



**DUNA HOUSE<sup>®</sup>**  
**GROUP**

# **2019. Q3** **Quarterly report**

November 26, 2019



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## EXECUTIVE SUMMARY 2019. THIRD QUARTER

### Quarterly results

### Guidance

- Duna House Group (the "Group") has proven in the third quarter that due to successful geographic diversification its core business areas can grow even alongside a weaker Hungarian market. The Polish activities of the Group generated EBIT of HUF 62 million during the quarter thereby bringing the first nine months EBIT of the entire Polish operation into the green. Growth was particularly visible in the Group's financial and franchise real estate brokerage segments as a result of the Gold Finance acquisition, the expansion of the real estate network and the organic growth.
- In Hungary, the market was characterized by uncertainty in June – August caused by the introduction of new family support programs and the new retail government bond, MÁP+. The Hungarian real estate market picked up slightly in September - October, but uncertainty remains high. In the loan market, mortgage lending has been performing above last year's levels since September 2019, while Baby Loans have added a new line to the Group's product portfolio.
- The clean core EBIT reached HUF 342 million (+9% YoY) in Q3 2019. During the first nine months of 2019, the Group achieved a clean core EBIT of HUF 888 million (+25% YoY).
- The Group's consolidated EBIT level was HUF 344 million (-7% YoY), its consolidated PAT reached HUF 253 million (-14% YoY). The decrease in quarterly profit was mainly due to the strong base effects of the missing home savings products. Compared to the first nine months of 2019 to 2018, MyCity's real estate development activities had a stronger YoY impact.
- Overall, the management expects the Group's core profit after-tax for the full year of 2019 to be in the lower third of its forecasted profit range. Due to changes in the construction deadlines of ongoing MyCity projects made it certain that the deliveries will take place only in 2020. The delays won't affect the VAT on the sale of the units, they will be sold at 5% VAT.

## EXECUTIVE SUMMARY 2019. THIRD QUARTER

### Quarterly segment results

- EBIT of Q3 2019 was HUF 25 million lower compared to Q3 2018:
  - The franchise segment's revenue has grown by 14%, its gross profit has grown by 14% compared to Q3 2018. Overall its EBIT contribution increased by HUF 9 million (+11% YoY).
  - The financial intermediary services segment increased its revenue by 80% in Q3 2019. Its EBIT contribution increased by HUF 24 million (+14% YoY). The segment's profitability has been hit by practically losing the home saving products from its portfolio in Hungary, a negative impact on EBIT-level of HUF 52.5 million in Q3 2019.
  - Supplementary services segment's revenue and EBIT contribution decreased by HUF 26 million. (-19% YoY and -43% YoY)
  - Own office segment significantly reduced its EBIT contribution by HUF 41 million (-87% YoY). The decrease was mainly due to the decline in the Hungarian market.



**DUNA HOUSE<sup>®</sup>**  
**GROUP**

# **Consolidated financial statements**



## CONSOLIDATED INCOME STATEMENT

Consolidated income statement (data in thHUF, except earnings per share)	07-09. 2019. (not audited)	07-09. 2018. (not audited)	Variance		01-09. 2019. (not audited)	01-09. 2018. (not audited)	Variance	
			thHUF	%			thHUF	%
Net sales revenue	1.993.175	1.564.082	429.093	27%	5.876.007	6.066.752	-190.745	-3%
Other operating income	37.443	25.548	11.895	47%	127.223	158.971	-31.747	-20%
Disposal Group held for sale income	0	0	0	0%	0	51.946	-51.946	-100%
Change in stocks of finished products and work in progress	-513.042	-349.159	-163.882	47%	-1.264.966	-585.335	-679.632	116%
Consumables used	15.385	11.376	4.009	35%	47.478	44.020	3.458	8%
Cost of goods and services sold	293.031	322.384	-29.353	-9%	823.188	1.054.824	-231.636	-22%
Services purchased	1.574.037	1.025.896	548.140	53%	4.494.027	3.343.449	1.150.578	34%
Personnel expenses	186.196	155.716	30.480	20%	602.889	483.287	119.602	25%
Depreciation and amortization	23.905	23.002	903	4%	69.533	67.747	1.786	3%
Depreciation of right-of-use assets	31.799	0	31.799	0%	94.283	0	94.283	0%
Other operating expenses	74.939	31.534	43.405	138%	150.781	108.932	41.850	38%
<b>Operating income (EBIT)</b>	<b>344.368</b>	<b>368.881</b>	<b>-24.513</b>	<b>-7%</b>	<b>986.017</b>	<b>1.760.744</b>	<b>-774.727</b>	<b>-44%</b>
Finance income	14.878	4.597	10.281	224%	44.557	32.232	12.325	38%
Finance costs	37.146	26.916	10.229	38%	100.147	66.028	34.120	52%
Share of the losses of a joint venture	-16.608	-13.455	-3.153	23%	-40.874	-24.354	-16.519	68%
<b>Profit before tax</b>	<b>305.492</b>	<b>333.107</b>	<b>-27.615</b>	<b>-8%</b>	<b>889.553</b>	<b>1.702.594</b>	<b>-813.041</b>	<b>-48%</b>
Income tax expense	52.760	39.794	12.966	33%	132.262	239.639	-107.377	-45%
<b>Profit after tax</b>	<b>252.733</b>	<b>293.313</b>	<b>-40.580</b>	<b>-14%</b>	<b>757.291</b>	<b>1.462.955</b>	<b>-705.663</b>	<b>-48%</b>
Currency translation difference	4.990	24.061	-19.072	-79%	45.027	38.187	6.840	18%
<b>Other comprehensive income</b>	<b>4.990</b>	<b>24.061</b>	<b>-19.072</b>	<b>-79%</b>	<b>45.027</b>	<b>38.187</b>	<b>6.840</b>	<b>18%</b>
<b>Total comprehensive income attributable to</b>	<b>257.722</b>	<b>317.374</b>	<b>-59.652</b>	<b>-19%</b>	<b>802.318</b>	<b>1.501.142</b>	<b>-698.824</b>	<b>-47%</b>
Shareholders of the Company	259.561	312.539	-52.978	-17%	809.577	1.502.444	-692.867	-46%
Non-controlling interest	-1.839	-390	-1.448	371%	-7.259	-1.302	-5.957	457%
<b>Earnings per share (basic and diluted)</b>	<b>69</b>	<b>81</b>	<b>-12</b>	<b>-14%</b>	<b>209</b>	<b>404</b>	<b>-195</b>	<b>-48%</b>

## CONSOLIDATED INCOME STATEMENT

### Comments

- The Group`s consolidated revenues reached HUF 2.0 billion in Q3 2019. While in Q3 2018 HUF 84.2 million was generated from the sales of own-developments, in Q3 2019 only HUF 8.4 million came from development activities. Revenues from services increased by HUF 505 million (+34.1% YoY)
- Change in stocks of finished products and in progress represents the net difference between activated construction service costs related to MyCity development projects and the book value of units sold and handed over.
- Cost of goods and services sold has decreased in line with low project handovers in the quarter.
- The growth of purchased services increased significantly in Q3 2019 due to ongoing developments and expanding financial intermediation activities.
- From 1 January 2019, the Group applies the IFRS 16 standard regarding leased and rented assets. Rental fees are reclassified from services used to depreciation of right-of-use assets and finance costs.
- Currency translation difference represents the FX gains and losses on assets and liabilities of the foreign subsidiaries.
- The Group made PAT of HUF 252.6 million and core PAT of HUF 296.9 million in Q3 2019 (HUF 23.3 million decrease compared to the core PAT of Q3 2018). Compared to 2018, core PAT of Q3 2019 was negatively impacted by the discontinuation of home savings products (HUF -47.7 million after-tax impact).



## CONSOLIDATED BALANCE SHEET

Consolidated balance sheet data in thHUF	2019. September 30. (not audited)	2018. December 31. (audited)	Variance	
			thHUF	%
Other intangible assets	46.870	66.807	-19.937	-30%
Right-of-use asset	310.259	0	310.259	0%
Goodwill	1.344.857	1.320.667	24.190	2%
Investment property	1.391.016	1.443.600	-52.584	-4%
Property, plant	802.284	520.387	281.897	54%
Equipment	236.040	171.100	64.940	38%
Investment in a joint venture				
	127.858	168.731	-40.874	-24%
Deferred tax assets	240.576	212.418	28.158	13%
Other financial assets	81.005	79.950	1.055	1%
<b>Non-current assets</b>	<b>4.580.764</b>	<b>3.983.659</b>	<b>597.105</b>	<b>15%</b>
Inventories	5.157.346	3.882.715	1.274.631	33%
Trade receivables	754.465	710.861	43.604	6%
Receivables from affiliates	126.570	154.622	-28.053	-18%
Other receivables	525.075	386.607	138.468	36%
Current tax asset	66.857	25.380	41.477	163%
Other assets	547.174	424.648	122.526	29%
Cash and cash equivalents	1.142.774	752.694	390.080	52%
Restricted cash	833.047	756.919	76.127	10%
<b>Current assets</b>	<b>9.153.308</b>	<b>7.094.448</b>	<b>2.058.860</b>	<b>29%</b>
<b>Total assets</b>	<b>13.734.072</b>	<b>11.078.107</b>	<b>2.655.965</b>	<b>24%</b>

Consolidated balance sheet data in thHUF	2019. September 30. (not audited)	2018. December 31. (audited)	Variance	
			thHUF	%
Share capital	171.989	171.989	0	0%
Own shares repurchased	-172.503	-117.000	-55.503	47%
Share premium	1.496.281	1.493.267	3.015	0%
Other reserves	58.162	35.283	22.879	65%
Retained earnings	3.730.058	3.917.124	-187.066	-5%
<b>Equity attributable to the owners of the Company</b>	<b>5.283.987</b>	<b>5.500.663</b>	<b>-216.676</b>	<b>-4%</b>
Non-controlling interests	-58.882	-56.027	-2.855	5%
<b>Total equity</b>	<b>5.225.106</b>	<b>5.444.637</b>	<b>-219.531</b>	<b>-4%</b>
Borrowings	1.218.397	236.082	982.316	416%
Provisions for expected liabilities	0	8.327	-8.327	-100%
Other non-current liabilities	0	0	0	0%
Deferred tax liabilities	171.629	163.992	7.637	5%
Leasing liabilities	193.160	0	193.160	0%
<b>Non-current liabilities</b>	<b>1.583.186</b>	<b>408.401</b>	<b>1.174.785</b>	<b>288%</b>
Borrowings	4.398.264	2.746.177	1.652.087	60%
Trade payables	778.502	599.094	179.408	30%
Payables to affiliates	53.651	292.360	-238.709	-82%
Other liabilities	1.263.458	995.783	267.675	27%
Current tax liabilities	43.552	128.386	-84.834	-66%
Accrued expenses	388.353	463.269	-74.916	-16%
<b>Current liabilities</b>	<b>6.925.780</b>	<b>5.225.070</b>	<b>1.700.710</b>	<b>33%</b>
<b>Total equity and liabilities</b>	<b>13.734.072</b>	<b>11.078.107</b>	<b>2.655.965</b>	<b>24%</b>



## CONSOLIDATED BALANCE SHEET

### Comments

- From 1 January 2019, the Group applies the IFRS 16 standard regarding leased and rented assets. The right of use with regards to long term rental of offices and vehicles are valued at HUF 310.3 million as of 30 September 2019.
- The Group reports its ongoing IT developments under Equipment asset line, the amount of which totaled HUF 200.1 million on September 30, 2019.
- The value of inventories increased by an additional HUF 526.2 million in Q3 2019, in line with the capitalized construction costs of ongoing developments. Inventories increased by HUF 1,274.6 million during the year.
- The balance of receivables from affiliates is predominantly against MyCity Residence, the development project 50% owned by the Group.
- Other receivables are mainly attributable to Forest Hill project, where the Group provides HUF 333.1 million financing to the construction company.
- Cash and cash equivalents of the Group amounted HUF 1,142.8 million, plus HUF 833.1 million of Restricted cash, guarantees related to project loans of residential developments, Metrohouse acquisition loan, and equity deposits re. fund management activity.

## CONSOLIDATED BALANCE SHEET

### Comments

- The consolidated equity of the Group amounted HUF 5.3 billion at the end of Q3 2019. At the end of Q3 the Company held 44,368 pieces of own shares for the purpose of employee share program.
- Loans increased to HUF 5.6 billion, out of which HUF 4.0 billion non-recourse loans related to development projects.
- Among Payables to affiliates, liabilities related to "B" series preference shares totaling HUF 47.0 million as of September 30, 2019.
- Other liabilities consist mainly of prepayments and advance payments related to development projects, totaling HUF 700.7 million as of September 30, 2019.
- Long term and short term liabilities related to leased asset under IFRS 16 standard totaled HUF 346.9 million. Long term lease liabilities are presented on a separate account, while short term lease liabilities are included in Other liabilities.

## CLEAN CORE RESULT

data in thousands of HUF	2019 Q3	2018 Q3	Variance %	2019 Q1-3	2018 Q1-3	Variance %
<b>EBIT</b>	<b>344.368</b>	<b>368.881</b>	<b>-7%</b>	<b>986.017</b>	<b>1.760.744</b>	<b>-44%</b>
(-) EBIT of MyCity	1.943	1.312	+48%	52.716	783.259	-93%
<b>Core EBIT</b>	<b>342.425</b>	<b>367.569</b>	<b>-7%</b>	<b>933.301</b>	<b>977.485</b>	<b>-5%</b>
(-) Result of Home saving products	452	52.902	-99%	1.601	121.797	-99%
(-) Result of portfolio evaluation				43.800	90.900	-52%
(-) The result of the sale of the Zsinór project					51.946	-100%
<b>Total core adjustments</b>	<b>-452</b>	<b>-52.902</b>	<b>-99%</b>	<b>-45.401</b>	<b>-264.643</b>	<b>-83%</b>
<b>Cleaned core EBIT</b>	<b>341.973</b>	<b>314.667</b>	<b>+9%</b>	<b>887.900</b>	<b>712.842</b>	<b>+25%</b>

- For transparency reasons, from Q2 2019 onwards the Group will publish “clean core” adjusted profit and loss categories. The Group adjusts its results besides the result of MyCity property development activity, with additional one-off or other material items that according to the management’s opinion are essential for understanding the recurring profitability of the Group.
- In Q3 2019, the Group made the following adjustments:
  - Result of home saving products: Act LXIII of 2018 amending Act CXIII of 1996 on Home savings products entered into force on October 17, 2018, according to which no state support can be granted for housing savings contracts concluded after October 16, 2018. As a result of the amendment, the demand for Home savings products has dropped radically, making it difficult to analyze the current period’s result.
- The Group’s clean core EBIT increased by 9% in Q3 2019 and totaled HUF 342.0 million. In the first nine months of 2019 clean core EBIT increased by 25% and reached HUF 887.9 million.

## REVENUE, OPERATING AND AFTER TAX INCOME BY COUNTRY

in thousand HUF	Hungary		Poland		Czech Republic		Duna House Group	
	2019Q3	2018Q3	2019Q3	2018Q3	2019Q3	2018Q3	2019Q3	2018Q3
<b>Net sales revenue</b>	940.456	1.114.301	973.560	361.375	79.159	88.406	1.993.175	1.564.082
<b>Operating income</b>	287.050	351.914	61.845	-5.734	-4.526	22.701	344.368	368.881
<b>Profit after tax</b>	216.638	278.708	41.293	-6.571	-5.199	21.176	252.733	293.313

in thousand HUF	Hungary		Poland		Czech Republic		Duna House Group	
	2019Q1-3	2018Q1-3	2019Q1-3	2018Q1-3	2019Q1-3	2018Q1-3	2019Q1-3	2018Q1-3
<b>Net sales revenue</b>	2.941.064	4.750.356	2.705.977	1.083.004	228.966	233.392	5.876.007	6.066.752
<b>Operating income</b>	956.509	1.758.187	32.299	-17.192	-2.791	19.749	986.017	1.760.744
<b>Profit after tax</b>	745.112	1.471.883	13.446	-19.155	-1.267	10.226	757.291	1.462.955

- The Hungarian activities reached profit after tax of HUF 216.6 million out of which HUF 260.8 million relate to the core activities. In comparison, Hungarian core PAT was HUF 305.5 in Q3 2018 (14.6%, 44.8 million decline YoY). In Q3 2019 the Hungarian core PAT was negatively impacted by HUF 39.0 million one-off items compared to Q3 2018, that are presented on page 7 and page 11.
- In Poland, revenues and loan intermediation volumes have grown significantly due to the integration of Gold Finance sp. z. o.o and its significant organic growth. The acquisition of Gold Finance was financed by the Holding, which resulted in intra-group interest payments (interest expense in Poland) of HUF 5.4 million in Q3 2019 and HUF 15.6 million in the first nine months of 2019.
- The Czech entities closed the quarter with a slightly negative result.

## MANAGEMENT'S GUIDANCE FOR FISCAL YEAR 2019

in thousand HUF	Duna House Group					
	Duna House Group w/o MyCity*		Reviczky Liget		Forest Hill	MyCity Residence
	2019Q3	2019Q1-Q3	2019Q3	2019Q1-3		
<b>Operating income</b>	342.425	933.301	-1.826	47.372	<i>Under construction</i>	<i>Under construction</i>
<b>Profit after tax</b>	296.867	824.224	-1.043	57.122	<i>Under construction</i>	<i>Under construction</i>
<b>Management forecast</b>	1.100.000 – 1.400.000				1.060.000	

\*=Excluding the real estate development activity of MyCity group. Sales revenue related to the real estate development projects within MyCity group -in accordance with current accounting standards with relevance to the sector- is realized following project closure. Indirect (operational) costs arising before sales revenue realization have a negative impact on profitability.

### Profit realization from MyCity property development activity

Resulting from the specialties of property development activity, the realization of the developer's profit is due following the closure of the development projects.

The guidance has been prepared with the assumption that 50% of the units will be handed over and invoiced of both the Forest Hill and MyCity Residence projects during 2019. In the current property market situation, the actual closing and profit realization is going to take place in the first half of 2020.

**Due to changes in the construction deadlines of ongoing MyCity projects made it certain that the deliveries will take place only in 2020. The delays won't affect the VAT on the sale of the units, they will be sold at 5% VAT.**

## CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement	1-9. 2019 (not audited)	1-9. 2018 (not audited)
Data in thHUF		
<b>Cash flows from operating activities</b>		
Profit after tax	757.291	1.462.955
Adjustments:		
Received / paid interests	44.557	49.965
Depreciation	69.533	67.747
Deferred tax expense	-20.521	2.915
Fair value adjustments of investment properties	-43.800	-90.900
Share program	3.015	
Badwill	0	0
Share of profit of a joint venture	40.874	24.354
Asset held for sale	0	-53.000
Movements of working capital		
Increase in inventories	-1.274.631	-411.485
Increase in trade- and other receivables	-275.848	-199.273
Decrease of other assets	-122.526	-133.326
Increase of trade payables	-236.232	-367.461
Increase of other short term liabilities	182.841	-6.721
Increase in accruals	-74.916	52.559
<b>Net cash generated by operating activities</b>	<b>-950.364</b>	<b>398.330</b>

Consolidated cash flow statement	1-9. 2019 (not audited)	1-9. 2018 (not audited)
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	-300.049	-82.478
Proceeds from the sale of properties	0	51.846
Assets held for sale and directly (...)	0	250000
Net cash inflow on sale of subsidiaries	0	0
<b>Net cash used in investing activities</b>	<b>-300.049</b>	<b>219.369</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	2.634.402	709.142
Proceeds from shareholders for capital increase	-55503,317	-117.000
Dividends paid	-898.074	-632.325
Securities sold	0	0
Received / paid interests	-44.557	-49.965
<b>Net cash generated from financing activities</b>	<b>1.636.268</b>	<b>-90.148</b>
Net increase in cash and cash equivalents	385.855	527.551
Cash and cash equivalents at the beginning of the year	756.919	1.428.501
<b>Cash and cash equivalents at the end of the year</b>	<b>1.142.774</b>	<b>1.956.052</b>

## STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Attributable to the shareholders of the Company	Attributable to non-controlling interests	Total equity
data in thHUF							
<b>31 December 2016</b>	<b>153 050</b>	<b>9 479</b>	<b>-23 318</b>	<b>2 444 092</b>	<b>2 583 303</b>	<b>-40 154</b>	<b>2 543 149</b>
Dividend paid				-479 260	-479 260		-479 260
Capital increase	18 939	1 481 057			1 499 997		1 499 997
Total comprehensive income			50 836	923 224	974 060	-8 427	965 633
<b>31 December 2017</b>	<b>171 989</b>	<b>1 490 536</b>	<b>27 518</b>	<b>2 889 056</b>	<b>4 579 100</b>	<b>-48 581</b>	<b>4 530 519</b>
Dividend paid				- 653 018	-653 018		- 653 018
Total comprehensive income			7 765	1 707 492	1 715 258	-7 446	1 707 811
Purchase of treasury shares					-117 000		-117 000
Employee Share-based payment		2 731			2 731		2 731
<b>31 december 2018</b>	<b>171 989</b>	<b>1 493 267</b>	<b>35 283</b>	<b>3 917 124</b>	<b>5 500 663</b>	<b>-56 027</b>	<b>5 444 637</b>
Dividend paid							
Total comprehensive income			-3.813	166.256	162.443	-5	162.437
Purchase of treasury shares					-37.041		-37.041
Employee Share-based payment provision		13.569			13.569		13.569
<b>31 march 2019</b>	<b>171.989</b>	<b>1.506.836</b>	<b>31.470</b>	<b>4.083.380</b>	<b>5.639.635</b>	<b>-56.032</b>	<b>5.583.603</b>
Dividend paid				-945.104	-945.104		-945.104
Total comprehensive income			18.307	338.258	356.565	-1.011	355.554
Purchase of treasury shares					-14.742		-14.742
Employee Share-based payment provision		-13.392			-13.392		-13.392
<b>30 june 2019</b>	<b>171.989</b>	<b>1.493.444</b>	<b>49.777</b>	<b>3.476.534</b>	<b>5.022.962</b>	<b>-57.043</b>	<b>4.965.919</b>
Dividend paid							
Total comprehensive income			8.385	253.524	261.909	-1.839	260.070
Purchase of treasury shares					-3.721		-3.721
Employee Share-based payment provision		2.837			2.837		2.837
<b>30 september 2019</b>	<b>171.989</b>	<b>1.496.281</b>	<b>58.162</b>	<b>3.730.058</b>	<b>5.283.987</b>	<b>-58.882</b>	<b>5.225.106</b>





**DUNA HOUSE<sup>®</sup>**  
**GROUP**

# **Real estate franchise segment**



[dunahouse.com](https://dunahouse.com)

# DUNA HOUSE HOLDING FRANCHISE BRANDS



DUNA HOUSE®



HUNGARY, CZECH REPUBLIC

SMART™  
INGATLAN

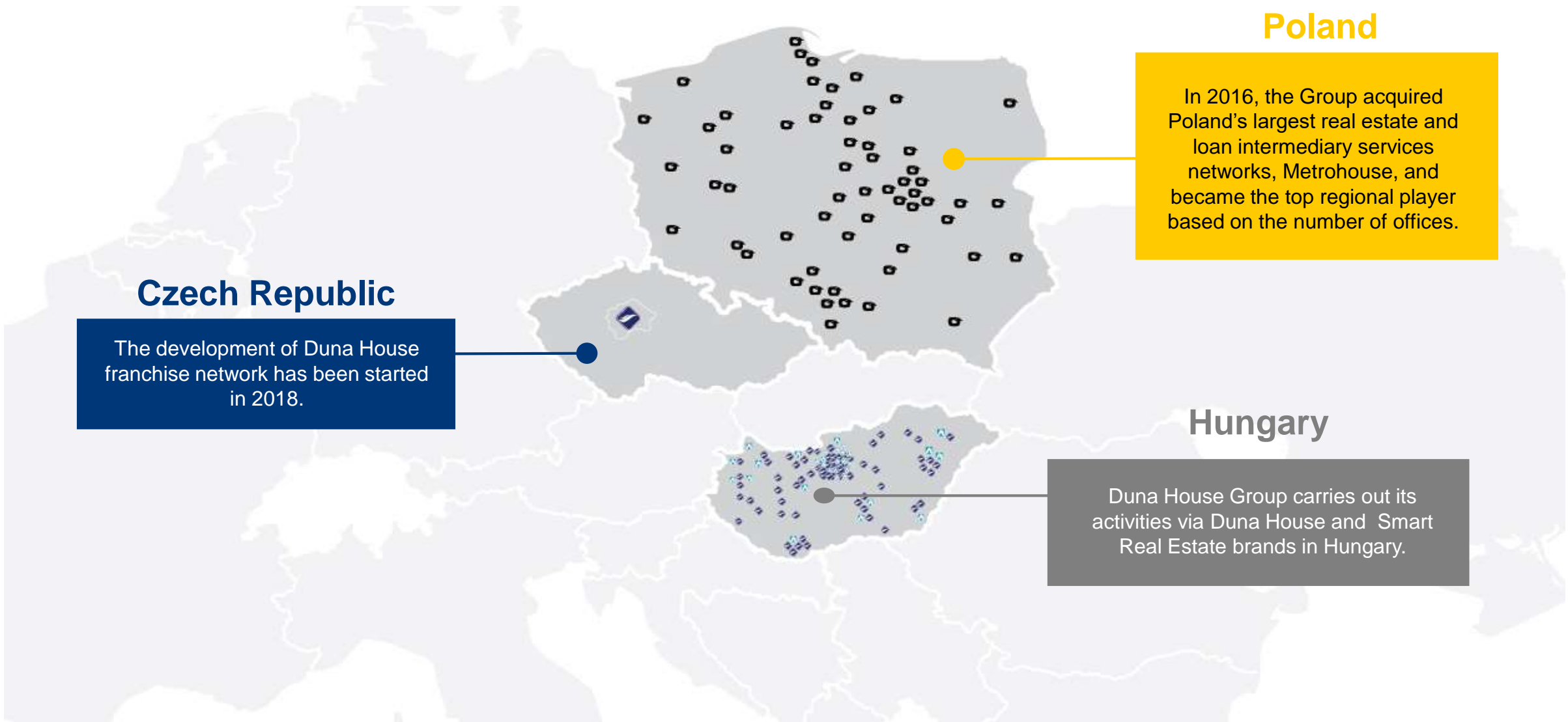


HUNGARY

metrohouse



POLAND

**REGIONAL PRESENCE****Poland**

In 2016, the Group acquired Poland's largest real estate and loan intermediary services networks, Metrohouse, and became the top regional player based on the number of offices.

**Czech Republic**

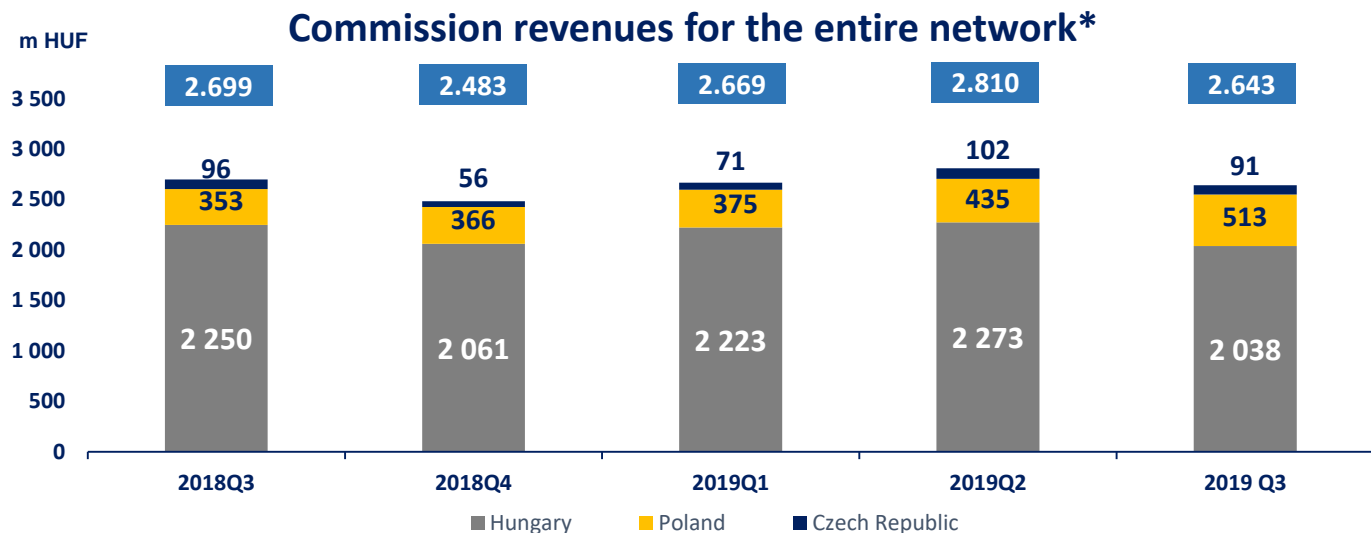
The development of Duna House franchise network has been started in 2018.

**Hungary**

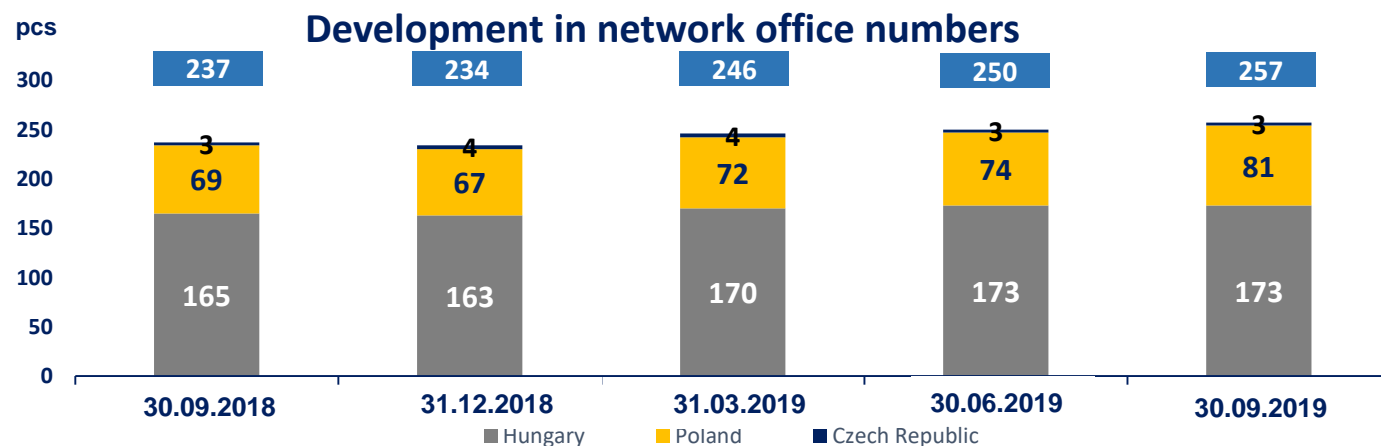
Duna House Group carries out its activities via Duna House and Smart Real Estate brands in Hungary.



## Changes in network commission revenues and office numbers



\*total revenue, realized in connection with property transactions intermediated by Duna House Group's franchise network in total.



- Duna House Group reached real estate commissions of HUF 2.6 billion in Q3 2019.
- The real estate market slowed down in Hungary between June & August, while volumes are closer to 2018-levels in September again (please refer to page 21 regarding Duna House's transaction volume estimates). As a result, average commission per office decreased by 13.6 % YoY and the commissions in Hungary have decreased to HUF 2.0 billion (-9.4% YoY), in spite of the expanding office network.
- In Poland, commission revenues increased by 45.3% YoY due to supportive market and significant increase in office numbers (+17.4%). With 81 offices, the Company has already achieved its end-of-year target of 77 offices, expecting to close the year with 85 offices (+/-1).
- In the Czech Republic commissions decreased by 4.4% YoY. Due to its relatively small size, the Czech own office fluctuates significantly among quarters. Management expects that its full-year performance will be similar to 2018.

**SEGMENT LEVEL RESULTS**

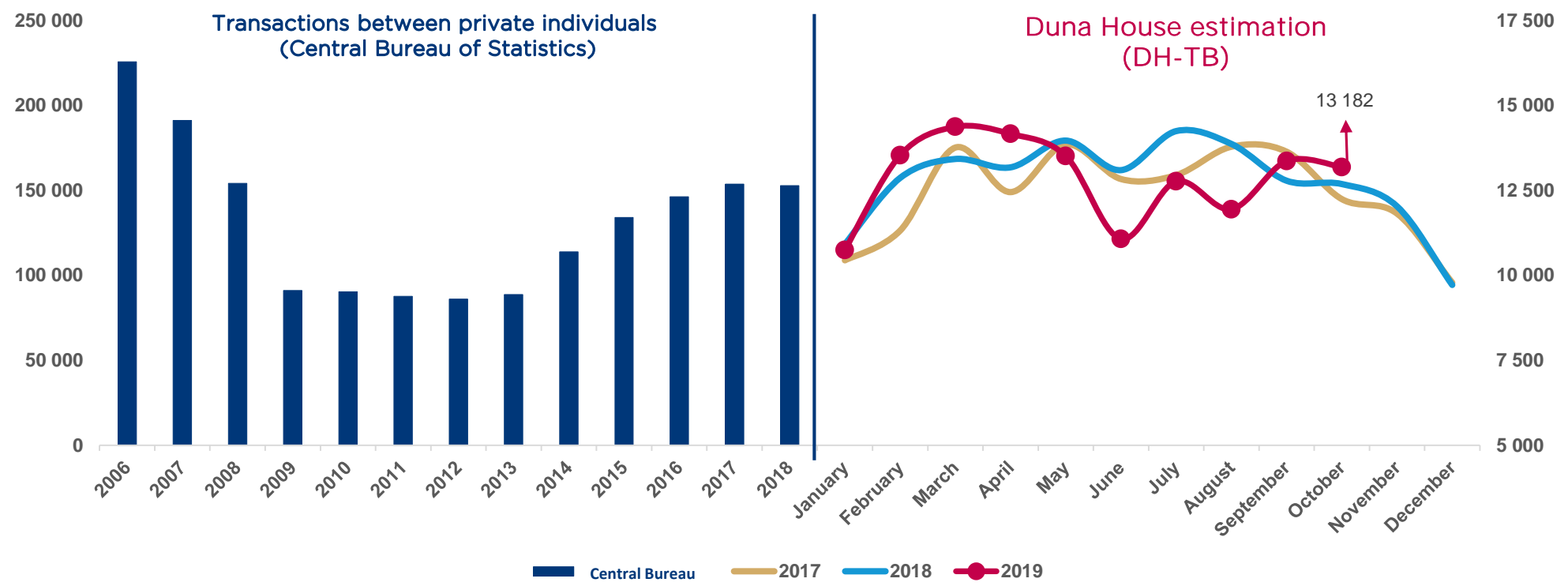
<i>(data in thHUF)</i>	<b>FRANCHISE SEGMENT</b>							
	<b>07-09. 2019</b>	<b>07-09. 2018</b>	<b>Variance (thHUF)</b>	<b>Variance (%)</b>	<b>01-09. 2019</b>	<b>01-09. 2018</b>	<b>Variance (thHUF)</b>	<b>Variance (%)</b>
<b>Net sales revenue</b>	<b>385.466</b>	<b>338.517</b>	<b>46.950</b>	<b>14%</b>	<b>1.203.530</b>	<b>1.065.130</b>	<b>138.399</b>	<b>13%</b>
Direct expenses	28.847	25.038	3.809	15%	92.054	93.614	-1.560	-2%
<b>Gross profit</b>	<b>356.619</b>	<b>313.479</b>	<b>43.140</b>	<b>14%</b>	<b>1.111.476</b>	<b>971.517</b>	<b>139.959</b>	<b>14%</b>
<i>Gross profit margin (%)</i>	<i>93%</i>	<i>93%</i>	<i>0%p</i>		<i>92%</i>	<i>91%</i>	<i>1%p</i>	
Depreciation and amortization	10.751	11.570	-819	-7%	31.831	32.934	-1.103	-3%
Indirect expenses	253.582	218.413	35.170	16%	831.311	740.924	90.387	12%
<b>Operating income (EBIT)</b>	<b>92.286</b>	<b>83.496</b>	<b>8.790</b>	<b>11%</b>	<b>248.334</b>	<b>197.659</b>	<b>50.675</b>	<b>26%</b>
<i>EBIT margin (%)</i>	<i>24%</i>	<i>25%</i>	<i>-1%p</i>		<i>21%</i>	<i>19%</i>	<i>2%p</i>	

Revenue of the franchise segment grew by 14% compared to Q3 2018. Growth was driven by Poland.

The increase of indirect costs is attributable to the expansion of franchise education activities.

Franchise EBIT increased to HUF 92.3 million in Q3 2019 (+11% YoY).

# HUNGARIAN\* PROPERTY MARKET TRENDS BASED ON DH-BAROMETER\*\*



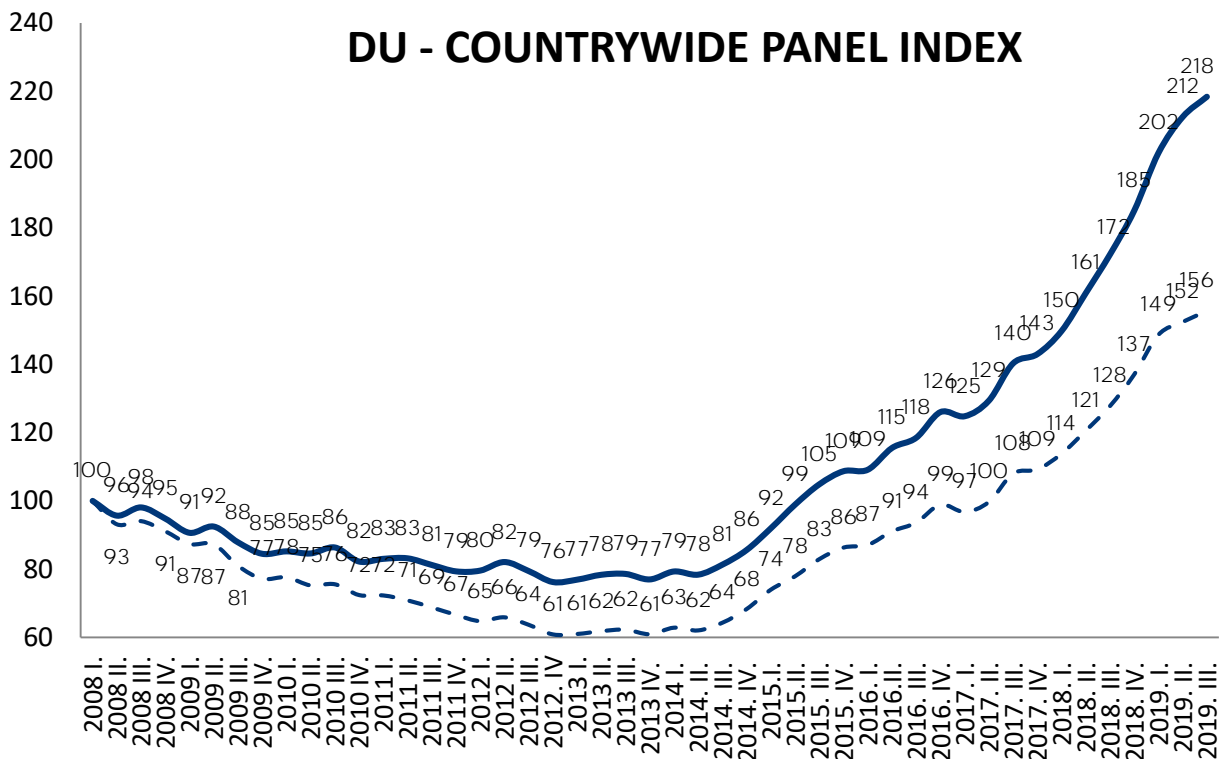
The Hungarian residential real estate market maintained its strong performance, the Group estimates the number of sale and purchase transactions to be over 129 thousand in the first ten months of the year, approx. the same figure as in 2018.

\* No similar data available in relation of Poland at present

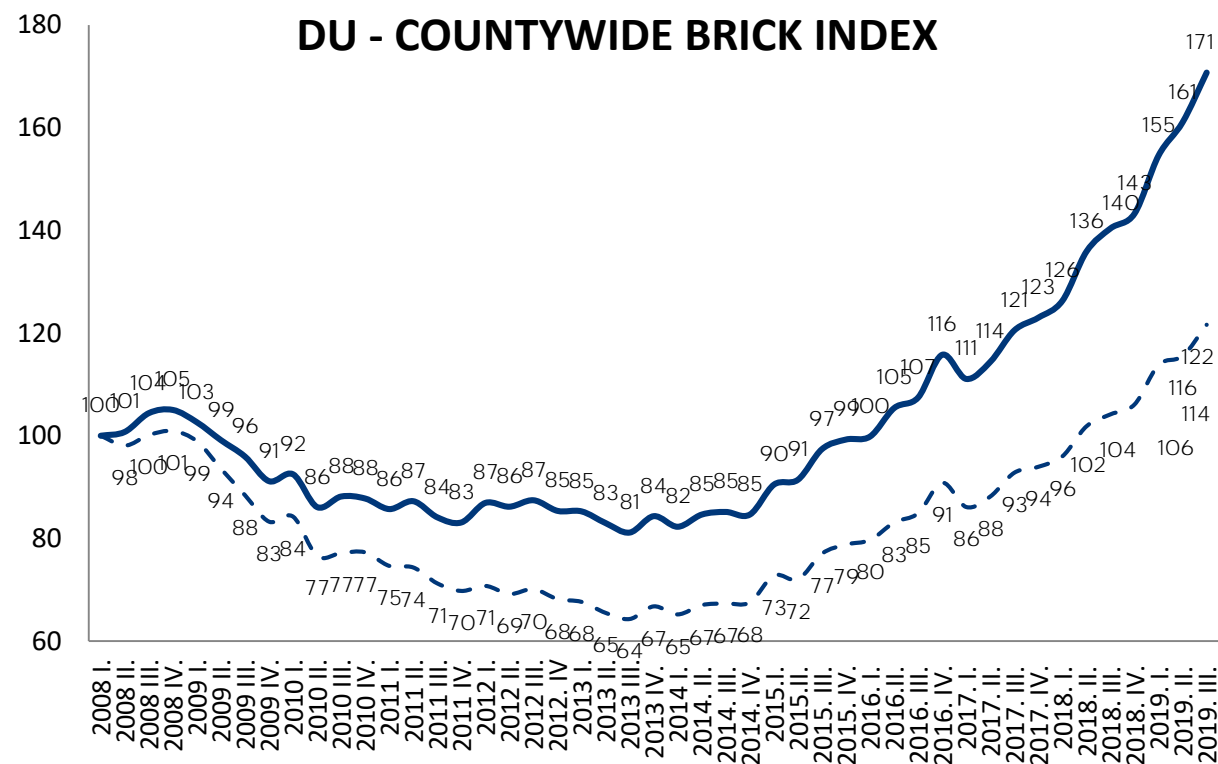
\*\*Due to the lack of up-to-date official data, the above presented data is based on Duna House own estimates.

# HUNGARIAN\* PROPERTY MARKET TRENDS BASED ON DH-BAROMETER

## DU - COUNTRYWIDE PANEL INDEX



## DU - COUNTYWIDE BRICK INDEX



The increase of property prices has continued in Q3 2019, resulting in a 193 point nominal value, and a 38 point higher real value than the base data from 2008. The nominal value of the Panel price index is 218, while the Brick price index is on 171 points currently – the latter already 22 points ahead the base value on real terms.

\* No similar data available in relation of Poland at present



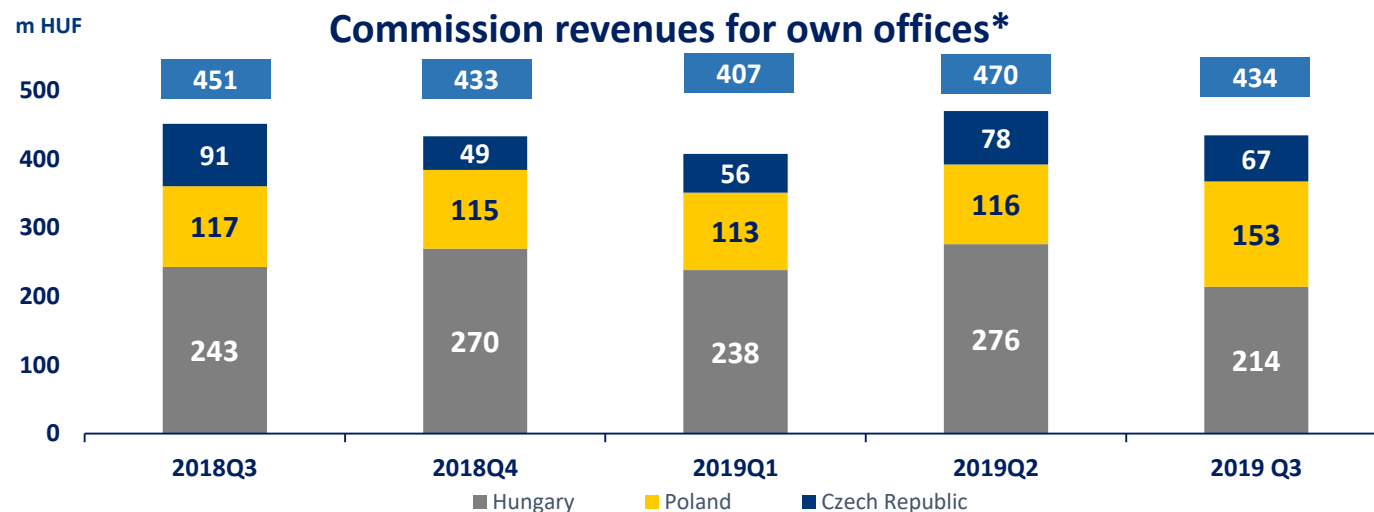


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# **Own office operation segment**

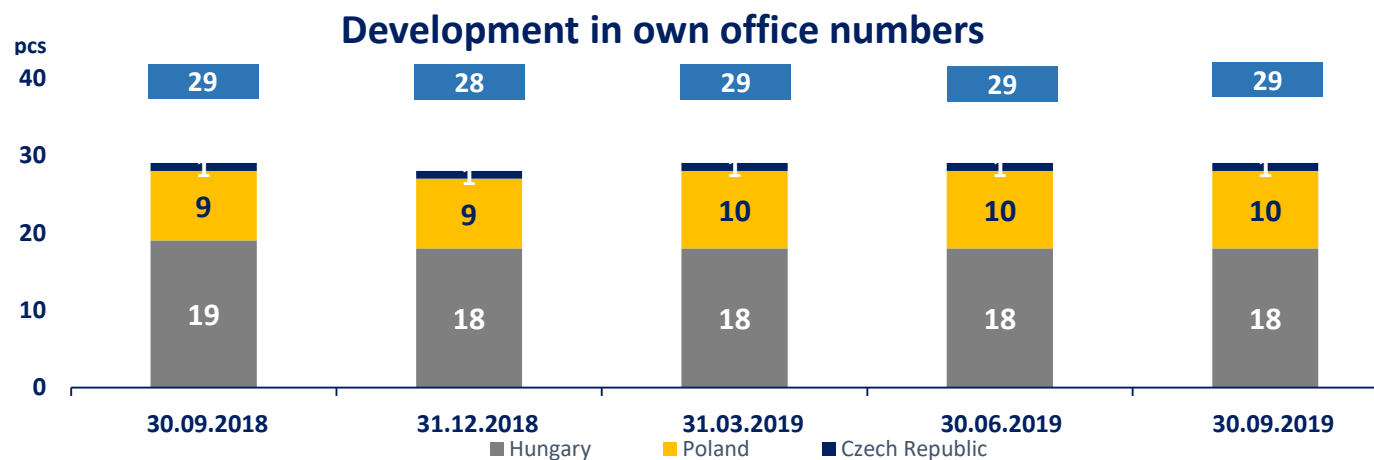


## CHANGES IN NETWORK COMMISSION REVENUES AND OFFICE NUMBERS FOR OWN OFFICES



- In Q3 2019, the own office segment generated commission revenues of HUF 434 million (-3.7% YoY).
- In Hungary, revenues decreased by 12.0% YoY in line with market volume decreases in July and August.
- The commission revenues of Polish own offices increased by 30.6% YoY.
- The revenues of the Czech own office decreased by 25.9% YoY in Q3. Due to its relatively small size, the Czech own office fluctuates significantly among quarters. Management expects that its full-year performance will be like 2018.

\* total revenue, realized in connection with property transactions intermediated by Duna House Group's franchise network in total.



**SEGMENT LEVEL RESULTS**

<i>(data in thHUF)</i>	OWN OFFICE SEGMENT							
	07-09. 2019	07-09. 2018	Variance (thHUF)	Variance (%)	01-09. 2019	01-09. 2018	Variance (thHUF)	Variance (%)
<b>Net sales revenue</b>	<b>368.458</b>	<b>406.208</b>	<b>-37.751</b>	<b>-9%</b>	<b>1.094.283</b>	<b>1.205.597</b>	<b>-111.314</b>	<b>-9%</b>
Direct expenses	217.144	221.498	-4.355	-2%	631.899	684.973	-53.074	-8%
<b>Gross profit</b>	<b>151.314</b>	<b>184.710</b>	<b>-33.396</b>	<b>-18%</b>	<b>462.384</b>	<b>520.624</b>	<b>-58.240</b>	<b>-11%</b>
<i>Gross profit margin (%)</i>	41%	45%	-4%p		42%	43%	-1%p	
Depreciation and amortization	4.119	3.821	298	8%	11.249	11.937	-689	-6%
Indirect expenses	140.999	133.963	7.037	5%	426.026	413.414	12.612	3%
<b>Operating income (EBIT)</b>	<b>6.196</b>	<b>46.927</b>	<b>-40.731</b>	<b>-87%</b>	<b>25.110</b>	<b>95.273</b>	<b>-70.164</b>	<b>-74%</b>
<i>EBIT margin (%)</i>	2%	12%	-10%p		2%	8%	-6%p	

The sales of own office segment decreased compared to last year, however, Q2 and Q3 2019 have already shown some improvements compared to Q1 2018 and Q1 2019 due to improving performance in Polish offices.

In a difficult market environment in Hungary, the segment posted the weakest performance of the year

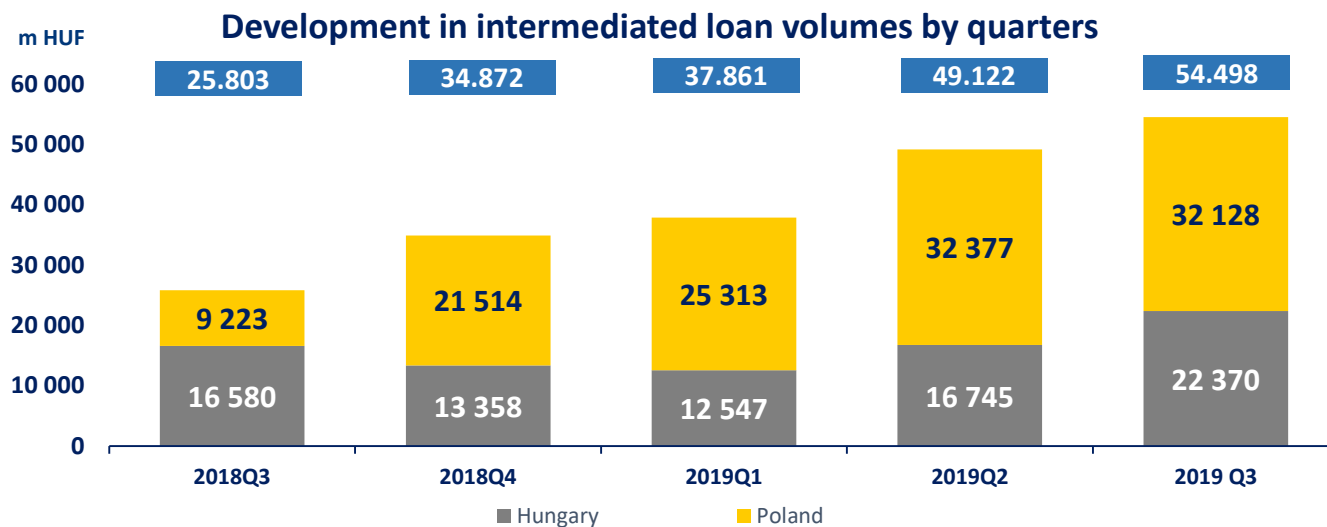


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# **Financial product intermediary services segment**



## CHANGES IN INTERMEDIATED LOAN VOLUMES



- Duna House Group's loan brokerage activities continued their excellent performance in Q3, intermediated loan volume reached HUF 54,5 billion (+111.2% YoY).
- In Poland, intermediated loan volumes increased by 248.3% YoY. This was the result of significant organic growth beyond the acquisition of Gold Finance.
- *Methodological note: Due to the newly introduced government subsidies called 'Baby Loans', the Group changed its reporting methodology for the Hungarian loan volumes, which has affected historical data as well. While previously only mortgage loans have been presented, due to the review, besides Baby Loans, the volume of personal loans, which are less relevant for the Group, is also included.*
- In Hungary, loan volumes increased by 34.9% YoY in Q3. The launch of Baby Loan products played a significant role in this growth, which however is considered extraordinary compared to the levels expected in the coming months. As mortgage loan application data was strong at the end of the quarter, the management expects Q4 to show higher volumes, than in 2018. We believe the number of loan applications increased significantly as the demand is shifting from investors to retail buyers and loan applicants needed time to adapt to the new government subsidies targeted for families.
- The home saving volumes are marginal following the regulatory changes in Q4 2018, therefore the volumes are not being reported.

**SEGMENT LEVEL RESULTS**

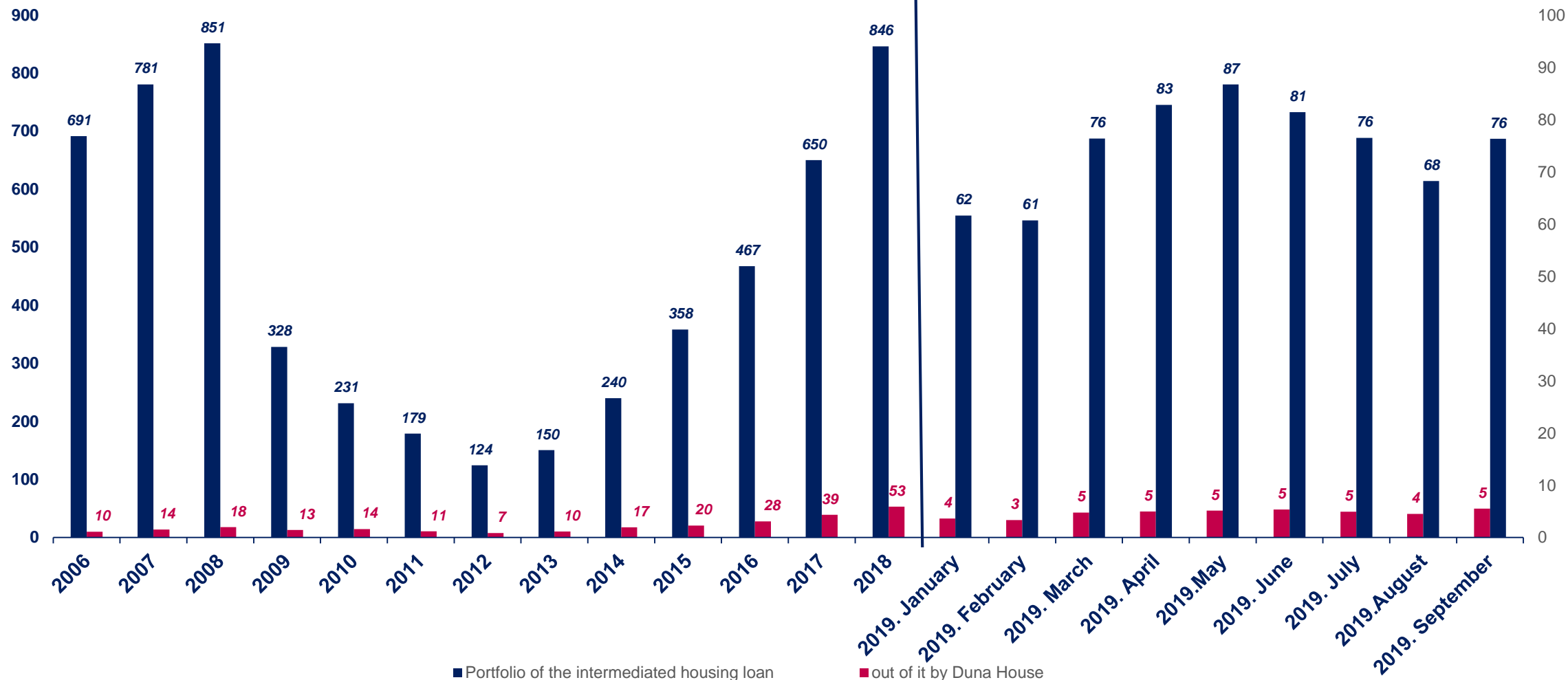
<i>(data in thHUF)</i>	<b>FINANCIAL PRODUCT INTERMEDIARY SERVICES SEGMENT</b>							
	<b>07-09. 2019</b>	<b>07-09. 2018</b>	<b>Variance (thHUF)</b>	<b>Variance (%)</b>	<b>01-09. 2019</b>	<b>01-09. 2018</b>	<b>Variance (thHUF)</b>	<b>Variance (%)</b>
<b>Net sales revenue</b>	<b>1.156.518</b>	<b>645.087</b>	<b>511.431</b>	<b>79%</b>	<b>3.192.684</b>	<b>1.716.837</b>	<b>1.475.847</b>	<b>86%</b>
Direct expenses	829.882	421.424	408.458	97%	2.311.641	1.142.012	1.169.629	102%
<b>Gross profit</b>	<b>326.635</b>	<b>223.663</b>	<b>102.972</b>	<b>46%</b>	<b>881.043</b>	<b>574.825</b>	<b>306.218</b>	<b>53%</b>
<i>Gross profit margin (%)</i>	<i>28%</i>	<i>35%</i>	<i>-6%p</i>		<i>28%</i>	<i>33%</i>	<i>-6%p</i>	
Depreciation and amortization	259	388	-130	-33%	2.814	967	1.846	191%
Indirect expenses	135.686	56.503	79.183	140%	428.487	164.290	264.197	161%
<b>Operating income (EBIT)</b>	<b>190.691</b>	<b>166.772</b>	<b>23.919</b>	<b>14%</b>	<b>449.742</b>	<b>409.568</b>	<b>40.175</b>	<b>10%</b>
<i>EBIT margin (%)</i>	<i>16%</i>	<i>26%</i>	<i>-9%p</i>		<i>14%</i>	<i>24%</i>	<i>-10%p</i>	

The revenues of the financial intermediation segment reached HUF 1.1 billion in Q3 (+79% YoY).

The quarter's financials have significantly been impacted by 2018 developments:

- + Acquisition of Gold Finance in Poland
- + Strong organic growth in Poland
- Cancellation of state subsidies on home saving products in Hungary (in Q3 2019, EBIT decreased by HUF 52.5 million, in Q1-Q3 2019 EBIT decreased by HUF 120.2 million)

As a total impact, gross profit has increased to HUF 326.6 million (+46% YoY) and indirect costs increased to almost two and a half times, resulting EBIT of HUF 190.7 million (+14% YoY).

**HUNGARIAN HOUSING LOAN TRENDS**
**The Housing loan portfolio intermediated countrywide and by Duna House in the past periods (mrdHUF)**






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# **Complementary services segment**



## COMPLEMENTARY SERVICES SEGMENT

Complementary services segment at present includes 4 activities:



**HOME**  
MANAGEMENT

Comprehensive property management services

- Portfolio management
- Property rent out and sales
- Cleaning, renovation, furnishing



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ÉRTÉKBECSLÉS

- Deep knowledge of property market transactions – significant additional, up-to-date and detailed information and data.
- Property valuation is carried out by independent professionals throughout the country.



Serving both individuals and business entities:

- Quality services provisioned by Pannónia Általános Biztosító
- Independent energy certificate preparing professionals
- Countrywide presence



**IMPACT**  
ASSET MANAGEMENT

Fund Manager belonging to the Group

MNB cert.No:

- H-EN-III-130/2016

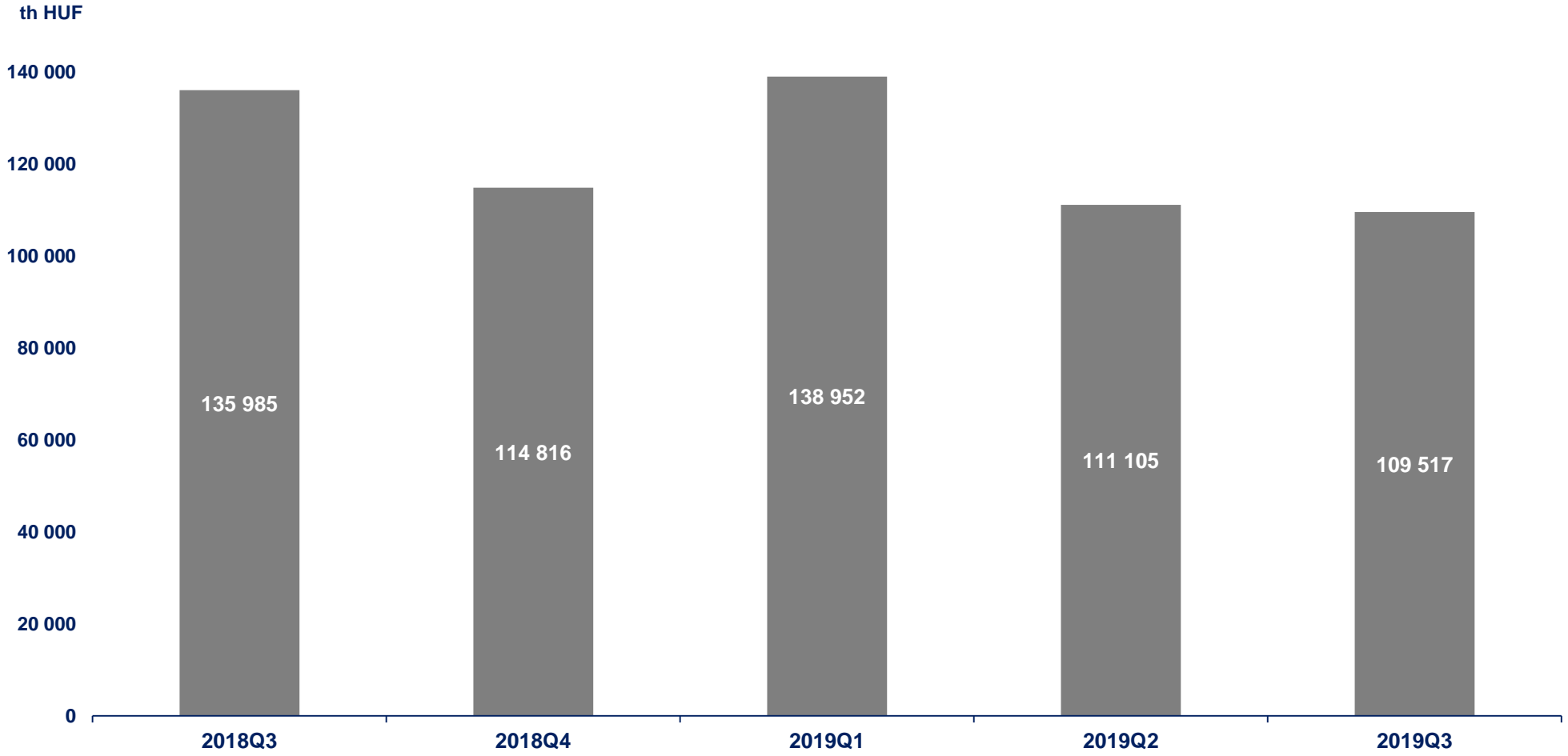
Date of registry:

- April 2016.

Currently managed fund:

- Duna House Fund, open-end, public



**CHANGES IN SEGMENT SALES REVENUE BY QUARTERS**

**SEGMENT LEVEL RESULTS**

<i>(data in thHUF)</i>	<b>COMPLEMENTARY SERVICES SEGMENT</b>							
	<b>07-09. 2019</b>	<b>07-09. 2018</b>	<b>Variance (thHUF)</b>	<b>Variance (%)</b>	<b>01-09. 2019</b>	<b>01-09. 2018</b>	<b>Variance (thHUF)</b>	<b>Variance (%)</b>
<b>Net sales revenue</b>	<b>109.517</b>	<b>135.985</b>	<b>-26.468</b>	<b>-19%</b>	<b>359.574</b>	<b>333.955</b>	<b>25.619</b>	<b>8%</b>
Direct expenses	29.633	35.075	-5.442	-16%	83.477	96.793	-13.317	-14%
<b>Gross profit</b>	<b>79.884</b>	<b>100.910</b>	<b>-21.026</b>	<b>-21%</b>	<b>276.097</b>	<b>237.162</b>	<b>38.935</b>	<b>16%</b>
<i>Gross profit margin (%)</i>	73%	74%	-1%p		77%	71%	6%p	
Depreciation and amortization	114	234	-120	-51%	397	612	-215	-35%
Indirect expenses	44.100	38.516	5.584	14%	137.014	125.362	11.652	9%
<b>Operating income (EBIT)</b>	<b>35.670</b>	<b>62.160</b>	<b>-26.490</b>	<b>-43%</b>	<b>138.685</b>	<b>111.187</b>	<b>27.498</b>	<b>25%</b>
<i>EBIT margin (%)</i>	33%	46%	-13%p		39%	33%	5%p	

The complementary services segment has increased its revenues by HUF 109.5 million (-19.0% YoY). The reasons of the decline are the lower fund management success fees and lower transaction income from the property management business.

Overall, the segment has reached EBIT of HUF 35.7 million at 33% margin in Q3 2019.



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# **Property investments segment**



**SEGMENT LEVEL RESULTS**

<i>(data in thHUF)</i>	<b>PROPERTY INVESTMENT SEGMENT</b>							
	<b>07-09. 2019</b>	<b>07-09. 2018</b>	<b>Variance (thHUF)</b>	<b>Variance (%)</b>	<b>01-09. 2019</b>	<b>01-09. 2018</b>	<b>Variance (thHUF)</b>	<b>Variance (%)</b>
<b>Net sales revenue</b>	<b>52.802</b>	<b>120.988</b>	<b>-68.187</b>	<b>-56%</b>	<b>267.644</b>	<b>2.001.537</b>	<b>-1.733.893</b>	<b>-87%</b>
Direct expenses	13.117	72.820	-59.703	-82%	97.322	1.112.754	-1.015.433	-91%
<b>Gross profit</b>	<b>39.684</b>	<b>48.168</b>	<b>-8.484</b>	<b>-18%</b>	<b>170.322</b>	<b>888.782</b>	<b>-718.460</b>	<b>-81%</b>
<i>Gross profit margin (%)</i>	<i>75%</i>	<i>40%</i>	<i>35%p</i>		<i>64%</i>	<i>44%</i>	<i>19%p</i>	
Depreciation and amortization	7.875	5.858	2.017	34%	20.381	17.414	2.967	17%
Indirect expenses	1.636	20.832	-19.196	-92%	-28.910	-106.940	78.030	-73%
<b>Operating income (EBIT)</b>	<b>30.173</b>	<b>21.478</b>	<b>8.695</b>	<b>40%</b>	<b>178.852</b>	<b>978.308</b>	<b>-799.456</b>	<b>-82%</b>
<i>EBIT margin (%)</i>	<i>57%</i>	<i>18%</i>	<i>39%p</i>		<i>67%</i>	<i>49%</i>	<i>18%p</i>	

Reviczky Liget project has been completed in 2018 (running under MyCity\*\* brand) and except for three flats all of its residential units have been handed over and invoiced in 2018. The remaining three flats have been sold in H1 2019.

The total MyCity operation generated EBIT of HUF 2.0 million in Q3 2019.

\*Profit/loss difference related to revaluation of investment purpose properties is indicated among indirect operating costs

\*\*Before April 1, 2017, the result of MyCity companies' activity was indicated under "Share of profit of a joint venture" in the consolidated income statement. MyCity group was fully acquired at the end of March 2017.



**VOLUME\* AND VALUE OF INVESTMENT AND OPERATIVE PROPERTIES**

(data in thHUF)	31. December 2018		30. September 2019	
	Number (pcs)**	Carrying amount	Number (pcs)**	Carrying amount
Investment purpose property	12	1.443.600	12	1.391.016
Operational property	4	381.125	5	675.526
<b>Total</b>	<b>16</b>	<b>1.824.725</b>	<b>17</b>	<b>2.066.542</b>

We appraise investment purpose properties on market value. Market appraisal is carried out every six months, next time on December 31, 2019.

\* properties owned by MyCity group not included

\*\*number of properties doesn't include the number of parking spaces, storage rooms

**PROPERTY DEVELOPMENT ACTIVITY**

Duna House Group manages the development of 314 flats in 3 projects under MyCity brand, as follows:



	Forest Hill Budapest III. district	Forest Hill Panorama Budapest III. district	MyCity Residence Budapest III. district	TOTAL
Duna House Group's share in Project	<b>100%</b>	<b>100%</b>	<b>50%</b>	
Landsize (m2)		29 314	3 345	<b>32 659</b>
Sellable area (m2)	11 837	4 605	6 882	<b>23 324</b>
Number of Apartements (pcs.)	154	57	103	<b>314</b>
Average Apartements size (m2)	76,9	80,7	68,8	<b>74,9</b>
<b>Actual status of Projects</b>				
Construction permit	✓	✓	✓	
Construction is ongoing	✓		✓	
Active presale started	✓		✓	
Handover in progress				

## PROPERTY DEVELOPMENT ACTIVITY

The Group's development activity is exposed to construction capacities. Scarcity of manpower and increasing raw material prices are the most significant risks in Hungary at the moment.

Status of ongoing projects:

- District 3. Forest Hill: Sales proceeding according to plan, 71% of the units are sold. The handover of the units is expected to start in the first half of 2020 according to the current general construction schedule. The complete handover of the apartments may take place in the 2020.
- District 3. Forest Hill Panorama: The 57-unit project received construction permit on September 6, 2018, therefore the units can be sold with VAT 5% according to current legislation. Contractor application is in progress.
- District 3. MyCity Residence: 78% of the units are sold. The handover of the units starts in the first half of 2020.

**ONGOING PROJECTS**

**Forest Hill**



**Forest Hill Panorama**



**MyCity Residence**





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# **Other- and consolidation segment**





**SEGMENT LEVEL RESULTS**

<i>(data in thHUF)</i>	<b>OTHERS- AND CONSOLIDATION SEGMENT</b>							
	<b>07-09. 2019</b>	<b>07-09. 2018</b>	<b>Variance (thHUF)</b>	<b>Variance (%)</b>	<b>01-09. 2019</b>	<b>01-09. 2018</b>	<b>Variance (thHUF)</b>	<b>Variance (%)</b>
<b>Net sales revenue</b>	<b>-79.586</b>	<b>-82.704</b>	<b>3.118</b>	<b>-4%</b>	<b>-241.707</b>	<b>-256.305</b>	<b>14.597</b>	<b>-6%</b>
Direct expenses	-11.032	-8.524	-2.508	29%	-23.689	-25.324	1.636	-6%
<b>Gross profit</b>	<b>-68.554</b>	<b>-74.180</b>	<b>5.626</b>	<b>-8%</b>	<b>-218.019</b>	<b>-230.980</b>	<b>12.961</b>	<b>-6%</b>
<i>Gross profit margin (%)</i>	86%	90%	-4%p		90%	90%	0%p	
Depreciation and amortization	787	1.130	-343	-30%	2.862	3.882	-1.021	-26%
Indirect expenses	-58.693	-63.357	4.664	-7%	-166.174	-203.611	37.437	-18%
<b>Operating income (EBIT)</b>	<b>-10.648</b>	<b>-11.952</b>	<b>1.305</b>	<b>-11%</b>	<b>-54.706</b>	<b>-31.251</b>	<b>-23.455</b>	<b>75%</b>
<i>EBIT margin (%)</i>	13%	14%	-1%p		23%	12%	10%p	

Under the Other and consolidation segment we present the Company's supporting holding activity and the result of consolidation amendments.

The Q3 expenses of the holding include primarily cost of the employee share program, BÉT, KELER fees, as well as the proportional part of the accounting and auditing fees in relation of the Group's annual and consolidated reports.

## Annex 1.

*Time-series report of the different operational segments for the previous four quarters is attached to the interim report as a separate file, as well as the consolidated balance sheet and interim income statement for the current record date.*

Duna House Holding Nyrt 2019Q3 negyedebes  
ENG\_Annex1.xlsx



## Disclaimer

Undersigned, members of the Board of Directors of DUNA HOUSE HOLDING Plc. (seated H-1016 Budapest, Gellérthegy str 17. Hungary; Company Reg. No. 01-10-048384) ; hereinafter „Company”) declare that the present quarterly report has been prepared with our best knowledge and conviction, and with the aim to present an extensive look at the financial state of the Company, including statements and estimates referred to for the present.

All statements and estimates are based on estimates and forecasts up-dated with our best knowledge and conviction, and in relation to which we shall not be held responsible for publicly up-dating any of the statements or estimates based on any future information, or events. Statements referring to the present bear a certain level of risk and uncertainty in themselves, thus factual results in some cases may significantly differ from forecast-type statements.

We believe that the present quarterly interim report presents a trustworthy and real picture regarding the assets, liabilities, financial state, as well as the profit and loss of the Company and joint ventures included in the consolidation. The report also presents a trustworthy picture of the state, development and performance of the Company and joint ventures included in the consolidation.

Simultaneously, we shall call attention to the financial statements presented in the interim report not being subject of an accounting audit, and in its present form not being in full compliance with all requirements of the International Financial Reporting Standards implemented by the European Union. The audited annual report of the Company, prepared in compliance with the regulations of International Financial Reporting Standards shall be published following the approval of the ordinary General Meeting of the Company planned to take place in April 2020.

Budapest, 26 November, 2019.

Duna House Holding Plc. Board of Directors

Represented by: Gay Dymshiz, Board of Directors, President



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## GROUP

