



Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.

Annual Report 2022
Annual Financial Report 2022 of the Parent Company



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This is the English translation of the official Hungarian version



Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.

**Audited Annual Financial Statements of the Parent Company
Prepared in Accordance with the International Financial
Reporting Standards (IFRS)
31 December, 2022**

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Annual Statement of Financial Position

HUF '000'	Explanations*	<u>31.12.2022</u>	<u>31.12.2021</u>
ASSETS			
Non-current assets			
Investment property	1	71,881,004	63,763,004
Intangible assets	2	4,228	7,024
Land, buildings and related rights	2	86,133	88,160
Plant, other equipment and installations	2	143,689	128,997
Construction and reconstruction in progress	2	341,288	284,031
Investments in related companies	3	0	0
Other non-current assets		0	0
Deferred tax assets		0	0
Non-current assets, total		<u>72,456,342</u>	<u>64,271,216</u>
Current assets			
Inventories	5	101,178	380,894
Trade receivables	6	328,023	128,105
Other short-term receivables and prepaid expenses and accrued income	7	656,554	466,610
Cash and cash equivalents	8	8,023,789	9,420,771
Current assets, total		<u>9,109,544</u>	<u>10,396,380</u>
Assets, total		<u>81,565,886</u>	<u>74,667,596</u>
LIABILITIES			
Equity			
Subscribed capital	9	2,870,244	2,870,244
Capital reserve	9	6,048,215	6,048,215
Revaluation reserve	10	731,904	731,904
Repurchased treasury shares	11	-3,048,120	-3,048,120
Profit reserve	12	38,893,377	35,755,897
P/L for the reporting year	12	10,012,333	8,171,169
Equity allocated to the parent company, total		<u>55,507,953</u>	<u>50,529,309</u>
Long-term liabilities			
Financial liabilities	14	20,075,461	19,213,740
Provisions for expected liabilities	15	7,030	6,484
Deferred tax liabilities	16	0	0
Other long-term liabilities	17	0	0
Long-term liabilities, total		<u>20,082,491</u>	<u>19,220,224</u>
Current liabilities			
Financial liabilities	18	1,446,747	1,270,565
Liabilities to creditors	19	804,488	1,527,930
Other short-term liabilities, accrued expenses and deferred income	20	3,724,207	2,119,568
Current liabilities, total		<u>5,975,442</u>	<u>4,918,063</u>
Liabilities and equity, total		<u>81,565,886</u>	<u>74,667,596</u>

* No. of additional explanation

Annual Statement of Comprehensive Income

HUF '000'	Explanations*	<u>2022</u>	<u>2021</u>
Net sales revenue	21	10,289,516	4,513,015
Other operating income	22	2,883,201	6,057,030
Changes in internally generated inventories	23	-123,863	4,811
Capitalized value of internally generated assets	23	0	0
Raw materials, consumables and other external charges	24	-2,060,548	-1,133,331
Staff costs	25	-676,885	-572,710
Depreciation and impairment	26	-105,071	-243,815
Other operating expenditure	27	-471,290	-382,553
Operating P/L		9,735,060	8,242,447
Financial income	28	641,021	172,358
Financial expenses	28	-335,871	-231,055
P/L before tax		10,040,210	8,183,750
Actual tax expenditure	29	-27,877	-12,581
Deferred tax	30	0	0
P/L after tax		10,012,333	8,171,169
Of this:			
Parent company's share		10,012,333	8,171,169
External owner's share		0	0
Other comprehensive income	31	0	0
Change in the fair value of other properties less taxes		0	0
Tax effect of changes in the fair value of other properties		0	0
Total comprehensive income		10,012,333	8,171,169
Of this:			
Parent company's share		10,012,333	8,171,169
External owner's share			
Weighted average ordinary shares		251,684,440	251,684,440
Earnings per share (HUF)			
Base	32	39.78	32.47
Diluted	32	39.78	32.47

* No. of additional explanation

Annual Statement of Changes in Equity

Explanations*	9	11	9	10	12	12			
HUF '000'	Subscribed capital	Equity shares repurchased	Capital reserve	Revaluation reserve	Profit reserve	P/L for the reporting year	Equity allocated to the parent company, total	Non-controlling participation	Equity, total
31.12.2020	2,870,244	-3,048,120	6,048,215	731,904	31,283,770	4,472,127	42,358,140	0	42,358,140
Reclassification of P/L from the previous year					4,472,127	-4,472,127			
Purchase of equity shares									
Equity issue									
Sale of equity share									
Dividend									
Increase in the profit reserve due to the sale of Verseg									
Total comprehensive income						<u>8,171,169</u>	<u>8,171,169</u>		<u>8,171,169</u>
31.12.2021	2,870,244	-3,048,120	6,048,215	731,904	35,755,897	8,171,169	50,529,309	0	50,529,309
Reclassification of P/L from the previous year					8,171,169	-8,171,169			
Purchase of equity shares									
Equity issue									
Sale of equity share									
Dividend					-5,033,689	0	-5,033,689	0	-5,033,689
Increase in the profit reserve due to the sale of Verseg									
Total comprehensive income						<u>10,012,333</u>	<u>10,012,333</u>		<u>10,012,333</u>
31.12.2022	2,870,244	-3,048,120	6,048,215	731,904	38,893,377	10,012,333	55,507,953	0	55,507,953

*No. of additional explanation

Annual Cash Flow Statement

HUF '000'	Explanations*	<u>2022</u>	<u>2021</u>
P/L before tax		10,040,210	8,183,750
Adjustments of the profit before taxes		4,859	-6,994
Adjusted profit before taxes		10,045,069	8,176,756
Net interest expenses		-267,111	68,795
Non-cash flow items		0	0
Depreciation	26	61,518	38,128
Impairment (additional payment)	26	20,000	85,000
Impairment (buyer)	26	8,354	120,687
Credit loss (buyer)	26	15,198	0
Adjustment due to inventory fair valuation	27	72,457	4,811
P/L from a fair valuation	22, 27	-1,986,965	-5,861,851
Provisions for liabilities		546	-9,179
Non-operating cash flow P/L items		0	0
Revenues from the sale of tangible assets		1,418	-3,850
Assets provided for no consideration, scrapping		57,353	10,890
Net working capital flow		0	0
Change in trade receivables		-223,471	-28,409
Change in other current assets		17,316	459,687
Change in accounts payable	19	-723,442	-313,241
Changes in other short-term liabilities	20	1,604,639	805,347
Change in short-term financial liabilities		0	0
Interest paid	28	-321,538	-226,171
Interest received	28	588,649	157,376
Income tax paid	29	-27,877	-12,581
Cash-flow from business activity		8,942,113	3,472,195
			0
Purchase of tangible assets		-6,323,899	-5,826,166
Cash proceeds from the sale of property, plant and equipment		5,450	576,100
Impairment of participation	3	0	0
Funds used for investments		-6,318,449	-5,250,066
Income from capital issues		0	0
Equity purchase (-)/sale (+)		0	0
Dividend	12	-5,033,689	0
Additional payment		-20,000	-85,000
Loans		2,386,193	1,451,978
Loan repayment		-1,348,291	-909,006
Cash flow from financing activity		-4,015,787	457,972
Change in liquid assets		-1,392,123	-1,319,899
Revaluation of foreign currency-denominated liquid assets		-4,859	6,994
Balance-sheet change in liquid assets		-1,396,982	-1,312,905
Cash flow from financing activities	8	-1,396,982	-1,312,905
Opening cash and cash equivalents	8	9,420,771	10,733,676
Closing cash and cash equivalents	8	8,023,789	9,420,771

*No. of additional explanation

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

I. General company information

1. Company profile

Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. (hereinafter: "Company") was established on 31 January 1995 by transformation. Its legal predecessor is Budapesti Ingatlanhasznosítási és Fejlesztési Kft., which was founded on 1 January, 1994 by the State Property Agency with a share capital of HUF 1,000,000.

The subscribed capital of the Company is HUF 2,870,244,400, which consists of 287,024,440 ordinary registered shares, each with a nominal value of HUF 10, produced in a dematerialized form.

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

The operational management of the Company is performed by the Board of Directors.

The Company's shares are traded in the "PREMIUM" category of the Budapest Stock Exchange.

The Company's notices are published on: the BSE (www.bet.hu) website, the MNB website (www.kozzetetelek.mnb.hu) and the Company's own website (www.bif.hu).

Corporate data of the Company

Name of the Company:	Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.
Abbreviated company name:	Budapesti Ingatlan Nyrt.
Registered office:	1033 Budapest, Polgár u. 8-10.
Postal address (place of central administration):	1033 Budapest, Polgár u. 8-10.
E-mail address:	info@bif.hu
Website:	www.bif.hu
Date of the Articles of Association:	31.01.1995
Date of commencement of operation:	01.05.1994
Registry court:	Superior Court of Budapest, as company registry court
Company registry number:	Cg. 01-10-042813
Statistical number of the company:	12041781-6820-114-01
Tax Registration number:	12041781-2-41
Community tax number:	HU12041781
Share capital on December 31, 2022	HUF 2,870,244,400
Term of the operation of the Company	unspecified
Business year of the company	Identical to calendar year
Main business activity of the Company (TEÁOR):	6820'08 Renting and operating of own or leased real estate
Other activities of the Company according to TEÁOR:	<ul style="list-style-type: none"> – 4110'08 Development of building projects – 6420'08 Asset management (holding) – 8110'08 Combined facilities support activities – 6832'08 Management of real estate – 6810'08 Buying and selling of own real estate

The IFRS chartered accountant responsible for the preparation of this 2022 IFRS Annual Financial Statements of the Parent Company: dr. Horváthné Kalácska Katalin (1082 Budapest Hock János utca 4-6.; Chartered IFRS Accountant Registration No.: 123362).

The Company's auditor

On 29.04.2022, the General Meeting of the Company appointed QUERCUS Audit Könyvvizsgáló és Gazdasági Tanácsadó Kft (registered office: 8200 Veszprém, Radnóti tér 2/C, company registration No.: 19 09 512226; tax number: 11679204-2-19, registration No. with the Chamber of Auditors: 002651) to act as the auditor of the Company in the period commencing on the date of adoption of the annual financial statements of the Company for the financial year concluded on 31.12.2021 and ending on the date of adoption of the annual financial statements of the Company for the financial year concluded on 31.12.2022 but no later than 15.05.2023.

2. Executives and Ownership structure

2.1. Executives in the year 2022

Members of the Company's Board of Directors

Name	Position	Beginning of assignment	End of assignment
Dr Anna Ungár	President	30.04.2022	30.04.2027
Kristóf Berecz	Vice-President	30.04.2022	30.04.2027
Julian Tzvetkov	member	30.04.2022	30.04.2027
Dr Frigyes Hárshegyi	member	30.04.2022	30.04.2027
Miklós Vaszily	member	30.04.2022	30.04.2027

Members of the Company's Audit Committee

Name	Position	Beginning of assignment	End of assignment
Julian Tzvetkov	member	30.04.2022	30.04.2027
Dr Frigyes Hárshegyi	member	30.04.2022	30.04.2027
Miklós Vaszily	member	30.04.2022	30.04.2027

**Ownership interest of executives, employees in strategic positions in the Company
31 December 2022**

Nature	Name	Position	Start of assignment	End of assignment	Direct share property (number of shares)	Percentage of BIF shares with indirect influence
MBoD	Dr Anna Ungár	President of the BoD* and CEO as from 4 May, 2022	30.04.2022	30.04.2027	0	66.62%
MBoD	Kristóf Berecz	Vice-President of the BoD and CEO as from 1 December, 2018	30.04.2022	30.04.2027	0	66.62%
MBoD	Julian Tzvetkov	member of the BoD and the AC**	30.04.2022	30.04.2027	0	0
MBoD	Dr Frigyes Hárshegyi	member of the BoD and the AC	30.04.2022	30.04.2027	0	0
MBoD	Miklós Vaszily	member of the BoD and the AC	30.04.2022	30.04.2027	0	0
SP	Róbert Hrabovszki	Deputy CEO, CFO	19.03.2018	unspecified***	0	0

*Board of Directors

**Audit Committee

***Nature of employment

2.2. Change in senior executives, employees in strategic positions in 2022

Board of Directors, Audit Committee

By its resolution as of 29 April, 2022 (Resolutions No. 19-31/2022.04.29 of the General Meeting), the General Meeting removed the members of the Board of Directors from their office and re-elected the members of the Board of Directors and the Audit Committee for an additional period of 5 years (from 30 April, 2022 to 30 April, 2027), which resulted in no change to the composition of the Board of Directors and the Audit Committee.

Changes to the management of the Company in 2022

- By its resolution No. 3/2022 (05.04), the Board of Directors appointed Dr Anna Ungár to be Chief Executive Officer of the Company alongside Chief Executive Officer Kristóf Berecz.
- On 26 March, 2022, the employment of Balázs Diószegi, Head of the Development Department was terminated.
- Since 29 April, 2022, Attila Seres has been filling the position of Head of the Property Development Construction Department.
- Since 9 May, 2022, László Mészáros has been holding the position of Head of Operations.

2.3. Remuneration of senior executives in 2022

The members of the Board of Directors performed their duties in the 2022 business year without remuneration, and the members of the Audit Committee performed their duties in the 2022 business year for a gross monthly remuneration of HUF 300,000 per member.

2.4. Persons authorized to sign the Financial Statements

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

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

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

2.5. Ownership structure

Owners of the Company with more than 5% of interest based on the 31 December 2021 and on the 31 December 2022 share register and the individual statements of the owners

Shareholder	31 December, 2021		31 December, 2022	
	Number of shares (pcs)	Interest (%)	Number of shares (pcs)	Interest (%)
PIÓ-21 Kft.	184,847,220	64.40*	191,218,481	66.62
Takarékbank Zrt.	28,702,440	9.99	28,702,440	9.99
Equity shares**	35,340,000	12.31	35,340,000	12.31
Other shareholders	38,134,780	13.3	31,763,519	11.08
Total	287,024,440	100.00	287,024,440	100.00

** Of which 1,090,260 ordinary BIF shares with a nominal value of HUF 10 each as of 31 December 2021 represent 0.38% indirect share through the Company's subsidiary, BFIN Asset Management AG

** The Company may not exercise shareholder rights by the BIF ordinary shares in its ownership

II. Key elements of the accounting policy

1. Key elements of the accounting policy

1.1. Reporting currency and foreign exchange balances

In view of the content and circumstances of the underlying business events, the Company's functional and reporting currency is the Hungarian forint.

The foreign exchange transactions performed in a currency other than HUF were initially recognized at the exchange rate valid on the day of performing such transactions. Foreign currency receivables and liabilities were converted to forint at the exchange rate valid on the balance sheet date. The arising exchange rate differences are recognized in the profit and loss account among financial revenues and expenses.

The financial statements specify Hungarian forints (HUF), which is the Company's presentation currency rounded to the nearest thousand, except where otherwise indicated.

The transactions performed in a foreign currency are recognized in the functional currency - the foreign currency amount considered at the exchange rate between the reporting currency and the foreign currency valid on the transaction date. In the statement of comprehensive income, exchange differences arising on the settlement of monetary items, on initial recognition during the period or on the use of an exchange rate other than that used in the previous financial statements are recognized as income or expense in the period in which they arise. The monetary instruments and liabilities denominated in foreign currency are converted at the exchange rate valid at the end of the reporting period. The items valued at fair value and denominated in foreign currency are converted at the exchange rate valid on the date of determining the fair value. Exchange differences on trade receivables and trade payables are recognized in operating income, while exchange differences on loans are recognized in financial income or expenses.

1.2. Sales revenue

The Company earns revenues primarily on the services provided to its customers and third parties and on the sale of goods.

The Company recognizes sales revenue in accordance with IFRS 15 (which was issued in May 2014 and is effective for annual periods beginning on or after 1 January 2018).

The new standard introduces the basic directive that revenue is recognized when the goods or services are delivered to the buyer at the agreed price. Any separable related goods or services must be recognized separately and every allowance must be assigned to the appropriate elements of the contract. When the consideration changes, the minimum value may only be recognized if the likelihood of reimbursement does not include a significant risk. The costs incurred while obtaining a customer contract must be capitalized and amortized during the contractual term in a way that the Company should obtain the related benefits.

The net sales revenue comprises the amounts invoiced on the basis of the goods supplied or services provided during the year. Net sales are recognized when the amount of the revenue becomes clear and it is probable that the consideration will be available to the Company. The sales revenue includes the invoiced amounts less value added tax and discounts.

Revenue from the sale of services is recognized by the Company on a time proportionate basis (if permitted by the contract or confirmed by the customer) during the period, unless the relevant contracts and agreements contain milestones. In this case, sales are accounted for after each milestone is reached.

The Company accounts any additional costs incurred in relation to the conclusion of customer contracts if it expects to be reimbursed.

For deferred income, revenue is recognized at a discount.

1.3. Valuation and impairment of assets over one year

1.3.1. Investment property

A property is classified as investment property if it is held by the enterprise for the purpose of earning income from rent or capital appreciation, or both, and not for the purpose of subsequent sales or production of goods or provision of services or administration. Investment properties are always held for rental purposes.

Investment property is initially measured at cost, taking into account transaction costs. The Company has chosen the fair value model for the recognition of investment properties, and the difference arising from the change in fair value is charged to the profit/loss of the reporting year against other operating income. No ordinary depreciation is recognized for investment properties.

In accordance with the provisions of the REIT Act, the fair value of investment properties owned by the Company is determined by an independent valuer on a quarterly basis. The relevant valuations were made in 2022 by Seratus Ingatlan Tanácsadó Igazságügyi Szakértő Kft. As of December 31 of each year, the market value of the properties has been (is being) updated annually. The valuation is carried out in accordance with international valuation standards.

The valuation uses three valuation methods generally accepted in international asset valuation practice (the DCF method, the comparable market value method and the profits method) and then the market value of the properties is determined based on the precautionary principle.

Given that IAS40 recommends, but does not require, the use of an independent valuer to determine the market value, for investment property where a decision to sell has been made and the sale has commenced, the fair value method is based on the asset has an active market, i.e. there are concluded sales contracts. The actual market price of the property, i.e. the sales price (calculated from the average price) already included in the sales contracts, provides the best basis for determining the fair value.

Gains or losses arising from changes in the fair value of investment property are always recognized in the profit or loss (other operating income or other operating expenses) in the period in which they are incurred. Gains arising from changes in fair value cannot be distributed as dividends to shareholders. Investment property should be derecognized on disposal or when investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on the derecognition and disposal of investment property are recognized in the profit and loss account as income or expense in the period in which they arise.

1.3.2. Other properties

Other real estate in the Company comprises real estate held for use in relation to the sale of goods or the production or provision of services, and developed public utilities belong to this group.

The Company has chosen the fair value model for the recognition of other properties, except for developed public utilities. Valuation is carried out in accordance with the international valuation standards. The valuation uses three valuation methods generally accepted in international asset valuation practice (the DCF method, the comparable market value method and the profits method) and then the market value of the properties is determined based on the precautionary principle. Gains arising from changes in the fair value of other properties are recognized directly in the equity as a revaluation surplus.

Currently, the Company does not own any properties other than utilities.

The Company measures utility facilities at cost less annual depreciation.

Other properties are depreciated. Depreciation is based on fair value and, in the case of public utilities, cost. Depreciation is charged on a straight-line basis, with a depreciation rate of 2%.

1.3.3. Other tangible assets:

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

Historical cost (value at cost, production cost) of an asset is the total amount of items that can be individually linked to the asset prior to commissioning and delivery to the warehouse in order to acquire, establish and commission the asset.

The historical cost (value at cost) comprises the purchase price net of discounts and increased by a mark-ups, any consideration, fees and commission paid for the transport and loading, foundation work, installation, commissioning and brokerage activities incurred in relation to the acquisition, commissioning and delivery of the asset to the warehouse, as well as all related taxes, tax-like items and customs duties.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when the future economic benefits associated with the item are likely to flow to the Company and the cost of the item can be measured reliably. All other costs of repairs and maintenance are recognized in the profit and loss account as incurred.

Additional expenditures on existing assets that extend the useful life of the asset or broaden the scope of using the asset are capitalized by the Company. Maintenance and repair costs are expensed as incurred.

The carrying amount of property, plant and equipment is reviewed at regular intervals to determine whether the carrying amount does not exceed the fair value of the asset, as this is required to account for an unplanned write-down to the fair value of the asset. The fair value of the asset is the higher of its selling price and its value in use. Value in use is the discounted value of the future cash flows generated by the asset. The discount rate includes the pre-tax interest rate, taking into account the time value of money and the effect of other risk factors associated with the asset. If no future cash flows can be allocated to the asset on its own, the cash flows of the unit to which the asset is a part shall be used. The impairment and accelerated depreciation determined by this method are recognized in the profit and loss account.

Tangible assets are depreciated by the straight-line method. The cost of an asset is depreciated over its useful life from the date it is taken into use. The Company regularly reviews useful lives and residual values.

The Company accounts accelerated depreciation for the tangible assets with net book values not expected to be recovered based on their future income-generating capacity. The Company makes the required calculations on the basis of an appropriate discounting of long-term future cash flow plans. Depreciation is determined on the basis of the expected useful lives, deterioration time, and physical and moral obsolescence of the assets. Assets representing an individual purchase value of less than HUF 200,000 are depreciated in a lump sum upon commissioning; for assets with a value higher than HUF 200,000, the depreciation rate is 20% for motor vehicles, 33% for information technological devices and administrative devices, each, and 14.5% for other assets.

At the end of each reporting period the Company assesses whether any change suggesting impairment has happened to any asset. If such a change has taken place, the Company estimates the value of the expected return on the asset. The expected return on an asset or cash-generating unit is the higher of the fair value less sales costs or the use value.

The Company recognizes impairment to the debit of the profit if the expected return on the asset is less than its book value. The Company makes the required calculations on the basis of an appropriate discounting of long-term future cash flow plans.

Gains or losses on the derecognition and disposal of investment property are recognized in the profit and loss account as income or expense in the period in which they arise.

1.4. Intangible assets

Individually obtained intangible assets are recognized at cost, while the intangible assets acquired in the course of business combinations are disclosed at fair value at the time of the acquisition. An asset may be included in the books if its use can be proven to result in the future inflow of business benefits and its cost can be clearly established.

Following acquisition, the direct cost method applies to the intangible assets. The lives of these assets are either limited or cannot be determined. Assets with limited lives are depreciated by the linear method based on the best estimate of their lives. The period and method of amortization are revised annually, at the end of each financial (business) year. Disregarding development costs, internally generated intangible assets are not capitalized but are offset against the P/L in the year when they are incurred. Intangible assets are revised annually for impairment, either separately or at the level of the income-generating unit.

The costs of goods and software falling within the scope of brand names, licences and industrial property rights are capitalized and linearly derecognized during their useful life:

Concessions, licences and similar rights, and software	3-6 years
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1.5. Goodwill

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

1.6. Inventories

Inventories recorded by the Company are valued in accordance with IAS2.

The cost of inventory includes the cost of acquisition, the cost of conversion, and the cost of bringing the inventory to its present location and condition.

The cost may not include unusual material, labour and other production cost losses, as well as storage costs, unless they are included in the production process, administrative costs not incurred to bring inventories to their current condition and location, and sales costs.

The Company measures its inventories at cost, more specifically, by the FIFO method.

1.7. Accounts receivable

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

1.8. Financial assets

The financial assets within the scope of the IFRS9 standard fall into three measurement categories: assets measured at amortized cost after acquisition; assets measured at fair value through other comprehensive income after acquisition (FVOCI) and assets measured at fair value through profit or loss after acquisition (FVPL).

Subsequent to initial recognition, financial assets that are “held for trading” are measured at fair value through profit or loss (FVPL). Any unrealized exchange rate gains or losses on securities held for trading are recognized as other income (expense).

Other long-term investments that qualify as held to maturity, e.g. certain bonds, are recognized at amortized cost after the first recognition. The amortized cost is calculated in the period to maturity, at a discount or premium valid at the time of acquisition. In the case of investments recognized at amortized cost, any profit or loss made during the depreciation period or when the investment is derecognized or impaired is accounted as a revenue.

In the case of investments included in stock market trade, the market value is specified on the basis of the official price announced on the balance sheet date. In the case of non-listed or non-traded securities, the market value is the market value of any comparable/substitute financial investment, and if this method cannot be used, the market value must be determined on the basis of the estimated future cash-flow of the asset related to the investment.

On every cut-off date the Company analyses if impairment needs to be recognized for a particular financial asset or for a group of assets. If in the case of assets recognized at amortized cost, any condition requires impairment, the latter is the difference between the carrying value of the asset and its amount discounted by the original effective interest rate of the future cash flows of the asset. Impairment is recognized in the profit and loss account. If any time later the amount of the accounted impairment decreases, it is reversed to the extent that prevents the carrying value of the asset from exceeding its amortized value valid on the cut-off date.

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

1.9. Financial liabilities

The Company's statement of the financial position includes the following financial liabilities: trade and other current liabilities, loans, borrowings, bank overdrafts and futures. Their recognition and valuation are included in the relevant parts of the Notes to the Financial Statements as follows:

The Company values each financial liability at its fair value valid at the time of its initial recognition. In the case of loans account is taken of the transactions costs directly attributable to the acquisition of the financial liability.

The financial liabilities subject to the IFRS 9 standard can be classified into three measurement categories: liabilities measured at amortized cost after acquisition; liabilities measured at fair value against other comprehensive income after acquisition (FVOCI); and liabilities measured at fair value through the profit or loss after acquisition (FVPL). The Company classifies the individual financial liabilities when they are acquired.

Financial liabilities valued at fair value through the profit or loss are liabilities acquired by the Company for trading purposes or qualified on their initial presentation at fair value through the profit or loss. Financial liabilities held for trading purposes include liabilities purchased by the Company primarily for the profit expected of short-term price fluctuations. This class also includes futures transactions not considered as efficient hedging instruments.

Loans and advances are recognized in the statements of the financial position at the amortized cost value calculated by the effective interest rate method. The profits and losses related to loans and advances are recognized in the profit and loss account during the calculation of depreciation by the effective interest rate method and when the financial liability is deregulated. Amortization is accounted as financial expenditure in the statement on income.

1.10. Provisions

The Company recognizes provisions for (legal or assumed) commitments incurred as a result of past events the Company is probably required to pay, provided that the amount of the commitment is reliably measurable.

Any amount recognized as a provision is the best estimate of the expenditure required to settle the current obligation at the balance sheet date, taking into account any risks and uncertainties characteristic of the obligation. If a provision is measured using the cash flow probably required for the payment of the existing commitment, the book value of the provision is the present value of such cash flows.

If part or all of the expenditure required to settle the obligation is expected to be recovered by another party, the receivable is recognized as an asset when it is materially certain that the entity will receive the reimbursement and the amount of the receivable can be measured reliably.

1.11. Corporate tax

The corporate tax rate is based on the tax liability specified in the Corporate and Dividend Tax Act, amended by deferred tax. The corporate income tax liability includes tax components due in the reporting year and deferred taxes.

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

Deferred tax liability is incurred when there is a temporary difference between the recognition of an item in the annual report and its reconciliation according to the Act on Taxation. Deferred tax assets and tax liabilities are established using the tax rates applicable to the taxable revenues in years when recovery of the difference is expected due to the time displacement. The amount of deferred tax liabilities and tax assets reflect the Company's estimate on the method of realizing tax assets and tax liabilities on the balance sheet date.

Deferred tax assets for deductible tax differences, tax credits and negative tax bases are recognized in the balance sheet only to the extent that as a result of the Company's future activity taxable profits are likely to be available for offsetting the deferred tax asset.

At each balance-sheet date the Company accounts for the deferred tax assets not recognized in the balance sheet and carrying amount of recognized tax assets. It inventorizes that part of the receivables not previously included in the balance sheet on which recovery is expected as a reduction in the future income tax. In contrast, the Company's deferred tax assets must be reduced by any amount not expected to be covered by any available taxable profit.

The tax due in the reporting year and deferred tax are offset against the equity if they refer to items also offset against the equity in the same or in another period, including any amendments in the opening values of reserves due to retroactive changes in the accounting policy.

Deferred tax assets may be offset against deferred tax liabilities if the company is authorized by law to offset its actual tax assets and tax liabilities due from and to the same tax authority, and the Company intends to recognize these assets and liabilities on a net basis.

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

1.12. Leasing

Financial leasing is a transaction including a lessor who assumes all the risks and costs involved in the possession of the asset under the lease conditions. All other leasing transactions are considered as operative leasing.

In the case of financial leasing, the assets leased by the Company qualify as the Company's assets and are recognized at their market value valid at the time of acquisition. A liability to the lessor is presented in the balance sheet as a financial leasing liability.

The costs incurred in relation to the leasing are the differences between the fair value of the purchased assets and the total leasing liability and are accounted to the debit of the profit during the entire lease term in a way to represent a permanent and periodically incurred expenditure on the existing amount of the liability in the individual periods.

They arise from the difference between the total amount of liabilities and the market value of the leased asset at the time of acquisition, or after the relevant leasing term, in order to trace any change in the balance of the remaining liability from time to time, or they are recognized in the profit and loss account in the individual reporting periods.

1.13. Earnings per share (EPS)

Earnings per share are determined by taking into account the Company's earnings and the number of shares less the average number of repurchased treasury shares during the period.

The diluted earnings per share is calculated similarly to the earnings per share. However, during calculation all the outstanding shares suitable for dilution are taken into account, increasing the return payable on ordinary shares by the dividend and return on the convertible shares that can be taken into account in the given period, modified by any additional revenues and expenditure arising from conversion, increasing the weighted average number of outstanding shares by the weighted average number of those shares that would be outstanding if all the convertible shares were converted. There was no transaction in either the previous year or the year ended December 31, 2021 that would dilute this EPS rate.

1.14. Off-balance sheet items

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

1.15. Repurchased treasury shares

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

1.16. Dividend

The Company accounts for dividend in the year it is approved by the owners.

Dividends may be paid in accordance with the relevant provisions of the REIT Act and the Articles of Association:

Article 2.8 of the REIT Act stipulates that: *“Expected dividend: 90% of the profit made by a regulated real estate investment company or regulated real estate investment pre-company in the period between its registration as a regulated real estate investment company or regulated real estate investment pre-company and deregistration may be paid as dividends as defined in a separate legal act, and in the case of a project company of a regulated real estate investment company or regulated real estate investment pre-company, 100% of the profit made by the project company in the period between registration as a project company and deregistration, excluding, in the case of a regulated real estate investment company, a regulated real estate investment pre-company or their project company, the amount of the one-off conversion difference recognized in profit reserve in relation to conversion to the preparation of annual financial statements according to the IFRS as required in Act C of 2000 (hereinafter: “Accounting Act”).*

Article 3 (3) c) of the REIT Act provides that: *“On the basis of the memorandum of association, and proposed by the management, the annual general meeting proposes approval of a dividend corresponding to at least the expected amount of dividend, and in the event of approval, the dividend shall be paid within 30 trading days following approval of the financial statements, with the proviso that if amount of freely disposable funds available for the regulated investment company fails to reach the amount of the expected dividend, the management shall propose that at least 90% of the amount of freely disposable funds be paid as a dividend, ”*

Clause 16.3 of the Articles of Association: *“A shareholder is eligible for dividends if he or she or it is included in the share ledger on the cut-off date specified in a notice of dividend based on the resolution of the general meeting and published in relation to the payment of dividends. The date determined by the Board of Directors in the notice published in relation to the payment of dividends, which is relevant for the right to receive dividends, may differ from the date of the general meeting deciding on the payment of dividends. The starting date of dividend payment may not be later than on the 30th trading day (as defined in Act CXX of 2001 on the Capital Markets) following the approval of the financial statements. The Board of Directors must publish the notice of the payment of dividends within 15 days after the date of the general meeting resolving on the dividend, in accordance with the rules on the publication of notices. With regard to the dividend payable by the Company, the Board of Directors of the Company must, in its relevant proposal to the Annual General Meeting, propose the approval of at least the expected dividend as defined by at least in accordance with Article CII of 2011 on regulated real estate investment companies, provided that in the event that the freely disposable funds available for the Company fail to reach the amount of the expected dividend, the management should propose to pay at least 90% of the amount of the freely disposable funds as a dividend.*

The shareholder may claim the dividend from the Company within five years from the start date of dividend payment. The expiry of this period results in the forfeiture of rights. Any dividends not received are transferred to the Company's assets in excess of share capital. The shareholder cannot be obliged to repay the dividend accepted in good faith. Dividends are received in good faith only if the dividends due for the shareholder's shares are received from the dividend fund determined on the basis of the balance sheet approved by the general meeting, provided that no criteria excluding dividend acquisition are applicable to the shareholder and the shareholder does not know or should not have known of the absence of any statutory conditions for payment.”

1.17. P/L on financial operations

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

1.18. State aid

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

1.19. Items of exceptional amounts and occurrence

An exceptional amount of revenue is revenue arising from a business event or contract that amounts to or exceeds 25% of the total accounting revenue for a given financial year.

A revenue of exceptional occurrence is any income not closely or directly related to the business operation of the company, or is outside the regular course of business, and its occurrence is ad hoc.

An exceptional cost is the cost of a business event or contract that amounts to or exceeds 25% of the total costs and expenses for a given financial year.

Exceptional costs are all costs or expenses that are not closely or directly related to the business operation of the company, fall outside the regular course of business, and are incurred on an occasional basis.

1.20. Events after the balance sheet date

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

2. Changes in the accounting policy

The Company has compiled its financial statements in accordance with the provisions of all the standards and interpretations that entered into force on 1 January 2022.

The Company's accounting policy has been changed on 1 January 2017 to apply the IFRS standards. In 2022 the Company applied all the IFRS standards, amendments and interpretations effective as from 1 January 2022 and relevant for the operation of the Company.

The following standards and interpretations (including their amendments) took effect in 2022 (the effective new and amended standards and interpretations issued by IASB and accepted by the EU)

- Amendment of IAS standard 16 (issued on 14 May, 2020, effective for financial years beginning on or after 1 January, 2022): treatment of proceeds generated before intended use (incomes realized prior to the equipment becoming suitable for use and related costs shall be demonstrated in the profit and loss statement).
- Amendments of IAS standard 37 (issued on 14 May, 2020, effective for financial years beginning on or after 1 January, 2022): Detrimental contracts: the costs of performance of the contract.
- Amendment of IFRS 3 Business combinations (effective for financial years beginning on or after 1 January, 2022): addition of a new exception in respect of liabilities (application of IFRIC 21 and IAS37) and the confirmation of the prohibition to recognize conditional assets in a business combination.
- Amendment due to IAS 37 Provisions, contingent liabilities and contingent assets (effective for financial years beginning on or after 1 January, 2022): it is not exclusively the incremental costs which are to be taken into regard for calculating the costs of loss-making contracts, but also allocated costs related directly to the performance of the contract.
- IFRS 9 Financial liabilities (effective for financial years beginning on or after 1 January, 2022) specification of costs to be taken into regard for the calculation of the 10% limit.

The application of the foregoing amendment did not have a material impact on the Company's financial statements.

Standards and interpretations issued by IASB and accepted by the EU which are effective from 2023

- IFRS 17 Insurance contracts (effective in the financial years commencing on or after 1 January, 2023): it lays the accounting of insurance contracts on a new, uniform basis - not relevant to the Company.
- Amendments of the standard IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors": Definition of accounting estimates; Amendments of the standard IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 - Accounting Policy Disclosures (takes effect on 1 January, 2023 and in the reporting periods commencing thereafter).

Improving accounting policy disclosures, better tailoring them (Significant vs material) and reducing disclosures about general accounting policies; distinguishing changes in accounting estimates from changes in accounting policies.

- Amendment of the standard IAS 12 “Income Taxes”: Deferred tax assets and liabilities derived from “Single transactions” (takes effect on 1 January, 2023 and in the reporting periods commencing thereafter). The “initial recognition exception” does not apply if the transaction gives rise to deductible and taxable temporary differences in the same amounts.

The foregoing amendments are not expected to have a material impact on the Company's financial statements.

Amendments not yet adopted by the EU

- Amendments of IFRS 10 and IAS 28 (issued on 11 September, 2014, and to take effect in the financial periods commencing at or after the date to be determined by the IASB): Sale of assets between investors, affiliates or jointly controlled entities.
- IAS 1 Presentation of financial statements: Amendment due to the classification of current or long-term liabilities (effective in financial years beginning on or after 1 January, 2023).

3. Uncertainty factors

When the accounting policy described in Section 1 is applied, estimates and assumptions not clearly definable from other sources need to be used for the determination of the values of the individual assets and liabilities at the given moment of time. The estimation procedure includes the decisions adopted on the basis of the available information and the relevant factors. These significant estimates and assumptions influence the value of the assets and liabilities, revenues and expenditures recognized in the financial statements, as well as the presentation of contingent assets and liabilities in the Notes. The actual results may differ from the estimated data.

The estimates are updated on a regular basis. If a change only affects a specific period, it must be recognized in the period of change in accounting estimates, and if the change affects both the period of change and future periods, it must be recognized in both periods. The main areas of the critical decisions made on the uncertainty of estimation and on the accounting policy, which have the most significant impact on the financial statements include the following:

3.1. Impairment on irrecoverable and doubtful receivables

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

3.2. Fair value determination

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

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

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

4. Basis for the compilation of the financial statements

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

Approval of the separate financial statements by the Board of Directors These separate financial statements have been compiled on the basis of the Financial Reporting Standards promulgated and filed in the form of a regulation in the Official Journal of the European Union (EU). IFRS comprises standards and interpretations worded by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

The Company is required by law to prepare separate IFRS financial statements as of January 1, 2017. Unless otherwise indicated, the separate financial statements are presented in Hungarian forint, rounded to the thousand.

The Company's financial year is identical with the calendar year. The balance-sheet cut-off date for the business year 2022 is 31 December 2022.

4.2. Basis of preparing the report

The separate financial statements were compiled according to the standards and on the definitions given by IFRIC as released on 31 December 2022, which have been in force ever since. The financial statements have been compiled on the basis of the direct cost principle, with the exception of the cases where IFRS requires the application of a different method of measurement, as described in the accounting policy.

4.3. Valuation basis

For the separate financial statements, the measurement basis is the original cost, except for the following assets and liabilities, which are stated at fair value: derivative financial instruments, financial instruments at fair value through profit or loss and investment property.

During the compilation of the financial statements compliant with the IFRS standards the management needs to apply professional judgment, estimates and assumptions that have an impact on the applied accounting policies and on the sum total of the assets and liabilities, revenues and costs recognized in the report. The estimates and related assumptions are based on past experiences and numerous other factors, which can be considered as reasonable under the given conditions, and which have a result that lays the ground for the estimate of the book value of the assets and liabilities that cannot otherwise be clearly specified from other sources. The actual results may differ from these estimates.

Estimates and basic assumptions are regularly reviewed. Modifications of the accounting estimates are disclosed in the period when a particular estimate is modified if the modification only affects the given year, and in the period of modification as well as in future periods if the modification affects both the current and the future years.

III. Additional explanations
1. Investment property

(HUF '000')	
as at 31 December 2021	63,763,004
Change in fair value	1,986,965
Change in assets in the course of construction	-510,864
Capitalisation	6,641,899
Sales	0
as at 31 December 2022	71,881,004
as at 31 December 2021	63,763,004
as at 31 December 2022	71,881,004

Investment properties are valued by an independent valuer based on the following criteria:

Article 11 (1) of Act CII of 2011 on regulated real estate investment companies: The valuation of properties in the portfolio of a regulated real estate investment company may be performed by

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

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

Changes in the fair value of investment property in 2022 were as follows:

- There were no sales realized from the investment properties portfolio, no new properties were added to the portfolio, however, the development of 2 properties was being performed in simultaneously, of which one (the office building at 12-14 Városmajor Street, district XII of Budapest (hereinafter “Major Udvar (Városmajor u 12)”) was completed in October 2022.
- The total market value of investment properties increased by HUF 8,118 million on a year earlier, which also includes the value of value-enhancing investments and capitalizations, in addition to the increase in the fair value.
- Increase in the fair value could be explained mainly by the concluded lease contracts (adjustment of rents and operating fees, higher occupancy rate and the contract expiration dates) in the case of office buildings utilized for rent.

The complete renovation and category A revitalisation of the 13-storey tower building of the property at 114-116 Üllői út, District X of Budapest (hereinafter "BIF Tower") started in 2021 and was going on in 2022, therefore it was reasonable for the independent valuer to apply the cost calculation method instead of the market comparison method for the valuation of this property at the end of 2022.

Profit from income-generating investment property

HUF '000'	2022	2021
Net sales revenue	7,054,542	4,512,249
Other operating income	2,311,861	6,028,156
Capitalized value of internally generated assets	0	0
Changes in internally generated inventories	0	0
Raw materials, consumables and other external charges	-1,829,902	-1,000,359
Staff costs	-5	0
Depreciation and impairment	-31,274	-120,687
Other operating expenditure	-378,688	-325,483
Revenues from financial operations	110	0
Expenses on financial operations	-288,962	-201,823
P/L before tax	6,837,682	8,892,053

Increase in the net sales of investment properties compared to the base period (HUF 2,542,293,000) was partly due to increase in the inventory of rental properties (Attila99Loft was operated throughout the year and Major Udvar (Városmajor u. 12) was also completed), but to a considerable extent also to the enforcement of rent and operating fee increases (indexations) and increased occupancy. The line “other operating income” includes the impact of market upvaluation (HUF 2,183,075,000). The “other operating expenditure” include the impact of market devaluation (HUF 196,110,000). The expenses on financial operations includes interest on loans taken out for a purpose other than real estate development and thus not capitalized on the properties.

In accordance with the standard IAS 23, the Company has been and is treating the office building Major Udvar (Városmajor u. 12) (until the completion of the development and the capitalisation of the property) and the part of the property involved in the Üllői út acquisition (BIF Tower) as qualified assets. As given the magnitude of investments already in progress and planned, the improvement of these properties to the standard of the Company's intent for the purpose of rental has taken/may take place necessarily with a significant need for construction time, in accordance with IAS 23, the Company accounted for the interest due on the loans taken out to develop these properties on its investment accounts.

2. Intangible and tangible assets

HUF '000'	Intangible assets	Other properties	Machinery and equipment	Assets in the course of construction and advances	Total
Gross book value					
31 December, 2021	30,549	101,342	282,386	284,031	698,308
Increase reclassification and	224	0	78,031	57,257	135,512
Decrease reclassification and		0	-10,701	0	-10,701
31 December, 2022	30,773	101,342	349,716	341,288	823,119
Depreciation					
31 December, 2021	23,525	13,182	153,389	0	190,096
Annual write-off and	3,020	2,027	56,471	0	61,518
Decrease reclassification and		0	-3,833	0	-3,833
31 December, 2022	26,545	15,209	206,027	0	247,781
Net book value					
31 December, 2021	7,024	88,160	128,997	284,031	508,212
31 December, 2022	4,228	86,133	143,689	341,288	575,338

A significant part of the increase in the gross value of machinery and equipment was due to the purchase of cars, computer equipment and office equipment, while decrease was due to the sale of cars.

3. Investments in related companies

HUF '000'	Harsánylejtő Kft.
31 December, 2019	3,000
as at 31 December 2019	0
Increase and reclassification	0
Sales	0
Impairment	-3,000
31 December, 2020	0
31 December, 2021	0
31 December, 2022	0

The Company has an investment of HUF 3 million in its books (valued at cost by the Company), which is equivalent with the subscribed capital of Harsánylejtő Ingatlanforgalmazó és -kezelő Kft (hereinafter: “Harsánylejtő Kft”), a subsidiary of the Company, but due to the loss-making operation of Harsánylejtő Kft., the Company already recognised 100% impairment on this investment in 2019, as well as on the amount of additional payments given to its subsidiary, which is recognised under other non-current assets in the amount of HUF 792.5 million, of which HUF 20 million was given in the reporting year, but since 100% impairment was recognised on the total additional payment, this balance sheet line also shows a zero value.

4. Deferred tax assets

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

5. Inventories

HUF '000'	31.12.2022	31.12.2021
Raw materials	0	0
Work in progress	26,376	93,485
Finished product	15,141	71,895
Goods	59,661	215,514
Prepayments on inventories	0	0
Total	101,178	380,894

The majority of Work in progress, Finished product and Goods consists of the cost of the cost value of the Company's building plots and the value of the real estate improvements accounted for these plots.

During the year 2022, there was a significant decrease in the Inventory line, as for two plots a sales contract with reservation of title was signed already in Q4 2021, as a consequence of which only one plot was removed from the inventory in Q4 2022 due to the reservation of title linked to the payment of the full purchase price, while the full payment of the purchase price of the other plot is expected to be made in H1 2024, thus this plot will be removed from the inventory only in 2024. However, in the last quarter of the reporting year, a new sales contract was concluded for five additional plots of land, for which 100% of the purchase price was paid by the end of the year, which together give rise to a significant reduction in the portfolio.

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

The plots of land on Harsánylejtő were transferred to the Company's books in 2014 during the merger of one of the Company's subsidiaries (Katlan). Due to IFRS consolidation, the cost of inventories previously classified as investment property in the subsidiary and then accounted for as IAS2 inventories became the fair value previously reported by our Company in accordance with the IFRS, in both the consolidated and the separate IFRS statements. The higher cost so recognized is reviewed at the end of each period and adjusted to the fair value of the sale of the land in order to obtain the IFRS market value of the inventories.

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

6. Trade receivables

HUF '000'	31.12.2022	31.12.2021
Trade receivables	103,317	141,560
Impairment	-13,055	-125,388
Credit loss	-16,645	-1,447
Adjustment due to trade debtors with a credit balance	254,406	113,380
Total	328,023	128,105

The trade receivables portfolio shows a significant increase of around HUF 200 million compared to the end of 2021, largely due to construction costs invoiced to a major tenant at Major Udvar (Városmajor u. 12) office building), but to be reimbursed in instalments, while the amount of impairment decreased significantly by HUF 112 million due to a receivable of HUF 120.7 million, on which 100% impairment was recognised in the base year but which was collected in the reporting period, whereas we also recognised an impairment of HUF 8.3 million for a receivable, as well as a credit loss of HUF 15.2 million in accordance with IFRS 9 in the reporting period.

Movements in the Group's recognized group-level credit loss and impairment of impaired assets during the year are shown in the table below:

HUF '000'	opening	increase	decrease	closing
Credit loss:				
accounts receivable	1,447	15,198	0	16,645
other receivables	0	0	0	0
Impairment of impaired assets:				
accounts receivable	125,388	8,354	120,687	13,055
other receivables	0	0	0	0
Loan losses and impairment	126,835	23,552	120,687	29,700

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

HUF '000'	31.12.2022	31.12.2021
Loans given (Harsánylejtő Kft.)	0	0
Other receivables	420,129	436,431
Accruals	231,795	12,689
Suppliers with a debit balance, and taxes	4,630	17,490
Total	656,554	466,610

Reasons for the change in the current period:

- Other receivables show a minimal decrease (by 4%), where we recognise the VAT on advances received from tenants, the imposition of VAT due in 2022 on rent and operating charge invoices for 2023 and the deductible VAT content of invoices which may be included in the subsequent interim VAT return.
- On the accruals side, however, there is a significant increase by HUF 219.1 million, largely due to the fact that energy suppliers, due to the energy crisis, already invoiced the charges for the assumed electricity consumption for the months January-February 2023 in advance, during November-December 2022, which are to be recognised as expenses already in the reporting year, but as cost only in the subsequent year.

8. Cash and cash equivalents

HUF '000'	31.12.2022	31.12.2021
Cash on hand	1,719	1,770
Bank	8,022,070	9,419,001
Total	8,023,789	9,420,771

The decrease in cash and cash equivalents by HUF 1,397 million in 2022 was the result of the following main effects offsetting each other: the dividend payment in June (approximately HUF 5,034 million), the increased financing needs due to ongoing property developments, the increase in net loans (by HUF 1,038 million (see also points 14 and 18)), and the proceeds from the sale of building plots in Q4 (net HUF 3,219 million + VAT).

9. Subscribed capital and capital reserve

The subscribed capital of the Company was HUF 2,870,244,400 as at 31 December 2022, which consisted of 287,024,440 dematerialized ordinary registered shares with a nominal value of HUF 10, i.e. ten forints, each. The share capital according to IFRS is the same as the share capital registered by the Companies Court.

Subscribed capital

HUF '000'	31.12.2022	31.12.2021
Opening	2,870,244	2,870,244
Increase	0	0
Decrease	0	0
Closing	2,870,244	2,870,244

Capital reserve

HUF '000'	31.12.2022	31.12.2021
Opening	6,048,215	6,048,215
Increase	0	0
Decrease	0	0
Closing	6,048,215	6,048,215

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

10. Revaluation reserve

HUF '000'	31.12.2022	31.12.2021
Opening	731,904	731,904
Increase		
Decrease	0	0
Closing	731,904	731,904

In the balance sheets of the years 2021 and 2022, the Company recognises in the valuation reserve the previous revaluation of the Aranykéz Street Parking Garages (the property at 4-6 Aranykéz Street, Budapest, district V), recognised in accordance with the fair value model under IAS16 (and adjusted for deferred tax).

11. Repurchased treasury shares

The number of shares owned by the Company was 35,340,000 both in the base year and the reporting year, as no transaction affecting treasury shares took place in 2022.

The Company recognizes its equity shares in the balance sheet at cost as repurchased treasury shares reducing the equity. Cost of treasury shares: the consideration paid for the repurchase of treasury shares (the nominal value is included in this item, but is not deducted from the subscribed capital).

HUF '000'	31.12.2022	31.12.2021
Opening	-3,048,120	-3,048,120
Increase	0	0
Decrease	0	0
Closing	-3,048,120	-3,048,120

12. Profit reserve and profit for the year

HUF '000'	31.12.2022	31.12.2021
Profit reserve		
Opening	43,927,066	35,755,897
Increase	0	0
Decrease	-5,033,689	0
Closing	38,893,377	35,755,897
P/L for the reporting year	10,012,333	8,171,169
Closing	48,905,710	43,927,066

Reasons for the change in the profit and loss reserve during the reporting period:

- An increase in the opening value of the profit reserve was the transfer of the HUF 8,171,169,000 profit of 2021.
- The profit and loss reserve was reduced by the dividend payable after the profit of the business year 2021, as, by resolution No. 11/2022.04.29 of the regular General Meeting of the Company as of 29 April, 2022, the General Meeting decided to pay dividend in the amount of HUF 5,033,688,800 from the disposable profit and loss reserve available for dividend payment based on the audited Annual Financial Statements of the Parent Company prepared in accordance with the International Financial Reporting Standards (IFRS) for 2021. The Company pays the dividend on treasury shares to shareholders entitled to dividends in proportion to the nominal value of their shares, in accordance with Clause 16.2 of the Articles of Association. The commencement date for the payment of dividend was 10 June, 2022.

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

13. Equity correlation table

Equity correlation table in accordance with the Section 114/B of Act C of 2000

Equity under IFRSs

HUF '000'	2022	2021
Subscribed capital	2,870,244	2,870,244
Capital reserve	6,048,215	6,048,215
Revaluation reserve	731,904	731,904
Treasury shares	-3,048,120	-3,048,120
Retained earnings	38,893,377	35,755,897
Profit after taxes	10,012,333	8,171,169
Total Equity under IFRSs	55,507,953	50,529,309

Equity correlation table in accordance with the Section 114/B of Act C of 2000

HUF '000'	2022	2021
Equity capital in accordance with the Section 114/B (4) a) of the Act C of 2000		
Equity under IFRSs	55,507,953	50,529,309
Equity capital in accordance with the Section 114/B (4) a) of the Act C of 2000	55,507,953	50,529,309
Subscribed capital under IFRSs in accordance with the 114/B (4) b) of the Act C of 2000		
subscribed capital provided for in the instrument of constitution, if classified as an equity instrument	2,870,244	2,870,244
Subscribed capital under IFRSs in accordance with the 114/B (4) b) of the Act C of 2000	2,870,244	2,870,244
Subscribed capital unpaid in accordance with the Section 114/B (4) c) of the Act C of 2000		
Subscribed capital unpaid in accordance with the Section 114/B (4) c) of the Act C of 2000	0	0
Capital reserve in accordance with the Section 114/B (4) d) of the Act C of 2000		
all equity components that are not covered by the definition of subscribed capital under IFRSs, subscribed capital unpaid, retained earnings, revaluation reserve, post-tax profit or loss or tied-up reserve	3,000,095	3,000,095
Capital reserve in accordance with the Section 114/B (4) d) of the Act C of 2000	3,000,095	3,000,095
Retained earnings in accordance with the Section 114/B (4) e) of the Act C of 2000		
previous years' accumulated results after tax shown in the annual accounts prepared in accordance with IFRSs, not yet distributed among the owners	38,893,377	35,755,897
Retained earnings in accordance with the Section 114/B (4) e) of the Act C of 2000	38,893,377	35,755,897
Revaluation reserve in accordance with the Section 114/B (4) f) of Act C of 2000		
other comprehensive income accumulated shown in the comprehensive income statement	731,904	731,904

other comprehensive income from the current year shown in the comprehensive income statement		
revaluation reserve from before the date of transition to IFRSs		
Revaluation reserve in accordance with the Section 114/B (4) f) of Act C of 2000	731,904	731,904
Post-tax profit or loss in accordance with the Section 114/B (4) g) of Act C of 2000		
the total amount of net gain or loss after tax from activities ongoing shown in statement of performance in its own right within the comprehensive income statement or in the separate profit and loss account	10,012,333	8,171,169
Post-tax profit or loss in accordance with the Section 114/B (4) g) of Act C of 2000	10,012,333	8,171,169
Tied-up reserve in accordance with the Section 114/B (4) h) of Act C of 2000	0	0
Tied-up reserve in accordance with the Section 114/B (4) h) of Act C of 2000	0	0
Reconciliation of the capital registered by the court of registry with the subscribed capital under IFRSs in accordance with the Section 114/B (5) a) of Act C of 2000		
capital registered by the court of registry	2,870,244	2,870,244
subscribed capital under IFRSs	2,870,244	2,870,244
Untied retained earnings available for the payment of dividends in accordance with the Section 114/B (5) b) of Act C of 2000		
retained earnings from the last financial year for which accounts have been adopted comprising post-tax profit or loss of that financial year	48,905,710	43,927,066
cumulative unrealized gains claimed in connection with any increase in the fair value of investment properties, as provided in IAS 40 - Investment Property	-39,915,748	-36,835,078
Untied retained earnings available for the payment of dividends in accordance with the Section 114/B (5) b) of Act C of 2000	8,989,962	7,091,988
HUF '000'	2022	2021
90% of the untied retained earnings of the reporting financial year available for the payment of dividends (taking into account of the provisions of REIT Act)	6,173,285	1,715,513

14. Non-current financial liabilities

HUF '000'	31.12.2022	31.12.2021
Long-term loans	20,075,461	19,213,740
Total	20,075,461	19,213,740

Long-term loans include the full amount of long-term bank loans. The long-term loan portfolio increased by HUF 2,386,193,000 as a result of the drawdowns performed in 2022, but decreased by HUF 1,524,472,000 due to the reclassification of the repayments due in 2022 and 2023, resulting in a net change by HUF 861,721,000.

Bank loans

- Pursuant to the credit facility agreement concluded between the Company and MFB Magyar Fejlesztési Bank Zrt. (hereinafter: “MFB”) on 7 November 2018 for HUF 20 billion (hereinafter: the “Credit Facility Agreement”), MFB granted a fixed-rate 10-years loan in the amount of HUF 7,579,600,000 to the Company in accordance with the loan agreement concluded by the Company and MFB on 3 September 2019.
- Based on the three loan agreements concluded between the Company and Takarékbank Zrt. (hereinafter: “Takarékbank”) on 31 August 2020, Takarékbank provided the following fixed-rate 15-year HUF-loans to the Company:
 - in order to refinance the total amount of debt owed under the two loan agreements concluded on 7 November, 2019 and the loan agreement concluded on 6 February, 2020 based on the Credit Facility Agreement concluded by the Company and MFB on 7 November 2018, a loan was granted in the amount of HUF 9,707,551,770 and disbursed on 15 September 2020;
 - a loan in the total amount of HUF 2,606,021,058 for the partial refinancing of the purchase of real estate and for financing real estate renovation and investment, of which the first disbursement of HUF 1,124,100,000 was made on 1 September 2020, the second disbursement of HUF 143,750,000 on 13 November 2020, the third disbursement of HUF 211,525,013 was made on 15 December 2021; the fourth disbursement of HUF 500,001,885 was made on 18 May 2022, the fifth disbursement of HUF 614,433,303 was made on 14 July 2022 and the sixth and last disbursement of HUF 12,210,857 was made on 22 September 2022;
 - in order to refinance the total debt outstanding on the basis of the HUF 2,100,000,000 loan agreement concluded between the Company and Takarékbank on 8 March 2018, a loan was disbursed in the amount of HUF 1,661,513,172 on 15 September 2020.
- Based on the loan agreement concluded between the Company and Takarékbank on 28 June 2021, Takarékbank granted the Company a fixed-rate 15-years’ loan in the total amount of HUF 2,500,000,000 for financing real estate renovation and investment, of which the first disbursement of HUF 524,141,008 was made on 16 September 2021, and the second disbursement of HUF 716,312,052 was made on 15 December 2021, while the third and last disbursement of HUF 1,259,546,940 was made on 17 March 2022.

The instalments of these loans and borrowings due in 2023 are included in short-term borrowings (see: Section 18).

15. Provisions

HUF '000'	31.12.2022	31.12.2021
Provisions for contingent liabilities	7,030	6,484
Total	7,030	6,484

Due to the holidays not taken in 2022, the Company has set aside a provision for expected future payment obligations. The payroll for untaken leave shows a minimal increase by HUF 546,000 compared to the previous year.

16. Deferred tax liabilities

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

17. Other long-term liabilities

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

18. Short-term financial liabilities

HUF '000'	31.12.2022	31.12.2021
Short-term portion of loans	1,446,747	1,270,565
Total	1,446,747	1,270,565

Current financial liabilities include the reclassification of short-term bank loans (see also paragraph 14 above).

19. Liabilities to creditors

HUF '000'	31.12.2022	31.12.2021
Liabilities to creditors	804,488	1,527,930
Total	804,488	1,527,930

As in the previous year, the portfolio of accounts payable partly includes liabilities related to utility, telephone and other services used in connection with the properties, but the significant decrease (47%) in the volume of the reporting year can be explained with the fact that the development of the Major Udvar (Városmajor u. 12) office building was completed in October 2022, therefore the amount of the related warranty bond was released; the Company's other ongoing property development, the "BIF Tower", however, continues generating a substantial portfolio of accounts payable to general contractors and warranty retentions.

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

HUF '000'	31.12.2022	31.12.2021
Advances+guarantee+tax adjustment	2,333,922	1,637,307
Wages + taxes + contributions	941,727	208,881
Liabilities to owners in relation to dematerialization	75,280	75,280
Accruals	118,872	84,720
Adjustment due to trade debtors with a credit balance	254,406	113,380
Other	0	0
Total	3,724,207	2,119,568

Developments in other current liabilities and accrued expenses were mainly determined by trade and other advances from customers, liabilities to the owners in relation to dematerialization, and accrued utility and other costs. Increase was largely due to an increase in the amount of advances received from tenants and the amount of earnest money deposits received on the building plot mentioned in Section 5 above. Additional significant increase resulted from the VAT payment liability due for December 2022 (and payable on 20 January 2023).

A significant part of the year-end amount of accruals is made up of the bonuses and the taxes payable on them, calculated on the basis of the remuneration policy, the accrued costs of certain services used (e.g. planning, lawyers', auditors' and consultants' fees) and the accrued interest on loans calculated pro rata temporis for the reporting year.

Reclassified customer overpayments increased due to tenants' improving willingness to pay.

21. Sales revenue

HUF '000'	2022	2021
Revenue from rents and operating fees	5,370,668	3,665,809
Income from parking fees	669,044	459,941
Revenue related to intermediary services	961,289	379,079
Revenue from services	0	0
Revenue from the sale of properties/land	3,218,869	0
Other sales revenues	69,646	8,186
Total	10,289,516	4,513,015

The revenues only comprises the gross offsets of economic benefits due to the Company and received on the Company's own account.

Rents are recognised continuously, whereas plot sales are recognised at the given time as revenue by the Company.

The factors determining when plot sales are included in the revenue are as follows:

- the purchase price is paid in full,
- the seller delivers and the buyer receives the plot,
- substantial benefits and risks related to the ownership are transferred to the buyer.

Parking fee revenues include the revenue recognised on an ongoing basis in relation to lease contracts on the one hand and the one-off revenue of this kind arising from the use of vacant parking spaces in car parks providing periodic parking services on the other hand.

The increase (+46.5%) in revenues from rental and operating fees was mainly due to the enforcement of the increase (adjustment) of rents and operating fees in the lease contracts and the conclusion of new contracts on better terms.

Parking fee revenues increased by 45.5% in the year under review.

HUF '000'	2022	2021
Parking revenues from lease contracts	526,701	370,787
Periodic parking revenues	142,343	89,154
Total	669,044	459,941

The great majority of revenues from mediated services is derived from public utility and other service fees passed on in connection with the leased properties. In addition, significant income was also generated from office development, conversion or refurbishment costs passed on to tenants.

There was substantial income generated from property/plot sale in the year under review, as the revenues from the sale of the six building plots referred to above (in Section 5) were realized in Q4 2022. As opposed to this, there was no such revenue generated in the base year, when only earnest money and advance payment were received.

Other sales revenues include revenues that cannot be classified in the above groups (e.g. fees of contracting or the restoration of leased properties).

The Company has no income from accommodation or catering services, it only rents out the properties it owns.

22. Other operating income

HUF '000'	2022	2021
Fair valuation	2,183,075	6,007,456
Sale of real estate and movable property	0	3,850
Other income	700,126	45,724
Total	2,883,201	6,057,030

Other operating income includes decrease in the fair value of the Company's investment properties in the fair value line, , which shows a significant increase compared to the previous year. The “Sale of immoveable and movable property” line shows the profit on the sale of the cars sold in the base year, and there was a similar transaction in the reporting year as well, however, it did not generate any profit. Other income comprises financially settled concessions received received in arrears, indemnities/ compensation received and impairment recognised in the previous year but reversed in the reporting year, and default interests received.

23. Own performance capitalized

HUF '000'	2022	2021
Changes in internally generated inventories	-123,863	4,811
Own work capitalized	0	0
Own performance capitalized, total	-123,863	4,811

In the category “change in internally generated inventories”, the Company recognizes the capitalized cost of its own work on the plots and the derecognition of the capitalized value of its plots sold.

In the base year, costs were accounted on the plots only once, however, there were no sales, while the reporting year figure includes the derecognized inventory value of 6 construction plots sold in Q4 2022.

24. Raw materials, consumables and other external charges

HUF '000'	2022	2021
Material costs	281,312	206,101
Value of services used	733,251	599,707
Cost of other services	28,178	27,984
Cost of goods sold	81,399	1,998
Cost of services sold (mediated)	936,408	297,541
Total	2,060,548	1,133,331

Raw materials, consumables and other external charges increased by approximately HUF 927 million (+82%) on a year earlier. The main reasons for the change include:

- The increase in the cost of materials by 36% and in the cost of services used by 22% were due to higher utility (electricity and gas) costs caused by the expansion of the real estate portfolio and market price hikes.
- the significant increase (+ HUF 639 million) in the value of services sold (mediated) is due to the utility fees and other service charges passed on on the one hand, and to the costs of office construction, reconstruction or refurbishment carried out in line with tenants' needs on the other hand.
- The COGS recognized in the reporting year is nearly 41 times the previous year's corresponding figure, as it only included the invoiced value of consumables in the base year, while 99% of the figure of the reporting year was derived from the derecognized value of the building plots sold in 2022 and only 1% was derived from the sale of consumables.

25. Staff costs

HUF '000'	2022	2021
Wage costs	565,238	461,654
Other payments to staff	33,169	33,581
Wage taxes	78,478	77,475
Total	676,885	572,710

The main reason for the 18.2% increase in staff costs was headcount increase, organizational improvement and wage increase related to the achievement of the Company's strategic objectives, and the figures include bonuses and contributions calculated on the basis of the remuneration policy. In 2022, the Company's average statistical headcount was 52 (48 in 2021), while at 31 December 2022 the headcount was 64.

26. Depreciation and impairment

HUF '000'	2022	2021
Depreciation and impairment	61,518	38,128
Depreciation	61,518	38,128
Inventory impairment	0	0
Impairment of financial assets	43,553	205,687
Impairment of additional payment	20,000	85,000
Impairment of receivables	8,355	120,687
Credit loss	15,198	0
Total	105,071	243,815

The Company accounted for HUF 61,518,000 depreciation on non-investment property, plant and equipment in the reporting year.

The Company recognized an impairment of HUF 20,000 thousand for the additional payment and HUF 8,355 thousand for doubtful trade receivables.

The Company has assessed the need for credit losses to be recognized in relation to receivables in accordance with the requirements of IFRS 9. Expected credit losses were assessed on a collective basis for each asset class as follows:

- trade receivables: the simplified model is used by the Company (lifetime method);
- loans granted: our assessment is that the credit risk has not increased significantly since the initial recognition, so we have calculated the expected credit loss for 12 months;
- additional payments: treated as impaired assets.

The following factors were considered in assessing credit loss:

- Has the credit risk of financial instruments increased significantly since initial recognition? / impaired financial assets:
 - additional payment to Harsánylejtő Kft.: in addition to the receivable from the additional payment of HUF 772,500,000 in the base year, we made an additional payment of HUF 20,000,000 to the subsidiary in the reporting year, and then a 100% impairment was made for it because the subsidiary's operation is still loss-making, and we considered the recovery of this receivable to be risky;
 - loans granted: these financial instruments of the Company were considered to be exposed to low credit risk, and the outstanding loans previously granted to Harsánylejtő Kft. were repaid during the base year;
 - trade receivables: in the year under review only HUF 8,355,000, while in the base year, a significant amount (HUF 120,687,000) was impaired on a receivable from a tenant, which was rescheduled several times and finally settled in full in the year under review; thus, the total doubtful receivables amounted to HUF 13,055,000, for which 100% impairment was recognised (see also the relevant data in the second detailed table in Section 6).
- Predictive information was also taken into account when estimating the credit loss on trade receivables.
- In relation to trade receivables, the Company re-assessed what the credit loss would be on the basis of the year-end trade receivables, as required by IFRS 9, and recognised a credit loss of HUF 15,198,000 in the year under review accordingly, in addition to the amount of HUF 1,447,000 previously recognised (see also the relevant data in the detailed table in Section 6).

27. Other operating expenditure

HUF '000'	2022	2021
Impact of fair valuation on inventories	72,457	4,811
Fair valuation	196,110	145,605
Sale of real estate and movable property	1,418	0
Scrapping	0	10,890
Assets provided for no consideration	57,353	0
Taxes	126,440	210,682
Other expenditures	17,512	10,565
Total	471,290	382,553

The value of other operating expenses increased by 23% during the reporting period, as a result of the combined effect of the following items:

- the adjustment for the effect of fair valuation of inventories in the reporting year is 15 times higher than in the previous year, as a result of the adjustment recognised in connection with the derecognition of the 6 plots sold in compliance with IAS 2 (see also: Section 5).
- due to the fair valuation of investment property, this line also includes decrease in the market value recorded under IAS 40, which is 35% higher than the market value depreciation recorded in the base year,
- the net profit of the sale of two cars is recognised in the line Sale of real estate and movable property,
- there was no scrapping in the year under review,
- there were no assets provided for no consideration in the base year, but the figure of the year under review shows a significant value due to the transfer of utilities for no compensation to Budapest (about HUF 57 million),
- the significant decrease in the value of taxes settled with municipalities (building tax, land tax) is due to the Company's initiative to reclassify plots of land that are not buildable and therefore subject to taxes of a reduced rate, as a result of which the Company received a land tax refund for several years retroactively,
- the line for other expenditures includes, inter alia, the grant paid to the Ecumenical Charity Organization of Hungary as well.

28. Income from and expenses of financial operations

Revenues from financial operations HUF '000'	2022	2021
Interest received	588,649	157,376
Exchange rate gain	52,372	14,982
Other	0	0
Total revenues	641,021	172,358

Expenses on financial operations HUF '000'	2022	2021
Interest paid	321,538	226,171
Exchange rate loss	14,333	4,884
Other	0	0
Expenses, total	335,871	231,055

The increase in interest received is the result of the efficient management of free cash and cash equivalents, while the increase in interest expenditure is also due to the growth in the loan portfolio. This line only includes interest on loans which the company did not include in the investment costs of properties managed as qualifying assets (see also note 1).

The variation in the exchange rate gain and exchange rate loss recognised in the period was due to the significant fluctuations in the exchange rate of the forint during the year.

29. Actual tax expenditure

HUF '000'	2022	2021
Corporate tax	906	573
Business tax	0	0
Contribution to innovation	26,971	12,008
Other	0	0
Total actual tax	27,877	12,581

Due to the Pre-REIT status, the Company was only obliged to pay corporate tax until the Pre-REIT status was obtained (20 October, 2017). At the same time, the Company, being a REIT, is required to determine its corporate tax base with a view to the provisions of the REIT Act, but it is only subject to corporate tax for the calculated base in certain cases (e.g. on a tax base proportionate to the income from related parties), and in view of this, the corporate income tax was set at HUF 906,000 (see the calculation below), and the payable innovation contribution obligation of HUF 26,971,000 was calculated as payable by the Company in 2022.

HUF '000'	
Profit before taxes as per IFRS	10,040,210
Tax adjustment (innovation contribution)	26,971
Pre-tax profit (adjusted for innovation contribution) according to the IFRS	10,013,239
Adjusting items under IFRS	-3,045,472
Adjusted profit before corporate income tax	6,967,767
Increasing items	1,303,173
Decreasing items	-1,143,879
Corporate tax base in 2022	7,127,061
The benefit on corporate tax to the REIT status is	0 %
The ratio of related revenue to total revenue (rounded to 2 decimal places)	0.14%
Corporate tax base (to revenue from related parties) in 2022	10,064
Corporate tax payable on related parties	906
Corporate tax liability in 2022	906

30. Deferred tax expense

HUF '000'	2022	2021
Deferred tax	0	0
Total	0	0

In 2017, due to the Pre-REIT status, the deferred tax liability incurred in previous years was reversed.

31. Other comprehensive income

There was no transaction affecting any other comprehensive income either in the year under review or in the base year.

The tax effect of the change in the fair value of other real property was HUF 0 in both 2022 and 2021.

32. Earnings per share

	2022	2021
P/L after taxes (HUF '000')	10,012,333	8,171,169
Weighted average ordinary shares	251,684,440	251,684,440
Earnings per share (basic) (HUF) ("profit after tax" to "the weighted average of ordinary shares")	39.78	32.47

The share capital of the Company consists of 287,024,440 registered ordinary dematerialized shares with a nominal value of HUF 10 each, of which 35,340,000 are treasury shares owned by the company and 251,684,440 constitute the weighted average of ordinary shares.

There are no factors at the Company that would dilute the earnings per share.

33. Assets and liabilities, financial position and profitability
33.1. Wealth indicators

Description	31.12.2022	31.12.2021
Long-term assets to total assets	88.83%	86.08%
Current assets to total assets	11.17%	13.92%
Parent company equity to total liabilities and equity	68.05%	67.67%
Indebtedness (ratio of long-term liabilities to parent-company equity and long-term liabilities)	26.57%	27.56%
Debt to equity ratio	36.18%	38.04%
Working capital (HUF '000')	9,109,544	10,396,380
Working capital to equity	16.41%	20.57%
Coverage of assets over one year	76.61%	78.62%
Coverage for assets over one year, including liabilities	104.33%	108.52%

33.2. Indicators of the financial position

Description	31.12.2022	31.12.2021
Liquidity ratio I	152.45%	211.39%
Acid test ratio	134.28%	191.55%

33.3. Profitability indicators

Description	2022	2021
Profit on sales revenue	94.61%	182.64%
Return on equity	17.54%	16.31%

34. Information on business lines

All of the Company's properties are located in Budapest, and so the distribution of revenues and expenses by geographical regions is not justified. Given that the Company is engaged in the leasing, utilization and trading of real estate, the segments were formed accordingly also in 2022. The segment called "Plots of land on Harsánylejtő" shows the proceeds from and expenditures on plots of land prepared for sale and yet to be improved, while the results that can be directly attributed to properties purchased by the Company for rent are recognized under the summary heading "Income-generating investment property". In addition, the Company's operating profit arising from operations that cannot be directly related to real estate is reported separately.

Developments in the revenues and expenses of the segments according to the above-mentioned classification in 2022 and 2021 is shown in the tables below:

2022 (HUF '000')	Plots of land on Harsánylejtő	Income- generating investment property	Operation	Total
Net sales revenue	3,234,345	7,054,542	629	10,289,516
Other operating income	550,607	2,311,861	20,733	2,883,201
Capitalized value of internally generated assets	0	0	0	0
Changes in internally generated inventories	-123,863	0	0	-123,863
Raw materials, consumables and other external charges	-98,563	-1,829,902	-132,083	-2,060,548
Staff costs	0	-5	-676,880	-676,885
Depreciation and impairment	-2,027	-31,274	-71,770	-105,071
Other operating expenditure	-72,580	-378,688	-20,022	-471,290
Revenues from financial operations	0	110	640,911	641,021
Expenses on financial operations	0	-288,962	-46,909	-335,871
P/L before tax	3,487,919	6,837,682	-285,391	10,040,210
2021 (HUF '000')	Plots of land on Harsánylejtő	Income- generating investment property	Operation	Total
Net sales revenue	200	4,512,249	566	4,513,015
Other operating income	0	6,028,156	28,874	6,057,030
Capitalized value of internally generated assets	0	0	0	0
Changes in internally generated inventories	4,811	0	0	4,811
Raw materials, consumables and other external charges	-9,175	-1,000,359	-123,797	-1,133,331
Staff costs	0	0	-572,710	-572,710
Depreciation and impairment	-2,027	-120,687	-121,101	-243,815
Other operating expenditure	-42,628	-325,483	-14,442	-382,553
Revenues from financial operations	0	0	172,358	172,358
Expenses on financial operations	0	-201,823	-29,232	-231,055
P/L before tax	-48,819	8,892,053	-659,484	8,183,750

The Company's management does not monitor assets and liabilities at the segment level.

In the financial year 2022, the annual net sales from transactions realized with one of the Company's customers belonging to the segment "Income-generating investment properties" and one belonging to the segment "Hársánylejtő plots" (HUF 1,905,423,974 and HUF 2,599,783,957) exceeded 10% of the Company's total annual sales individually.

35. Risk Management

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

The Company is exposed to the following financial risks:

- credit risk
- liquidity risk
- market risk

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

The purpose of the Company's risk management is to screen and investigate the risks the Company may face, to set up adequate controls and to monitor risks.

35.1. Capital management

The Company's policy is to retain the share capital in an amount that is sufficient for ensuring that the investors' and creditors' confidence maintains the Company's future development. Based on the benefits and security ensured by the Company's massive capital position, the Board of Directors makes efforts at maintaining the policy of only assuming higher exposure from lending if yield is higher.

The Company's capital structure comprises net debt and the Company's equity (the latter includes the subscribed capital, reserves and the shares and participations held by non-controlling owners).

In managing capital, the Company seeks to ensure that the Company's subsidiary can continue to operate while maximizing returns for owners through an optimal balance of debt and equity and maintaining an optimal capital structure to reduce the cost of capital. The Company also monitors whether or not its subsidiary's capital structure meets the local statutory requirements.

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

HUF '000'	31.12.2022	31.12.2021
Loans and advances	21,522,208	20,484,305
Cash and cash equivalents	8,023,789	9,420,771
Net debt portfolio	13,498,419	11,063,534
Equity	55,507,953	50,529,309

35.2. Credit risk

Credit risk is the risk that reflects if the debtor or the partner fails to fulfil his contractual obligations and this causes financial loss for the Company. Financial assets exposed to credit risks may include long- or short-term allocations, cash and cash equivalents, and receivables from customers and other receivables.

The book values of financial assets show the maximum risk exposure. The following table shows the Company's maximum credit exposure on 31 December 2022 and 31 December 2021.

HUF '000'	31.12.2022	31.12.2021
Trade debtors	328,023	128,105
Cash and cash equivalents	8,023,789	9,420,771
Total	8,351,812	9,548,876

By continuously monitoring the collection risk of our overdue receivables and recognizing impairment, the risk is usually mitigated.

Customers are rated on an ongoing basis. Based on individual valuation the Company recognized an impairment loss of HUF 8,355,000 in the reporting year and HUF 120,687,000 in the base year on trade receivables. The risk of recovery on trade receivables past due and not yet due is insignificant.

35.3. Liquidity risk

Liquidity risk is the risk that the Company is unable to fulfil its financial obligations when they are due. The Company's liquidity management approach is to reveal the extent to which adequate liquidity can be provided for the performance of its liabilities on the due dates, under both usual and stressed conditions, without incurring unacceptable losses or jeopardizing the Company's good reputation.

The Company prepares a consolidated cash-flow plan, and regularly updates it. The Company analyses the cash requirements by a rolling prediction in order to ensure adequate liquidity for operation and the fulfilment of the financial indicators specified in the relevant loan agreement. The excess cash generated at company level is held in deposit accounts and time deposits.

At the end of the reporting year, the maturity of HUF 804,488,000 due as trade payables in the Company's books is mostly within one year, except for the HUF 173,863,000 of warranty withholdings recorded against general contractors in relation to property improvements. In the base year, the supplier portfolio was HUF 1,527,930,000, of which only HUF 233,656,000 was the amount of warranty withholdings.

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

HUF '000'	On 31.12.2022	Due within 1 year*	Due within 2-5 years*	Due after 5 years*	Total
Financial liabilities	21,522,208	1,446,747	5,786,987	14,288,474	21,522,208

* principal repayments due

HUF '000'	On 31.12.2021	Due within 1 year*	Due within 2-5 years*	Due after 5 years*	Total
Financial liabilities	20,484,305	1,270,565	5,224,025	13,989,715	20,484,305

* principal repayments due

35.4. Market risk

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

Since March 2018, when the then EUR loan owed to CIB Bank Zrt. was refinanced with a HUF loan, the Company has only had forint-based long-term loans. Considering that approximately 86% of the Company's revenues are realized in HUF and that FX revenues amply cover expenditure arising in FX, it practically has no FX risk.

As a result of the following refinancing transaction presented in Section III/14, the Company eliminated its lending interest rate risk in September 2020. In order to repay its HUF 2,100,000,000 loan under the loan agreement concluded by the Company and Takarékbank on 8 March 2018 for a long-term, variable rate loan, on 15 September 2020, Takarékbank disbursed a 15-year fixed-rate loan in the amount of HUF 1,661,513,172.

The Company does not conclude hedging transactions.

36. Sensitivity analysis

With a view to the fact that in the reporting year in the framework of the refinancing transaction described in Section 35.4. above the Company eliminated its credit risk it used to be exposed to in the previous years, no separate sensitivity test was performed.

37. Financial instruments

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

31 December 2022 HUF '000'	Book value	Fair value
Financial assets		
<i>Loans and receivables carried at amortized cost</i>		
Trade receivables	357,724	328,023
Cash and cash equivalents	8,023,789	8,023,789
Financial liabilities		
<i>Liabilities carried at amortized cost</i>		
Financial liabilities	21,522,208	21,522,208
Liabilities to creditors	804,488	804,488

31 December 2021 HUF '000'	Book value	Fair value
Financial assets		
<i>Loans and receivables carried at amortized cost</i>		
Trade receivables	254,940	128,105
Cash and cash equivalents	9,420,771	9,420,771
Financial liabilities		
<i>Liabilities carried at amortized cost</i>		
Financial liabilities	20,484,305	20,484,305
Liabilities to creditors	1,527,930	1,527,930

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

The members of the Board of Directors performed their duties in the 2022 business year without remuneration, and the members of the Audit Committee performed their duties in the 2022 business year for a gross monthly remuneration of HUF 300,000 per member.

The Company and the subsidiary included in consolidation do not have a Supervisory Board.

39. Remuneration of senior and middle managers in key positions

HUF '000'	2022	2021
Gross salary	261,936	177,302
Wage taxes	34,052	30,141
Total	295,988	207,443

For the purposes of the above table, the following persons are considered to be key management personnel: the CEO, the Chief Financial Officer and the Heads of Department.

40. Items of exceptional amounts and occurrence

In the year 2022, the annual net sales from transactions with one of the Company's customers belonging to the segment "Harsánylejtő plots" (HUF 2,599,783,957) exceeded 25% (25.27%) of the Company's total annual sales, however, no cost item of exceptional amounts and occurrence was incurred.

41. Presentation of related parties

41.1. Subsidiary

Subsidiary	Registered office	Vote and ownership shares	
		31.12.2022	31.12.2021
Harsánylejtő Kft.	1033 Budapest Polgár u. 8-10.	100.00%	100.00%

As of December 31, 2022, the equity data of Harsánylejtő Kft., expressed in ,000 forints, was:

HUF '000'	31.12.2022	31.12.2021
Equity	6,769	-14,452
Subscribed capital	3,000	3,000
Capital reserve	0	0
Profit reserve	-789,952	-720,795
Committed reserve	792,500	772,500
P/L after tax	1,221	-69,157

The equity accounted for in the 2022 annual accounts of Harsánylejtő Kft. is already positive, in contrast to the base year value, where equity was negative due to the expenses incurred in financing the defects liability problems related to the condominium apartments already sold (the Company settled the equity situation of Harsánylejtő Kft. on 28 March 2022 by means of the additional payment of HUF 20 million, as ordered by a founders' resolution).

Related party transactions:

HUF '000'	31.12.2022	31.12.2021
Loan granted by BIF	0	0
BIF revenue	0	9,041
BIF expenditure	0	0
Wage + contribution claim	551	506

41.2. Other related party

In 2022, in addition to Harsánylejtő Kft, the Company had a business relationship with PIÓ-21 Vagyonkezelő és Szolgáltató Kft. as a related party, and realized an income of HUF 16,430,000 from property lease from this relationship. Moreover, Kastélyszálló Kft has been also qualifying as a related party since 23 February, 2022, against whom the Company has charged HUF 3,033,000 as room rental cost.

IV. Other additional information

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

1.1. Off-balance sheet items that may affect the Company's future liabilities

As at 31 December 2022, the following pledges encumbered certain items constituting the Company's assets:

Loan1

Beneficiary's name: MFB Magyar Fejlesztési Bank Zrt.

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

Description of the encumbered thing or right (asset)

- The real property of parcel No. 24408/4, located in District V of Budapest (H-1052 Budapest, Apáczai Csere János utca 9.)

Details of the contract containing the secured claim:

Loan agreement

Date: 3 September 2019

Real property mortgage agreement - to secure multiple claims

Date: 3 September 2019

Contract for a pledge of receivables

Date: 3 September 2019

Amount of secured claim/registered encumbrance:

HUF 20,000,000,000, i.e. twenty billion forints as principal and any interests and other charges accrued.

Loans2-4

Beneficiary's name: Takarékbank Zrt

Based on the three loan agreements concluded between the Company and Takarékbank Zrt. on 31 August 2020, Takarékbank Zrt. provided the following fixed-rate 15-year HUF-loans to the Company:

- in order to refinance the total amount of debt owed under the two loan agreements concluded for HUF 20 billion on 7 November, 2018 between the Company and MFB Magyar Fejlesztési Bank Zrt., and the loan agreement concluded on 6 February, 2020, pursuant to the Credit Facility Agreement concluded by the Company and MFB on 7 November 2019, a loan was granted in the amount of HUF 9,707,551,770 and disbursed on 15 September 2020;
- a loan in the total amount of HUF 2,606,021,058 for the partial refinancing of the purchase of real estate and for financing real estate renovation and investment, of which the first disbursement of HUF 1,124,100,000 was made on 1 September 2020, the second disbursement of HUF 143,750,000 on 13 November 2020, the third disbursement of HUF 211,525,013 was made on 15 December 2021; the fourth disbursement of HUF 500,001,885 was made on 18 May 2022, the fifth disbursement of HUF 614,433,303 was made on 14 July 2022 and the sixth and last disbursement of HUF 12,210,857 was made on 22 September 2022;
- in order to refinance the total debt outstanding on the basis of the HUF 2,100,000,000 loan agreement concluded between the Company and Takarékbank on 8 March 2018, a loan was disbursed in the amount of HUF 1,661,513,172 on 15 September 2020.

Description of the encumbered thing or right (asset)

- The real property of parcel No. 6979/1, located in District XII of Budapest (H-1122 Budapest, Városmajor utca 12-14.)
- The real property of parcel No. 6866, located in District XII of Budapest (H-1122 Budapest, Városmajor utca 35.)
- The real property of parcel No. 18059, located in District III of Budapest (H-1033 Budapest, Flórián tér).
- The real property of parcel No. 38315/42, located in District X of Budapest (H-1101 Budapest, Üllői út 114-116.)
- The real property of parcel No. 6775, located in District I of Budapest (H-1012 Budapest, Logodi utca 42).

Details of the contract containing the secured claim:Loan agreements (3)

Date: 31 August 2020

Mortgage contract on real estate - with a fixed amount to secure several claims

Date: 31 August 2020

Agreement for the establishment of a charge on receivables - with a fixed limit to secure multiple claims

Date: 31 August 2020

Security deposit agreement for a charge on the receivables of a payment account

Date: 31 August 2020

Amount of secured claim/registered encumbrance:

HUF 14,700,000,000 limit

Loan5

Based on the loan agreement concluded between the Company and Takarékbank Zrt. on 28 June 2021, Takarékbank Zrt. granted the Company a fixed-rate 15-years' loan in the total amount of HUF 2,500,000,000 for financing real estate renovation and investment, of which the first disbursement of HUF 524,141,008 was made on 16 September 2021, and the second disbursement of HUF 716,312,052 was made on 15 December 2021, while the third and last disbursement of HUF 1,259,546,940 was made on 17 March 2022.

Description of the encumbered thing or right (asset)

- The real property of parcel No. 6979/1, located in District XII of Budapest (H-1122 Budapest, Városmajor utca 12-14.)
- The real property of parcel No. 6866, located in District XII of Budapest (H-1122 Budapest, Városmajor utca 35.)
- The real property of parcel No. 18059, located in District III of Budapest (H-1033 Budapest, Flórián tér).
- The real property of parcel No. 38315/42, located in District X of Budapest (H-1101 Budapest, Üllői út 114-116.)
- The real property of parcel No. 6775, located in District I of Budapest (H-1012 Budapest, Logodi utca 42).

Details of the contract containing the secured claim:Loan agreement

Date: 28 June 2021

Mortgage contract on real estate - with a fixed amount to secure several claims

Date: 28 June 2021

Agreement for the establishment of a charge on receivables - with a fixed limit to secure multiple claims

Date: 28 June 2021

Security deposit agreement for a charge on the receivables of a payment account

Date: 28 June 2021

Amount of secured claim/registered encumbrance:

HUF 2,500,000,000 and charges

1.2. Litigation and other legal proceedings

As of 31 December 2022, Budapesti Ingatlan Nyrt. was a defendant in the following lawsuit.

Claimant: Dr Dorottya Szabó-Páljános; Co-defendants: the Company as 1st defendant, Groom Electrician Korlátolt Felelősségű Társaság as 2nd defendant, JAZMY Szolgáltató Kft. as 3rd defendant and Dr Zoltán Szabó 4th defendant.

Subject of the litigation: request for an order on the registration of the ownership title of the claimant and the fourth defendant, each sharing half, to the property (residential property and garage) sold by the predecessor of the Company in 2010, and at simultaneous cancellation of the ownership of the 3rd defendant.

No decision was made in relation to the lawsuit in 2022. Taking into account that the pre-contract of sale concluded with the claimant provided for the possibility to appoint a third party as the buyer of the final sale contract, and that the final sale contract also contained reconciliation between the pre-contracting claimant and the Company, the action is, in the Company's view, unfounded. However, since the claimant is not seeking restitution and has no real property claim against the Company, and the properties sold have been out of the Company's possession for approximately 10 years, even in the event of a potential unsuccessful litigation, the Company may merely be required to tolerate registration of the claimant's and 4th defendant's title to the relevant properties, with no other legal consequences for the Company's assets.

2. Significant events after the balance sheet date

There were no significant events after the balance sheet date.

3. Extraordinary and other regulated disclosures in 2022 and until the date of signing of this Financial Statements of the Parent Company

Date of publication	Subject of publication
31 March, 2023	Monthly announcement of voting rights and share capital
27 March, 2023	Invitation to the General Meeting
28 February, 2023	Monthly announcement of voting rights and share capital
31 January, 2023	Monthly announcement of voting rights and share capital
2 January, 2023	Monthly announcement of voting rights and share capital
22 December, 2021	Calendar of corporate events
30 November, 2022	Monthly announcement of voting rights and share capital
2 November, 2022	Monthly announcement of voting rights and share capital
30 September, 2022	Monthly announcement of voting rights and share capital
31 August, 2022	Monthly announcement of voting rights and share capital
1 August, 2022	Monthly announcement of voting rights and share capital

30 June, 2022	Monthly announcement of voting rights and share capital
29 June, 2022	Information on the conclusion of legal proceedings
31 May, 2022	Monthly announcement of voting rights and share capital
11 May, 2022	Specification of the dividend payment notice
10 May, 2022	Dividend payment notice
5 May, 2022	Personal news
2 May, 2022	Monthly announcement of voting rights and share capital
29 April, 2022	The minutes of the regular annual general meeting of 2022 of Budapesti Ingatlan Nyrt, including the resolutions adopted
29 April, 2022	Report on Responsible Corporate Governance
29 April, 2022	Remuneration report
29 April, 2022	Amendment 2 of BIF remuneration policy
8 April, 2022	A proposal to the General Meeting and proposals for resolution
5 April, 2022	Proprietary notification and disclosure of changes in the indirect rate of voting rights
31 March, 2022	Monthly announcement of voting rights and share capital
29 March, 2022	Invitation to the General Meeting
28 February, 2022	Monthly announcement of voting rights and share capital
31 January, 2022	Monthly announcement of voting rights and share capital
27 January, 2022	Extraordinary information on the change of the Company's Investor Relations Officer

4. Authorization to publish financial statements

The Board of Directors approved the 2022 IFRS Audited Annual Financial Statements of the Parent Company on the 6th of April, 2023 and authorized it for disclosure with its resolution.

Declaration of liability

Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. hereby declares that the 2022 Audited Annual Financial Statements of the Parent Company has been prepared to the best knowledge of the Company, in accordance with the International Financial Reporting Standards and provides a true and fair view of the assets, liabilities, financial position as well as profits and losses of the Company, and does not omit any facts that might have any significance concerning the assessment of the situation of the Company.

Budapest, 6 April, 2023

.....
 dr. Anna Ungár
 President of the Board of Directors and CEO
 Address: 1121 Budapest, Hegyhát út 23.

.....
 Kristóf Berecz
 Vice-President and CEO
 Address: 1121 Budapest, Hegyhát út 23.



Business (Management) Report to the Audited Annual Financial Statements of the Parent Company prepared in accordance with the International Financial Reporting Standards (IFRS) for 2022

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

The business activity of **Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.** (registered office: 1033 Budapest Polgár utca 8-10.; hereinafter: the “Company” and/or “BIF”) in 2022 was along the lines of realizing the development strategy and goals listed below:

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

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

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

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

Office buildings

In 2022, a total of 267 thousand m² new office area was delivered in Budapest, which meant a significant growth compared to the previous year as a result of the fact that some of the office deliveries scheduled to the end of 2021 were postponed to 2022. The office corridor on Váci road remained the major target of investments in 2022 as well, followed by the submarket of South-Buda. The total modern office market portfolio exceeded 4.25 million m² by the end of 2022. In the second half of 2022, several major office buildings were delivered, while own investments had a unique 39% share of the market. In 2023, investments are expected to be concentrated in the southern part of the city, with only one office park expansion to be realized in the Váci út office corridor, the largest submarket in Budapest.

The negative effect of the high number of expansions is that the vacancy rate continued to rise compared to 2021, standing at 11.3% at the end of 2022; the most saturated submarket was North Buda, with a rate of 4.1%. Realtors expect the vacancy rate to rise further in 2023 until new developments "wind down" by the second half of the year. The demand for office space continued to rise in 2022 to 391,000 m², which represented a more modest increase (7%) compared to the previous year. (Source: CBRE, BRF)

There were fewer new investments launched in 2022, therefore only around 180 thousand m² are expected to be completed by 2023.

The change to the management fee played an increasingly important role in 2022 in the case of leases, as it has been representing an increasing share of the total occupancy cost. Due to various technical (energy efficiency) and financial factors, the management fee now ranges more widely (up to even €13/m²) than in the past. Average operating charges at the beginning of 2023 were around €5.5 for most category ‘A’ buildings, which may be due to a combination of significantly higher energy prices, increased cleaning and disinfection needs and the use of more modern mechanical equipment. (Source: CBRE, Portfolio)

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

In H1 2020, our Company acquired the former Posta Hotel at 114-116 Üllői út, Budapest, District X of Budapest, an iconic 13-storey tower building in the area, which was converted into a Category “A” office building (hereinafter: “**BIF Tower**”) in a development project launched in 2021. The construction project was handed over in January 2023. In the case of the adjacent three-storey building, formerly operating as an educational centre (hereinafter: “Üllői Avenue Educational Centre”), our aim is to use it as an office or educational centre in line with market demand. The two buildings will add more than 10,000 m² of office space.

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

Parking garages

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

Building plots and residential properties

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

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

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

(Source: Portfolio Ingatlan)

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

- **Land development:** A total of 153 land plots have been developed, constructed and sold within the framework of Phases I-II. The project was successfully completed in terms of development and sales (the total area of the above-mentioned Phases I to II exceeds 25 hectares).
- **Residential property development**
 - In Phases I and II of the residential development, a total of 40 apartments of floor areas between 55 and 99 m² were built on an area of about 1 hectare. The sale of the 20 apartments built in Phase I of the residential development project was successfully completed in 2019, and the sale of the 20 additional apartments built in Phase II of the residential development project was successfully completed in H1 2021. The owner of the project is Harsánylejtő Ingatlanforgalmazó és -kezelő Kft. (hereinafter: "Harsánylejtő Kft."), which is 100% owned by the Company.
 - For two of the three plots of land suitable for residential development, sales contracts with reservation of title were signed in Q4 2021, one of which was delivered in possession in 2022 (the reservation of title subject to payment of the full purchase price for the two plots was terminated in Q4 2022 and is foreseen for H1 2024, respectively).
- A plot of land suitable for the development of a **commercial unit**, comprising a retail unit of approximately 1,000 m² and a further 1,500 m² of office or other service functions on an area of approximately 0.4 hectares.
- A sale and purchase agreement was signed in Q4 2022 for a plot of land of more than 2.4 hectares suitable for the development of **buildings of other functions**, for which the transfer of ownership has also been completed.

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

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

One of the most prominent properties in the Company's portfolio is located at 80-82 Andrásy Avenue, District VI of Budapest, a World Heritage Site (hereinafter: "**Andrásy Avenue Property**"). On the more than 1,400 m² site, the Company prefers the possibility of a residential development with upscale apartments and services, taking into account the changing market needs and the district regulatory conditions.

Hotels

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

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

(Source: Hungarian Hotel & Restaurant Association)

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

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

II. Profit and loss in 2022, 2023 outlook and challenges

1. Profit and loss in 2022

The Company had a successful but challenging year in 2022, similar to the financial year 2021. Based on its audited separate profit and loss account prepared in accordance with IFRS, the **BIF achieved a profit before tax of approximately HUF 10,040 million in 2022**, which represents an increase by approximately HUF 1.9 billion compared to 2021. The profit before tax of HUF 8,053 million adjusted for the effect of the fair valuation of investment properties increased significantly (+ HUF 5,731 million) compared to the profit before tax of HUF 2,322 million in 2021; BIF produced such significant profit increase as a result of the fact that two of its major property development projects were still in progress during the year under review (**Major Udvar** and **BIF Tower** were handed over in October 2022 and January 2023, respectively). The operating profit before tax of the Company, adjusted for the effect of the fair valuation of investment properties, increased from HUF 2,381 million to HUF 7,748 million (+ HUF 5,367 million).

- In 2022, net sales totalled to approximately HUF 10,290 million against HUF 4,513 million in 2021 (+128%). The most important reason for this is that a sales revenue of HUF 3,219 million was generated in the year under review from the development plots sold under the Harsánylejtő Project, whereas we realized no revenue from development plots in the base year. The sales contract for both plots was signed with reservation of title as early as Q4 2021, and the profit from the sale of one of the plots was accounted in 2022, whereas the purchase price of the other plot is expected to be paid in full in H1 2024. There were 5 plots sold in the year under review, the accounting of which also took place in 2022. In addition to the revenues from property sales transactions, revenues from rent and management fees (+47%) and parking fees (+45%) also showed a significant increase in the reporting year, mainly due to higher occupancy rates, new developments (Major Udvar and Attila99Loft) and price hikes and indexations implemented at the beginning of the year. The main reason for the almost one and a half times increase in revenues related to Intermediary Services was the pass-through of the increased utility costs, mainly caused by the energy market situation resulting from the Russian-Ukrainian conflict. The majority of the Company's net sales revenue in 2022 was generated from rental, parking, operating and related intermediary services fees from the use of investment properties (together approximately 68% of the revenue).

Breakdown of net sales revenue

HUF '000'	2021	2022
Revenue from rents and operating fees	3,665,809	5,370,668
Revenue from parking fees	459,941	669,044
Revenue related to intermediary services	379,079	961,289
Revenue from the sale of properties/land	0	3,218,869
Other sales revenues	8,186	69,646
Total	4,513,015	10,289,516

- Other operating income** for the reporting period amounted to HUF 2,883 million compared to HUF 6,057 million in the base period, mainly due to the reduced impact of the fair valuation of the company's investment properties. Other significant specific items included in this line in 2022 were a one-off compensation of HUF 550 million (in the Harsánylejtő Project area) and the reversal of an impairment of HUF 121 million recognised at the end of 2021.

- The amount of **raw materials, consumables and other external charges** in 2022 increased by HUF 927 million, i.e., about 82%, compared to the amount reported in 2021. The most significant increase (+ HUF 639 million) was in the value of Sales of intermediary services, driven by higher levels of re-invoiced utilities and other services and higher levels of refurbishment and restoration costs for leased properties. There was an increase in the COGS line, due to the fact that, in contrast to the base year, there were building plots sold in 2022. The cost of materials and the value of services used also increased, mainly due to service price increases and the expansion of our real estate portfolio.
- **Payments to staff** increased by 18% in 2022 on a year earlier. Increase in payments to staff due to the impact of increase in the headcount related to the expansion of the portfolio, wage increase and the organisational development related to the achievement of the Company's strategic objectives.
- **Depreciation and impairment** for the reporting period was HUF 139 million more favourable than the base period, as a result of the lower value of impairment (- HUF 162 million) and the impact of higher depreciation (+ HUF 23 million) on non-investment fixed assets.
- **Other operating expenses** in 2022 were about 23% higher than in the previous year. The increase in expenditure in the reporting period was mainly due to a combination of the following factors: the decrease in the market value of certain properties, recognised in accordance with IAS 40, which was higher than the base value; the increase in the adjustment for the impact of fair value measurement on inventories in relation to the derecognition of 6 plots of land sold under the Harsánylejtő Project; the utility transfers realized for no consideration in 2022, also in the context of the Harsánylejtő Project (transfers for no consideration in 2021), and the decrease in taxes due to the effect of the land tax refund granted several years back due to the reclassification of land not suitable for development.
- As a result of the above, the **operating profit** for 2022 increased to approximately HUF 9,735 million, 18% higher than in 2021, while the operating profit adjusted for the impact of the fair valuation of investment properties increased to HUF 7,748 million in 2022 from HUF 2,381 million in 2021 (+ HUF 5,367 million).
- **Profit or loss from financial transactions** improved by HUF 364 million in the period under review compared to the base period, mainly due to an increase in interest income, driven by efficient liquidity management and a rising yield environment. On the expense side, the increase in interest expenses was due to higher borrowings due to new developments. Exchange rate gains and, to some extent, losses were higher than in the previous period due to the volatility of the forint.
- Based on the requirements of the REIT Act, BIF was only obliged to pay **corporate tax** until the Pre-REIT status was obtained (on 20 October, 2017). Having a REIT status, the Company is required to determine its corporate tax base, but it is only subject to corporate tax payment for the calculated base in certain cases (e.g. on a tax base proportionate to the income from related parties). Taking the above into account, in the reporting year, approximately HUF 0.9 million of the Company's actual tax expense of approximately HUF 27.9 million was corporate tax on income from related parties, approximately HUF 27 million was the amount of the innovation levy.

Profit and loss statement (IFRS, audited)

HUF '000'	2021	2022
Net sales revenue	4,513,015	10,289,516
Other operating income	6,057,030	2,883,201
Changes in internally generated inventories	4,811	-123,863
Capitalized value of internally generated assets	0	0
Raw materials, consumables and other external charges	-1,133,331	-2,060,548
Staff costs	-572,710	-676,885
Other operating expenditure	-382,553	-471,290
EBITDA	8,486,262	9,840,131
Depreciation and impairment	-243,815	-105,071
Operating P/L	8,242,447	9,735,060
Financial income	172,358	641,021
Financial expenses	-231,055	-335,871
P/L before tax	8,183,750	10,040,210
Actual tax expenditure	-12,581	-27,877
P/L after tax	8,171,169	10,012,333

- The portfolio of **investment property** increased by HUF 8.1 billion to around HUF 71.9 billion in 2022 compared to the end of 2021. Increase in the real value was driven by value-enhancing investments and capitalisations on properties under development, as well as the higher occupancy rates of income-generating properties. In accordance with the provisions of the REIT Act, the fair value of investment properties owned by the Company is determined by an independent valuer on a quarterly basis. (The valuations were made in both 2021 and 2022 by Seratus Ingatlan Tanácsadó Igazságügyi Szakértő Kft.)
- The Company's **net debt** (the value of financial liabilities less cash and cash equivalents) increased to around HUF 13.5 billion compared to HUF 11.1 billion at the end of 2021. Increase in financial liabilities was due to loan drawdowns in 2022. The decrease in cash and cash equivalents in the reporting period was the result of the following main effects offsetting each other: the dividend payment in the amount of approximately HUF 5,034 million, the increased financing needs due to ongoing property developments, the increase in net loans, and the proceeds from the sale of building plots in Q4 2022.

Key balance sheet items (IFRS, audited)

HUF '000'	31.12.2021	31.12.2022
Investment property	63,763,004	71,881,004
<i>Long-term assets, total</i>	<i>64,271,216</i>	<i>72,456,342</i>
Cash and cash equivalents	9,420,771	8,023,789
<i>Current assets, total</i>	<i>10,396,380</i>	<i>9,109,544</i>
Assets, total	74,667,596	81,565,886
Subscribed capital	2,870,244	2,870,244
<i>Equity allocated to the parent company, total:</i>	<i>50,529,309</i>	<i>55,507,953</i>
Financial liabilities	19,213,740	20,075,461
<i>Long-term liabilities, total</i>	<i>19,220,224</i>	<i>20,082,491</i>
Financial liabilities	1,270,565	1,446,747
<i>Current liabilities, total</i>	<i>4,918,063</i>	<i>5,975,442</i>
Liabilities and equity, total	74,667,596	81,565,886

Key indicators of the equity, financial and income position

Description	31.12.2021	31.12.2022
Long-term assets to total assets (Total long-term assets to total assets)	86.08%	88.83%
Indebtedness (total long-term liabilities to long-term liabilities and total equity allocated to the parent company)	27.56%	26.57%
Debt to equity ratio (total long-term liabilities to total equity allocated to the parent company)	38.04%	36.18%
Acid test ratio (Cash and cash equivalents to total short-term liabilities)	191.55%	134.28%
Return on sales (operating income to the net sales revenue)	182.64%	94.61%
Return on equity (operating income to total equity allocated to the parent company)	16.31%	17.54%

2. Outlook and challenges for the financial year 2023

In 2023, the Company will focus on the following **areas of development**:

- Preparation of the development plans for the conversion of **Major Park** (Városmajor u. 35.), which was successfully acquired in early 2020, to a category “A” office building and for the related parking garage and commercial function (the size of the total development area is approximately 26,000 m²).
- For the **Attila99Loft**, continuation of the sales activity for the rental of the building.
- **Harsánylejtő Project**
 - For those parcels of land in the Harsánylejtő Project where no decision has yet been taken to commence development, the options for commencing individual developments and/or selling them as parcels/projects will be investigated based on current market trends.
- Development concept of the **Bajcsy-Zsilinszky Avenue Office Building** (at 57 Bajcsy-Zsilinszky Avenue, District VI of Budapest), maximizing the occupancy of the property in its current state during the transition period.
- In the case of the **Andrássy Avenue property**, the finalisation of the planned residential concept, depending on changes in market conditions.
- In the case of the **BIF Tower**, the conclusion of the lease contracts and the implementation of construction works requested by tenants.
- Investigation of the possibilities of utilisation of the **Üllői Avenue Educational Centre**, partial renovation of the building in case of specific tenant demand and conclusion of lease contracts.
- Exploiting the development and efficiency improvement potential of existing properties (**portfolio “review”**).
- Identifying **acquisition opportunities** that fit in the Company's strategy, executing the acquisitions and integrating the property into the income generating portfolio.

In addition to the foregoing, the examination of the short-term and long-term impacts of the economic conditions changed due to the outbreak of the Russian-Ukrainian war on 24 February 2022 and the related international sanctions on the activities of the Company will also present challenges.

III. Major events at the Company in 2022

1. General Meeting

On 29 April 2022, the Board of Directors of the Company adopted resolutions on all matters included in the agenda of the invitation to the General Meeting published on March 29, 2022, and published them on April 29, 2022, in accordance with the relevant legal provisions. The resolutions can be found at the following link:

<https://www.bif.hu/investors/publicitans/stock-exchange-statements/bif-2022-agm-minutes-meeting-including-resolutions>

2. Loans

- Based on the loan agreement concluded by the Company and Takarékbank Zrt. (hereinafter: "Takarékbank") on 21 August 2020, Takarékbank granted the Company a HUF loan with a 15-year fixed interest rate term for the partial refinancing of the purchase of real property and for real estate renovation and investment purposes in the total amount of HUF 2,606,021,058, of which the fourth disbursement of HUF 500,001,885 was made on 18 May 2022, the fifth disbursement of HUF 614,433,303 was made on 14 July 2022, while the sixth and last disbursement of HUF 12,210,857 was made on 22 September 2022.
- Based on the loan agreement concluded by the Company and Takarékbank on 28 June 2021, Takarékbank granted the Company a HUF loan with a 15-year fixed interest rate term for real estate renovation and investment purposes in the total amount of HUF 2,500,000,000, of which the third and last disbursement of HUF 1,259,546,940 was made on 17 March 2022.

3. Personal changes in 2022

Board of Directors and the Audit Committee

By its resolution as of 29 April, 2022 (Resolutions No. 19-31/2022.04.29 of the General Meeting), the General Meeting removed the members of the Board of Directors from their office and re-elected the members of the Board of Directors and the Audit Committee for an additional period of 5 years (from 30 April, 2022 to 30 April, 2027), which resulted in no change to the composition of the Board of Directors and the Audit Committee.

Changes to the management of the Company in 2022

- By its resolution No. 3/2022 (05.04), the Board of Directors appointed Dr Anna Ungár to be Chief Executive Officer of the Company alongside Chief Executive Officer Kristóf Berecz.
- On 26 March, 2022, the employment of Balázs Diószegi, Head of the Development Department was terminated.
- Since 29 April, 2022, Attila Seres has been filling the position of Head of the Property Development Construction Department.
- Since 9 May, 2022, László Mészáros has been holding the position of Head of Operations.

IV. Risk factors affecting the Company's performance

The effectiveness of the Company's activities will continue to be significantly affected by the macroeconomic situation and the resulting company's business environment, as the occupancy rate of offices and the amount of rent realisable depend on the financial situation and prospects of the tenant companies.

The Company performs its activities related to real properties at relatively low risk; the majority of the lease contracts concluded is for a fixed term, with an average remaining term of between 3 and 4 years, but in special cases up to 5+5 or 10 years. Our open-ended lease contracts have typically been running for several years.

Thanks to a preliminary tenant risk analysis and a security deposit system, the level of arrears in 2022 was able to remain at a very low level similar to the previous year despite the economic difficulties arising in the course of the year (drastic increases in energy prices and the drastic increase in inflation, in part as a result of energy price increase).

Since March 2018, when the then EUR loan owed to CIB Bank Zrt. was refinanced with a HUF loan, the Company has only had forint-based long-term loans. Considering that approximately 86% of the Company's revenues are realized in HUF and that FX revenues amply cover expenditure arising in FX, it practically has no FX risk.

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

The detailed data concerning financial instruments can be found in paragraph 37 on "Financial instruments" in Section III titled "Additional explanations" in the Chapter on "Notes to the statements" to the audited Annual Financial Statements of the Parent Company for 2022, prepared in accordance with the International Financial Reporting Standards (IFRS). Other than the BIF ordinary shares (treasury shares) held by the Company, the Company does not have any other securities and has not entered into any derivative transactions.

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

V. Material events after the balance sheet date

There were no material events after the balance sheet date.

VI. General company information

1. Corporate data of the Company

Official name of the Company:	Budapesti Ingatlan Hasznosítási és Fejlesztési nyilvánosan működő Részvénytársaság
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.
Central electronic contact:	info@bif.hu
Website:	www.bif.hu
The Company's memorandum of association is dated:	31.01.1995
The date of commencement of the Company's operations is:	01.05.1994
Court of registration:	Companies Court of the Court of Budapest
Company registration number:	Cg. 01-10-042813
Statistical code of the Company:	12041781-6820-114-01
Tax ID:	12041781-2-41
Community tax ID:	HU12041781
As at December 31, 2022 the share capital of the Company was	HUF 2,870,244,400
Term of the Company's operation:	open-ended
Business year of the Company:	identical with the calendar year.
Core activity of the Company (TEÁOR):	6820'08 Letting and operation of property owned or leased

2. Corporate Governance

General Meeting

The appointment and removal of the executive officers is the exclusive competence of the General Meeting of the Shareholders. The Company has not concluded any special agreement with the executive officers and employees regarding severance payments, and thus in this respect, the relevant provisions of the Civil Code shall apply. No agreement has been entered into between the Company and any of its officers or employees providing for indemnification in the event of resignation of an officer or termination of employment by an employee, or in the event of wrongful termination of employment by an officer or employee, or termination of employment as a result of a public tender offer. The Company has not entered into any agreement that takes effect, is amended or terminated as a result of a change in control of the Company following a public purchase offer.

The General Meeting has exclusive power to amend the Statutes, with the following exceptions:

- If the amendment of the statutes only affects the name, registered office, places of business and branches of the Company, the place of central administration and the activities of the Company other than its principal activity, the General Meeting shall decide by simple majority, by virtue of which the statutes authorise the Board of Directors of the Company to amend the name, registered office, principal place of business, local offices and branches, central administration and the scope of activities of the Company other than its principal activities, by a decision of the Board of Directors, acting in its discretion.
- By resolution the General Meeting may authorise the Board of Directors to increase the share capital of the Company. The relevant resolution of the General Meeting must specify the maximum amount (authorised share capital) up to which the Board of Directors may increase the share capital of the Company. The General Meeting may authorise any type of increase in share capital by any means. The mandate of the General Meeting may be given for a maximum of five years. In the case of an increase in the share capital under the authority of the Board of Directors, the Board of Directors is obliged and entitled to amend the statutes.

Board of Directors

The Company operates in a unified control system.

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

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

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

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

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

Name	Position	Beginning of assignment	End of assignment
Dr Anna Ungár	President	30.04.2022	30.04.2027
Kristóf Berecz	Vice-President	30.04.2022	30.04.2027
Julian Tzvetkov	member	30.04.2022	30.04.2027
Dr Frigyes Hárshegyi	member	30.04.2022	30.04.2027
Miklós Vaszily	member	30.04.2022	30.04.2027

Audit Committee

Pursuant to the statutes, the Audit Committee has competence in the following matters:

- expressing an opinion on the financial statements under the Accounting Act;
- follow-up the audit of the financial statements prepared in accordance with the Accounting Act;
- proposal on the appointment and remuneration of the permanent auditor;
- preparing the contract with the permanent auditor;
- monitoring the enforcement of professional requirements, conflicts of interest and independence standards for the permanent auditor, performing duties related to co-operation with the permanent auditor, monitoring the services provided by the permanent auditor to the Company other than the audit of the accounts under the Accounting Act, and, if necessary, proposing to the Board of Directors to take measures;
- assessing the functioning of the financial reporting system and proposing the necessary measures;
- assisting the Board of Directors in its work to ensure proper control of the financial reporting system; and
- monitoring the efficiency of the internal control and risk management system.

In addition to the meetings of the Board of Directors, the Audit Committee decided electronically on 4 occasions in 2022.

Members of the Company's Audit Committee (31. December 2022)

Name	Position	Beginning of assignment	End of assignment
Julian Tzvetkov	member	30.04.2022	30.04.2027
Dr Frigyes Hárshegyi	member	30.04.2022	30.04.2027
Miklós Vaszily	member	30.04.2022	30.04.2027

Remuneration of the executive officers (Board of Directors and the Audit Committee)

At its 2022 Annual General Meeting, the General Meeting of the Company decided that the members of the Board of Directors should perform their duties without remuneration, and the members of the Audit Committee should perform their duties for a gross monthly remuneration of HUF 300,000 per member in the business year of 2022.

3. Auditor

The Company's auditor in the business year of 2022:

- On 29.04.2022, the General Meeting of the Company appointed QUERCUS Audit Könyvvizsgáló és Gazdasági Tanácsadó Kft (registered office: 8200 Veszprém, Radnóti tér 2/C, company registration No.: 19 09 512226; tax number: 11679204-2-19, registration No. with the Chamber of Auditors: 002651) to act as the auditor of the Company in the period commencing on the date of adoption of the annual financial statements of the Company for the financial year concluded on 31.12.2021 and ending on the date of adoption of the annual financial statements of the Company for the financial year concluded on 31.12.2022 but no later than 15.05.2023.

4. Disclosures

The Company discloses its public notices on:

- the BSE (www.bet.hu website, the MNB website (www.kozzetetelek.mnb.hu and the Company's own website (www.bif.hu).

5. Share information

As of 31 December 2022, the Company's share capital consisted of 287,024,440 dematerialised ordinary shares with a nominal value of HUF 10 each, of which 35,340,000 shares were held in treasury. Details of the rights and obligations vested in the shares are given in Section 6 of the Company's Articles of Association. As of 1 October 2018, the shares are traded in the "Premium" category of the Budapest Stock Exchange and represent the total issued share capital; there are no other issued shares of the Company.

Sale of the shares is not restricted, no pre-emption right has been stipulated, but the shares can only be transferred by debit or credit to the relevant securities account. When a share is transferred, the shareholder may only exercise his right vis-a-vis the Company if the new owner's name has been registered in the share shareholders' register.

The register of the Company's shareholders is maintained by KELER Zrt.

No special control rights are currently stipulated.

At the Annual General Meeting of the Company held on 29 April 2019, the General Meeting authorized the Board of Directors to increase the share capital of the Company by issuing preference shares with voting rights, under the conditions set out in the resolution of the General Meeting. This authorization was not used by the Board of Directors in 2021.

We are not aware of any shareholder agreement relating to management rights.

The Company does not currently have an employee share scheme. At the Annual General Meeting of the Company held on 29 April 2019, the General Meeting authorized the Board of Directors to increase the share capital of the Company by issuing employee shares under the conditions set out in the resolution of the General Meeting. This authorization was not used by the Board of Directors in 2022.

Minority rights: The shareholders representing at least 1% of the votes may at any time request the convention of the Company's general meeting, giving reasons and specifying its purpose.

According to the Statutes, the general meeting elects officers with a simple majority of the votes.

On 29 April 2022, by a resolution the Board of Directors, acting in the competence of the General Meeting, authorized the Board of Directors to purchase treasury shares. The authorization allows the Board of Directors to decide on the purchase by the Company of ordinary shares issued by the Company. The minimum amount of consideration that can be paid for a treasury share is HUF 1, and the maximum amount is up to 150% of the turnover-weighted average stock exchange price of the 180 days preceding the date of the transaction. The authorization is valid for a limited period from the date of the General Meeting until 29 October 2023. The maximum value of treasury shares acquired by the Company under the authorization may be up to 25% of the share capital.

Owners of the Company with more than 5% of interest based on the 31 December 2021 and on the 31 December 2022 share register and the individual statements of the owners

Shareholder	31 December, 2021		31 December, 2022	
	Number of shares	Participation (%)	Number of shares	Participation (%)
PIÓ-21 Kft.	184,847,220	64.40*	191,218,481	66.62
Takarékbank Zrt.	28,702,440	9.99	28,702,440	9.99
Equity shares**	35,340,000	12.31	35,340,000	12.31
Other shareholders	38,134,780	13.3	31,763,519	11.08
Total	287,024,440	100.00	287,024,440	100.00

* Of which 1,090,260 ordinary BIF shares with a nominal value of HUF 10 each as of 31 December 2021 represent 0.38% indirect share through the Company's subsidiary, BFIN Asset Management AG

** The Company may not exercise shareholder rights by the BIF ordinary shares in its ownership

**Ownership interest of executives, employees in strategic positions in the Company
(31 December 2022)**

Nature	Name	Position	Start of assignment	End of assignment	Direct share property (number of shares)	Percentage of BIF shares with indirect influence
MBoD	Dr Anna Ungár	President of the BoD* and CEO as from 4 May, 2022	30.04.2022	30.04.2027	0	66.62%
MBoD	Kristóf Berecz	Vice-President and CEO as from 1 December, 2018	30.04.2022	30.04.2027	0	66.62%
MBoD	Julian Tzvetkov	member of the BoD and the AC**	30.04.2022	30.04.2027	0	0
MBoD	Dr Frigyes Hárshegyi	member of the BoD and the AC	30.04.2022	30.04.2027	0	0
MBoD	Miklós Vaszily	member of the BoD and the AC	30.04.2022	30.04.2027	0	0
SP	Róbert Hrabovszki	Deputy CEO, CFO	19.03.2018	unspecified***	0	0

*Board of Directors

**Audit Committee

***Nature of employment

**Shares held in the Company by executives and employees in strategic positions
(31 December 2021)**

Nature	Name	Position	Start of assignment	End of assignment	Direct share property (number of shares)	Percentage of BIF shares with indirect influence
MBoD	Dr Anna Ungár	President of BoD*	15.08.2017	15.08.2022	0	64.40%
MBoD	Kristóf Berecz	Vice-President and CEO as from 1 December, 2018	15.08.2017	15.08.2022	0	64.40%
MBoD	Julian Tzvetkov	member of the BoD and the AC**	15.08.2017	15.08.2022	0	0
MBoD	Dr Frigyes Hárshegyi	member of the BoD and the AC	15.08.2017	15.08.2022	0	0
MBoD	Miklós Vaszily	member of the BoD and the AC	22.12.2017	15.08.2022	0	0
SP	Róbert Hrabovszki	Deputy CEO, CFO	19.03.2018	unspecified***	0	0

*Board of Directors

**Audit Committee

***Nature of employment

VII. Changes in the number of employees; employment policy

In 2022, the Company's average statistical headcount was 52 (48 in 2021), while at 31 December 2022 the headcount was 64.

The Company has no employment policy liabilities.

VIII. Research and experimental development

Due to the nature of its activities, the Company is not engaged in research and experimental development.

IX. Personal changes in 2022

They are described in Chapter III, Section 3.

X. Environmental protection

Due to the nature of the activity, the Company does not generate or store hazardous waste, and the air pollution charge for the combustion products emitted is paid by BIF. No significant costs were directly related to environmental protection, neither in the previous financial year nor in the reporting year.

XI. Report and statement on Responsible Corporate Governance

The Company has a Report and Statement on Responsible Corporate Governance, and reviews and, if required, amends its corporate governance annually. At the Annual General Meeting, the shareholders vote on the approval of the Company's Report on Corporate Governance, and the Company publishes its Report on Corporate Governance after the meeting.

- The “Report on Responsible Corporate Governance” is accessible on the websites www.bet.hu, www.bif.hu and www.kozzetetelek.hu.
- The Company compiles its report and statement on its responsible corporate governance on the basis of the Recommendations for Responsible Corporate Governance, published by Budapesti Értéktőzsde Zrt.
- The Report and Statement on Responsible Corporate Governance is adopted by the Board of Directors and approved by General Meeting. The Report on Responsible Corporate Governance includes BSE’s recommendations and gives details and reasons for any deviation from them.
- The Report on Responsible Corporate Governance includes BSE’s recommendations and gives details and reasons for any deviation from them.
- The Report on Corporate Governance contains the main features of the Company's internal control and risk management practices.

No company secretary has been appointed the Company.

Declaration of liability

Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. hereby declares that the Business (Management) Report 2022 contains real data and statements, providing a true, correct and complete view of the position, development and performance of the Company presenting the main risks and uncertainty factors and does not omit any facts that might have any significance concerning the assessment of the position of the Company.

Budapest, 6 April, 2023

.....
dr. Anna Ungár
President of the Board of Directors and CEO

.....
Kristóf Berecz
Vice-President and CEO