



Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.

2021 Half-Year Report

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Consolidated Business (management) Report

Report prepared for the consolidated, non-audited Financial Statements of Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt., prepared in accordance with the International Financial Reporting Standards for the period ending on June 30, 2021

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

The business activity of Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. (registered office: 1033 Budapest Polgár utca 8-10.; hereinafter: the “Company” and/or “BIF”) in the first half of 2021 was along the lines of realizing the development strategy and goals listed below:

- Seeking after office and other buildings that fit the existing revenue-generating property portfolio of the Company and performing acquisitions.
- Utilizing the maximum revenue-generating potential in the existing property portfolio and the optimization of the operation of office buildings, development of real properties.
- The realization of the full developed concept of the 39-hectare Harsánylejtő development area in Budapest, District 3, owned by the Company.

As a company developing and utilizing property, operating since December 31, 2018 as a regulated real estate investment company as defined in Act CII of 2011 on Regulated Real Estate Investment Companies (hereinafter: the “REIT Act”), it is involved in the utilization of properties (office and other buildings and parking garages) owned by the Company by giving them into lease, the further development of such properties and the sale of its own construction lots, as well as property development projects on such construction lots and the utilization and sale of the such properties.

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

- Office buildings
- Parking garages
- Construction lots
- Residential properties
- Hotels

Office buildings

In the first quarter of 2021, totally 24,700 m² new office area were handed over in two buildings in Budapest, whereas in the second quarter of the year, 19,760 m² new office area was handed over in one building. The total modern office market portfolio reached 3,955,570 m² by the end of the first quarter of 2021. The vacancy rate of office buildings went on increasing and reached 9.8% by the end of June, 2021, representing an annual growth rate of 2.5%.

In terms of tenant activity, the Váci Street corridor remained the most popular submarket in the recent period, attracting 30% of the demand, closely followed by the submarket Pest Centre (27%). At the end of June, the rate of utilization was the highest (95.6%) in the submarket of North Buda and the lowest (72%) in the submarket of the Agglomeration. (Source: BRF 2021 Q2)

The ratio of local investors has grown in 2021, partly due to the travel restrictions caused by the pandemic. According to the opinion of market players, offices continue representing the most demanded investment category, whereas the interest in industrial properties, which grew last year significantly, seems to be diminishing, in contrast to the growing interest in alternative options, such as hotels and leased apartments, compared to previous years. (CBRE: Hungarian Investor Intentions Survey 2021)

In the market of office buildings, adapting to new office use habits and meeting tenants’ demands which have changed due to the pandemic situation, such as the flexible use of the area or technological developments providing extremely hygienic and safe working conditions to employees, continue representing a challenge.

On June 30, 2021, our Company owned six category ‘B’ and two category ‘A’ office buildings with excellent location from infrastructural and traffic perspective, and one of the current category ‘B’ office buildings (the office building located at Budapest, district XII, Városmajor str. 12-14, hereinafter: “**Major Udvar** (Városmajor12)”) is being upgraded to a category ‘A’ office building and is expected to be completed in Q1 of 2022. The utilization rate of our existing office buildings tended to be about 88-90% in the period in question.

In the first half of 2020, our Company acquired the former “**Posta Szálló**” at **Üllői str. 114-116 in district X** of Budapest, the iconic 13-storey tower building of the neighbourhood, which is being reconstructed for being used as a category ‘A’ office building (hereinafter: “**BIF TOWER**”). The 3-storey building next to it, once used as a training centre (hereinafter: the “**Üllői str. Training Centre**”) has also been added to our portfolio, which we intend to utilize as office area or training centre, depending on the actual market demand. The development and comprehensive renovation of BIF TOWER commenced at the end of July, 2021 and the project is expected to be completed in September, 2022.

Our major goal in respect of our office buildings is to keep our tenants satisfied, retain them in the long term and encourage them to extend the term of their lease contracts despite the pandemic situation. We provide our tenants continuous operator’s presence and maintenance services in all of our office buildings. In the case of our category ‘A’ office buildings, we pay special attention to the modernisation of common areas, the efficient operation of the buildings, the application of environment friendly solutions and meeting individual tenant demands.

Parking garages

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

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

Construction lots and residential buildings

From the governmental measures, the reintroduction of the 5% VAT rate on residential properties until 2022, announced in October, 2020 and the new home creation supports were the ones which have a major impact on the market, including the market of plots suitable for the construction of residential buildings (source: KPMG). Low interest rates and the home creation allowances provided by the state may help with sustaining the level of demand during the coronavirus pandemic as well. In this new situation, increased attention is expected to be directed at the high prestige zones in Buda, which classically preserve their value, by customers buying not only for residential, but investment purposes as well.

In 2021 H1, 83,000 apartments were sold in Hungary (Source: Portfolio.hu). Within that, 3,200 new transactions took place in the Budapest market of newly built residential properties, which represented a growth by 40% on a prorated basis, and nearly 13 thousand apartments are under preparation in 72 additional projects. (Source: OTP Ingatlanpont)

As part of the **Harsánylejtő Kertváros** project to be realized by the Company as developer (in district III of Budapest), the Company has launched development projects on a total area of 39 hectares in recent years in several phases (hereinafter: “**Harsánylejtő Project**”). The project has included construction lot development, residential property development and the creation of lots suitable for the construction of commercial units in the following breakdown:

- **Construction lot development:** A total of 153 construction lots were regulated, created and sold in phases I and II of the construction lot development. The project was successfully concluded in terms of development and sales alike (the total area subject to phases I and II referred to above exceeds 25 hectares).
- **Residential property development**
 - In phases I and II of the residential property development, totally 40 apartments of floor spaces of 55 – 99 m² were constructed on an area of 1 hectare. The sale of the 20 apartments constructed in phase I of the residential property development was successfully concluded in 2019, while the sale of the remaining 20 apartments constructed in phase II of the project was successfully concluded in 2021 H1. The legal processes related to the development (establishment of condominiums, creation of condominium units) have been concluded and all of the apartments sold have been transferred to the customers. The project owner is Harsánylejtő Ingatlanforgalmazó és -kezelő Kft. (hereinafter: „Harsánylejtő Kft.”), the exclusive owner of which is the Company.
 - In the second half of 2020, our Company sold the development area of 1 hectare of phases III – IV, comprising 8 plots of land suitable for the development of residential properties.
 - According to the current regulations, the Company could construct condominium properties including 30, 50 and 55 apartments respectively on another area of more than 2 hectares, comprised of 3 plots suitable for residential property development, however, the sale of these plots of land might be an alternative to development for the Company to make use of the growing demand as a result of the cutting of the VAT levied on residential properties.
- **Commercial unit development:** there is a plot of an area of 0.4 hectare, which is suitable for the construction of a retail unit of ca. 1,000 m² and an additional office or other service function area of 1,500 m².
- **Office or residential property development:** a plot of 1 hectare suitable for the construction of an office complex of ca. 2,500 m² or condominium properties.

The Company is continuously investigating the best opportunities in respect of the individual real properties. Decisions were made to implement phases I and II of the Harsánylejtő Plot Development and phases I and II of the Harsánylejtő Residential Property Development, which developments have already been concluded. As for the other development opportunities, the Company will consider possibilities individually based on current market trends whether to start the developments or sell them as a construction lot/project.

In addition to the residential property development realized as part of Harsánylejtő Project, the Company realized a significant development project regarding the real property entered into the Land Register under Topographical No. 6775, Budapest, district I, physically located at 1012 Budapest, Attila str. 99 and 1012 Budapest, Logodi str. 42 (hereinafter: the “**Attila99Loft**” or “Attila str. property”). As part of this development project, 16 exclusive apartments, an automated parking system with 22 parking spaces, a restaurant and a bakery are being constructed in the real property. The building with a design inspired by New York will be made special not only by being located in the Castle District and the unique style of each apartment, but also the exclusive services to be offered in it (the operators of the services were selected and the preparations for opening were concluded in 2021 H1). Construction works were completed by the end of July, 2021 and the Company wishes to utilize the apartments developed by a rental scheme.

Hotels

After record low reservation rates and revenues seen by the hotel industry in 2020, the beginning of 2021 was also characterized by uncertainty. Recovery started noticeably by the spring months, as a result of which the number of guest nights in April were more than two times in the country and more than five times in Budapest compared to the same period of the previous year. The demand in the capital city is prognosticated to be several times higher in the summer months than a year ago and may exceed the level in 2020 in the country as well. Market players believe, however, that it may take another 2-3 years for the demand to return to the level of 2019. (Source: BDO Magyarország)

On the development side, we can expect the appearance of an accumulated volume of hotel investment on the market in the short term, as the hotels physically completed in 2020 could still not open and the hotel-openings planned for 2021, but then rescheduled will all enter the market in 2022. (Source: Colliers International)

At the moment, there is one real property owned by the Company which is operated by the lessor company as a hotel (the Company generates no revenues from providing accommodation or catering services, but only leases the real property owned). In one of the most prominent locations from the point of view of tourism, in the **property at Madách square** (Madách Imre sqr 3, in district V of Budapest) there is a 4-star hotel operating with 115 rooms.

In **building “C”** within the **real property complex on Üllői street**, located in the catchment area of Liszt Ferenc international airport, more specifically the airport corridor, a 3-star hotel with 81 rooms and 1 apartment functioned as a transit hotel until June 30, 2021. The Company wishes to utilize this building as a hostel or student hostel in the future via leasing it to a 3rd party operator (hereinafter: **“BIF HOSTEL”**).

One of the most outstanding real property in the portfolio of the Company is located at a World Heritage Site under Andrassy str. 80-82, in district VI of Budapest (the **“Andrassy str. property”**). A Boutique Hotel concept is being developed currently for this plot of a total area of more than 1.4 thousand m², and an agreement is being negotiated for its utilization with an operator with significant references on the Budapest hotel market. The phasing of the development is fundamentally affected by how the coronavirus pandemic evolves and its impact on the market.

II. Profit and loss in the 1st half year of 2021 and the prospects for and challenges in 2021

1. Profit and loss in the 1st half year of 2021

Based on its consolidated, non-audited Financial Statements prepared in accordance with the IFRS, the Company realized a **profit before taxes of HUF 1,416 million** in the 1st half year of 2021, which represented a decrease by 21.6% compared to the same period of the previous year, however, the **profit before taxes of 2021 H1 adjusted** with the effect of the fair valuation of investment properties and of the sale of Verseg Kastélyszálló¹ at the end of 2020 H1, which amounted to **HUF 1,157 million**, represented an **increase by nearly 90%** compared to the relevant adjusted profit before taxes in the base period.

- The **net revenue from sales** in 2021 H1 totalled to HUF 2,436 million (-12%) compared to HUF 2,761 million in the previous period. The negative change was caused by the missing sale of plots in the subject period, while BIF realized growth on a group level in respect of the other revenue categories. The majority (a total of 86%) of the consolidated net sales revenues generated by the Company in 2021 H1 was derived from fees charged for rental, parking, operational and related mediated services related to the utilization of investment properties, while the share of the revenues generated by the sale of residential properties as part of the Harsánylejtő Project was 13% and the share of other revenues from sales was 1%. The growth in the revenues from property utilization mainly resulted from the adjusted price increases enforced at the beginning of the year and the increasing rate of utilization.

Breakdown of the net sales revenues

Data in th HUF	2020 H1	2021 H1
Income from leasing and operating fees	1 594 868	1 744 995
Income from parking fees	200 022	211 210
Income related to mediated services	119 843	149 871
Income related to services	0	0
Revenue from property/lot sales	839 943	304 569
Other revenues from sales	6 818	25 765
Total	2 761 494	2 436 410

- **Other operating income** amounted to HUF 686 million in 2021 H1 compared to HUF 1,350 million in the base period, which represented a decrease by 49% (HUF - 664 million) due to the changes arising from the fair valuation of investment properties and the profit effect of the sale of Verseg Kastélyszálló in 2020 H1.
- **Material expenditure** decreased by 52% to HUF 556 million in the 1st half year of 2021 compared to its value demonstrated in the 1st half of 2020. This change was mainly due to the significant decrease in the value of Services used and, more specifically, the fact that whereas the construction of condominium properties was still underway in the similar period of the previous year, there were only repair works done in the 1st half-year of 2021.
- Group-level **personnel expenses** grew by nearly 10% in the first six months of 2021 compared to the previous year. Personnel expenses increased as a result of the growth in personnel numbers and organisational development related to the realization of the Company's strategic goals.
- In the line of **depreciation and impairment**, there was an improvement by HUF 221 million compared to the base period. In the Depreciation line, the depreciation accounted for the non-investment tangible assets of the Company is demonstrated, which grew by 21% to nearly HUF 19 million in the subject period. The amount of the impairment changed from HUF 287.5 million in the same period of the previous year to HUF 63.5 million and was incurred from the impairment of receivables from one customer.

¹ Verseg, unincorporated area, real property of Topographical No. 0122/2

- **Other operating expenditure** was HUF 399 million in the subject year as opposed to HUF 557 million in the base period. The higher value by HUF 158 million of the previous period occurred mainly due to the removal of the assets (roads) transferred for no consideration to the Municipality of District III of Budapest as part of the Harsánylejtő Project in the previous year.
- As a result of the foregoing, the **operating profit** of the subject period changed from HUF 1,841 million to HUF 1,472 million. The consolidated operating profit adjusted by the individual profit effects, i.e. the fair valuation of investment properties and the sale of the Verseg property, increased from HUF 645 million to HUF 1,213 million, representing an improvement by 88%.
- The **loss from financial activities** amounted to HUF -56 million in the subject period, i.e. by HUF 21 million lower than in the base period, as revenues decreased by nearly HUF 32 million and expenditure decreased by HUF 11 million in the subject period. The major cause of the decrease in financial revenues was the base value increasing effect of the exchange rate gain realized upon EUR/HUF exchange transactions related to the payment of the purchase price of Major Park (Városmajor 35) office building in the previous year. The Company managed to decrease its financial expenditure by the refinancing of some of its existing loans.
- Based on the provisions of the REIT Act, the Company was obligated to pay corporate tax only as long as the REIT status was obtained (on October 20, 2017). Although the Company as a REIT is still obliged to determine its corporate tax base, it is only obliged to pay **corporate tax** after such tax base in certain cases (e.g. the portion of the tax base prorated to revenues from affiliates). With regard to the foregoing, the actual tax expenses incurred by BIF Group in the subject year in the amount of HUF 10.4 million included HUF 0.3 million payable as corporate tax after revenues from affiliates, group-level innovation contribution amounting to nearly HUF 6.3 million and local business tax incurred in Harsánylejtő Kft in the amount of HUF 3.8 million.

Profit and Loss Statement (IFRS, consolidated, non-audited)

Data in th HUF	2020 H1	2021 H1
Net revenue from sales	2 761 494	2 436 410
Other operating income	1 350 083	686 067
Changes in the inventory of internally generated products	-476 883	-219 580
Capitalized value of internally generated assets	473 579	-124 026
Material expenditure	-1 161 238	-556 367
Personnel expenses	-245 807	-269 929
Other operating expenditure	-557 107	-398 598
<u>EBITDA</u>	<u>2 144 121</u>	<u>1 553 977</u>
Depreciation and impairment	-302 934	-82 085
<u>Operating profit</u>	<u>1 841 187</u>	<u>1 471 892</u>
Financial income	81 336	49 299
Financial expenditure	-116 490	-105 100
<u>Profit before taxes</u>	<u>1 806 033</u>	<u>1 416 091</u>
Current tax expense	-6 543	-10 436
Deferred tax	0	0
<u>Profit after taxes</u>	<u>1 799 490</u>	<u>1 405 655</u>

- The volume of **investment properties** grew in 2021 H1 by HUF 2.4 billion to HUF 54.9 billion compared to December 31, 2020, which was caused by the increase in the fair value of the real properties in the portfolio and the investments realized on the properties. The volume of investment properties was decreased by the sale of the property of the Company at 1081 Budapest, Rákóczi str. 57 (it was removed from the portfolio of the Company at the beginning of 2021). The Company chose the fair value model to carry investment properties according to the IAS40 Standard. The fair value of the investment properties owned by the Company is determined by an independent appraiser on a quarterly basis in compliance with the REIT Act (valuations were and are prepared in 2020 and 2021 alike by Seratus Ingatlan Tanácsadó Igazságügyi Szakértő Kft).
- The **net debt** of the Company (the amount of financial liabilities minus financial assets) grew to HUF 10.9 billion by the end of June, 2021 compared to about HUF 9 billion the end of 2020. Financial assets decreased mainly as a result of the payments made in connection with the developments on Attila99Loft, and Major Udvar (Városmajor u. 12). There were no dividends paid in the subject period.

Major balance sheet items (IFRS consolidated, non-audited)

Data in th HUF	31.12.2020	30.06.2021
Investment properties	52 508 004	54 952 004
<i>Total non-current assets</i>	<i>53 204 552</i>	<i>55 852 206</i>
Cash and cash equivalents	10 888 723	8 737 843
<i>Total current assets</i>	<i>12 496 255</i>	<i>9 822 834</i>
Total assets	65 700 807	65 675 040
Issued capital	2 870 244	2 870 244
<i>Total equity attributable to the parent company:</i>	<i>42 246 342</i>	<i>43 651 997</i>
Financial liabilities	19 032 327	19 032 327
<i>Total long-term liabilities</i>	<i>19 051 413</i>	<i>19 048 651</i>
Financial liabilities	909 006	611 294
<i>Total short-term liabilities</i>	<i>4 403 052</i>	<i>2 974 392</i>
Total liabilities and equity	65 700 807	65 675 040

Major property, financial and profitability indicators

Definition	31.12.2020	30.06.2021
Long-term assets to total assets ratio (“Long term assets”/”Total assets”)	79,37%	85,04%
Indebtedness (“Long term liabilities total”/”Liabilities and equity total”)	32,38%	30,38%
Debt to equity ratio (“Long term liabilities total”/”Equity attributable to the parent company”)	47,88%	43,64%
Quick liquidity ratio (“Cash and cash equivalents”/”Short term liabilities total”)	323,90%	293,77%
Revenue proportionate income (“Operating income”/”Net revenue from sales”)	66,67%	60,41%
Equity-proportionate profit (“Operating income”/”Total equity attributable to the parent company”)	4,75%	3,37%

2. Prospects and challenges for 2021 H2

In the second half year of 2021, the Company will focus on the following areas:

- Continuing the works commenced in Q3 of 2020 on the renovation of buildings “A” and “B” and the construction of building “C” of **Major Udvar** (Városmajor u. 12) and the leasing of the increased office and parking areas of the office building.
- Leasing of the vacant areas in **Major Park** (Városmajor u. 35) (the office building located at Budapest, district XII, Városmajor str. 35) purchased at the beginning of 2020 as a result of successful acquisition and elaboration of a concept for the development of additional office, parking garage and commercial functions to leverage the opportunities created by the local zoning regulations amended at the end of 2020.
- Increasing the utilization ratio of **Flórián Udvar Office Building**, retention of current tenants, investigation and utilization of expansion opportunities.
- Following the completion of the development/construction of **Attila99Loft**, continuing the active sales and marketing activity aimed at leasing, opening the restaurant and the bakery and launching all other services in the building.
- Harsánylejtő Project
 - Transfer of ownership of public utility networks constructed in connection with plot development projects completed but not yet commissioned to the service providers.
 - In the case of the construction lots included in Harsánylejtő Project where no decision has been made yet on the commencing of the development, investigating the possibilities concerning the commencement of the individual developments and/or their sale as construction lot/project based on current market trends.
- Elaboration of the development concept for **Bajcsy-Zsilinszky str. Office Building** (located at district VI of Budapest, Bajcsy-Zsilinszky str. 57) (initiating the amendment of the district zoning regulations, application for a building and demolition permit), maximization of the utilization rate of the real property in its current condition in the transition period.
- Finalization of the hotel concept developed for the **Andrássy str. property** depending on changes to market conditions, initiating of a modification of the district zoning regulations to enhance development possibilities, contemporaneous negotiations with the competent local government in connection with the conclusion of a settlement planning contract, obtaining the building permit, selection of the operator and the conclusion of the relevant lease contract.
- Leasing of retail units which have become vacant due to the pandemic situation and continuing review of the rental fees charged for storage areas and parking spaces in **Aranykéz Parking Garage** with regard to changes to outdoor parking fees in the downtown area.
- Continuing the development of **BIF TOWER**, which commenced at the end of July, 2021 and launching the leasing and marketing activity regarding the areas of the building awaiting complete renovation/reconstruction.
- Commencing renovation/reconstruction works in **Üllői str. Training Centre** depending on market demands.
- Leasing the **BIF HOSTEL**.
- Utilization of the development and efficiency improvement possibilities inherent in the existing properties.
- Seeking out **acquisition opportunities** fitting into the strategy of the Company, performing the acquisitions and including the property in question in the cash-generating portfolio.

In addition to the foregoing, the handling of the coronavirus situation and the examination of its short-term and long-term impacts on the portfolio as a whole are also challenging.

III. Major events at the Company in the 1st half of 2021

1. General Meeting

With regard to the relevant provisions of Gov. Decree 502/2020 (XI.16.), the Board of Directors of the Company made a decision on April 27, 2021, by exercising the powers of the general meeting, on each issue on the agenda presented in the invitation to the general meeting published as of March 26, 2021, and such resolutions were announced on April 27, 2021 in accordance with the relevant provisions of law. The resolutions are available at the following link:

<https://www.bif.hu/investors/publicitans/stock-exchange-statements/resolutions-board-directors-budapesti-ingatlan-nyrt-exercising-powers-general-meeting-210427>

2. Signing of a loan agreement

Pursuant to the loan agreement concluded by the Company and Takarékbank on June 28, 2021, Takarékbank Zrt is extending the Company a fixed rate HUF loan of a loan term of 15 years in the total amount of HUF 2,500,000,000 for the purpose of the financing of real property renovation and investment, however, no disbursement has taken place based on the loan agreement up to the date of preparation of this Consolidated Business (management) Report.

3. Major real property sales

In the first half of 2021, the following major real property sales transaction was concluded by the Company:

- On December 2, 2020, the Company concluded a real property sales contract with Országos Szlovák Önkormányzat as buyer to sell the exclusive title of the Company to the real property of Topographical No. 34637/§/A/107, District VII of Budapest, physically located at 1081 Budapest, Rákóczi út 57. The purchase price determined by the real property sales contract was paid by the buyer in January, 2021.

4. Change to portfolio of treasury shares

The Company's portfolio of treasury shares did not change in the first half of 2021.

5. Personal changes

Board of Directors, Audit Committee

There was no change in the composition of the Board of Directors or the Audit Committee between January 1, 2021 and June 30, 2021.

Management

- From August 1, 2020 to January 17, 2021, the position of the head of the sales and marketing department of the Company was filled by Zsuzsanna Tóth.
- From January 18, 2021 to July 22, 2021, the position of the head of the sales and marketing department of the Company was filled by Zoltán Fábíán.
- On February 14, 2021, the employment of Katalin Fábíán as head of the operations department was terminated.

IV. Risk factors influencing the effectiveness of the Company

The effectiveness of the activities of the Company is still strongly influenced by the current macro-economic situation, and the company management environment established as a result thereof, since the occupancy of the offices, the amount of the rents that can be realized depends on the financial standing and prospects of the tenant companies.

The Company performs its property utilization activities with a relatively low level of risk, a significant part of the lease agreements is concluded for a definite term, with 2 to 3 years remaining from their term on the average, but in special cases they can also be for 5+5 or 10 years. Our lease agreements for an indefinite term were typically concluded several years ago and existing since then. In Hungary, the tourism and catering industry were hit most heavily by the coronavirus pandemic. One of our tenants engaged in this sector became as a result unable to continue its activity, therefore its lease was also terminated with the effective date of June 30, 2021. Unfortunately, their difficulties also affected the payment of the rental fees invoiced, therefore we recognized an impairment of 100% of our receivables from this customer in the first half of 2021. Due to the prior risk analysis of tenants and the security system, the extent of outstanding amounts and non-payment continued being insignificant in the first six months of 2021, similarly to the previous year, but for the single customer mentioned above.

Since the refinancing in March, 2018 of the outstanding amount of the EUR loan taken out by the Company from CIB Bank Zrt, the Company has only had HUF-based long-term loans. Considering that about 92% of the Company's group-level revenues are realized in HUF, the Company practically does not incur any FX risk.

As a result of the following refinancing transaction, the Company was released of the interest rate risk attached to loans in September 2020. Takarékbank disbursed on September 15, 2020 a fixed-rate 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 debt outstanding 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 are presented in Section 33: Financial Instruments of the non-audited Financial Statements of the Company for the period ending with 30 June, 2021, prepared in accordance with the International Financial Reporting Standards (IFRS). The Company has no other securities besides the BIF ordinary shares it owns (treasury shares), and entered into no derivative transactions.

As a result of the wide-spread application of vaccines against the coronavirus, economic life started to get back to normal at the end of the 1st half of 2021. In order to minimize its exposure to risks due to the current coronavirus situation (such as some of its tenants initiating the renegotiation or termination of their lease contracts, delays in current development projects or the renegotiation of its relations with suppliers/providers) and to protect its employees, the Company continues closely monitoring all changes to the current situation, with special regard to the measures of the government and official bodies, so that it may introduce new measures and provide information to its employees and partners accordingly.

Risks relevant to Harsánylejtő Kft as a consolidated company

The position of Harsánylejtő Kft is strongly dependant on its parent company, i.e. the market impacts on and the decisions made by the parent company.

It is a possible source of risk that in the event the general contractors refuse to perform their warranty obligations which has arisen (not in a major volume on the whole) or may arise in the future in connection with the individual buildings constructed in phases I-II of residential property development, then the owners may raise claims not only against the general contractors obliged to provide warranty, but also Harsánylejtő Kft, which used to be in a contractual relationship with them.

V. Significant events after June 30, 2021

On July 21, 2021, the Company signed a general contract with DVM Group Kft (registered office: 1052 Budapest, Türr István str. 8) for the performance of the renovation and reconstruction works of the 13 storey building erected on the Real Property of Topographical No. 38315/42, district X, Budapest, physically located at 1101 Budapest, Üllői str. 114-116, to which the Company has a title of 921/1000.

In the litigation referred to in the extraordinary notice published by the Company on September 28, 2016, initiated by Tőzsdei Egyéni Befektetők Érdekvédelmi Szövetsége as plaintiff against the Company before the arbitration court attached to the Hungarian Chamber of Industry and Commerce to repeal the resolutions of the company, the arbitration court dismissed by its award passed on July 14, 2021 and received on July 26, 2021, all of the prayers of the plaintiff.

VI. General Company Information

1. Data of the Company

Company name:	Budapesti Ingatlan Hasznosítási és Fejlesztési nyilvánosan működő Részvénytársaság
Abbreviated company name:	Budapesti Ingatlan Nyrt.
Registered Office:	1033 Budapest, Polgár u. 8-10.
Mailing address (place of central administration):	1033 Budapest, Polgár u. 8-10.
Central e-mail address:	info@bif.hu
Website:	www.bif.hu
Date of the Articles of Association of the Company:	1995.01.31.
Date when the Company started its operation:	1994.05.01.
Registry Court:	Court of Company Registration of the Budapest Metropolitan Court
Company Registration No.:	Cg. 01-10-042813
Statistical No. of the Company:	12041781-6820-114-01
Tax administration identification number:	12041781-2-41
Community tax No.:	HU12041781
Registered capital on June 30, 2020	HUF 2,870,244,400
Term of operation of the company:	Indefinite
Business year of the company:	identical with the calendar year
Core activity of the Company:	6820'08 Renting and operating of own or leased real estate

2. Company Management

General Meeting

Appointment and removal of executives belongs to the exclusive jurisdiction of the General Meeting. The Company did not conclude any specific agreement with executives and employees concerning severance pay, in this regard the relevant articles of the Civil Code shall be applied. There has no agreement been concluded by and between the Company and any executive officer or employee of the Company which would stipulate any indemnification in case any executive officer or employee should resign from his/her office or any employee should his/her job or in case of the unlawful termination of the legal relationship of the executive officer or the employee or the termination of the legal relationship due to a public purchase offer. The Company has not concluded any agreement which would take effect or be amended or terminated due to any change occurring to the management of the Company following a public purchase offer.

Amendment of the Articles of Association belongs to the exclusive jurisdiction of the General Meeting, with the following exceptions:

- If the event the amendment of the Articles of Association only affects the company name, principal office, premises and branch offices, the place of central administration and/or the scope of activities of the Company, except for its core activity, the General Meeting shall pass its resolution with the simple majority of the votes cast, therefore the Board of Directors of the Company is hereby authorized to modify the name, principal office, premises and branch offices, the place of central administration and/or the scope of activities of the Company, except for its core activity, by means of a resolution of the Board of Directors, in its sole discretion.
- The General Meeting may authorize the Board of Directors by its resolution to increase the registered capital of the Company. The relevant resolution of the General Meeting shall determine the threshold not to be exceeded by the Board of Directors when increasing the registered capital (approved registered capital). The General Meeting may grant its authorization to any type or manner of increasing the registered capital. The authorization of the General Meeting may be valid for no more than five years. In the case of share capital increase at the discretion of the board of directors the Board of Directors is entitled and obliged to amend the Articles of Association.

Board of Directors

The Company is operated in a unified management system.

The Board of Management 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 the first half of 2021. 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 the first half of 2021, the Board of Directors did not hold any meeting in person. In the first half of 2021, the Board of Directors passed decisions through electronic means on 9 occasions.

Members of the Board of Directors of the Company (June 30, 2021)

Name	Position	Start of appointment	End of appointment
dr. Ungár Anna	President	15.08.2017	15.08.2022
	Vice-President	15.08.2017	15.08.2022
Berecz Kristóf	President		
Tzvetkov Julian	member	15.08.2017	15.08.2022
dr. Hárshgyi Frigyes	member	15.08.2017	15.08.2022
Vaszily Miklós	member	22.12.2017	15.08.2022

Audit Committee

According to the Articles of Association the following belong to the jurisdiction of the Audit Committee:

- advising on the statutory report;
- monitoring of the auditing of the statutory report;
- making a proposal as to the person and remuneration of the permanent auditor;
- preparation of the contract to be signed with the permanent auditor;

- monitoring of the enforcement of requirements concerning professional qualities, conflict of interests and independence against the permanent auditor, performing various tasks related to cooperation with the permanent auditor, monitoring the services provided by the permanent auditor to the Company beyond the audit of the statutory report and making proposals to the Board of Management as to the necessary measures, if any;
- assessment of the operation of the financial reporting system and making proposals as to the necessary measures;
- assisting the Board of Directors in the interest of the adequate monitoring of the financial reporting system; and
- monitoring the efficiency of the internal audit and risk management system.

The Audit Committee made decisions electronically on two occasions in the first half of 2021, in addition to the Board of Directors meetings. Major topics discussed at the meetings were as follows: approval of the annual financial statements of the Company and the individual consolidated companies, proposal as to the person and remuneration of the Auditor, internal audit plan.

Members of the Audit Committee of the Company (30 June 2021)

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

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

By its resolution made on April 27, 2021 by exercising the powers of the general meeting, the Board of Directors of the Company decided that the members of the Board of Directors of the Company should perform their duties for no consideration, whereas the members of the Audit Committee of the Company should perform their duties in consideration for a monthly gross salary of HUF 300,000 in the business year of 2021.

3. Auditor

Auditor of the Company in the first half of 2021:

- From May 16, 2020 to May 15, 2021: INTERAUDITOR Neuner, Henzl, Honti Tanácsadó Kft. (registered office: 1074 Budapest, Vörösmarty utca 16-18. A. ép. fszt. 1/F., person responsible for auditing: Zsuzsanna Freiszberger)
- From May 16, 2021 to May 15, 2022: INTERAUDITOR Neuner, Henzl, Honti Tanácsadó Kft. (registered office: 1074 Budapest, Vörösmarty utca 16-18. A. ép. fszt. 1/F., person responsible for auditing: Zsuzsanna Freiszberger)

4. Disclosures

The announcements of Company are published at:

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

5. Share information

On 30 June 2021, the issued capital of the Company was 287,024,440 personal dematerialized ordinary shares with a par value of HUF 10 each, from which 35,340,000 shares are owned by the Company. Section 6 of the Articles of Association of the Company details the rights and obligations connected to the shares. Since October 1, 2018, the shares have been traded in the 'Premium' category of the Budapest Stock Exchange and represent the entire issued capital; the Company has no other issued interests.

The trading of shares is not limited, pre-emption rights are not stipulated, but the transfer of shares is only possible by charging or crediting security accounts. When transferring shares, the shareholder may only exercise shareholder rights against the Company if the name of the new owner was registered in the share register.

The share register of the Company is managed by KELER Zrt.

Special control rights are presently not stipulated.

At the ordinary general meeting of the Company held on 29 April 2019 the general meeting authorized the Board of Directors to increase the capital of the Company by issuing vote priority shares with the conditions specified in the resolution of the general meeting. The Board of directors did not exercise this authority in the first half of 2021.

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

Presently, there is no employee shareholder system at the Company. At the ordinary general meeting of the Company held on 29 April 2019 the general meeting authorized the Board of Directors to increase the capital of the Company by issuing employee shares with the conditions specified in the resolution of the general meeting. The Board of Directors did not exercise this authority in the first half of 2021.

Minority rights: Shareholders representing no less than 1% of the votes may initiate that the general meeting of the Company should be called any time by specifying the cause and reason.

According to the Articles of Association, the elected officials shall be elected by the General Meeting with simple majority.

By its resolution made on April 27, 2021 by exercising the powers of the General Meeting, the Board of Directors authorized the Board of Directors to purchase treasury shares. According to the authorization, the Board of Directors may resolve that the Company should purchase registered ordinary shares issued by the Company. The lowest amount of consideration payable for one treasury share is HUF 1 and the highest amount payable shall be 150% of the average stock exchange price of the 180 days' period before the date of the transaction, to be weighted with trading volume. The authorization is for a specified period from the day of the general meeting until 27 October 2022. The maximum value of treasury shares obtained by the Company based on the authorization may be 25% of the registered capital at the most.

Owners of the Company with more than 5% of interest based on the December 31 2020/June 30, 2021 share registers and the individual statements of the owners

Shareholder	December 31, 2020		June 30, 2021	
	Number of shares (pieces)	Interest (%)	Number of shares (pieces)	Interest (%)
PIÓ-21 Kft.	184 847 220	64.40*	184 847 220	64.40*
Treasury share**	35 340 000	12.31	35 340 000	12.31
Other shareholders	66 837 220	23.29	66 837 220	23.29
Total	287 024 440	100.00	287 024 440	100.00

*From which an indirect interest of 0,38% through the subsidiary of the Kft: 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
(June 30, 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 the BoD*	15.08.2017	15.08.2022	0	64.40%
MBoD	Kristóf Berecz	Vice President of the BoD and CEO as of 1 December 2018	15.08.2017	15.08.2022	0	64.40%
MBoD	Julian Tzvetkov	member of the BoD and the AC**	15.08.2017	15.08.2022	0	0
MBoD	dr. Frigyes Hárshegyí	member of the BoD and the AC	15.08.2017	15.08.2022	0	0
MBoD	Miklós Vasziy	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

**Ownership interest of executives, employees in strategic positions in the Company
(June 30, 2020)**

Nature	Name	Position	Start of assignment	End of assignment	Direct share property (number of shares)	Percentage of BIF shares with indirect influence
MBoD	Dr. Anna Ungár	President of the BoD*	15.08.2017	15.08.2022	0	64.40%
MBoD	Kristóf Berecz	Vice President of the BoD and CEO as of 1 December 2018	15.08.2017	15.08.2022	0	64.40%
MBoD	Julian Tzvetkov	member of the BoD and the AC**	15.08.2017	15.08.2022	0	0
MBoD	dr. Frigyes Hárshegyí	member of the BoD and the AC	15.08.2017	15.08.2022	0	0
MBoD	Miklós Vasziy	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 and salaries of employees, employment policy

The average statistic headcount of the employees of the Company was 48 persons in the 1st half of 2021 (the average statistic headcount was 46 persons in the 1st half of 2020; the number of actively employed persons was 49 on June 30, 2021, while this indicator was 47 persons on both June 30 and December 31 in 2020).

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

The Company has no employment policy liabilities.

VIII. Research and experimental development

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

IX. Changes to personnel in the 1st half of 2021

See Section 5 in Chapter III.

X. Introduction of the consolidated entities of the Company

The Company consolidated Harsánylejtő Kft. in its Interim Consolidated Financial Statements for the 1st half of 2021 prepared in accordance with IFRS.

Harsánylejtő Kft. was founded and has been fully owned since then by Budapesti Ingatlan Nyrt. on August 25, 2008 with a registered capital of HUF 500,000. The registered capital of Harsánylejtő Kft was increased to HUF 3,000,000 on March 10, 2016, the core activity of the Company is: organization of building construction projects.

Harsánylejtő Kft has performed the construction of condominium properties comprising 5 apartments and an underground garage on its 8 lot properties suitable for the construction of condominiums in the Harsánylejtő development area in two phases.

The construction works of phase I on 4 condominiums with 5 apartments in each were completed and the sale of apartments and other rooms was concluded in 2019. The construction works of phase II on 4 condominiums with 5 apartments in each were completed and the sale of the apartments was concluded by the end of the 1st half of 2021.

Harsánylejtő Kft. financed the purchase of construction lots necessary for property development, as well as the developments with market interest loans received from the parent company, which are being repaid from the purchase price of the apartments sold after the completion of the developments.

As for the developments, the parent company decides on strategic matters, while its subsidiary performs the operational tasks.

XI. Environmental protection

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

XII. Corporate Governance Report and Statement

The Company has a Corporate Governance Report and Statement, reviews its company management system each year and modifies it as necessary.

In its resolution made in connection with its ordinary annual general meeting convened to April 27, 2021, by exercising its powers of the general meeting, the Board of Directors of the Company approved the Company's Corporate Governance Report for 2020 concerning the Corporate Governance Recommendations of the Budapest Stock Exchange, drafted in a separate document and published on April 27, 2021.

The Corporate Governance Report of the Company shall be voted on and approved by the shareholders at the annual general meeting and published by the Company after the annual general meeting.

- The Corporate Governance Report is available at the websites www.bet.hu, www.bif.hu and www.kozzetetelek.hu.
- The Company prepares its Corporate Governance Report and Statement on the basis of the Responsible Company Management Recommendations published by Budapesti Értéktőzsde Zrt.

- The Corporate Governance Report is adopted by the Board of Directors and approved by the general meeting. The Corporate Governance Report includes the recommendations of the BSE and the details and reasons for the deviations therefrom.
- The Corporate Governance Report contains the reasons for the practice applied outside the legislation.
- The Corporate Governance Report contains the main characteristics of the Company's internal control and risk management practices.

No one is appointed as managing director at the Company.

Declaration of liability

The Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. hereby declares that this Consolidated Business (management) Report contains real data and statements, providing a true and fair view of the position, development and performance of the Company and its subsidiary involved in the consolidation, presenting the main risks and uncertainty factors for the remaining six months of the financial year and does not omit any facts that might have any significance concerning the assessment of the position of the Company and its subsidiary involved in the consolidation.

Budapest, August 27, 2021.

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

.....
Berecz Kristóf
Vice President of the Board of Directors, CEO



Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.

**Consolidated, non-audited Financial Statements
prepared in accordance with the International Financial
Reporting Standards (IFRS) for the period ending
on June 30, 2021 – Interim Consolidated Financial Statements
for the 1st half-year of 2021**

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Interim consolidated statement of financial position

Data in th HUF	Explanations *	<u>30.06.2021</u>	<u>31.12.2020</u>
ASSETS			
Non-current assets			
Investment properties	1	54 952 004	52 508 004
Intangible assets	2	1 821	351
Other properties and related rights	2	89 181	90 186
Machinery and other equipment	2	149 610	119 726
Investments, developments	2	659 590	486 285
Investments in affiliated companies	3	0	0
Deferred tax assets	4	0	0
Total non-current assets		<u>55 852 206</u>	<u>53 204 552</u>
Current assets			
Inventories	5	474 952	696 463
Trade receivables	6	302 772	404 664
Other short-term liabilities and accrued assets	7	307 267	506 405
Cash and cash equivalents	8	8 737 843	10 888 723
Total current assets		<u>9 822 834</u>	<u>12 496 255</u>
Total assets		<u>65 675 040</u>	<u>65 700 807</u>
LIABILITIES			
Equity			
Issued 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 own shares	11	-3 048 120	-3 048 120
Retained earnings	12	35 644 099	30 687 500
Profit or loss of the current year	12	1 405 655	4 956 599
Total equity attributable to parent company		<u>43 651 997</u>	<u>42 246 342</u>
Long-term liabilities			
Financial liabilities	13	19 032 327	19 032 327
Provisions for expected liabilities	14	16 324	19 086
Deferred tax liabilities	15	0	0
Other long-term liabilities	16	0	0
Total long-term liabilities		<u>19 048 651</u>	<u>19 051 413</u>
Short-term liabilities			
Financial liabilities	17	611 294	909 006
Trade payables	18	951 083	1 982 055
Other liabilities, accrued expenditure and deferred income	19	1 412 015	1 511 991
Total short-term liabilities		<u>2 974 392</u>	<u>4 403 052</u>
Total liabilities and equity		<u>65 675 040</u>	<u>65 700 807</u>

*No. of additional explanation

Interim consolidated statement of comprehensive income

Data in th HUF	Explanations *	2021 H1	2020 H1
Net revenue from sales	20	2 436 410	2 761 494
Other operating income	21	686 067	1 350 083
Changes in the inventory of internally generated products	22	-219 580	-476 883
Capitalized value of internally generated assets	22	-124 026	473 579
Material expenditure	23	-556 367	-1 161 238
Personnel expenses	24	-269 929	-245 807
Depreciation and impairment	25	-82 085	-302 934
Other operating expenditure	26	-398 598	-557 107
Operating profit		1 471 892	1 841 187
Financial income	27	49 299	81 336
Financial expenditure	27	-105 100	-116 490
Profit before taxes		1 416 091	1 806 033
Current tax expense	28	-10 436	-6 543
Deferred tax	29	0	0
Profit after taxes		1 405 655	1 799 490
From which:			
Part attributable to parent company		1 405 655	1 799 490
Part attributable to the external owners		0	0
Other comprehensive income		0	0
Changes in the fair value of other properties without taxes		0	0
Tax effects of the changes in the fair value of other properties		0	0
Total comprehensive income		1 405 655	1 799 490
From which:			
Part attributable to parent company		1 405 655	1 799 490
Part attributable to the external owners			
Weighted average of common shares (number of shares)		251 684 440	256 398 726
Earnings per share (HUF)			
Base	30	5,58	7,02
Diluted	30	5,58	7,02

*No. of additional explanation

Interim consolidated statement of changes in equity

Explanations *	9	11	9	10	12	12	Total equity attributable to parent company	Non-controlling interest	Total equity
	Issued capital	Repurchased own shares	Capital reserve	Revaluation reserve	Retained earnings	Profit or loss of the current year			
Data in th HUF									
31.12.2019	2 870 244	-1 748 120	6 048 215	1 078 973	30 633 394	2 275 882	41 158 588	0	41 158 588
Reclassification of profit from previous year					2 275 882	-2 275 882			
Purchase of own shares		-1 300 000		-347 069			-1 647 069		-1 647 069
Dividend					-2 568 844		-2 568 844		-2 568 844
Total comprehensive income						1 799 490	1 799 490		1 799 490
30.06.2020	2 870 244	-3 048 120	6 048 215	731 904	30 340 431	1 799 490	38 742 164	0	38 742 164
Increase in retained earnings attributable to the sale of Verseg					347 069		347 069		347 069
Total comprehensive income						3 157 109	3 157 109		3 157 109
31.12.2020	2 870 244	-3 048 120	6 048 215	731 904	30 687 500	4 956 599	42 246 342	0	42 246 342
Reclassification of profit from previous year					4 956 599	-4 956 599			
Total comprehensive income						1 405 655	1 405 655		1 405 655
30.06.2021	2 870 244	-3 048 120	6 048 215	731 904	35 644 099	1 405 655	43 651 997	0	43 651 997

*No. of additional explanation

Interim consolidated statement of cash flows

Data in th HUF	Explanations *	2021 H1	2020 H1
Profit before taxes		1 416 091	1 806 033
Adjustments of the profit before taxes		2 303	0
Adjusted profit before taxes		1 418 394	1 806 033
Net interest expenditure	27	53 182	86 397
Non-cash items			
Depreciation	25	18 585	15 355
Impairment	25	63 500	287 579
Loss on loans	25	0	0
Unrealized exchange rate difference		2 303	0
Adjustment due to the fair valuation of inventories	26	-8 027	0
Profit from fair valuation	21, 26, 32	-258 865	-452 264
Provision for liabilities	14	-2 761	-40
Profit items related to non-operating cash-flow			
Profit from selling PPE	21	0	-1 091 610
Transfer for no consideration, scrapping	26	0	0
Net working capital changes			
Change in trade receivables	6	38 393	-252 296
Change in other current assets	7	428 635	-82 753
Change in trade payables	18	-1 033 276	475 742
Change in other short-term liabilities	19	-397 688	-554 269
Change in other long-term liabilities		0	62 285
Non-refundable support		-10 169	0
Interest paid	27	-100 486	-115 947
Interest received	27	47 304	29 550
Profit tax paid	28	-10 436	-6 543
Damages paid		-1 800	0
Cash flows from operating activities		246 788	207 218
PPE procurement	1, 2	-2 647 653	-5 560 701
Financial revenue from selling PPE	1	550 000	200 000
Leaving consolidation		0	0
Cash flows from investing activities		-2 097 653	-5 360 701
Income from capital issuance		0	0
Dividend		0	-2 568 844
Purchase (-)/sale(+) of own shares		0	0
Interest paid		0	0
Borrowing	13	0	2 914 540
Loan repayment	17	-297 712	-62 285
Cash flows from financing activities		-297 712	283 411
Change in cash		-2 148 577	-4 870 072
Revaluation of cash in foreign currency		-2 303	0
Change to cash in the balance sheet		-2 150 880	-4 870 072
Increase in cash equivalents	8	-2 150 880	-4 870 072
Opening cash and cash equivalents	8	10 888 723	14 937 817
Closing cash and cash equivalents	8	8 737 843	10 067 745

*No. of additional explanation

Additional notes – general information, determining elements of the accounting policy and additional explanation, other information**I. General Company Information****1. Introduction of the Company**

Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. (registered office: 1033 Budapest Polgár utca 8-10.; hereinafter: the Company or BIF) was established by transformation on January 31, 1995. Its legal predecessor was Budapesti Ingatlanhasznosítási és Fejlesztési Kft., founded on January 1, 1994 by Állami Vagyongynökség (State Property Agency) with an issued capital of HUF 1,000,000. The registered capital of the Company amounts to HUF 2,870,244,400, consisting of 287,024,440 (two hundred and eighty-seven million twenty-two thousand four hundred and forty) dematerialized registered common shares, each of a nominal value of HUF 10 (ten forints).

As a Company developing and utilizing property, operating since October 20, 2017 as a regulated real estate investment pre-company (hereinafter: “SZIE/Pre-REIT”) as defined in Act CII of 2011 on Regulated Real Estate Investment Companies (hereinafter: the “SZIT/REIT Act”), then since December 31, 2018 as a regulated real estate investment company (hereinafter: “SZIT/REIT”), it is involved in the utilization of properties (office and other buildings and parking garages) owned by the Company by giving them into lease, the further development of such properties and the sale of its own construction lots, as well as property development projects on such construction lots and the utilization and sale of the such properties.

The operative control of the Company is performed by the Board of Directors.

The shares are being traded in the ‘Premium’ category of the Budapest Stock Exchange.

The means of publication of the announcement of the Company: via the website of the Budapest Stock Exchange (www.bet.hu), via the website of the Hungarian National Bank (Magyar Nemzeti Bank, hereinafter: MNB) (www.kozzetetelek.mnb.hu) and the company’s own website (www.bif.hu).

The IFRS chartered accountant responsible for the preparation of this Interim IFRS Consolidated Financial Statements for the 1st half year of 2021 is: Dr. Horváthné Kalácska Katalin (1082 Budapest Hock János utca 4-6.; Chartered Accountant Registration No.: 123362).

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

2. Officials, controlled companies

 2.1. Officials in the 1st half year of 2021

Members of the Board of Directors of the Company

Name	Position	Start of appointment	End of appointment
dr. Anna Ungár	President	15.08.2017	15.08.2022
Kristóf Berecz	Vice President	15.08.2017	15.08.2022
Julian Tzvetkov	member	15.08.2017	15.08.2022
dr. Frigyes Hárshgyi	member	15.08.2017	15.08.2022
Miklós Vaszily	member	22.12.2017	15.08.2022

Members of the Audit Committee of the Company

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

**Ownership interest of executives, employees in strategic positions in the Company
(June 30, 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 the BoD*	15.08.2017	15.08.2022	0	64.40%
MBoD	Kristóf Berecz	Vice President of the BoD and CEO as of 1 December 2018	15.08.2017	15.08.2022	0	64.40%
MBoD	Julian Tzvetkov	member of the BoD and the AC**	15.08.2017	15.08.2022	0	0
MBoD	dr. Frigyes Hárshgyi	member of the BoD and the AC	15.08.2017	15.08.2022	0	0
MBoD	Miklós Vaszily	member of the BoD and the AC	22.12.2017	15.08.2022	0	0
SP	Róbert Hrabovszki	Deputy CEO, CFO	19.03.2018	unspecified***	0	0

*Board of Directors

**Audit Committee

***nature of employment

 2.2. Changes in executives and employees in strategic positions in the 1st half year of 2021

No changes took place in terms of the members of the Board of Directors and the Audit Committee in the 1st half year of 2021.

Changes to the management of the company in the 1st half year of 2021:

- From August 1, 2020 to January 17, 2021, the position of the head of the sales and marketing department of the Company was filled by Tóth Zsuzsanna.
- From January 18, 2021 to July 22, 2021, the position of the head of the sales and marketing department of the Company was filled by Fábián Zoltán.
- On February 14, 2021, the employment of Fábián Katalin as head of the operations department was terminated.

2.3. Remuneration for executives in the 1st half year of 2021

In connection with the 2021 annual general meeting of the Company, the Board of Directors of the Company exercising the powers of the General Meeting of the Company resolved based on Gov. Decree 502/2020 (XI. 16.) that the members of the Board of Directors should perform their duties as BoD members without remuneration in the 2021 business year.

2.4. Persons authorized to sign the Interim Consolidated Financial Statements

According to Section 15.2 of the Articles of Association, the persons with signature right are:

- The President of the Board of Directors together with either another Board member or an employee with power of representation,
- The Vice President of the Board of Directors together with either another Board member or an employee with power of representation.

The employees authorized to represent the Company shall be elected by the Board of Directors.

2.5. Ownership structure

Owners of the Company with more than 5% of interest based on the December 31 2020/June 30, 2021 share registers and the individual statements of the owners

Shareholder	December 31, 2020		June 30, 2021	
	Number of shares (pieces)	Interest (%)	Number of shares (pieces)	Interest (%)
PIÓ-21 Kft.	184 847 220	64.40*	184 847 220	64.40*
Treasury share**	35 340 000	12.31	35 340 000	12.31
Other shareholders	66 837 220	23.29	66 837 220	23.29
Total	287 024 440	100.00	287 024 440	100.00

*From which an indirect interest of 0.38% through the subsidiary of the Kft: BFIN Asset Management AG

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

2.6. Data of the subsidiary included in the consolidation scope

Subsidiary	Registered office	Voting power and ownership ratio	
		June 30, 2021	December 31, 2020
Harsánylejtő Kft.	1033 Budapest Polgár u. 8-10.	100.00%	100.00%

Equity data of Harsánylejtő Kft. (June 30, 2021) in thousand HUF:

Equity	-44 848
Issued capital	3 000
Committed reserve	722 500
Retained earnings	-720 795
Profit after taxes	-49 553

Kristóf Berecz was appointed as the managing director of Harsánylejtő Kft. with the effective date of February 28, 2019 and authorized to sign on behalf of the company individually.

At the end of the 1st half of 2021, the equity of Harsánylejtő Kft was a negative figure due to expenses incurred in connection with the condominium developments commenced but not yet sold and their financing.

The Company as the owner of Harsánylejtő Kft shall settle the equity position of its Subsidiary by means of additional capital contribution on or before September 15, 2021.

II. Important elements of the accounting policy

In this Interim Consolidated Financial Statements, the Company has applied the same accounting policies and method of calculation as in the most recent annual financial statements.

There is no cyclical or seasonality in the operation of our Company.

This Interim Consolidated Financial Statements has not been audited by an independent auditor.

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

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

The Interim Consolidated Financial Statements are presented in Hungarian forints, rounded to a thousand forint, if not indicated otherwise.

2. Basis for the preparation of the statement

This Interim Consolidated Financial Statements was prepared according to the effective standards and IFRIC interpretations issued by January 1, 2021.

This Interim Consolidated Financial Statements was compiled based on the cost principle, except for cases where the IFRS requires the use of another evaluation principle, like presented in the accounting policy.

3. Basis of evaluation

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

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

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

4. Data of the business combination, consolidated entity

Subsidiary	Registered office	Voting power and ownership ratio	
		June 30, 2021	December 31, 2020
Harsánylejtő Kft.	1033 Budapest Polgár u. 8-10.	100.00%	100.00%

III. Additional explanation
1. Investment properties

Data in th HUF	
On December 31, 2020	52 508 004
Change in fair value	258 865
Change to project in course of construction	2 546 904
Additional capitalization	188 231
Sale	-550 000
On June 30, 2021	54 952 004
On December 31, 2020	52 508 004
On June 30, 2021	54 952 004

Investment properties are evaluated by the independent appraiser according to the following criteria:

In accordance with the Section 11 (1) of Act CII of 2011 on regulated property investment companies:

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

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

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

The fair value of investment properties changed as a result of the factors below in the 1st half year of 2021:

- the net growth of the market value (fair value) of investment properties;
- investments realized in existing properties in the course of the year and developments underway;
- the sale by the Company of the real property of Topographical No. Budapest, district VII, 34637/0/A/107, physically located at 1081 Budapest, Rákóczi út 57, owned by the Company exclusively.

Profit or loss of revenue generating investment properties

Data in th HUF	2021 H1	2020 H1
Net revenue from sales	2 129 864	1 917 844
Other operating income	535 368	1 340 795
Capitalized value of internally generated assets	0	0
Changes in the inventory of internally generated products	0	0
Material expenditure	-448 309	-405 117
Personnel expenses	0	0
Depreciation and impairment	-63 956	3 201
Other operating expenditure	-362 085	-194 134
Revenues of financial transactions	0	0
Expenditure of financial transactions	0	0
Profit	1 790 882	2 662 589

The increase of net revenue from sales of the investment properties by ca. 11% compared to the base period was mainly caused by the increase (indexation) of leasing and operating fees agreed upon in lease contracts. The majority of other operating income is derived from the increase in the market value of investment properties (HUF 531 million). HUF 90 million from other operating expenditure is the amount of building taxes paid to various local governments and this is also where the amount of the accounted market “depreciation” (HUF 272 million) appears.

2. Intangible assets and tangible assets

Data in th HUF	Intangible assets	Other properties	Machinery and other equipment	Unfinished investments and advances	Total
Gross book value					
December 31, 2020	26 766	101 342	219 048	486 285	833 441
Increase and reclassification	1 634	0	47 300	173 305	222 239
Decrease and reclassification					
June 30, 2021	28 400	101 342	266 348	659 590	1 055 680
Depreciation					
December 31, 2020	26 416	11 156	99 322	0	136 894
Yearly depreciation	163	1 005	17 416	0	18 584
Decrease and reclassification					
June 30, 2021	26 579	12 161	116 738	0	155 478
Net book value					
December 31, 2020	351	90 186	119 726	486 285	696 548
June 30, 2021	1 821	89 181	149 610	659 590	900 202

The growth in the gross value of machinery and other equipment came from the purchase of passenger cars, office and management equipment and IT equipment.

The increase in intangible assets came from the purchase of various software.

There was no change in any other category of tangible assets in the 1st half of 2021.

3. Investments in affiliated companies

Investments in affiliated companies do not include any amount in 2021, as in 2020, as Harsánylejtő Kft. was/is fully included in the consolidation in 2021 and 2020 as well.

4. Deferred tax asset

The Company does not recognize deferred tax asset due to SZIT status.

5. Inventories

Data in th HUF	30.06.2021	31.12.2020
Raw material	0	0
Work in progress	93 484	385 104
Finished product	155 714	67 084
Goods	214 276	232 797
Advances on inventories	11 478	11 478
Total	474 952	696 463

The majority of inventories are formed by the real property developments implemented and to be implemented for the purpose of resale in connection with Harsánylejtő Project (building of condominium, building lot). Work in progress comprises property developments by the parent company exclusively, as the condominium development by the Subsidiary was completed, therefore its inventories were transferred to finished products. In the finished product line, HUF 72 million from the inventories come from the building lots to be sold as stated in the accounting records of the parent company, whereas HUF 84 million represents the remaining condominium property developments of the Subsidiary (apartments, storage rooms, parking places). The decrease of inventories resulted from the derecognition of the condominium apartments delivered in the 1st half year and the portions of lots belonging to the apartments. In the line of goods, HUF 195 million comes from the books of the parent company and the lot of a value of HUF 19 million comes from the books of the Subsidiary.

6. Trade receivables

Data in th HUF	30.06.2021	31.12.2020
Trade receivables	307 201	329 734
Impairment	-68 498	-5 298
Loss on loans	-1 447	-1 447
Adjustment due to trade debtors with a credit balance	65 516	81 675
Total	302 772	404 664

The amount of trade receivables decreased by HUF 22.5 million (by 7%) compared to the end of the year, and the increase in impairment came from impairment generated on our receivables from one of our customers.

7. Other short-term liabilities and accrued assets

Data in th HUF	30.06.2021	31.12.2020
Other receivables	171 115	326 052
Accrual	48 100	5 021
Suppliers with a debit balance and taxes	88 052	175 332
Total	307 267	506 405

The tax receivables and liabilities are evaluated by tax form and are classified depending on indication into the other receivable or other liability categories.

For this reason, HUF 43.5 million VAT receivable and HUF 2.5 million Corporate tax overpayment appear for BIF and HUF 21.3 million VAT receivable appears for Harsánylejtő Kft in the Reclassification for the subject period. Additional reclassification comes from prepayment to suppliers (HUF 10 million) and the portion of Cafeteria benefits to be accounted to the 2nd half year from the amount paid in the 1st half year for the whole year is also demonstrated here.

Within accruals, HUF 40 million comes from accrued income (mainly public utility charges and subcontractor fees to be invoiced on) and HUF 8 million comes from deferred insurance premiums.

8. Cash and cash equivalents

Data in th HUF	30.06.2021	31.12.2020
Cash	1 095	1 522
Bank	8 736 748	10 887 201
Total	8 737 843	10 888 723

An important reason for the significant decline in cash in the 1st half of 2021 by HUF 2,151 million was related to the continuous financing of the property development projects ((i) the development of the real property of Topographical No. 6777, Budapest, district I, physically located at Budapest, district I, Attila út 99. and 1012 Budapest, Logodi utca 42. (hereinafter: „Attila99Loft” and „Attila út property”); (ii) the development of the office building at Budapest, district XII, Városmajor utca 12-14 (hereinafter: “Major Udvar (Városmajor u. 12)”) (there were no dividends paid in the 1st half year of 2021).

9. Issued capital and capital reserve

The issued capital of the Company is HUF 2,870,244 thousand consisting of 287,024,440 pieces of dematerialised common share with a par value of HUF 10 each. The capital according to the IFRS is equal to the capital registered at the registry court.

In the first half of 2021, the amount of the issued capital of the Company did not change.

Issued capital

Data in th HUF	30.06.2021	31.12.2020
Opening	2 870 244	2 870 244
Increase	0	0
Decrease	0	0
Closing	2 870 244	2 870 244

Capital reserve

Data in th HUF	30.06.2021	31.12.2020
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 par value and the consideration of the shares upon the issuing of shares and the value of the cash and assets put into capital reserve, but in the first half of 2021 no such share transaction took place.

10. Revaluation reserve

Data in th HUF	30.06.2021	31.12.2020
Opening	731 904	1 078 973
Increase	0	0
Decrease	0	-347 069
Closing	731 904	731 904

The Company recognized in the revaluation reserve line in its balance sheets at the end of 2020 and for the 1st half-year of 2021 as well the earlier appreciation of its Aranykéz utca Parking Garage (the real property located at Budapest, district V, Aranykéz str. 4-6) accounted for in the fair value model according to IAS16 (corrected deferred tax). The Company had had another similar property (the property titled “non-agricultural park and other building and non-agricultural hunting lodge”, registered at Topographical No. 0122/2, Verseg, unincorporated area), which was sold by the Company in the base year, therefore the corresponding revaluation reserve was also derecognized.

11. Repurchased treasury shares

The Company recognises the treasury shares owned by the same on the repurchased treasury shares line of the balance sheet at cost value, as Items reducing Equity. On June 24, 2020, the Company acquired 5,200,000 shares issued by the Company at the price of HUF 250 each, in a transaction concluded outside Budapest Stock Exchange. As a result of such transaction, the number of the treasury shares of the Company changed from 30,140,000 to 35,340,000 in the base year, but there was no transaction of this type in 1st half year of 2021.

Data in th HUF	30.06.2021	31.12.2020
Opening	-3 048 120	-1 748 120
Increase	0	-1 300 000
Decrease	0	0
Closing	-3 048 120	-3 048 120

12. Retained earnings and profit in the subject year

Data in th HUF	30.06.2021	31.12.2020
Retained earnings		
Opening	30 687 500	32 909 276
Increase	4 956 599	347 069
Decrease	0	-2 568 844
Closing	35 644 099	30 687 500
Profit or loss of the current year	1 405 655	4 956 599
Closing	37 049 754	35 644 100

The change of retained earnings in the subject period reflects the transfer of the profit of HUF 4,956,599 of 2020. There were no dividends paid.

13. Long-term financial liabilities

Data in th HUF	30.06.2021	31.12.2020
Long-term loans	19 032 327	19 032 327
Total	19 032 327	19 032 327

Long-term loans as a whole comprise the long-term part of bank loans.

Outstanding bank loans, existing loan agreements:

- Pursuant to the loan contract concluded by the Company and MFB Magyar Fejlesztési Bank Zrt (hereinafter: “MFB”) on September 3, 2019 based on the credit facility agreement entered into by the Company and MFB on November 7, 2018 for an amount of 20 billion HUF (hereinafter: “Credit Facility Agreement”), MFB extended a fixed rate HUF loan for a term of 10 years in the total amount of HUF 7,579,600,000 to the Company.
- Based on the three loan agreements concluded between the Company and Takarékbank Zrt. (hereinafter: “Takarékbank”) on 31 August 2020, Takarékbank provided/will provide the following fixed-rate 15-year HUF loans to the Company:
 - in order to refinance the total amount of debt owed under the two loan agreements concluded on 7 November, 2019 and the loan agreement concluded on 6 February, 2020 based on the Credit Facility Agreement concluded by the Company and MFB on 7 November 2018, a loan was granted in the amount of HUF 9,707,551,770 and was disbursed on 15 September 2020;
 - a loan in the total amount of HUF 2,606,021,058 for the partial post-financing of the purchase of real estate and for financing real estate renovation and investment, of which the first part was disbursed in the amount of HUF 1,124,100,000 on 1 September 2020 and the second part was disbursed in the amount of HUF 143,750,000 on 13 November 2020;
 - in order to refinance the total debt outstanding on the basis of the HUF 2,100,000,000 loan agreement concluded between the Company and Takarékbank on 8 March 2018, a loan was disbursed in the amount of HUF 1,661,513,172 on 15 September 2020.
- Pursuant to the loan agreement concluded by the Company and Takarékbank on June 28, 2021, Takarékbank is extending the Company a fixed rate HUF loan of a loan term of 15 years in the total amount of HUF 2,500,000,000 for the purpose of the financing of real property renovation and investment, however, no disbursement has taken place based on such loan agreement up to the date of preparation of this Interim Consolidated Financial Statements.

The instalments of such loans and credits falling due in 2021 are recognized as short-term loans.

14. Provisions

Data in th HUF	30.06.2021	31.12.2020
Provision for expected liabilities	16 324	19 086
Total	16 324	19 086

In the 1st half year of 2021, the Company only recognized in its books the provisions created due to the holidays not taken out by the employees pro rata temporis, in the amount of HUF 12,902 thousand, whereas an additional amount of HUF 3,422 comes from the provisions created by the Subsidiary in previous years for expected liabilities.

15. Deferred tax liabilities

As a result of the change to the SZIE status, the Company has derecognised the previously recognized deferred tax liability because no future tax liability is expected to arise in the ordinary course of business.

16. Other long-term liabilities

Other long-term liabilities amount to HUF 0 thousand.

17. Short-term financial liabilities

Data in th HUF	30.06.2021	31.12.2020
Short-term part of loans	611 294	909 006
Total	611 294	909 006

In the line of Short-term financial liabilities, the reclassification of the short-term part of bank loans is demonstrated (see also Section 13 above).

18. Trade payables

Data in th HUF	30.06.2021	31.12.2020
Trade payables	951 083	1 982 055
Total	951 083	1 982 055

Trade payables decreased by about 52% compared to their year-end amount, mainly as a result of the substantial amount of payments made in the 1st half year of 2021 from the large amount of accounts payable to general contractors at the end of the year due to the current property developments of the Company.

19. Other liabilities, accrued expenditure and deferred income

Data in th HUF	30.06.2021	31.12.2020
Advances + caution + VAT correction	1 099 919	1 190 610
Wages+taxes+contributions	50 075	58 283
Dematerialisation-related liability towards owners	75 280	75 280
Accruals	121 225	106 154
Adjustment due to trade debtors with a credit balance	65 516	81 664
Total	1 412 015	1 511 991

Other short-term liabilities and accrued expenses were mainly influenced by the change in customer prepayments and tenants' deposits from the sale of condominium apartments, which generated a decrease by HUF 91 million as a whole. The line "Wages + taxes + contributions" shows the parent company's tax liability and the wages payable to employees and related contributions in the total amount of HUF 46 million, plus the local tax and innovation contribution liability of the Subsidiary, which is calculated to amount to HUF 4 million. The amount of accruals increased by about HUF 15 million, and includes the expected amounts of duties payable in connection with the new acquisitions by the parent company on the one hand and the values of the works performed by general contractors and subcontractors involved in property development projects, but not yet invoiced. The amount of reclassified overpayments by buyers decreased by HUF 16 million.

20. Net revenue from sales

Data in th HUF	2021 H1	2020 H1
Income from leasing and operating fees	1 744 995	1 594 868
Income from parking fees	211 210	200 022
Income related to mediated services	149 871	119 843
Income related to services	0	0
Revenue from property/lot sales	304 569	839 943
Other revenues from sales	25 765	6 818
Total	2 436 410	2 761 494

The increase of the income from leasing and operating fees comes from their indexation agreed upon in the contracts and the price increases at the beginning of the year.

The great majority of revenues from mediated services comes from the public utility and other service fees invoiced on in connection with leased properties.

In the 1st half year of 2021, the whole amount of the revenue from the property/lot sales was realized by the Subsidiary, in connection with the sale of the apartments constructed in phase II of the Condominium property construction project in district III of Budapest.

Other revenues include revenues which cannot listed to any of the previous groups.

21. Other operating income

Data in th HUF	2021 H1	2020 H1
Fair valuation	530 949	243 203
Real and personal property sales	0	1 097 069
Other income	155 118	9 810
Total	686 067	1 350 083

Other operating income includes the increase in the fair value of the Company's investment properties under the Fair valuation line. In the line of Real and personal property sales, the half-year data of the base year included the effect of the sale of the Verseg real property and the related movables, however, there was no such revenue in the current half year, as the contract for the sale of the real property at 1081 Budapest Rákóczi út 57 had been concluded by the Company, therefore its effect was also realized, as early as the end of 2020, despite the fact that the real property was actually delivered only in early 2021.

Within Other income, HUF 14.5 million was derived by the Company from allowances granted subsequently and settled financially, damages received and the reversed impairment of receivables, whereas HUF 124 million was derived by the Subsidiary from the reversing of the impairment of inventories in the previous year, accounted in parallel with apartment sales realized in the meantime, moreover there was also a reversal of impairment of inventories on the group level in an additional amount of HUF 16.6 million.

22. Own production capitalized

Data in th HUF	2021 H1	2020 H1
Changes in the inventory of internally generated products	-219 580	-476 883
Capitalized value of internally generated assets	-124 026	473 579
Total value of own production capitalized	-343 606	-3 304

The change to the value of own production capitalized was mainly caused by the inventory value derecognized at the Subsidiary due to the apartments delivered in the current period.

23. Material expenditure

Data in th HUF	2021 H1	2020 H1
Material expenditure	83 672	81 273
Value of services used	304 368	907 385
Value of other services	15 369	17 493
Cost of sold goods	9 958	35 309
Value of sold (mediated) services	143 000	119 779
Total	556 367	1 161 238

Material expenditure as a whole decreased by HUF 605 million in the subject period compared to the base data, mainly due to the significant decrease in the Value of services used and, more specifically, the fact that whereas the construction of condominium properties was still underway in the similar period of the previous year, there were only repair works done in the 1st half-year of 2021.

24. Personnel expenses

Data in th HUF	2021 H1	2020 H1
Wages	218 643	188 212
Other personnel expenses	14 548	19 451
Contributions	36 738	38 144
Total	269 929	245 807

Personnel expenses increased as a result of the growth in personnel numbers and organisational development realized to achieve the strategic goals of the Company. The average statistic headcount of the employees of the Company was 48 persons in the 1st half of 2021 (the average statistic headcount was 46 persons in the 1st half of 2020; the number of actively employed persons was 49 persons on June 30, 2021, while this indicator was 47 persons on both June 30 and December 31 in 2020).

25. Depreciation and impairment

Data in th HUF	2021 H1	2020 H1
Depreciation	18 585	15 355
Impairment	63 500	287 579
Loss on loans	0	0
Total	82 085	302 934

In the Depreciation line, the depreciation accounted for the non-investment tangible assets of the Company. In the Impairment line, the impairment of trade receivables recognized by the Company is indicated in the current period and to the impairment of inventories was recognized by the Subsidiary in the base period.

26. Other operating expenditure

Data in th HUF	2021 H1	2020 H1
Effect of fair valuation on inventories	8 564	36 491
Fair valuation	272 084	138 552
Real and personal property sales	0	5 459
Scrapping	0	0
Transfer for no consideration	0	283 657
Taxes	105 296	87 972
Other expenditure	12 654	4 976
Total	398 598	557 107

The major increase in the value of other operating expenditure was mainly caused by the contrary change of the following two items in the subject period compared to the base period: (1) The increase in the Fair valuation line (+ HUF 133.5 million), which comprised the decrease in the market value accounted based on the IAS40 standard and (2) the value of Transfers for no consideration (HUF - 283.7 million).

27. Revenue from and expenditure on financial transactions:

Revenues from financial transactions		
Data in th HUF	2021 H1	2020 H1
Interest received	47 304	29 550
Exchange rate gains	1 995	51 786
Other	0	0
Revenues in total	49 299	81 336

Expenditure of financial transactions		
Data in th HUF	2021 H1	2020 H1
Interest paid	100 485	115 947
Exchange rate loss	4 615	543
Other	0	0
Total expenditure	105 100	116 490

The increase in interest received is the result of the depositing of liquid assets, and the amount of interest paid is related to the outstanding loans.

28. Current tax expense

Data in th HUF	2021 H1	2020 H1
Corporate tax	284	995
Local business tax	3 867	0
Innovation contribution	6 285	5 548
Other	0	0
Total current tax	10 436	6 543

Pursuant to the applicable laws, the Company was only liable to pay corporate tax only as long as the obtaining of the SZIE status (20 October, 2017). However, as a SZIT, the Company is required to determine its corporate tax base also with consideration to the provisions of the SZIT Act, but it is subject to corporation tax liability based on the tax base determined in this way only in certain cases (e.g. based on the tax base proportionate to the affiliated parties' revenues), on the basis of which we calculated a corporate tax liability of HUF 284 thousand (see calculation below) and an innovation contribution liability of HUF 5,705 thousand for the Company for the half year under review. We calculated with HUF 3,867 thousand Local business tax and HUF 580 thousand Innovation contribution based on the results of the Subsidiary for the first half of the year, but no Corporate tax liability, as its base was negative.

Data in th HUF

Profit before IFRS tax		1 343 138
Tax correction (innovation contribution)		5 705
Profit before IFRS tax (corrected with innovation contribution)		1 337 433
IFRS correction items		-67 782
Adjusted profit before corporate tax		1 269 651
	Increasing items	478 143
	Decreasing items	-386 937
Corporate tax base in 2021 H1		1 360 857
	Corporate tax rate with SZIT allowance	0%
		0,23%
Corporate tax base (revenue proportionate from affiliated companies) in 2021 H1		3 148
	Corporate tax payable after affiliated companies	284
Corporate tax calculated in 2021 H1		284

29. Deferred tax

The Company has no deferred tax.

30. Earnings per share

Data in th HUF	2021 H1	2020 H1
Profit after taxes (th HUF)	1 405 655	1 799 490
Weighted average of common shares (pieces)	251 684 400	256 398 726
Earnings per share (base) (HUF) (the ratio of the "Profit after taxes" and the "weighted average of common shares")	5.58	7.02

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

31. Segment Information

All the properties of the Company are in Budapest and – until the sale of Verseg property in June, 2020 – its agglomeration, so the geographical breakdown of revenues and expenditures is not necessary.

Considering that the activity of the Company includes the renting, utilization and trading of properties, the changes to the consolidated profit before taxation of the company are broken down to the following segments: (1) “Hársánylejtő Condominiums” – the segment presenting the profit of the condominium and residential property development activity of BIF-Group as part of Hársánylejtő Project; (2) “Hársánylejtő lots” – the segment cumulating revenues derived from and expenditures related to the plots of land prepared for sale and yet to be improved as part of Hársánylejtő Project; (3) “Income-generating investment properties” – the segment presenting the profit directly related to the properties purchased by the Company for leasing purposes and (4) “Operating” – the segment presenting “operating” profit arising from the operation of BIF-Group, but not directly related to real properties.

The following tables contain the changes of the revenues and expenditures of the segments established according to the above-mentioned classification in the first half of 2021 and the first half of 2020:

2021 H1, data in th HUF	Hársánylejtő condominium	Hársánylejtő lots	Income-generating investment properties	Operating	Total
Net revenue from sales	306 196	200	2 129 864	150	2 436 410
Other operating income	140 617	0	535 368	10 082	686 067
Capitalized value of internally generated assets	-124 026	0	0	0	-124 026
Changes in the inventory of internally generated products	-224 391	4 811	0	0	-219 580
Material expenditure	-44 848	-7 673	-448 309	-55 537	-556 367
Personnel expenses	0	0	0	-269 929	-269 929
Depreciation and impairment	0	-1 005	-63 956	-17 124	-82 085
Other operating expenditure	-24 586	-6 082	-362 085	-5 845	-398 598
Revenues from financial transactions	0	0	0	49 299	49 299
Expenditure on financial transactions	0	0	0	-105 100	-105 100
Profit before taxes	28 962	-9 749	1 790 882	-394 004	1 416 091

2020 H1, data in th HUF	Harsánylejtő condominium	Harsánylejtő lots	Investment, income- generating properties	Operating	Total
Net revenue from sales	690 176	153 383	1 917 844	90	2 761 494
Other operating income	0	0	1 340 795	9 288	1 350 083
Capitalized value of internally generated assets	473 579	0	0	0	473 579
Changes in the inventory of internally generated products	-471 209	-5 675	0	0	-476 883
Material expenditure	-654 977	-27 174	-405 117	-73 970	-1 161 238
Personnel expenses	0	0	0	-245 807	-245 807
Depreciation and impairment	-287 579	-1 008	3 201	-17 548	-302 934
Other operating expenditure	-4 427	-337 962	-194 134	-20 584	-557 107
Revenues from financial transactions	0	0	0	81 336	81 336
Expenditure on financial transactions	0	0	0	-116 490	-116 490
Profit before taxes	-254 437	-218 436	2 662 589	-383 685	1 806 033

32. Profit from fair valuation

Within the cash flow from Operating activities, the result of the first half year of 2021 from Fair Valuation includes the effect of fair valuation of investment properties as it is not a cash flow item. The result from the fair valuation of HUF 258,865 thousand included in the operating cash flow consists of two items, of which HUF 530,949 th is the amount of appreciation and HUF 272,084 th is the amount of depreciation on the market.

33. Financial instruments

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

June 30, 2021 data in th HUF	Book value	Fair value
Financial assets		
<i>Loans and receivables</i>		
<i>registered at amortized cost</i>		
Trade receivables	372 717	302 772
Cash and cash equivalents	8 737 843	8 737 843
Financial liabilities		
<i>Liabilities</i>		
<i>registered at amortized cost</i>		
Financial liabilities	19 643 621	19 643 621
Trade payables	951 083	951 083
December 31, 2020 data in th HUF	Book value	Fair value
Financial assets		
<i>Loans and receivables</i>		
<i>registered at amortized cost</i>		
Trade receivables	411 409	404 664
Cash and cash equivalents	10 888 723	10 888 723
Financial liabilities		
<i>Liabilities</i>		
<i>registered at amortized cost</i>		
Financial liabilities	19 941 333	19 941 333
Trade payables	1 982 055	1 982 055

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

In the business year of 2021, the members of the Board of Directors of the Company perform their duties without remuneration, whereas the members of the Audit Committee of the Company perform their duties with a gross monthly remuneration of HUF 300,000 per member.

There is no Supervisory Board at the Company or the consolidated Subsidiary.

IV. Other supplementary information

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

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

On June 30, 2021, the following mortgage rights are registered on certain items constituting the assets of the company group:

Loan1

Beneficiary's name: MFB Magyar Fejlesztési Bank Zrt.

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

Description of the encumbered thing or right (asset)

- Property of Topographical No. 24408/4, district V of Budapest (1052 Budapest, Apáczai Csere János str. 9)

Details of the contract containing the secured claim:

Loan agreement

Date: September 3, 2019

Real property mortgage agreement – to secure multiple liabilities

Date: September 3, 2019

Contract for pledge on receivables

Date: September 3, 2019

Amount of the secured receivables / registered encumbrance:

HUF 20,000,000,000 (twenty billion forints) as principal and any interests and other charges accrued

Loans2-4

Beneficiary's name: Takarékbank Zrt.

Pursuant to the three loan agreements concluded between the Company and Takarékbank Zrt. on August 21, 2020, Takarékbank provided/provides the following fixed rate 15-year-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 Magyar Fejlesztési Bank Zrt. on 7 November 2018, a loan was granted in the amount of HUF 9,707,551,770 and was disbursed on 15 September 2020;
- a loan in the total amount of HUF 2,606,021,058 for the partial post-financing of the purchase of real estate and for financing real estate renovation and investment, of which the first part was disbursed in the amount of HUF 1,124,100,000 on 1 September 2020 and the second part was disbursed in the amount of HUF 143,750,000 on 13 November 2020;
- in order to refinance the total debt outstanding on the basis of the HUF 2,100,000,000 loan agreement concluded between the Company and Takarékbank on 8 March 2018, a loan was disbursed in the amount of HUF 1,661,513,172 on 15 September 2020.

Description of the encumbered thing or right (asset)

- The real property of Topographical No. 6979/1, district XII, Budapest (1122 Budapest, Városmajor str. 12-14)
- The real property of Topographical No. 6866, district XII, Budapest (1122 Budapest, Városmajor str. 35)
- The real property of Topographical No. 18059, district III, Budapest (1033 Budapest, Flórián sqr)
- The real property of Topographical No. 38315/42, district X, Budapest (1101 Budapest, Üllői str. 114-116)
- The real property of Topographical No. 6775, district I, Budapest (1012 Budapest, Logodi str. 42)

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

Date: August 31, 2020

Mortgage contract for real estate – to secure multiple claims up to a specified amount

Date: August 31, 2020

Agreement for the establishment of a pledge of claims – to secure multiple liabilities up to a specified amount

Date: August 31, 2020

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

Date: August 31, 2020

Amount of the secured claims/registered charge:

HUF 14,700,000,000 limit

Loan5**Beneficiary's name: Takarékbank Zrt.**

Pursuant to the loan contract concluded by the Company and Takarékbank on June 28, 2021, Takarékbank Zrt is extending the Company a fixed rate HUF loan of a loan term of 15 years in the total amount of HUF 2,500,000,000 for the purpose of the financing of real property renovation and investment.

Description of the encumbered thing or right (asset)

- The real property of Topographical No. 6979/1, district XII, Budapest (1122 Budapest, Városmajor str. 12-14)
- The real property of Topographical No. 6866, district XII, Budapest (1122 Budapest, Városmajor str. 35)
- The Real Property of Topographical No. 18059, district III, Budapest (1033 Budapest, Flórián sqr)
- The real property of Topographical No. 38315/42, district X, Budapest (1101 Budapest, Üllői str. 114-116)
- The real property of Topographical No. 6775, district I, Budapest (1012 Budapest, Logodi str. 42)

Details of the contract containing the secured claim:Loan agreement

Date: June 28, 2021

Mortgage contract for real estate

Date: June 28, 2021

Agreement for the establishment of a pledge of claims

Date: June 28, 2021

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

Date: June 28, 2021

Amount of the receivables secured / encumbrance registered:

HUF 2,500,000,000 as principal and any interests and other charges accrued

1.2. Litigations and other legal proceedings

On June 30, 2021, Budapesti Ingatlan Nyrt. was a defendant to the following lawsuits.

Litigations pending

Plaintiff: dr. Szabó-Páljános Dorottya; defendants: the Company as defendant¹, Groom Electrician Korlátolt Felelősségű Társaság as defendant², JAZMY Szolgáltató Kft. as defendant³ and dr. Szabó Zoltán as defendant⁴.

Subject of the lawsuit: compelling to tolerate the registration of the 50% title of the plaintiff and defendant⁴ to the real properties sold by the predecessor of the Company in 2010 (residential property, underground garage) based on sale and purchase and the contemporaneous deregistration of the title of defendant³. According to the position of the Company, the prayer of the plaintiff is unreasonable and we hope that the Company will be the prevailing party in the lawsuit.

2. Important events following the end of the interim period (June 30, 2020)

On July 21, 2021, the Company signed the general construction contract with DVM Group Kft (registered office: 1052 Budapest, Türr István str. 8) in the subject of the performance of the renovation and reconstruction works of the 13-storey building erected on the Real Property of Topographical No. 38315/42, district X, Budapest, physically located at 1101 Budapest, Úllői str. 114-116, to which the Company has a title of 921/1000.

In the litigation referred to in the extraordinary notice published by the Company on September 28, 2016, initiated by Shareholder Association of Listed Individual Investors as plaintiff against the Company before the arbitration court attached to the Hungarian Chamber of Industry and Commerce to repeal the resolutions of the Company, the arbitration court rejected by its judgement passed on July 14, 2021 and received on July 26, 2021, all of the prayers of the plaintiff.

3. Extraordinary and other regulated disclosures in 2021

Date of publication	Subject of publication
July 30, 2021	Monthly disclosure of voting rights and registered capital
July 26, 2021	Notice of conclusion of litigation
July 21, 2021	Extraordinary notice of signing of general contract
June 30, 2021	Monthly disclosure of voting rights and registered capital
June 28, 2021	Extraordinary notice of signing of a loan contract
May 31, 2021	Monthly disclosure of voting rights and registered capital
April 30, 2021	Supplementary information for the dividend payment announcement of Budapesti Ingatlan Nyrt. related to the 2019 business year
April 30, 2021	Monthly disclosure of voting rights and registered capital
April 27, 2021	Responsible company management report
April 27, 2021	Resolutions passed by the Board of Directors of Budapesti Ingatlan Nyrt. exercising the powers of the general meeting
April 19, 2021	Proposals for the general meeting and motions
March 31, 2021	Monthly announcement of voting rights and share capital
March 26, 2021	Invitation to the General Meeting of Budapesti Ingatlan Nyrt.
March 1, 2021	Monthly announcement of voting rights and share capital
January 29, 2021.	Monthly announcement of voting rights and share capital

4. Authorising the disclosure of the financial statements

The Board of Directors of the Company approved this Interim Consolidated Financial Statements on August 27, 2021 and authorized it for disclosure with its resolution.

Declaration of liability

The Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. hereby declares that this Interim Consolidated Financial Statements has been prepared to the best knowledge of the Company, in accordance with International Financial Reporting Standards, providing a true and reliable image of the assets, liabilities, financial position as well as profits and losses of the Company and its subsidiary involved in the consolidation, and does not omit any facts that might have any significance concerning the assessment of the situation of the Company and its subsidiary involved in the consolidation.

Budapest, August 27, 2021

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

.....
 Bercz Kristóf
 Vice President of the Board of Directors, CEO

Declaration of liability

The Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt. hereby (hereinafter: Company) declares that the 2021 Half-Year Report published by the Company was prepared to the best knowledge of the Company, in accordance with International Financial Reporting Standards, providing a true and fair view of the position, assets, liabilities, development and performance of the Company and its subsidiary involved in the consolidation, presenting the main risks and uncertainty factors and does not omit any facts that might have any significance concerning the assessment of the position of the Company and its subsidiary involved in the consolidation.

Budapest, August 27, 2021

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

.....
Kristóf Berecz
Vice President of the Board of Directors, CEO