DUNA HOUSE HOLDING NYRT.

CONSOLIDATED BUSINESS REPORT

ON THE 2018 H1 ACTIVITIES OF THE GROUP

1. Group profile

A Duna House Holding Nyrt. - hereinafter referred to as "Company" or "Group" - was founded in 2003; its main activity are real estate and loan brokerage. It has been a leading service provider in the services sector, in particular, in the real estate and financial services sector, in Hungary for years now. The Group's flagship is a national network of real estate agencies, which started operating in 2003. Now it employs over 1,400 persons serving customers. By acquiring Metrohouse Group in April 2016, Duna House Group entered the Polish market. Through the acquisition of three Prague-headquartered companies in September 2016, it also entered the real estate market in the Czech Republic.

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

Principal activities:

- selling and operating franchise systems
- real estate agency services
- loan brokerage
- insurance brokerage
- real estate appraisal and related estate agency services
- energy certification and related estate agency services
- real estate management
- buying and selling of own real estate
- residential real estate fund management
- real estate development

1.1 Consolidated companies

As a Subsidiary

Name:	address	30 June 2018	31 December 2017
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%
Akadémia Plusz 2.0 Kft.	1016 Budapest, Gellérthegy u. 17.	100%	-
Hitelalkusz Közvetítő 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%
Metrohouse S.A.	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
MyCity Residential Development Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Pusztakúti 12. Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Reviczky 6-10. Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Duna House Franchise s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%
Duna House Hypoteky s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%
Center Reality s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%

As a jointly managed undertaking

Name:	**address:**	**30 June 2018**	**31 December 2017**
Hunor utca 24 Kft.	1016 Budapest, Gellérthegy u. 17.	50%	50%

2. Markets and economic environment

2.1 Real estate market

The Hungarian real estate market continued to grow in 2018 H1. According to an estimate by Duna House Group, the total number of transactions exceeded 77,000 in 2018 H1, up by 4% on a year earlier. The data published by the Group in the Duna House Barométer reveal that real estate prices reached another peak in Hungary.

According to the data provided by the Polish Statistical Office, in 2017, the number of residential property transactions in the secondary real estate market exceeded 186,000, translating into an annual 7% rise;[1]however, the number of the transaction as a proportion of the population suggests further growth in the years to come.

No objective public data is available on trends in the real estate market and the residential segment, in particular, in Czech Republic.

2.2 Credit market

Data published by the National Bank of Hungary reveal that there was a 35.6% year-on-year rise in the residential loan market in Hungary in 2018 H1, translating into close to HUF 400 billion borrowed by households. 78% of the new loans were loans with interest fixed for one or more years.[2]

Residential lending took off in Poland in 2017. A 13% rise in 2017 was followed by a 17% one in 2018 H1.

[1] *Source: http://stat.gov.pl/en/topics/municipal-infrastructure/municipal-infrastructure/real-estate-sales-in-2017,7,1.html*
[2] *Source: MNB: http://www.mnb.hu/statisztika/statisztikai-adatok-informaciok/adatok-idosorok/xi-deviza-penz-es-tokepiac*

3. The Group's financial and equity situation

3.1 Income Statement

data in HUF thousands	**01.01.2018 - 30.06.2018**	**01.01.2017 - 30.06.2017**
Net sales revenues	4,502,670	2,282,831
Other operating income	185,369	65,508
Total income	**4,688,039**	**2,348,339**
Variation in self-manufactured stock	-236,176	-301,760
Material costs	32,645	29,988
Goods and services sold	732,440	423,748
Services purchased	2,317,553	1,401,987
Personnel costs	327,571	281,601
Depreciation and amortisation	44,745	40,343
Other operating charges	77,398	53,296
Operating costs	**3,296,176**	**1,929,203**
Operating profit/loss	**1,391,863**	**419,136**
Financial revenues	27,635	169,933
Financial expenses	-39,112	-24,405
Profit of participations valued with the equity method	-10,899	87,619
Profit before taxation	**1,369,487**	**652,283**
Income taxes	-199,845	-98,242
Taxed profit	**1,169,642**	**554,041**

Source: the Company's audited and non-audited IFRS annual and semi-annual accounts

The Company's income rose by a total of 100% relative to 2017. Within that net sales grew by 97% representing HUF 2,219 million in excess income.

Operating costs rose significantly by approximately 71%, thus, we closed the first half of the 2018 business year by having to post HUF 2,306 million in additional costs relative to the previous year. These higher costs were attributable to the performance of MyCity Residential Development Kft. and its subsidiaries. HUF 236,176 thousand stated as variation in self-manufactured stock counterbalances the costs included in the direct costs of the residential projects.

The Company's tax liability comprises corporate tax and business tax liability. The combined amount of actual and deferred taxes due on 2018 H1 was HUF 200 million.

Overall, the Company's taxed profit rose by 121% from HUF 554 million to HUF 1,170 million.

Relative to the previous year, the following changes materialised in the Group's sales revenue structure:

Revenue type	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
Income by the investment segment	1,847,678	20,478
Income from the brokerage of financial products	1,071,750	876,013
Income by the own office segment	763,002	714,275
Income by the franchise segment	622,137	559,339
Income by the related services segment	197,895	132,509
Income pertaining to all the segments	208	-19,784
Total	**4,502,670**	**2,282,830**

Source: the Company's audited and non-audited IFRS annual and semi-annual accounts

The HUF 2,219,839 thousand rise compared with the benchmark period was due to higher sales in the investment segment (HUF 1,827,200 thousand), the financial product brokerage segment (HUF 195,737 thousand) and the franchise segment (HUF 62,798 thousand).

Segment income statement

The Group’s strategic decisions are made by the Board of Directors. Therefore, when determining the segments during the compilation of these financial statements, the management relied on the statements prepared for the Board of Directors.

Group
01.01.2018 - 30.06.2018

million HUF	Franchise segment	Financial product brokerage segment	Own office segment	Related services segment	Property investment segment	Other and eliminations	Consolidated total
Net sales revenues	**742**	**1,072**	**784**	**198**	**1,881**	**-174**	**4,503**
Direct costs	**84**	**721**	**448**	**62**	**1,040**	**-17**	**2,337**
Gross margin	**658**	**351**	**336**	**136**	**841**	**-157**	**2,165**
Indirect operating costs	**527**	**108**	**279**	**87**	**-128**	**-144**	**729**
EBITDA	**131**	**243**	**57**	**49**	**969**	**-13**	**1,436**
Depreciation and amortisation	**21**	**1**	**8**	**0**	**12**	**3**	**45**
EBIT	**110**	**243**	**48**	**49**	**957**	**-15**	**1,392**
Contribution margin ratio	**89%**	**33%**	**43%**	**69%**	**45%**	**90%**	**48%**
EBITDA margin	**18%**	**23%**	**7%**	**25%**	**52%**	**7%**	**32%**
EBIT margin	**15%**	**23%**	**6%**	**25%**	**51%**	**9%**	**31%**

Group
01.01.2017 - 30.06.2017

million HUF	Franchise segment	Financial product brokerage segment	Own office segment	Related services segment	Property investment segment	Other and eliminations	Consolidated total
Net sales revenues	**651**	**876**	**740**	**133**	**52**	**-169**	**2,283**
Direct costs	**92**	**534**	**419**	**47**	**4**	**-85**	**1,011**
Gross margin	**559**	**342**	**321**	**86**	**48**	**-84**	**1,272**
Indirect operating costs	**449**	**87**	**262**	**79**	**4**	**-67**	**814**
EBITDA	**110**	**255**	**59**	**7**	**44**	**-17**	**458**
Depreciation and amortisation	**16**	**0**	**9**	**1**	**11**	**2**	**39**
EBIT	**94**	**255**	**50**	**6**	**33**	**-19**	**419**
Contribution margin	**86%**	**39%**	**43%**	**65%**	**91%**	**50%**	**56%**
EBITDA margin	**19%**	**29%**	**8%**	**5%**	**84%**	**1%**	**21%**
EBIT margin	**14%**	**29%**	**7%**	**4%**	**63%**	**11%**	**18%**

Source: the Company's audited and non-audited IFRS annual and semi-annual accounts

Unlike consolidated sales revenues, which rose by HUF 2,220 million, the contribution margin fell from 56% in 2017 H1 to 48%; however, gross contribution margin increased from HUF 1,272 million to HUF 2,165 million (a 41% rise). Indirect costs decreased by 11% from HUF 814 to HUF 729.

The consolidated operating profit of the Group was HUF 1,392 million in 2018 H1, up by approximately 232% compared with HUF 419 million in the benchmark period.

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

(1) The franchise segment carries out the operation of the franchise system that runs under the Duna House, Smart Ingatlan and Metrohouse brands. The Company is the largest franchise network of real estate agents in Poland and Hungary. The establishment of a Duna House franchise network began in the Czech Republic in early 2018.

(2) Own office segment: The Company also operates its own offices constituting parts of the Duna House, Smart Ingatlan and Metrohouse franchise networks.

(3) Financial product brokerage segment: the Company Group as a financial broker offers a wide array of financial products to clients.

(4) Segment of the services related to real estate: residential property management, residential property fund management, energy certification and appraisal services.

(5) Taking advantage of its expertise in the real estate market, the Company made regular purchases of properties for investment purposes.. This segment includes the real estate development projects by MyCity.

(6) Transactions within each segment were consolidated in the statement. The “Other and eliminations" column includes the effect of the central services and filters out the transactions between the segments. The performance of Impact Asset Management Zrt. that used to be presented in this segment has been presented in ’the segment of the services’ related to real estate since 2017.

3.2 Assets

	30.06.2018	31.12.2017
ASSETS		
Long-term assets		
Intangible assets	76,835	82,656
Investment property	1,109,800	1,061,613
Land and buildings	524,912	538,484
Machinery and equipment	129,555	108,082
Goodwill	1,050,061	1,048,936
Investments in associated companies and joint ventures	195,110	206,009
Financial instruments	75,478	69,609
Deferred tax assets	162,122	160,322
Total long-term assets	**3,323,874**	**3,275,711**
Current assets		
Inventories	3,512,479	3,399,013
Trade receivables	588,122	482,247
Amounts owed by related undertakings	146,140	146,099
Other receivables	173,128	176,766
Actual income tax assets	32,685	35,405
Prepayments and accrued income:	401,374	316,446
Cash and cash equivalents	1,548,921	1,428,343
Assets classified as held for sale	-	196,300
Total current assets	**6,402,848**	**6,180,619**
Total Assets	**9,726,722**	**9,456,330**

Source: the Company's audited and non-audited IFRS annual and semi-annual accounts

Relative to 31 December 2017, the balance sheet total grew significantly by HUF 270 million (or 2.8%), attributable entirely to increase in current assets and, within that, inventories. The value of the inventories as at 30 June 2018 is the historical cost as at the balance sheet date of the residential property projects by MyCity.

3.3 Liabilities

data in HUF thousands

LIABILITIES	30.06.2018	31.12.2017
Equity		
Subscribed capital	170,429	171,989
Capital reserves	1,375,096	1,490,536
Exchange reserves	19,352	27,518
Retained earnings	3,406,592	2,889,056
Total equity attributable to the parent company	**4,971,469**	**4,579,100**
Non-controlling ownership interest	(51,682)	(48,581)
Total equity:	**4,919,788**	**4,530,519**
Other long-term liabilities		
Long-term loans	2,319,825	1,271,662
Deferred tax liabilities	157,265	144,087
Total long-term liabilities	**2,477,090**	**1,415,749**
Current Liabilities		
Short-term loans and borrowings	170,481	996,748
Accounts payable	537,776	388,240
Liabilities to related companies	133,161	581,775
Other liabilities	938,955	1,140,882
Actual income tax liabilities	121,971	8,799
Accruals and deferred income	427,499	388,136
Liabilities directly linked to assets classified as held for sale	-	5,481
Total current liabilities	**2,329,844**	**3,510,062**
Total liabilities and equity	**9,726,722**	**9,456,330**

Source: the Company's audited and non-audited IFRS annual and semi-annual accounts

The Company’s share capital is HUF 170,429 thousand, which consists of 3,407,587 dematerialised ordinary shares of HUF 50 face value each and 1,000 preferential shares of HUF 50 face value each.

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).

The employee shares shall 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 preferential right attached to employee shares is not cumulative, and the date of dividend payments is set by the Board of Directors.

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

Dividends in the amount of HUF 653,018 thousand was approved at the ordinary general meeting of the Company on 20 April 2018. In line with the above, holders of preferred shares are entitled to an amount equal to 6% of the taxed profit less the 2017 revaluation of investment property and the revaluation of the ownership shares involved in the consolidation with the equity method (i.e. HUF 47,791,000); holders of ordinary shares are eligible for HUF 605,227,000.

Dividends on ordinary shares was paid in a lump sum on 19 June 2018; dividends on preferential employee shares is paid in four equal instalments quarterly. The first one was paid on 30 June 2018.

3.4 Consolidated Cash Flow Statement

Consolidated Cash Flow Statement

all data in HUF thousand unless otherwise stated

	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
OPERATING CASH FLOW		
After-tax profit	1,169,642	554,041
Adjustments for:		
Interest received or paid is stated in the financing cash flow.	32,514	0
Reporting year depreciation	44,745	52,915
Deferred taxes	11,378	(19,306)
Revaluation of investment property	(90,900)	(22,469)
Badwill	0	(139,595)
Shares measured with the equity method	10,899	87,619
Proceeds from the sale of instruments held for sale	(53,000)	0
Changes in working capital		
Changes in inventories	(82,018)	(299,196)
Changes in accounts receivable, other receivables and related receivables	(99,558)	150,031
Changes in accrued and deferred assets	(84,928)	29,505
Changes in accounts payable and related liabilities	(385,457)	(898,503)
Other current liabilities and accruals and deferrals	(88,755)	199,996
Changes in accrued and deferred liabilities	39,363	(14,765)
Net operating cash flow	***423,924***	***(319,727)***
Investment cash flow		
Tangible and intangible assets purchased	(57,355)	(104,257)
Proceeds from the sale of tangible assets	51,846	2,459
Acquisition/Disposal of subsidiaries (excluding acquired liquid assets)	250,000	(171,668)
Net investment cash flow	***244,491***	***(273,466)***
Financing cash flow		
Bank loans/(repayment)	221,896	173,915
Capital contribution	(117,000)	0
Dividend payments	(620,377)	(477,312)
Interest received (paid)	(32,514)	(7,057)
Net financing cash flow	***(547,995)***	***(310,254)***
Net change in cash and cash equivalents	120,420	(903,448)
Balance of cash and cash equivalents as at the beginning of the year	1,428,501	1,583,686
Balance of cash and cash equivalents as at the end of the year	**1,548,921**	**680,238**

Source: the Company's audited and non-audited IFRS annual and semi-annual accounts

The Company’s operating cash flow amounted to HUF 424 million in 2018 H1.

Improved investment cash flow was attributable to lack of transactions of a magnitude similar to last year's and the sale of one of MyCity's project companies.
Dividend payment reduced financing cash flow by HUF 620 million, and the Company spent HUF 117 million on Treasury shares.
The end-of-the period of cash and cash equivalents was HUF 869 million higher than what it was at the end of the benchmark period.

4. Environmental protection, social responsibility, employment policy

The Company recycles some of the waste generated by it and collect packaging materials separately. Due to the nature of its business activity, the Company does not produce or store any hazardous material.

Our Company's employment policy and ensuring its consistency between the individual countries are currently under way. The increase of the average statistical headcount compared with the benchmark period is attributable to an increase in the personnel of the Hungarian operation to 85, as well as the acquisitions in Poland and the Czech Republic. With the number of hours to be worked borne in mind, the average statistical headcount of the employees of the Polish subsidiaries rose from 14 in the benchmark period to 18. As regards the subsidiaries in the Czech Republic, there was 1 employee in 2018 H1. Of the HUF 327,571,000 balance of the personnel-related expenses, the Polish and Czech subsidiaries' share amounted to HUF 61,865,000.

5. Information on equity and share capital

Increase of the Company's equity

At its meeting on 16 September 2016, the Company's AGM authorised an equity capital increase of HUF 1.5 billion at most in connection with the public offering of the Company's shares in October. After the public offering of the Company's shares, the Company Court quoting a procedural error refused to register the Company's equity capital increase in the total amount of HUF 18,939,350 in its ruling dated 10 December 2016.

At their extraordinary meeting on 5 January 2017, the Company's shareholders passed a repeat resolution on the equity capital increase that was substantially identical with the first one. The Companies Court registered the capital increase in the register through decision no. 01-10-048384/50 dated 1 February 2017.

The shares issued during the increase of the share capital were generated on 28 March 2017.

The composition of the Company's capital as at 30 June 2018:

Type of shares	Class of shares	Share series	Number of shares issued	Nominal value per share	Total nominal value
ordinary shares	-	"A"	3 407 587	HUF 50	HUF 170 379 350
employee share	preferential shares	"B"	1 000	HUF 50	HUF 50 000
Equity:					**HUF 170 429 350**

Number of voting rights attached to shares:

Share series	Number of shares issued	Number of shares with voting rights	Number of voting rights per share:	Total number of votes
"A"	3 407 587	3 407 587	50	170 379 350
"B"	1000	1000	50	50 000
Total	**3 408 587**	**3 408 587**	**-**	**170 429 350**

6. Investors each with a significant direct or indirect ownership share in the Company's equity (including the shares based on a pyramid structure and the cross-shares as well).

The table below provides a summary of the shareholders each with a significant direct or indirect ownership share in the Company's equity, [3],with the shares based on a pyramid structure and the cross-shares taken into account:

Shareholder Name	Number of shares held (number)	Share in equity (%)
Gay Dymschiz	1,346,583	39.51%
Doron Dymschiz	1,346,583	39.51%
AEGON Magyarország Befektetési Alapkezelő Zrt.	191,965	5.63%
Total equity	**3,408,587**	**100.0%**

[3] As at 30 June 2018

7. Restrictions on the transfer of shares

Restrictions on alienation on ordinary shares

Shareholder Name			Ferenc Máté	Bernadett Szirtes	Krisztián Fülöp	Dr András Szabadházy	Nir Bitkover	**Total**
Number of ordinary shares held (number)			**27,000**	**1,091**	**1,746**	**1,091**	**1,746**	**32,674**
Is alienation prohibited?			yes	yes	yes	yes	yes	
Restrictions on alienation	Beginning of the period	End of the period						
	11.11.2017	10.11.2018	27,000	1,091	1,746	1,091	1,746	**32,674**
	11.11.2018	10.11.2019	24,000	818	1,309	818	1,309	**28,254**
	11.11.2019	10.11.2020	21,000	546	873	546	873	**23,838**
	11.11.2020	10.11.2021	18,000	273	436	273	436	**19,418**
	11.11.2021	10.11.2022	15,000					**15,000**
	11.11.2022	10.11.2023	12,000					**12,000**
	11.11.2023	10.11.2024	9,000					**9,000**
	11.11.2024	10.11.2025	6,000					**6,000**
	11.11.2025	10.11.2026	3,000					**3,000**

Restrictions on the alienation on preferred employee shares

Shareholder Name			Ferenc Máté	Anikó Varga	Bernadett Szirtes	Dr András Szabadházy	Zoltán Tóth	Angelika Fóris	**Total**
Number of preferred employee shares held (number)			**201**	**150**	**80**	**65**	**150**	**110**	**756**
Is alienation restricted?			yes	yes	yes	yes	yes	yes	
*Restrictions on alienation	Beginning of the period	End of the period							
	16.09.2015	indefinite**	201	150	80	65	150	110	**756**

8. Other issues regarding controlling powers and executive officers

We declare that in respect of the following issues, apart from what is otherwise included in the business report, our Company has nothing more to report:

• Holders of issued ownership shares embodying special controlling rights and the presentation of such rights
• Control mechanism under any employee shareholder scheme where controlling rights are not exercised directly by employees
• Any restriction on voting rights (in particular, restrictions on the voting rights attached to the identified ownership share or on the number of votes, deadlines for exercising voting rights and the systems that help separate, in cooperation with the Company, the financial benefits associated with the ownership shares from the possession of the issued ownership shares)
• Rules governing the appointment and dismissal of executive officers and the modification of the Statutes
• The powers of executive officers, in particular, their powers to issue and repurchase shares
• Any material agreement to which the Company is a party which enters into force, is modified or terminates after a public purchase offer as a result of a change in the entrepreneur's control and their impact unless the disclosure of this information would harm the entrepreneur's lawful interests seriously if such information is not required to be made public by any other legal regulations
• Any agreement between the Company and its executive officer or its employee which stipulates compensation if the executive officer resigns or the employee quits, if the employment contract of the executive officer or the employee is unlawfully terminated or if the legal relationship is terminated because of a public purchase offer.

9. Risk management

The Company's assets contain liquid assets, securities, trade and other receivables and 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 identify 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 its equity in an amount 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 lending only against a higher rate of return, based on the advantages provided by a strong capital position and security.

The Group’s capital comprises net external funds and the Group’s share capital (the latter comprises registered capital, reserves and the ownership share of non-controlling shareholders).

The Group’s capital management strives to ensure that the individual members of the Group are able to engage in their respective operations and maximise profit for the shareholders by striking a balance between loan capital and equity. Furthermore, it also strives to maintain an optimal capital structure in order to reduce capital costs. The Group also carries out monitoring which aims to ensure that its member companies’ capital structure complies with the local legal requirements.

The equity risk run by the Company was not significant in 2018 H1.

Lending risk

Lending risk is risk arising 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 risks 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 2018 and 31 December 2017.

	30.06.2018	31.12.2017
Trade receivables	588,122	482,247
Other receivables	173,128	176,766
Financial instruments	75,478	69,609
Cash and cash equivalents	1,548,921	1,428,501
Total	**2,385,649**	**2,157,123**

Liquidity risk

Liquidity risk is the risk that the Group is unable to fulfil its financial obligations by the due date. Under the Group's liquidity management approach, there should always be sufficient liquidity available to cover the Group's obligations when they fall due under both standard and stressed circumstances without the Group's incurring unacceptable losses or risking its 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. Market risk management is aimed at managing market risk exposure and keeping it at an acceptable level while optimising profitability.

Property development risks

Of the risks typical of property development, the management focuses mainly on risks posed by increasing construction costs. The increase in the number of parallel projects implemented by the project companies poses a consistently rising liquidity risk to MyCity Group until bank financing is secured.

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 tying up 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.

10. Changes after the balance sheet date

No significant event occurred between the balance sheet date and the date of the approval of these financial statements.

11. Declaration on corporate governance

In light of its length and structural layout, we attach our declaration on corporate governance to this consolidated business report (“Responsible Corporate Governance Report”) as an annex. Our declaration on corporate governance constitutes an inseparable part of the consolidated business report.

12. Declaration on responsibility

The Board of Directors of the Company prepared this business report on the basis of the data included in the consolidated accounts for 2018 H1 compiled in accordance with the International Financial Reporting Standards (IFRS) and to the best of their knowledge. As the accounts are unaudited, no independent auditor's report has been attached.

These unaudited consolidated report gives a fair picture of the situation, development and performance of the issuer and the companies included in consolidation, setting out major risks and uncertainty factors affecting the remaining six months of the financial year.

Budapest, 28 September 2018

Persons authorised to sign the (consolidated) business report:

________________________	________________________	________________________
Doron Dymschiz	Gay Dymschiz	Ferenc Máté
Member of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors