like to highlight in this regard that the possible repealing of the resolutions attacked by the plaintiff and made years ago will have no effect on the current operation of the Company.

(ii) Plaintiffs: Lehmann Judit and Lehmann Lászlóné defendant: Budapesti Ingatlan Nyrt., intervening party: Strabag MML Kft. contractor.
Subject of the lawsuit: HUF 5,000,000 as compensation. The lawsuit was suspended in 2012 and restarted in 2017.
A substantial change occurred in the proceeding compared to the status of the litigation as of December 31, 2018: a judgment was rendered on January 30, 2019 by the first instance court.

In its first instance judgment, the Court ordered the Company to pay a capital amount of HUF 540,455 and the late payment fee of the same from December 10, 2009 to February 15, 2019 (HUF 170,969). The court also ordered the plaintiffs jointly and severally to pay HUF 386,700 as litigation costs to our Company. Therefore, comparing the amount payable to the plaintiff and the interests of the same and the amount of litigation costs payable to our company, the total liability of our Company is HUF 324 724. With regard to the fact that the 15-day deadline for lodging appeals regarding the judgment has not passed upon the date of this statement, it is possible that the case will be continued at the second instance court on account of the appeal of the plaintiffs.

Completed judicial review proceedings: (acting court: Fővárosi Törvényszék Cégbírósága (Company Registry Court of Superior Court of Budapest)):

(i) Applicant: Tőzsdei Egyéni Befektetők Érdekvédelmi Szövetsége defendant: Budapesti Ingatlan Nyrt.
Subject: Request to inspect the year 2016 minutes of meetings of the Board of Directors and other documents. The Registry Court denied the request, against which the applicant appealed, as a result of which the Regional Court of Appeal of Budapest remanded the case to the Superior Court of Budapest to conduct a new procedure. In the repeated proceeding, the Registry Court terminated the proceeding with its order upon the petition of the applicant.

(ii) Applicant: Tőzsdei Egyéni Befektetők Érdekvédelmi Szövetsége defendant: Budapesti Ingatlan Nyrt.
Subject: Request to inspect the year 2016 minutes of meetings of the Board of Directors and other documents. The Registry Court denied the request, against which the applicant appealed, as a result of which the Regional Court of Appeal of Budapest remanded the case to the Superior Court of Budapest to conduct a new procedure. The Company fulfilled the order made by the Registry Court in the repeated proceeding in 2018. The applicant appealed against the part of the order dismissing its application.

2. Important events after the balance sheet date

No such significant events occurred until the date of signing of this Consolidated Annual Financial Statements.

3. Extraordinary and other regulated disclosures in 2018 and until the date of signing of this Consolidated Annual Financial Statements

Date of disclosure	Subject of disclosure
April 1, 2019	Monthly disclosure of voting rights and registered capital
March 31, 2019	Notice of the general meeting of Budapesti Ingatlan Nyrt.
February 28, 2019	Monthly disclosure of voting rights and registered capital
January 31, 2019	Monthly disclosure of voting rights and registered capital
December 31, 2018	Monthly disclosure of voting rights and registered capital
December 27, 2018	Corporate calendar
December 27, 2018	Information of the registration of Budapesti Ingatlan Nyrt.as a regulated real estate investment company
December 19, 2018	Information on the conclusion of a real property sales contract
December 10, 2018	Information of the sale of treasury shares
December 4, 2018	Information of the sale of treasury shares
December 1, 2018	Disclosure of the change of management structure of the Company
November 30, 2018	Monthly disclosure of voting rights and registered capital
November 29, 2018	Information of the signing of an agreement to agree for the sale of real property
November 15, 2018	Owner's disclosure: disclosure of the change of voting powers
November 7, 2018	Information of the signing of loan facility agreement
October 31, 2018	Monthly disclosure of voting rights and registered capital
October 19, 2018	Disclosure of the Founder: disclosure of changes in the extent of voting rights
October 17, 2018	Introduction of BIF shares resulting from capital increase to the stock exchange
October 1, 2018	Information on the reclassification of BIF shares to the Premium category
October 1, 2018	Monthly disclosure of voting rights and registered capital
September 28, 2018	Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. hereby discloses the analysis made by MKB Bank Zrt. under the appointment of Budapesti Értéktőzsde Zrt. in English language and additional information
26 September 2018	Information of the submission of the application for the reclassification of the shares of Budapesti Ingatlan Nyrt. into the Premium category
September 25, 2018	Additional information to the interim Financial Report of Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. in 2018
September 21, 2018	Interim Financial Report of Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. in 2018
September 20, 2018	Effective Articles of Incorporation of Budapesti Ingatlan Nyrt.
September 20, 2018	Extraordinary information of registration of capital increase in the registry court
September 17, 2018	Extraordinary information of conclusion of lease contract
September 11, 2018	Extraordinary information, disclosure of transaction concluded by the management
September 11, 2018	Information of the increase of the registered capital of the Company through issuing new shares through private offering
August 31, 2018	Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt., in compliance with its obligations compelled by Paragraph (9) of Section 54 of Act CXX of 2001 on the Capital Market, hereby discloses the number of voting rights related to the shares of the Company and the amount of registered capital. (31.08.2018)
July 31, 2018	Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt., in compliance with its obligations compelled by Paragraph (9) of Section 54 of Act CXX of 2001 on the Capital Market, hereby discloses the number of voting rights related to the shares of the Company and the amount of registered capital. (31.07.2018)
July 19, 2018	Extraordinary information, owner's announcement, disclosure of changes in the extent of voting rights. BFIN Asset Management AG sold a part of the shares of Budapesti Ingatlan Nyrt. (ISIN: HU0000088760; par value: HUF 100) owned by the same to PIÓ-21 Kft. under a transaction concluded on the Budapest Stock Exchange on 18 July 2018. As a result of the transaction, considering the 4,464,000 pieces of Budapesti Ingatlan Nyrt. treasury shares owned by the Company) the shares of BFIN Asset Management AG providing voting preference in the Company reduced to 6%, while the share of PIÓ-21 Kft. providing voting preference increased to 80.5%.
July 2, 2018	Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt., in compliance with its obligations compelled by Paragraph (9) of Section 54 of Act CXX of 2001 on the Capital Market, hereby discloses the number of voting rights related to the shares of the Company and the amount of registered capital. (30.06.2018)
June 27, 2018	Disclosure of the conclusion of transaction of subsidiary, information of the conclusion of main contracting agreements

May 31, 2018	Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt., in compliance with its obligations compelled by Paragraph (9) of Section 54 of Act CXX of 2001 on the Capital Market, hereby discloses the number of voting rights related to the shares of the Company and the amount of registered capital. (31.05.2018)
May 2, 2018	Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt., in compliance with its obligations compelled by Paragraph (9) of Section 54 of Act CXX of 2001 on the Capital Market, hereby discloses the number of voting rights related to the shares of the Company and the amount of registered capital. (30.04.2018)
April 27, 2018	Announcement of Budapesti Ingatlan Nyrt. on distribution of dividend
April 26, 2018	Disclosure of Budapesti Ingatlan Nyrt. on responsible corporate governance
April 26, 2018	Resolutions of the general meeting of Budapesti Ingatlan Nyrt.
April 26, 2018	Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. prepared its annual report of 2017 based on the code of the Budapest Stock Exchange and the Act on the Capital Market. The annual report can be accessed at the registered office of the Company at Budapest, III. ker. Polgár u. 8-10., and on the websites www.bet.hu, www.bif.hu and www.kozzetetelek.mnb.hu.
April 26, 2018	Resolutions of the general meeting of Budapesti Ingatlan Nyrt.
April 12, 2018	Extraordinary information of the change of volume of treasury shares
April 5, 2018	Proposals for the general meeting and motions
April 4, 2018	On 4 April 2018, the Company concluded a swap agreement with Waybridge Estates Kft. Pursuant to the swap agreement, the parties exchanged the exclusive ownership of the real properties at Topographical No. Budapest District VI, 28614/0/A/1; 28614/0/A/2; 28614/0/A/3; 28614/0/A/5; 28614/0/A/6 and 28614/0/A7 located on incorporated land owned exclusively by Waybridge Estates Kft. physically located at 1062 Andrássy út 80. for the right of ownership of the 400 000 pieces of dematerialised common share with a par value of HUF 100 each owned by Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. (ISIN code: HU0000088760).
April 3, 2018	Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt., in compliance with its obligations compelled by Paragraph (9) of Section 54 of Act CXX of 2001 on the Capital Market, hereby discloses the number of voting rights related to the shares of the Company and the amount of registered capital. (31.03.2018)
March 27, 2018	Notice of meeting of the general meeting of Budapesti Ingatlan Nyrt.
March 26, 2018	Magyar Takarékszövetkezeti Bank Zrt. provided a HUF loan in the amount of 2,022,766,172 to the Company for the final repayment of the EU loan taken out by the Company from CIB Bank Zrt.
March 19, 2018	The CFO of Budapesti Ingatlan Nyrt. is Hrabovszki Róbert effective as of 19 March 2018.
March 6, 2018	Pursuant to Paragraph (1) of Section 15 of Act CII of 2011 on Regulated Real Estate Funds, Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. prepared and discloses its audited interim balance sheet with the date of registration as regulated real estate investment pre-company as the balance sheet date.
February 28, 2018	Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt., in compliance with its obligations compelled by Paragraph (9) of Section 54 of Act CXX of 2001 on the Capital Market, hereby discloses the number of voting rights related to the shares of the Company and the amount of registered capital. (28.02.2018)
February 2, 2018	Extraordinary information, owner's announcement, disclosure of changes in the extent of voting rights.
January 31, 2018	Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt., in compliance with its obligations compelled by Paragraph (9) of Section 54 of Act CXX of 2001 on the Capital Market, hereby discloses the number of voting rights related to the shares of the Company and the amount of registered capital. (31.01.2018)
January 2, 2018	Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt., in compliance with its obligations compelled by Paragraph (9) of Section 54 of Act CXX of 2001 on the Capital Market, hereby discloses the number of voting rights related to the shares of the Company and the amount of registered capital. (31.12.2017)

4. Authorising the disclosure of the financial statements

The Board of Directors of the Company discussed this 2018 IFRS Consolidated Annual Financial Statements on its meeting held on April 8, 2019 and authorized it for disclosure in the present form.

Declaration of liability

Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. hereby declares that this 2018 Consolidated Annual Financial Statements of the Company have been prepared to the best knowledge of the Company, in accordance with IFRS and provide a true and reliable image of the assets, liabilities, financial position as well as profits and losses of the Company and the subsidiaries involved in consolidation, and do not omit any facts that might have any significance concerning the assessment of the situation of the Company and its subsidiary.

Budapest, 8 April 2019

……………………………………….	……………………………………….
dr. Ungár Anna	Berecz Kristóf
Chairwoman of the Board of Directors	Deputy Chairman-CEO

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 2018 – in which the identical total amount of assets and liabilities is HUF 53.408.629 thousand –, the consolidated statement of comprehensive income for the financial year then ended – in which the net profit for the year is HUF 8.280.576 thousand in profit and the total comprehensive income for the year is HUF 8.280.576 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 2018 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 from the company in accordance with applicable laws in force in Hungary and the "Regulations on the (Ethical) Rules of Conduct for Auditors and Disciplinary Procedures" of the Chamber of Hungarian Auditors and in respect of matters not regulated therein, in accordance with the "Code of Ethics for Professional Auditors" issued by the International Ethics Standards Board for Accountants (IESBA Code), and we comply with other norms of ethics mentioned in those norms, as well.

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 Group’s assets. Major part of the current year’s net profit is also arising from the valuation of such properties.	During the course of our audit we have examined the control procedures related to the valuation of the investment properties. 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 – based on our knowledge of the industry and professional judgement of our internal valuation experts. 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.

Other information: The consolidated Annual Report

Other information consists of the consolidated annual report of Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. for the year 2018. 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 2018 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 2018 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
The general meeting of the Company held at 15 August 2017 appointed our company to be the auditor of Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt for the audit of the standalone and consolidated financial statements for the year of 2017. Our appointment was extended at the general meeting of the Company held at 26 April 2018 covering the audit of the standalone and consolidated financial statements for the year of 2018 and lasts until 15 May 2019 the latest.

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 2019, 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, 8 April 2019

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 2018, as published by the Company, was prepared 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 conceal any facts that might have any significance concerning the assessment of the position of the Company or its consolidated company.

Budapest, April 29, 2019

……………………………………….	……………………………………….
dr. Anna Ungár	Kristóf Berecz
Chairwoman of the Board of Directors	Deputy Chairman - CEO