



# CORDIA

## INTERNATIONAL ZRT.

MANAGEMENT REPORT ON THE ACTIVITIES  
OF CORDIA INTERNATIONAL ZRT. AND  
CORDIA INTERNATIONAL ZRT. GROUP  
FOR THE PERIOD ENDED **30 JUNE 2021**

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## 1. Background and business of the Company

CORDIA International Ingatlanfejlesztő Zártkörűen Működő Részvénytársaság (registered seat: H-1082 Budapest, Futó utca 47-53. VII. em.; tax number: 25558098-2-42, company registration number: 01-10-048844, statistical number: 25558098-6810-114-01, registered by the Company Court of Budapest- Tribunal; the “**Company**”; the Company, together with its controlled subsidiaries is hereinafter referred to as the “**Group**” or “**Cordia Group**”) hereby provides the public with its management report for the period from 1 January 2021 to 30 June 2021 (“**Management Report**”).

The Management Report is based on the Company’s separate and consolidated condensed financial information prepared in accordance with the International Financial Reporting Standards (“**IFRS**”) for the period from 1 January 2021 to 30 June 2021 (“**Reported Period**”).

This Management Report provides an overview of the Company’s (i) major developments during the Reported Period, (ii) potential major developments that may occur following the Reported Period, (iii) business environment, (iv) goals and strategy, (v) key performance indicators, (vi) financial performance and outlooks, and (vii) main risks and risk mitigation measures.

## 2. Major developments of the Reported Period

### Contraction and Deliveries

During the Reported Period the Company contracted 875 units, which accounts for a 103% increase compared to the similar period of 2020. This increase is mostly attributable to the Hungarian market, where VAT decreasing state measures drove the demand. In Hungary, the Company contracted 492 units during the Reported Period, which means an impressive 340% growth compared to the similar period of 2020. Commencement of sales of the second phase of the Parcululi project boosted the volume of contracted units by 144% on year on year basis, in Romania. At the end of Reported Period, the Cordia Group had 1 776 residential units available for sale.

#### Number of residential units contracted by country

##### For the period ended 30 June

<i>In number of units</i>	<b>2021H1</b>	<b>2020H1</b>
Hungary	492	112
Poland	312	290
Romania	71	29
<b>Total number of units contracted</b>	<b>875</b>	<b>431</b>

#### Number of residential units delivered to customers by country

##### For the period ended 30 June

<i>In number of units</i>	<b>2021H1</b>	<b>2020H1</b>
Hungary	578	439
Poland	264	353
Romania	176	0
<b>Total number of units delivered</b>	<b>1 018</b>	<b>792</b>

During the Reported Period, there were by 28% more residential units handed over than over the same period of 2020. The increase is the result of the completion and commencement of handover of four projects in Hungary and one project in Romania. The “Wiktoría” project in Poland was completed and received the occupancy permit in December 2020, but handover only started in Q1 of 2021.

The profit originating from Marina Life 2, which is a joint venture with 50% Cordia stake, was recognised in “Share of profit / (loss) in associate and joint venture” line in the consolidated P&L. Marina Life 2 was completed, and residential units were started to be handed over to customers during the Reported Period.

Recently completed projects, including “Wiktoría” project, are listed in detail in the table below:

### Recently completed projects

Project name	Country	City	Completion	NSA TOTAL	Number of residential units	Units Handed Over end of 1H2021	NSA Available for sale end of 1H2021	Units Available for sale end of 1H2021
			year	sqm				
Centropolitan / Bacso	Hungary	Budapest	2021	6 578	142	16	1 226	27
Akadémia Garden	Hungary	Budapest	2021	16 226	306	152	1 563	30
Sasad Resort Hilltop	Hungary	Budapest	2021	9 199	112	89	291	3
Marina Portside	Hungary	Budapest	2021	19 668	290	49	4 759	67
Marina Life 2 *	Hungary	Budapest	2021	13 255	207	39	3 549	51
Parcului 1	Romania	Bucharest	2021	15 313	265	176	3 982	61
Polnord - Wiktoría**	Poland	Warsaw	2020	6 174	87	51	1 551	20
<b>TOTAL COMPLETED</b>				<b>86 413</b>	<b>1 409</b>	<b>572</b>	<b>16 921</b>	<b>259</b>

\* Cordia holds 50% stake in the project

\*\* Project had occupancy permit in Dec. 2020 but handover started in 2021

### Ongoing and Newly Launched projects

#### Projects with construction starting in the Reporting Period

Project name	Country	City	Planned completion	NSA TOTAL	Number of residential units	NSA Available for sale eof 1H2021	Units Available for sale eof 1H2021
			year	sqm			
Thermal Zugló 4	Hungary	Budapest	2023	7 514	110	6 074	88
Millenium Residence 1. Phase	Hungary	Budapest	2024	5 689	110	5 689	110
Sasad Resort Panorama	Hungary	Budapest	2024	10 690	136	10 690	136
Fantazja 1&2	Poland	Warsaw	2022	10 713	180	8 259	146
Jaškowa Dolina 1	Poland	TriCity	2022	5 946	97	3 014	52
Leśna Sonata	Poland	TriCity	2023	7 591	113	7 591	113
Gothic Phase 1	UK	Birmingham	2022	2 366	16	2 217	14
<b>TOTAL UNDER CONSTRUCTION</b>				<b>50 509</b>	<b>762</b>	<b>43 534</b>	<b>659</b>

During the Reported Period, the Cordia Group started the construction works of seven projects with 50 509 sqm of Net Saleable Area representing 762 units, of which 103 have already been contracted by purchasing customers.

## Projects with ongoing construction as the end of the Reporting Period

Project name	Country	City	Planned completion	NSA TOTAL	Number of residential units	NSA Available for sale eof 1H2021	Units Available for sale eof 1H2021
			year				
Thermal Zugl6 4	Hungary	Budapest	2023	7 514	110	6 074	88
Grand Corvin 2. Phase	Hungary	Budapest	2022	19 008	365	7 675	130
Young City 3	Hungary	Budapest	2021	11 968	215	2 889	43
Grand'Or / Nagydio	Hungary	Budapest	2021	5 566	113	993	15
Univerzo / Balazs	Hungary	Budapest	2022	13 284	272	6 818	132
Millenium Residence 1. Phase	Hungary	Budapest	2024	5 689	110	5 689	110
Sasad Resort Panorama	Hungary	Budapest	2024	10 690	136	10 690	136
Horyzont Praga	Poland	Warsaw	2021	10 246	168	3 910	50
Fantazja 1&2	Poland	Warsaw	2022	10 713	180	8 259	146
Jaškowa Dolina 1	Poland	TriCity	2022	5 946	97	3 014	52
Leśna Sonata	Poland	TriCity	2023	7 591	113	7 591	113
Jerozolimska / Wielicka	Poland	Cracow	2022	8 887	163	5 697	106
Polnord - Stacja Kazimierz 5 *	Poland	Warsaw	2022	6 131	100	6 131	100
Polnord - Wioletta	Poland	Warsaw	2021	6 173	89	4 084	52
Parcului 2	Romania	Bucharest	2023	12 138	220	8 660	149
Gothic Phase 1	UK	Birmingham	2022	2 366	16	2 217	14
<b>TOTAL UNDER CONSTRUCTION</b>				<b>143 910</b>	<b>2 467</b>	<b>90 391</b>	<b>1 436</b>

\* Cordia holds 50% stake in the project

At the end of June 2021 the Cordia Group had 2 467 apartments and commercial units under construction in 16 projects. Over 41% of units in the ongoing projects have already been contracted. For details of the ongoing projects, please see the table above.

Wioletta project was granted the final occupancy permit on 19 July 2021, just as Horyzont Praga project on 12 August 2021.

The Company's subsidiary, Cordia Global 17 development sub-fund is involved in the development of the residential project Young City 3 in Budapest and obtained the occupancy permit for this project (comprising 215 apartments) in August and commenced delivering the finished apartments to its customers

## Important developments in joint ventures, associates and investments in other entities

**ARGO Properties N.V.** – ARGO is an investment company that manages the portfolio of prime and high-quality multifamily residential buildings in Germany, Europe's strongest resi-for-lease market. Focus is on strategic, fast growing cities, like Leipzig, Dresden, Magdeburg and office developments in Berlin. In the period of 1H2021 ARGO purchased 438 apartments for a total consideration of EUR 56 mn (HUF 19.7bn), thus raising its portfolio to 2 477 residential apartments. At the end of June 2021 Argo's assets grew by 39% to EUR 480.6 mn (HUF 169.1 bn) compared to December 2020, the Net Profit for the first half of 2021 was EUR 32.4 mn (HUF 11.4 bn), higher by 169% than a year ago in the same period.

ARGO completed an initial public offering (IPO) on 11 May 2021 at the Tel Aviv Stock Exchange ("TASE"), raising EUR 54 mn (HUF 19 bn) from investors at a pre-money valuation of EUR 270 mn (HUF 95 bn). Cordia invested further EUR 3 mn (HUF 1.1 bn) in ARGO during the IPO and held a 15.9% stake afterwards in the company as of 30 June 2021.

Listing of ARGO shares on TASE started on 18 May 2021. As of 30 June market price reached EUR 24.24 per share, which pushed the market value of the Cordia stake up to EUR 69.6 mn (HUF 24.5 bn), compared to EUR 50.2 mn (HUF 17.7 bn) book value in the Cordia Balance Sheet.

### 3. Potential major developments in the future

#### Projects under preparation and land bank management

The Management of the Cordia Group estimates that at the end of June 2021 the landbank of the Group gives green light to developing projects on 13 585 units, mainly apartments, with some minor Net Saleable Area (“NSA”) in a commercial area. Most of it, 10 369 units had the status “under preparation”, with fully secured legal title to the land. There were 3 216 units categorized as being “under acquisition” (purchase process has been started, but not yet finalized).

During the first half of 2021, transactions of land purchase for approximately 393 units were finalized in the UK, Romania and Poland. Acquisition of additional 1 497 units was initiated in Hungary, Poland and UK.

In the first half of 2021, the Cordia Group also decided to sell non-core landplots for a total amount of HUF 4.1 bn, of which HUF 1.7 bn was sold in Hungary and HUF 2.4 bn in Poland (Polnord S.A.)

#### Overview of completed core land acquisition transactions:

On 31 March 2021, the Company’s subsidiary, Cordia Dante Project S.R.L completed the purchase of a landplot in Bucharest, Romania. The landplot will allow for development of Petricani project involving approximately 277 residential units. The Cordia Group expects to launch the first phase of the project in 2022.

On 1 April 2021, the Group completed the purchase of a company, Nightingale Knitwear Centre Limited in the UK. The company purchased held the property that would form the third phase of our currently running project known as The Gothic and will allow adding 20 units to the project. With the acquisition, the whole site is ready to be developed.

On 15 June 2021, the Company’s subsidiary, Projekt Kraków 6 Cordia Partner 2 Sp. z.o.o. Sp.k completed the purchase of a landplot in Cracow, Poland. The new project, called Zabłocie, will allow developing approximately 96 apartments. The Cordia Group expects to launch the project in 2022.

### 4. Business environment

The Cordia is a holding company, which holds subsidiaries (holding companies, project entities and service companies). Cordia’s strategy is to develop residential projects – through the subsidiaries – in the well urbanised areas with strong structural demand in Hungary, Poland, Romania (CEE), Spain and UK. Given that, the most important areas are Budapest, Warsaw, Tri-City, Cracow, Poznan, Bucharest, the Marbella region and Birmingham.

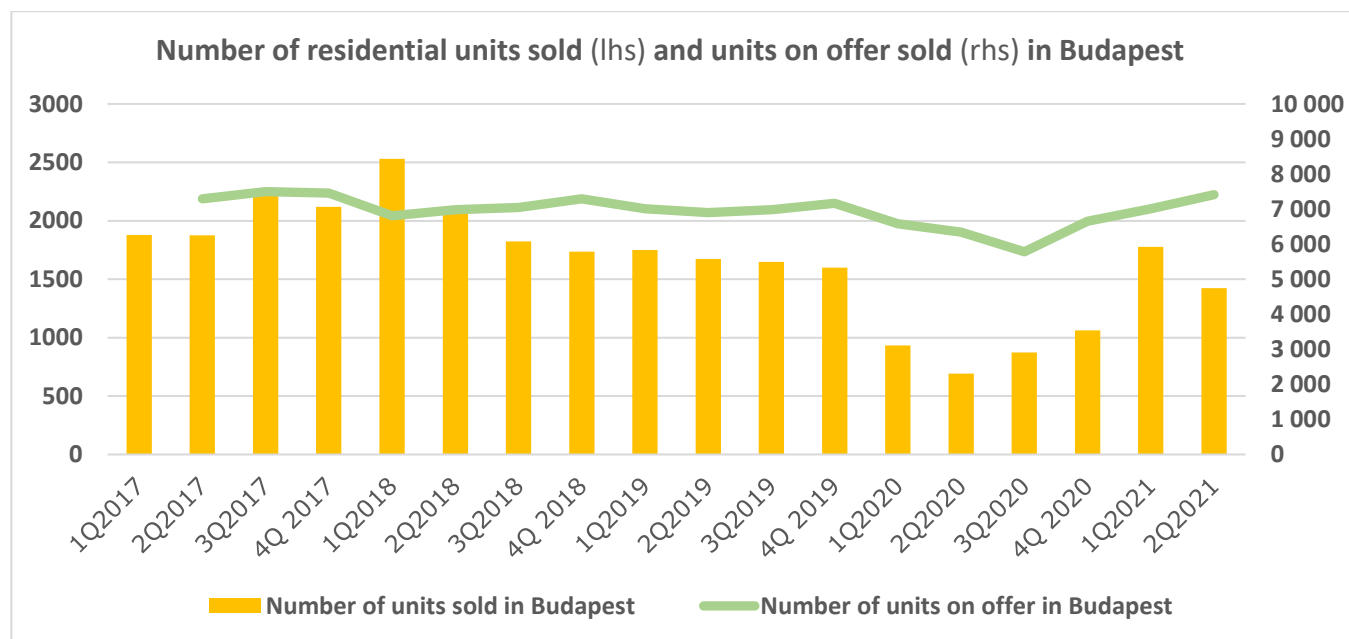
In all monitored markets the general business environment was positive in 1H of 2021. Although risks related to COVID are still present, economy in all focus countries rebounded from 1H2020 lock-downs. The strongest growth was achieved in the countries that suffered the most in 2Q of 2020. In the UK the economy expanded by +22% in 2Q2021 vs 2Q2020 and in Spain +19.8% in 2Q2021 vs 2Q2020. In Hungary and Romania the GDP growth in 1H of 2021 was sufficient to reach pre-pandemic levels in 2019. According to Eurostat forecasts for Poland and UK, return to GDP levels from pre-pandemic era is expected to happen in the 2H of 2021.

#### Hungary : Overview of the Budapest Build to Sale (BtS) residential market

In 1H of 2021 the positive impact of the VAT reduction introduced at the beginning of 2021 influenced the market, the supply and new launches. The number of newly developed and marketed apartments reached 3 520 units on a par with 2017 – 2019 averages. There were as many as 7 410 apartments offered for sale at the end of June 2021, which was by over 1 000 more than a year ago.

Chart below shows the number of stock and transaction volumes on the Budapest market since 2017

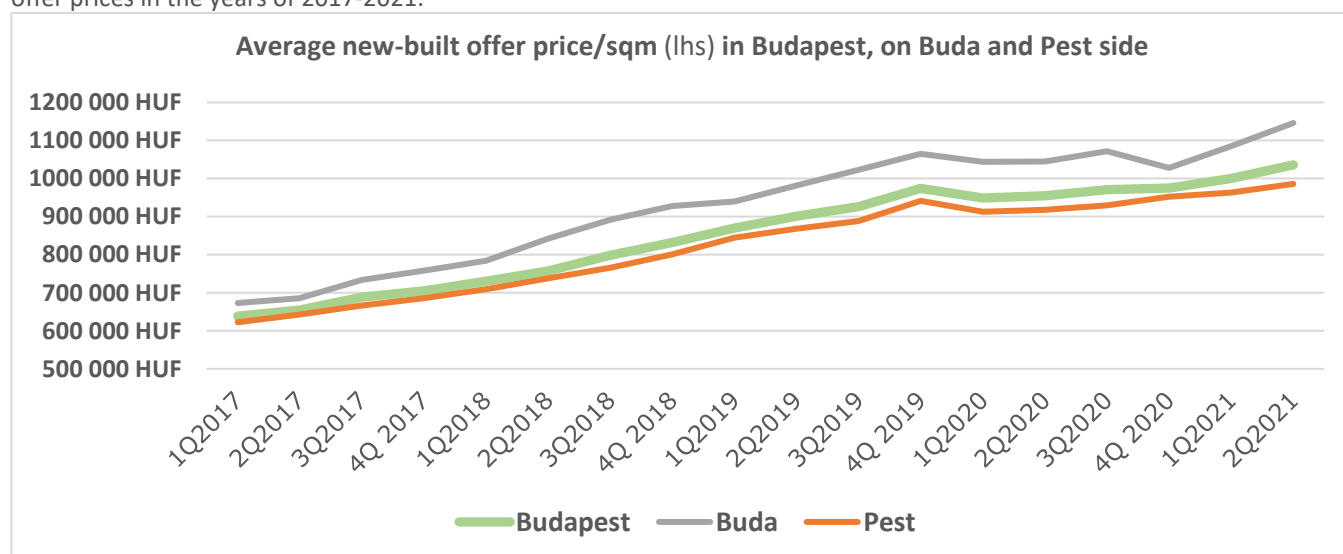




Source: Cordia Group, JLL

VAT reduction and family allowances also drove the demand. In the 1H of 2021 number of sold units on the Budapest market increased to 3 200 units compared to 1 626 units in the 1H of 2020. That was by 97% higher than a year ago and by 65% higher than in 2H of 2020, and almost equal to 3 250 units sold in 2H of 2019, which was the last pre-COVID period. Despite of this rapid growth, the number of sales was still a little shy of 2017-2019 levels when it reached 1 920 units on average quarterly.

The GDP growth and consumer demand pushed flats prices upward. In June 2021 average offer price of newly-built apartments in Budapest rose to 1 036 000 HUF/sqm, that was 8,5% higher compared to 955 000 HUF/sqm in June 2020. It also exceeded by 6.3% the 975 000 HUF/sqm price typical at the end of 2020. The prices on the Buda side grew more than on Pest side. Regarding non-exclusive projects on Buda side, the average offer price reached 1 146 000 HUF/sqm, which was 10% higher than in June 2020 (1 045 000 HUF/sqm). As for Pest, the average price amounted to 986 000 HUF/sqm at the end of 1H of 2021, which was 7% higher than a year ago (918 000 HUF/sqm). The chart below shows the quarterly data of average offer prices in the years of 2017-2021.



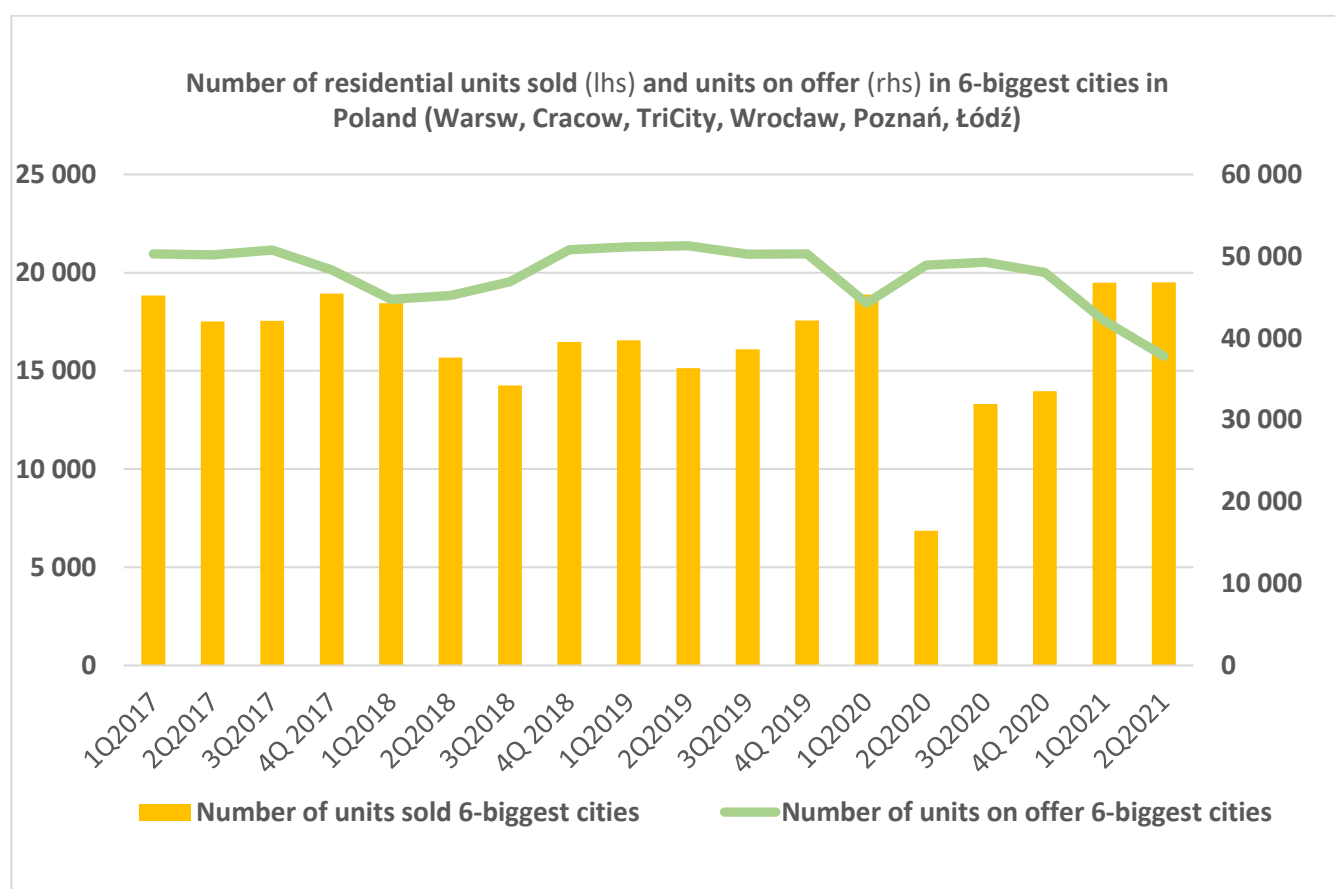
Source: Cordia Group, JLL

Poland : Warsaw, Cracow, Tri-City, Poznan, Build to Sale (BtS) residential market overview

According to JLL (Jones Lang LaSalle Incorporated – Real Estate Agency) report for Residential Market in Poland for 2Q 2021, almost 39 000 new apartments were sold in the first half of 2021 in the six largest cities in Poland (Warsaw, Cracow, Tri-City, Poznań, Wrocław and Lodz), which means 51% growth compared in the same period a year ago and is 7.2% higher than in the best ever period, i.e. the first half of the year in 2017. Additional to residential demand, the market was also revitalised by value protection transactions and some speculative buying.

As fewer new projects were launched for supply than the number of sold apartments, the offer fell to 37 800 units at the end on June 2021 on the 6 biggest residential markets in Poland. This means a 22.6% fall yoy, which is the lowest level ever since 3Q 2010.

The chart below presents volumes and number of units on offer since 2017.

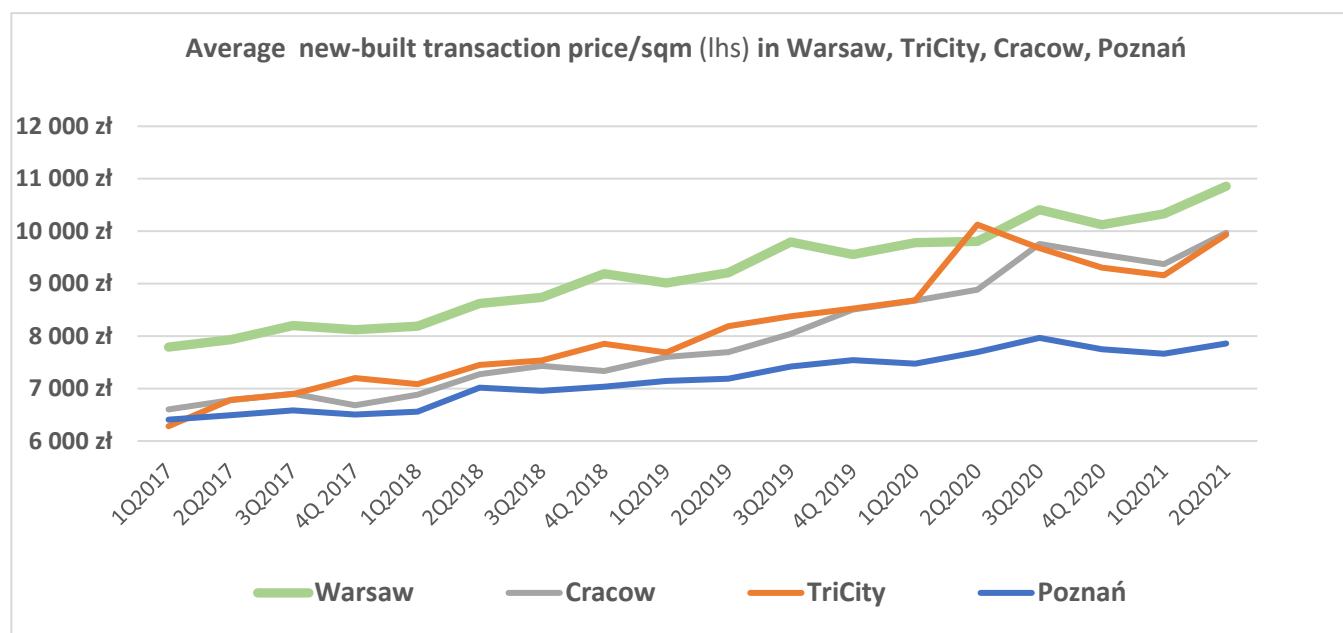


Source: Cordia Group, JLL

Fewer new launches than demand lead to a higher prices. Primary market transaction prices rose on average in Warsaw, TriCity, Cracow and Poznan. The Warsaw market produced the sharpest, 7.3% increase up to 10 857 PLN/sqm on average compared to the end of 2020. The price rise was the most moderate in Poznań where on average a new apartment sold for by 1.4% higher price, for 7 860 PLN/sqm compared to the year end.



The chart below presents price development on markets monitored by the Cordia Group in 2017 – 2021.



Source: Cordia Group, JLL

On the one hand the price rise was triggered by a strong demand for first/larger apartments, supply shortages, and higher construction costs. On the other it was also fuelled by investment demand due to attractive rental yields compared to bank deposits and value protection. The inflation reached 4.4% in June and with the base rate of the National Bank of Poland at 0.1%, Poland was the country with the lowest negative real interest rates in the region. This drove another record in mortgage loans origination where May 2021 was the third consecutive month with lending over 7.5 bn PLN.

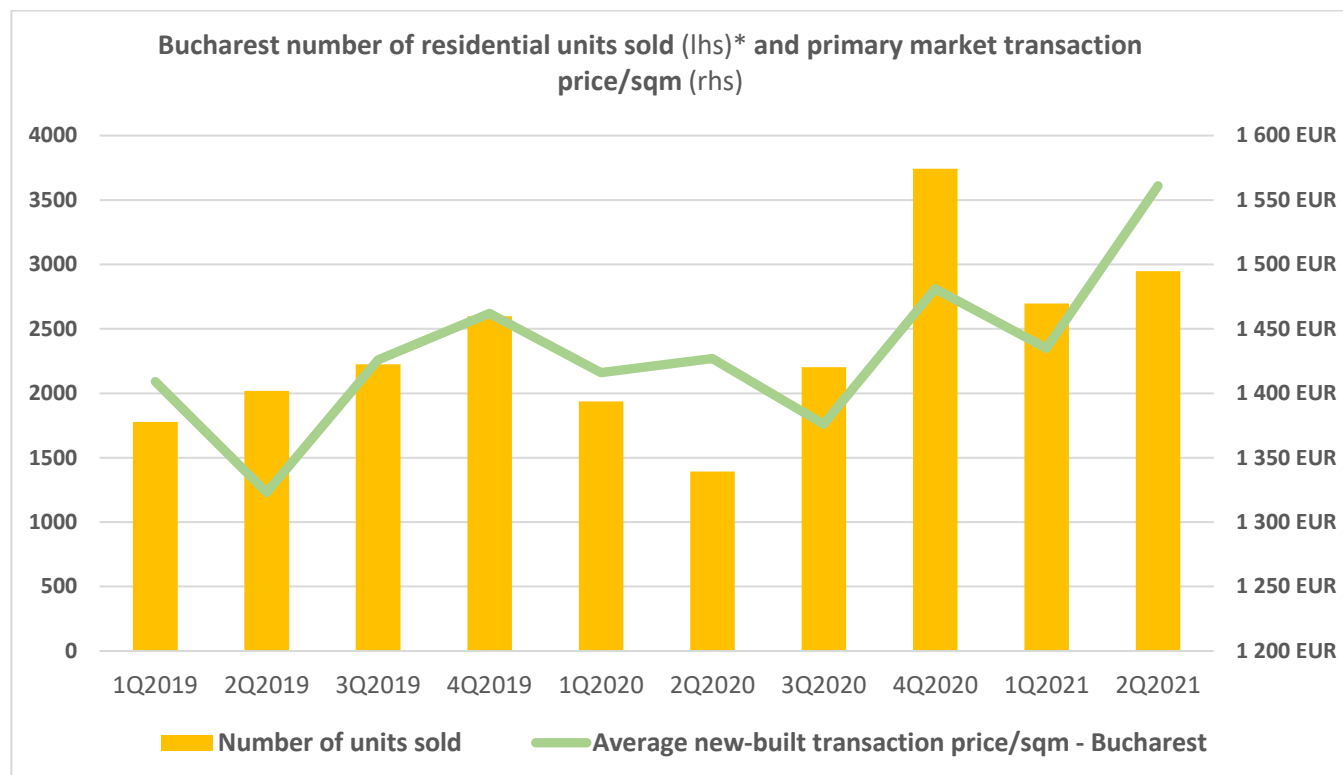
#### Romania: Bucharest Build to Sale (BtS) residential market overview

According to the Cordia Group estimation approximately 5 600 new apartments were sold in the first half of 2021 in Bucharest. That is not only 69% higher than in the same period a year ago, when market was suffering from lock-downs, but also 48% higher than in 1H of 2019. Residential demand, was driven by healthy labor market, with record low unemployment rate at 3.1% in Romania in May 2021 as well as stable salary growth.

New projects launched with 100+ units for sale almost reached 5 000 units, on a par with the level in 1H of 2021. The residential supply in Bucharest shows an upward trend, despite the continuously rising construction costs, tougher conditions following the recent suspension of district zoning. The estimated total supply is expected to boost by the end of the year by 12% compared to 2020 total supply, when it reached approximately 10 000 units in Bucharest.

Healthy demand and costs increases pushed prices higher. Primary market transaction prices rose on average by 5.6% compared to the end of 2020, to 1 561 EUR/sqm. It was also 9.3% higher than in June 2020.

Chart below presents the number of transactions and price development in Bucharest in quarterly breakdown in 2019 – 2021.



\*Number of units sold based on estimation that 25% of ANCPPI transaction registered are new-built units. Data of National Agency of Real Estate Advertising and Cadaster (ANCPPI) include all residential transactions (secondary market, land, detached houses etc. )

Source: Cordia Group, JLL

The postponement of the 5% VAT regulation for larger apartments (for now the limit is 93 000 EUR, and is expected to be increased to 140 000 EUR ) is likely unbalance the market transactions within these price margins, as some buyers might postpone their acquisition decisions for the next year.

### Spain and Marbella Build to Sale (BtS) residential market overview

The Cordia Group have two projects in the Malaga province, one in Marbella, and one located in Costa del Sol, in Fuengirola. Housing demand in Spain is concentrated in metro areas and Mediterranean markets, 26% of transactions are in the metropolitan area of Madrid and Barcelona, other 25 % are in Mediterranean markets like the Malaga Province. Most of the residential development businesses in the region are small and medium sized companies. Because of its unique location, historically Malaga residential units prices exceeded Spanish average by 27% for last ten years. The main driver is that over 30% of demand is driven by foreign customers willing to relocate or invest in this area, mostly from northern European countries like UK and Scandvia. Both Cordia group projects are dedicated to these kinds of buyers.

## **UK and Birmingham Build to Rent (BtR) residential market overview**

Majority of the Cordia group projects located in Birmingham are Build to Rent projects. All Cordia group BtR projects on this market are in "Under preparation" phase.

Birmingham and the West Midlands region features strong local economy, infrastructure developments (HS2 high speed train for example), good universities with high retention rate. Birmingham's 1.16m population in 2020 expected to be 1.24m by 2030 partly thanks to being the number one city in UK for internal migration (for those leaving London). It is also very young city with 60% of population in the city center under 35. Average rental rate in Birmingham in 1H of 2021 vary from 3,9% to 5,7% depending on the apartment size.

The 1<sup>st</sup> half of 2021 was another period with rising demand for income-producing residential assets in UK. Data based on KnightFrank.com research shows that £2.35bn of capital was invested in the BtR sector. This is almost a 80% increase in investment volumes compared with the same period in 2020. Some 70% of funds committed in the 1H of 2021 were to schemes outside of London. After London, Birmingham has attracted the most investments in the value. More than 60% of capital deployed in the period was originated outside of the UK.

## **5. Goals and strategy**

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

The Cordia Group is one of the leading residential developers in the CEE region with a strong and well-known brand. It is active in the mid- and mid-to-high segments of the for-sale market in Hungary, Poland, Romania, Spain and since August 2020 in Birmingham, UK. The group is targeting annual output of ~2,000-3,000 units in the medium term. The Company has a long track record and industry leading management team with extremely long tenure and limited turnover. The corporate culture of the Cordia Group focuses on operational excellence to continuously improve all aspects of the residential development process from land acquisition, project planning, procurement, sales and marketing to benefiting from scale.

### **Cycle-conscious, geographic and operational diversification, value investor's approach to acquisitions**

The Cordia Group focuses on step-by-step geographic diversification accompanied with precisely selected opportunistic acquisitions with a value-investor's approach. One of the aims of the Cordia Group to achieve a top 10 position in the Polish market targeting annual output in excess of 1,500 units. The geographic diversification of the Cordia Group enables optimal and opportunistic allocation of capital across countries whose residential market cycles are non-synchronized.

The expansion strategy is based mostly on organic expansion by establishing local teams supported by the Competence Center. At the same time Cordia screens its current and targeted markets for special portfolio and/or acquisition deals like it was undertaken in the case of POLNORD S.A.'s acquisition and acquiring a stake in ARGO Properties N.V.

Furthermore, land acquisition is based on strict underwriting with volumes and duration differentiated by geography depending on stage in cycle. In addition, the Cordia Group provides full-scale property letting- and facility management services to investor clients. These services will be developed into an in-house tool to asset manage residential leasing projects. Initially this activity will focus on Budapest and Warsaw and later on other cities where market demand supports such service. There is a long-term potential to expand residential rentals as a strategic business line to create an income yielding residential portfolio.

### **Strong brand**

The Cordia Group is focusing on building out a string “CORDIA” brand in all its markets, similar to Hungary where the Cordia Group is already a very strong real estate brand. Multiple successful and award-winning developments are creating a strong background for this business to customer exercise.

### **Capital market access**

The Group develops long term relations with financial institutions and capital market participants with the objective to diversify its funding for the business growth on all markets where the Group is active. By implementing such tools e.g bank project loans, securities issues or joint venture structures with full control over managed projects, Cordia provides financial stability in using the available financial products in Hungary, Poland, Romania UK and Spain.

### **Land acquisition strategy**

#### Target land acquisition in diversified and liquid markets of CEE capitals and major regional university cities

Cordia Group uses strict underwriting criteria based on location, land cost, demand and supply dynamics, and project profitability. Cordia Group focuses on markets with at least 5,000 sales of new build units per year with appropriate micro locations for midmarket segment assets and avoids overpaying for land in overheated markets. Further focus is on areas with master plan and zoning in place. Cordia Group has a significant opportunity to grow the local platforms in already established cities. Cordia Group has an excellent track record of project completions with no “stuck projects”.

#### Decision-making driven by profitability and internal rate of return (IRR), not by volume or market share

Cordia Group has no pressure to focus on volumes as can be the case for listed residential developers, and prefer profitability over volumes. The underwriting of Cordia Group currently includes minimum 25 % gross margin requirement, minimum 20 % post tax internal rate of return (IRR) and 1.8x multiple on invested capital. Employee incentive structures are shaped and aligned with a focus on execution and profitability.

### **Projects financing strategy**

All projects are developed in separate SPVs (special purpose vehicle), either limited liability project companies, partnerships or private real estate development funds. The land acquisitions were typically financed from the equity provided by one of the Cordia Group members until launch of development. All projects are financed by local banks in separate SPVs by construction financing facilities, with project equity provided by a Cordia Group member and by co-investors of the Cordia Group. All loans are at the Project Entities’ level, non-recourse – except cost overrun and completion guarantees – and are typically not cross-collateralized, however they may contain certain cross-default provisions. The project-equity and pre-sales requirements vary from country to country and from project to project, but contracted at usually between 20-30 % equity of total development costs and between 20-40 % pre-sales requirements. Peak net leverage at project level usually did not exceed 65 % thanks to customer advances and some cost payable after delivery. Corporate level leverage is lower due to an unleveraged land bank and a portfolio of projects in different development and lower leverage phases. The Cordia Group maintains good relationship with multiple senior lenders.

## 6. Key performance indicators

### Selected data from the Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

#### For the period ended 30 June

<i>In thousands of Hungarian Forints (THUF)</i>	1H2021	1H2020	% change
<b>Revenue</b>	<b>50,125,464</b>	<b>28,449,193</b>	76%
<b>Cost of sales</b>	<b>(37,420,068)</b>	<b>(24,618,062)</b>	52%
<b>Gross profit</b>	<b>12,705,396</b>	<b>3,831,131</b>	232%
<i>% margin</i>	25.3%	13.5%	
Selling and marketing expenses	(1,966,569)	(1,127,898)	74%
Administrative expenses	(2,434,620)	(1,782,990)	37%
Net gain/loss from fair valuation of investment and development properties	326,560	0	n/a
<b>Operating profit</b>	<b>8,289,328</b>	<b>2,589,713*</b>	220%
<i>% margin</i>	16.5%	9.1%	
<b>Net finance income/(expense)</b>	<b>(3,487,900)</b>	<b>411,351</b>	n/a
<b>Share of profit/(loss) in associate and joint venture</b>	<b>3,292,981</b>	<b>13,924,353*</b>	-76%
<b>Profit before taxation</b>	<b>8,094,409</b>	<b>16,925,417</b>	-52%
<b>Profit for the period</b>	<b>7,573,319</b>	<b>16,680,456</b>	-55%
<i>% margin</i>	15.1%	58.6%	
<b>Total comprehensive income for the period, net of tax</b>	<b>6,742,488</b>	<b>17,262,878</b>	-61%

\* in 1H of 2020 Cordia Group recognised total of HUF 15.17 bn Bargain Gains related to Polnord S.A. acquisition in Operating profit (HUF 2.15 bn) and Share of profit/(loss) in associate and joint venture line (HUF 13.02 bn). Adjusted for Bargain Gains, Profit before taxation increased by 401%

**Selected data from the Condensed Interim Consolidated Statement of Financial Position**

<i>In thousands of Hungarian Forints (THUF)</i>	<b>30.06.2021</b>	<b>31.12.2020</b>	<b>% change</b>
<b>Assets, including :</b>	<b>290,616,233</b>	<b>299,212,122</b>	<b>-3%</b>
<b>Non-current assets</b>	<b>74,140,015</b>	<b>60,125,333</b>	<b>23%</b>
Investment properties	25,304,689	24,566,409	3%
Investments accounted for using equity method	24,656,192	21,488,755	15%
Other long-term assets	10,827,787	449,302	2310%
<b>Current assets</b>	<b>215,876,696</b>	<b>238,476,256</b>	<b>-9%</b>
Inventory	128,116,571	145,294,754	-12%
Restricted cash	2,664,368	4,389,570	-39%
Cash and cash equivalents	69,237,781	66,534,808	4%
<b>Assets classified as held for sale</b>	<b>599,522</b>	<b>610,533</b>	<b>-2%</b>
<b>Equity including :</b>	<b>71,587,450</b>	<b>69,217,385</b>	<b>3%</b>
Share capital	18,013,760	18,013,760	0%
Share premium	13,461,608	13,461,608	0%
Retained earnings	40,744,645	34,952,514	17%
<b>Net assets attributable to non-controlling investment unit holders</b>	<b>20,582,120</b>	<b>18,196,884</b>	<b>13%</b>
<b>Liabilities including :</b>	<b>198,446,663</b>	<b>211,797,853</b>	<b>-6%</b>
Non-current liabilities	117,551,975	114,343,588	3%
Current liabilities	80,894,688	97,454,265	-17%



**Selected data from the Condensed Interim Separate Statement of Profit or Loss and Other Comprehensive Income**

**For the period ended 30 June**

<i>In thousands of Hungarian Forints (THUF)</i>	<b>2021H1</b>	<b>2020H1</b>	<b>% change</b>
<b>Revenue</b>			
Interest revenue	1,292,216	526,308	146%
<b>Total investment income</b>	<b>1,292,216</b>	<b>526,308</b>	<b>146%</b>
Administrative and other expenses	26,640	138,815	-81%
Interest expense	1,362,091	708,379	92%
<b>Total operating expenses</b>	<b>1,388,731</b>	<b>847,194</b>	<b>64%</b>
<b>Fair value change of instruments measured at fair value through profit and loss</b>	<b>2,945,866</b>	<b>0</b>	
Foreign exchange gain	192,571	1,403,251	-86%
Foreign exchange loss	1,592,867	34,518	4515%
<b>Foreign exchange - net gain / (loss)</b>	<b>(1,400,296)</b>	<b>1,368,733</b>	<b>n/a</b>
<b>Share of net profit of investments accounted for equity method</b>	<b>1,080,947</b>	<b>18,022,854*</b>	<b>-94%</b>
<b>Profit before taxation</b>	<b>2,530,002</b>	<b>19,070,700</b>	<b>-87%</b>
<b>Income tax expense</b>	<b>0</b>	<b>2,514</b>	<b>-100%</b>
<b>Profit for the period</b>	<b>2,530,002</b>	<b>19,068,186</b>	<b>-87%</b>
Exchange differences on translating foreign operations	(768,817)	180,395	n/a
<b>Other comprehensive income/(loss)</b>	<b>(768,817)</b>	<b>180,395</b>	<b>n/a</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>1,761,185</b>	<b>19,248,582</b>	<b>-91%</b>

\* in 1H of 2020 Cordia International recognised in Separate Statement of Profit or Loss total of HUF 15.3 bn Bargain Gains related to Polnord S.A. acquisition in Share of profit/(loss) in associate and joint venture line.

**Selected Data from Interim Separate Statement of Financial Position**

<i>In thousands of Hungarian Forints (THUF)</i>	<b>30.06.2021</b>	<b>31.12.2020</b>	<b>% change</b>
<b>Assets including :</b>	<b>183,752,507</b>	<b>182,934,801</b>	<b>0%</b>
<b>Non-current assets</b>	<b>130,168,009</b>	<b>113,962,826</b>	<b>14%</b>
Long-term receivables - related parties	54,620,614	47,402,797	15%
Investment in subsidiaries	75,542,542	66,554,779	14%
<b>Current assets</b>	<b>53,584,498</b>	<b>68,971,975</b>	<b>-22%</b>
Short-term receivables - related parties	33,432,856	22,344,025	50%
Loan receivables	5,227,867	5,230,000	0%
Cash and cash equivalents	14,893,708	30,582,651	-51%
<b>Equity including :</b>	<b>95,405,682</b>	<b>93,644,497</b>	<b>2%</b>
Share capital	18,013,760	18,013,760	0%
Share premium	13,461,608	13,461,608	0%
Retained earnings	64,363,827	61,833,826	4%
<b>Liabilities including :</b>	<b>88,346,825</b>	<b>89,290,304</b>	<b>-1%</b>
Non-current liabilities	86,185,885	86,205,308	0%
Current liabilities	2,160,940	3,084,996	-30%

## 7. Financial performance and outlooks

### The most important developments of consolidated financial performance in the period of the first half of 2021 and future prospects

During the period of the first half of the year the Cordia Group has for the first time in history handed over more than one thousand residential units. This drove revenues to the record of HUF 50.1 bn with the real estate sales of HUF 46.5 bn, of which 4.7 was generated by Polnord S.A. (revenue is recognised when residential units are transferred to buyers). Sales of the non-core landplots, mostly in Hungary and Poland (in Polnord S.A.) reached HUF 4.1 bn, of which HUF 2 bn was recognised in "Revenues from sale of real estate" and HUF 2.1 bn was recognised in "Other revenues" lines in Condensed Interim Consolidated Statement of Profit and Loss. Landplot sale was profitable.

**Gross profit** grew by 232% y-o-y, to HUF 12.7 bn with gross margin on 25.3%, and was higher than 13.5% gross margin in comparable period a year ago. Polnord S.A.'s restructuring process resulted in significant margin improvement and return to profitability on Gross profit level. Detailed information about **Gross profit from sale of real estate** and **Gross margin from sale of real estate** is presented in the table below:

	Gross Profit from sale of real estate		Gross margin from sale of real estate	
	2021H1	2020H1	2021H1	2020H1
<b>Cordia group excl. Polnord</b>	11,118,340	3,618,221	27%	20%
<b>Polnord</b>	597,710	-379,960	13%	-4%

**Operating profit** returned to the normal level of 16.5% and reached HUF 8.29 bn, that is 220% higher than a year ago in comparable period.

**Net finance expense** of HUF 3.48 bn was mainly driven by HUF appreciation vs EUR and PLN in the 1H of 2021. The impact was HUF 2.4 bn in Other finance expense line of mostly unrealized foreign exchange differences on financial assets and liabilities denominated in foreign currency. For more details please refer to Note 10 in CORDIA International Zrt. Condensed Interim Consolidated Financial Information for the period ended 30 June 2021.

**Share of profit/(loss) in associate and joint venture** reached HUF 3.26 bn. The input to that was HUF 1.2 bn profit from joint-venture Cordia Global 6 Ingatlanbefektetési Részalap where Marina Life 1 and Marina Life 2 are located. The other input was HUF 1.97 bn profit attributable to the Cordia Group from Argo Properites N.V. for the period ending on 30 June 2021. For more details please refer to Note 13 in CORDIA International Zrt. Condensed Interim Consolidated Financial Information.

**Profit before taxation** for the period was at HUF 8.09 bn and compared to HUF 16.93 bn a year ago was 52% lower. However it is worth noting that in 1H of 2020 the Cordia Group recognised a total of HUF 15.17 bn Bargain Gains related to Polnord S.A. acquisition, on a pretax level. When compared to adjusted figure of HUF 1.76 bn, the Profit before taxation growth was 359%.

Balance Sheet structure has not changed significantly during 1H of 2021 when compared to the end of 2020. The most important developments are a decrease in **Inventory** from HUF 145.3 bn to HUF 128.1 bn due to record high completions of the projects and deliveries of residential units to customers.

**Other long-term assets** increased to HUF 10,8 bn due to investments in “Real Asset Fund I”, “STAH S.C.” and “Auxesia Homes”. For more information please refer to Note 15 in CORDIA International Zrt. Condensed Interim Consolidated Financial Information for the period ended 30 June 2021.

**Cash and Cash equivalents** position of the Group has improved, from HUF 66.5 bn to HUF 69.2 bn compared to December 2020

During the period the Cordia group repaid HUF 4.9 bn of Polnord S.A. bonds, and HUF 10.8 bn of loans and borrowings. New proceeds from loans and borrowings accounted to HUF 7.6 bn. In total HUF 8.1 bn of financial debt was repaid net in the first half of 2021.

Both Consolidated Debt\* and Net Consolidated Debt\* declined significantly. Consolidated Debt was lower by HUF 11.89 bn on 30 June 2021 compared to 2020 year end. Detailed information about debt is presented in the table below:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>30.06.2021</b>	<b>31.12.2020</b>	<b>% change</b>
Consolidated Debt (CD)*	128,553,434	137,240,527	-6%
Cash and Cash Equivalents (C)	69,237,781	66,534,808	4%
Restricted cash (RC)	967,538	376,375	157%
<b>Net Consolidated Debt*</b>	<b>58,348,115</b>	<b>70,329,344</b>	

\* For purpose of calculation, Consolidated Debt and Net Consolidated Debt is defined as in CORDIA2026/I and CORDIA2030/I Bonds Terms and Conditions, for more details please refer to Note 27 on CORDIA International Zrt. Condensed Interim Consolidated Financial Information.

Currently liquidity and financial position of the Group is stable, and as for now, the Group does not anticipate any breach or breach of the rules of the concluded agreements in particular bank loans agreements or bond issue documentation. Bond related Issuer undertakings were fulfilled both at the current reporting date and in previous periods as well. Below table presents information about Consolidated Leverage Ratio and Issuer Net Debt to Equity Ratio. For more information please refer to Note 27 in Condensed Interim Consolidated Financial Information.

#### Issuer undertakings ratios

	<b>30.06.2021</b>	<b>31.12.2020</b>
<b>Consolidated Leverage Ratio</b>	<b>31.82%</b>	<b>38.11%</b>
<b>Issuer Net Debt to Equity Ratio</b>	<b>0.75</b>	<b>0.59</b>

## 8. Risks and risk management

The Cordia Group manages specific risks in particular (but not limited to) as follows:

RISK	RISK MITIGATION
<b>Cyclical residential market</b>	deepening and extending the diversification both geographically and operationally (resi-for-lease)
<b>Unable to acquire further land</b>	developing, maintaining and motivating the agency network, proactive search and mapping activity, searching for acquisition and other special opportunities
<b>Zoning risk</b>	limiting the share of lands without proper zoning, closing of land acquisitions conditioned on zoning

<b>Building permit risk</b>	selecting experienced and locally well reputed architects, concept always in line with the prevailing regulation, proper management of interest of the stakeholders (authorities, neighbours, city architects, media providers, etc.)
<b>Market risk</b>	<ul style="list-style-type: none"> <li>• deep understanding of the markets with monthly competitor analysis of the projects, regular market research, other indicators having effect on the market</li> <li>• active price and sales speed management</li> <li>• proper and efficient marketing activities with active advertisement management</li> </ul>
<b>Construction risk</b>	well prepared project with good quality of construction design, close monitoring of the subcontractor payments and performances under the General Contractor, strong performance/quality/contract management of the contractors, selecting contractors with proper references and in good financial status
<b>Bank financing risk</b>	full-cover financing for projects, non-recourse loans, limited number of construction starts without bank financing offer/agreement available; keeping enhanced cash reserves for freezing banking liquidity situations when and until necessary
<b>Operation risk</b>	well defined, proper processes and people management
<b>Warranty risk</b>	proper security/insurance from contractors, permanent monitoring of the warranty processes, active intervention
<b>Risks of supply chain shocks</b>	Establish and maintain multiple quality material supply sources with geographical diversification; selective and well-designed increase of raw material inventories
<b>COVID-19 (or other) pandemic</b>	regional health protection and social distancing measures including – among others – strict disinfection of headquarter’s offices, home office work, providing equipment for remote work, allocating funds for safe travel if travel is inevitable, disinfection gels, masks, gloves are provided to the on-site personnel, restrictive measures relating to on-site meetings.

## 9. Other events in Reported Period

### Polnord S.A. public tender offer and compulsory buyout

On 23 February 2021, as a result of public tender offer and compulsory buyout Cordia acquired 100% of Polnord S.A shares. 6 905 644 of Polnord shares were purchased for 3,55 PLN per share in this transaction.

### Spanish segment

On 12 May, 2021 Cordia Holdco Fuengirola, S.L. (“Cordia”) reached a mutual settlement agreement with its Joint Venture Partner, Otero Patrimonial, S.L. (“Otero”) and acquired Otero’s 10% shares held in Cordia Development Company S.L.U. As a result of the settlement Cordia become the sole owner of the Spanish subsidiary owing the project at Costa del Sol, Fuengirola, Spain.

### **Project Loans**

On 30 April, 2021 Cordia's subsidiary Projekt Warszawa 3 Sp. z.o.o. entered into a new credit facility agreement in the sum of PLN 48.9 mn with Santander Bank Polska S.A. for the development and construction of Fantazja project phases 1 and 2, located in Warsaw, Poland.

## **10. Subsequent events**

### **Completion of the projects**

The Company's subsidiary, Cordia Global 17 development sub-fund involved in the development of the residential project Young City III in Budapest obtained the occupancy permit for this project (comprising 215 apartments) in August and commenced delivering the finished apartments to its customers.

The Company's subsidiary involved in the development of the residential project Wioletta for 89 units, which is located in Warsaw, Poland obtained the occupancy permit on 19 July 2021.

The Company's subsidiary involved in the development of the residential project, Horyzon Praga for 168 units, which is located in Warsaw, Poland obtained the occupancy permit on 12 August 2021.

### **Project Loans**

A new loan agreement was signed for the 4th phase of the Thermal Zugló project in Budapest. The construction loan is provided by Takarékbank in the total amount of HUF 4.6 bn. The project involves 110 residential units.

On 9 July, Cordia's subsidiary, Projekt Gdańsk 1 Sp. z o.o. entered into a new credit facility agreement in the sum of PLN 51,7 mn with Alior Bank S.A. for the development and construction of 118 residential units related to Jaškowa Dolina phase 2 project located at Gdańsk, Poland

On 13 August 2021, Cordia's subsidiary, Leńska Sonata Cordia Partner 5 Sp. z o.o. Sp.k. entered into a new credit facility agreement in the sum of PLN 63.4 mn with PKO Bank Polski S.A. for the development and construction of 113 residential units Leńska Sonata project located at Sopot, Poland.

### **Bond Issue on the Polish capital market**

On 15 July 2021, the Company's wholly owned subsidiary Cordia Polska Finance z.o.o. ("CPF") successfully completed its series A Bonds issuance program in the total aggregate nominal value of PLN 68 797 000. According to the Terms & Conditions, A Series Bonds have a floating interest based on WIBOR6M + 4.25% margin with the redemption date on 15 July 2024. The Bonds have been traded at ATS Catalyst market organised by Warsaw Stock Exchange under CPF0724 code since 29 July 2021. Relating to the Bond issue, Cordia has undertaken a suretyship for a duration until no later than 13 July 2025 and with voluntary submission to the enforcement for the payment obligations deriving from the Bonds up to the total amount of PLN 103 195 500.

**Delisting of Polnord S.A.**

On 20 August 2021 the Polish Financial Supervision Authority expressed its consent to the withdrawal of Polnord 's shares from trading on the regulated market operated by the Warsaw Stock Exchange with the last trading day as of 10 September 2021.

**The Management Board**

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Tibor Földi  
Chairman of the Board

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Péter Bódis  
Member of the Board

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Pál Darida  
Member of the Board

*Budapest, 30<sup>th</sup> September 2021*