

Independent Auditor's Report

to the Shareholders of Duna House Holding Nyrt.

Opinion

We have audited the consolidated annual financial statements of Duna House Holding Nyrt. and its subsidiaries (**the „Group”**) for the year 2016 which comprise the consolidated statement of financial position as at December 31, 2016 (which shows a total assets of HUF 5 991 612 thousands) and the related consolidated statement of comprehensive income (which shows a net profit for the year of HUF 1 144 604 thousands), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and consolidated notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated annual financial statements give a true and fair view of the financial position of the Duna House Holding Nyrt. and its subsidiaries as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for the opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits. Our responsibilities under these standards are further described in the "**The auditor's responsibilities for the audit of the consolidated financial statements**" section of our report.

We are independent of the Group in compliance with the Hungarian ethical requirements pertaining to our audit of the consolidated annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with the same ethical requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO Magyarország Könyvvizsgáló Kft. egy magyar korlátolt felelősségű társaság, az egyesült királyságbeli BDO International Limited garancia alapú korlátolt felelősségű társaság tagja és a független cégekből álló nemzetközi BDO hálózat része.

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Key Audit Matter

How our audit addressed the Key Audit Matter

Revenue recognition

Refer to Notes 2.1.3, 2.3.3 and 26. in the consolidated annual financial statements

Revenue is an important measure used to evaluate the performance of the Group. As a consequence, it needs to be ensured that the revenue in the consolidated annual financial statements is real, accurate and refers to the current year. Revenue from sales transactions is recognized as of the performance date based on the terms of the delivery contracts.

Special revenue source is the referral fee payable by the financial institutes, which can be acquisition fee or maintenance (operative) fee. Acquisition fee is recognized relating to the contracting, while the maintenance fee is receivable if the contract is not terminated till a prescribed date. In case of maintenance fee the Group estimates the fee receivable from the loans contracted in the current year by means of a calculation method, considering the amount of contract terminations expected based on prior **years' experience. Based on the above the maintenance fee recognition bears estimation uncertainty.**

Our audit procedures supporting the revenue recognition included testing of controls as well as substantive audit procedures as follows.

We have performed review of the sales process relating to the operating of the franchise system and the own real estate brokerage network as well as the financial brokerage activity, during which we have assessed the risks in the certain processes, the existence of relating controls, and tested the operating effectiveness control procedures relevant to our audit.

Existence and accuracy of sales revenue have been tested on a sample basis and the items selected have been reconciled to source documents.

We have evaluated the appropriateness of the maintenance fee payable but not yet confirmed by the financial institutes, estimated by the management, by critically challenging the calculation method and the assumptions therein.

We have tested the last revenue invoices before and the first ones after the balance sheet date of 31 December 2016 evaluating whether they were recorded in the correct period. Also, we have tested the credit notes issued after the above balance sheet date in order to ensure that they did not refer to sales revenue recognized in the financial year of 2016.

We have tested manual journal entries regarding revenues based on the supporting audit evidences in order to identify unusual items.

Based on our procedures we have not identified material misstatements.

Key Audit Matter

How our audit addressed the Key Audit Matter

Valuation of investment properties

Refer to Notes 2.1.13, 2.3.4, 4. and 27. in the consolidated annual financial statements

Value of investment properties in the consolidated annual financial statements of the Group amounts to HUF 939 362 thousands as of 31 December 2016. Above balance sheet value reflects the estimated fair value of the investment properties determined by an independent external valuation expert engaged by the Group. As a consequence of the fair value adjustment, a revaluation gain of HUF 188 032 thousands has been recorded as other operating income.

The valuation is dependent on certain assumptions regarding factors influencing the value of properties, which bear uncertainty, thus the value of investment properties may change in parallel with the change of influencing factors.

Our audit procedures regarding the valuation of investment properties were as follows.

We have evaluated the independent external **valuer's professional competence, capabilities, objectivity.**

We have assessed the methodologies and the appropriateness of the key assumptions used by the valuer based on our knowledge of the property industry.

We have checked the accuracy and relevance of input data used for determining the balance sheet value of investment properties and checked the accuracy of the fair value adjustments by recalculating them.

Based on our procedures we have not identified material misstatements.

Valuation of investments in associates and joint ventures

Refer to Notes 2.4 and 7. in the consolidated annual financial statements

Duna House Holding Nyrt. owns 50% share in MyCity Residential Development Kft and in its wholly owned subsidiaries as well as in its 50% **share in a joint venture (hereinafter "MyCity").** The shareholdings in the above associates and joint venture need to be valued by applying equity method, i.e. the balance sheet value of investments in associates and joint ventures has increased by the 50% share of the Group in **MyCity's** net asset value increase, amounting to HUF 505 273 thousands.

Significant part of MyCity's net asset value increase is the result of the revaluation gain earned from the fair valuation of MyCity's investment properties.

Our audit procedures regarding the valuation of investments in associates and joint ventures were based on the procedures applied regarding the valuation of investment properties.

We have evaluated the independent external **valuer's professional competence, capabilities, objectivity.**

We have assessed the methodologies and the appropriateness of the key assumptions used by the valuer based on our knowledge of the property industry.

We have checked the accuracy and relevance of input data used for determining the balance sheet value of investment properties and checked the accuracy of the fair value adjustments by recalculating them.

<i>Key Audit Matter</i>	<i>How our audit addressed the Key Audit Matter</i>
As a consequence, the audit of the valuation of investments in associates and joint ventures was challenging professional task due to the factors prescribed relating to the previous key audit matter, i.e. the valuation of investment properties.	We have checked the accuracy of the calculation regarding the Group's share from the change in the net asset of MyCity investments. Based on our procedures we have not identified material misstatements.

Other information: the business report

Other information comprises the consolidated business report of Duna House Holding Nyrt. and its subsidiaries for 2016. Management is responsible for the other information and for the preparation of the consolidated business report in accordance with the relevant provisions of the Act C of 2000 on Accounting (hereinafter: "the Accounting Act") and other regulations. Our opinion on the consolidated annual financial statements provided in the section of our report entitled "Opinion" does not apply to the other information.

Our responsibility in connection with our audit of the consolidated annual financial statements is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated annual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Furthermore, in accordance with the Accounting Act, our responsibilities regarding the consolidated business report also include reviewing the consolidated business report to assess whether the consolidated business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, if any.

Due to the fact that Duna House Holding Nyrt's **transferable securities have been admitted to trading on the regulated market of Member State of the European Economic Area**, our opinion has to cover the information mentioned under Section 95/B (2) e) and f) of the Accounting Act and we have to declare whether the information mentioned under Section 95/B (2) a)-d) and g) of the Accounting Act have been disclosed.

In our opinion, the consolidated business report of Duna House Holding Nyrt. and its subsidiaries for 2016, including the information mentioned under Section 95/B (2) e) and f) of the Accounting Act, corresponds to the consolidated annual financial statements of Duna House Holding Nyrt. and its subsidiaries for 2016 and the consolidated business report was prepared in accordance with the provisions of the Accounting Act.

As the Group is not subject to additional requirements under any other regulation in connection with the consolidated business report, our opinion on the consolidated business report does not include an opinion under Section 156 (5) h) of the Accounting Act.

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In addition to the above, based on the information obtained about the Group and its environment, we must report on whether we became aware of any material misstatements in the other information and, if so, on the nature of such material misstatements. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated annual financial statements

Management is responsible for the preparation and fair presentation of the consolidated annual financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual financial statements, management is responsible for assessing the Group's **ability to continue as a going concern, disclosing, as applicable, matters related to going concern** and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

The auditor's responsibilities for the audit of the consolidated annual financial statements

Our objectives during the audit are to obtain reasonable assurance about whether the consolidated annual financial statements as a whole are free from material misstatement, whether due to fraud or **error, and to issue, on the basis of the above, an auditor's report that includes** our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Hungarian National Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual financial statements.

As part of an audit in accordance with the Hungarian National Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- **Conclude on the appropriateness of management's use of the going concern basis of accounting and,** based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw **attention in the auditor's report** to the related disclosures in the consolidated annual financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our **auditor's report**. **However, future events or conditions may cause the** Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual financial statements, including the disclosures, and whether the consolidated annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the Group's internal control that we identify during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated annual financial statements of the current **period and are therefore the key audit matters. We describe these matters in our auditor's report unless** law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditor's report are the signatories of the report.

Budapest, 27 March 2017

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This is the translation of the original Hungarian statutory report. In case of any discrepancies, the original Hungarian version prevails.

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