DUNA HOUSE HOLDING NYRT.

STANDALONE FINANCIAL STATEMENTS

IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
31 December 2019

DUNA HOUSE®

Contents

Balance sheet (Assets)

data provided in thousands HUF, unless indicated otherwise

	Notes	31.12.2019	31.12.2018
ASSETS			
Long-term assets			
Intangible assets	4	1.325	1.494
Right-of-use assets	5	20.201	
Land and buildings	3	278	306
Machinery and equipment	3	1.619	4.542
Investments in subsidiaries	6	1.924.014	2.052.514
Investments in joint undertakings		0	0
Deferred tax assets	7	3.825	4.123
Total long-term assets		**1.951.262**	**2.062.979**
Current assets			
Inventories	8	1.231	1.231
Trade receivables	9	220	649
Amounts owed by related undertakings	10	3.987.881	2.688.095
Other receivables	11	10.515	11.171
Actual income tax assets		1.644	531
Accrued incomes	12	414	555
Cash and cash equivalents	13	494.589	158.347
Restricted cash	13	126.200	31.700
Total current assets		**4.622.693**	**2.892.279**
Total Assets		**6.573.955**	**4.955.258**

The notes provided on pp. 9-50 constitute an integral part of the Financial Statements.

Balance sheet (Liabilities and equity)

data provided in thousands HUF, unless indicated otherwise

LIABILITIES	Notes	31.12.2019	31.12.2018
Equity			
Subscribed capital	14	171.989	171.989
Capital reserves	14	1.499.706	1.493.267
Treasury shares	15	-176.915	-117.000
Retained earnings	14	2.105.491	1.546.039
Total share capital:		**3.600.271**	**3.094.295**
Long-term liabilities			
Long-term loan	16	1.906.966	180.674
Other long-term liabilities		0	0
Lease liabilities	5	8.225	
Total long-term liabilities		**1.915.191**	**180.674**
Current liabilities			
Short-term loans and borrowings	17	331.485	120.450
Accounts payable	18	15.612	15.917
Liabilities to related parties	19	665.250	1.513.836
Other liabilities	20	16.288	16.301
Short-term liabilities from leases	5	12.666	
Actual income tax liabilities		0	40
Accruals and deferred income	21	17.192	13.745
Total current liabilities		**1.058.493**	**1.680.289**
Total liabilities and equity		**6.573.955**	**4.955.258**

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Income Statement

data provided in thousands HUF, unless indicated otherwise

	Notes	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Net sales revenues	22	259.804	270.868
Other operating income	23	1.472	10.088
Total income		**261.276**	**280.956**
Consumables and raw materials	24	8.584	8.411
Goods and services sold	25	52.395	45.259
Services purchased	26	134.553	143.037
Personnel costs	27	111.217	104.029
Depreciation and amortisation		3.575	5.101
Depreciation on right-of-use assets		12.531	
Other operating charges	28	4.161	7.519
Operating costs		**327.017**	**313.356**
Operating profit/loss		**-65.741**	**-32.400**
Financial revenues	29	1.612.542	864.819
Financial expenses	30	-37.807	-51.725
Profit/Loss before taxation		**1.508.995**	**780.694**
Income taxes	31	-4.438	-4.882
Taxed profit		**1.504.557**	**775.812**
Total comprehensive income		**1.504.557**	**775.812**
Income per share (HUF)	32		
Basis		298	472
Diluted		298	472

The notes provided on pp. 9-50 constitute an integral part of the Financial Statements.

Statement of changes in equity

	Subscribed capital	Capital reserves	Treasury shares	Retained earnings	Total equity
Balance as at 1 January 2017	**153.050**	**9.479**	**0**	**1.116.043**	**1.278.572**
Dividends				-479.260	-479.260
Capital increase	18.939	1.481.057			1.499.996
Total comprehensive income				786.462	786.462
Balance as at 31 December 2017	**171.989**	**1.490.536**	**0**	**1.423.245**	**3.085.770**
Dividends				-653.017	-653.017
Treasury share repurchase			-117.000		-117.000
Employee share schemes		2.731		-2.731	0
Total comprehensive income				778.542	778.542
Balance as at 31 December 2018	**171.989**	**1.493.267**	**-117.000**	**1.546.039**	**3.094.295**
Dividends				-945.104	-945.104
Treasury share repurchase			-59.915		-59.915
Employee share schemes		6.438			6.438
Total comprehensive income				1.504.557	1.504.557
Balance as at 31 December 2019	**171.989**	**1.499.705**	**-176.915**	**2.105.492**	**3.600.271**

The notes provided on pp. 9-50 constitute an integral part of the Financial Statements.

Cash Flow Statement

data provided in thousands HUF, unless indicated otherwise

	Notes	01.01.2019-31.12.2019	01.01.2018-31.12.2018
OPERATING CASH FLOW			
Taxed profit		1.504.557	775.812
Adjustments:			
Interest income and expenses are presented under financing activities		-46.176	-34.479
Dividends owned are presented under financing activities	29	-1.500.000	-774.000
Recognised costs of MRP	15	25.271	2.730
Reporting year depreciation and depreciation on right-of-use		16.106	5.101
Deferred taxes		298	239
Changes in working capital			
Changes in inventories		0	0
Changes in accounts receivable, other receivables and related receivables (excluding dividends receivable)	9, 10	-829.233	-344.581
Changes in accrued and deferred assets	12	141	971
Changes in accounts payable and related liabilities (excluding dividends)	18, 19	-873.239	563.094
Other current liabilities and accruals and deferrals		-53	-1.642
Changes in accrued and deferred liabilities	21	3.447	407
Net operating cash flow		***-1.698.881***	***193.652***
Investment cash flow			
(Purchase and sale of) tangible and intangible assets	3, 4	-12.986	-2.307
Acquisition of subsidiaries (excluding acquired liquid assets)	6	128.500	-18.000
Net investment cash flow		***115.514***	***-20.307***
Financing cash flow			
Bank loans/(repayment)	16, 17	1.937.327	-120.450
Capital contribution		0	0
Changes in right-of-use and lease liabilities	5	-11.841	
Purchase of Treasury shares	15	-59.915	-117.000
Dividend paid	14	-927.058	-649.030
Dividend received	29	934.920	737.000
Interest received (paid)	29, 30	46.176	34.479
Net financing cash flow from investment activities		***1.919.609***	***-115.001***
Net change in cash and cash equivalents		336.242	58.342
Balance of cash and cash equivalents as at the beginning of the year		158.347	100.005
Balance of cash and cash equivalents as at the end of the year		**494.589**	**158.347**

The notes provided on pp. 9-50 constitute an integral part of the Financial Statements.

1. General

1.1 Introduction to the company

The Duna House Holding Nyrt. – hereinafter referred to as “Company” – 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., then, on 6 November 2018, acquired the Polish loan brokerage company Gold Finance Sp. z.o.o.

The Company’s registered seat is at 1016 Budapest, Gellérthegy u. 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. is now the largest shareholder of Duna House Holding Nyrt.

Owner's name	Ownership share as at 31 December 2019	Ownership share as at 31 December 2018
Medasev Holding Kft.	39,68%	39,68%
Medasev Int. (Cyprus) Ltd.	38,04%	38,04%
External investors	12,51%	14,14%
AEGON Magyarország Befektetési Alapkezelő Zrt.	6,69%	5,58%
Employees	1,75%	1,65%
Treasury shares	1,33%	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 standalone financial statements were approved by the Board of Directors on 25 March 2020. The standalone financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS), 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 Board (IASB) and the International Financing Reporting Interpretations Committee (IFRIC).

In accordance with the provisions of Act CLXXVIII of 2015 on the amending of certain financial national laws relating to the introduction of international financial reporting standards for the purpose of their domestic application for specific reporting purposes amending Act C of 2000 ("Accounting Act"), as of 1 January 2017, the Company prepares its standalone financial statements in accordance with International Financial Reporting Standards.

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

ii) Basis of the financial statements

The standalone financial statements were prepared on the basis of the standards issued and effective before 31 December 2019 and according to the IFRIC interpretations.

The standalone 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 case of standalone financial statements, the valuation is based on the original historical cost, except for the assets and liabilities for which the relevant International Reporting Standard requires or permits valuation at fair value.

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 standalone financial statements. The accounting policies were applied consistently for the periods covered by these standalone 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 Reporting currency and FX balances

In view of the content and circumstances of the underlying business events, the functional reporting currency of the Company 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 presentation currency of the Company's standalone financial statements is Hungarian forint (HUF), and the standalone financial statements were prepared in Hungarian forint, rounded to the nearest thousand, except where otherwise stated.

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.

2.1.2 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. Revenues are recognised in line with the IFRS 15 (revenues from client contracts) standard.

2.1.3 **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
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.

2.1.4 **Impairment loss**

The Company 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 Company 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 Company recognises impairment against the profit if the estimated recovery value of the asset is lower than its book value. The Company prepares the required calculations based on adequately discounting the long-term future cash flow plans.

2.1.5 **Intangible assets**

Intangible assets acquired individually are recorded at purchase price at the acquisition date. The assets are entered into the books when the use of the asset provably results in the influx of future economic goods and its cost can therefore be clearly identify.

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

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

Rights and titles as well as software	3-6 years

2.1.6 **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.

2.1.7 **Receivables**

The receivables are stated in the financial statements and nominal value less impairment recognised for estimated losses. In accordance with the requirements of the IFRS 9 standard, the Company uses the expected credit loss (ECL) model to estimate the expected amount of impairment.

2.1.8 **Financial instruments**

To define the category of financial instruments, the Company determines whether the financial instrument is a debt instrument or equity investment. Equity investments have to be valued at fair value against profit and loss; however, the Company may decide to value the equity investments held for other than business purposes at fair value through other comprehensive income. If the given financial instrument is a debt instrument, the following points have to be taken into account when establishing the classification.

- At amortised cost – the goal is the collection of contractual cash flows, which contains only the cash flows related to the payment of interests on capital and extended capital amounts.
- At fair value through other comprehensive income - the purpose of holding - which realises its goal by way of the collection of contractual cash flows and the sale of financial instruments, and result in cash flows at times specified by the contractual conditions of the financial instrument, which are exclusively the payment of interests on capital and extended amounts of capital.
- Fair value against profit or loss - which do not belong to either of the two financial instrument categories or were designated as valued at fair value against profit when they were first recognised.

Financial liabilities have to be valued at amortised cost, with the exception of financial liabilities that have to be valued at fair value through profit or loss or where the Company opted to fair valuation.

Financial instruments held for trading and derivatives have to be valued at fair value through profit or loss. The Company may irrevocably designate a financial liability as valued at fair value against profit at the time of its first recognition if:

- It eliminates or significantly decreases an inconsistency in valuation or recognition, or
- A group of financial liabilities or a group of financial instruments and financial liabilities are handled at fair value, and their performance is valued on the basis of fair value, in line with a documented risk management or investment strategy.

The subsequent valuation is based on the classification of the given financial instrument.

Valuation at amortised cost

The amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The changes in the fair value of the asset has to be recognised in the profit only at the time of derecognition or re-classification.

Debt instruments valued at fair value through other comprehensive income

Such assets shall be valued at fair value. Interest income, impairment, and differences in foreign currency exchange rates shall be recognised in the profits (similarly to the assets valued at amortised historical cost). Changes in fair value shall be recognised through other comprehensive income. When derecognising the asset, any accumulated profits or losses previously recognised against comprehensive income have to be re-classified to profits. If the asset is re-classified or derecognised, the comprehensive changes in the fair value of equity previously recognised in other comprehensive profits have to be re-classified to profits so their effects on profits are the same as if the asset had been valued at amortised cost from its original recognition.

Capital investments valued at fair value through other comprehensive income

Dividends shall be recognised only if: the right therefor has been established, the economic benefits likely linked to the dividends will be collected, and its amount can be reliably measured. Dividends due have to be recognised in the profit and loss, unless if the dividend clearly means a partial return on the costs of investment, in which case they have to be included in other comprehensive profits.

Changes in fair value shall be recognised through other comprehensive income. The differences recognised due to changes in fair value may not be recognised against profits subsequently either, even if the asset becomes impaired or is sold.

Valued at fair value against profit

The asset shall be valued at fair value and changes in fair value shall be recognised through profit or loss.

Fair value accounting

Valued based on the market prices recorded as at the balance sheet date without deducting transaction costs. If that is not available, then the basis is the valid market value of instruments with the same fundamental properties, or the cash flows expected from the net assets that form the basis of investments.

Derecognition of financial instruments

Financial instruments are derecognised when the Company no longer has the rights embodied by the financial instrument in question (sale, all cash flow has taken place, transfer).

If the Company does not transfer and does not retain the risks and earning related to the financial instruments, but does maintain control of the instrument, the retained earning has to be recognised as an asset and the possible outflows stemming from the retained risks have to be recognised as liabilities.

The Company may remove a financial liability (or a part of a financial liability) from its report pertaining to its financial situation if, and only if, it has been terminated – i.e. when the Company has complied with the obligations specified in the contract or such obligations have been cancelled or have expired.

2.1.9 **Provisions**

The Company recognises provisions on its existing (legal or assumed) commitments resulting from historic events, which the Company 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 Company 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 Company 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.

2.1.10 **Income taxes**

The income tax on profit before tax is based on the act on corporate and dividend tax, regulations on the rate of local business tax and the tax and contribution liabilities set out in the act on innovation contributions. The full income 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 current tax liability of the Company 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 Company’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 Company 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 Company 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 Company 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 Company intends to account for those assets and liabilities on net basis.

2.1.11 **Leasing**

Starting from 1 January 2019, the Company applies the rules of IFRS 16 to present its leased assets. As part of operating and finance leasing, the Company reports assets leased for periods of more than 12 months as right-of-use in its balance sheet, for which it incurs liabilities (if the fee paid therefor is paid at a later date). In its income statement, the Company accounts for depreciation on right-of-use and interest expenditures on its liabilities.

2.1.12 **Earning per share (EPS)**

The earning/share is established on the basis of the Company'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 2018 or the one ending on 31 December 2019.

2.1.13 **Off-balance sheet items**

Off-balance sheet liabilities are not included in the balance sheet and profit and loss account as part of the annual financial statements. 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 annual financial statements but if the influx of economic benefits is likely, they are presented in the notes to the financial statements.

2.1.14 **Treasury shares**

The nominal value of repurchased treasury shares is recognised separately within equity at historical cost in accordance with the requirements of the IAS 1 standard.

2.1.15 **Dividends**

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

2.1.16 **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.

2.1.17 **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.

2.1.18 **Distribution of shares, option schemes**

The Company distributes its own shares to certain employees of the Group within the framework of its employee share schemes. The detailed description of the benefit schemes can be found in Annex 14. These benefit schemes are recognised as equity-settled share-based payment.
Equity-settled share-based payments granted to employees and others providing similar services are valued at the fair value of the equity instruments on the grant date. The fair value of equity-settled share-based payments determined on the grant date is recognised using the straight-line method over the vesting period (adjusted for changes in estimates) based on the Company's estimate of the effectively vested equity instruments. At the end of each reporting period, the Company reviews the estimate of how many shares are expected to be vested under non-market vesting conditions. The Company recognises a change in the estimate in the income statement against equity.

2.1.19 **Restricted cash**

The Company records the amount of deposits that are secured as collateral for loans or required to perform certain activities among restricted cash.

2.1.20 **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 Company'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 Company prepared its financial statements in compliance with the provisions of all the standards and interpretations in force as at 31 December 2019.

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

IFRS 16 leasing (valid from 1 January 2019)
Leases (issued in January 2016 by the IASB; valid for business years starting on 1 January 2019 or thereafter. The EU adopted the standard.) The new standard contains rules pertaining to the recognition, valuation, presentation, and the accompanying publication of leases. As part of all leases, the lessee shall acquire the right to use of the given asset and also incurs liabilities (if the fee paid therefor is paid at a later date). Accordingly, IFRS 16 does away with the difference between operating and finance leases as required by IAS 17, and provides lessees with a single accounting model. The lessee has to record all leases (that are not small-value leases) with terms of more than 12 months as assets and liabilities in the balance sheet, and has to separately present the depreciation of the asset and the interest expenditure of the liability in its income statement. The accounting settlement of lessors under IFRS 16 is basically the same as the rules of IAS 17. Accordingly, the lessor is still required to differentiate between operating and finance leases, and has to account their effects in different manners. The Company presents its liabilities stemming from operating leases under IAS 17 in Annex 5. The Company applies the IFRS 16 standard with retroactive effect, in the course of which it records the effects of the new standard from the time of its first application, i.e. 1 January 2019. In the case of leases previously classified as operating leases under IAS 17, it records a leasing obligation as at the time of first application, which it values at the present value of the remaining lease fees, discounted at the time of first application with the ancillary interest rate. It also presents a right-of-use asset at the value identical to the lease obligation, which it adjusts with the prepaid or accrued lease fees presented earlier. It uses a single discount rate for the lease portfolios with substantially similar characteristics. The Company does not apply the IFRS 16 to the leases of intangible assets or small-value assets and to leases with terms less than 1 year.

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 standalone financial statements are as follows:

2.3.1 **Impairment of the participations held in the subsidiaries**

In accordance with Section 2.1.7 of the significant accounting principles, the Company annually tests for impairment in shares held in subsidiaries as cash-generating units. 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 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**

In accordance with the IFRS 9 standard, the Company recognises impairment on uncollectible and doubtful receivables to cover the losses arising from the fact that customers cannot pay. The company uses the expected credit loss (ECL) model as the basis of measuring the appropriateness of impairment on uncollectible and doubtful receivables.

2.3.3 **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 Subsidiaries, joint undertakings and associated undertakings of the Company

As a Subsidiary

	address:	2019 31 December	2018 31 December
Duna House Biztosításközvetítő Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Hitelcentrum 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%	100%
Duna House Szolgáltatóközpont Kft. (formerly known as: 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%
Metrohouse S.A.	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
Gold Finance Sp. z. o.o	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
MyCity Residential Development Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Pusztakúti 12. Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Reviczky 6-10. Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Duna House Franchise s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%
Duna House Hypoteky s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%
Center Reality s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%

As jointly managed undertakings

		31 December 2019	31 December 2018
Hunor utca 24 Kft.	1016 Budapest, Gellérthegy u. 17.	50%	50%

2.4.1 Introduction to the subsidiaries, joint undertakings and associated undertakings of the Company

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 Hitelcentrum 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.

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.**

The company group operated the SMART Real Estate Franchise Network real estate brokerage until 31 December 2019, at which time the SMART networked merged with Duna House.

2.4.1.12 **Home Line Center Kft.**

The activity of the company is the sale and purchase as well as short-term and long-term lease of owned residential properties, which can be expanded with condominium management activity in the near future.

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 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**

MyCity has two subsidiaries and one jointly managed undertaking. 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 Company Court of the Budapest-Capital Regional Court on 21 January 2016. The purpose of the project company is to construct and sell the 211-unit Forest-Hill and Forest Hill Panoráma 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.

2.4.1.15 **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.

2.4.1.16 **Duna House Szolgáltatóközpont Kft.**

The company was formerly licensed as a money market broker. It currently provides central services to the Group's subsidiaries.

2.4.1.17 **Polish subsidiaries**

The Duna House Group entered the Polish market through the acquisition of Metrohouse 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. Metrohouse 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, Metrohouse 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 Uslugi 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.

Metrohouse Franchise S.A. acquired 100% ownership of the Gold Finance Sp. z.o.o on 6 November 2018. Gold Finance Sp. z o.o is Poland’s 5th largest loan brokerage company. Following the acquisition, to increase operational efficiency, Metrofinance Sp. z. o.o merged with Gold Finance Sp. z. o.o, effective from 28 February 2019.

2.4.1.18 **Czech subsidiaries**

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. 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.

3. Property, machinery and equipment

data in HUF thousands	Land and buildings	Machinery and equipment	Total
Gross value			
As at 1 January 2018	**409**	**17.220**	**17.629**
Expansion of the scope of consolidation	-	-	0
Growth and reclassification	-	4.669	4.669
Decrease and reclassification	-	-10.632	-10.632
As at 31 December 2018	**409**	**11.257**	**11.666**
Expansion of the scope of consolidation	-	-	-
Growth and reclassification	-	794	794
Decrease and reclassification	-	-	0
As at 31 December 2019	**409**	**12.051**	**12.460**
Accumulated depreciation			
As at 1 January 2018	**76**	**10.158**	**10.234**
Expansion of the scope of consolidation	-	-	-
Annual write-off	27	3.757	3.784
Decrease	-	-7.200	-7.200
As at 31 December 2018	**103**	**6.715**	**6.818**
Expansion of the scope of consolidation	-	-	-
Annual write-off	28	3.717	3.745
Decrease	-	-	0
As at 31 December 2019	**131**	**10.432**	**10.563**
Net book value			
As at 1 January 2018	**333**	**7.062**	**7.395**
As at 31 December 2018	**306**	**4.542**	**4.848**
As at 31 December 2019	**278**	**1.619**	**1.897**

4. Intangible assets

data in HUF thousands	Total
Gross value	
As at 1 January 2018	**2.678**
Expansion of the scope of consolidation	0
Growth and reclassification	1.070
Decrease and reclassification	0
As at 31 December 2018	**3.748**
Expansion of the scope of consolidation	0
Growth and reclassification	531
Decrease and reclassification	0
As at 31 December 2019	**4.279**
Accumulated depreciation	
As at 1 January 2018	**937**
Expansion of the scope of consolidation	-
Annual depreciation	1.317
Decrease	-
As at 31 December 2018	**2.254**
Expansion of the scope of consolidation	-
Annual depreciation	700
Decrease	-
As at 31 December 2019	**2.954**
Net book value	
As at 1 January 2018	**1.741**
As at 31 December 2018	**1.494**
As at 31 December 2019	**1.325**

5. Leases

Right-of-use assets	31.12.2019	01.01.2019
Land and buildings	0	0
Machinery and equipment	20.201	32.732
	20.201	**32.732**
Lease obligations		
less than 1 year	12.666	11.841
between 1 and 5 years	8.225	20.891
more than 5 years	0	0
	20.891	**32.732**
Depreciation of right-of-use assets	-12.531	0
Interest expenditure	-1.023	0
	-13.554	**0**
Lease fees under IAS 17	**12.864**	**0**
Impact of IFRS 16 on profits	**-690**	

Impact of IFRS 16 on lease cash flow	31.12.2019
Profit/Loss before taxation	-690
Depreciation	12.531
Interest costs	-1.023
Net financing cash flow from business activities	**10.819**
Amortisation of lease obligations	-12.864
Interest paid	1.023

The Company has long term leases on offices and vehicles for its central administration and management. The Company applies a 3.61% discount rate to calculate the present value of right-of-use and lease obligations.

6. Investments in subsidiaries

	2019 31 December	2018 31 December
Metro House Franchise S.A	863.464	863.464
MyCity Residential Development Kft.	302.040	302.040
Impact Asset Management Alapkezelő Zrt.	156.500	285.000
Home Line Center Kft.	252.000	252.000
GDD Commercial Kft.	219.500	219.500
REIF 2000 Kft.	42.600	42.600
Home Management Kft.	21.500	21.500
Hitelcentrum Kft.	14.650	14.650
Duna House Ingatlan Értékbecslő Kft.	13.800	13.800
Duna House Franchise s.r.o.	10.000	10.000
Duna House Biztosításközvetítő Kft.	5.000	5.000
Duna House Franchise Kft.	5.000	5.000
DH Projekt Kft.	3.000	3.000
Energetikai Tanúsítvány Kft.	3.000	3.000
Smart Ingatlan Kft.	3.000	3.000
Superior Real Estate Kft.	3.000	3.000
Hitelalkusz Kft.	2.960	2.960
Akadémia Plusz 2.0 Kft.	3.000	3.000
Total investments in subsidiaries	**1.924.014**	**2.052.514**

In the future, the management considers the value of equity interests in subsidiaries to be fully recoverable, and therefore no impairment loss is recognised. The investment value of Impact Asset Management Alapkezelő Zrt. changed to HUF 156.5 million due to the lowering in the company's share capital.

7. Deferred tax receivables

In the course of calculation of deferred tax the Company 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 Company examines recovery separately. The Company calculates the deferred tax incurred 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%.

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 remaining after the netting of the deferred tax liability at the level of the consolidated subsidiaries.

Deferred tax assets

	2019 31 December	2018 31 December
Due to losses carried forward	3.825	4.123
Due to the evaluation of foreign currency items		
Tangible assets at book value		
Total	**3.825**	**4.123**

8. Inventories

	2019 31 December	2018 31 December
Total inventories	**1.231**	**1.231**

9. Trade receivables

	2019 31 December	2018 31 December
Total trade receivables	**220**	**649**

10. Amounts owed by related undertakings

The value of related receivables contains the following:

	2019 31 December	2018 31 December
Short-term loans granted to subsidiaries and interest, trade receivable and additional contribution on them	3.206.801	2.472.095
Dividends receivable on subsidiaries	781.080	216.000
Total receivables from related companies	**3.987.881**	**2.688.095**

The increase in short-term loans granted to subsidiaries constituting the related receivables is primarily related to the loan granted to finance the acquisition of Alex T. Great through a subsidiary of the Company, Metrohouse Franchise S.A., and the residential developments realised via MyCity Residential Development Kft.

11. Other receivables

	2019 31 December	2018 31 December
Collateral	7.298	7.298
Other receivables (taxes)		1.632
Advances paid	3.217	2.241
Total other receivables:	**10.515**	**11.171**

The deposit line consists of the deposits given to the lessor in connection with vehicle leasing.

12. Accrued incomes

	2019 31 December	2018 31 December
Accrued incomes	39	216
Prepaid expenses	375	339
Total accrued and deferred assets	**414**	**555**

13. Cash and cash equivalents

	2019 31 December	2018 31 December
Bank account balance	494.501	157.565
Treasury balance	88	782
Total cash	**494.589**	**158.347**
Restricted cash	**126.200**	**31.700**

Since 7 December 2017, the Company has been managing its bank accounts linked to its Hungarian operations under a cash pooling regime, which makes automatic internal group financing possible.

The restricted cash is used as collateral for the loan granted by Raiffeisen Bank for the acquisition of Metrohouse. The amount kept in a separate blocked account can be used only with the express permission of Raiffeisen Bank.

14. Subscribed capital and profit reserve

The Company’s share capital is HUF 171,989 thousand, which consists of 3,438,787 dematerialized 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 945,104 thousand was approved at the ordinary general meeting of the Company on 18 April 2019. In line with the above, holders of preferred shares are entitled to an amount equal to 6% of the taxed profit less the 2018 revaluation of investment property and the revaluation of the ownership shares involved in the consolidation with the equity method (i.e. HUF 94,060 thousand); holders of ordinary shares are eligible for HUF 851,044 thousand.

Dividends on ordinary shares was paid in a lump sum on 25 July 2019; dividends on preferential employee shares is paid in four equal instalments quarterly. The first one was paid on 28 June 2019.

15. Treasury shares

The Company intends to transfer its own shares to certain directors and employees of the Group within the framework of its remuneration policy. The Company operates two share-based benefit schemes, which are detailed below.

Management option scheme

In 2018, Duna House Holding Nyrt. launched a two-year option scheme to provide long-term incentives for Group managers and key employees, which was repeated in 2019. The Company granted option rights for 31,200 shares per scheme.

Employee 2019 scheme

At the general meeting held on 18 December 2018, the Company's "Employees 2019" share scheme was approved, under which all employees that are employed in Hungary by the Group since 1 April 2018 will receive shares in the amount of their average wage of 2018 if the performance conditions are met. As part of the program, the Company granted a total of 4,945 shares to its employees in the months of May and June 2019.

Employee 2020 scheme

At the general meeting held on 18 April 2019, the Company's "Employees 2020" share scheme was approved, under which all employees that are employed in Hungary by the Group since 1 April 2019 will receive shares in the amount of their average wage of 2019 if the performance conditions are met in 2021.

The General Meeting held on 18 April 2019 authorised the Board of Directors to acquire a total of 150,000 ordinary shares with a nominal value of HUF 50 each belonging to "A" series, with a purchase price of minimum HUF 500, but not exceeding HUF 6,000 each.

Number of treasury shares	**31 December 2019**	**31 December 2018**
Start of the period	**31.200**	**-**
Purchase of shares	19.269	31.200
Provided in the framework of the Management option scheme	-	-
Provided in the framework of the Employee scheme	-4.945	-
End of the period	**45.524**	**31.200**

16. Long-term loan

	2019 31 December	**2018 31 December**
Raiffeisen loan	1.906.966	180.674
Total long-term loans	**1.906.966**	**180.674**

Raiffeisen loan

The loans of the Company and its subsidiaries at Raiffeisen Bank Zrt were refinanced in July 2019 with a 7-year bank loan with a variable interest rate provided by Raiffeisen Bank Zrt. In addition to refinancing its existing loans, the Company also concluded a credit limit contract for an amount of HUF 2.0 billion, the entirety of which drew down by 31 December 2019.

The loan matures on 2 July 2026. The loan is amortised quarterly on equal instalments.

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

- the consolidated debt less financial assets/EBITDA will not be higher than 3.0
- during any 12-month period after the entry into force of the loan agreement dividend can be approved over 53% of the IFRS consolidated profit after tax only with the bank's prior written consent. If the consolidated core EBITDA were to fall below HUF 1 billion, the bank's prior written consent will also be required for payment of the dividend of less than 53% (the payment of the dividend derived from the MyCity residential real estate development projects is not restricted).

The mortgage on the Group's real estate properties and the business shares of the subsidiaries, equal to 75% of EBITDA, provide collateral for the loans.

Repayment schedule of the Raiffeisen loan[1]:

	Repayment plan
2020	331.485
2021	331.485
2022	331.485
2023	331.485
2024	331.485
2025	331.784
2026	249.242
Total	**2.238.451**

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

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

17. Short-term loans and borrowings

	31 December	31 December
Short-term loans and borrowings	331.485	120.450
Total short-term loans and borrowings:	**331.485**	**120.450**

We present on this balance sheet item the portion that is due in 1 year after the balance sheet date of the Raiffeisen loan presented under long-term loans in Section 16.

18. Accounts payable

	31 December	31 December
Trade payables	15.612	15.917
Total accounts payable	**15.612**	**15.917**

The increase in accounts payables is primarily attributable to the full annual management fee payable to KELER regarding the share register, and to unpaid liabilities arising from the provision of professional services at the end of the reporting period.

19. Liabilities to related parties

The value of related liabilities contains the following:

	2019 31 December	2018 31 December
Loan, deposit received from subsidiaries	641.735	1.236.798
Liabilities to owners	0	265.000
Employee dividend payment liability	23.515	12.038
Total related liabilities	**665.250**	**1.513.836**

20. Other liabilities

	2019 31 December	2018 31 December
Other tax liabilities	12.180	12.015
Liabilities from remuneration	3.353	4.093
Short-term portion of lease payments:	0	0
Other	755	193
Total other liabilities	**16.288**	**16.301**

21. Accruals and deferred income

	31 December	31 December
Accrued costs and charges	17.192	13.745
Total accrued and deferred liabilities	**17.192**	**13.745**

Accruals and deferred income shows the costs related to the auditing of the Company's standalone and consolidated financial statements, the management of the share register and the amount of bonuses approved for that business year, but not paid until the balance sheet date.

22. Sales revenue

	01.01.2019 31.12.2019	01.01.2018 31.12.2018
Revenue from holding services	197.001	214.027
Revenue from recharging office rental fees	32.381	35.598
Re-invoicing of vehicle costs	15	777
Revenue from recharging office common expenses	9.508	10.682
Revenue from recharging parking rental fees	2.916	2.916
Revenue from other recharges	17.083	5.968
Revenue from other accounting services	900	900
Total net sales revenues	**259.804**	**270.868**

23. Other operating income

	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Vodafone postpaid commission income	0	3.325
Insurance compensation	652	71
Assets sold	0	6.677
Other income	820	15
Total other operating income	**1.472**	**10.088**

24. Consumables and raw materials

	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Utility fees and charges	5.098	4.925
Maintenance costs	1.581	1.581
Office supplies	478	478
Fuel	1.427	1.427
Total material costs	**8.584**	**8.411**

25. Goods and services sold

	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Recharged expenses of office rental fee	32.381	35.598
Re-invoicing of vehicle costs	15	777
Cost of office parking rental to be recharged	2.916	2.916
Other recharging costs	17.083	5.968
Total goods and services sold	**52.395**	**45.259**

26. Services purchased

	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Professional service fees	42.523	42.784
Cost of stock exchange listings	14.770	14.884
Office building rental fee	14.006	10.758
Legal fees	13.504	5.140
Property related other costs	10.739	15.893
Travel, delegation expenses	5.600	7.979
Education, continuation training expenses	268	324
Vehicle rental fee	7.228	20.486
Other rental fees	7.451	4.285
Parking rental fee	2.671	2.510
Bank charges	4.961	2.667
Cost of payroll services	152	859
Cost of IT operation	2.585	4.686
Other services used	5.739	7.724
Insurance fees	289	473
Advertising fees	279	520
Cost of professional journals, subscriptions	115	211
Duties paid	222	271
Communication costs	1.451	583
Total services purchased	**134.553**	**143.037**

27. Personnel costs

	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Wage costs	66.997	75.530
Contributions	14.039	17.124
Other personnel-type benefits	4.910	8.645
Costs of MRP in the current year	25.271	2.730
Total staff costs	**111.217**	**104.029**
Average statistical headcount	11	11

28. Other operating charges

	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Other expenses	4.122	7.460
Penalties	39	59
Total other operating charges	**4.161**	**7.519**

29. Revenues of financial transactions

	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Revenue from dividends	1.500.000	774.000
Interest received	83.521	77.563
Exchange rate gain	29.021	13.256
Total revenues of financial transactions	**1.612.542**	**864.819**

Exchange rate gains comprise realised/non-realised exchange rate differences related to a foreign currency-denominated loans of Duna House Holding Nyrt. against Metrohouse Franchise S.A. and Duna House Franchise s.r.o.

30. Expenses of financial transactions

	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Interest paid	37.345	43.084
Exchange rate losses	462	8.641
Total expenses of financial transactions	**37.807**	**51.725**

31. Income tax expenses

	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Actual income tax – corporate tax	163	299
Actual income tax – local business tax	3.977	4.344
Deferred taxes	298	239
Total income tax expenses	**4.438**	**4.882**

The rate of corporate tax used to calculate the deferred tax is 9%.

Reconciliation of income taxes recognised in the income statement:

	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Profit/Loss before taxation	1.508.995	780.694
Revenue from dividends (-)	-1.500.000	-774.000
Tax base	8.995	6.694
Tax liability determined at the current 9% rate	810	602
Business tax	3.977	4.344
Deferred taxes on reversed accruals differences (loss carryforwards etc., book value of tangible assets)	-348	-64
Total income taxes	**4.438**	**4.882**

32. Earning per share (EPS)

To calculate earning from share presented in the standalone financial statement of the Company, the **consolidated** profit after tax, available for distribution to the shareholders can be taken into account and the annual average number of the issued ordinary shares, which does not contain the own shares.

Earning per share (EPS)	31 December 2019	31 December 2018
After-tax profit that can be allocated to shareholders	1.072.896	1.704.450
Dividend that may be distributed to preferential shareholders	-60.592	-94.062
After-tax profit that can be allocated to shareholders holding ordinary shares	**1.012.304**	**1.610.389**
Weighted average number of issued ordinary shares (basic, thousand)	3.396	3.412
Weighted average number of issued ordinary shares (diluted thousand)	3.398	3.412
Earning per share (basic) (HUF)	**298**	**472**
Earning per share (diluted) (HUF)	**298**	**472**

The earning per share is diluted by the 28,550 shares that can be called during the course of 2020 at a price of HUF 3,750 as part of the Company's MRP program.

33. Risk management

The Company's assets contain liquid assets, securities, trade and other receivables and other assets excluding taxes. The Company'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 Company is exposed to the following financial risks:

- credit risk
- liquidity risk
- market risk

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

The objective of the Company's risk management policy is to filter out and examine the risks the Company 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 Company's activities.

Capital management

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

The Company's capital management strives to ensure that the individual members of the Company are able to engage in their respective operations and maximise profit for the shareholders by striking a balance between loan financing and equity. Furthermore, it also strives to maintain an optimal capital structure in order to reduce capital costs. The Company 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 2019.

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 Company. 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 Company:

Lending risk	**2019 31 December**	**2018 31 December**
Trade receivables	220	649
Other receivables	10.515	11.171
Financial instruments	0	0
Cash and cash equivalents	494.589	158.347
Total	**505.324**	**170.167**

Liquidity risk

Liquidity risk is the risk that the Company is unable to fulfil its financial obligations by the due date. Under the Company's liquidity management approach, there should always be sufficient liquidity available to cover the Company's obligations when they fall due under both standard and stressed circumstances without the Company's incurring unacceptable losses or risking its reputation. To further minimize liquidity risk, reduce transaction costs and increase efficiency, the Company has been managing its bank accounts linked to its Hungarian operations under a cash pooling regime since 7 December 2017, which makes automatic group financing possible.

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 Company'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. Since the Company is a holding company, its market risk exposure is equal to the sum of the market risk exposure of its subsidiaries.

Sensitivity analysis

The Company has established that its profit depends on a key variable of financial nature, which represents the "price" of group financing, in addition to the dividend received from its subsidiaries, i.e. the interest rate risk. This variable has been tested for sensitivity. Outcome of the interest sensitivity test (as a percentage of interest changes):

With actual interest	**01.01.2019-31.12.2019**	**01.01.2018-31.12.2018**
Profit before tax - excluding interest expense and interest income	1.462.819	746.215
Net interest income (income minus expenses)	46.176	34.479
Profit/Loss before taxation	**1.508.995**	**780.694**
1%		
Profit before tax - excluding interest expense and interest income	1.462.819	746.215
Net interest income (income minus expenses)	46.638	34.824
Profit/Loss before taxation	**1.509.457**	**781.039**
Changes in profit before tax	***462***	***345***
Changes in profit before tax (%)	***0,031%***	***0,044%***
5%		
Profit before tax - excluding interest expense and interest income	1.462.819	746.215
Net interest income (income minus expenses)	48.485	36.203
Profit/Loss before taxation	**1.511.304**	**782.418**
Changes in profit before tax	***2.309***	***1.724***
Changes in profit before tax (%)	***0,153%***	***0,220%***
10%		
Profit before tax - excluding interest expense and interest income	1.462.819	746.215
Net interest income (income minus expenses)	50.794	37.927
Profit/Loss before taxation	**1.513.612**	**784.142**
Changes in profit before tax	***4.618***	***3.448***
Changes in profit before tax (%)	***0,305%***	***0,440%***
-1%		
Profit before tax - excluding interest expense and interest income	1.462.819	746.215
Net interest income (income minus expenses)	45.714	34.134
Profit/Loss before taxation	**1.508.533**	**780.349**
Changes in profit before tax	***-462***	***-345***
Changes in profit before tax (%)	***-0,031%***	***-0,044%***
-5%		
Profit before tax - excluding interest expense and interest income	1.462.819	746.215
Net interest income (income minus expenses)	43.867	32.755
Profit/Loss before taxation	**1.506.686**	**778.970**
Changes in profit before tax	***-2.309***	***-1.724***
Changes in profit before tax (%)	***-0,153%***	***-0,221%***
-10%		
Profit before tax - excluding interest expense and interest income	1.462.819	746.215
Net interest income (income minus expenses)	41.558	31.031
Profit/Loss before taxation	**1.504.377**	**777.246**
Changes in profit before tax	***-4.618***	***-3.448***
Changes in profit before tax (%)	***-0,307%***	***-0,444%***

The Company seeks to mitigate the already moderate interest rate risk primarily by tying up liquid assets.

The currency risk of the Company is limited as it sells and purchases primarily in the currency of the respective country in all three countries; exchange-rate differences can only occure in the case of foreign currency loans to foreign subsidiaries. The Company does not enter into hedging transactions to manage these exchange rate risks.

34. Financial instruments

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

Financial instruments 2018	**Carrying value**	**Fair value**
Financial instruments		
Assets recorded at fair value against profit		
Financial instruments	0	0
Trade receivables	649	649
Cash and cash equivalents	158.347	158.347
Financial liabilities		
Liabilities recorded at amortized cost		
obligations		
Long-term loan	180.674	180.674
Other long-term liabilities (leasing)	0	0
Short-term loans and borrowings	120.450	120.450
Short-term portion of the lease	0	0
Accounts payable	15.917	15.917

Financial instruments 2019		
Financial instruments		
Assets recorded at fair value against profit	0	0
Financial instruments	0	0
Trade receivables	220	220
Cash and cash equivalents	494.589	494.589
Financial liabilities		
Liabilities recorded at amortized cost	0	0
obligations	0	0
Long-term loan	1.906.966	1.906.966
Other long-term liabilities (leasing)	0	0
Short-term loans and borrowings	331.485	331.485
Short-term portion of the lease	12.666	12.666
Accounts payable	15.612	15.612

35. Remuneration of the Board of Directors and Supervisory Board

In 2019, the total amount of the remuneration due to the members of the Board of Directors and the Supervisory Board was HUF 104,034 thousand. (In 2018: HUF 62,312 thousand). These amounts also include the dividend paid to the members of the Board of Directors for preferential employee shares held by them and the distribution of shares actually implemented as part of the MRP program.

	31.12.2019	31.12.2018
Members of the Board of Directors	98.634	56.912
Short-term employee benefits (income from salary)	*40.977*	*36.422*
Short-term employee benefits (preferential dividend)	*54.525*	*20.490*
Share-based payment	*3.131*	*0*
Members of the Supervisory board	5.400	5.400
Short-term employee benefits (honorarium)	*5.400*	*5.400*
Total	**104.034**	**62.312**

36. Events after the balance sheet date

The following non-modifying events occurred between the balance sheet date and the date of the approval of these financial statements.

The purchase of Alex T. Great Sp. z. o.o.

On 7 January 2020, the Company's fully-owned subsidiary, Metrohouse Franchise S.A. ("MF") signed an agreement in Warsaw for the purchase of all shares of Alex T. Great Sp. z.o.o. ("ATG"). The transaction was closed on the date the agreement was signed. The purchase price was PLN 4.3 million.

ATG is a leading player on the Polish real estate brokerage market: the value of the loan volume it brokered in the first three quarters of 2019 amounted to PLN 676 million.

With the acquisition, the Company strengthens its position on the Polish real estate brokerage market and increases the volume of loans brokered in Poland by approximately 60 percent.

The Smart Real Estate Network joins the Duna House network

At the end of 2019, the Group's management decided to consolidate its Hungarian real estate brokerage network in the interest of utilising the syngeries between the offices and improving the efficiency of its central operations.

Purchase of Treasury shares

The Board of Directors of the Company was authorised by the regular meeting held on 18 April 2019, between 31 December 2019 and 11 March 2020 a total of 957 pieces of treasury shares were traded on the stock exchange for ongoing employee share programs. The amount of Company treasury shares on 11 March 2020 was 46,481.

37. 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 audited standalone financial statements (independent auditor report attached) give a fair picture of the assets, liabilities, financial situation and performance of the Company.

The Board of Directors of the parent company of the Company discussed these standalone financial statements at its meeting held on 25 March 2020 and approved their disclosure in this form.

Budapest, 25 March 2020

Persons authorised to sign the separate statements:

Gay Dymschiz
Chairman of the Board of Directors

Doron Dymschiz
Member of the Board of Directors

Ferenc Máté
Member of the Board of Directors

Dániel Schilling
Member of the Board of Directors

DUNA HOUSE HOLDING NYRT.

BUSINESS REPORT

ON THE 2019 ACTIVITIES OF THE COMPANY

1. Company profile

The Duna House Holding Nyrt. – hereinafter referred to as "Company" – 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., then, on 6 November 2018, acquired the Polish loan brokerage company Gold Finance Sp. z.o.o.

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

Principal activities:

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

1.1 Subsidiaries, joint undertakings of the Company

As a Subsidiary

	address:	**2019** **31 December**	**2018** **31 December**
Duna House Biztosításközvetítő Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Hitelcentrum 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%	100%
Duna House Szolgáltatóközpont Kft. (formerly known as: 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%
Metrohouse S.A.	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
Gold Finance Sp. z. o.o	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
MyCity Residential Development Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Pusztakúti 12. Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Reviczky 6-10. Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Duna House Franchise s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%
Duna House Hypoteky s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%
Center Reality s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%

As jointly managed undertakings

		31 December 2019	31 December 2018
Hunor utca 24 Kft.	1016 Budapest, Gellérthegy u. 17.	50%	50%

2. Presentation of the market and economic environment that affects the Company's activities

2.1 Real estate market

In 2019, the Hungarian residential real estate market showed signs of slow-down. According to the estimates of the Duna House Group, the total number of transactions in 2019 dropped to 150 thousand, which is a slight decrease of 2% compared to 2018's figures. The results of the family aid discounts introduced on the first of July 2019 could not be clearly felt in the total number of transactions. The data published by Duna House Franchise Kft. in the Duna House Barométer reveal that the real estate prices that rose until the third quarter of the year stopped in the last quarter.[1]

Estimated by Ernst & Young's office in Poland[2], in the entire real estate market in Poland, due to the low interest rates, a steadily growing economy, low unemployment and more favourable prices

[1] *Source: Duna House Barométer No 102 published by Duna House Franchise Kft.*
[2] *Source: EY – The Polish Real Estate Guide 2019 Edition - Poland*

compared to western European levels, real estate investments reached a record of more than 7 billion euros in 2018.

The newly built residential real estate market has slowed down in some parts of the country as a result of the increase in labour costs, while the total number of homes transferred has increased by 6.2% in the country as a whole.

No objective data are available publicly regarding the macro developments on the Polish real estate market, and more specifically the residential real estate market, in 2019.

2.2 Loan market[3]

According to the data of the National Bank of Hungary, the outstanding corporate credit volume increased by 14% in the fourth quarter of 2019 despite of more restrained growth over the year. Loans in the SME sector also increased by 14% and in the household sector by 17% in 2019. The new loans in connection with the baby loan program launched in July played a significant role in the latter, which amounted to HUF 470 billion in the second half of 2019. Without it, the increase would have amounted to 9%. The baby loan program was not paired with any reduction in the extension of residential loans and personal loans; as a result, its additional effect can be considered high. Consequently, the annual value of newly extended loans increased by more than 50% compared to 2018, thus nominally attaining a historical peak of HUF 2,300 billion. The measures in the Family Protection Action Plan ("Családvédelmi akcióterv" in Hungarian) also supported the increase in demand. The changes in the conditions of the Family Home Creation Discount ("CSOK" in Hungarian) led to an increase in the program's role in residential loans. People with higher incomes were over-represented among the product' clients, and they generally have low levels of indebtedness. The National Bank of Hungary does not consider the rate of credit expansion to be excessive and does not see any risk in its structure, taking into account developments in real economic processes and the low rate of loan penetration

According to the data of the Polish Bank Association, the size of the residential loan market in Poland increased by about 21% in 2018 compared to the same period of 2017, increasing from PLN 44.6 billion to PLN 53.8 billion. The amount of residential loans extended in the first nine months of 2019 increased by 17%[4]. There is no public, objective data available on the ratio of loan disbursements through loan brokerage or on the level of brokerage commission.

[3] *Source: https://www.mnb.hu/kiadvanyok/jelentesek/hitelezesi-folyamatok/hitelezesi-folyamatok-2020-marcius*

[4] *Source: https://www.zbp.pl/getmedia/481b4a7f-192e-4d63-b130-4350973cbf31/Raport-AMRON-SARFiN-Nr-3-2019_Pl*

3. The Company's financial and equity situation

3.1 Income Statement

data in HUF thousands	Notes	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Net sales revenues	22	259.804	270.868
Other operating income	23	1.472	10.088
Total income		**261.276**	**280.956**
Consumables and raw materials	24	8.584	8.411
Goods and services sold	25	52.395	45.259
Services purchased	26	134.553	143.037
Personnel costs	27	111.217	104.029
Depreciation and amortisation		3.575	5.101
Depreciation on right-of-use assets		12.531	
Other operating charges	28	4.161	7.519
Operating costs		**327.017**	**313.356**
Operating profit/loss		**-65.741**	**-32.400**
Financial revenues	29	1.612.542	864.819
Financial expenses	30	-37.807	-51.725
Profit/Loss before taxation		**1.508.995**	**780.694**
Income taxes	31	-4.438	-4.882
After-tax profit		**1.504.557**	**775.812**
Total comprehensive income		**1.504.557**	**775.812**
Income per share (HUF)	32		
Basis		298	472
Diluted		298	472

Source: Audited Annual Report of the Company in accordance with the IFRS

The sales revenue of HUF 259,804 thousand realised in 2019 was HUF 11,064 thousand less than the same value in 2018. This year it consisted mainly of office and parking rental fees invoiced to the subsidiaries with a registered office at the real estate in Gellérthegy u., as well as the holding services provided and invoiced to the subsidiaries.

The increase in personnel costs can be attributed to the development of management. The cost of services ordered by the holding for the entirety of the group and then re-invoiced increased.

3.2 Assets

data in HUF thousands

	Notes	31.12.2019	31.12.2018
ASSETS			
Long-term assets			
Intangible assets	4	1.325	1.494
Right-of-use	5	20.201	
Land and buildings	3	278	306
Machinery and equipment	3	1.619	4.542
Investments in subsidiaries	6	1.924.014	2.052.514
Investments in joint undertakings		0	0
Deferred tax assets	7	3.825	4.123
Total long-term assets		**1.951.262**	**2.062.979**
Current assets			
Inventories	8	1.231	1.231
Trade receivables	9	220	649
Amounts owed by related undertakings	10	3.987.881	2.688.095
Other receivables	11	10.515	11.171
Actual income tax assets		1.644	531
Accrued incomes	12	414	555
Cash and cash equivalents	13	494.589	158.347
Restricted cash	13	126.200	31.700
Total current assets		**4.622.693**	**2.892.279**
Total Assets		**6.573.955**	**4.955.258**

Source: Audited Annual Report of the Company in accordance with the IFRS

The most significant change on the asset side is the HUF 1,300 million increase in related party receivables, which is attributable to the own contribution provided for residential property development projects and the financing of the Polish Alex T. Great acquisition by the Company.

3.3 Liabilities

data in HUF thousands

LIABILITIES	Notes	31.12.2019	31.12.2018
Equity			
Subscribed capital	14	171.989	171.989
Capital reserves	14	1.499.706	1.493.267
Treasury shares	15	-176.915	-117.000
Retained earnings	14	2.105.491	1.546.039
Total share capital:		**3.600.271**	**3.094.295**
Long-term liabilities			
Long-term loan	16	1.906.966	180.674
Other long-term liabilities		0	0
Lease liabilities	5	8.225	
Total long-term liabilities		**1.915.191**	**180.674**
Current liabilities			
Short-term loans and borrowings	17	331.485	120.450
Accounts payable	18	15.612	15.917
Liabilities to related parties	19	665.250	1.513.836
Other liabilities	20	16.288	16.301
Short-term liabilities from leases	5	12.666	
Actual income tax liabilities		0	40
Accruals and deferred income	21	17.192	13.745
Total current liabilities		**1.058.493**	**1.680.289**
Total liabilities and equity		**6.573.955**	**4.955.258**

Source: Audited Annual Report of the Company in accordance with the IFRS

The Company's share capital is HUF 171,989 thousand, which consists of 3,438,787 dematerialized 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 945,104 thousand was approved at the ordinary general meeting of the Company on 18 April 2019. In line with the above, holders of preferred shares are entitled to an amount equal to 6% of the taxed profit less the 2018 revaluation of investment property and the revaluation of the ownership shares involved in the consolidation with the equity method (i.e. HUF 94,060 thousand); holders of ordinary shares are eligible for HUF 851,044 thousand.

Dividends on ordinary shares was paid in a lump sum on 25 July 2019; dividends on preferential employee shares is paid in four equal instalments quarterly. The first one was paid on 28 June 2019.

3.4 Cash Flow Statement

	Notes	01.01.2019-31.12.2019	01.01.2018-31.12.2018
OPERATING CASH FLOW			
Taxed profit		1.504.557	775.812
Adjustments:			
Interest income and expenses are presented under financing activities		-46.176	-34.479
Dividends received are presented under financing activities	29	-1.500.000	-774.000
Recognised costs of MRP	15	25.271	2.730
Reporting year depreciation and depreciation on right-of-use		16.106	5.101
Deferred taxes		298	239
Changes in working capital			
Changes in inventories		0	0
Changes in accounts receivable, other receivables and related receivables (excluding dividends receivable)	9, 10	-829.233	-344.581
Changes in accrued and deferred assets	12	141	971
Changes in accounts payable and related liabilities (excluding dividends)	18, 19	-873.239	563.094
Other current liabilities and accruals and deferrals		-53	-1.642
Changes in accrued and deferred liabilities	21	3.447	407
Net operating cash flow		***-1.698.881***	***193.652***
Investment cash flow			
(Purchase and sale of) tangible and intangible assets	3, 4	-12.986	-2.307
Acquisition of subsidiaries (excluding acquired liquid assets)	6	128.500	-18.000
Net investment cash flow		***115.514***	***-20.307***
Financing cash flow			
Bank loans/(repayment)	16, 17	1.937.327	-120.450
Capital contribution		0	0
Changes in right-of-use and lease liabilities	5	-11.841	
Purchase of Treasury shares	15	-59.915	-117.000
Dividend paid	14	-927.058	-649.030
Dividend received	29	934.920	737.000
Interest received (paid)	29, 30	46.176	34.479
Net financing cash flow from investment activities		***1.919.609***	***-115.001***
Net change in cash and cash equivalents		336.242	58.342
Balance of cash and cash equivalents as at the beginning of the year		158.347	100.005
Balance of cash and cash equivalents as at the end of the year		**494.589**	**158.347**

Source: Audited Annual Report of the Company in accordance with the IFRS

In 2019, operating cash flow was negative at HUF 1,723 million due to an increase in the liability balance of subsidiaries and other related companies. The Company drew down a total of HUF 1.9 billion bank loan and acquired treasury shares in the amount of HUF 60 million for the purpose of the MRP during the year. The dividend payment amounted to HUF 927 million.

As a result of the above, the balance of cash and cash equivalents increased to HUF 494,601 thousand, as at the end of the year. In addition, the Company held restricted cash in the amount of HUF 126,200 thousand in Raiffeisen Bank's separate blocked account, which serves as a collateral for the scheduled quarterly repayment of the Raiffeisen loan and is not freely accessible to the Company.

4. Environmental protection, social responsibility, employment policy, diversity policy

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

The Company puts emphasis on the diversified filling of jobs based on the skills and qualifications of employees.

5. Information on equity and share capital

Increase of the Company's equity

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

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

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

The Company's equity as at 31 December 2019

Type of shares	**Class of shares**	**Share series**	**Number of shares issued**	**from this: treasury shares**	**Nominal value per share**	**Total nominal value**
ordinary shares	-	"A"	3,438,787	45,524	HUF 50	HUF 171,939, 350
employee share	preferential shares	"B"	1,000	0	HUF 50	HUF 50,000
Equity:						**HUF 171,989, 350**

Number of voting rights attached to shares:

Share series	**Number of shares issued**	**Number of voting rights per share:**	**Total number of votes**	**From this: for treasury shares**	**Number of treasury shares**
"A"	3,438,787	50	171,939,350	2,276,200	45,524
"B"	1,000	50	50,000	0	-
Total	**3,439,787**	**-**	**171,989,350**	**2,276,200**	**45,524**

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

The table below provides a summary of the shareholders each with a significant direct or indirect ownership share in the Company's equity[5], with the shares based on a pyramid structure and the cross-shares taken into account:

Shareholder Name	Number of shares held (number)	Share in equity (%)
Gay Dymschiz	1.346.872	39,16%
Doron Dymschiz	1.346.872	39,16%
AEGON Magyarország Befektetési Alapkezelő Zrt.	230.102	6,69%
Total equity	**3.439.787**	**100,0%**

[5] As at 31 December 2019

7. Restrictions on the transfer of shares

Restrictions on alienation on ordinary shares

Shareholder Name			Ferenc Máté	Bernadett Szirtes	Krisztián Fülöp	Dr András Szabadházy	Nir Bitkover	Total
Number of ordinary shares held (number)			30.132	556	2.182	1.501	2.182	36.553
Is alienation restricted?			yes	yes	yes	yes	yes	
Restrictions on alienation	Beginning of the period	End of the period	Number of shares under restrictions on alienation					
	01.01.2020	11.11.2020	21.000	546	873	546	873	23.838
	12.11.2020	11.11.2021	18.000	273	436	273	436	19.418
	12.11.2021	11.11.2022	15.000	0	0	0	0	15.000
	12.11.2022	11.11.2023	12.000	0	0	0	0	12.000
	12.11.2023	11.11.2024	9.000	0	0	0	0	9.000
	12.11.2024	11.11.2025	6.000	0	0	0	0	6.000
	12.11.2025	11.11.2026	3.000	0	0	0	0	3.000

Restrictions on the alienation on preferred employee shares

Shareholder Name	**Gay Dymschiz**	**Doron Dymschiz**	**Ferenc Máté**	**Dániel Schilling**	**Krisztián Fülöp**	**Anikó Varga**	**Dr András Szabadházy**	**Angelika Fóris**	**Total**
Number of preferred employee shares held (number)	191	191	225	77	115	92	53	56	1.000

There is an indefinite restriction on alienation for all employee shares that grant preferential shares *

** In accordance with Section 6:221 of Act V of 2013 on the Civil Code, the shareholder rants the right of first refusal, and in line with Section 6:224, the right to repurchase, to Guy Dymschiz or Doron Dymschiz for an indefinite period of time*

8. Other issues regarding controlling powers and executive officers

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

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

9. Risk management

Due to its activities, the Company's risk exposure is the sum of the risk exposure of its subsidiaries. The assets of the subsidiaries contain liquid assets, securities, trade and other receivables and other assets excluding taxes. The resources of the subsidiaries 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.

Subsidiaries are exposed to the following financial risks that affect the Company's operations:

- credit risk
- liquidity risk
- market risk

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

The purpose of risk management is to filter out and investigate the risks faced by subsidiaries and to set the appropriate controls to reduce these risks to an acceptable level. The risk management policy and the system are reviewed so that it does reflect the changed market conditions and the activities of the subsidiaries.

Capital management

The Company'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 Company. 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 capital of the Company and its subsidiaries comprises net external funds and the share capital of the subsidiaries (the latter comprises registered capital, reserves and the ownership share of non-controlling shareholders).

The Company's capital management strives to ensure that the subsidiaries of the Company 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 Company also carries out monitoring which aims to ensure that its subsidiaries' capital structure complies with the local legal requirements.

The equity risk run by the Company was not significant in 2019.

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 Company or its subsidiaries. Financial instruments that are exposed to credit risks may be long or short-term placements, cash and cash equivalents, trade and other receivables.

Due to its activities, the Company is exposed to credit risk only indirectly through the borrower of its subsidiaries.

Liquidity risk

Liquidity risk is the risk that the Company is unable to fulfil its financial obligations by the due date. Under the Company's liquidity management approach, there should always be sufficient liquidity available to cover the Company's obligations when they fall due under both standard and stressed circumstances without the Company's incurring unacceptable losses or risking its reputation. To further minimize liquidity risk, reduce transaction costs and increase efficiency, the Company has been managing its bank accounts linked to its Hungarian operations under a cash pooling regime starting from 7 December 2017, which makes automatic group financing possible.

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 Company's or its subsidiaries' 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

In addition to the financing and market risks listed above, the Company focuses primarily on rising construction costs for its subsidiaries dealing with real estate development activities. These project companies are exposed to increasing liquidity risk as the number of projects being implemented increases and the development phase progresses until bank financing is involved.

10. Events after the balance sheet date

The following non-modifying events occurred between the balance sheet date and the date of the approval of these financial statements.

The purchase of Alex T. Great Sp. z. o.o.

On 7 January 2020, the Company's fully-owned subsidiary, Metrohouse Franchise S.A. ("MF") signed an agreement in Warsaw for the purchase of all shares of Alex T. Great Sp. z.o.o. ("ATG"). The transaction was closed on the date the agreement was signed. The purchase price was PLN 4.3 million.

ATG is a leading player on the Polish real estate brokerage market: the value of the loan volume it brokered in the first three quarters of 2019 amounted to PLN 676 million.

With the acquisition, the Company strengthens its position on the Polish real estate brokerage market and increases the volume of loans brokered in Poland by approximately 60 percent.

The Smart Real Estate Network joins the Duna House network

At the end of 2019, the Group's management decided to consolidate its Hungarian real estate brokerage network in the interest of utilising the syngeries between the offices and improving the efficiency of its central operations.

Purchase of Treasury shares

The Board of Directors of the Company was authorised by the regular meeting held on 18 April 2019, between 31 December 2019 and 11 March 2020 a total of 957 pieces of treasury shares were traded on the stock exchange for ongoing employee share programs. The amount of Company treasury shares on 11 March 2020 was 46,481.

11. Declaration on corporate governance

In light of its length and structural layout, our declaration on corporate governance ("Responsible Corporate Governance Report") will be published on the website of the Budapest Stock Exchange6.

[6] https://bet.hu/oldalak/ceg_adatlap/$issuer/3433

12. Declaration on responsibility

The Board of Directors of the Company prepared this business report on the basis of the data included in the separate financial statements for 2019 compiled in accordance with the International Financial Reporting Standards (IFRS) and to the best of their knowledge.

The accounts are audited; therefore an independent auditor's report has been attached. This business report gives a fair picture of the situation, development and performance of the Company.

Budapest, 25 March 2020

Persons authorised to sign the business report:

Gay Dymschiz
Chairman of the Board of Directors

Doron Dymschiz
Member of the Board of Directors

Ferenc Máté
Member of the Board of Directors

Dániel Schilling
Member of the Board of Directors