

# 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 30 June 2022:

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

## 2 Business Environment

After positive sentiment at the end of 2021 and during first weeks of 2022, ultimately H1/2022 brought significant challenges to the office markets in Europe (and globally). The Russia-Ukraine conflict and emerging global economic downturn brought high levels of uncertainty in tenant demands. This is further underlined by the utility costs increases and fit-out costs increases requiring landlords to revisit tenant incentives budgets. The already existing debates on future office market, respectively tenant needs in light of the hybrid working model expanded with review of growth strategies due to the above. Many planned expansions or relocation plans were put on hold.

The negative effects of the slowed down demand are partly eliminated by the headline rent increases for the class A office space driven by rent indexations.

The supply of new constructions is expected to start shrinking (first signs are already notable) on the main markets where Futureal Holding is active (Budapest, Warsaw). This is due to construction price increase; higher interest rates and lower and uncertain tenant demands which is delaying speculative developments.

Similarly, as in office sector, also in retail the H1 performance of shopping centers starts to be impacted by the slowed down customer appetite. This is especially visible in contrast with growing footfalls. Current inflation rates, together with FX rates development (especially in Hungary) are creating additional growth block for already difficult retail market situation.

Logistic sector, despite the challenges mentioned above, continued to perform strongly in H1 2022. The take-up and rent levels stayed strong.

The construction industry continues to be pressured by salary, energy and construction material prices increases. This, combined with continued supply chain disturbances, results in steadily increasing construction costs and challenges to delivery deadlines that led to project postponements and deferrals.

### 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

### Capital Markets

Futureal Holding has on 31st January 2022 successfully issued a second tranche of bonds in an amount of HUF 8,05 billion within the framework of the Bond Funding for Growth Program (“Növekedési Kötvény-program”) launched by the National Bank of Hungary. This issuance was an addition to two bond series issued during 2021.

## 5 Results

<b>Description (Data in EUR)</b>	<b>01.01.2022-30.06.2022</b>
Net Sales revenues	7,959
Other income	539
Material Expenses	389,359
Depreciation	358
Other Expenses	25,000
<b>Operating Loss</b>	<b>-407,992</b>
Financial Income	25,534,016
Financial Expenses	-18,412,583
<b>Profit Before Tax</b>	<b>6,713,441</b>
Corporate Income Tax	-335,897
<b>Profit After Tax</b>	<b>6,377,544</b>

The financial income consists of three main items: one is the dividend received from Finext Nyrt. in the amount of EUR 2,261,340 the second is the interest income in the amount of EUR 5,271,128 and the third part is the exchange gain in the amount of EUR 17,915,955.

The financial expenses includes the interest payable of EUR 6,026,445 and the valuation of the exchange forward transaction in the amount of EUR 1,932,517 and the remaining is mainly coming from exchange losses.

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

#### (i) Rating of the Bonds

Based on the latest valuation made on 1 September 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	484,562,930
Total Issuer Bonds and Other Borrowings	301,105,264
Cash and Cash Equivalents	278,860,262
Total Net Issuer Bonds and Other Borrowings	22,245,002
<b>Bond Debt to Equity Undertaking</b>	-0,05

As at 30 June 2022 the Bond related Issuer Undertakings were fulfilled.

## 6 Key performance indicators

<b><u>Profitability indicators</u></b>			
<i>Description</i>	<i>Calculation</i>	31/12/2021	30/06/2022
Pre-tax profit/(loss) to sales revenues	pre-tax profit (loss) / net sales revenues	1741270.85%	84350,3%
Operating profit/(loss) to sales revenues	operating profit (loss) / net sales revenues	-166767.35%	-5126,17%
Pre-tax profit/(loss) to equity	pre-tax profit/(loss) / equity	4.76%	5,09%
After-tax profit/(loss) to equity	after-tax profit (loss) / equity	4.74%	4,84%
Operating profit/(loss) to assets	operating profit/(loss) / (non-current assets + inventories)	-0.31%	-0,20%

<b><u>Net assets position</u></b>			
<i>Description</i>	<i>Calculation</i>	31/12/2021	30/06/2022
Equity	equity / balance sheet total	28.32%	29,38%
Coverage of non-current assets	non-current assets / equity	146.51%	157,19%
Equity growth ratio	equity in the reporting year / equity in the previous year	104.97%	105,09%
Equity to share capital	equity / share capital	244.12%	233,54%
Debt/Equity ratio	liabilities / equity	1088.45%	1143,81%

<b><u>Liquidity indicators</u></b>			
<i>Description</i>	<i>Calculation</i>	31/12/2021	30/06/2022
Cash ratio	cash/ current liabilities	34708.36	40,87
Acid test	(receivables + cash at bank and in hand + securities) / current liabilities	39484.03	54,02
Current ratio	(current assets + prepayments) / (current liabilities + accruals)	22.87	23,42

Date: Budapest, 29 September 2022