

DUNA HOUSE HOLDING NYRT.

CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

**IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS
30 June 2018**



DUNA HOUSE[®]

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Consolidated balance sheet

data provided in thousands HUF, unless indicated otherwise

	Notes	30.06.2018	31.12.2017
ASSETS			
Long-term assets			
Intangible assets	5	76,835	82,656
Investment property	4	1,109,800	1,061,613
Land and buildings	3	524,912	538,484
Machinery, equipment	3	129,555	108,082
Goodwill	6	1,050,061	1,048,936
Investments in associated companies and joint ventures	7	195,110	206,009
Financial instruments	8	75,478	69,609
Deferred tax assets	9	162,122	160,322
Total long-term assets		3,323,874	3,275,711
Current assets			
Inventories	10	3,512,479	3,399,013
Trade receivables	11	588,122	482,247
Receivables from related parties	12	146,140	146,099
Other receivables	13	173,128	176,766
Actual income tax assets		32,685	35,405
Pre-payments and accrued income	14	401,374	316,446
Cash and cash equivalents	15	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

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Consolidated balance sheet

data provided in thousands HUF, unless indicated otherwise

LIABILITIES	Notes	30.06.2018	31.12.2017
Equity			
Subscribed capital	17	170,429	171,989
Capital reserves	17	1,375,096	1,490,536
Exchange reserves	18	19,352	27,518
Retained earnings	17	3,406,592	2,889,056
Total equity of the parent company		4,971,469	4,579,100
Non-controlling ownership interest	19	(51,682)	(48,581)
Total share capital:		4,919,788	4,530,519
Long-term liabilities			
Long-term loans	20	2,319,825	1,271,662
Deferred tax liabilities	21	157,265	144,087
Total long-term liabilities		2,477,090	1,415,749
Current liabilities			
Short-term loans and borrowings	22	170,481	996,748
Accounts payable	23	537,776	388,240
Liabilities to related companies	24	133,161	581,775
Other liabilities	25	938,955	1,140,882
Actual income tax liabilities		121,971	8,799
Accruals and deferred income	26	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

Consolidated profit and loss account:

	Notes	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
Net sales revenues	27	4,502,670	2,282,831
Other operating income	28	133,423	65,508
Proceeds from the sale of Disposal Group		51,946	
Total income		4,688,039	2,348,339
Variation in self-manufactured stock	29	(236,176)	(301,760)
Material costs	30	32,645	29,988
Goods and services sold	31	732,440	423,748
Services purchased	32	2,317,553	1,401,987
Personnel costs	33	327,571	281,601
Depreciation and amortisation		44,745	40,343
Other operating charges	34	77,398	53,296
Operating costs		3,296,176	1,929,203
Operating profit/loss		1,391,863	419,136
Financial revenues	35	27,635	169,933
Financial expenses	36	(39,112)	(24,405)
Profit of participations valued with the equity method	7	(10,899)	87,619
Profit before taxation		1,369,487	652,283
Income taxes	37	(199,845)	(98,242)
Profit/Loss after taxation		1,169,642	554,041
Other comprehensive income		14,126	(14,085)
Total comprehensive income		1,183,767	539,956
Of the total comprehensive income:			
Attributable to the parent company		1,189,905	545,278
Attributable to external shareholders		(912)	(5,323)
Income per share (HUF)	38		
Basis			
Diluted		323	162

The notes on pp. 9-61 constitute an integral part of the Consolidated Financial Statements.

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Changes in the consolidated equity

data provided in thousands HUF, unless indicated otherwise

	Subscribed capital	Capital reserves	Retained earnings	Exchange reserve	Total equity of the parent company	Non- controlling ownership interest	Total equity
Balance as at 31 December 2016	153,050	9,479	2,444,092	(23,318)	2,583,303	(40,154)	2,543,149
Dividends			(479,260)		(479,260)		(479,260)
Capital increase	18,939	1,481,057		50,836	1,499,996		1,499,996
Total comprehensive income			924,224		975,060	(8,427)	966,633
Balance as at 31 December 2017	171,989	1,490,536	2,889,056	27,518	4,579,100	(48,581)	4,530,519
Dividends			(653,018)		(653,018)		(653,018)
Treasury shares	(1,560)	(115,440)			(117,000)		(117,000)
Total comprehensive income			1,170,553	(8,166)	1,162,387	(3,101)	1,159,286
Balance sheet as at 30 June 2018	170,429	1,375,096	3,406,592	19,352	4,971,469	(51,682)	4,919,787

The notes provided on pp. 9-61 constitute an integral part of the Consolidated Financial Statements.

Consolidated Cash Flow Statement

data provided in thousands HUF, unless indicated otherwise

	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

The notes on pp. 9-61 constitute an integral part of the Consolidated Financial Statements.

1. General

1.1 Introduction to the company

Duna House Holding Plc. - hereinafter referred to as "Company" or "Group" - was founded in 2003; its main activity is 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 at 165 locations. A transaction as a result of which Duna House Group, Hungary is now the sole owner of Metrohouse, the largest Polish real estate agency was closed in April 2016. At the time of the acquisition the Polish network had 80 offices and 600 sales officers, which the Group intends to develop in the future. Metrohouse was consolidated into the Duna House Group on 1 April 2016. On 2 September 2016 the Company acquired 80% participation in the Czech Duna House Franchise s.r.o and, through it, in two of its subsidiaries, Center Reality s.r.o and Duna House Hypotéky s.r.o.

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

Subsequent to the registration on 1 February 2017 of an equity increase, Medasev Holding Kft. (1016 Budapest, Gellérthegy utca 17., company registration number: 01-09-209753) holding a 39.68% stake is now the largest shareholder of Duna House Holding Nyrt.

Owner's name	Ownership share at 30 June 2018	as	Ownership share as at 31 December 2017
Medasev Holding Kft.	39.68%		39.68%
Medasev Int. (Cyprus) Ltd.	38.04%		38.04%
External investors	14.10%		20.50%
AEGON Magyarország Befektetési Alapkezelő Zrt.	5.58%		-
Employees and private individuals	1.77%		1.78%
Treasury shares	0.91%		-
Total:	100%		100%

The Company is operated by the Board of Directors. The controlling tasks 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. Within the framework of that strategy it acquired the Polish Metro House Group in April 2016, which has the largest real estate sales franchise network in Poland. The Duna House Group is developing the full support scale of Metro House franchise system gradually, relying on the Hungarian experiences and taking into account the specificities of the Polish market. Over the coming years, the Group intends to organically develop its operations in Poland and in the Czech Republic (acquired in September 2016), and then identify new markets or strengthen its market presence on existing markets through the acquisition of suitable targets.

1.2 Basis of the financial statements

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

The intra-year consolidated financial statements were approved by the Board of Directors on 28 September 2018. The consolidated financial statements were prepared in compliance with the International financial Accounting Standards, as announced and enacted in a regulation in the official journal of the European Union (EU). The IFRS consists of the standards and interpretations developed by the International Accounting Standards Committee (IASB) and the International Financing Reporting Interpretations Committee (IFRIC).

From 1 January 2005 the amended Hungarian Accounting Act permits Groups to prepare their consolidated financial statements according IFRS, announced in a Regulation in the Official Journal of the European Union. At the moment there is no difference between the Group IFRS and IFRS policies accepted by the EU according to the EU in acting processes and the activities of the Group. 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 before 30 June 2018 and according to the IFRIC interpretations.

The parent company prepares its non-consolidated annual financial statements pursuant to Act C of 2000 on Accounting. Certain provisions of that act are different from the provisions of the International Financing Reporting Standards (IFRS). Certain modifications had to be made in the Group's Hungarian consolidated financial statements in order to make the international

consolidated financial statements consistent with the International Financing Reporting Standards.

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 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 a professional judgement, estimates and assumptions, which have an impact on the applied accounting policy and 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 the current and future years.

2. Accounting Policy

Below we present the major accounting policies that were applied by preparing the consolidated financial statements. The 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 components 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 activities.

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 FX 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 revenue

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).

Financial institutions divide the agent fee payable by them into acquisition and maintenance 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 Real estate, machines, 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
Plant, machinery and 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 loss

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
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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.

2.1.8 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

The financial instruments covered by IAS 39 fall into one of the following categories: financial instruments (available for trading) measured at fair value against profit or loss, loans and receivables, investments held to maturity and financial instruments available for sale. 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 Company's statements presenting its consolidated financial position contain the following liabilities: trade creditors and other current liabilities, loans, credit, current account overdrafts and futures/forwards. 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 Company applies the following categories to the financial instruments covered by IAS 39: financial liabilities measured against profit/loss, loans, credit and hedging instruments to which the hedging accounting principle applies. 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 property

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 Corporate 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, tax benefits allowed to be carried forward and tax losses when it is likely that the Group will realise profit in the course of its future operations 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 Leasing

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 Earning per share (EPS)

The earning/share is established on the basis of the Group's profit and the shares less the temporary average portfolio of repurchased own shares.

The diluted earning/share is calculated similarly to the earning/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 which would dilute the value of that EPS rate either in the period ending on 31 December 2017 or the one ending on 30 June 2018.

2.1.17 Off-balance sheet items

The 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. The 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 the influx of economic benefits is likely, they are presented in the notes to the financial statements.

2.1.18 Treasury shares

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 Dividends

The Company recognises dividend in the year when it is approved by the general meeting.

2.1.20 Profit/Loss on 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 the standards and interpretations that entered into force on 30 June 2018.

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: Recognition and Measurement (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.

According to an estimate by the Board of Directors, the application of the standard will not affect financial statements significantly compared with the standards governing the recognition of sales currently in place.

IFRS 16 Leasing (effective from 1 January 2019)

The IASB issued a new standard on the recognition of leasing on 13 January 2016. The application of the new leasing 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 leasing standard and will fundamentally change the previous recognition of operative leasing. The Group will examine the impact of the amendment.

In 2017 the Group applied all the IFRS standards, modifications and interpretations that were effective in 2017 H1, and were relevant for its operation.

2.3 Uncertainties

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 impairment 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 amount of recognised impairment on uncollectible and doubtful receivables was HUF 181,110,000 as at 30 June 2018. The basis of measuring the appropriateness of impairment on uncollectible and doubtful receivables comprises the ageing of receivables, client creditworthiness and changes in clients' payment discipline. Late payment penalty interest charged to defaulting clients is impaired 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 receivables from trail commission recognised in the consolidated balance sheet was HUF 341,882 thousand as at 30 June 2018 and HUF 297,019 thousand on 31 December 2017. The variables used for estimating the trail commission are reviewed whenever a report is prepared.

2.3.4 Investment property

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 valuer 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 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 Business combination details, enterprises involved in the consolidation

As a Subsidiary

	address:	2018 30 June	2017 31 December
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%

Jointly managed undertaking

		30.06.2018	31.12.2017
Hunor utca 24 Kft.	1016 Budapest, Gellérthegy u. 17.	50%	50%

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.

The Duna House Ingatlan 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 Ingatlan 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 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 following services are provided: letting, lease payment monitoring, collection, management of overheads, maintenance, accounting and owner representation. 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.

In its resolution H-EN-III-130/2016 of 20 April 2016, the Hungarian National Bank issued a licence to Impact Alapkezelő Zrt. 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

Before mid-March 2017, MyCity Residential Development Kft. (formerly known as Investment House Kft.) was jointly managed by Duna House Holding Nyrt. and Eldar Engeneering (R.H.D.) Ltd., a company with a registered seat in Israel, each holding a 50% stake in the company. In March 2017, the Company purchased Eldar Engeneering (R.H.D.) Ltd.'s 50% stake, as a result of which MyCity Residential Development Kft. became a fully-owned subsidiary of the Company.

MyCity has two subsidiaries and one jointly controlled company. The objective of these project companies is to implement real estate projects at various locations in Budapest as follows:

Pusztakúti 12 Kft. was registered by the Court of Registration attached to the Metropolitan Court on 21 January 2016. The purpose of the project company is to construct and sell the 196-unit Forest-Hill residential park to be implemented in Budapest, district 3, Csillaghegy.

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, district 18, on the area bordered by Hengersor and Reviczky utca.

Hunor utca 24. Kft. is a jointly managed company of MyCity Residential Development Kft. with a 50% ownership share. The purpose of this project company is to build a 105-unit residential park under the name of MyCity Residence in Budapest, district 3, on the area bordered by Hunor utca and Vörösvári út.

After the acquisition of control over MyCity, MyCity and MyCity's project companies (excluding Hunor utca 24. Kft.) were fully consolidated by DUNA HOUSE. As a result of the full consolidation, the consolidated balance sheet contains, among others, bank loans related to inventories of significant amount as well as investment properties and their financing. The guarantees securing these bank loans are non-recourse guarantees, i.e. their enforceability does not extend beyond

MyCity and its project companies.

The Company sold Zsinór 39 Projekt Kft., which used to belong to MyCity and construct and sell a 43-unit residential property (the Iris House) in Budapest, district 13. Section 16 contains a detailed introduction of the transaction.

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, the 100% ownership of which was acquired by Duna House Holding Nyrt. in April 2016. 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.

As at the date of the acquisition, Metro House Franchise S.A. had four fully-owned subsidiaries. In order to improve the efficiency of the operation in Poland, MH Poludnie Sp. z o.o, MH Warszawa Sp z. o.o and MH Usługi Wspolne S.A., all operating own offices, merged on 20 December 2017, with Metrohouse S.A. as their legal successor. Financial products are brokered by Metrofinance Sp. z.o.o.

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. Currently, Center Reality s.r.o . only operates one own office. Duna House Franchise s.r.o began to establish a franchise network in early 2018. Currently, Duna House Hypotéky s.r.o is not engaged in any operation.

2.4.1.17 Akadémia Plusz 2.0 Kft.

Founded in 2018 H1, Akadémia Plusz 2.0 Kft. will be responsible for training linked to the Hungarian franchise network.

2.4.1.18 Hitelalkusz Közvetítő Kft.

Licensed as a money market broker by the National Bank of Hungary on 25 May 2018, Hitelalkusz Közvetítő Kft. (formerly: IH Project X Kft.), is engaged mainly in brokering credit products.

3. Property, plant and equipment

data in HUF thousands	Land and buildings	Machinery equipment	Total
Gross value			
As at 31 December 2016	567,156	145,020	712,176
Expansion of the scope of consolidation	0	0	0
Growth and reclassification	46,655	133,895	180,549
Loss and reclassification	(141)	(56,711)	(56,852)
As at 31 December 2017	613,670	222,204	835,873
Expansion of the scope of consolidation	0	0	0
Growth and reclassification	0	63,201	63,201
Loss and reclassification	0	46,218	46,218
As at 30 June 2018	613,670	239,187	852,857
Accumulated depreciation			
As at 31 December 2016	47,837	91,100	138,937
Expansion of the scope of consolidation	0	0	0
Annual description	27,348	29,000	56,348
Decrease	0	(5,978)	(5,978)
As at 31 December 2017	75,185	114,122	189,307
Expansion of the scope of consolidation	0	0	0
Annual description	13,572	13,919	27,491
Decrease	0	18,409	18,409
As at 30 June 2018	88,758	109,632	198,389
Net book value			
As at 31 December 2016	519,319	53,920	573,239
As at 31 December 2017	538,484	108,082	646,566
As at 30 June 2018	524,912	129,555	654,467

4. Investment property

data in HUF thousands	Total
Book value	
As at 31 December 2016	939,362
Expansion of the scope of consolidation	192,551
Growth and reclassification	72,431
Changes in the fair value	53,320
Loss and reclassification	(196,051)
As at 31 December 2017	1,061,613
Expansion of the scope of consolidation	0
Growth and reclassification	0
Changes in the fair value	90,900
Loss and reclassification	(42,713)
As at 30 June 2018	1,109,800
Book value	
As at 31 December 2016	<u><u>939,362</u></u>
As at 31 December 2017	<u><u>1,061,613</u></u>
As at 30 June 2018	<u><u>1,109,800</u></u>

Growth in the investment property portfolio in the 2017 financial year was due, in part, to the acquisition of MyCity Group and, hence, the expansion of the scope of consolidation, and, to a lesser extent, direct purchases. The reason for the decrease was the reclassification of the development site of Zsinór utca 39. Kft. as held for sale.

In 2018 first half year, the reason for reduction in the investment property portfolio was the sale of a piece of property.

5. Intangible assets

data in HUF thousands	Total
Gross value	
As at 31 December 2016	295,170
Expansion of the scope of consolidation	0
Growth and reclassification	28,589
Decrease and reclassification	0
As at 31 December 2017	323,759
Expansion of the scope of consolidation	0
Growth and reclassification	11,446
Loss and reclassification	0
As at 30 June 2018	335,204
Accumulated depreciation	
As at 31 December 2016	210,478
Expansion of the scope of consolidation	0
Annual description	30,624
Decrease	0
As at 31 December 2017	241,103
Expansion of the scope of consolidation	0
Annual description	17,279
Decrease	13
As at 30 June 2018	258,369
Net book value	
As at 31 December 2016	84,692
As at 31 December 2017	82,656
As at 30 June 2018	76,835

6. Goodwill

The company recognised goodwill on the following subsidiaries.

Company Name	30.06.2018	31.12.2017
Metrohouse Franchise S.A.	592,367	592,367
Metrohouse S.A.	215,990	215,990
Center Reality s.r.o.	167,601	167,601
Home Management Kft.	18,500	18,500
Duna House Franchise s.r.o.	10,421	10,421
Conversion difference on the balance sheet date	45,181	44,057
Total goodwill	1,050,061	1,048,936

According to the profit generating capacity of Home Management Kft. there is no factor that would require the recognition 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

Investments in associated and joint undertakings reflect a 50% share of MyCity Residential Development Kft. in Hunor utca 24. Kft., its joint venture included in consolidation with the equity method. The value of the ownership share decreased by HUF 10,899 thousand due to reduction in the net asset value of Hunor utca 24. Kft. between 1 January 2018 and 30 June 2018.

8. Financial instruments

The Company's financial assets were as follows:

	30.06.2018	31.12.2017
Opusse 138.000 bonds	38,974	36,660
Deposit, security deposit	31,579	32,949
Long-term loans granted	4,925	-
Total	75,478	69,609

9. Deferred tax receivables

In the course of calculation of referred tax the Group compares the value that can be taken into account for taxation to the book value by asset and 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 prefix. 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, because 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 both the Hungarian and Czech operation.

The assets are supported by a tax strategy prepared by the management, which proves the recovery of the asset.

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 assets	30.06.2018	31.12.2017
Losses carried forward	123,787	131,576
Impairment loss of receivables	23,520	19,258
Due to taxation in accordance with the cash accounting principle	15,013	9,711
Property, machinery and equipment, investment property and other	(198)	(223)
Total deferred tax assets	162,122	160,322

In Poland, the operation in the previous years and the reporting year operation of Metrohouse Franchise S.A. and Metrohouse S.A., its subsidiary led incurred deferred tax losses in the amount of approximately PLN 1,686,146.

Of the Czech companies, Center Reality s.r.o and Duna House Franchise s.r.o. accounted for a significant amount of deferred tax assets (HUF 24,762 thousand), which was attributable to deferred tax losses of approximately CZK 14,6 million incurred by both companies. Pursuant to the Czech corporate tax law, tax losses may be carried forward for five years.

10. Inventories

	30.06.2018	31.12.2017
Real estate development projects under construction	3,498,648	3,384,090
Marketing tools	13,831	14,923
Total	3,512,479	3,399,013

11. Trade receivables

	30.06.2018	31.12.2017
Trade receivables	769,232	622,910
Impairment on Trade receivables	(181,110)	(140,663)
Total	588,122	482,247

12. Amounts owed by related undertakings

	30.06.2018	31.12.2017
Loan receivables from Hunor utca 24. Kft.	137,808	137,808
Deposit to Hunor utca 24. Kft.	5,112	5,112
Other	3,210	3,179
Total	146,140	146,099

Receivables from related undertakings include a loan receivables and related interest as at 30 June 2018 from Hunor utca 24. Kft., a joint undertaking.

13. Other receivables

	<u>30.06.2018</u>	<u>31.12.2017</u>
Advances paid	58,447	64,047
Other receivables (taxes)	34,497	31,888
Collateral	30,000	39,730
Security deposit	25,145	15,720
Other receivables	11,369	14,150
Duty receivable from lawsuits	7,946	5,731
Short-term loans	4,250	5,500
Assigned receivables	1,473	-
Total	<u>173,128</u>	<u>176,766</u>

14. Pre-payments and accrued income

	<u>30.06.2018</u>	<u>31.12.2017</u>
Trail commission	341,882	297,019
Accrued incomes	53,311	15,131
Prepaid expenses	6,181	4,296
Total	<u>401,374</u>	<u>316,446</u>

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.

Increase in trail commission was due to a rise in the brokered loan volumes and a wider application of the model used to assess trail commission.

Increase in accrued income and prepaid expenses was attributable to intra-year success fee in the amount of HUF 20.7 million earned through fund management, but not yet invoiced, and marketing costs incurred in the interest of the franchise network, but only to be invoiced at the end of the year.

15. Cash and cash equivalents

	30.06.2018	31.12.2017
Bank account balance – available	857,271	482,552
Bank account balance – restricted	685,810	942,758
Cash	5,840	3,190
Total	1,548,921	1,428,500

Regarding the aggregate bank account balance, HUF 686 million is only available subject to the following restrictions:

Restricted		Reason for restriction
Companies involved in the consolidation	Bank account balance	
Pusztakúti 12. Kft.	HUF 559,110 thousand	Security interest in collateral securing the repayment of the loans granted by Takarékbank Zrt. in connection with the Forest Hill residential development, with collateral including down payments, earnest money and purchase price by clients paid into a separate blocked bank account and available only for the re- and prepayment of the loans. The prepayment of both loans is only allowed from the third working day from the notification to this effect by Takarékbank Zrt.
Impact Asset Management Alapkezelő Zrt.	HUF 95,000 thousand	Pursuant to Section 16 (3) and (7) of Act XVI of 2014 on collective investment forms and its managers and on the amendment of certain financial laws, in order to be able to ensure continuous operation and protect investors, Impact Asset Management Zrt. must, at all times, have solvency capital invested in liquid assets or assets that can be converted into immediately available liquid assets in an amount that covers the risk posed by its activity at all times.
Duna House Holding Plc.	HUF 31,700 thousand	Collateral for the loan granted by Raiffeisen Bank for the acquisition of Metrohouse and kept in a separate blocked account.
Total:	HUF 685,810 thousand	

Before the approval of these financial statements:

- As regards balance blocked in connection with the Duna House Holding Plc. loan financing the acquisition of Metrohouse, HUF 3,300 thousand was released as a result of a bank supervision.

The Company has been managing its bank accounts linked to its operations under a cash pooling regime, which makes automatic internal group financing possible. Cash pooling is further corroborated by a general overdraft facility in the amount of HUF 100 million available for satisfying temporary excess financing needs. As at the end of the reporting period, the overdraft facility has not been utilized.

16. Instruments classified as held for sale and liabilities directly linked to them

The balance stated in these balance sheet lines is the book value of Zsinór 39 Projekt Kft.'s assets and liabilities classified as held for sale. The purpose of the project was to construct and sell a 43-unit residential property (Iris House) in Budapest, district 13. Having contemplated the optimum IRR on the project and economies of scale, the Company decided to sell the project.

Accordingly, on 23 January 2018, MyCity Residential Development Kft., the direct owner of the project company entered into contract for the sale of its sole ownership share in and the member's loan owed to it by Zsinór 39 Projekt Kft. The carrying value of the IFRS equity of Zsinór 39 Projekt Kft. amounted to HUF 48,428.8 thousand as at 31 December 2017, with a member's loan owed to MyCity in the amount of HUF 151,633.8 thousand. Pursuant to the sales contract the purchase price of the sole ownership share was HUF 104,772.6 thousand and the consideration of the assignment of the member's loan was HUF 145,227.4 thousand. The buyers had paid the said amounts in instalments by 30 June 2018. The transaction closes at the complete payment of the purchase price.

The assets of Zsinór 39 Projekt Kft. classified as held for sale and liabilities directly linked to them:

	<u>30.06.2018</u>
Contract Price	250,000
Book value (assets)	-196,220
Book value (liabilities)	<u>5,666</u>
Earnings from the sale of Disposal Group	59,446
Commission on sale	-7,500
Earnings from the sale of Disposal Group	<u>51,946</u>

	30.06.2018
<u>Book value (assets)</u>	
Investment property	196,051
Other receivables	89
Accrued incomes	67
Liquid assets	13
Assets classified as held for sale	196,220
 <u>Book value (liabilities)</u>	
Deferred tax liabilities	-5.426
Related liabilities	-240
Assets classified as available for sale (liabilities)	-5.666

17. Subscribed capital and profit reserve

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 by order No. Cg.01-10-048384/50 dated 1 February 2017.

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.

18. Exchange reserve

The balance of the conversion reserve (HUF 19,352 thousand) equals the amount of the conversion difference recognised in compliance with the IAS 21 standard with the involvement of the foreign subsidiaries of the Duna House Group in the consolidation.

19. Non-controlling ownership interest

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

20. Long-term credit

	<u>30.06.2018</u>	<u>31.12.2017</u>
Pusztakúti 12. Kft. (Takarékbank)	1,998,503	865,099
DHH: Raiffeisen credit (Metrohouse)	240,899	301,124
GDDC: Raiffeisen credit (FHB credit)	53,963	65,963
HLC: Raiffeisen credit II.	26,460	39,476
Total	<u>2,319,825</u>	<u>1,271,662</u>

Pusztakúti 12. Kft.: Takarékbank

Pusztakúti 12. Kft. and Takarékbank Zrt. entered into a long-term loan contract for HUF 4,000,000 thousand on 19 July 2017 in order to implement Forest Hill gated community. The amounts drawn down from the credit line will be due in a lump sum upon maturity, i.e. 31 December 2019. Prepayment is allowed.

Repayment schedule of the Takarékbank loan:	Repayment plan
2019	1,998,503
Total	1,998,503

DHH: Raiffeisen credit (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. The loan is amortised quarterly on equal instalments.

The further conditions include 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 securing 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 of the Raiffeisen (Metrohouse) loan:¹

	Repayment plan
2018	60,225
2019	120,450
2020	120,450
2021	60,225
Total	361,350

¹The repayment schedules also contain the short-term portion of the loans.

GDDC: Raiffeisen credit (FHB credit)

The former FHB loan is the liability of GDD Commercial Kft., which is involved in the consolidation since 2014. The loan 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 principle and interest payment obligations. 2.5% interest is charged on the loan.

Repayment schedule of the Raiffeisen (former FHB) loan: ²	<u>Repayment plan</u>
2018	12,000
2019	24,000
2020	24,000
2021	17,963
Total	<u>77,963</u>

HLC: Raiffeisen credit II.

On 2 June 2015 the Group signed a facility agreement with Raiffeisen Bank Zrt. for HUF 1,000,000 thousand (Raiffeisen II. loan). 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 amortised quarterly in 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:	<u>Repayment plan</u>
2018	13,016
2019	26,031
2020	13,444
Total	<u>52,491</u>

²The repayment schedules also contain the short-term portion of the loans.

21. Deferred tax liabilities

Basis of deferred tax liabilities	30.06.2018	31.12.2017
Due to the difference in the valuation of fixed assets and investment properties	119,885	115,491
Due to the recognition of trail commission	30,769	24,428
Losses carried forward	(6,840)	(11,069)
Due to consolidation-related exclusions and accounting	13,457	14,710
Due to taxation in accordance with the cash accounting principle	0	960
Impairment on Trade receivables	(6)	(433)
Total	157,265	144,087

Deferred tax assets and liabilities were netted at the level of the subsidiaries. A major increase in deferred tax liabilities is due, predominantly, to acquisition effects and the difference between the value of inventory related to MyCity projects and investment property under IFRS and local tax laws. Within the HUF 157,265 thousand balance HUF 30,769 thousand is a deferred tax liability resulting from the difference in the recognition of the trail commission realised in the financial product intermediation segment between the Hungarian and international accounting.

22. Short-term loans and borrowings

	30.06.2018	31.12.2017
DHH: Raiffeisen credit (Metrohouse)	120,450	120,450
HLC: Raiffeisen credit II.	26,031	31,652
GDDC: Raiffeisen credit (FHB credit)	24,000	24,000
Reviczky 6-10. Kft.	0	770,647
MCR: Raiffeisen credit	0	50,000
Total	170,481	996,748

MyCity Residential Development Kft.: MCR: Raiffeisen credit

A joint venture, MyCity Residential Development Kft. (formerly known as: Investment House Kft.) entered into a loan contract with Raiffeisen Bank for a HUF 300,000,000 current asset loan in June 2016. The repayment of the loan is due upon maturity, i.e. 31 December 2018. MyCity Residential Development Kft. has been the Company's subsidiary since 31 March 2017. The consolidated balance sheet contained HUF 50,000,000, which is the outstanding portion of a HUF 300,000,000 loan after prepayment. In connection with the sale of Zsinór 39. Projekt Kft., this loan was repaid in full before the approval of these financial statements.

23. Accounts payable

	<u>30.06.2018</u>	<u>31.12.2017</u>
Trade creditors	537,776	388,240
Total	<u>537,776</u>	<u>388,240</u>

The rise in accounts payable was due, mainly, to the development projects by the MyCity companies, with HUF 259,346 thousand incurred as its liabilities as at the end of reporting period.

24. Liabilities to related companies

The value of related liabilities contains the following:

	<u>30.06.2018</u>	<u>31.12.2017</u>
Medasev Holding Kft.	90,175	499,890
Dividends due to employees	35,933	8,054
Bitkover Kft.	6,239	10,827
Metro finance	814	0
GDD Ingatlan Kft.	0	63,003
Total	<u>133,161</u>	<u>581,775</u>

The balance as at 30 June 2018 corresponds to the amount of the loan granted by Medasev Holding Kft. in the second half of the first half year.

25. Other liabilities

Other liabilities contain the following:

	<u>30.06.2018</u>	<u>31.12.2017</u>
Advance payments, earnest money and bid bonds	586,443	837,789
Tax liability	115,371	90,855
Settlement account of home owners	101,631	93,497
Settlement account of lessees	88,440	77,245
Liabilities from remuneration	26,199	17,061
Received deposits	15,728	9,206
Short-term portion of lease payments:	2,867	3,396
Other	2,276	11,833
Total	<u>938,955</u>	<u>1,140,882</u>

Deposits and advance payments by clients in connection with real estate development projects by the MyCity project companies account for the majority of other liabilities.

The funds due to the owners of the homes managed by the Company are recorded on the settlement account of the home owners kept with Home Management Kft. (e.g., collected rent, "buffer" amounts deposited by the owners).

Received deposits contain 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, when requested or in the case of termination, the respective amount is either available on bank accounts and/or invested to securities within the subsidiary. The estimated amount of the immediately payable items is constantly available the bank account of the subsidiary.

26. Accruals and deferred income

	<u>30.06.2018</u>	<u>31.12.2017</u>
Deferred income	348,458	311,902
Accrued costs and charges	73,749	69,208
Grants received	5,293	7,026
Total	<u>427,499</u>	<u>388,136</u>

The Company recognises the proceeds from the sale of franchise sites (in general for 3-5 years) as revenue in a pro-rated manner. In order to do that, it creates an accrual, which is shown in the accrued revenues row.

27. Sales revenue

	<u>01.01.2018 - 30.06.2018</u>	<u>01.01.2017 - 30.06.2017</u>
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	<u>4,502,670</u>	<u>2,282,830</u>

The HUF 2,219,839 thousand rise compared with the benchmark period was due to higher sales in the investment segment (HUF 1,854,200 thousand), the financial product brokerage segment (HUF 195,737 thousand) and the franchise segment (HUF 62,798 thousand).

Income by the investment segment:

It comprises income generated by real estate development and real estate investments.

Proceeds from the brokerage of financial products:

It includes the brokerage fees of Hungarian banking products (primarily retail mortgage loans). Besides the members of the franchise network the cooperating partners are also increasing the number of sales points.

Income by the own office segment:

It comprises the income generated by the real estate agencies operated by the Group within the Duna House, Metrohouse and Smart networks.

Income by the franchise segment:

The entry and monthly fees paid by the franchise partners of Duna House, Metrohouse and Smart network.

Income by the related services segment:

It comprises the income generated by the supplementary services provided by the Group (such as fund management, real estate management, appraisal and other services).

28. Other operating income

	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
Revaluation of investment properties	90,900	26,963
Earnings on the sale of Disposal Group	51,946	
Reversal of impairment on receivables	13,109	8,768
Proceeds from the sale of tangible assets	12,350	137
Penalties and proceeds from litigation	8,954	19,445
Other income	3,086	8,156
Revenues from postpaid sales	2,823	
Grants received	2,063	1,725
Insured events	138	240
Income from recharging costs	0	74
Total	185,369	65,508

Profit on an increase in the value of the investment property portfolio amounted to HUF 90,900 thousand in 2018 H1 relative to HUF 26,963 thousand a year earlier.

29. Variation in self-manufactured stock

	01. 01. 2018- 30.06.2018	04. 01. 2017- 30.06.2017
Reviczky 6-10. Kft.		
Construction costs	189,684	261,502
Book value of sold real estate	-861,582	0
Balance	-671,898	261,502
Pusztakúti 12. Kft.		
Construction costs	908,074	40,258
Book value of sold real estate	0	0
Balance	908,074	40,258
Total variation in self-manufactured stock	236,176	301,760

The real estate development projects were first consolidated on 1 April 2017.

30. Consumables and raw materials

	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
Utility fees and charges	17,311	16,101
Office supplies	5,923	5,785
Maintenance costs	5,404	5,608
Fuel	4,007	2,494
Total	32,645	29,988

31. Goods and services sold

	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
Cost of brokerage of financial product	369,564	274,106
Direct cost of the sale of real properties	180,690	0
Direct costs of real estate agency services	102,853	88,545
Other recharging (e.g., sales support, utilities, marketing)	60,077	43,643
Appraiser fees	17,347	15,449
Energy certificate fees	1,909	2,005
Total	732,440	423,748

The increase in the direct costs of the sale of real properties was attributable mainly to the Reviczky Liget property and the sale of an investment property. The book value of the plots where development projects were implemented was accounted for as direct costs proportionally to the sold units.

32. Services purchased	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
MyCity planning costs and architect fees	997,065	276,810
Direct cost of the brokerage of financial products	315,104	245,086
Direct costs of real estate agency services	291,684	224,975
Other professional services (IT development, sales support, marketing, etc.)	246,708	248,055
Rent, common expenses	145,801	130,385
Advertising, promotion	86,294	63,838
Other services purchased (insurance, training, postal services, photocopying, cleaning, etc.)	80,328	64,824
Professional service fees	56,550	59,504
Legal fees	20,388	21,844
MyCity engineering consultancy and inspection	18,263	3,997
Bank charges	13,879	10,285
Telephone and communications expenses	13,104	15,329
Cost of IT operation	12,190	14,984
Cost of stock exchange listings (BSE, KELER))	8,378	9,378
Impact distribution costs	7,216	6,725
Direct cost of energy certificates	2,948	3,109
Direct cost of appraisal	1,652	2,859
Total	2,317,553	1,401,987

The value of the services purchased rose by over 65% over the past 6 months this year. Major contributors were the planning and construction costs (HUF 997,065 thousand) and technical consultancy and supervision fees (HUF 18,263 thousand) related to the residential projects implemented by MyCity project companies; these costs and fees constitute are capitalised as inventories.

Within the services used, the commission fee of those employed in Poland through contracts for services ("civil contract") (HUF 101,305 thousand), and costs related to corporate management functions are recognized among "other professional services".

33. Personnel costs

	<u>01.01.2018 - 30.06.2018</u>	<u>01.01.2017 - 30.06.2017</u>
Wage costs	218,634	181,640
Social taxes ³	64,911	62,467
Other personnel-type benefits	44,026	37,494
Total	<u>327,571</u>	<u>281,601</u>
Average statistical headcount	104	99

The underlying reason for an increase in the aggregate average statistical headcount of the Company's subsidiaries compared with that in the benchmark period was a rise in the number of employees to 85 at the Hungarian companies, and one in the average statistical headcount from 14 to 18 at the Polish subsidiaries. As regards the subsidiaries in the Czech Republic, there was 1 employee in 2018 H1. Of the HUF 327,571 thousand balance of the personnel-related expenses, the Polish and Czech subsidiaries' share amounted to HUF 61,865 thousand.

34. Other operating charges

	<u>01.01.2018 - 30.06.2018</u>	<u>01.01.2017 - 30.06.2017</u>
Impairment of receivables	39,259	21,345
Taxes	14,220	14,214
Write-off of bad debts	10,877	5,990
Other expenses	6,250	3,731
Cost of the sale of tangible assets	6,003	0
Penalties	788	3,522
Revaluation of investment property	0	4,494
Insured events	0	0
Total	<u>77,398</u>	<u>53,296</u>

³ It contains the recognised wage contributions of employees employed in Poland on assignment contracts ("civil contracts"), while the assignment fees themselves are shown in the services used row.

35. Revenues of financial transactions

	<u>01.01.2018 - 30.06.2018</u>	<u>01.01.2017 - 30.06.2017</u>
Exchange rate gain	19,897	12,247
Interest received	7,737	4,835
Badwill related to the acquisition of MyCity Group	0	139,595
Due to additional contribution to the former owner of MyCity	0	10,000
Proceeds from factoring	0	3,256
Total	<u>27,635</u>	<u>169,933</u>

Exchange rate gains comprise realised/unrealised exchange rate differences identified during debt consolidation and related to a currency-denominated intra-group foreign claim of Duna House Holding Plc.

Interest due before 30 June 2018 on the loans granted to MyCity companies consolidated with the equity method before the end of the first quarter accounted for most of the interest received.

36. Expenses of financial transactions

	<u>01.01.2018 - 30.06.2018</u>	<u>01.01.2017 - 30.06.2017</u>
Interest paid	36,431	17,886
Exchange rate losses	2,680	6,519
Total	<u>39,112</u>	<u>24,405</u>

37. Income taxes

The expenses relating to income taxes consist of the following items:

	<u>01.01.2018 - 30.06.2018</u>	<u>01.01.2017 - 30.06.2017</u>
Actual income tax – corporate tax	109,838	55,962
Actual income tax – local business tax	64,249	23,921
Deferred taxes	25,758	18,359
Total	<u>199,845</u>	<u>98,242</u>

The corporate tax rate applicable to the Hungarian members of the Group is 9% irrespective of the actual amount of the corporate tax base.

A significant decrease in the consolidated profit before taxation relative to the benchmark period was attributable to the fact that there was no change in the book value of the participations, consolidated with the equity method earlier and added to the financial income.

	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
Profit or loss before tax	1,369,487	652,282
Tax liability is determined at the current 9% rate.	123,254	65,228
Business tax	64,249	23,921
Permanent differences	12,342	(9,093)
Total income taxes	199,845	98,242

38. Earning 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.

	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
After-tax profit that can be allocated to shareholders (thousand HUF)	1,169,642	554,040
Dividend that may be distributed to preferential shareholders	65,810	(27,117)
After-tax profit that can be allocated to shareholders holding ordinary shares (thousand HUF)	1,103,831	526,923
Weighted average number of issued ordinary shares (thousand)	3,416	3,257
Earning per share (basic) (HUF)	323	162

No factor that could have diluted earnings per share emerged in 2017 or 2018 H1 in the Company.

39. Segment information

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.

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.

DUNA HOUSE HOLDING NYRT.
30 June 2018
CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

30.06.2018 (01 January 2018–30 June 2018)	Franchise	Financial products brokerage	Operation of own office	Sale of related services	Property investments	Other and eliminations	Consolidated
Intangible assets	65,850	83	6,852	196	1,581	2,272	76,835
Investment property	0	0	0	0	1,109,800	0	1,109,800
Land and buildings	4,543	0	23,471	2,083	494,495	320	524,912
Machinery and equipment	102,238	1,664	11,066	1,478	11,718	1,391	129,555
Trade receivables	229,757	226,202	91,182	26,543	6,140	8,297	588,122
Assets that cannot be allocated to other segments	848,370	633,586	296,390	467,299	5,385,051	-333,198	7,297,497
Total Assets	1,250,758	861,536	428,961	497,599	7,008,785	-320,918	9,726,722
Trade payables	-107,492	321,553	47,093	9,768	261,179	5,675	537,776
Liabilities that cannot be allocated to other segments	927,061	154,196	603,173	222,028	4,469,307	-2,106,606	4,269,158
Total Liabilities	819,569	475,749	650,265	231,795	4,730,486	-2,100,931	4,806,934
Net revenue from sales to third parties	622,137	1,071,750	763,002	197,895	1,847,678	208	4,502,670
Net revenue from sales between segments	120,124	0	20,740	75	32,871	-173,809	0
Net sales revenues	742,261	1,071,750	783,741	197,970	1,880,549	-173,601	4,502,670
Direct costs	-84,224	-720,588	-447,827	-61,718	-1,039,935	16,801	-2,337,491
Gross margin	658,038	351,162	335,914	136,251	840,614	-156,800	2,165,179
Depreciation and amortisation	-21,364	-579	-8,117	-378	-11,556	-2,753	-44,745
Indirect operating costs	-526,712	-107,787	-279,451	-86,847	127,772	144,454	-728,571
Operating Profit (EBIT)	109,963	242,796	48,346	49,027	956,830	-15,099	1,391,863

DUNA HOUSE HOLDING NYRT.
30 June 2018
CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

30.06.2017 (1 January 2017–30 June 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 property	0	0	0	0	1,168,077	0	1,168,077
Land and buildings	1,075	0	27,904	2,117	504,490	347	535,933
Machinery 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
Trade payables	-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 costs	-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 amortisation	-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

40. 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 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 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

The risk arising from the lending activity constitutes the risk which arises 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	1,428,500
Total	2,385,649	2,157,122

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.

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 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.

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

	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
With actual interest		
Profit before tax - excluding interest expense	1,404,277	670,168
Net interest income	-2,276	-4,835
Pre-tax profit/loss (less interest received and paid)	1,402,000	665,333
 1%		
Profit before tax - excluding interest expense	1,404,277	670,168
Net interest income	-2,299	-4,884
Profit or loss before tax	1,401,978	665,284
Changes in profit before tax	-23	-48
Changes in profit before tax (%)	-0.002%	-0.007%
 5%		
Profit before tax - excluding interest expense	1,404,277	670,168
Net interest income	-2,390	-5,077
Profit or loss before tax	1,401,887	665,091
Changes in profit before tax	-114	-242
Changes in profit before tax (%)	-0.008%	-0.036%
 10%		
Profit before tax - excluding interest expense	1,404,277	670,168
Net interest income	-2,504	-5,319
Profit or loss before tax	1,401,773	664,849
Changes in profit before tax	-228	-484
Changes in profit before tax (%)	-0.016%	-0.073%
 -1%		
Profit before tax - excluding interest expense	1,404,277	670,168
Net interest income	-2,254	-4,787
Profit or loss before tax	1,402,023	665,381
Changes in profit before tax	23	48
Changes in profit before tax (%)	0.002%	0.007%
 -5%		
Profit before tax - excluding interest expense	1,404,277	670,168
Net interest income	-2,163	-4,594
Profit/Loss before taxation	1,402,114	665,574
Changes in profit before tax	114	242

Changes in profit before tax (%)	0.008%	0.036%
-10%		
Profit before tax - excluding interest expense	1,404,277	670,168
Net interest income	-2,049	-4,352
Profit or loss before tax	1,402,228	665,816
Changes in profit before tax	228	484
Changes in profit before tax (%)	0.016%	0.073%

41. Financial instruments

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

30.06.2018	Carrying value	Fair value
Financial instruments		
<i>Assets registered at fair value against profit</i>		
Financial instruments	75,478	75,478
Trade receivables	588,122	588,122
Cash and cash equivalents	1,548,921	1,548,921
Financial liabilities		
<i>Liabilities recorded at amortized historical cost obligations</i>		
Long-term credit	2,319,825	2,319,825
Other long-term liabilities (leasing)	0	0
Short-term loans and borrowings	170,481	170,481
Short-term portion of the lease	0	0
Accounts Payable	537,776	537,776

31 December 2017	Carrying value	Fair value
Financial instruments		
<i>Assets recorded at fair value against profit</i>		
Financial instruments	69,609	69,609
Trade receivables	482,247	482,247
Cash and cash equivalents	1,428,500	1,428,500
Financial liabilities		
<i>Liabilities recorded at amortized historical cost obligations</i>		
Long-term credit	1,271,662	1,271,662
Other long-term liabilities (leasing)	0	0
Short-term loans and borrowings	996,748	996,748
Short-term portion of the lease	3,396	3,396
Accounts Payable	388,240	388,240

42. Remuneration of the Board of Directors and Supervisory Board

In 2018 H1, the total amount of the remuneration due to the members of the Board of Directors and the Supervisory Board was HUF 28,696 thousand. (2017 H1: HUF 22,306 thousand). These

amounts also include the dividend paid to the members of the Board of Directors for preferential employee shares held by them.

43. Events after the balance sheet date

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

44. Liability declaration and approval of the financial statements for disclosure

In line with Annex 2 to Decree no 24/2008. (VIII. 15.) of the Minister of Finance on the information obligation related to publicly traded securities, the Board of Directors hereby declare that these consolidated financial statements give a fair picture of the situation, development and performance of the Company and the companies included in consolidation. As the statements are unaudited, no independent auditor's report has been attached to them.

The Board of Directors of the parent company of the Group discussed the financial statements at its meeting held on 28 September 2018 and approved their disclosure in this form.

Budapest, 28 September 2018

Persons authorised to sign the consolidated statements:

Doron Dymshiz
Chair of the board of directors

Gay Dymshiz
Member of the Board of Directors

Ferenc Máté
Member of the Board of Directors