



***Business report of BILK Logisztikai  
Nyilvánosan Működő  
Részvénytársaság***

For the year 2019

Date: Lászlótanya, April 7, 2020.

Livia Wáberer  
Chief Executive Officer



## **Publisher's declaration**

BILK Logisztikai Nyrt. (hereinafter: 'Company') hereby declares that the financial statements of December 31, 2019 are the first financial statements of BILK Logisztikai Nyrt. prepared in accordance with IFRS as adopted by the EU.

The annual financial statements provide a true and reliable overview of the Company's assets, liabilities, financial position, profits and the status of the business.

The Management Report gives a reliable picture of the Company's situation, development and performance, setting out major risks and uncertainty factors.

The data of the annual financial statements have been audited by an independent auditor.

The announcements can be found on the related websites:

Company's website: [www.bilk.hu](http://www.bilk.hu)

Budapesti Értéktőzsde Zrt.'s website: [www.bet.hu](http://www.bet.hu)

Related website operated by the National Bank of Hungary: [www.kozzetetelek.hu](http://www.kozzetetelek.hu)

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## Management report

The Budapest Intermodal Logistics Center (BILK) is located on an area of nearly 100 hectares, bordered by the industrial zone of Ócsai út in the 23rd district – M0 – Budapest-Kelebia railway main line. Railways operate on 10% and container terminals on 20% of the land, while BILK Logistics Nyrt. utilizes 70% of the site.

One of the largest intermodal logistics developments in Budapest and the whole country has been implemented on the area of the Budapest Intermodal Logistics Centre (BILK). The property is situated close to all major international destination and transit route intersections. In addition to the excellent road and rail connections, fair water and air connections are also available (due to the Csepel Free Port - the water, and due to the Liszt Ferenc airport - the air transportation is also barrier-free), and it is also easily accessible from the city centre. As a public contribution to the success of the project, the Republic of Hungary has undertaken to build a stand-alone junction and an exit on the M0 motorway to serve the BILK. Due to the connection of the old and the new M0 road section implemented in 2012, transport from BILK can be carried out by direct connection in all directions. In connection with this, a new traffic order was introduced on the territory of BILK which resulted in a large-scale decrease of the road and environmental load of the Ócsa road.

*During 2019, the industrial logistics real estate market portfolio around Budapest developed by a total of 64,200 m<sup>2</sup>, expanding the total portfolio to 2.25 million m<sup>2</sup>. At the same time, the proportion of empty areas continued to shrink: by the end of the year only 1.85 % of the total stock was unused.*

One-third of the above expansion, more than 20,000 m<sup>2</sup>, was developed in BILK. The new warehouse was built with thermal insulation, with a temperature control set to 5 degrees and an automatic sprinkler fire extinguishing system, one half with a useful ceiling height of 11.5 meters and the other half with a useful ceiling height of 10 meters. The building was handed over at the end of August. It consists of 19,843 m<sup>2</sup> of warehouse and 1,457 m<sup>2</sup> of office space; 900 m<sup>2</sup> of the office space has been designed as a gallery.

17,374 m<sup>2</sup> of warehouse and 1,430 m<sup>2</sup> of office space were marketed already in the licensing phase under a five-year lease agreement, and the lessee has the possibility of extension for an additional five-year period.

Furthermore, an agreement was signed to extend the lease of additional 13,900 m<sup>2</sup> of space, and an additional 6,500 m<sup>2</sup> of warehouse and office space were sold to a new partner. With this, last year a lease transaction took place for about 10 percent of the logistics centre, for a total area of almost 20,500 m<sup>2</sup>.



In 2019, BILK Logistikai Nyrt. achieved sales revenue of EUR 13,316,000, 12.7 percent more than in the previous business year. EBITDA is EUR 8,982,000, which is almost 20 percent and almost 1.5 million euros more than a year earlier. Almost all indicators of the company's activity in 2019 show a steady and dynamic development: its real estate capacity expanded by more than 10 percent, the occupancy rate exceeded 99 percent and the vacancy rate remained below 1%.

With the commissioning of the new property, the total warehouse and office capacity will exceed 207,000 m<sup>2</sup>.

The company spent significantly more than the previous year, a total of EUR 10.3 million on construction and related additional developments, as well as investments related to the renovation of existing warehouses and the maintenance of the buildings of the extensive hall system. The value of fixed assets at the end of 2019 exceeded 145.4 million euros. The developments were financed by the company partly by taking a loan.

As a further capacity expansion opportunity, BILK Logistikai Nyrt. has at its disposal the development of a 9,400 m<sup>2</sup>, 10-meter-high warehouse and a 200 m<sup>2</sup> office, for which the architectural plans have been completed and the necessary official permits are available.

Rents vary depending on the size of the leased area, the condition of the logistics park and its location. In the last few years, the increase in tenant activity and the decrease in available industrial space after the previous backlog have led to the catching up of the market environment, with rents stabilizing at higher levels. BILK's rental structure has also been adapted to these favourably changed market conditions, and for newly built properties rental fees are positioned in the premium category and, in the case of long-term leases, in the lower range of the general rental fee. The fundamental goal of the Company's pricing policy and its business plan is to ensure that rents are proportional to value, in which BILK's advantage, compared to the competition, is the technical standard of the facilities, the service environment and the location.

The warehouses that are built in the BILK area are of high technical standard as well, significantly exceeding the standard in the logistics parks that can be mentioned as competitors. Nevertheless, the returns on buildings are not worse, because better technical content helps to keep operating costs at an optimal level, which is very beneficial for both lessees and the lessor also in the long run.

The company's sales policy is subordinated to the greatest possible degree to a complete satisfaction of customer needs in order to make increasing use of business opportunities. Keeping these in mind, combined with sufficient flexibility, ensures that the achieved market leading position can be maintained in the future as well, which, in addition to BILK's excellent location, is further strengthened by the service environment: direct connection container terminal and railway siding services, as well as customs, post office, restaurant, car wash and petrol station services available on BILK's territory, and, last but not least, the direct public transport connection.



The company is committed to long-term value creation for its customers, investors and employees who are directly involved with it, as well as society as a whole. Our fundamental task is to provide a stable foundation for responsible corporate governance.

Our goal is to provide our customers with a complex quality warehouse logistics service package and a complete logistics and IT infrastructure in the most cost-effective operation.

Due to the fact that rents are collected and loans are repaid in EUR, and therefore the risk of exchange rate fluctuations is minimal, BILK is a well-established business, stable during and after the deep flight of the economic crisis. Lease agreements are medium to long-term, which ensures high exploitation.

#### Information relating to environmental protection:

The company does not possess any tangible assets that directly ensure environmental protection. During the operation of the company, it did not carry out any environmentally polluting activity. The company did not have any tangible assets directly intended to protect the environment.

At the end of 2008, afforestation of more than two hectares was carried out on the territory of BILK, thus improving the comfort of both the tenants and the surrounding population.

In 2009, the company commissioned an environmental impact assessment which enabled the company to obtain an environmental permit for a long time.

In 2010, financed jointly with the BILK Kombiterminál Zrt., the company built a noise barrier to improve the comfort of the population, and planted a protective forest to improve the noise load.

In 2013, the company carried out a replacement afforestation on more than three hectares on its own area, thus increasing the green ratio of the area.

In 2016, the Company carried out the renewal of its Environmental Permit, which enabled it to acquire a long-term Environmental operator's licence for the entire logistics park.

#### Research and development information:

BILK has taken steps for research and application of "Green-Logistics" solutions, and its main focus is the conscious use of renewable energy sources which includes a short-term plan for utilisation of solar energy.

Improvement of competitiveness is to be achieved through the development of the service, which includes the development of information processes, material flow processes and collaborative processes.



Information relating to employment policy:

In July 2019, the operating activities were outsourced to W-Facility Kft, which belongs to the company group. Following the reorganization, the number of employees at BILK Logisztikai Nyrt. decreased to three people.