DUNA HOUSE HOLDING NYRT.

CONSOLIDATED MID-YEAR FINANCIAL STATEMENTS

ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
30 JUNE 2017

DUNA HOUSE®

Table of Contents

Consolidated Balance Sheet

data in HUF thousand, unless otherwise indicated

	Annex	30.06.2017	31.12.2016
ASSETS			
Long-term assets			
Intangible assets	5	57,834	84,692
Investment properties	4	1,168,077	939,362
Real properties	3	535,933	519,319
Plant and equipment	3	88,731	53,920
Goodwill	6	1,029,015	992,089
Investments in associated companies and joint ventures	7	212,172	506,273
Financial instruments	8	68,063	66,401
Deferred tax receivables	9	159,169	158,829
Total long-term assets		**3,318,994**	**3,320,885**
Current assets			
Inventories	10	2,241,528	11,616
Trade receivables	11	521,425	286,205
Receivables from affiliated companies	12	136,158	378,709
Other receivables	13	71,347	53,648
Actual income tax receivables		32,949	35,119
Prepayments and deferred income	14	277,961	321,744
Cash and equivalents	15	680,238	1,583,686
Total current assets		**3,961,606**	**2,670,727**
Total assets		**7,280,600**	**5,991,612**

Consolidated Balance Sheet

data in HUF thousand, unless otherwise indicated

LIABILITIES	**Annex**	**2017.06.30.**	**31.12.2016**
Equity			
Subscribed capital	16	171,989	153,050
Capital reserve	16	1,490,536	9,479
Exchange reserve	17	(12,111)	(23,318)
Profit reserve	16	2,522,222	2,444,092
Total equity of the parent company		**4,172,636**	**2,583,303**
Non-controlling shares	18	(45,540)	(40,154)
Total shareholders' equity:		**4,127,096**	**2,543,149**
Long-term liabilities			
Long-term loans	19	742,168	582,664
Deferred tax liabilities	20	152,801	86,557
Other long-term liabilities	21	3,830	10,629
Total long-term liabilities		**898,799**	**679,850**
Short-term liabilities			
Short-term loans and borrowings	22	470,386	198,830
Liabilities to suppliers	23	280,026	68,975
Liabilities to affiliated companies	24	196,276	1,740,880
Other liabilities	25	849,833	264,302
Actual income tax liabilities		1,940	11,284
Accruals and deferred income	26	456,243	484,342
Total short-term liabilities		**2,254,705**	**2,768,613**
Total liabilities and equity		**7,280,600**	**5,991,612**

Consolidated Complex Profit and Loss Account:

	Annex	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
Net sales revenues	27	2,282,831	2,003,282
Other operating income	28	65,508	149,696
Total revenues		**2,348,339**	**2,152,978**
Variations of stocks of finished goods	10	(301,760)	0
Material expenses	29	29,988	26,643
Goods and services sold	30	423,748	568,225
Services used	31	1,401,987	708,985
Staff costs	32	281,601	194,173
Depreciation and amortisation		40,343	37,264
Other operating charges	33	53,296	67,183
Operating expenses		**1,929,203**	**1,602,473**
Operating profit/loss		**419,136**	**550,505**
Financial revenues	34	169,933	72,163
Financial expenses	35	(24,405)	(32,568)
Profit of participations valued with the equity method	7	87,619	480,929
Profit before taxation		**652,283**	**1,071,029**
Income taxes	36	(98,242)	(130,872)
Profit after taxation		**554,041**	**940,157**
Other comprehensive income		**(14,085)**	**(5,913)**
Total comprehensive income		**539,956**	**934,244**
Of the total comprehensive income:			
Portion of the parent company		**545,278**	**934,244**
Portion of external shareholders		**(5,323)**	**-**
Earnings per share (HUF)	37		
Basic			
Diluted		162	300

The Annexes on pp. 9-62 constitute an integral part of the Consolidated Financial Statements

Changes in Consolidated Equity

data in HUF thousand, unless otherwise indicated

	Subscribed capital	Capital reserve	Profit reserve	Exchange reserve	Total equity of the parent company	Non-controlling shares	Total shareholders' equity
Balance on 31 December 2015	**153,050**	**9,479**	**1,525,238**	**-**	**1,687,767**	**-**	**1,687767**
Dividend			(247,600)		(247,600)		(247,600)
Total comprehensive income			1,166,454	(23,318)	1,143,136	60	1,143,196
Acquisition of subsidiaries						(40,214)	(40,214)
Balance on 31 December 2016	**153,050**	**9,479**	**2,444,092**	**(23,318)**	**2,583,303**	**(40,154)**	**2,543,149**
Dividend			(479,260)		(479,260)		(479,260)
Share capital increase	18,939	1,481,057			1,499,996		1,499,996
Total comprehensive income			557,389	11,207	568,596	(5,386)	563,210
Balance on 30 June 2017	**171,989**	**1,490,536**	**2,522,222**	**(12,111)**	**4,172,636**	**(45,540)**	**4,127,096**

The Annexes on pp. 9-62 constitute an integral part of the Consolidated Financial Statements

Consolidated Cash Flow Statement

data in HUF thousand, unless otherwise indicated

	01.01.2017 - 30.06.2017	01.01.2016 - 31.12.2016
Cash flow from operation		
Profit after taxation	554,041	1,167,859
Adjustments for:		
Amortisation for the year	40,343	77,795
Deferred taxes	(19,306)	(96,164)
Revaluation of investment properties	(22,469)	(188,031)
Badwill	(139,595)	(56,272)
Result of participations valued with the equity method	87,619	(505,273)
Changes in working capital		
Changes in inventories	(299,196)	(3,122)
Changes in trade and other receivables and related receivables	150,031	(612,728)
Changes in prepayments and deferred income	29,505	90,658
Changes in trade and related payables	(875,880)	33,742
Changes in other current liabilities and accruals	199,996	238,807
Changes in accruals and deferred expenses	(14,765)	191,543
Net cash flow from operation	***(309,676)***	***338,815***
Cash flow from investing activities		
(Purchase of) tangible assets and intangible assets	(108,315)	(819,605)
Revenue from the sale of tangible assets	2,459	1,096,588
Acquisition of subsidiaries (without acquired cash)	(171,668)	(873,464)
Net cash flow from investment activities	***(277,524)***	***(596,481)***
Cash flow from financing activities		
Bank loans/(repayment)	173,915	172,339
Capital contribution	-	1,499,997
Sale / purchase of securities	-	-
Dividend payment	(477,112)	(246,730)
Interest received/(paid)	(13,051)	
Net cash flow from financing activities	***(316,248)***	***1,425,605***
Net change in cash and cash equivalents	(903,448)	1,167,939
Balance at beginning of year for cash and cash equivalents	1,583,686	415,747
Balance at end of year for cash and cash equivalents	**680,238**	**1,583,686**

The Annexes on pp. 9-62 constitute an integral part of the Consolidated Financial Statements

1. General Information

1.1 Introduction of the Company

Duna House Holding Nyrt. – hereinafter referred to as "Company" or "Group" – was founded in 2003. Its main activity is real estate brokerage. For many years, it has maintained a leading position in the services sector in Hungary, mainly in the area of brokerage of real estate and financial products. The Group's flagship unit is a nationwide real estate brokerage franchise network which opened in 2003 and is now available at 139 locations, serving customers with a personnel of more than 1,400. The transaction involving the acquisition by the Hungary-based Duna House Group of 100% shares of Metrohouse, the largest real estate brokerage network in Poland, was closed in April 2016. At the time of the acquisition the Polish network had 80 offices and 600 sales agents, which the Group intends to develop further. Metrohouse was consolidated into the Duna House Group on 1 April 2016. On 2 September 2016 the Company acquired 80% participation in Duna House Franchise s.r.o based in the Czech Republic, including in two of its subsidiaries, Center Reality s.r.o and Duna House Hypotéky s.r.o.

The Company's registered office is at 1016 Budapest, Gellérthegy u. 17.

The Company's core activities include:

- Sale and operation of franchise(s)
- Real estate brokerage
- Financial product brokerage
- Insurance brokerage
- Real estate valuation and related agency services
- Energy performance certificates and related agency services
- Real estate management
- Sale and purchase of own real estate
- Residential real estate fund management
- Real estate development

As a result of an increase in share capital registered on 1 February 2017, the largest shareholder of Duna House Holding Nyrt. is Medasev Holding Kft. (1016 Budapest, Gellérthegy utca 17., registration number 01-09-209753), which holds 39.68% of the shares.

Owner's name	Ownership ratio as of 30 June 2017	Ownership ratio as of 31 December 2016
Medasev Holding Kft.	39.68%	32.03%
Medasev Int. (Cyprus) Ltd.	38.04%	42.75%
Employee shares and other private individuals	1.78%	1.99%
External investors	20.05%	23.23%
Total:	**100%**	**100%**

The Company's operational management is carried out by the Board of Directors. Control functions over the operation of the Company are performed by the Supervisory Board.

It is a strategic objective of Duna House Group to extend its expertise to the Central-European region and to become a major international actor. In line with that strategic approach, in April 2016 it acquired the Poland-based Metro House Group, which has the largest real estate sales franchise network in Poland. Relying on the Company's experiences in Hungary and taking into account the specificities of the Polish market, Duna House Group is gradually developing a full-scale support system for the Metro House franchise. In the next few years the Group intends to develop its activities in Poland and those acquired in the Czech Republic in September 2016 in an organic manner. Beyond that, the Company intends to strengthen its market presence through further acquisitions of suitable targets, by opening towards new markets or within existing markets.

1.2 Basis of financial statements

i) Approval and declaration on compliance with the International Financing Reporting Standards

The Board of Directors approved the consolidated mid-year financial statements on 29 September 2017. The consolidated financial statements were prepared in compliance with the standards adopted by the European Union (EU) in the form a Regulation based on the International Financial Accounting Standards and published in the Official Journal of the EU. The IFRS consist of standards and interpretations developed by the International Accounting Standards Committee (IASB) and the International Financing Reporting Interpretations Committee (IFRIC).

From 1 January 2005 an amendment in the Hungarian Accounting Act allows the Group to prepare its consolidated financial statements according to IFRS published in the form of a Regulation in the Official Journal of the European Union. For the time being, on the basis of EU legal enactment procedures and the activities of the Group, there are no differences between the Group's IFRS policy and the IFRS policies accepted by the EU. The disclosures in the financial statements comply with the requirements of the individual standards.

The consolidated financial statements are presented in Hungarian forints, rounded to HUF thousands, unless otherwise indicated.

ii) Basis of the financial statements

The consolidated financial statements were prepared on the basis of the standards issued and effective until 30 June 2017 and according to the IFRIC interpretations.

The parent company prepares its non-consolidated annual financial statements in accordance with Act C of 2000 on Accounting. Certain provisions of the Act differ from the provisions of the International Financing Reporting Standards (IFRS). In order to render the international consolidated financial statements consistent with the International Financing Reporting Standards, certain modifications had to be made to the Group's Hungarian consolidated financial statements.

The financial statements were prepared on the basis of the historical cost principle, except when the IFRS requires the use of a different valuation principle other than the one stated in the accounting policy. The financial year is identical with the calendar year.

iii) Basis of the valuation

In the consolidated financial statements the valuation is based on the original historical cost, except for the following assets and liabilities which are presented at fair value and which are financial instruments valued at fair value against the profit.

While preparing the financial statements in compliance with IFRS the management must apply professional judgement, estimates and assumptions, which have an impact on the applied accounting policy as well as on the amounts of assets and liabilities, revenues and expenses stated in the financial statements. The estimates and related assumptions are based on historical experience and numerous other factors, which may be deemed reasonable under the given circumstances and the result of which is the basis of the estimated book value of the assets and liabilities that cannot be defined clearly from other sources. The actual results may be different from these estimates.

The estimates and underlying assumptions are regularly reviewed. The modification of accounting estimates is presented in the period of the modification of the estimate when the modification relates only to the particular year or during the period of the modification and in the subsequent periods when the modification affects both current and future years.

2. Accounting policy

Major accounting policies that were applied in the preparation of the consolidated financial statements are presented below. Accounting policies were applied consistently for the periods covered by these consolidated financial statements. The most important accounting principles applied during the preparation of the financial statements were as follows:

2.1 Main elements of the accounting policy

2.1.1 Basis of consolidation

Subsidiaries

The consolidated annual financial statements include Duna House Holding Nyrt. and the subsidiaries controlled by it. In general, control means that the Group holds, either directly or indirectly, more than 50% of the votes of the particular company and enjoys the advantages of its activities through an influence on its financial and operational activates.

The acquisition accounting method is applied to the acquired business shares. This method uses the values at the time of the acquisition based on the market values of the assets and liabilities at the time of the acquisition, i.e., when control is obtained. The cost of acquisition equals the total of the consideration plus the total non-controlling shares in the acquired business. The companies acquired or sold during the year are included in the consolidated financial statements from or to the date of the respective transaction.

The transactions, balances and profits as well as non-realised profits between the companies involved in the consolidation are eliminated, unless such losses indicate some impairment of the related assets. During the preparation of the consolidated annual financial statements the similar transactions and events are recorded according to consistent accounting principles.

The equity and profit shares of non-controlling shareholders are presented in separate rows in the balance sheet and in the profit and loss account. In terms of business combinations the non-controlling shares are presented either at fair value or as the value of the amount from the fair value of the net assets of the acquired company relating to the controlling shareholders. The valuation method is selected individually for each business combination. Following the acquisition the share of the non-controlling shareholders equals the originally taken value, modified by the amount of changes in the equity of the acquired company relating to non-controlling shareholders. The non-controlling shareholders have a share of the interim total comprehensive income even if it leads to a negative balance of their shares.

All changes in the participations of the Group in subsidiaries that do not lead to the loss of control are recognised as capital transactions. The participation of the Group and non-controlling shareholders is modified to make sure that they reflect the changes in the participations held in the subsidiaries. The amount modifying the participation of non-controlling shareholders and the difference between the received or paid consideration is recognised in the equity as the shareholder value.

2.1.2 Reporting currency and foreign exchange balances

In view of the content and circumstances of the underlying business events the functional currency of the parent company and reporting currency of the Group is the Hungarian forint.

Initially the foreign currency transactions not recorded in HUF were recorded at the exchange rate, valid on the date of execution of such transactions. The receivables and liabilities recorded in foreign currencies were converted into HUF at the exchange rate of the cut-off date, irrespective whether or not the recovery of the asset was doubtful. The resulting exchange rate differences are shown in the profit and loss account among the financial revenues or financial expenses.

The financial statements were prepared in Hungarian forints (HUF), rounded to the nearest one thousand, except otherwise indicated. The consolidated financial statements were prepared in Hungarian forint, which is the presentation currency of the Group.

The transactions executed in foreign currencies are recognised in the functional currency, applying the exchange rate of the reporting currency to the foreign currency, effective on the date of the transaction, to the amount stated in the foreign currency. In the comprehensive income statement the exchange rate differences that result from the use of an exchange rate other than the exchange rate applied during the settlement of the monetary items, at the initial presentation during the period or in the previous financial statements are stated either as revenues or as expenses during the period when they occurred. The monetary assets and liabilities defined in foreign currencies are converted at the exchange rate of the functional currency effective at the end of the reporting period. The items defined in foreign currencies and valued at fair value are converted at the exchange rate effective at the time of establishment of the fair value. The exchange rate differences between trade receivables and trade payables are included in the income from business activities, while the exchange rate differences of loans are shown in the rows of the revenues or expenses of financial transactions.

2.1.3 Sales revenues

The revenues from sales transactions are shown when the respective conditions of the supply contracts are met, taking into account the remarks below. The net sales revenues are exclusive of the value added tax. All revenues and expenses are recognised in the respective period in compliance with the principle of matching. There are practically two sources of sales revenues. The revenues directly relating to ad hoc assignments and the monthly recognition of regular services. The market changes have a greater impact on the former, while the latter are more stable sources of revenues, because they are related to longer-term contracts and are affected considerably only by major market fluctuation (franchise fees, trail commission).

The financial institutions divide the brokerage commissions payable by them into two types of fees: acquisition and trail commission. The acquisition commission is payable to an intermediary in relation to a new contract, while trail commission is payable for the continuation of the contract for a certain period. In the case of a trail (maintenance) commission the financial partners apply somewhat different settlement principles but, according to the currently effective legislation, in the case of an exposure secured by a real property the trail commission must equal at least 20% of the total brokerage commission. The main objective of this type of commission is to make the broker interested in the repayment discipline of the borrowers for a long time. The factors affecting the amount of commission include the type of the mediated product and its tenor, the delay in the prepayment of the respective borrower and the continuation rate of the total active mediated loan portfolio. The Company uses a calculation model to estimate the trail commission for the loans contracted in the current year and loans disbursed in the current period and takes into account the commission during the period when the loan mediation transactions was executed. The calculation model estimates the schedule of the wear of the portfolio based on the empirical figures of the former years and gradually inserts the actual data into the model.

2.1.4 Property, plant and equipment

The tangible assets are stated at historical cost less accumulated depreciation. The accumulated depreciation includes the costs recognised as scheduled depreciation relating to the continuous use and operation of the asset as well as the costs of extraordinary depreciation, recognised due to a major damage or fault in the asset occurring as a result of an unexpected extraordinary event.

The historical cost of tangible assets consists of the purchased cost of the asset or, in the case of a capital investment of the Company, the incurred material and wage-type expenses and other direct expenses. The interest recognised on the loan taken for the investment into the tangible asset increases the historical cost of the asset until it reaches a condition suitable for ordinary use.

The book value of tangible assets is reviewed periodically in order to conclude whether or not the book value is higher than the fair market value of the asset, in which case extraordinary depreciation must be recognised until the asset reaches its fair market value. The fair market value of the asset is either the sales price or the value in use of the asset, whichever is higher. The value in use is the discounted value of the future cash flows generated by the asset.

The discount rate contains the interest rate before corporate taxation, taking into account the time value of money and the impact of other risk factors associated with the asset. If no future cash flow can be assigned to the asset separately, than the cash flow of that unit must be used, of which the asset is a part. The thus established impairment, extraordinary depreciation is shown in the profit and loss account.

The costs of repair and maintenance as well as replacement of spare parts of tangible assets are charged to the maintenance expenses. The value added investments and refurbishment are capitalised. The historical cost and accumulated depreciation of assets sold, written down to zero or not in use are derecognised. Any possible profit or loss generated in that manner is part of the profit/loss of the current year.

The Company writes off the value of its assets with the straight-line method during the useful life of the assets. The life of assets by asset category is as follows:

Buildings	17-50 years
Machines, equipment	3-7 years

The useful lives and depreciation methods are reviewed at once a year based on the actual economic benefit provided by the particular asset. If required, the modification is accounted against the profit/loss of the current year.

2.1.5 Impairment

The Group assesses at the end of each reporting period whether or not a change triggering impairment has occurred in relation to any asset. If such a change occurred, the Group estimates the estimated recovery value of the asset. The estimated recovery value of an asset or cash-generating unit is either the fair value less the costs of sales or the value in use, whichever is higher. The Group recognises impairment against the profit if the estimated recovery value of the asset is lower than its book value. The Group prepares the required calculations based on adequately discounting the long-term future cash flow plans.

2.1.6 Intangible assets

The individually purchased intangible assets are entered into the books at purchase price, while intangible assets acquire during business combination are entered into the books at fair value at the time of their acquisition. The assets are entered into the books when the use of the asset provably results in the influx of future economic goods and its cost can therefore be clearly identify.

Following the initial recognition the historical cost model applies to intangible assets. The lifetime of these assets is finite or cannot be defined. The assets of a finite lifecycle are depreciated with the straight-line method according to the best estimate for the lifetime. The depreciation period and the depreciation method are reviewed annually at the end of the financial year. The development costs of the intangible assets produced by the Company are capitalised if the capitalisation criteria laid down in the IAS 38 standard are fulfilled. The intangible assets are reviewed annually in terms of impairment on individual basis or at the level of the income generating unit.

The purchase costs of goods and software falling within the scope of trademarks, licences and industrial right protection are capitalised and written down with the straight-line method during their estimated useful life.

Rights and titles as well as software	3 - 6 years

2.1.7 Goodwill

Goodwill is the positive difference between the purchase value and fair value of the identifiable net assets of the acquired subsidiary on the date of acquisition. Goodwill is not depreciated but the Group reviews each year whether or not there are any signs indicating that the book value is unlikely to be recovered. The goodwill is stated at historical value less potential impairment.

2.1. Main elements of the accounting policy (continued)

2.1.8 Inventories

The inventories are stated at historical cost less impairment recognised on superfluous and obsolete stocks or at net realisable value, depending on which is lower. The inventory value is defined at the actual historical cost.

2.1.9 Receivables

The receivables are stated in the financial statements and nominal value less impairment recognised for estimated losses. Based on the review of all outstanding receivables prevailing at the end of the year an estimate was prepared for the doubtful receivables.

2.1.10 Financial instruments

Financial assets falling within the scope of the IAS 39 standard can be classified into the following four categories: financial assets (for trading purposes) valued at fair value against the profit or loss, loans and receivables, investments held until maturity and for-sale financial assets. When the financial assets are shown, initially they are valued at fair value. Of the above categories the Group does not apply the for-sale financial assets category.

After the initial recognition the financial assets that are “for trade” or “for sale” are valued at fair value, any unrealised exchange rate gain or loss on securities held for trading purposes is recognised as other revenue/expense, and any unrealised exchange rate gain or loss on marketable securities is shown at separate component of equity until the investment is sold or otherwise taken out from the goods or until impairment is recognised on the particular investment, at which point the accumulated profit or loss recognised in equity is stated as revenue.

The other long-term investments that are held until maturity, such as certain bonds, are recognised at amortised historical cost after the initial recognition. The amortised historical cost is calculated by taking into account the discount or premium at the time of acquisition during the period until maturity. In the case of investments recorded at amortised historical cost any profit or loss occurring at the time of de-recognition or impairment of the investment or during the amortisation period is recognised as revenue.

In the case of investments listed on the stock exchange the market value is established on the basis of the official price announced on the balance sheet date. In the case of securities not listed or traded on the stock exchange the market value is the market value of similar/substitute financial investments or, if that method cannot be applied, then the market value is established on the basis of the estimated future cash flow of the asset relating to the investment.

The Group checks, on each cut-off date, whether or not impairment must be recognised on the financial asset or group of assets. If in relation to assets recognised at amortised historical cost a condition or event occurs that requires the recognition of impairment, the impairment equals the difference between the book value of the asset and the total future cash flows of the asset, discounted with the original effective interest rate. The impairment is shown in the profit and loss account. If later the recognised impairment amount reduces, it is reversed, but only to such an extent that the book value of the asset should not exceed the amortised value on the cut-off date.

The securities investments are valued at the price prevailing on the execution date and initially at purchase price. Those short-term investments that contain securities held for trading purposes are shown at fair market value, effective at the time of the next report and their value is calculated at the publicly listed price, effective on the cut-off date of the balance sheet. The unrealised profits and losses are included in the profit and loss account.

2.1.11 Financial liabilities

The statement about the Group’s consolidated financial positions contains the following financial liabilities: trade payables and other short-term liabilities, loans, borrowings, banking overdrafts and futures transactions. They are presented and valued in the consolidated financial statements in the respective parts of the notes to the financial statements as specified below.

The Group values each financial obligation at fair value at the time of the initial recognition. For loans the transactions costs are also taken into account that are directly associated with obtaining the financial obligation.

The Group classifies the financial liabilities falling with the scope of IAS 39 into the following categories: financial liabilities valued at fair value against profits, loans and borrowings and hedge instruments for hedge accounting purposes. The Group defines the category of the financial liabilities when they are acquired.

The financial liabilities valued at fair value against profit are liabilities obtained by the Group for trading purposes or liabilities deemed valued at fair value against the profit during the initial recognition. The financial liabilities for trading purposes include liabilities that were purchased by the Group mainly for profit expected from short-term exchange rate fluctuation. This category also contains futures transactions that are not considered effective hedge instruments.

The loans and borrowings appear in the statement reflecting the financial position at amortised historical cost, calculated with the effective interest method. The gains and losses on loans and borrowings are recognised in the statement of income in the course of amortisation calculated with the effective interest method and during the derecognition of the financial liability. The amortisation is recognised as a financial expense in the statement of income.

2.1.12 Provisions

The Group recognises provisions on its existing (legal or assumed) commitments resulting from historic events, which the Group is likely to have to settle and when the amount of the obligation can be reliably measured.

The amount recognised as provisions is the best estimate of the expense required on the balance sheet date to settle an existing obligation, taking into account the risks and uncertainties that characterise the obligation. If the provisions are calculated on the basis of the cash flow, likely to be required for the settlement of an existing obligation, the book value of the provisions equals the present value of those cash flows.

If another party is likely to reimburse the expenses required for the settlement of the provisions in part or in full, the receivable can be recognised as an asset when it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

The existing obligations arising from detrimental contracts are recognised as provisions. The Group deems a contract detrimental when the unavoidable costs of the fulfilment of the obligations arising from it exceed the economic benefits likely to occur as a result of the contract.

Restructuring provisions are recognised when the Group has prepared a detailed or formal restructuring plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The restructuring provisions include the direct expenses incurred in relation to restructuring and which are necessary for restructuring and do not relate to the continuous activity of the business unit.

2.1.13 Investment properties

A property is recognised as an investment property when it is maintained by the business in order to earn an income from rent or an added value or both and not for sale, or manufacturing goods or to supply services. The Groups holds the investment properties primarily for the purpose of increasing the equity in the long term.

Initially, an investment property must be valued at historical cost, taking also account the transaction costs. The Group opted for the fair value model to recognise investment properties. The differences arising from the variation of fair value are recognised in the profit/loss of the current year against other operating income. There is no scheduled depreciation on investment properties.
The profit or loss arising from the variation of the fair value of investment properties is always recognised in the profit or loss of the period (in other operating revenues or other operating expenses row), in which it incurs. An investment property must be derecognised when sold or when the investment property is finally withdrawn from use and no future economic benefits can be expected from its sale. Any gain or loss arising from the derecognition or sale of

investment properties must be recognised in the statement of income either as a revenue or as an expense during the respective period.

2.1.14 Corporation tax

The corporate tax rate is based on the act on corporate and dividend tax and the tax liability imposed in a local bylaw on local business tax and is modified by the deferred taxes. The corporate tax liability contains tax components for the current year and deferred items. The Company also classifies the support provided for spectacular sports as corporate tax, because by content it considers it an income tax.

The tax liability for the current year is calculated on the basis of the taxable profit of the current year. The taxable profit is different from the profit before taxation recognised in the consolidated financial statements due to gains and losses not included in the tax base and due to items that are recognised in the taxable profit of other years. The current tax liability of the Group is calculated on the basis of the tax rate effective or announced by the balance sheet date (provided that the announcement is equivalent to entry into force). The deferred tax is calculated with the liability method.

Deferred tax occurs when there is a time difference in the recognition of an item in the annual report and in the financial statements prepared according to the tax law. A deferred tax asset and liability is established by applying the tax rates to the taxable income of the years when the difference caused by the time difference is likely to be recovered. The deferred tax liability and tax asset reflects the Group’s estimate for the method of realisation of tax assets and liabilities prevailing on the balance sheet date.

A deferred tax asset is included in the balance sheet with respect to deductible time differences, carried forward tax benefits and negative tax base when it is likely that the Group will realise a profit constituting tax base in the course of its future activities against which the deferred tax asset can be settled.

On each balance sheet date the Group takes into account the deferred tax assets not recognised in the balance sheet and the book value of the recognised tax assets. It enters into the inventory those assets not yet recognised in the balance sheet which may be recovered as a reduction of its future profit tax. On the contrary, the Group reduced its deferred tax assets to such an extent that its recovery is unlikely to be funded from taxed profit.

The current and deferred tax is recognised directly against the equity when it relates to items which were also recognised against equity in the same or a different period, also including modifications in the opening value of reserves due to any change made in the accounting policy with retroactive effect.

The deferred tax assets and liabilities can be offset against each other when the company has a right granted by the law to offset its actual tax assets and liabilities relating to the same tax authority against each other and when the Group intends to account for those assets and liabilities on net basis.

2.1.15 Leases

Financial leasing means that all risks and expenses relating to the possession of the asset are borne by the lessee according to the terms and conditions of the lease. All other leases are classified as operating leases.
In the case of financial leasing the assets leased by the Group are considered the assets of the Group and are recognised at acquisition, market value. The liability to the lessor is recognised on the balance sheet as a financial lease liability. The expenses of the leasing which are differences between the fair value of the acquired assets and the total lease liabilities are recognised against to the profit during the entire term of the leasing to make sure that they represent a constant, periodically occurring expense in relation to the existing liability amount in the various period.

Such expenses result from the difference between the total liabilities and the market value of the leased asset at the time of acquisition and are recognised in the profit and loss account either over the relevant leasing tenor, in order to facilitate the monitoring of the changes in the balance of the outstanding liability from time to time or in the individual reporting periods.

2.1.16 Earnings per share (EPS)

Earnings per share are calculated on the basis of the Group's profit and the shares less the temporary average portfolio of repurchased own shares.

The diluted EPS is calculated similarly to the earnings per share. However, during the calculation all shares in distribution, suitable for dilution, are taken into account, and the dividend that may be distributed on common shares is increased by the dividend and return on the convertible shares taken into account during the applicable period, modified by further income and expenses on conversion; the weighted average number of shares in distribution is increased by the weighted average number of further shares which would be in distribution if all convertible shares were converted. There were no transactions, either in the period ending on 30 June 2017 or on 31 December 2016, that would dilute the value of that EPS ratio.

2.1.17 Off-balance sheet items

Off-balance sheet liabilities are not included in the balance sheet or profit and loss account that constitute parts of the consolidated financial statements unless they were acquired during business combinations. They are presented in the notes to the financial statements unless the possibility of outflow of sources representing economic benefits is remote and negligible. Off-balance sheet receivables are not included in the balance sheet or profit and loss account constituting parts of the consolidated annual financial statements but if there is a likelihood of inflow of economic benefits, they are presented in the notes to the financial statements.

2.1.18 Own shares repurchased

The face value of the repurchased own shares is deducted from the registered capital. The difference between the face value and historical cost is recognised directly in the capital reserve.

2.1.19 Dividend

The Company recognises dividend in the year when it is approved by the General Meeting.

2.1.20 Result of financial transactions

The financial profit/loss includes interest and dividend revenues and other financial expenses, the gains and losses of fair valuation of financial instruments and realised and unrealised exchange rate differences.

2.1.21 State aid

State aid is recognised when it is likely that the aid will be collected and the conditions of the disbursement of the aid have been fulfilled. When the aid is used to offset an expense, it must be recognised in the statement of income when the costs to be offset incurs (among the other revenues). When the aid relates to the purchase of assets, it is recognised as deferred revenue and is then recognised in profits in annual equal instalments during the useful life of the related asset.

2.1.22 Events subsequent to the accounting reference date

The events occurring after the end of the reporting period that provide additional information about the conditions prevailing at the end of the Group's reporting period (amending items) are all presented in the report. Those events occurring after the reporting period that do not modify the data of the report are presented in the notes to the financial statements when they are important.

2.2 Changes in the Accounting Policy

The Group prepared its financial statements in compliance with the provisions of all standards and interpretations that entered into force on 30 June 2017.

Modifications and interpretations of existing standards and new standards that are not yet effective and are not applied by the Group prior to their entry into force.

IFRS 9 Financial instruments: classification and valuation (effective from 1 January 2018)
The standard introduced new requirements for the classification, valuation and impairment of financial assets and financial liabilities. The application of the IFRS 9 standard is likely to have an impact on the classification and valuation of the Group's financial assets but is unlikely to affect

the classification or valuation of financial liabilities. The Group will examine the impact of the amendment.

IFRS 15 Revenues from contracts with customers (effective from 1 January 2018)
The IASB issued a new standard on 28 May 2014 on the recognition of revenues from contract with customers. The application of the new revenue standard will be mandatory for companies using IFRS in the reporting periods starting on 1 January 2018 or later. The new standard will replace the currently effective regulations of IAS 18 Revenues and IAS 11 Investment contracts in the recognition of revenues. According to the new standard the companies will use a "five-step model" to define when and in what amount they should recognise the revenues. According to the model the revenues must be recognised to express the "promised" transfer of goods or services in the amount to which the company will be entitled to according to its expectations. The Board of Directors estimates that the application of the new standard will not have a significant impact on the financial statements in comparison with the standards currently applied for recognizing revenue.

IFRS 16 Leases (effective from 1 January 2019)
The IASB issued a new standard on the recognition of leases on 13 January 2016. The application of the new leases standard will be mandatory for companies using IFRS in the reporting periods starting on 1 January 2019 or later. The new standard will replace the currently effective provisions of the IAS 17 Leases standard and will fundamentally change the current practice of recognizing operative leases. The Group will examine the impact of the amendment.

In the first half of 2017 the Group applied all IFRS standards, modifications and interpretations that were effective and relevant for its operation.

2.3 Uncertainty factors

During the application of the accounting policy described in Section 2.1 estimates and assumptions must be applied for the establishment of the values of individual assets and liabilities at a particular time that cannot be clearly valued from other sources. The estimation process contains the decisions based on the last available information and relevant factors. These main estimates and assumptions affect the values of assets and liabilities, revenues and expenses recognised in the financial statements and the presentation of contingent assets and liabilities in the notes to the financial statement. The actual results may be different from the estimated data.

The estimates are regularly updated. If a change affects only the particular period, it should be taken into account during the period of the change occurring in the accounting estimates and if the change affects both periods, it must be taken into account in the period of the change as well as subsequent periods.

The main aspects of critical decisions adopted in terms of the uncertainties of estimates and accounting policy that have the greatest impact on the amounts presented in the consolidated financial statements are as follows:

2.3.1 Impairment on goodwill

In accordance with Section 2.7.1 of the significant counting principles the Group tests each year whether or not any devaluation took place in goodwill. The recovery value of cash-generating units was defined on the basis of the calculation of the value in use. Estimates are indispensable for these calculations. In order to define the impartment loss of goodwill the value in use of those cash-generating units must be estimated to which the goodwill was assigned. In order to calculate the value in use it is absolutely necessary that the management estimate the future estimated cash flow of the cash-generating unit and the appropriate discount rate because the present value can be only be calculated from them.

2.3.2 Impairment recognised on uncollectible and doubtful receivables

The Group recognises impairment on uncollectible and doubtful receivables to cover the losses arising from the fact that customers cannot pay. The impairment recognised in the consolidated balance sheet for uncollectible and doubtful receivables amounted to HUF 349,929 thousand on 30 June 2017. The estimates used for the assessment of the appropriateness of impairment recognised on uncollectible and doubtful receivables are based on the aging of receivables, the credit rating of the customer and variation in the customer's payment habits. On default interest receivables charged to customers with a poor credit rating impairment is recognised immediately.

2.3.3 Trail commission

The Group recognises trail commission in compliance with Section 2.1.3. For the trail commission estimates the Group uses a number of variables, the changes in which represent uncertainties of estimates. The receivable from trail commission recognised in the consolidated balance sheet was HUF 229,859 thousand on 30 June 2017 and HUF 188,040 thousand on 31 December 2016.
The variables used for estimating the trail commission are reviewed whenever a report is prepared.

2.3.4 Investment properties

The Group values investment properties at fair value, as that is the best estimate for individual investment properties. The fair value of investment properties may change significantly depending on the volatility of property prices and market demand/supply. The Group employs a valuation expert to establish the fair value and also relies on its knowledge stemming from its extensive experience in the industry.

2.3.5 Depreciation

Properties, machines and equipment and intangible assets are recognised at historical cost and are depreciated with the straight-line method during their useful life. The Group recognised depreciation and amortisation costs in the amount of the HUF 40,343 thousand in the first half of 2017 and HUF 37,264 thousand in the first half of 2016. The useful life of assets is defined on the basis of former experience relating to similar assets and estimated technological development as well as changes in the larger economic or industry factors. The estimated useful lives are reviewed annually.

2.4 Details of Business Combinations. Enterprises Involved in the Consolidation

Subsidiaries

	Address:	30 June 2017	31 Dec 2016
Duna House Biztosításközvetítő Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Hitel Centrum Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
DH Projekt Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Duna House Ingatlan Értékbecslő Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Duna House Franchise Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Energetikai Tanúsítvány Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Superior Real Estate Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Home Management Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
REIF 2000 Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
GDD Commercial Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
SMART Ingatlan Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Impact Alapkezelő Zrt.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Home Line Center Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Metrohouse Franchise S.A.	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
Metrofinance Sp. z.o.o	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
MH Południe Sp. z.o.o	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
Metrohouse Uslugi Wspólne S.A	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
MH Warszawa Sp. z.o.o	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
MyCity Residential Development Kft.	1016 Budapest, Gellérthegy u. 17.	100%	-
Pusztakúti 12. Kft. (*)	1016 Budapest, Gellérthegy u. 17.	100%	-
Reviczky 6-10. Kft. (*)	1016 Budapest, Gellérthegy u. 17.	100%	-
Zsinór 39 Kft. (*)	1016 Budapest, Gellérthegy u. 17.	100%	-
IH Project X Kft. (*)	1016 Budapest, Gellérthegy u. 17.	100%	-
Duna House Franchise s.r.o.	140 00 Praha 4, Michelská 300/60 (Czech Republic)	80%	80%
Duna House Hypoteky s.r.o.	140 00 Praha 4, Michelská 300/60 (Czech Republic)	80%	80%
Center Reality s.r.o.	140 00 Praha 4, Michelská 300/60 (Czech Republic)	80%	80%

Jointly controlled entities

		30 June 2017	31 Dec 2016
MyCity Residential Development Kft.	1016 Budapest, Gellérthegy u. 17.	-	50%
Pusztakúti 12. Kft.	1016 Budapest, Gellérthegy u. 17.	-	50%
Reviczky 6-10. Kft.	1016 Budapest, Gellérthegy u. 17.	-	50%
Zsinór 39 Kft.	1016 Budapest, Gellérthegy u. 17.	-	50%

IH Project X Kft.	1016 Budapest, Gellérthegy u. 17.	-	50%
Hunor utca 24 Kft.	1016 Budapest, Gellérthegy u. 17.	50%	25%

The Company acquired a further share of 50% in MyCity Residential Development Kft. in March 2017 and thus became its sole owner. As a result of the acquisition, the companies previously qualified as jointly controlled entity became subsidiaries, while Hunor utca 24. changed from associate to jointly controlled entity.

MyCity Residential Development Kft. and its project companies were acquired as follows:

Company name	**Identifiable net assets**	**Ownership and voting ratio**	**Net asset value of Duna House Holding Nyrt.**	**Consideration**	**Goodwill/(badwill)**
Consolidated equity of MyCity Residential Development Kft. group	884,913	100%	884,913	-	-
Value of 50% share in MyCity Residential Development Kft. group	-	-	-	434,278	-
Consideration of further 50% share in MyCity Residential Development Kft. group				311,040	-
Total:	884,913	100%	884,913	745,318	(139,595)
Total goodwill					0
Total badwill					(139,595)

2.4.1 Presentation of the subsidiaries involved in the consolidation

2.4.1.1 **Duna House Franchise Kft.**

The subsidiary operates the Duna House Franchise Network. Its most important objective is to enter into contract with new franchise partners and to maintain and provide high-level support to existing partners. The Company provides access to a well-structured and formed system to franchise partners joining the Franchise Network. This system provides a recognised brand name, a single image, know-how and support in sales, marketing, information technology and other aspects of operation.

2.4.1.2 **REIF 2000 Kft.**

It is the largest franchise partner of the Duna House Franchise Network and currently operates 16 offices. The operation of own offices is important in the strategy of the Duna House Group as it contributes a great deal to obtaining a true picture of the situation of the real estate market and also helps assessing real estate market innovations and needs and their introduction in the network.

2.4.1.3 **Hitel Centrum Kft.**

It is a subsidiary of the Group that is engaged in financial intermediation. In line with the multiple agency contracts concluded with credit institutions, it offers a wide range of financial products to its customers, primarily in the purchase or sale of residential properties. At the moment, Hitel Centrum Kft. focuses mainly on the intermediation of housing loans and housing savings products. The service includes advice on the selection of the best available financial product and complex administration. Its services are free for customers, and are rewarded by credit institutions in the form of commission.

2.4.1.4 **Duna House Biztosításközvetítő Kft.**

In the framework of the intermediation of financial services this company pursues insurance brokerage activities.

2.4.1.5 **DH Projekt Kft.**

The Duna House Project emphasised the intermediation of traditionally new-built properties and specialised in providing complex analysis, preparation and project sales services to real estate developers. In accordance with market demand, since 2011 the new “banking real estate” activity has become increasingly important along with the core activity.

DH Project assists a number of financial institutions in selling their own real estate portfolio and, in cooperation with the financial institution and the bank, is also involved in the (joint) sale of properties in relation to which the debtor finds it difficult or is unable to repay the loan.

2.4.1.6 **Duna House Ingatlan Értékbecslő Kft.**

Duna House Értékbecslő Kft. is a business founded in 2009 for the intermediation of real estate appraisal services to banks and other market actors. In most cases Duna House Értékbecslő Kft. performs organisation and quality assurance tasks, while valuation services are provided by experts, independent from the real estate brokerage network as sub-contractors.

2.4.1.7 **Energetikai Tanúsítvány Kft.**

The Group launched a subsidiary engaged in energy performance certificates at the end of 2011. The certification, which became mandatory by law, is a new service provided by Duna House to sellers and lessors. The certification network provides a fast and marketable solution across the country and consists of independent experts.

2.4.1.8 **Superior Real Estate Kft.**

The activities of the company between 2012 and 2014 included the sale and purchase and lease of owned properties that had residential functions. In 2015 the company changed its business activity to the operation of franchise offices owned by it but belonging to the SMART network. The company took its current name in 2015, previously it operated under the name of GDD Properties Kft.

2.4.1.9 **Home Management Kft.**

Home Management Kft. performs comprehensive management services in residential properties, primarily for foreign property owners. The service consists of the following activities: lease, lease fee payment monitoring, collection, management of utility expenses, maintenance, book keeping and representation of the owner’s interests. The DH Group outsources maintenance and other activities to sub-contractors.

2.4.1.10 **GDD Commercial Kft.**

The activities of the company include the sale and purchase and lease of owned properties that have business functions.

2.4.1.11 **SMART Ingatlan Kft.**

It is the subsidiary of the group engaged in the operation of the SMART real Estate Franchise Network. The company sells franchise rights and coordinates the tasks of the operation of the network.

2.4.1.12 **Home Line Center Kft.**

The activities of the company include the sale and purchase and lease of owned properties with residential functions.

2.4.1.13 **Impact Alapkezelő Zrt.**

The Company intends to pursue alternative investment fund management activities (investment management activities performed for a collective investment trust, including performance of the tasks relating to the organization and operation of the collective investment trust) without fully submitting itself to the provisions of Kbftv. and intends to manage and AIF[1] ("below the limit" AIFM[2]). In its resolution H-EN-III-130/2016 of 20 April 2016, the Hungarian National Bank issued a licence to the Company for collective portfolio management activities which, in line with the above, extend to investment management, risk management and administrative tasks.

The primary objective of the Company's fund management activity is to create (a) real estate investment fund(s) from (residential) properties situated in the territory of Hungary. The Company intends to manage private and public real estate funds investing into properties.

2.4.1.14 **MyCity Residential Development Kft. and its project companies**

Until the middle of March 2017, MyCity Residential Development Kft. (former name: Investment House Kft.) was a jointly controlled entity of Duna House Holding Nyrt. and Eldar Engineering (R.H.D.) Ltd., a company established in Israel, in which both partners had 50%-50% participation. In March 2017, the Company acquired the 50% ownership share of Eldar Engineering (R.H.D.) Ltd. for EUR 1,000,000, thus MyCity Residential Development Kft. became a subsidiary in exclusive ownership of the Company.

Under the terms of the contract, the total amount paid was EUR 2,200,200, of which EUR 1,000,00 was the acquisition price of the business share, and EUR 1,200,00 was the acquisition price of the equity loan and interest claims against MyCity, resulting from prior investment activities by ELDAR Investment (H.L.A.) Ltd..

MyCity has four subsidiaries and one jointly controlled company. As a result of the transaction, DUNA HOUSE acquired controlling influence over Pusztakúti 12. Kft., Reviczky 6-10. Kft., Zsinór 39 Kft. and IH Project X Kft., while Hunor utca 24. Kft. became a jointly controlled company of DUNA HOUSE. The purpose of these project companies is to implement property development projects under construction at various locations in Budapest, as follows:

Pusztakúti 12 Kft. was registered by the Companies Court attached to the Budapest Metropolitan Court on 21 January 2016. The purpose of the project company is to construct

[1] Alternative Investment Fund
[2] Alternative Investment Fund Manager

and sell the 196-unit Forest-Hill residential park to be implemented in Csillaghegy, in Budapest's 3rd district.

Reviczky 6-10 Kft. project company was established on 20 January 2016 to construct and sell the 86-unit Reviczky Liget residential park situated in Budapest's 18th District, on the area bordered by Hengersor and Reviczky utca.

The purpose of Zsinór 39 Projekt Kft. is to construct and sell a 43-unit residential property (Iris House) in Budapest's 13th District.

Hunor utca 24 Kft. is a jointly controlled company of MyCity Residential Development Kft. with 50% participation. The purpose of this project company is to build a 105-unit residential park by the name of MyCity Residence in Budapest's 3rd District, on the area bordered by Hunor utca and Vörösvári út.

For the time being IH Project X Kft. does not perform any project implementation activity and its specific tasks will be defined in future.

Following the acquisition of controlling influence over MyCity, both MyCity and its project companies (with the exception of Hunor utca 24. Kft.) have been fully consolidated in the consolidated financial statements of DUNA HOUSE. As a result of full consolidation, significant amounts of stocks and investment property, as well as bank loans in connection with their financing are recognised. The guarantees securing these bank loans are non-recourse type, therefore their enforceability does not extend beyond MyCity and its project companies.

2.4.1.15 **Metro House Franchise S.A.**

The Duna House Group entered the Polish market through the acquisition of Metro House Group in April 2016.

The holding company of Metro House Group is Metro House Franchise S.A, in which Duna House Holding Nyrt. acquired 100% participation in April 2016. The Metro House group operates its own and franchise office in large cities of Poland, including Warsaw, Krakow, Gdansk and Lodz. The offices are engaged in real estate brokerage services as well as intermediation of financial products, primarily mortgage loans.

Metro House Franchise S.A. has four 100% owned subsidiaries, which are the following:

Metrofinance Sp. z.o.o is engaged in financial product intermediation, MH Warszava Sp. z.o.o and MH Poludnie Sp. z.o.o companies operate their own offices in Central Warsaw and in Krakow, in the South of Poland.

MH Uslugi Wspólne S.A is currently not involved in any operational activity.

2.4.1.16 **Duna House Franchise s.r.o**

The Czech Duna House Franchise s.r.o established in Prague and two of its subsidiaries, Center Reality s.r.o and Duna House Hypotéky s.r.o were acquired by the Duna House Group on 2 September 2016. At the moment, Center Reality s.r.o operates an owned office, while the other two companies with registered offices in Prague do not pursue any operational activity for the time being.

3. Property, plant and equipment

data in thousand HUF	Property	Plant and equipment	Total
Gross value			
At 31 December 2015	**497,665**	**136,734**	**634,399**
Extended scope of consolidation	-	11,714	11,714
Growth and reclassification	69,622	26,419	96,041
Loss and reclassification	-131	(29,847)	(29,978)
At 31 December 2016	**567,156**	**145,020**	**712,176**
Extended scope of consolidation	0	951	951
Growth and reclassification	32,049	52,910	84,959
Loss and reclassification	(1,837)	(7,050)	(8,887)
At 30 June 2017	**597,368**	**191,831**	**789,199**
Accumulated depreciation			
At 31 December 2015	**28,656**	**90,055**	**118,711**
Extended scope of consolidation	-	2,987	2,987
Annual description	19,312	18,300	37,612
Decrease	(131)	(20,242)	(20,373)
At 31 December 2016	**47,837**	**91,100**	**138,937**
Extended scope of consolidation	0	656	656
Annual description	13,975	14,337	28,312
Decrease	(377)	(2,993)	(3,370)
At 30 June 2017	**61,435**	**103,100**	**164,535**
Net book value:			
At 31 December 2015	**469,009**	**46,679**	**515,688**
At 31 December 2016	**519,319**	**53,920**	**573,239**
At 30 June 2017	**535,933**	**88,731**	**624,664**

4. Investment properties

data in thousand HUF	**Total**
Book value	
At 31 December 2015	**1,323,536**
Growth and reclassification	492,922
Changes in fair value	188,031
Loss and reclassification	(1,065,127)
At 31 December 2016	**939,362**
Extended scope of consolidation	191,692
Growth and reclassification	14,554
Changes in fair value	22,469
Loss and reclassification	0
At 30 June 2017	**1,168,077**

Book value	
At 31 December 2015	**1,323,536**
At 31 December 2016	**939,362**
At 30 June 2017	**1,168,077**

A large number of investment properties were sold in Q3 2016. The reduction of the investment property portfolio and the utilisation of the released financial resources elsewhere were related to the management's shifting focus to real estate development implemented within MyCity.
In the 2017 business year the investment property portfolio grew only on account of the acquisition of the MyCity group.

5. Intangible assets

data in thousand HUF	**Total**
Gross value	
At 31 December 2015	**227,268**
Extended scope of consolidation	49,453
Growth and reclassification	19,770
Loss and reclassification	(1,321)
At 31 December 2016	**295,170**
Extended scope of consolidation	0
Growth and reclassification	8,802
Loss and reclassification	(23,629)
At 30 June 2017	**280,343**
Accumulated depreciation	
At 31 December 2015	**174,603**
Extended scope of consolidation	15,816
Annual description	21,380
Decrease	(1,321)
At 31 December 2016	**210,478**
Expansion of the scope of consolidation	0
Annual description	12,031
Decrease	0
At 30 June 2017	**222,509**
Net book value:	
At 31 December 2015	**52,665**
At 31 December 2016	**84,692**
At 30 June 2017	**57,834**

6. Goodwill

The company recognised goodwill on the following subsidiaries:

Company Name	30 June 2017	31 December 2016
Metrohouse Franchise S.A.	592,367	592,367
MH Usługi Wspólne S.A.	191,334	191,334
Center Reality s.r.o.	167,601	167,601
MH Południe Sp. z.o.o	24,656	24,656
Home Management Kft.	18,500	18,500
Duna House Franchise s.r.o.	10,421	10,421
Conversion difference on balance sheet date	24,136	(12,790)
Total goodwill	**1,029,015**	**992,089**

On the basis of the profit generating capacity of Home Management Kft. there is no element that would require the recognition of any impairment on goodwill. The goodwill of Polish and Czech subsidiaries is satisfactory according to the business plans of the subsidiaries. The goodwill generated during the acquisition of foreign subsidiaries is converted at the exchange rate prevailing on the balance sheet date, pursuant to IAS 21.47.

7. Investments in associated companies and joint ventures

The value of investment in associated and jointly controlled companies shows the value, consolidated with the equity method, of the 50% participation in Hunor utca 24. Kft., a jointly controlled company of MyCity Residential Development Kft.. Between 1 January 2017 and 30 June 2017 the value of participation increased by HUF 108,150 thousand, which was the result of an increase in the net asset value of Hunor utca 24. Kft..

8. Financial assets

The Company’s financial assets were as follows:

	30 June 2015	31 December 2016
Opusse 138.000 bonds	36,595	29,158
Deposit, security deposit	31,468	30,508
PEMAK* 15221	-	-
Total	**68,063**	**59,666**

*PEMAK: Premium Euro Hungarian Government bonds

9. Deferred tax receivables

In the course of calculation of deferred tax the Group compares the values that can be taken into account for taxation to the book values, by asset and by liability. If the difference is a temporary difference, i.e. it will be offset within a foreseeable time, then it will take a deferred tax liability or asset, depending on the amount. When an asset is recorded, the Group examines recovery separately.

The Group calculates the deferred tax incurred in relation to Hungarian activities at 9% tax rate, since the actual tax impact of the temporary differences relating to the particular assets and liabilities will occur in a period when the corporate profit tax rate is likely to be 9%. 19% tax rate is applied to operations in both Hungary and the Czech Republic.

The assets are supported by a tax strategy prepared by the management, which proves that the asset can be recovered.

The following deductible and taxable discrepancies causing taxable tax differences were identified. The table shows the amount of the deferred tax asset generated for such discrepancies.

Basis of deferred tax receivables	**30 June 2017**	**31 December 2016**
Impairment on trade receivables	46,569	55,967
Real estate, machines, equipment	18	-
Losses carried forward	91,638	102,862
Receivables not financially settled and carried forward	20,944	0
Total deferred tax receivables	**159,169**	**158,829**

During the operation of the Polish Metrohouse Franchise S.A. and its subsidiaries, MH Uslugi Wspólne Sp. z.o.o and MH Południe Sp. z.o.o in the past and during the current year approximately PLN 4,349,009 negative tax base carried forward has accumulated.

The Company estimates that this carried forward negative tax base can be credited against the positive tax base of the subsequent periods according to the following table:

Year of utilisation	Maximum disposable amount	
	PLN	(%)
2017	0	0%
2018	855 413	20%
2019	1 258 086	29%
2020	1 251 913	29%
2021	822 509	19%
2022	161 088	3%
Total	**4,349,009**	**100%**

Among the Czech companies a significant deferred tax asset (HUF 32,633 thousand) was recognised in the case of Center Reality s.r.o and Duna House Franchise s.r.o., which is the result of the approximately CZK 14,6 million carried forward negative tax base of Center Reality s.r.o and Duna House Franchise s.r.o. Pursuant to Czech corporate tax law the negative tax basis of the various financial years may be used for five years.

10. Inventories

	30 June 2017	31 December 2016
Property development projects under construction	2,227,581	0
Marketing tools	13,947	11,616
Total	**2,241,528**	**11,616**

The significant increase recognised under Inventories can be explained by the full consolidation of the MyCity group as of 1 April 2017, and the inclusion of the cost of residential properties under construction by MyCity project companies. The difference between the balance sheet value of these inventories on 1 April and 30 June (HUF 301,670 thousand) is recognised in the Profit and Loss Account under 'Variations of stocks of finished goods'.

11. Trade receivables

	30 June 2017	31 December 2016
Trade receivables	871,354	398,470
Impairment on trade receivables	(349,929)	(112,265)
Total	**521,425**	**286,205**

12. Receivables from affiliated companies

	30 June 2017	31 December 2016
Receivables from affiliated companies	136,158	378,709
Total	**136,158**	**378,709**

Receivables from affiliated companies contain the following:

	30 June 2017	31 December 2016
Hunor utca 24. Kft.	136,158	0
MyCity Residential Development Kft.	0	362,300
Pusztakúti 12. Kft.	0	9,070
Reviczky 6-10. Kft.	0	2,447
Zsinór 39 Projekt Kft.	0	1,496
Other	0	3,396
Total	**136,158**	**378,709-**

Receivables from affiliated companies consist exclusively of loan and related interest receivables due from Hunor utca 24. Kft, a jointly controlled entity of the Company, as at 30 June 2017. Receivables from MyCity Residential Development Kft. and its subsidiaries recognised at 31 December 2016 have been consolidated due to the acquisition of MyCity Residential Development Kft. at the end of the first quarter of 2017 and are not recognised in the consolidated balance sheet closing the first six months of 2017.

13. Other receivables

	30 June 2017	31 December 2016
Other receivables	71.347	53,648
Total	**71.347**	**53,648**

Other receivables comprise the following items:

	30 June 2017	31 December 2016
Other receivables (taxes)	28,305	12,930
Deposit provided	11,955	10,803
Advances paid	10,817	5,228
Short-term loans	10,750	6,000
Duty receivable from lawsuits	5,040	4,009
Other	3,007	3,372
Assigned receivables	1,473	1,473
Rent deposited with lawyers	-	9,832
Total	**71,347**	**53,648**

14. Prepayments and deferred income

	30 June 2017	31 December 2016
Trail commission	229,859	188,040
Prepaid revenues	35,348	93,834
Prepaid expenses	12,734	39,870
Total	**277,961**	**321,744**

The trail commission is the maintenance commission of long-term mediated loans. Although the settlement principles are slightly different by financial partner, in general it may be stated that the purpose of this type of commission is to make sure that the amount of the accountable intermediary commission is proportionate to the actual tenor of the mediated financial product.

The factors affecting the amount of commission include the type of the mediated product and its tenor, the delay in the prepayment of the respective borrower and the continuation rate of the total active mediated loan portfolio.
The estimated commission revenues are recognised in the period of the transaction of the loan intermediation based on the empirical figures of the former years, gradually integrating the actual data into the calculation model.

15. Cash and equivalents

	30 June 2017	31 December 2016
Bank account	675,866	1,582,079
Cash in hand	4,372	1,607
Total	**680,238**	**1,583,686**

16. Subscribed capital and profit reserve

On 16 September 2016, the General Meeting of the Company authorized the Board of Directors to implement a capital increase of up to HUF 1,500,000,000, in the context of the public offering of Company shares in October the same year. Referring to a procedural error, by its decision of 10 December 2016 the Companies Court rejected the registration of a capital increase of HUF 18,939,350 that the Company had requested following the public offering.

At an extraordinary General Meeting held on 5 January 2017, the Company's shareholders made a substantively identical, repeated decision on the increase of the registered capital. The Companies Court registered the capital increase by order No. Cg.01-10-048384/50 dated 1 February 2017.

The Company’s share capital is HUF 171,989 thousand, which consists of 3,438,787 dematerialised ordinary shares of HUF 50 face value each and 1,000 employee shares of HUF 50 face value each conferring preferential dividend rights.

A right of preferential dividend is associated with the employee shares issued by the Company. If the general meeting orders dividend payment for a particular year, the employee shares with preferential dividend give a right to dividend prior to the ordinary shares in the amount of 6% of the profit after tax stated in the consolidated annual report prepared according to IFRS (adjusted with the impact of the valuation of investment properties and the revaluation of participations involved in the consolidation with the equity method).

Employee shares carry no rights to dividends other than as specified above. In particular, the employee shares do not entitle their holders to dividends in excess of the above amount, or entitle their holders to dividends if, for the financial year concerned, the profit after tax according to the consolidated annual financial statement drawn up on the basis of IFRS is negative.
The right to preferential dividend associated with employee shares is not cumulative, and the Board of Directors decides on the date of payment of dividends.

The maximum payable dividend for preferential shares was taken into account during the EPS calculation.

At the annual general meeting of the Company on 20 April 2017, dividends in the amount of HUF 479,260 thousand were approved. In accordance with the above, an equivalent of 6% of the consolidated profit after tax, adjusted with the profit arising from the revaluation of investment properties in 2016 (HUF 32,217 thousand) and the revaluation of participations involved in the consolidation with the equity method, is due to the preferential shareholders, while dividends of HUF 447,043 thousand are to be paid to ordinary shareholders.

The dividends for ordinary shares were paid in a single payment on 19 June 2017. The payment of dividends for preferential employee shares is made quarterly, in four equal instalments, the first of which was paid on 30 June 2017.

17. Exchange reserve

With the inclusion of the foreign subsidiaries of the Duna House Group in the consolidation, the year-end balance of the conversion reserve (HUF 12,111 thousand) equals the amount of the conversion difference recognised in compliance with the IAS 21 standard.

18. Non-controlling shares

This balance sheet row includes 20% of the registered capital of the Czech Republic-based Duna House Franchise s.r.o and the equity of the minority shareholders holding 1% of Duna House Hypotéky s.r.o. The balance also contains the conversion difference allocated to minority shareholders in relation to the operation of those Czech companies.

19. Long-term loans

	30 June 2017	31 December 2016
DHH: Raiffeisen loan (Metrohouse)	361,349	421,574
Investment House Kft. Raiffeisen loan (MyCity)	250,365	-
GDDC: Raiffeisen loan (FHB loan)	77,963	89,963
HLC: Raiffeisen loan 2	52,491	71,127
Total	**742,168**	**582,664**

DHH: Raiffeisen loan (Metrohouse)

On 20 April 2016 the Company entered into a loan agreement with Raiffeisen Bank for HUF 720,000 thousand in order to finance the entry into the market in Poland and, more specifically, the PLN 3,700,000 capital increase at the acquired Metrohouse Franchise S.A.
The loan agreement was also signed by GDD Commercial Kft., Superior Real Estate Kft., Duna House Franchise Szolgáltató Kft., Hitelcentrum Szolgáltató Kft., Reif 2000 Ingatlanforgalmazó és Tanácsadó Kft, Home Management Ingatlanforgalmazó és Szolgáltató Kft. and Home Line Center Ingatlanforgalmazó és Szolgáltató Kft. as joint and several co-debtors.

The loan matures on 30 March 2021 and is repaid in quarterly equal instalments.

Additional loan conditions stipulate that as long as the loan agreement is in effect, Duna House Holding Nyrt. and the co-debtors undertake to have at least 1.3 debt service coverage ratio to secure the loan agreement.

The debt service coverage ratio compares the balance of EBITDA, less the investments in fixed assets, the corporate tax liabilities and the loans to shareholders in the current year and increased by the amount of loans received from shareholders (numerator) to the annual debt service (denominator).

Repayment schedule[3] of the Raiffeisen (Metrohouse) loan:

	Repayment schedule
2017	60,225
2018	120,450

[3] The repayment schedules also contain the short-term portion of the particular loan.

2019	120,450
2020	120,450
2021	60,225
Total	**481,798**

Investment House Kft.: Raiffeisen (MyCity) loan

in June 2016 MyCity Residential Development Kft. (formerly known as Investment House Kft.), a previously jointly controlled company, entered into a HUF 300,000 thousand current facilities loan agreement with Raiffeisen Bank. The loan is repayable in a single payment and matures on 31 March 2018. As of 31 March 2017 MyCity Residential Development Kft. is a subsidiary of the Company and the balance for the loan minus a partial repayment is recognized in the consolidated balance sheet (HUF 250,365 thousand).

GDDC: Raiffeisen loan (FHB loan)

The former FHB loan is the liability of GDD Commercial Kft., which was involved in the consolidation of 2014 and which was refinanced in June 2015. The new financing bank is Raiffeisen Bank Zrt, which provided a HUF 150,000 thousand line for the loan. The loan matures on 17 August 2021 with quarterly capital and interest payment obligations. 2.5% interest is charged on the loan.

Repayment schedule of the Raiffeisen (former FHB) loan:	**Repayment schedule**
2017	12,000
2018	24,000
2019	24,000
2020	24,000
2021	17,963
Total	**101,963**

HLC: Raiffeisen loan 2

On 2 June 2015 the Group signed a facility agreement with Raiffeisen Bank Zrt. for HUF 1,000,000 thousand (Raiffeisen loan 2). As a condition of the contract the Group agreed to make Raiffeisen the exclusive account managing bank and to have a mortgage registered on its properties for the bank.

The loan matures on 25 February 2022. The loan is repaid in quarterly equal instalments.

Among the other conditions the Group undertook that, during the period of existence of the loan:

- the aggregated debt less financial assets/EBITDA will not be higher than 2.0

- the total amount of financing to associated companies (outside the Group) cannot exceed 35% of the equity of the Group, and that financing cannot exceed HUF 100,000 thousand a year, and
- the consolidated equity will not drop below HUF 600,000 thousand, and
- during any 12-month period after the entry into force of the loan agreement dividend can be approved over 50% of the IFRS consolidated profit after tax only with the bank's prior written consent providing that the equity/balance sheet total ratio is at least 25% even after the payment of the planned dividend.

The loans are secured by a mortgage registered on the financed properties.

Home Line Center Kft. (HLC) repayment schedule:	**Repayment schedule**
2017	21,036
2018	31,652
2019	26,031
2020	13,444
Total	**92,163**

20. Deferred tax liabilities

Basis of deferred tax liabilities	**30 June 2017**	**31 December 2016**
Due to the difference in the valuation of fixed assets and investment properties	132,114	70,005
Due to the recognition of trail commission	20,687	16,552
Total	**152,801**	**86,557**

The significant increase in deferred tax liabilities is predominantly the result of acquisition effects, and stems from the difference in the value of inventories and investment properties recognised in the project companies of the MyCity group according to the IFRS on the one hand and the Act on Corporate Tax and Dividend Tax (Tao. tv.) on the other hand. Within the HUF 152,801 thousand balance a HUF 20,687 thousand deferred tax liability is the result of the difference between the Hungarian legal requirements and the international accounting standards in the recognition of the trail commission realised by the financial product brokerage segment.

21. Other long-term liabilities

	30 June 2017	**31 December 2016**
Leases	3,830	10,629
Total	**3,830**	**10,629**

The Company leases a number of company cars under open-end financial lease agreement. The other short-term liabilities include the amount of such lease liabilities due over 1 year.

22. Short-term loans and borrowings

	30 June 2017	31 December 2016
Reviczky 6-10. Kft.	286,265	
DHH: Raiffeisen loan (Metrohouse)	120,450	120,450
HLC: Raiffeisen loan 2	39,671	54,380
GDDC: Raiffeisen loan (FHB loan)	24,000	24,000
Total	**470,386**	**198,830**

The most important reason for the increase in the short-term loans is the bank loan recognised in the balance sheet of Reviczky 6-10 Kft., which became a member of the Company Group by the acquisition of the MyCity group. The bank loan is related to the implementation of the Reviczky-liget, a project under construction in the 18th district of Budapest.

23. Trade payables

	30 June 2017	31 December 2016
Suppliers	280,026	68,975
Total	**280,026**	**68,975**

The increase in the trade payables relates primarily to the addition to the Group of the MyCity companies, the liabilities of which amounted to HUF 171,401 thousand at the end of the reporting period.

24. Liabilities to affiliated companies

	30 June 2017	31 December 2016
Liabilities to affiliated companies	196,276	1,740,880
Total	**196,276**	**1,740,880**

The value of affiliated liabilities contains the following:

	30 June 2017	31 December 2016
Medasev Holding Kft.	160,284	1,499,997
Prescribed employee dividend	24,163	22,015
Bitkover Kft.	9,994	15,513
Affiliated employees in Poland	1,116	0
GDD Ingatlan Kft.	718	203,355
Total	**196,276**	**1,740,880**

At the end of 2016 Medasev Holding Kft. provided almost HUF 1,500 million to the Company for the purposes of a capital increase, which took place in February 2017. The balance at 30 June 2017 equals the amount loaned by Medasev Holding Kft. in the second half of the first six months.

25. Other liabilities

	30 June 2017	31 December 2016
Other liabilities	849,833	264,302
Total	**849,833**	**264,302**

Other liabilities contain the following:

	30 June 2017	31 December 2016
Advances and deposits from customers	549,469	3,974
Settlement account of home owners	108,446	90,513
Tax liability	77,274	72,799
Settlement account of lessees	74,071	73,360
Liabilities from remuneration	27,140	12,973
Received caution money	5,108	5,488
Short-term portion of lease repayments:	4,315	4,124
Other	4,010	1,071
Total	**849,833**	**264,302**

The significant increase in other liabilities is due to deposits and advances from customers in relation with ongoing property development projects by MyCity project companies.

Funds due to the owners of the homes managed by the Company at Home Management Kft. (e.g., collected rent, “buffer” amounts deposited by the owners) are recorded on the settlement account of home owners.

The received caution money row contains the amounts paid by lessees as deposit for renting the properties involved in real estate management.

The Company pays special attention to the management of the guarantees and deposits recognised among other liabilities and to be settled with owners and lessees. In order to make sure that the amounts can be repaid upon maturity, or when requested or in the case of termination, the respective amounts are either kept on bank accounts and/or invested in securities within the subsidiary. The estimated value of the amounts immediately repayable is available on the bank account of the subsidiary at all times.

26. Accruals and deferred income

	30 June 2017	31 December 2016
Deferred income	282,232	270,551
Accrued costs and charges	165,223	203,278
Support received	8,788	10,513
Total	**456,243**	**484,342**

The Company recognises the proceeds from the sale of franchise rights (in general for 5 years) as revenue in a pro rata basis. In order to do that, it creates an accrual, which is shown in the accrued revenues row.

27. Sales revenues

	01.01.2017 – 30.06.2017.	01.01.2016 – 30.06.2016.
Revenue from the brokerage of financial products	876,038	735,930
Revenues from own office segment	692,335	439,694
Revenues from franchise segment	524,352	442,175
Revenues from related services	124,888	116,974
Revenues affecting all segments jointly	45,084	40,662
Revenue from investment segment	20,133	227,847
Total Sum	**2,282,831**	**2,003,282**

The HUF 279,549 thousand revenue increase since the comparative period is explained primarily by greater revenues registered in the financial product brokerage, own office and franchise segments, and a quarter-long acquisition effect due to the fact that the Metrohouse group in Poland became part of the Group on 1 April 2016 only. Revenues from fund management fees and success fees charged by Impact Asset Management Zrt. for the management of Impact Lakóingatlan Befektetési Alap constitute a new element. Given that in the reporting period no property was sold, either property in own use or investment property, the "Revenue from the sale of property" row recognises nil amount, in contrast to a balance of HUF 196,720 thousand last year.

Sales revenues from the brokerage of financial products
This row includes the brokerage fees of Hungarian banking products (primarily retail mortgage loans). Apart from the members of the franchise network the cooperating partners are also increasing the number of sales points.

Revenues from the sale of real properties: Revenue from the sale of property in the real estate portfolio of the real estate investment segment is recognised on this line.

Revenues from real estate brokerage: The DH group operated a large number of real estate brokerage offices within the Duna House, Metrohouse and Smart networks. The commission revenues from the sale and purchase, lease and brokerage of real properties are realised in these offices. The commission rate reflects the type, value and position of the real property as well as the level of the service included in the contracts. Pursuant to the franchise operational concept it is the primary source of revenue of the real estate offices operated by the Group.

Revenues from franchise and service fees:
The monthly fee paid by the franchise partners of Duna House, Metrohouse and Smart network. The rate is regulated consistently for all partners. The terms and conditions ate laid down in long-term contracts (typically concluded or 5 years). The franchise fee is a kind of royalty, paid in consideration for the use of brands and now-how, possessed and built and by the DH Group. The service fee covers the equipment and functions required for the smooth operation of the network (IT and CRM system, complaint handling, regulation and inspection, etc.)

Marketing fee revenue:
This monthly, regular revenue type finances the marketing activity of the network. The rate is consistently regulated for all partners. The marketing revenues fund the implementation of the marketing strategy, market research and related regular analyses and group level appearance advertisements and campaigns.

Joining and extension fee revenues: It is a single fee payable in the case of the sale of a new or existing area or extension of a maturing area, which is a pre-requisite of joining of franchise partners to the network and is accrued in the books.

Property management revenues: This is revenue from the services related to the management of real property. Long-term contracts define it in the form of a monthly flat rate. The commission from lease as an ad hoc revenue is also part of this revenue group.

Revenue from energy certificate brokerage: It is a statutory obligation that properties for sale must have a valid energy certificate. This is revenue from the sale of such service.

Appraisal revenue:
The revenue from the service operating at the level of a separate unit within the group is recognised there. The majority of the customers are credit institutions, to which the majority of the sales revenues relate.

Re-invoiced amounts (rent, utility expenses, etc.): This revenue category contains the cost of goods and services purchased by DH centrally and then re-invoiced to the franchise partners and subsidiaries (e.g., leased properties, marketing tools, PR events, other functions, etc.).

Rent revenue:
The group purchases, leases and sells properties for investment purposes.

28. Other operating revenues

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
Revaluation of investment properties	26,963	113,906
Revenues from penalties, revenues from lawsuits	19,445	0
Reversal of impairment on receivables	8,768	5,490
Other revenues	8,156	27,476
Support received	1,725	1,701
Insured events	240	392
Proceeds from the sale of tangible assets	137	731
Revenues from re-invoiced expenses	74	0
Total	**65,508**	**149,696**

Due to the reduction of the investment property portfolio, this year the profits realised by the appreciation of such remaining properties was HUF 26,963 thousand, as opposed to HUF 113,906 thousand in the first half of last year.

29. Material expenses

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
Utility fees and charges	16,101	9,271
Office supplies	5,785	7,787
Maintenance expenses	5,608	8,281
Fuel	2,494	1,304
Total	**29,988**	**26,643**

30. Goods and services sold

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
Cost of brokerage of financial products	274,106	264,568
Direct cost of real estate agency	88,545	72,747
Other re-invoicing (e.g. sales support, utilities, marketing)	43,643	47,255
Valuation fees	15,449	18,502
Energy certificate fees	2,005	973
Re-invoicing of office rental fees	0	0
Direct cost of the sale of real properties	0	164,180
Total	**423,748**	**568,225**

The reduction in direct costs of the sale of properties is explained by the fact that no property was sold in the reporting period, either property for own use or investment property.

31. Services used

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
MyCity design and architecture costs	276,810	0
Direct cost of brokerage of financial products	245,086	150,700
Direct cost of real estate agency	224,975	90,666
Other professional services (IT development, sales support, marketing, etc.)	248,055	113,311
Rent, common expenses	130,385	102,879
Professional service fees	18,616	17,032
Other services used (insurance, training, mail, photocopying, cleaning etc.)	64,824	51,033
Advertising, promotion	63,838	76,292
Lawyer fees	21,844	10,131
Telephone and communications expenses	15,329	9,500
Cost of IT operation	14,984	9,319
Banking expenses	10,285	8,281

Costs related to stock exchange presence (BSE, KELER)	9,378	0
Impact distribution costs	6,725	0
MyCity technical advice and control	3,997	0
Direct cost of energy certificates	3,109	4,708
Direct cost of valuation	2,859	5,050
IPO expert fees	0	8,338
Cost of the acquisition of the Metrohouse Group	0	45,044
MyCity start-up cost, setup fee	0	6,701
Total Sum	**1,387,660**	**708,985**

The amount paid for services used almost doubled in the first six months of the year. In addition to the acquisition effects registered during a quarter in relation to the acquisition of Metrohouse, this is largely explained by the recognition of design and construction costs (HUF 276,810 thousand) as well as engineering consultancy and inspection costs (HUF 3,997 thousand) for the residential properties under construction within MyCity project companies. These costs, however, constitute the cost value of the projects and, taken together with the "variations of stocks of finished goods" line (HUF 301,760 thousand) in the profit and loss account, can be considered neutral in terms of operating result.

Within the services used, the commission fee of those employed in Poland through contracts for services ("civil contract") (HUF 72,324 thousand), and costs related to corporate management functions are recognized among "other professional services".

The costs related to the Company's stock market presence and the distribution costs of Impact Lakóingatlan Befektetési Alap investment units (a combined HUF 16,103 thousand for these two items) also resulted in a net increase of costs on the comparative period.

The absence of one-off costs registered in the 2016 business year, such as acquisition costs related to the Metrohouse purchase (HUF 45,044 thousand) and expert, legal and advisory fees in connection with the IPO (HUF 62,767 thousand), as well as the MyCity Residential Development setup fee, resulted in a total HUF 60 million 'saving' this year.

32. Staff costs

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
Wage costs	181,640	118,998
Compulsory contributions[4]	62,467	40,593
Other personnel-type benefits	37,494	34,582
Total	**281,601**	**194,173**

[4] It contains the accounted wage contributions of employees employed in Poland on contracts of service ("civil contract"), while the contracts of service themselves are shown in the services used row.

Average statistical headcount	99	82

The increase of the statistical average headcount of the Company's subsidiaries combined in comparison to the comparative period is explained by the expansion of the Hungarian operation to 84 people, as well as by the acquisitions carried out in the Czech Republic. Taking into account the number of hours staff are expected to spend at work, the average number of employees in subsidiaries in Poland increased to 14 from 6 in the comparative period. In the case of the Czech subsidiaries the employee headcount in 2017 was one. From the HUF 281,601 thousand balance of personnel related expenses, the share of the Polish and Czech subsidiaries amounted to HUF 40,472 thousand.

33. Other operating expenses

	01.01.2017 – 30.06.2017	**01.01.2016 – 30.06.2016**
Impairment on receivables	21,345	37,341
Tax	14,214	7,736
Writing off bad debt	5,990	3,737
Revaluation of investment property	4,494	13,500
Other	3,731	3,698
Penalties	3,522	354
Insured events	0	776
Cost of the sale of fixed assets	0	41
Total	**53,296**	**67,183**

The HUF 14 million reduction in other operating expenses is essentially explained by the capital depreciation of receivables and a lesser depreciation of the market value of some investment property compared to last year. The increase in the amount of non-income based taxes had an opposite effect.

34. Revenues of financial transactions

	01.01.2017 – 30.06.2017	**01.01.2016 – 30.06.2016**
Badwill associated with acquisition of MyCity group	139,595	54,813
Exchange gain	12,247	1,467
Due to additional payment against previous owner of MyCity	10,000	0
Interest income	4,835	15,883
Revenue from purchasing of receivables	3,256	0
Total	**169,933**	**72,163**

For the reporting period, badwill related to acquisitions is connected to the acquisition of 50% participation in MyCity Residential Development Kft. The amount paid as purchase price for the 50% share is less than the corresponding net asset value.

The exchange gain row contains the realised/unrealised exchange rate difference related to the foreign currency credit receivables existing within the group that had been identified in the process of the debt consolidation of Duna House Holding Nyrt..

Interest income in the reporting period is mainly the sum of all interest paid (or due) after 31 March 2017 for loans provided to MyCity companies that had been consolidated with the equity method until the end of the first quarter.

35. Expenses of financial transactions

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
Interest paid	17,886	31,251
Exchange loss	6,519	1,317
Total	**24,405**	**32,568**

36. Income taxes

Expenses relating to income taxes consist of the following items:

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
Effective income tax - Corporation tax	55,962	43,141
Effective income tax - Local business tax	23,921	26,293
Deferred taxes	18,359	61,438
Total	**98,242**	**130,872**

The corporate tax rate of group members based in Hungary is 9%, irrespective of the taxable amount in respect of corporate tax.

The significant reduction in the consolidated profit before taxation relative to the comparative period is the result of an absence in 2017 of variations in value of the participations that had previously been consolidated with the equity method (full consolidation).

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
Profit before taxation	652,282	1,071,029

Tax liability calculated on the basis of the current tax rate (10%)	65,228	107,103
Local business tax	23,921	26,293
Permanent differences	(9,093)	(2,524)
Total income taxes	**98,242**	**130,872**

37. Earnings per share (EPS)

To calculate the basic earning from share the profit after tax, available for distribution to the shareholders must be taken into account and the annual average number of the issued ordinary shares, which does not contain the own shares.

	01.01.2017 – 30.06.2017	**01.01.2016 – 30.06.2016**
After-tax profit that can be allocated to shareholders (thousand HUF)	554,040	940,157
Dividend that may be distributed to preferential shareholders	(27,117)	(25,017)
After-tax profit that can be allocated to ordinary shareholders (thousand HUF)	526,923	915,140
Weighted average number of issued ordinary shares (thousand)	3,257	3,060
Earnings per share (basic) (HUF)	**162**	**300**

There were no factors at the Company, either in the first half of 2017 or in 2016, which would have diluted the earnings per share ratio.

38. Segment-specific information

Strategic decisions for the operation of the Group are taken by the Board of Directors, therefore the management used the statements prepared for the Board in order to establish the segments in the course of the preparation of these financial statements.

Based on the activities of DH five segments can be distinguished:

(1) The franchise segment carries out the operation of the franchise system that runs under the Danube House and Smart Ingatlan brands. The Company is Hungary's largest residential real estate agency franchise network. The franchise segment also contains the figures of Metrohouse Franchise S.A. and Metrohouse Uslugi Wspólne Sp. z.o.o from among the Polish Metrohouse companies since April 2016. from September 2016 the performance of the Czech Duna House Franchise s.r.o is also recognised in this segment.

(2) Own office operating segment: Through own offices operated under the Danube House and Smart Ingatlan brands, the Company owns one of the leading real estate agency network in Hungary. The own office segment also contains the figures of MH Poludnie Sp. z.o.o and MH Warszava Sp. z.o.o from the Polish Metrohouse companies since April 2016. From September 2016 the Czech Center Reality s.r.o has also belonged to this segment.

(3) Financial products brokerage segment: In line with the multiple agency contracts concluded with credit institutions and insurance companies, the Group offers a wide range of financial products to its customers. The performance of Metrofinance Sp. Z.o.o is reported in this segment as well. From September 2016 Duna House Hypotéky s.r.o has also belonged to this segment, but for now it does not pursue any operational activity.

(4) The segment of property-related services includes activities in connection with residential property management, energy efficiency certificates, and asset valuation. From the 2017 financial year the performance of Impact Asset Management Plc. is also recognised in this segment.

(5) Real estate investments segment: Taking advantage of its expertise in the real estate market, the Company made regular purchases of properties for investment purposes.

From H2 2016 as a result of the change in the management focus to real estate development at MyCity the majority of the investment real estate portfolio has been sold, which resulted in an increase in the sales revenues and direct costs shown in this segment.

To further strengthen its real estate developer activities, on 12 March 2017 DUNA HOUSE signed a contract with the Eldar Investments (H.L.A.) Ltd. in order to obtain an additional 50% business share of MyCity Residential Development Kft. (registered office: 1016 Budapest, Gellérthegy utca 17.; Cg.01-09-984485; hereinafter: "MyCity"). After the financial settlement of the contractual terms and conditions, DUNA HOUSE became a 100% owner of MyCity.

The profit/loss of real estate development projects implemented at MyCity are fully consolidated from the acquisition date and presented as part of the real estate investment segment.

(6) In the summary statement, the transactions within the segment were consolidated. The "Other and eliminations" column includes the effect of the central services and filters out the traffic between segments. As of the business year 2017 the performance of Impact Asset Management Zrt. is reported as part of the "Property related services" segment.

30 June 2017 (01.01.2017 – 30.06.2017)	**Franchise**	**Financial products brokerage**	**Operation of own office**	**Sale of related services**	**Property investments**	**Other and eliminations**	**Consolidated**
Intangible assets	45 924	126	8 258	304	2 352	870	57 834
Investment properties	0	0	0	0	1 168 077	0	1 168 077
Real properties	1 075	0	27 904	2 117	504 490	347	535 933
Plant and equipment	60 101	3 091	12 809	1 879	2 414	8 436	88 731
Trade receivables	189 685	223 463	86 969	19 711	1 459	137	521 425
Assets that cannot be allocated to other segments	967 399	429 224	203 341	372 117	2 896 164	40 355	4 908 600
Total assets	1 264 184	655 905	339 281	396 129	4 574 956	50 146	7 280 600
Suppliers	-7 531	63 981	32 121	4 385	173 295	13 775	280 026
Liabilities that cannot be allocated to other segments	1 181 831	179 281	540 455	211 256	2 810 665	-2 050 011	2 873 477
Total liabilities	1 174 299	243 262	572 576	215 642	2 983 961	-2 036 236	3 153 504
Net revenue from sales to third parties	559 339	876 013	714 275	132 509	20 478	-19 784	2 282 830
Net revenue from sales between segments	92 098	27	25 269	330	31 832	-149 556	0
Net sales revenues	651 437	876 040	739 544	132 839	52 310	-169 340	2 282 830
Direct expenses	-91 823	-534 250	-418 836	-46 850	-4 735	85 485	-1 011 010
Gross margin	**559 613**	**341 789**	**320 708**	**85 989**	**47 575**	**-83 855**	**1 271 820**
Depreciation and impairment	-16 689	-444	-9 439	-957	-10 795	-2 019	-40 343
Indirect operating costs	-448 885	-85 932	-261 584	-79 204	-3 724	-66 987	-812 342
Operating Profit (EBIT)	**94 039**	**255 413**	**49 685**	**5 828**	**33 056**	**-18 887**	**419 136**

31 December 2016 (01.01.2016 – 30.06.2016)	**Franchise**	**Financial products brokerage**	**Operation of own office**	**Sale of related services**	**Property investments**	**Other and eliminations**	**Consolidated**
Intangible assets	72 350	168	10 622	709	0	1 128	84 977
Investment properties	0	0	0	0	1 645 831	0	1 645 831
Real properties	1 294	0	11 780	2 152	493 869	375	509 479
Plant and equipment	26 956	1 920	19 180	1 180	0	8 681	57 917
Trade receivables	185 577	48 378	98 457	12 807	370	-25 352	320 237
Assets that cannot be allocated to other segments	908 648	634 314	171 483	338 747	5 013	651 167	2 709 372
Total assets	1 194 825	684 780	311 532	355 594	2 145 083	635 998	5 327 813
Suppliers	103 824	12 231	43 478	10 016	3 292	-83 574	89 267
Liabilities that cannot be allocated to other segments	1 044 623	162 501	214 100	192 643	1 474 130	-223 863	2 864 134
Total liabilities	1 148 447	174 732	257 577	202 659	1 477 422	-307 437	2 953 401
Net revenue from sales to third parties	472 026	735 928	459 848	119 366	227 859	-11 744	2 003 282
Net revenue from sales between segments	90 539	0	5 600	167	30 515	-126 822	0
Total net sales revenues	562 565	735 928	465 448	119 533	258 374	-138 565	2 003 282
Direct expenses	-70 316	-403 378	-203 905	-48 687	-164 477	-19 151	-909 914
Gross margin	**492 249**	**332 550**	**261 543**	**70 846**	**93 897**	**-157 716**	**1 093 369**
Depreciation and impairment	-16 186	-473	-7 553	-743	-10 097	-2 211	-37 264
Indirect operating costs	-419 864	-60 119	-190 874	-71 037	70 990	165 305	-505 599
Operating Profit (EBIT)	**56 198**	**271 958**	**63 116**	**-934**	**154 789**	**5 378**	**550 505**

39. Risk Management

The Group's assets include liquid assets, securities, trade and other receivables, as well as other assets – excluding taxes. The Group's resources include loans and borrowings, supplier and other payables, excluding the gains or losses arising from the revaluation at fair value of taxes and financial liabilities.

The Group is exposed to the following financial risks:

- credit risk
- liquidity risk
- market risk

This Chapter describes the Group's risks specified above, the Group's objectives and policies, measurement of the processes and risk management, as well as the capital management of the Group. The Board of Directors has overall responsibility for the establishment, supervision and risk management of the Group.

The objective of the Group's risk management policy is to filter out and examine the risks the Group faces, to set the appropriate controls and to monitor the risks. The risk management policy and the system are reviewed so that it does reflect the changed market conditions and the Group's activities.

Capital management

The Group's policy is to preserve the registered capital that is sufficient for investor and creditor confidence in the future to sustain the future development of the Group. The Board of Directors seeks to maintain a policy whereby the Company undertakes a higher exposure arising from the lending activity only with a higher rate of return, based on the advantages provided by a strong capital position and security.

The Group's capital structure consists of the debt and the Group's equity (the latter includes the registered capital, the reserves and the share of the non-controlling shareholders).

In the course of managing the capital, the Group strives to provide an opportunity for its members to continue their activities, and thereby to maximize the return on investment for the owners by way of an optimal balancing of the debt and equity, as well as to keep an optimal capital structure in order to reduce the capital expenditure. The Group also carries out monitoring which aims to ensure that its member companies' capital structure complies with the local legal requirements.

Capital risk for the Company continues to be not significant in the first half-year of 2017.

Risks arising from the lending activity

Risks arising from the lending activity are risks that arise from the failure of the borrower or partner to fulfil its contractual obligations, which in turn results in a financial loss for the Group. Financial instruments that are exposed to credit risk may be long or short-term placements, cash and cash equivalents, trade and other receivables.

The book value of financial instruments shows the maximum risk exposure. The table below shows the maximum credit risk exposure of the Group on 30 June 2017 and 31 December 2016.

	30 June 2017	31 December 2016
Trade receivables	521,425	286,205
Other receivables	71,347	53,648
Financial instruments	68,063	66,401
Cash and cash equivalents	680,238	1,583,686
Total	**1,341,073**	**1,989,940**

Liquidity risk

Liquidity risk is the risk that the Group is unable to fulfil its financial obligations by the due date. The Group's liquidity management approach is to ensure - as far as possible - that there is always sufficient liquidity available to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking the Group's reputation.

Market risk

Market risk is the risk that a change in the market prices, such as exchange rates, interest rates and prices of investments in mutual funds will affect the Group’s profit or the value of its investments made in financial instruments. The objective of market risk management is to manage and control the exposure to market risks to remain within acceptable limits, in addition to optimizing the benefits.

Property development risks

In addition to the above financial and market risks associated with property development, the Company primarily focuses on rising construction costs. Considering a growing number of projects under implementation by the project companies, and as the developments reach more advanced stages, the MyCity group is exposed to increasing liquidity risk until such time as bank financing is involved.

Sensitivity analysis

The Group has concluded that, fundamentally, its profit much depends on key variables of a financial nature and on the interest rate risk, therefore, it has carried out sensitivity analyses in these key variables.

The Group strives to ensure the reduction of the interest rate risk primarily by committing the liquid assets. The Group's currency risk is insignificant, primarily because in all three countries it carries out the sales and purchases in the given country's currency. The Group does not enter into currency hedging transactions.

Outcome of the interest sensitivity test (as a percentage of interest changes):

With actual interest	**01.01.2017 – 30.06.2017**	**01.01.2016 - 30.06.2016**
Profit before tax - excluding interest expense	670 168	1 086 398
Net interest income	-4 835	-15 368
Profit before taxation (without taxes paid and received)	**665 333**	**1 071 030**
1%		
Profit before tax - excluding interest expense	670 168	1 086 398
Net interest income	-4 884	-15 522
Profit before taxation	**665 284**	**1 070 876**
Changes in profit before tax	***-48***	***-154***
Changes in profit before tax (%)	***-0,007%***	***-0,014%***
5%		
Profit before tax - excluding interest expense	670 168	1 086 398
Net interest income	-5 077	-16 136
Profit before taxation	**665 091**	**1 070 261**
Changes in profit before tax	***-242***	***-768***
Changes in profit before tax (%)	***-0,036%***	***-0,072%***
10%		
Profit before tax - excluding interest expense	670 168	1 086 398
Net interest income	-5 319	-16 905
Profit before taxation	**664 849**	**1 069 493**
Changes in profit before tax	***-484***	***-1 537***
Changes in profit before tax (%)	***-0,073%***	***-0,143%***
-1%		
Profit before tax - excluding interest expense	670 168	1 086 398
Net interest income	-4 787	-15 214
Profit before taxation	**665 381**	**1 071 183**
Changes in profit before tax	***48***	***154***
Changes in profit before tax (%)	***0,007%***	***0,014%***
-5%		
Profit before tax - excluding interest expense	670 168	1 086 398
Net interest income	-4 594	-14 600
Profit before taxation	**665 574**	**1 071 798**
Changes in profit before tax	***242***	***768***
Changes in profit before tax (%)	***0,036%***	***0,072%***
-10%		
Profit before tax - excluding interest expense	670 168	1 086 398
Net interest income	-4 352	-13 831
Profit before taxation	**665 816**	**1 072 566**
Changes in profit before tax	***484***	***1 537***
Changes in profit before tax (%)	***0,073%***	***0,143%***

40. Financial instruments

Financial instruments include invested financial assets, the trade receivables from current assets, securities and liquid assets, loans, borrowings and trade payables.

30 June 2017	**Book value**	**Fair value**
Financial assets		
Assets registered at fair value against profit		
Financial instruments	68,063	68,063
Trade receivables	521,425	521,425
Cash and cash equivalents	680,238	680,238
Financial liabilities		
Liabilities recorded at amortized historic cost		
Long-term loans	742,168	742,168
Other long-term liabilities (leases)	3,830	3,830
Short-term loans and borrowings	470,386	470,386
Short-term part of the lease	4,315	4,315
Liabilities to suppliers	280,026	280,026

31 December 2016	**Book value**	**Fair value**
Financial assets		
Assets registered at fair value against profit		
Financial instruments	66,401	66,401
Trade receivables	297,968	297,968
Cash and cash equivalents	1,583,686	1,583,686
Financial liabilities		
Liabilities recorded at amortized historic cost		
Long-term loans	582,664	582,664
Other long-term liabilities (leases)	6,046	6,046
Short-term loans and borrowings	198,830	198,830
Short-term part of the lease	4,124	4,124
Liabilities to suppliers	68,975	68,975

41. Remuneration of the Board of Directors and Supervisory Board

In the first half of 2017 the members of the Board of Directors and Supervisory Board received a total of HUF 22,306 thousand remuneration (HUF 18,615 thousand in the first half of 2016). These amounts also include the dividend paid to the members of the Board of Directors for preferential employee shares held by them.

42. Events after the balance sheet date

No significant events occurred after the balance sheet date up to the approval of these financial statements for publication.

43. Corporate governance report and approval of the disclosure of the financial statements

The Board of Directors of the Company hereby declares, in accordance with Decree No 24/2008 of 15 August 2008 of the Minister of Finance on disclosure obligations pertaining to publicly traded securities, that the present consolidated financial statements – unaudited and therefore not accompanied by an independent audit report – provide a fair and reliable presentation of the assets, liabilities, financial situation and profit and loss for the Company and its affiliated companies involved in the consolidation.

The Board of Directors of the parent company of the Group discussed the consolidated financial statements at the meeting held on 29 September 2017 and approved their disclosure in this form.

Budapest, 29 September 2017

Persons authorised to sign these financial statements:

Doron Dymschiz
Chairman of the Board of Directors

Gay Dymschiz
Member of the Board of Directors

Ferenc Máté
Member of the Board of Directors