

# Management Report

## 1 Company information

Name: Futureal Development Holding Ingatlanforgalmazó  
Korlátolt Felelősségű Társaság  
Tax number: 14434459-2-42  
Registered address: 1082 Budapest, Futó utca 47-53. VII. emelet  
Company registration number: 01-09-903759

Futureal Development Holding Kft. was established on 14 July 2008. The Company was registered on 19 August 2008 by the Metropolitan Court of Budapest as Court of Registration.

The Company's ownership structure as at 31 December 2021:

<u>Shareholders</u>	<u>Face value of shares</u>	<u>Ownership share %</u>
Futureal Holding Bv	11 520 000,00 €	100,0000%

## Budapest – Office Market

### Investment market:

According to CBRE, the office sector remains the backbone of investment activity in Hungary. In 2021, the sector broke new records both in terms of absolute volume invested (EUR 966 million) and its share of the total annual volume (82%). A number of notable core sales drove the volume, including those of the Evosoft and Ericson HQs, Szervita Square Building, Budapest Gate, Váci Greens D and F, as well as the portfolio including Infopart B, C, D and I.

### Office market supply:

After repeated quarterly downward revisions of the annual new office supply forecast throughout the year, the actual completion volume managed to fall short even the most conservative expectations, as CBRE says.

### Office market demand:

According to BRF, total demand reached 112,280 sqm in Q4 2021, representing a 38% increase quarter-on-quarter, and a 30% increase year-on-year. Lease renewals stood for the largest share of total leasing activity with 48%, followed by new leases in the existing stock with 30%, pre-leases in new developments with 13%, while expansions of existing premises reached 9% of the total demand. The strongest occupational activity was recorded along the Váci Corridor, attracting 33% of the total demand. The South Buda submarket reached second place with 22%, followed by the Central Buda (13%) and Central Pest (11%) submarkets not far apart from each other. North Buda also registered a double-digit share with 10% of the total demand.

## Budapest – Retail Market

Shopping centre performance improved remarkably toward year-end according to the CBRE Shopping Centre Index- giving hope that pandemic-caused restrictions might damage retail sales to a diminishing extent.

According to KSH, Hungarian retail sales has increased by 3,5% in 2021 compared to the previous year.

Despite the sustained improvement of shopping centre retailer performance from Q2 on, overall turnover increased only by 5.5% compared to previous year, while footfall decreased by -1.7%. According to CBRE, this is due to the simple fact that there were still heavy restrictions in the first months of 2021 due to growing Covid numbers, while the same months in 2020 were still not affected by the pandemic.

### 3 Purpose and strategy

#### *Integrated, full-service operation, best-in-class team, efficiencies of scale*

Futureal Group, and as part thereof, the Issuer, is one of the leading commercial real estate developers, specializing on large-scale, mixed-use urban regeneration projects with a strong and well-known brand, active in the class A office, dominant shopping and high street retail segments, while recently establishing its activities in value-add office projects and large-scale logistics developments. Geographically, Futureal Group is focused on Hungary, while first steps of international diversification have been taken in Warsaw, Poland and Glasgow, UK. The corporate culture of Futureal Group focuses on operational excellence to continuously improve all aspects of the commercial real estate development and urban regeneration processes from land acquisition, project planning, procurement, leasing, sales and marketing to benefiting from scale. Co-operation with Cordia Group, wherever it is relevant from a project design and customer value perspective helps exploit mutual synergies and increase efficiency of scale.

#### *Cycle-conscious, diversified, value investor's approach to acquisitions*

Futureal Group, and as part thereof, the Issuer, has been focusing on step-by step, organic expansion, and diversification by investing and developing in different market segments (office, retail, logistics), accompanied with carefully selected opportunistic and value-add acquisitions and cycle-conscious exits executed with a value-investor's approach.

Futureal Group's medium-term targets include building-up a high-quality rental income generating portfolio of core commercial real estate assets. Futureal Group plans to maintain an agile investment and exit strategy with a focus of managing cyclicity, market risks and recycling capital. Acquisitions are based on strict underwriting standards and deep due diligence.

#### *Strong financing partners*

Futureal Investment Group, has a long-term partnership with the leading local banks in Hungary and Poland (e.g. OTP Bank, Erste Bank, Unicredit Bank, K&H/KBC Bank, Raiffeisen Bank, etc.).

### 4 Major developments of the reported period

As of January 1, 2021, the registered capital of the Issuer has been converted into EUR at the rate of 1 EUR=358,01 HUF. As a result of the purchase and conversion the sole quotaholder of the Issuer, Futureal Holding B.V. (the Guarantor) currently holds 100% of the quotas in the Issuer with a registered capital of EUR 11,520,000.

The Issuer has carried out a successful bond issue on 19 March 2021. The financial settlement date was March 23, 2021, the maturity is on March 23, 2031. The offered volume was HUF 55 billion at face value which attracted HUF 57.75 billion in bids. The amount of funds raised was HUF 57.32 billion.

The second bond issue was on November 12 2021. The financial settlement date was November 16, 2021, the maturity is on November 16, 2036. The offered volume was HUF 33,7 billion at face value which attracted HUF 38,85 billion in bids. The amount of funds raised was HUF 32,15 billion.

In 2021 there was another bond issue on December 09. The financial settlement date was November 13, 2021, the maturity is on November 16, 2036. The offered volume was HUF 24,25 billion at face value which attracted HUF 24,25 billion in bids. The amount of funds raised was HUF 21,55 billion.

The National Bank of Hungary (MNB) launched its corporate bond program (NKP) in July 2019, under which it is buying bonds issued by Hungarian corporations with a rating of at least B+ for up to HUF 300 billion. Scope Ratings assigned ratings to several participating companies and added Futureal Development Holding Kft. to this list in February. Scope Ratings assigned a first-time issuer rating of BB to Futureal, with a Stable Outlook. Senior unsecured debt is rated BB, which is two notches higher than the minimum requirement set by the MNB.

The bond issuance was used partly for financing the parent company Futureal Holding BV with a loan amount of EUR 114 745 789.23.

## 5 Results

Description (Data in EUR)	01.01.2021-31.12.2021
Net Sales revenues	343
Other income	832
Material Expenses	551,400
Depreciation	721
Other Expenses	21,066
<b>Operating Loss</b>	<b>-572,012</b>
Financial Income	22,206,868
Financial Expenses	15,662,297
<b>Profit Before Tax</b>	<b>5,972,559</b>
Corporate Income Tax	-33,306
<b>Profit After Tax</b>	<b>5,939,253</b>

The financial income consists of two main items one is the dividend received from Finext Nyrt. in an amount of EUR 15,696,360 and the other is interest income in an amount of EUR 2,729,944 and the remaining amount derived mainly from exchange gains.

The financial expenses includes an impairment of the investment in Finext Nyrt. EUR 10,095,557 and the remaining mainly coming from exchange losses.

**Review of the fulfilments of the covenants:**

(i) Rating of the Bonds

Based on the latest valuation made on 3 December 2021 the rating of Futureal Development Holding is BB with a Stable Outlook.

(ii) The Issuer Bond Debt to Equity Undertaking

**Bond Debt to Equity Undertaking** = (Total Net Issuer Bonds and Other Borrowings) / (Consolidated Equity), where

**Total Net Issuer Bonds and Other Borrowings:** Total Issuer Bonds and Other Borrowings, reduced by the Cash and Cash Equivalents,

**Total Issuer Bonds and Other Borrowings:**

(a) the total amount of bonds issued by any of the Issuing Entities that are outstanding to third parties (not being part of Futureal Group) that are not subordinated to the Bonds, plus

(b) any other third party loans and borrowings of the Issuing Entities that are outstanding to third parties (being not part of Futureal Group) that are not subordinated to the Bonds,

**Issuing Entities:**

- (i) the Issuer,
- (ii) the Guarantor and

- (iii) any other legal entity within the Futureal Group that issues bond(s) that are guaranteed (by way of a guarantee, suretyship or other liability arrangement) by the Guarantor or the Issuer, during the term of such guarantee,

**Consolidated Equity:** the total equity indicated in the consolidated balance sheet of the Guarantor, and

**Cash and Cash Equivalents:** the Cash and Cash Equivalents as indicated in the consolidated balance sheet of the Guarantor based on the latest audited financial statements (for the avoidance of doubt, not including restricted cash).

Consolidated Equity	378,179,181
Total Issuer Bonds and Other Borrowings	0
Cash and Cash Equivalents	56,963,336
Total Net Issuer Bonds and Other Borrowings	-56,963,336
<b>Bond Debt to Equity Undertaking</b>	<b>-0,15</b>

As at 31 December 2021 the Bond related Issuer Undertakings were fulfilled.

6 Key performance indicators

<b>Profitability indicators</b>			
<i>Description</i>	<i>Calculation</i>	31/12/2020	31/12/2021
Pre-tax profit/(loss) to sales revenues	pre-tax profit (loss) / net sales revenues	666243.66%	1741270.85%
Operating profit/(loss) to sales revenues	operating profit (loss) / net sales revenues	2594990.14%	-166767.35%
Pre-tax profit/(loss) to equity	pre-tax profit/(loss) / equity	1.08%	4.76%
After-tax profit/(loss) to equity	after-tax profit (loss) / equity	1.02%	4.74%
Operating profit/(loss) to assets	operating profit/(loss) / (non-current assets + inventories)	6.6%	-0.31%

<b>Net assets position</b>			
<i>Description</i>	<i>Calculation</i>	31/12/2020	31/12/2021
Equity	equity / balance sheet total	95.56%	28.32%
Coverage of non-current assets	non-current assets / equity	64.04%	146.51%
Equity growth ratio	equity in the reporting year / equity in the previous year	103.83%	104.97%
Equity to share capital	equity / share capital	1.76%	244.12%
Debt ratio	liabilities / equity	1057.51%	1088.45%

<b>Liquidity indicators</b>			
<i>Description</i>	<i>Calculation</i>	31/12/2020	31/12/2021
Acid test	cash/ current liabilities	12.68	34708.36
Long-term liquidity	(receivables + cash at bank and in hand + securities) / current liabilities	22.94	39484.03
General liquidity ratio	(current assets + prepayments) / (current liabilities + accruals)	8.74	22.87

Date: Budapest, 27 April 2022