DUNA HOUSE HOLDING NYRT.'s

CONSOLIDATED BUSINESS REPORT

ON THE GROUP'S BUSINESS ACTIVITY IN THE FIRST HALF OF 2017

1. Group description

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

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

The core activities of the Company include:

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

1.1 Consolidated companies

As a Subsidiary

	address	30 June 2017	31 December 2016
Duna House Biztosításközvetítő Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Hitel Centrum Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
DH Projekt Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Duna House Ingatlan Értékbecslő Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Duna House Franchise Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Energetikai Tanúsítvány Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Superior Real Estate Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Home Management Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
REIF 2000 Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
GDD Commercial Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%

SMART Ingatlan Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Impact Alapkezelő Zrt.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Home Line Center Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Metrohouse Franchise S.A.	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
Metrofinance Sp. z.o.o	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
MH Południe Sp. z.o.o	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
Metrohouse Uslugi Wspólne S.A	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
MH Warszawa Sp. z.o.o	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
MyCity Residential Development Kft.	1016 Budapest, Gellérthegy u. 17.	100%	-
Pusztakúti 12. Kft.	1016 Budapest, Gellérthegy u. 17.	100%	-
Reviczky 6-10. Kft.	1016 Budapest, Gellérthegy u. 17.	100%	-
Zsinór 39 Kft.	1016 Budapest, Gellérthegy u. 17.	100%	-
IH Project X Kft.	1016 Budapest, Gellérthegy u. 17.	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 an associated company and joint venture

	address	**30 June 2017**	**31 December 2016**
MyCity Residential Development Kft.	1016 Budapest, Gellérthegy u. 17.	-	50%
Pusztakúti 12. Kft.	1016 Budapest, Gellérthegy u. 17.	-	50%
Reviczky 6-10. Kft.	1016 Budapest, Gellérthegy u. 17.	-	50%
Zsinór 39 Kft.	1016 Budapest, Gellérthegy u. 17.	-	50%
IH Project X Kft.	1016 Budapest, Gellérthegy u. 17.	-	50%
Hunor utca 24 Kft.	1016 Budapest, Gellérthegy u. 17.	50%	25%

2. Markets and economic environment

2.1 Real estate market

The Hungarian residential real estate market closed a strong six months in June 2017. According to the estimate of Duna House Group, the total number of transactions in the first half of 2017 is close to 75,000, which means a significant, 13% increase compared to the previous year, whereas in comparison with the first half of 2016, it is a 12% decrease. Based on the data published in the Duna House Barometer, published by Duna House Franchise Ltd. real estate prices peaked again on a national level.[1]

According to the estimate of the Polish office of Ernst & Young, in 2016, due to low interest rates, the continuously growing economy and more favourable prices than those in Western Europe, the entire Polish real estate market reached a record breaking transactional sum of more than EUR 4.5 billion. Sales increased by 20% compared to the previous year, and the new real estate developments of the previous years were continuously progressing.[2]

No public and objective data is available on the macroeconomic development of the Polish real estate market, and more specifically the residential real estate market in the first part of 2017.

2.2 Credit market

According to the analysis of the Hungarian National Bank, Hungarian retail credit market increased by 2.8% on an annual level until June 2017. 17% of the new loans were granted for the purchase or construction of new apartments. Due to the spread of Minősített Fogyasztóbarát Lakáshitel (Qualified Consumer Friendly Housing Loan), more severe competition is expected amongst the market players in the next period. The growth of salaries is further supported by the Hungarian family support system (Homemaking Discount for Families). 16% of the volume of new home loans was related to this in the previous period. [3]

One of the characteristics of the credit market in Poland is that no objective public data are available on the share of lending through credit brokers or trends in the commission paid to them.

[1] *Source: Issue 72. of Duna House Barométer published by Duna House Franchise Kft*

[2] *Source: The Polish Real Estate Guide 2017 (*http://www.ey.com/pl/pl/industries/real-estate/the-polish-real-estate-guide-2017-en)

[3] *Source: MNB: Credit procedures August 2017, May 2017*

3. The Group's financial and equity situation

3.1 Profit and Loss Statement

data in HUF thousands	**01.01.2017. – 30.06.2017.**	**01.06.2016.- 30.06. 2016.**
Net turnover	2,282,831	2,003,283
Other operating income	65,508	149,696
Total income	**2,348,339**	**2,152,979**
Stock movement of self-produced inventory	-301,760	0
Material costs	29,988	26,643
Goods and services sold	423,748	568,225
Services used	1,401,987	708,985
Staff costs	281,601	194,173
Depreciation and amortisation	40,343	37,264
Other operating charges	53,296	67,183
Operating costs	**1,929,203**	**1,602,473**
Operating profit/loss	**419,136**	**550,506**
Financial revenues	169,933	72,163
Expenses on financial transactions	-24,405	-32,568
Ownership interest measured with the equity method	87,619	480,929
Profit or loss before tax	**652,283**	**1,071,030**
Income taxes	-98,242	-130,872
After-tax profit	**554,041**	**940,157**

Source: The Company's audited and not audited IFRS Annual and Semi-annual Reports

The Company's income rose by a total of 9% relative to 2016. Within that net sales grew by 14% representing HUF 280 million in surplus income.

Operating costs rose significantly by approximately 20%, and we could close the first half of the 2017 business year with HUF 327 million of extra costs compared to the previous year. This is also affected by the double acquisition effect, as in the first quarter of 2016, Polish activity was not yet part of the Group, and on the other hand, the performance of MyCity Residential Development Ltd and its subsidiaries were not fully consolidated by way of the share of only 50% at that time. HUF 301,760,000 indicated in the row of self-produced inventory offsets, in the profit and loss account, the costs listed in the direct costs of residential real estates being performed in these project companies.

The Company's tax liability comprises corporate tax and business tax liability. The combined amount of actual and deferred taxes due for the first half of 2017 was HUF 198 million.

The growth indicated in the row of financial income mostly includes the badwill entered in connection with the acquisition of the MyCity Group in the current year. Further difference in comparison with the comparative period is the fact that the 50% share in the MyCity Group, which was consolidated by the equity method last year, the revaluated realized value of which was HUF 481 million was not realized this year due to the full consolidation of the same.

Overall, the Company’s taxed profit rose by 41% from HUF 940 million to HUF 554 million.

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

Revenue type	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
Income from financial brokerage	876,038	735,930
Income from own office segment	692,335	439,694
Income from franchise segment	524,352	442,175
Income from related services	124,888	116,974
Income from all segments	45,084	40,662
Income from investment segment	20,133	227,847
Total	**2,282,831**	**2,003,282**

Source: The Company's audited and not audited IFRS Annual and Semi-Annual Reports

The increase of income of HUF 279,549,000 compared to the comparative period is primarily explained by the higher income of the financial brokerage, own office and franchise segments, in which acquisition effect of a quarter of a year is also apparent, as the Polish Metrohouse Group has only been a member of the group from 1 April 2016. A new element is the income from the fund manager’s fee and success fee, which is charged by Impact Alapkezelő Zrt for the management of Impact Lakóingatlan Befektetési Alap (Impact Residential Apartment Investment Fund). As in the current period, no real estates were sold either for own purpose or investment purpose, the “income from sale of real estate” is empty compared to the amount of HUF 196,720,000 of last year.

Segment income statement

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

Group

01.01.2017 – 30.06.2017

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

Group

01.01.2016 – 30.06.2017

million HUF	Franchise segment	Financial product brokerage segment	Own office segment	Related services segment	Property investment segment	Other and eliminations	Consolidated total
Net turnover	563	736	465	120	258	-139	2 003
Direct costs	81	403	219	49	164	19	935
Gross margin	482	333	246	71	94	-158	1 068
Indirect operating costs	410	60	176	48	-71	-142	481
EBITDA	72	273	70	23	165	-16	587
Depreciation and amortization	16	1	7	1	10	2	37
EBIT	56	272	63	22	155	-18	550
Contribution margin	86%	45%	53%	59%	36%	114%	53%
EBITDA margin	13%	37%	15%	19%	64%	12%	29%
EBIT margin	10%	37%	14%	18%	60%	13%	27%

Source: The Company's audited and not audited IFRS Annual and Semi-annual Reports

Unlike consolidated sales revenues, which rose by HUF 280 million, the contribution margin increased from 53% in the first half of 2016 to 56%; and gross contribution margin increased from HUF 1,068 million in 2015 to HUF 1,272 million (a 19% rise). Direct costs grew by 8% from HUF 935 million to HUF 1,011 million.

The Group's consolidated operating profit decreased from HUF 550 million of the comparative period to HUF 419 million in this year, i.e. by 24%.

The Company's operations cover six segments: (1) the franchise segment, (2) Own office operating segment, (3) financial brokerage segment, (4) sale of related services segment, (5) property investment segment and (6) Other and elimination segment. What follows presents the individual segments and their performance:

(1) The franchise segment carries out the operation of the franchise system that runs under the Danube House and Smart Ingatlan brands. The Company is Hungary's largest residential real estate agency franchise network. With effect from April 2016, the franchise segment comprises Metrohouse Franchise S.A. and MH Uslugi Wspólne Sp. z.o.o, both Metrohouse companies and with effect from September 2016, the Czech Duna House Franchise s.r.o.

(2) Own office operating segment: Through own offices operated under the Danube House and Smart Ingatlan brands, the Company owns one of the leading real estate agency network in Hungary. With effect from April 2016, the Own office operating segment comprises MH Południe Sp. z.o.o and MH Warszava Sp. z.o.o, both Metrohouse companies in Poland and with effect from September 2016, the Czech Center Reality s.r.o.

(3) financial products brokerage segment: In line with the multiple agency contracts concluded with credit institutions and insurance companies, the Group offers a wide range of financial products to its customers. The performance of Metrofinance Sp. Z.o.o is reported in this segment as well.

(4) sale of related services segment: these related services is linked mainly to property sales. Engaging independent contractors, it issues energy certificates to home sellers and provides property appraisal services for financial institutions and other market players. As Home Management it also provides property management services for clients letting their property.

With effect from the 2017 business year, Impact Asset Management Zrt. will be included in this segment.

(5) real estate investments segment: relying on its real property market expertise, the Company purchases properties.

Compared with HUF 258m374,000 earned in sales revenue in the first half of 2016, the Company posted HUF 52,310,000 this year in this segment. Gross margin decreased from HUF 93,897,000 to HUF 47,575,000. The main underlying reason for decrease in sales revenue and coverage was the sale of a considerable portion of the investment property portfolio, performed meanwhile, due to a change in the management's focus on property development projects in the MyCity project.

Acquisition of MyCity Group

To further strengthen its real estate developer activities, on 12 March 2017 DUNA HOUSE signed a contract with the Eldar Investments (H.L.A.) Ltd. in order to obtain an additional 50% business share of MyCity Residential Development Kft. (registered office: (1016 Budapest, Gellérthegy utca 17.; Cg. 01-09-984485; hereinafter: 'MyCity')

After the financial settlement of the contractual terms and conditions, DUNA HOUSE will become a 100% owner of MyCity. The amount of total payment under the contract is EUR 2.2 million, of which EUR 1 million is the purchase price of the business share, and EUR 1.2 million is the purchase price of the shareholder's loan and interest claims against MyCity arising from the previous financing activities of Eldar Investment (HLA) Ltd.

MyCity has four subsidiaries and one jointly controlled company. As the result of the transaction, DANUBE HOUSE gained controlling influence over Pusztakúti 12 Kft., Reviczky 6-10. Kft., Zsinór 39 Kft. and IH Project X Kft., while Hunor utca 24. Kft. became a jointly controlled company of DUNA HOUSE. The aim of these project companies is to implement real estate development projects that are being carried out in different points in Budapest (Forest Hill, Reviczky Park, Iris House, MyCity Residence).

In the opinion of DUNA HOUSE's management, property development under the MyCity project is on course for success and has been contributing to property development in general to an increasingly large extent.

In the management's view the purchase price of the 50% business share of MyCity is favourable. As a result of the acquisition of MyCity, DUNA HOUSE's risk exposure typical of the property development market has grown in proportion to potentially higher profits. From the risks typical for the real estate development activity the management focuses mainly on the increasing construction related costs. In the management's opinion, increasing construction costs can, at least in part, be counterbalanced by a planned increase in sales prices subsequent to the closing of the pre-sale phase. This is a likely scenario for Reviczky Liget and Forest Hill if the current market conditions do not start deteriorating. There is strong demand for the projects under way and the management does not foresee any adverse market trends.

Having acquired controlling influence over MyCity, DUNA HOUSE fully consolidated both MyCity and its special purpose vehicles (SPVs) (with the exception of Hunor utca 24. Kft.) in its financial statements. As the result of the full consolidation, the consolidated balance sheet of the DUNA HOUSE Group contains, among others, bank loans related to inventories of significant amount as well as investment properties and their financing. These guarantees securing these bank loans are non-recourse guarantees, i.e. their enforceability is limited to MyCity and its special purpose vehicles.

(6) Transactions in the segment were consolidated in the statement. The "Other and eliminations" column includes the effect of the central services and filters out the traffic between segmentsWith effect from 2017, the activity of Impact Asset Management Zrt. is presented in the sale of related services segment.

3.2 Assets

	30.06.2017	31.12.2016
ASSETS		
Long-term assets		
Intangible assets	57,834	84,692
Investment property	1,168,077	939,362
Land and buildings	535,933	519,319
Plant and equipment	88,731	53,920
Goodwill	1,029,015	992,089
Investments in associated companies and joint ventures	212,172	506,273
Financial instruments	68,063	66,401
Deferred tax assets	159,169	158,829
Total long-term assets	**3,318,994**	**3,320,885**
Current assets		
Inventory	2,241,528	11,616
Trade receivables	521,425	286,205
Amounts owed by affiliated undertakings	136,158	378,709
Other accounts receivable	71,347	53,648
Actual income tax assets	32,949	35,119
Accrued and deferred assets	277,961	321,744
Cash and equivalents	680,238	1,583,686
Total current assets	**3,961,606**	**2,670,727**
Total Assets	**7,280,600**	**5,991,612**

Source: The Company's audited and not audited IFRS Annual and Semi-annual Reports

The balance sheet total grew significantly by HUF 1,289 million (21%) relative to 31 December 2016, which almost totally can be attributed to the growth of current assets. Inventory value of 30 June 2017 mostly includes the cost basis of residential property projects carried out in the project companies, indicated on the balance sheet date.

3.3 Liabilities

data in HUF thousands

LIABILITIES	30.06.2017	31.12.2016
Equity		
Subscribed capital	171,989	153,050
Capital reserve	1,490,536	9,479
Exchange reserve	-12,111	-23,318
Retained earnings	2,522,222	2,444,092
Total equity of the parent company	**4,172,636**	**2,583,303**
Non-controlling ownership interest	-45,540	-40,154
Total equity:	**4,127,096**	**2,543,149**
Long-term liabilities		
Long-term loans	742,168	582,664
Deferred tax liabilities	152,801	86,557
Other long-term liabilities	3,830	10,629
Total long-term liabilities	**898,799**	**679,850**
Short-term liabilities		
Short-term loans and borrowings	470,386	198,830
Accounts payable	280,026	68,975
Liabilities to affiliated companies	196,276	1,740,880
Other liabilities	849,833	264,302
Actual income tax liabilities	1,940	11,284
Accrued expenses	456,243	484,342
Total current liabilities	**2,254,705**	**2,768,613**
Total liabilities and equity	**7,280,600**	**5,991,612**

Source: The Company's audited and not audited IFRS Annual and Semi-annual Reports

The Company’s equity is HUF 171,989,000, which comprises 3, 438,787 dematerialised ordinary shares each with a face value of HUF 50 and 1,000 preferred shares each with a face value of HUF 50.

Dividend priority right is related to employee shares issued by the Company, as specified below. If the general assembly orders the payment of dividends in a given year, the employee shares providing dividend priority provide the right to dividend prior to ordinary shares, up to 6% of after tax profit indicated in the annual report prepared based on the IFRS with regard to the same year (corrected by the effect of the evaluation of real estate for investment purposes and the revaluation of the shares included in the consolidation by the equity method.

Employee shares shall only have the abovementioned dividend rights. Accordingly, employee shares shall not give rights to dividends on top of the abovementioned amount, furthermore employee shares shall not give rights to dividends, if with regard to the given financial year, the corrected after tax profit in the consolidated annual report prepared based on the IFRS is negative.

The right to dividends in employee shares is not cumulative and the Board of Directors shall make a decision on the date of the payment of dividends.

The maximum amount of payable dividend related to priority shares was taken into account upon the EPS calculation.

At the annual regular general assembly of the Company held on 20 April 2017, dividends in the amount of HUF 479,260,000 were approved. In line with the above, holders of preferred shares are eligible for an amount equal to 6% of the after tax profit less the 2016 revaluation of investment property and the revaluation of shares included in the consolidation by the equity method (i.e. HUF 32,217,000); Holders of ordinary shares are eligible for HUF 447,043,000.

The payment of dividends for ordinary shares was performed in one sum on 19 June 2017 and the payment of dividends for employee shares with priority right of dividend are paid quarterly in four equal sums, and the first date of payment was 30 June 2017.

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement

all data in HUF thousand unless otherwise stated

	01.01.2017–30.06.2017	**01.01.2016 – 31.12.2016**
Operating cash flow		
After-tax profit	554.041	1.167.859
Adjustments for:		
Amortisation for the year	40,343	77,795
Deferred taxes	-19,306	-96,164
Revaluation of investment property	-22,469	-188,031
Badwill	-139,595	-56,272
Evaluation of shares with the equity method	87,619	-505,273
Changes in working capital		
Changes in inventories	-299,196	-3,122
Changes in trade and other and related receivables	-150,031	-612,728
Changes in accrued and deferred assets	29,505	90,658
Changes in trade and related payables	-875,880	33,742
Other current liabilities and accruals	199,996	238,807
Changes in accrued and deferred liabilities	-14,765	191,543
Net operating cash flow	***-309,676***	***338,815***
Cash flow from investing activities		
Tangible assets and (purchase of) intangible assets	-108,315	-819,605
Income from the sale of tangible assets	2,459	1,096,588
Purchase of subsidiary (without acquired financials)	171,668	-873,464
Net cash flow from investment	***-277,524***	***-596,481***
Cash flow from financing		
Bank loans/(repayment)	173,916	172,339
Capital contribution	-	1,499,997
Purchase/sale of securities	-	-
Received/(paid) interest	-477,112	-246,730
Dividend payments	-13,051	-
Net cash flow from financing	***-316,248***	***1,425,605***
Net change in cash and cash equivalents	-903,448	1,167,939
Balance as at the beginning of the year for cash and cash equivalents	1,583,686	415,747,
Balance as at the end of the year for cash and cash equivalents	**680,238**	**1,583,686**

Source: The Company's audited and not audited IFRS Annual and Semi-annual Reports

The Company's operating cash flow amounted to HUF 310 million in the first half of 2017.
Investment cash flow was improved mostly by the fact that acquisitions of the size of last year were not made this year. Investment cash flow was decreased by a HUF 108 million balance between the purchase and sale of tangible assets. The significant decrease of the volume of purchase and sale is due to the significant reduction of the real estate portfolio performed in the meantime.
Dividend payment reduced financing cash flow by HUF 477 million and the change of the amount was mainly due to the failure to pay the amounts for the increase of capital last year, which is regarded as one item.
The end-of-the period of cash and cash equivalents is HUF 903 million lower than what it was at the end of the comparable period. Without the abovementioned payment of dividend and the March end acquisition of MyCity Group, the cash flow of the group would have resulted in an outflow by less than HUF 800 million.

4. Environmental profession, social responsibility, employment policy

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

Our Company's employment policy and ensuring its consistency between the individual countries are currently under way. The increase of the average statistical headcount compared with the comparable period is attributable to an increase in the personnel of the Hungarian operation to 84 people, as well as the acquisition in Poland and the Czech Republic. The number of hours to be worked taken into account, the average number of employees in subsidiaries in Poland was 15, while in the case of the Czech subsidiaries the headcount in the first part of 2017 was one. Of the HUF 281,601,000 balance of the personnel related expenses, the Polish and Czech subsidiaries' share amounted to HUF 36,903,000.

5. Information on equity and share capital

Increase of the Company's equity

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

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

The origination of new shares issued during the equity increase was on 28 March 2017.

As at 30 June 2017, the composition of the Company's equity was as follows:

Type of shares	Class of shares	Share series	Number of shares issued	of which: Treasury shares	Nominal value per share	Total nominal value
ordinary shares	-	"A"	3,438,787	0	HUF 50	HUF 171,939,350
preferential	employee 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 shares with voting rights	Number of voting rights per share:	Total number of votes	of which, the number of votes per Treasury share	Number of non-voting shares
"A"	3,438,787	3,438,787	50	171,939,350	0	-
"B"	1,000	1,000	50	50,000	0	-
Total	**3,439,787**	**3,439,787**	**-**	**171,989,350**	**0**	**-**

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[4] each with a significant direct or indirect ownership share in the Company's equity, with the shares based on a pyramid structure and the cross-shares taken into account.

Name of shareholder	Number of shares held (number)	Share in equity (%)
Gay Dymschiz	1,346,533	39,15%
Doron Dymschiz	1,346,533	39,15%
Total equity	**3, 439,787**	**100.0%**

[4] Related to 30 June 2017

7. Restrictions on the transfer of shares

Prohibition of alienation on ordinary shares

Name of shareholder			Ferenc Máté	Kinga Szalay	Bernadett Szirtes	Krisztián Fülöp	Dr András Szabadházy	Nir Bitkover	Guy Dymschiz**	Doron Dymschiz**	Total
Number of ordinary shares held (number)			30,000	2,182	1,364	2,182	1,364	2,182	1,346,533	1,346,533	2,732,340
Is alienation prohibited?			yes	yes	yes	yes	yes	yes	yes	yes	
Prohibition of alienation	Beginning of the period	End of the period	Number of shares under prohibition of alienation								
	16.09.2015	31.12.2017*	30,000	2,182	1,364	2,182	1,364	2,182	1,346,533	1,346,533	2,732,340
	01.01.2018	31.12.2018	27,000	1,746	1,091	1,746	1,091	1,746	0	0	34,420
	01.01.2019	31.12.2019	24,000	1,309	818	1,309	818	1,309	0	0	29,563
	01.01.2020	31.12.2020	21,000	873	546	873	546	873	0	0	24,711
	01.01.2021	31.12.2021	18,000	436	273	436	273	436	0	0	19,854
	01.01.2022	31.12.2022	15,000	0	0	0	0	0	0	0	15,000
	01.01.2023	31.12.2023	12,000	0	0	0	0	0	0	0	12,000
	01.01.2024	31.12.2024	9,000	0	0	0	0	0	0	0	9,000
	01.01.2025	31.12.2025	6,000	0	0	0	0	0	0		6,000
	01.01.2026	31.12.2026	3,000	0	0	0	0	0	0	0	3,000

*prohibition of alienation from the signature date of the share purchase contract as inception date, for 1 year from the commencement of trading in the ordinary shares (11 November 2016), however, no later than 31.12.2017.

The table shows the total number of ordinary shares owned directly and indirectly – through, inter alia, Medasev Holding Kft. and Medasev Int. (Cyprus) Ltd – by Guy Dymschiz and Doron Dymschiz.

In paragraph 4.1.8 (b) of the Summary Brochure prepared in connection with the public offering of the shares of Duna House Holding Nyrt. and permitted to be disclosed by the National Bank of Hungary in its resolution no. H-KE-III-716/2016 dated 12 October 2016, Medasev Holding Kft. and Medasev Int. (Cyprus) Ltd. voiced their firm intention that, apart from the shares of Duna House Holding Nyrt. sold within the framework of the public offering, in order to ensure the predictability of a market for them and their stock exchange trading, they would not resell such shares within 1 year from the allocation of the shares and would not vote in support of any proposal based on which, within 1 year from the allocation, apart from the shares of Duna House Holding Nyrt. sold within the framework of the public offering, the equity of Duna House Holding Nyrt. would be raised or securities entitling the holders to subscribe, purchase or take over the shares of Duna House Holding Nyrt., and that it would not enter into any agreement pertaining to the foregoing.

Furthermore, in paragraph 4.1.8 (e) of the said Summary Brochure, Guy Dymschiz and Doron Dymschiz made a commitment to the effect that, apart from the Duna House Holding Nyrt. shared sold within the framework of the public offering, in order to ensure the reliability of the market for and stock exchange trading of such shares, they will not resell such shares within 1 year from the allocation of the shares.

The following prohibitions of alienation stipulated in the relevant contracts apply to the shares held by MKC Investments Sp. z.o.o.

DH mortgage contract between MKC Investments Sp. z o.o. as Mortgagor and the Company as Mortgagee (21 April 2016)

Pursuant to the contract, MKC Investments Sp. z o.o. placed the 91,500 Duna House Holding Nyrt. shares held by it with an outside depositary and established a mortgage lien on those shares. The mortgage lien serves as collateral securing the obligations of MKC Investments Sp. z o.o. related to the sale of its ownership share in Metrohouse Franchise S.A. The mortgage contract stipulates that, after the first public offering, MKC Investments Sp. z o.o. may sell the mortgaged shares if, concurrently with the sale of the ownership share, part of the proceeds from the sale is paid as a down payment to a blocked account, which, along with the collateral, are deposited. The mortgagee may use the mortgage shares to satisfy its claims by selling them after the public offering or if such offering has already taken place, by purchasing them. Pursuant to the contract, the shares are deposited for 2 years, which period can be extended if the mortgagor raises a claim vis-á-vis the mortgagee that is secured by the mortgaged property.

Share purchase and lock-up contract between Medasev Holding Kft. and MKC Investments Sp. z o.o. (21 September 2016).

On 21 September 2016, Medasev Holding Kft. as buyer, MKC Investments Sp. z.o.o. as seller, and the Company and Medasev Int. (Cyprus) Ltd. entered into a share sales contract, pursuant to which, with effect from the date of the commencement of trading in the Company's shares, MKC Anvestments Sp. z.o.o. sells a certain portion of its shares in the Company to Medasev Holding Kft. The number of the shares was calculated in accordance with the following formula: 91.500 * 3 * (A-B) / C, where: A = the number of the shares sold by Medasev Holding Kft. in the sales transaction. B = the number of the shares issued in the course of the capital increase after the sale. C = the combined number of the shares held by Medasev Holding Kft. and Medasev Int. (Cyprus) Ltd. prior to the public sale. The purchase price to be paid for the shares by Medasev Holding Kft. as buyer to MKC Investments Sp. z.o.o. is equal to the purchase price of the shares sold by Medasev Holding Kft. within the framework of the public sale. Under the contract, MKC Investments Sp. z o.o. undertook – within 1 year from the date of the commencement of the stock exchange trading of the shares – not to sell those shares which have not been sold to Medasev Holding Kft. pursuant to the foregoing. The contracting parties agreed that the provision set out in the share purchase agreement concluded by the Company and MKC Investments Sp. z.o.o. on 21 April 21 according to which in the case of a public sale MKC Investments Sp. z o.o. was allowed to sell three times more shares than other shareholders would be repealed.

As at 30 June 2017, the number of the shares held by MKC Investments Sp. z.o.o and under prohibition of alienation was 66,987.

Prohibition of the alienation on preferred employee shares:

Name of shareholder			Ferenc Máté	Anikó Varga	Kinga Szalay	Bernadett Szirtes	Dr András Szabadházy	Zoltán Tóth	Angelika Fóris	Total
Number of preferred employee shares held (number)			151	150	150	80	65	150	110	856
Is alienation prohibited?			yes	yes	yes	yes	yes	yes	yes	yes
ion of alienatio	Beginning of the period	End of the period	Number of shares under prohibition of alienation							
	16.09.2015	indefinite**	151	150	150	80	65	150	110	856

*** The shareholder grants Guy Dymschiz or Doron Dymschiz the right of first refusal in accordance with Section 6:221 and the right of repurchase in accordanc with Section 6:224 of Act V of 2013 on the Civil Code for indefinite duration.*

8. Other issues regarding controlling powers and executive officers

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

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

9. Risk management

The Company's assets contain liquid assets, securities, trade and other receivables and other assets excluding deferred tax assets. The Group's resources include loans and borrowings, supplier and other payables, excluding the gains or losses arising from the revaluation at fair value of taxes and financial liabilities.

The Group is exposed to the following financial risks:

- credit risk
- liquidity risk
- market risk

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

The objective of the Group's risk management policy is to filter out and examine the risks the Group faces, to set the appropriate controls and to monitor the risks. The risk management policy and the system are reviewed so that it does reflect the changed market conditions and the Group's activities.

Capital management

The Group's policy is to preserve the registered capital that is sufficient for investor and creditor confidence in the future to sustain the future development of the Group. The Board of Directors seeks to maintain a policy whereby the Company undertakes a higher exposure arising from the lending activity only with a higher rate of return, based on the advantages provided by a strong capital position and security.

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

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

The Company’s capital risk was not significant in the first half of 2017.

Risk arising from the lending

The risk arising from the lending activity constitutes the risk which arises from the failure of the borrower or partner to fulfil its contractual obligations, which in turn results in a financial loss for the Group. Financial instruments that are exposed to credit risks may be long or short-term placements, cash and cash equivalents, trade and other receivables.

The book value of financial instruments shows the maximum risk exposure. The table below shows the maximum credit risk exposure of the Group on 31 December 2016 and 31 December 2015.

	30 June 2017	**31 December 2016**
Trade receivables	521,425	286,205
Other accounts receivable	71,347	53,648
Financial instruments	68,063	66,401
Cash and cash equivalents	680,238	1,583,686,
Total	**1,341,073**	**1,989,940**

Liquidity risk

Liquidity risk is the risk that the Group is unable to fulfil its financial obligations by the due date. Under the Group's liquidity management approach, there should always be sufficient liquidity available to cover the Group's obligations when they fall due under both standard and stressed circumstances without the Group's incurring unacceptable losses or risking its reputation.

Market risk

Market risk is the risk that a change in the market prices, such as exchange rates, interest rates and prices of investments in mutual funds will affect the Group's profit or the value of its investments made in financial instruments. Market risk management is aimed at managing market risk exposure and keeping it at an acceptable level while optimising profitability.

Real estate developer's risk

On top of the previously mentioned financing and market risks typical of the real estate development activity, the Company mostly focuses on increasing construction costs. Until the bank financing, the MyCity Group is exposed to increasing liquidity risk by the increase of the number of projects to be performed in the project companies and the advancement of the development phase.

The Group has concluded that, fundamentally, its profit much depends on key variables of a financial nature and on the interest rate risk, therefore, it has carried out sensitivity analyses in these key variables.

The Group strives to ensure the reduction of the interest rate risk primarily by committing the liquid assets. The Group's currency risk is insignificant, primarily because in all three countries it carries out the sales and purchases in the given country's currency. The Group does not enter into currency hedging transactions.

10. Changes after the balance sheet date

After the balance sheet date, nothing significant has happened until the approval of publication.

11. Declaration on corporate governance

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

12. Declaration on responsibility

The Board of Directors of the Company prepared this report to the best of their knowledge on the basis of the data of the – not audited, thus not annexed by an independent auditor's report - consolidated report related to the first half of 2017 prepared in accordance with the International Financial Report Standards (IFRS).

This report, which is not audited and is consolidated, provides a true and reliable picture of the Company's situation and performance and those of its businesses involved in the consolidation, introducing the major risks and factors of insecurity of the remaining six months of the financial year.

Budapest, 29 September 2017

Persons authorised to sign the (consolidated) business report:

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