DUNA HOUSE HOLDING NYRT.

CONSOLIDATED FINANCIAL STATEMENTS

IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
31 December 2019

DUNA HOUSE®

Contents

Consolidated balance sheet data provided in thousands HUF, unless indicated otherwise

ASSETS	*Notes*	31.12.2019	31.12.2018
Long-term assets			
Intangible assets	*5*	43.826	66.807
Right-of-use assets	*6*	292.657	0
Investment property	*4*	1.836.000	1.443.600
Land and buildings	*3*	450.139	520.387
Machinery and equipment	*3*	249.573	171.100
Goodwill	*7*	1.359.972	1.320.667
Investments in associated companies and joint ventures	*8*	117.189	168.731
Financial instruments	*9*	85.821	79.950
Deferred tax assets	*10*	218.605	212.418
Total long-term assets		**4.653.782**	**3.983.659**
Current assets			
Inventories	*11*	5.508.399	3.882.715
Trade receivables	*12*	849.269	710.861
Amounts owed by related undertakings	*13*	126.093	154.622
Other receivables	*14*	519.527	386.607
Actual income tax assets		143.868	25.380
Accrued incomes	*15*	478.579	424.648
Cash and cash equivalents	*16*	1.627.726	756.919
Restricted cash	*16*	897.947	752.694
Total current assets		**10.151.408**	**7.094.448**
Total Assets		**14.805.190**	**11.078.107**

The real estates that form part of the Issuer's group are mortgaged to Raiffeisen Bank Zrt. The related information are set out in point 22 (Long-term loans) of the financial statements to the Consolidated Report (page 45).

Consolidated balance sheet

data provided in thousands HUF, unless indicated otherwise

LIABILITIES	*Notes*	31.12.2019	31.12.2018
Equity			
Subscribed capital	*18*	171.989	171.989
Treasury shares	*19*	(176.915)	(117.000)
Capital reserves	*18*	1.499.705	1.493.267
Exchange reserves	*20*	70.762	35.283
Retained earnings	*18*	4.045.277	3.917.124
Total equity of the parent company		**5.610.818**	**5.500.663**
Non-controlling ownership interest	*21*	(62.802)	(56.027)
Total share capital:		**5.548.016**	**5.444.637**
Long-term liabilities			
Long-term loan	*22*	6.049.325	236.082
Provisions for expected liabilities		0	8.327
Deferred tax liabilities	*23*	169.863	163.992
Other long-term liabilities		0	0
Lease liabilities	*6*	174.739	0
Total long-term liabilities		**6.393.927**	**408.401**
Current liabilities			
Short-term loans and borrowings	*22*	331.485	2.746.177
Accounts payable	*24*	789.872	599.094
Liabilities to related companies	*25*	29.853	292.360
Other liabilities	*26*	1.095.169	995.783
Short-term liabilities from leases		127.957	0
Actual income tax liabilities		103.600	128.386
Accruals and deferred income	*27*	385.311	463.269
Total current liabilities		**2.863.247**	**5.225.070**
Total liabilities and equity		**14.805.190**	**11.078.107**

Consolidated profit and loss account

data provided in thousands HUF, unless indicated otherwise

	Notes	01.01.2019-31.12.2019	01.01.2018 - 31.12.2018
Net sales revenues	*28*	7.891.743	7.985.170
Other operating income	*29*	219.960	302.790
Results from the sale of the Disposal Group	*17*	0	51.946
Total income		**8.111.703**	**8.339.907**
Variation in self-manufactured stock	*30*	(1.631.112)	(621.540)
Consumables and raw materials	*31*	128.560	61.618
Goods and services sold	*32*	1.325.067	1.405.221
Services purchased	*33*	5.646.369	4.415.172
Personnel costs	*34*	812.517	677.017
Depreciation and amortisation		90.483	99.697
Depreciation on right-of-use assets	*6*	127.594	0
Other operating charges	*35*	214.021	188.211
Operating costs		**6.713.498**	**6.225.396**
Operating profit/loss		**1.398.205**	**2.114.510**
Financial revenues	*36*	63.497	38.292
Financial expenses	*37*	(144.161)	(100.989)
Profit of participations valued with the equity method	*8*	(51.543)	(37.278)
Profit/Loss before taxation		**1.265.998**	**2.014.535**
Income taxes	*38*	193.102	310.085
After-tax profit		**1.072.896**	**1.704.450**
Other comprehensive income	*39*	**29.027**	**3.361**
Total comprehensive income		**1.101.923**	**1.707.811**
Of the total comprehensive income			
Attributable to the parent company		**1.108.699**	**1.715.258**
Attributable to external shareholders		**(6.776)**	**(7.446)**
Income per share (HUF)	*40*		
Basis		298	472
Diluted		298	472

The notes provided on pp. 9-70 constitute an integral part of the Consolidated Financial Statements.

Statement of changes in the consolidated equity

	Notes	Subscribed capital	Treasury shares	Capital reserves	Retained earnings	Exchange reserves	Total equity of the parent company	Non-controlling ownership interest	Total equity
Balance as at 31 December 2017		**171.989**	**0**	**1.490.536**	**2.862.649**	**27.518**	**4.552.692**	**(48.581)**	**4.504.111**
Dividends	*18*				(653.018)		**(653.018)**		**(653.018)**
Purchase of Treasury shares	*19*		(117.000)				**(117.000)**		**(117.000)**
Employee and management share schemes	*19*			2.731			**2.731**		**2.731**
Total comprehensive income					1.707.493	7.765	**1.715.258**	(7.446)	**1.707.812**
Balance as at 31 December 2018		**171.989**	**(117.000)**	**1.493.267**	**3.917.124**	**35.283**	**5.500.663**	**(56.027)**	**5.444.636**
Dividends	*18*				(945.104)		**(945.104)**		**(945.104)**
Purchase of Treasury shares	*19*		(59.915)				**(59.915)**		**(59.915)**
Employee and management share schemes	*19*			6.439			**6.439**		**6.439**
IFRS 9 impairment 2018 closing balance adjustments					37		**37**		**37**
Total comprehensive income					1.073.220	35.479	**1.108.699**	(6.776)	**1.101.923**
Balance as at 31 December 2019		**171.989**	**(176.915)**	**1.499.705**	**4.045.277**	**70.762**	**5.610.817**	**(62.803)**	**5.548.015**

The notes provided on pp. 9-70 constitute an integral part of the Consolidated Financial Statements.

Consolidated Cash Flow Statement
all data in HUF thousand unless otherwise stated

	Notes	01.01.2019-31.12.2019	01.01.2018 - 31.12.2018
OPERATING CASH FLOW			
Taxed profit		1.072.896	1.704.450
Adjustments:			
Interest received or paid is stated in the financing cash flow.	36-37	63.497	49.965
Reporting year depreciation and depreciation on right-of-use assets		218.077	99.697
Deferred taxes		(316)	(32.191)
Revaluation of investment property	29	(120.809)	(188.060)
Share scheme	19	6.439	2.731
Badwill		0	0
Shares measured with the equity method	8	51.543	37.278
Profit from the sale of instruments held for sale	17	0	(51.946)
Changes in working capital			
Changes in inventories	11	(1.625.683)	(437.313)
Changes in accounts receivable, other receivables and related receivables	12-14, 16	(506.540)	(274.351)
Changes in accrued and deferred assets	15	(53.931)	(108.203)
Changes in accounts payable and related liabilities	24-25	(114.215)	(150.633)
Other current liabilities and accruals and deferrals	26	74.601	(25.513)
Changes in accrued and deferred liabilities	27	(77.958)	75.133
Net operating cash flow		***(1.012.399)***	***701.043***
Investment cash flow			
Tangible and intangible assets purchased	3-5	(355.091)	(374.541)
Sale of tangible assets	3-5	7.772	51.846
Sale of instruments held for sale	17	0	250.000
Acquisition/Disposal of subsidiaries (excluding acquired liquid assets)		0	(271.731)
Net investment cash flow		***(347.319)***	***(344.425)***
Financing cash flow			
Bank loans/(repayment)		3.398.551	713.849
Capital contribution/ (Purchase of Treasury shares)	19	(59.915)	(117.000)
Changes in right-of-use and lease liabilities	5	(117.555)	0
Dividend payments	18	(927.058)	(632.325)
Interest received (paid)	36-37	(63.497)	(49.965)
Net financing cash flow from investment activities		***2.230.526***	***(85.441)***
Net change in cash and cash equivalents		870.807	271.177
Balance of cash and cash equivalents as at the beginning of the year		756.919	485.742
Balance of cash and cash equivalents as at the end of the year	16	**1.627.726**	**756.919**

The notes provided on pp. 9-70 constitute an integral part of the Consolidated Financial Statements.

1. General

1.1 Introduction to the company

The Duna House Holding Nyrt. - hereinafter referred to as “Company” or “Group” - was founded in 2003; its main activity is real estate and loan brokerage. It has been a leading service provider in the services sector, in particular, in the real estate and financial services sector, in Hungary for years now. The Group’s flagship is a national network of real estate agencies, which started operating in 2003. Now it employs over 1,400 persons serving customers at 165 locations. A transaction as a result of which Duna House Group, Hungary is now the sole owner of Metrohouse, the largest Polish real estate agency was closed in April 2016. At the time of the acquisition the Polish network had 80 offices and 600 sales officers, which the Group intends to develop in the future. Metrohouse was consolidated into the Duna House Group on 1 April 2016. On 2 September 2016 the Company acquired 80% participation in the Czech Duna House Franchise s.r.o and, through it, in two of its subsidiaries, Center Reality s.r.o and Duna House Hypotéky s.r.o., 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 annual consolidated financial statements were approved by the Board of Directors on 25 March 2020. The consolidated 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).

From 1 January 2005 the amended Hungarian Accounting Act permits Groups to prepare their consolidated financial statements according IFRS, announced in a Regulation in the Official Journal of the European Union. At the moment there is no difference between the Group IFRS and IFRS policies accepted by the EU according to the EU in acting processes and the activities of the Group. The disclosures in the financial statements comply with the requirements of the individual standards.

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

ii) Basis of the financial statements

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

The financial statements were prepared on the basis of the historical cost principle, except when the IFRS requires the use of a different valuation principle than the one stated in the accounting policy. The financial year is identical with the calendar year.

iii) Basis of the valuation

In the case of consolidated 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 consolidated financial statements. The accounting policies were applied consistently for the periods covered by these consolidated financial statements. The most important accounting principles applied during the preparation of the financial statements were as follows:

2.1 Main components of the accounting policy

2.1.1 Basis of consolidation

Subsidiaries

The consolidated annual financial statements include Duna House Holding Nyrt. and the subsidiaries controlled by it. In general, control means that the Group holds, either directly or indirectly, more than 50% of the votes of the particular company and enjoys the advantages of its activities through an influence on its financial and operational activates.

The acquisition accounting method is applied to the acquired business shares. This method uses the values at the time of the acquisition based on the market values of the assets and liabilities at the time of the acquisition, i.e., when control is obtained. The cost of acquisition equals the total of the consideration plus the total non-controlling shares in the acquired business. The companies acquired or sold during the year are included in the consolidated financial statements from or to the date of the respective transaction.

The transactions, balances and profits as well as non-realised profits between the companies involved in the consolidation are eliminated. During the preparation of the consolidated annual financial statements the similar transactions and events are recorded according to consistent accounting principles.

The equity and profit shares of non-controlling shareholders are presented in separate rows in the balance sheet and in the profit and loss account. In terms of business combinations the non-controlling shares are presented either at fair value or as the value of the amount from the fair value of the net assets of the acquired company relating to the controlling shareholders. The valuation method is selected individually for each business combination. As regards the Group, non-controlling shares in the case of all past acquisitions are determined as the amount per non-controlling shareholders. Following the acquisition the share of the non-controlling shareholders equals the originally taken value, modified by the amount of changes in the equity of the acquired company relating to non-controlling shareholders. The non-controlling shareholders have a share of the interim total comprehensive income even if it leads to a negative balance of their shares.

All changes in the participations of the Group in subsidiaries that do not lead to the loss of control are recognised as capital transactions. The participation of the Group and non-controlling shareholders is modified to make sure that they reflect the changes in the participations held in the subsidiaries. The amount modifying the participation of non-controlling shareholders and the difference between the received or paid consideration is recognised in the equity as the shareholder value.

2.1.2 Reporting currency and FX balances

In view of the content and circumstances of the underlying business events the functional currency of the parent company and reporting currency of the Group is the Hungarian forint.

Initially, the foreign currency transactions not recorded in HUF were recorded at the exchange rate, valid on the date of execution of such transactions. The receivables and liabilities recorded in foreign currencies were converted into HUF at the exchange rate of the cut-off date, irrespective whether or not the recovery of the asset was doubtful. The resulting exchange rate differences are shown in the profit and loss account among the financial revenues or financial expenses.

The financial statements were prepared in Hungarian forints (HUF), rounded to the nearest one thousand, except otherwise indicated. The consolidated financial statements were prepared in Hungarian forint, which is the presentation currency of the Group.

The transactions executed in foreign currencies are recognised in the functional currency, applying the exchange rate of the reporting currency to the foreign currency, effective on the date of the transaction, to the amount stated in the foreign currency. In the comprehensive income statement the exchange rate differences that result from the use of an exchange rate other than the exchange rate applied during the settlement of the monetary items, at the initial presentation during the period or in the previous financial statements are stated either as revenues or as expenses during the period when they occurred. The monetary assets and liabilities defined in foreign currencies are converted at the exchange rate of the functional currency effective at the end of the reporting period. The items defined in foreign currencies and valued at fair value are converted at the exchange rate effective at the time of establishment of the fair value. The exchange rate differences between trade receivables and trade payables are included in the income from business activities, while the exchange rate differences of loans are shown in the rows of the revenues or expenses of financial transactions.

2.1.3 Sales revenue

The revenues from sales transactions are shown when the respective conditions of the supply contracts are met, taking into account the remarks below. The net sales revenues are exclusive of the value added tax. All revenues and expenses are recognised in the respective period in compliance with the principle of matching. There are practically two sources of sales revenues. The revenues directly relating to ad hoc assignments and the monthly recognition of regular services. The market changes have a greater impact on the former, while the latter are more stable sources of revenues, because they are related to longer-term contracts and are affected considerably only by major market fluctuation (franchise fees, trail commission).

In Hungary, financial institutions divide the agent fee payable by them into acquisition and maintenance commission. The acquisition commission is payable to an intermediary in relation to a new contract, while trail commission is payable for the continuation of the contract for a certain period. In the case of a trail (maintenance) commission the financial partners apply somewhat different settlement principles but, according to the currently effective legislation, in the case of an exposure secured by a real property the trail commission must equal at least 20% of the total brokerage commission. The main objective of this type of commission is to make the broker interested in the repayment discipline of the borrowers for a long time. The factors affecting the amount of commission include the type of the mediated product and its tenor, the delay in the prepayment of the respective borrower and the continuation rate of the total active mediated loan portfolio. The Company uses a calculation model to estimate the trail commission for the loans contracted in the current year and loans disbursed in the current period and takes into account the commission during the period when the loan mediation transactions was executed. The calculation model estimates the schedule of the wear of the portfolio based on the empirical figures of the former years and gradually inserts the actual data into the model. Revenues are recognised in line with the IFRS 15 (revenues from client contracts) standard.

2.1.4 **Real estate, machines, equipment**

The tangible assets are stated at historical cost less accumulated depreciation. The accumulated depreciation includes the costs recognised as scheduled depreciation relating to the continuous use and operation of the asset as well as the costs of extraordinary depreciation, recognised due to a major damage or fault in the asset occurring as a result of an unexpected extraordinary event.

The historical cost of tangible assets consists of the purchased cost of the asset or, in the case of a capital investment of the Company, the incurred material and wage-type expenses and other direct expenses. The interest recognised on the loan taken for the investment into the tangible asset increases the historical cost of the asset until it reaches a condition suitable for ordinary use.

The book value of tangible assets is reviewed periodically in order to conclude whether or not the book value is higher than the fair market value of the asset, in which case extraordinary depreciation must be recognised until the asset reaches its fair market value. The fair market value of the asset is either the sales price or the value in use of the asset, whichever is higher. The value in use is the discounted value of the future cash flows generated by the asset.

The discount rate contains the interest rate before corporate taxation, taking into account the time value of money and the impact of other risk factors associated with the asset. If no future cash flow can be assigned to the asset separately, than the cash flow of that unit must be used, of which the asset is a part. The thus established impairment, extraordinary depreciation is shown in the profit and loss account.

The costs of repair and maintenance as well as replacement of spare parts of tangible assets are charged to the maintenance expenses. The value added investments and refurbishment are capitalised. The historical cost and accumulated depreciation of assets sold, written down to zero or not in use are derecognised. Any possible profit or loss generated in that manner is part of the profit/loss of the current year.

The Company writes off the value of its assets with the straight-line method during the useful life of the assets. The life of assets by asset category is as follows:

Buildings	17-50 years
Machinery and equipment	3-7 years

The useful lives and depreciation methods are reviewed at once a year based on the actual economic benefit provided by the particular asset. If required, the modification is accounted against the profit/loss of the current year.

2.1.5 **Impairment loss**

The Group assesses at the end of each reporting period whether or not a change triggering impairment has occurred in relation to any asset. If such a change occurred, the Group estimates the estimated recovery value of the asset. The estimated recovery value of an asset or cash-generating unit is either the fair value less the costs of sales or the value in use, whichever is higher. The Group recognises impairment against the profit if the estimated recovery value of the asset is lower than its book value. The Group prepares the required calculations based on adequately discounting the long-term future cash flow plans.

2.1.6 **Intangible assets**

The individually purchased intangible assets are entered into the books at purchase price, while intangible assets acquire during business combination are entered into the books at fair value at the time of their acquisition. The assets are entered into the books when the use of the asset provably results in the influx of future economic goods and its cost can therefore be clearly identify.

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

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

Rights and titles as well as software	3-6 years

2.1.7 **Goodwill**

Goodwill is the positive difference between the purchase value and fair value of the identifiable net assets of the acquired subsidiary on the date of acquisition. Goodwill is not depreciated but the Group reviews each year whether or not there are any signs indicating that the book value is unlikely to be recovered. The goodwill is stated at historical value less potential impairment.

2.1.8 **Inventories**

The inventories are stated at historical cost less impairment recognised on superfluous and obsolete stocks or at net realisable value, depending on which is lower. The inventory value is defined at the actual historical cost.

The historical cost of real estate development projects includes all the costs of purchasing, transforming, and any other direct costs incurred in order for the developed property to be completed. Real estate development projects are classified as qualifying assets in accordance with the IAS 23 Borrowing Costs standard as it necessarily takes a significant period of time to prepare them to be used or sold. Therefore, the borrowing costs of the loans for financing the projects are also considered in the cost of these inventories. However, the costs of loans – incurred at the financed party – granted for such purposes within the Group, as internal performance, are consolidated from the inventory value.

2.1.9 **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 Group uses the expected credit loss (ECL) model to estimate the expected amount of impairment.

2.1.10 **Instruments classified as held for sale and liabilities directly linked to them**

In accordance with the requirements of the IFRS 5 standard, non-current assets (or disposal groups) classified as held for sale are valued either at their carrying value or their fair value less costs of sales, whichever is lower.

2.1.11 **Financial instruments**

To define the category of financial instruments, the Group 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 Group opted to fair valuation.

Financial instruments held for trading and derivatives have to be valued at fair value through profit or loss. The Group 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 Group no longer has the rights embodied by the financial instrument in question (sale, all cash flow has taken place, transfer).

If the Group 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 Group 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 Group has complied with the obligations specified in the contract or such obligations have been cancelled or have expired.

2.1.12 **Provisions**

The Group recognises provisions on its existing (legal or assumed) commitments resulting from historic events, which the Group is likely to have to settle and when the amount of the obligation can be reliably measured.

The amount recognised as provisions is the best estimate of the expense required on the balance sheet date to settle an existing obligation, taking into account the risks and uncertainties that characterise the obligation. If the provisions are calculated on the basis of the cash flow, likely to be required for the settlement of an existing obligation, the book value of the provisions equals the present value of those cash flows.

If another party is likely to reimburse the expenses required for the settlement of the provisions in part or in full, the receivable can be recognised as an asset when it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

The existing obligations arising from detrimental contracts are recognised as provisions. The Group deems a contract detrimental when the unavoidable costs of the fulfilment of the obligations arising from it exceed the economic benefits likely to occur as a result of the contract.

Restructuring provisions are recognised when the Group has prepared a detailed or formal restructuring plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The restructuring provisions include the direct expenses incurred in relation to restructuring and which are necessary for restructuring and do not relate to the continuous activity of the business unit.

2.1.13 **Investment property**

A property is recognised as an investment property when it is maintained by the business in order to earn an income from rent or an added value or both and not for sale, or manufacturing goods or to supply services. The Groups holds the investment properties primarily for the purpose of increasing the equity in the long term.

Initially, an investment property must be valued at historical cost, taking also account the transaction costs. The Group opted for the fair value model to recognise investment properties. The differences arising from the variation of fair value are recognised in the profit/loss of the current year against other operating income. There is no scheduled depreciation on investment properties.
The profit or loss arising from the variation of the fair value of investment properties is always recognised in the profit or loss of the period (in other operating revenues or other operating expenses row), in which it incurs. An investment property must be derecognised when sold or when the investment property is finally withdrawn from use and no future economic benefits can be expected from its sale. Any gain or loss arising from the derecognition or sale of investment properties must be recognised in the statement of income either as a revenue or as an expense during the respective period.

2.1.14 **Income taxes**

The income tax on consolidated profit before tax is based on the act on corporate and dividend tax law, 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 tax liability for the current year is calculated on the basis of the taxable profit of the current year. The taxable profit is different from the profit before taxation recognised in the consolidated financial statements due to gains and losses not included in the tax base and due to items that are recognised in the taxable profit of other years. The current tax liability of the Group is calculated on the basis of the tax rate effective or announced by the balance sheet date (provided that the announcement is equivalent to entry into force). The deferred tax is calculated with the liability method.

Deferred tax occurs when there is a time difference in the recognition of an item in the annual report and in the financial statements prepared according to the tax law. A deferred tax asset and liability is established by applying the tax rates to the taxable income of the years when the difference caused by the time difference is likely to be recovered. The deferred tax liability and tax asset reflects the Group's estimate for the method of realisation of tax assets and liabilities prevailing on the balance sheet date.

A deferred tax asset is included in the balance sheet with respect to deductible time differences, tax benefits allowed to be carried forward and tax losses when it is likely that the Group will realise profit in the course of its future operations against which the deferred tax asset can be settled.

On each balance sheet date the Group takes into account the deferred tax assets not recognised in the balance sheet and the book value of the recognised tax assets. It enters into the inventory those assets not yet recognised in the balance sheet which may be recovered as a reduction of its future profit tax. On the contrary, the Group reduced its deferred tax assets to such an extent that its recovery is unlikely to be funded from taxed profit.

The current and deferred tax is recognised directly against the equity when it relates to items which were also recognised against equity in the same or a different period, also including modifications in the opening value of reserves due to any change made in the accounting policy with retroactive effect.

The deferred tax assets and liabilities can be offset against each other when the company has a right granted by the law to offset its actual tax assets and liabilities relating to the same tax authority against each other and when the Group intends to account for those assets and liabilities on net basis.

2.1.15 **Leasing**

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.

2.1.16 **Earning per share (EPS)**

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

The diluted earning/share is calculated similarly to the earning/share. However, during the calculation all shares in distribution, suitable for dilution are taken into account, and the dividend that may be distributed on common shares is increased by the dividend and return on the convertible shares taken into account during the applicable period, modified by further income and expenses on conversion; the weighted average number of shares in distribution is increased by the weighted average number of further shares which would be in distribution if all convertible shares were converted.

2.1.17 Off-balance sheet items

The off-balance sheet liabilities are not included in the balance sheet or profit and loss account that constitute parts of the consolidated financial statements unless they were acquired during business combinations. They are presented in the notes to the financial statements unless the possibility of outflow of sources representing economic benefits is remote and negligible. The off-balance sheet receivables are not included in the balance sheet or profit and loss account constituting parts of the consolidated annual financial statements but if the influx of economic benefits is likely, they are presented in the notes to the financial statements.

2.1.18 Treasury shares

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

2.1.19 Dividends

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

2.1.20 Profit/Loss on financial transactions

The financial profit/loss includes interest and dividend revenues and other financial expenses, the gains and losses of fair valuation of financial instruments and realised and unrealised exchange rate differences.

2.1.21 State aid

State aid is recognised when it is likely that the aid will be collected and the conditions of the disbursement of the aid have been fulfilled. When the aid is used to offset an expense, it must be recognised in the statement of income when the costs to be offset incurs (among the other revenues). When the aid relates to the purchase of assets, it is recognised as deferred revenue and is then recognised in profits in annual equal instalments during the useful life of the related asset.

2.1.22 Distribution of shares, option schemes

The Group distributes its own shares to certain employees within the framework of its employee share schemes. The detailed description of the benefit schemes can be found in Annex 19. 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 Group's estimate of the effectively vested equity instruments. At the end of each reporting period, the Group reviews the estimate of how many shares are expected to be vested under non-market vesting conditions. The Group recognises a change in the estimate in the income statement against equity.

2.1.23 **Restricted cash**

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

2.1.24 **Events subsequent to the accounting reference date**

The events occurring after the end of the reporting period that provide additional information about the conditions prevailing at the end of the Group's reporting period (amending items) are all presented in the report. Those events occurring after the reporting period that do not modify the data of the report are presented in the notes to the financial statements when they are important.

2.2 Changes in the Accounting Policy

The Group prepared its financial statements in compliance with the provisions of all the standards and interpretations 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 Group 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 Group presents its liabilities

stemming from operating leases under IAS 17 in Annex 6. The Group 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 Group 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 consolidated financial statements are as follows:

2.3.1 **Impairment on goodwill**

In accordance with Section 2.1.7 of the significant counting principles, the Group tests each year whether or not any devaluation took place in goodwill. The recovery value of cash-generating units was defined on the basis of the calculation of the value in use. Estimates are indispensable for these calculations. In order to define the impartment loss of goodwill the value in use of those cash-generating units must be estimated to which the goodwill was assigned. In order to calculate the value in use it is absolutely necessary that the management estimate the future estimated cash flow of the cash-generating unit and the appropriate discount rate because the present value can be only be calculated from them.

2.3.2 **Impairment recognised on uncollectible and doubtful receivables**

In accordance with the IFRS 9 standard, the Group 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 **Trail commission**

The Group recognises trail commission in compliance with Section 2.1.3. For the trail commission estimates the Group uses a number of variables, the changes in which represent uncertainties of estimates. The variables used for estimating the trail commission are reviewed whenever a report is prepared.

2.3.4 **Investment property**

The Group values investment properties at fair value, as that is the best estimate for individual investment properties. The fair value of investment properties may change significantly depending on the volatility of property prices and market demand/supply. The Group employs an independent valuer to establish the fair value

2.3.5 **Depreciation**

Properties, machines and equipment and intangible assets are recognised at historical cost and are depreciated with the straight-line method during their useful life. The useful life of assets is defined on the basis of former experience relating to similar assets and estimated technological development as well as changes in the larger economic or industry factors. The estimated useful lives are reviewed annually.

2.4 Business combination details, enterprises involved in the consolidation

As a Subsidiary

		2019	2018
	address:	**31 December**	**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 Presentation of the subsidiaries involved in the consolidation

2.4.1.1 Duna House Franchise Kft.

The subsidiary operates the Duna House Franchise Network. Its most important objective is to enter into contract with new franchise partners and to maintain and provide high-level support to existing partners. The Company provides access to a well-structured and formed system to franchise partners joining the Franchise Network. This system provides a recognised brand name, a single image, know-how and support in sales, marketing, information technology and other aspects of operation.

2.4.1.2 REIF 2000 Kft.

It is the largest franchise partner of the Duna House Franchise Network and currently operates 15 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 joined 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.

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, equipment**	**Total**
Gross value			
As at 31 December 2017	**613.670**	**222.204**	**835.873**
Expansion of the scope of consolidation	0	0	0
Growth and reclassification	43.289	138.272	181.562
Decrease and reclassification	(20.228)	(71.942)	(92.169)
As at 31 December 2018	**636.732**	**288.535**	**925.266**
Expansion of the scope of consolidation			
Growth and reclassification	1.980	117.276	119.256
Decrease and reclassification	(46.891)	(37.957)	(84.848)
As at 31 December 2019	**591.821**	**367.854**	**959.675**
Accumulated depreciation			
As at 31 December 2017	**75.185**	**114.122**	**189.307**
Expansion of the scope of consolidation	0	0	0
Annual write-off	41.159	21.734	62.893
Decrease		(18.421)	(18.421)
As at 31 December 2018	**116.344**	**117.435**	**233.779**
Expansion of the scope of consolidation			
Annual write-off	25.877	25.385	51.262
Decrease	(539)	(24.539)	(25.078)
As at 31 December 2019	**141.682**	**118.281**	**259.963**
Net book value			
As at 31 December 2017	**538.484**	**108.082**	**646.566**
As at 31 December 2018	**520.388**	**171.100**	**691.487**
As at 31 December 2019	**450.139**	**249.573**	**699.712**

The real estates that form part of the Group are mortgaged to Raiffeisen Bank Zrt. The related information are set out in point 22 (Long-term loans) of the financial statements (page 45).

4. Investment property

data in HUF thousands	Total
Carrying value	
As at 31 December 2017	**1.061.613**
Expansion of the scope of consolidation	0
Growth and reclassification	236.640
Changes in the fair value	196.060
Decrease and reclassification	(50.714)
As at 31 December 2018	**1.443.600**
Growth and reclassification	271.591
Changes in the fair value	120.809
Decrease and reclassification	
As at 31 December 2019	**1.836.000**

Carrying value	
As at 31 December 2017	**1.061.613**
As at 31 December 2018	**1.443.600**
As at 31 December 2019	**1.836.000**

In 2018, the Group continued to optimise its investment property portfolio, which led to the sale of two properties and the purchase of one small office. The year saw a total of HUF 196 million increase in value in the portfolio.

A residential property in downtown Budapest was added to the Group's real estate portfolio in 2019, and of the properties used for the Group's own purposes, one of its offices was reclassified, as the Group intends to lease it out. 2019 saw a total of HUF 120.8 million increase in value in the portfolio.

The real estates owned by the Group are burdened by mortgages collateralised for the purposes of bank loans.

5. Intangible assets

data in HUF thousands	Total
Gross value	
As at 31 December 2017	**323.759**
Expansion of the scope of consolidation	
Growth and reclassification	21.509
Decrease and reclassification	(4.669)
As at 31 December 2018	**340.598**
Expansion of the scope of consolidation	
Growth and reclassification	18.225
Decrease and reclassification	(1.794)
As at 31 December 2019	**357.030**
Accumulated depreciation	
As at 31 December 2017	**241.103**
Expansion of the scope of consolidation	0
Annual write-off	32.702
Decrease	(13)
As at 31 December 2018	**273.791**
Expansion of the scope of consolidation	
Annual write-off	39.221
Decrease	191
As at 31 December 2019	**313.203**
Net book value	
As at 31 December 2017	**82.656**
As at 31 December 2018	**66.807**
As at 31 December 2019	**43.827**

6. Leases

	31.12.2019	01.01.2019
Right-of-use		
Land and buildings	226.938	320.316
Machinery and equipment	65.719	89.575
	292.657	**409.891**
Lease obligations		
less than 1 year	127.957	116.942
between 1 and 5 years	174.739	292.949
more than 5 years	0	0
	302.695	**409.891**
Depreciation of right-of-use	-127.594	
Interest expenditure	-12.936	
	-140.529	
Services purchased	**130.491**	
Impact of IFRS 16 on profits	**-10.038**	

Impact of IFRS 16 on lease cash flow	**31.12.2019**
Profit/Loss before taxation	-10.038
Depreciation	127.594
Interest costs	-12.936
Net financing cash flow from business activities	**104.620**
Amortisation of lease obligations	-130.491
Interest paid	12.936
Net financing cash flow from financial activities	**-117.555**

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

7. Goodwill

Company name	31 December 2019	31 December 2018
Metrohouse Franchise S.A.	813.930	814.303
Gold Finance Sp. z o.o.	235.375	243.609
Center Reality s.r.o.	167.601	167.601
Home Management Kft.	18.500	18.500
Duna House Franchise s.r.o.	10.421	10.421
Accumulated conversion difference on the balance sheet date	114.145	66.233
Total	**1.359.972**	**1.320.667**

The Management of the Company has carried out a test of the value of the goodwill shown in the consolidated balance sheet of the acquired subsidiaries. According to the profit generating capacity of the companies concerned, there is no factor that would require the recognition any impairment on goodwill. The goodwill generated during the acquisition of foreign subsidiaries is converted at the exchange rate prevailing on the balance sheet date pursuant to IAS 21.47.

8. Investments in associated companies and joint ventures

The value of investments in associated companies and joint ventures reflects the consolidated value of the 50% share in Hunor utca 24. Kft valued with the equity method that belongs to the MyCity Residential Development Kft. The value of the share dropped by HUF 51,542 thousand between 1 January 2019 and 31 December 2019 due to the decrease in the net valuation of assets of Hunor utca 24. Kft.

Date	Text	Hunor u. 24. Kft.	Total
01.01.2018	Opening balance	206.009	**206.009**
31.03.2018	Participation from profit or loss	-3.454	**-3.454**
30.06.2018	Participation from profit or loss	-7.445	**-7.445**
30.09.2018	Participation from profit or loss	-13.455	**-13.455**
31.12.2018	Participation from profit or loss	-12.923	**-12.923**
31.12.2018	**Closing balance**	**168.731**	**168.731**
01.01.2019	Opening balance	168.731	**168.731**
31.03.2019	Participation from profit or loss	-8.887	**-8.887**
30.06.2019	Participation from profit or loss	-15.378	**-15.378**
30.09.2019	Participation from profit or loss	-16.608	**-16.608**
31.12.2019	Participation from profit or loss	-10.669	**-10.669**
31.12.2019	**Closing balance**	**117.189**	**117.189**

9. Financial instruments

The Company's financial assets were as follows:

	31 December 2019	31 December 2018
Deposit, security deposit	42.558	38.745
Opusse 138.000 bonds	39.655	36.704
Other long-term loans granted	3.608	4.501
Total	**85.821**	**79.950**

10. Deferred tax receivables

In the course of calculation of referred tax the Group compares the value that can be taken into account for taxation to the book value by asset and liability. If the difference is a temporary difference, i.e., it will be offset within a foreseeable time, then it will take a deferred tax liability or asset, depending on the prefix. When an asset is recorded, the Group examines recovery separately. The Group calculates the deferred tax incurred in relation to Hungarian activities at 9% tax rate, because the actual tax impact of the temporary differences relating to the particular assets and liabilities will occur in a period when the corporate profit tax rate is likely to be 9%. 19% tax rate is applied to both the Hungarian and Czech operation.

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

The following deductible and taxable discrepancies causing taxable tax differences were identified. The table shows the amount of the deferred tax asset remaining after the netting of the deferred tax liability at the level of the consolidated subsidiaries.

Deferred tax receivables	**31.12.2019**	**31.12.2018**
Losses carried forward	115.175	122.801
Impairment loss of receivables	35.243	34.547
Due to taxation in accordance with the cash accounting principle	66.063	54.187
Property, machinery and equipment, investment property and other	1.374	132
Provisions	750	749
Total	**218.605**	**212.418**

The maximum deferred tax losses affecting Polish operations that can be used in a business year against future positive tax bases are the following.

Maximum available tax loss amount (PLN)						
Year of use	Metrohouse Franchise S.A.	Metrohouse S.A.	Gold Finance Sp. z. o.o	Total (PLN)	Total (HUF thousand)	Distribution between years
2020	339.166	291.742	0	630.908	48.952	14%
2021	339.166	1.088.215	0	1.427.382	110.751	32%
2022	442.050	636.732	0	1.078.783	83.703	24%
2023	653.811	79.761	0	733.571	56.918	17%
2024	301.830	249.344		551.174	42.766	12%
Total	**2.076.023**	**2.345.795**	**0**	**4.421.818**	**343.089**	**100%**

Of the Czech companies, Center Reality s.r.o accounted for a significant amount of deferred tax assets (HUF 11,007 thousand), which was attributable to deferred tax losses of approximately CZK 4.5 million incurred by the company. Pursuant to the Czech corporate tax law, tax losses may be carried forward for five years.

11. Inventories

	31 December 2019	31 December 2018
Real estate development projects under construction	5.493.178	3.868.050
Marketing tools	15.221	14.665
Total	**5.508.399**	**3.882.715**

The book value of inventories is mainly determined on the basis of the historical cost of residential properties under construction in MyCity project companies.

There was a total of HUF 4,996,493 thousand mortgage registered in the land registry secured with alienation and debit ban on the value of the real estate development projects under construction recognised as inventory (including plots and building structures) as at 31 December 2019.

12. Trade receivables

	31 December 2019	31 December 2018
Trade receivables	1.114.179	957.009
Impairment loss of receivables	(264.910)	(246.147)
Total	**849.269**	**710.861**

13. Amounts owed by related undertakings

	31 December 2019	31 December 2018
Parent company	**0**	**0**
The business units with joint control or significant influence over the business unit	**0**	**0**
Subsidiaries	**0**	**0**
Affiliated undertaking	**0**	**0**
Loan receivables from Hunor utca 24. Kft.	67.538	67.538
Deposit to Hunor utca 24. Kft.	4.869	4.869
Trade receivables Hunor utca 24. Kft.	3.642	29.832
Additional payment to Hunor utca 24. Kft.	48.650	48.650
Joint ventures	**124.699**	**150.889**
The executives in key positions in the business unit and its parent company	**0**	**0**
Other	1.395	3.733
Other affiliated parties	**1.395**	**3.733**
Total	**126.093**	**154.622**

The entirety of the related receivables are against the Company's jointly managed company Hunor utca 24. Kft. and the majority is connected to financing the company that performs real estate development activities.

14. Other receivables

	31 December 2019	31 December 2018
Advances paid	351.131	261.669
Other receivables (taxes)	19.036	43.052
Collateral	30.000	30.000
Other receivables	42.676	23.129
Security deposit	16.513	20.385
Short-term loans	40.595	4.000
Duty receivable from lawsuits	3.103	2.669
Assigned receivables	1.473	1.473
Rental fee paid as attorney deposit	15.000	230
Total	**519.527**	**386.607**

The given advance and deposit lines are predominantly advances paid to trade payables for ongoing residential property development projects, and consists of the amount of deposits and, to a lesser extent, of the deposits given to the lessor in connection with vehicle leasing.

15. Accrued incomes

	31 December 2019	31 December 2018
Trail commission	461.082	409.700
Accrued incomes	14.991	11.640
Prepaid expenses	2.507	3.308
Total	**478.579**	**424.648**

The trail commission is the maintenance commission of long-term mediated loans. Although the settlement principles are slightly different by financial partner, in general it may be stated that the purpose of this type of commission is to make sure that the amount of the accountable intermediary commission is proportionate to the actual tenor of the mediated financial product.

The factors affecting the amount of commission include the type of the mediated product and its tenor, the delay in the prepayment of the respective borrower and the continuation rate of the total active mediated loan portfolio.

The rise in trail commissions was caused by the increase in the volume of brokered loans.

16. Cash and cash equivalents

	31 December 2019	31 December 2018
Bank account balance – available	1.622.706	752.556
Bank account balance – restricted	897.947	752.694
Cash	5.020	4.363
Total	**2.525.672**	**1.509.613**

Regarding the aggregate bank account balance, HUF 897.9 million is only available subject to the following restrictions:

Affected by restrictions		**Reason for restriction**
Companies involved in the consolidation	**Bank account balance (thousand HUF)**	
Pusztakúti 12.	676.247	Security interest in collateral securing the repayment of the loans granted by Takarékbank Zrt. in connection with the Forest Hill residential development, with collateral including down payments, earnest money and purchase price by clients paid into a separate blocked bank account and available only for the re- and pre-payment of the loans. The prepayment of both loans is only allowed from the third working day from the notification to this effect by Takarékbank Zrt.
Impact Asset Management Zrt.	95.000	Pursuant to Section 16 (3) and (7) of Act XVI of 2014 on collective investment forms and its managers and on the amendment of certain financial laws, in order to be able to ensure continuous operation and protect investors, Impact Asset Management Zrt. must, at all times, have solvency capital invested in liquid assets or assets that can be converted into immediately available liquid assets in an amount that covers the risk posed by its activity at all times.
Duna House Holding Nyrt.	126.200	Collateral for the loan granted by Raiffeisen Bank and kept in a separate blocked account.
Akadémia Plusz 2.0 Kft. deposit	500	The institution has to provide financial security to perform adult education activity.
Total:	**897.947**	

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

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

Accordingly, on 23 January 2018, MyCity Residential Development Kft., the direct owner of the project company entered into contract for the sale of its sole ownership share in and the member's loan owed to it by Zsinór 39 Projekt Kft. The carrying value of the IFRS equity of Zsinór 39 Projekt Kft. amounted to HUF 48,429.8 thousand as at 31 December 2017, with a member's loan owed to MyCity in the amount of HUF 151,633.8 thousand. Pursuant to the sales contract the purchase price of the sole ownership share was HUF 104,772.6 thousand and the consideration of the assignment of the member's loan was HUF 145,227.4 thousand. The buyers had paid the said amounts in instalments by 30 June 2018. The transaction closes at the complete payment of the purchase price.

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

	HUF thousand **31 December 2018**
Contract Price	250.000
Book value (assets)	-196.220
Book value (liabilities)	5.666
Profit from the sale of instruments held for sale	59.446
Commission on sale	-7.500
Total net amount:	**51.946**
Book value (assets)	
Investment property	196.051
Other short-term receivables	89
Accrued incomes	67
Liquid assets	13
Assets classified as held for sale	**196.220**
Book value (liabilities)	
Deferred tax liabilities	-5.426
Related liabilities	-240
Assets classified as available for sale (liabilities)	**-5.666**
Income Statement	
Other operating income	**51.946**
(+) Contract purchase price	*250.000*
(-) Historical costs assets	*-196.220*
(-) Historical costs liabilities	*5.666*
Services purchased	-7.500

18. 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.

19. Treasury shares

The Company intends to transfer its own shares to its directors and employees 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**

20. Exchange reserves

The balance of the conversion reserve at the end of the year (HUF 70,762 thousand) equals the amount of the conversion difference recognised in compliance with the IAS 21 standard with the involvement of the foreign subsidiaries of the Duna House Group in the consolidation.

21. Non-controlling ownership interest

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

22. Long and short-term loans

Long-term loan

	31 December 2019	31 December 2018
PKUT: Takarékbank loan	4.142.359	0
DHH: Raiffeisen loan	1.906.966	180.674
GDDC: Raiffeisen loan (FHB loan)	0	41.963
HLC: Raiffeisen loan II.	0	13.444
Total	**6.049.325**	**236.082**

Short-term loans

	31 December 2019	31 December 2018
Pusztakúti 12. Kft. (Takarékbank)	0	2.575.697
DHH: Raiffeisen loan (Metrohouse)	0	120.450
DHH: Raiffeisen loan	331.485	0
HLC: Raiffeisen loan II.	0	26.031
GDDC: Raiffeisen loan (FHB loan)	0	24.000
Total	**331.485**	**2.746.177**

DHH: Raiffeisen loan

The loans at Raiffeisen Bank Zrt (DHH: Raiffeisen loan (Metrohouse), HLC: Raiffeisen loan II, GDDC: Raiffeisen loan (FHB loan)) 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 in equal instalments.

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

- the aggregated debt less financial assets/EBITDA will not be higher than 3.0, and
- 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:	**Repayment plan**
2021	331.484.793
2022	331.484.793
2023	331.484.793
2024	331.484.793
2025	331.784.793
2026	249.242.124
Total	**1.906.966.091**

DHH: Raiffeisen loan (Metrohouse)

On 20 April 2016 the Company entered into a loan agreement with Raiffeisen Bank for HUF 720,000 thousand in order to finance the entry into the market in Poland and, more specifically, the PLN 3,700,000 capital increase at the acquired Metrohouse Franchise S.A. The loan was refinanced on 2 July 2019.

GDDC: Raiffeisen loan (FHB loan)

The former FHB loan is the liability of GDD Commercial Kft., which is involved in the consolidation since 2014. The loan was refinanced in June 2015. The new financing bank is Raiffeisen Bank Zrt, which provided a HUF 150,000 thousand line for the loan. The loan was refinanced on 2 July 2019.

HLC: Raiffeisen loan II.

On 2 June 2015 the Group signed a facility agreement with Raiffeisen Bank Zrt. for HUF 1,000,000 thousand (Raiffeisen II. loan). As a condition of the contract the Group agreed to make Raiffeisen the exclusive account managing bank and to have a mortgage registered on its properties for the bank. The loan was refinanced on 2 July 2019.

Pusztakúti 12. Kft.: Takarékbank

Pusztakúti 12. Kft. and Takarékbank Zrt. entered into a long-term loan contract for HUF 4,000,000 thousand on 19 July 2017 in order to implement Forest Hill residential development, which was increased by the parties on a number of occasions, finally to HUF 5,420,000 thousand. The amounts drawn down from the credit line will be due in a lump sum upon maturity, i.e. 31 January 2021. Prepayment is allowed.

Repayment schedule of the Takarékbank loan:	**Repayment plan**

2021	4.142.359
Total	**4.142.359**

23. Deferred tax liabilities

Deferred tax liabilities

	31.12.2019	**31.12.2018**
Due to the difference in the valuation of fixed assets and investment properties	146.581	129.864
Due to the recognition of trail commission	41.497	36.873
Losses carried forward	(20.430)	(12.186)
Due to consolidation-related exclusions and accounting	2.146	9.432
Due to taxation in accordance with the cash accounting principle	0	0
Impairment on Trade receivables	68	8
Total	**169.863**	**163.992**

Deferred tax assets and liabilities were netted at the level of the subsidiaries. Within the HUF 169,863 thousand balance HUF 41,497 thousand is a deferred tax liability resulting from the difference in the recognition of the trail commission realised in the financial product intermediation segment between the Hungarian and international accounting.

24. Accounts payable

	31 December 2019	**31 December 2018**
Trade payables	789.872	599.094
Total	**789.872**	**599.094**

The rise in accounts payable is due, mainly, to the expansion of the Polish credit intermediary activity, the supplier turnover in connection with which increased by HUF 111.7 million during the period.

25. Liabilities to related companies

The value of related liabilities contains the following:

	31 December 2019	31 December 2018
Parent company	**0**	**0**
Medasev Holding Kft.	0	269.775
Medasev Int. (Cyprus) Ltd.	0	
The business units with joint control or significant influence over the business unit	**0**	**269.775**
Subsidiaries	**0**	**0**
Affiliated undertaking	**0**	**0**
Joint ventures	**0**	**0**
Dividends due to employees	23.515	11.948
The executives in key positions in the business unit and its parent company	**23.515**	**11.948**
Dividends due to shareholders	0	0
Bitkover Kft.	6.338	6.814
Other	0	3.823
Other affiliated parties	**6.338**	**10.638**
Total	**29.853**	**292.360**

The balance of related liabilities consists mainly of dividend payments owed to shareholders and to holders of employee preferential shares. The total amount of HUF 851,044 thousand in dividends owed for ordinary shares in 2018 was paid on 25 July 2019, and the total amount of HUF 94,060 thousand owed for employee shares was paid in equal instalments every quarter; the allocation for employee dividend payments is sufficient for three future payments.

The Company’s Czech subsidiary owes a principal amount of HUF 4,281 thousand and interest of HUF 2,057 thousand to Bitkover Kft., which owns 20% of the shares of Duna House Franchise s.r.o.

26. Other liabilities

Other liabilities contain the following:

	31 December 2019	31 December 2018
Advance payments, earnest money and bid bonds	717.227	675.240
Settlement account of home owners	129.360	109.468
Tax liability	106.481	75.736
Settlement account of lessees	91.450	82.524
Liabilities from remuneration	33.812	36.036
Received deposits	15.065	15.773
Other	1.775	1.006
Total	**1.095.169**	**995.783**

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

The funds due to the owners of the flats managed by Home Management Kft. are recorded on the settlement account of the home owners (e.g., collected rent, “buffer” amounts deposited by the owners).

Received deposits contain the amounts paid by lessees as deposit for renting the properties involved in real estate management.

The Company pays special attention to the management of the guarantees and deposits recognised among other liabilities and to be settled with owners and lessees. In order to make sure that the amounts can be repaid upon maturity, when requested or in the case of termination, the respective amount is either available on bank accounts and/or invested to securities within the subsidiary. The estimated amount of the immediately payable items is constantly available the bank account of the subsidiary.

27. Accruals and deferred income

	31 December 2019	31 December 2018
Accrued revenues	357.867	358.449
Accrued costs and charges	27.408	101.289
Grants received	36	3.531
Total	**385.311**	**463.269**

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

The grant is received under the KMOP-1.2.1-13/B. "Complex company technology development for micro, small, and medium-sized enterprises" tender, as part of which the Company received a total of HUF 18 million in non-reimbursable aid in 2014. The Company releases the revenue from the tender proportionality to depreciation.

28. Sales revenue

Net sales revenues	**31.12.2019**	**31.12.2018**
Revenue from brokerage of loan and housing savings products	4.351.666	2.750.003
Revenue from property sales	121.781	1.965.047
Revenue from real estate agency services	1.453.575	1.519.276
Franchise fees	1.185.358	1.074.939
Revenue from real estate management	144.815	147.569
Revenue from fund management and success fee	159.351	126.058
Revenue from rental fee	82.420	75.903
Revenue from appraisal	53.559	69.320
Other revenue (damages, contractual penalties)	103.758	56.047
Recharging (rental fee, utilities, etc.)	65.401	55.057
Revenue from education, training	46.339	43.597
Revenue from issuing energy certificates	28.869	36.461
Revenue form insurance mediation	35.616	23.140
Revenue from central services	26.000	20.000
Marketing revenues from banks	27.000	19.667
Revenue from sale of units	760	1.540
Revenue from prime contribution	2.855	1.445
Revenue from sales support	2.621	100
Total	**7.891.743**	**7.985.170**

The greatest change compared to the comparable period is the purchase of Gold Finance and the resulting increase in revenue in loan and housing savings products (+ HUF 1,601,664 thousand, +58%), and the lower construction revenues stemming from the lack of real estate property transfers after the Reviczky Liget project.

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

Revenue from real estate agency services: The DH Group operates a significant number of real estate brokerage offices within the Duna House, Metrohouse, and Smart networks. The commission income from the brokerage of the sale and lease of properties is realised in these offices. The level of commissions takes into account the type, value, location of the property and the level of service included in the contracts. According to the franchise operating concept, they are the primary source of income for real estate agencies belonging to the group.

The franchise fees include the following types of fees:

Revenue from franchise and service fees: The monthly fee paid by the franchise partners of Duna House, Metrohouse and Smart network. Its rate is uniformly regulated for partners. Conditions are ensured by long-term (typically 5-year) contracts. The franchise fee is considered a royalty for the use of brands and know-how owned and built by the DH Group. The service fee provides the network with the tools, functions (IT and CRM system, complaint handling, regulations and controls, etc.) necessary for the smooth operation of the network.

Revenue from marketing fee:
This type of monthly, continuous revenue ensures the financing of the marketing activities of the network. Its rate is uniformly regulated for all franchise partners. Marketing revenue ensures marketing strategy implementation, market research, and systematic analysis related to them, as well as group-level appearances, ads, and campaigns.

Revenue from entry and extending fee: A one-time fee is payable for the sale of a new or existing site, or for extending an expiring area, which is a condition of franchise partners joining the network and is accrued in books.

Revenue from real estate management: Revenue is based on services related to real property management. Long-term contracts determine it as a monthly flat rate. As occasional revenues, commission from leases is also part of this revenue group.

Revenue from energy certificates: It is a legal obligation that the properties for sale must have a valid energy certificate. The revenue from the sale of this service is recognised under this category.

Revenue from appraisal:
The revenue of a service that operates within a separate unit is also recognised in the Group. A significant part of the clientele are credit institutions, which constitutes the majority of the revenues.

Recharging (rental fee, utilities, etc.): The recharging of goods and services (e.g. rent, marketing tools, PR events, events, etc.) purchased centrally by DH for franchise partners and subsidiaries is included in this revenue group.

Revenue from rental fee:
The Group purchases, leases and sells real properties for investment purposes.

Revenue from the sale of real properties: Revenue from the sale of real properties belonging to the investment property portfolio in the real estate investment segment is shown here.

Revenue from fund management: The amount of the management fee and the fund management success fee attributable to Impact Alapkezelő Zrt after the management of the Duna House Magyar Lakás Ingatlanalap.

29. Other operating income

	31 December 2019	31 December 2018
Revaluation of investment properties	120.809	196.060
Reversal of impairment on receivables	56.054	46.267
Time-barred liabilities	10.563	7.518
Use of provisions	8.327	0
Profit from the sale of tangible assets	7.772	22.354
Penalties and proceeds from litigation	5.162	13.943
Inventory difference	3.931	0
Grants received	3.917	3.624
Other	1.393	9.310
Insured events	1.241	391
Revenues from postpaid sales	792	3.325
Total	**219.960**	**302.790**

The profit from the appreciation of the investment property portfolio constituted the major part of other operating income, i.e. HUF 120,809 thousand compared to HUF 196,060 thousand in the previous year.

The Group released provisions in an amount of HUF 8.3 million to fulfil its marketing obligations undertaken against its Hungarian franchise partners.

The support is received under the KMOP-1.2.1-13/B. “Complex company technology development for micro, small, and medium-sized enterprises” tender, as part of which the Company received a total of HUF 18 million in non-reimbursable aid in 2014. The Company releases the revenue from the tender proportionality to its depreciation.

30. Changes in self-manufactured stock

	31 December 2019	31 December 2018
Pusztakúti 12. Kft.	-1.694.968	-1.455.936
Reviczky 6-10. Kft.	63.856	834.396
Total	**-1.631.112**	**-621.540**

For its real estate development projects, the Company capitalises its construction costs and part of interest paid to third parties for the financing of the projects for inventories. In 2019, of the total of HUF 96,087 thousand in interest paid to third parties in connection with development projects, the Company capitalised HUF 92,032 thousand (for a capitalisation rate of 95.78%).

The transfer of apartments and the derecognition of inventories took place in the Reviczky 6-10 project during 2018 and 2019.

The changes in self-manufactured stock received a negative value if the capitalisation of inventories exceeded the amount derecognised from inventories.

31. Consumables and raw materials

	31 December 2019	**31 December 2018**
Utility fees and charges	39.264	33.093
Material costs of construction used	64.744	0
Official forms, office supplies	9.191	10.501
Maintenance costs	6.607	8.860
Fuel	8.754	9.164
Total	**128.560**	**61.618**

32. Goods and services sold

	31.12.2019	**31.12.2018**
Cost of brokerage of financial product	852.945	882.080
Subcontractor performance	206.612	0
Direct costs of real estate agency services	128.932	198.827
Other recharging (e.g., sales support, utilities, marketing)	109.601	184.424
Direct cost of the sale of real properties	0	104.772
Appraiser fees	25.879	31.132
Energy certificate fees	872	3.054
Cost of the sale of units	227	933
Total	**1.325.067**	**1.405.221**

33. Services purchased

	31.12.2019	31.12.2018
MyCity planning costs and architect fees	1.277.624	1.487.345
Direct cost of the brokerage of financial products	2.286.834	956.307
Direct costs of real estate agency services	604.404	558.296
Other professional services (IT development, sales support, marketing, etc.)	443.230	465.813
Rent, common expenses	194.035	324.284
Professional service fees	250.573	143.296
Other services purchased (insurance, training, postal services, photocopying, cleaning, etc.)	124.801	135.119
Advertising, promotion	200.539	128.649
Legal fees	53.954	48.705
MyCity engineering consultancy and inspection	37.200	33.833
Duna House Magyar Lakásingatlan Alap distribution costs	43.230	30.701
Cost of IT operation	43.230	28.298
Telephone and communications expenses	35.839	26.027
Bank charges	23.267	24.493
Cost of stock exchange listings (BSE, KELER)	17.021	14.884
Direct cost of energy certificates	8.140	6.059
Direct cost of appraisal	2.448	3.062
Total	**5.646.369**	**4.415.172**

The amount of services purchased increased by 28% in 2019. The increase was attributable mainly to the expansion of the Polish credit intermediary activity and the resulting 139% increase in product brokerage costs. The design and architectural costs of MyCity, which are also substantial, decreased with the closing of the Reviczky Liget project.

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

34. Personnel costs

	31 December 2019	31 December 2018
Wage costs	585.783	509.685
Taxes	76.368	75.337
Other personnel-type benefits	150.366	91.995
Total	**812.517**	**677.017**
Average statistical headcount	135	110

The increase in the average statistical headcount at the Company's subsidiaries from 24 to 54 compared with the benchmark period is attributable to an increase in the personnel of the Polish subsidiaries, as a result of the purchase of Gold Finance. The average statistical headcount in the Hungarian operations dropped from 85 to 80 in 2019. As regards the subsidiaries in the Czech Republic, there was 1 employee in 2019. Of the HUF 812,517 thousand balance of the personnel-related expenses, the Polish and Czech subsidiaries' share amounted to HUF 258,963 thousand.

35. Other operating charges

	31 December 2019	31 December 2018
Impairment of receivables	62.264	62.181
Non-profit taxes recognised as various expenses	68.045	33.663
Penalties	391	18.505
Expenses related to litigation	7.577	15.530
Expenses related to restructuring	0	14.588
Losses from revaluation	0	0
Write-off of bad debts	18.741	14.566
Provisions	0	8.327
Cost of the sale of tangible assets	3.784	7.805
Other	17.955	3.718
Missing inventories	1.117	3.165
Contractual penalty, late payment interest	8.430	1.969
Grants provided	2.460	1.260
Earnest money	22.605	1.236
Expenses related to loss events	652	1.051
Free transfer	0	648
Total	**214.021**	**188.211**

The taxes recognised as expenses (official fees, innovation tax, VAT) increased mainly as a result of the official fees of activities performed in Poland that require a permit.

36. Revenues of financial transactions

	31 December 2019	31 December 2018
Exchange rate gain	48.267	31.952
Interest received	15.230	6.340
Total	**63.497**	**38.292**

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

37. Expenses of financial transactions

	31 December 2019	31 December 2018
Interest paid	139.811	84.444
Exchange rate losses	4.350	16.545
Total	**144.161**	**100.989**

38. Income taxes

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

	31 December 2019	As at 31 December 2018
Actual income tax – corporate tax	101.608	159.740
Actual income tax – local business tax	74.239	108.048
Deferred taxes	17.255	42.297
Total	**193.102**	**310.085**

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

Reconciliation of income taxes recognised in the consolidated income statement:

	31 December 2019	31 December 2018
Profit/Loss before taxation	1.265.998	2.014.535
Tax liability determined at the current rate	113.940	181.308
Business tax	74.239	108.048
Permanent differences	4.923	20.729
Total	**193.102**	**310.085**

39. Other comprehensive income

The Company incurred other comprehensive income due to the difference between the values of the subscribed capital of foreign subsidiaries and the value of goodwill, calculated as at acquisition and the exchange rate applied to the reporting period. This income is transferred to profit and loss only if the subsidiaries are sold.

Other comprehensive income	**31 December 2019**	**31 December 2018**
Conversion differences in connection with international operations	29,027	3,361

40. Earning per share (EPS)

To calculate the basic earning from share the profit after tax, available for distribution to the shareholders must be taken into account and the annual average number of the issued ordinary shares, which does not contain the own shares.

Earning per share (EPS)

	31 December 2019	31 December 2018
After-tax profit that can be allocated to shareholders (thousand HUF)	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 (thousand HUF)	**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.

41. Segment information

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

Based on the activities of DH, six segments can be distinguished:

(1) The franchise segment carries out the operation of the franchise system that runs under the Duna House, Metrohouse, and Smart Ingatlan brands. The Company is the largest franchise network of real estate agents in Hungary and Poland, and the Group is also present in Czech Republic.

(2) The operation of own office consists of the real estate agencies operated by the Company under the Duna House, Metrohouse, and Smart Ingatlan brands. The Group decided to integrate the Smart Ingatlan network into the Duna House network as at 1 January 2020.

(3) Financial product brokerage segment: the Group offers a wide range of financial products to its clients under its multiple agency agreements with credit institutions and insurance companies, both in Hungary and Poland.

(4) Segment of the related services of residential property management, energy certification, appraisal services, and fund management.

(5) The sector dealing with properties for investment purposes utilises the residential and commercial properties owned by the Company. This also includes the development projects that run under the MyCity brand name.

(6) Transactions within each segment were consolidated in the statement. The "Other and eliminations" column includes the effect of the central services and filters out the transactions between the segments.

31 December 2019 (01 January 2019 - 31 December 2019)	**Franchise**	**Financial products brokerage**	**Operation of own office**	**Sale of related services**	**Property investments**	**Other and eliminations**	**Consolidated**
Intangible assets	39.841	56	2.222	54	329	1.325	43.827
Investment property	0	0	0	0	1.836.000	0	1.836.000
Land and buildings	0	668	24.476	2.032	422.684	278	450.139
Machinery and equipment	229.495	1.067	5.516	1.436	14.763	-2.704	249.573
Trade receivables	264.625	436.837	50.022	91.412	6.153	220	849.269
Assets that cannot be allocated to other segments	1.942.832	1.335.194	454.914	458.250	7.127.076	58.117	11.376.382
Total Assets	**2.476.793**	**1.773.821**	**537.149**	**553.186**	**9.407.005**	**57.236**	**14.805.190**
Trade payables	-194.082	773.662	68.937	8.358	117.385	15.612	789.872
Liabilities that cannot be allocated to other segments	2.056.798	173.808	864.517	275.871	7.503.024	-2.406.716	8.467.302
Total Liabilities	**1.862.716**	**947.469**	**933.454**	**284.229**	**7.620.410**	**-2.391.105**	**9.257.174**
Net revenue from sales to third parties	1.368.161	4.388.155	1.420.752	465.722	247.680	1.273	7.891.743
Net revenue from sales between segments	209.334	0	58.484	1.703	76.233	-345.754	0
Net sales revenues	**1.577.495**	**4.388.155**	**1.479.236**	**467.425**	**323.913**	**-344.481**	**7.891.743**
Direct costs	**-121.915**	**-3.125.509**	**-865.054**	**-102.027**	**-108.820**	**42.945**	**-4.280.379**
Gross profit	**1.455.581**	**1.262.646**	**614.183**	**365.397**	**215.093**	**-301.536**	**3.611.365**
Depreciation and amortisation	-41.980	-3.065	-14.825	-548	-26.490	-3.575	-90.483
Indirect operating costs	-1.093.843	-574.661	-597.282	-183.460	95.466	231.102	-2.122.677
Operating Profit (EBIT)	**319.758**	**684.920**	**2.076**	**181.389**	**284.070**	**-74.008**	**1.398.205**

31 December 2018 (01 January 2018 - 31 December 2018)	Franchise	Financial products brokerage	Operation of own office	Sale of related services	Property investments	Other and eliminations	Consolidated
Intangible assets	58.750	62	5.232	107	1.161	1.494	66.807
Investment property	0	0	0	0	1.443.600	0	1.443.600
Land and buildings	4.399	711	29.198	2.066	483.708	306	520.387
Machinery and equipment	145.854	4.287	7.728	1.292	10.573	1.365	171.100
Trade receivables	196.040	364.014	34.977	106.231	8.950	649	710.861
Assets that cannot be allocated to other segments	1.257.914	1.204.306	272.644	482.363	5.750.594	-802.468	8.165.352
Total Assets	**1.662.956**	**1.573.380**	**349.780**	**592.060**	**7.698.586**	**-798.654**	**11.078.107**
Trade payables	-170.730	618.232	63.293	14.847	57.535	15.917	599.094
Liabilities that cannot be allocated to other segments	1.285.905	255.289	519.978	233.715	5.318.020	-2.578.530	5.034.377
Total Liabilities	**1.115.175**	**873.521**	**583.270**	**248.562**	**5.375.554**	**-2.562.613**	**5.633.470**
Net revenue from sales to third parties	1.210.720	2.774.317	1.486.239	448.599	2.068.866	-3.571	7.985.170
Net revenue from sales between segments	239.662	0	38.772	169	66.239	-344.842	0
Net sales revenues	**1.450.382**	**2.774.317**	**1.525.011**	**448.768**	**2.135.105**	**-348.413**	**7.985.170**
Direct costs	**-167.832**	**-1.839.017**	**-864.912**	**-124.151**	**-1.214.901**	**36.155**	**-4.174.657**
Gross profit	**1.282.550**	**935.299**	**660.100**	**324.617**	**920.204**	**-312.258**	**3.810.513**
Depreciation and amortisation	-50.942	-1.870	-11.836	-1.332	-28.615	-5.101	-99.697
Indirect operating costs	-978.844	-331.438	-569.283	-176.253	203.639	255.874	-1.596.306
Operating Profit (EBIT)	**252.764**	**601.991**	**78.980**	**147.033**	**1.095.227**	**-61.486**	**2.114.510**

42. Risk management

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

The Group is exposed to the following financial risks:

- credit risk
- liquidity risk
- market risk

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

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

Capital management

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

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

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

The equity risk run by the Company was not significant in 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 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 2019 and 31 December 2018.

Lending risk	31 December 2019	31 December 2018
Trade receivables	849.269	710.861
Other receivables	519.527	386.607
Financial instruments	85.821	79.950
Cash and cash equivalents	1.627.726	1.509.612
Total	**3.082.343**	**2.687.031**

Amount of collateral	**897.947**	**752.694**
Pusztakúti 12.	676.247	625.994
Impact Asset Management Zrt.	95.000	95.000
Duna House Holding Nyrt.	126.200	31.700
Akadémia Plusz 2.0 Kft. deposit	500	0

HUF 898 million of cash and cash equivalents are provided as collateral for Forest Hill project loans, Raiffeisen bank loan, and fund management equity and are only available to the Group with certain restrictions. These restrictions have been presented in a note detailing the cash and cash equivalents.

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. To further minimize liquidity risk, reduce transaction costs and increase efficiency, starting from 7 December 2017 the Company has been managing its bank accounts linked to its operations under a cash pooling regime, 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 Group's profit or the value of its investments made in financial instruments. Market risk management is aimed at managing market risk exposure and keeping it at an acceptable level while optimising profitability.

Property development risks

Of the risks typical of property development, the management focuses mainly on risks posed by increasing construction costs. The increase in the number of parallel projects implemented by the project companies poses a consistently rising liquidity risk to MyCity Group until bank financing is secured.

Sensitivity analysis

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

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

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

With actual interest	**01.01.2019 31.12.2019**	**01.01.2018 31.12.2018**
Profit before tax - excluding interest expense and interest income	1.381.802	2.096.946
Net interest income (income and expenses)	-115.803	-82.412
Profit/Loss before taxation	**1.265.998**	**2.014.534**
1%		
Profit before tax - excluding interest expense and interest income	1.381.802	2.096.946
Net interest income (income minus expense)	-116.961	-83.236
Profit/Loss before taxation	**1.264.840**	**2.013.710**
Changes in profit before tax	***-1.158***	***-824***
Changes in profit before tax (%)	***-0,092%***	***-0,041%***
5%		
Profit before tax - excluding interest expense and interest income	1.381.802	2.096.946
Net interest income (income minus expense)	-121.593	-86.533
Profit/Loss before taxation	**1.260.208**	**2.010.413**
Changes in profit before tax	***-5.790***	***-4.121***
Changes in profit before tax (%)	***-0,459%***	***-0,205%***
10%		
Profit before tax - excluding interest expense and interest income	1.381.802	2.096.946
Net interest income (income minus expense)	-127.384	-90.654
Profit/Loss before taxation	**1.254.418**	**2.006.293**
Changes in profit before tax	***-11.580***	***-8.241***
Changes in profit before tax (%)	***-0,923%***	***-0,411%***
-1%		
Profit before tax - excluding interest expense and interest income	1.381.802	2.096.946
Net interest income (income minus expense)	-114.645	-81.588
Profit/Loss before taxation	**1.267.156**	**2.015.358**
Changes in profit before tax	***1.158***	***824***
Changes in profit before tax (%)	***0,091%***	***0,041%***
-5%		
Profit before tax - excluding interest expense and interest income	1.381.802	2.096.946
Net interest income (income minus expense)	-110.013	-78.292
Profit/Loss before taxation	**1.271.788**	**2.018.655**
Changes in profit before tax	***5.790***	***4.121***
Changes in profit before tax (%)	***0,455%***	***0,204%***
-10%		
Profit before tax - excluding interest expense and interest income	1.381.802	2.096.946
Net interest income (income minus expense)	-104.223	-74.171
Profit/Loss before taxation	**1.277.579**	**2.022.775**
Changes in profit before tax	***11.580***	***8.241***
Changes in profit before tax (%)	***0,906%***	***0,407%***

43. Financial instruments

The IFRS 9 has replaced the IAS 39 standard. This standard is mandatory for the first time as of 1 January 2018 according to the 2014 amendments. Considering that the Group does not have financial instruments that are subject to classification or valuation changes in its investigations, there is no material impact on the financial statements in the context of classification and valuation. The new standard has revised the impairment of financial instruments, which has had a minor impact on the Company's result, according to which expected impairment losses should be determined using a new impairment model applied to trade receivables, which brings the timing of the recognition of impairment losses closer in time. For trade receivables, IFRS 9 permits the use of a simplified impairment model instead of the application of complex rules if the trade receivables do not contain a significant payment component. As there is no significant payment component among the Group's receivables, the simplified approach was used to determine the impairment under IFRS 9. The following table shows the impact of the new standard on the results.

31 December 2019	**Carrying value**	**Fair value**
Financial instruments		
Assets recorded at fair value against profit		
Financial instruments	85.821	85.821
Trade receivables	849.269	849.269
Cash and cash equivalents	1.627.726	1.627.726
Financial liabilities		
Liabilities recorded at amortized historical cost		
Long-term loan	6.049.325	6.049.325
Short-term loans and borrowings	331.485	331.485
Lease liabilities	302.695	302.695
Accounts payable	789.872	789.872

31 December 2018	Carrying value	Fair value
Financial instruments		
Assets recorded at fair value against profit		
Financial instruments	79.950	79.950
Trade receivables	710.861	710.861
Cash and cash equivalents	1.509.613	1.509.613
Financial liabilities		
Liabilities recorded at amortized historical cost		
Long-term loan	236.082	236.082
Short-term loans and borrowings	2.746.177	2.746.177
Lease liabilities	0	0
Accounts payable	599.094	599.094

Breakdown of revenues of financial transactions

	31 December 2019	31 December 2018
Interest received	**15.230**	**6.340**
Cashpool interest	7.310	5.730
Interest received for given loans	6.532	0
Income from bank interests	23	38
Interest income from securities	1.101	270
Interest of loans given to private individuals	264	302
Exchange rate gain	**48.267**	**31.952**
Exchange rate income from securities	2.080	483
Exchange rate gain	46.187	31.469
Interest income calculated with the effective interest method	**0**	**0**
Total	**63.497**	**38.292**

Expenses of financial transactions

	31 December 2019	31 December 2018
Interest paid	**126.875**	**84.444**
Interest paid on loans received	9.894	16.237
Cashpool interest	8.424	5.757
Expenses of bank interests	1	57
Interest paid on bank loans	108.556	62.395
Exchange rate losses	**4.350**	**16.545**
Exchange rate losses from securities	0	1.583
Exchange rate losses	4.350	14.962
Interest losses calculated with the effective interest method	**12.936**	**0**
Total	**144.161**	**100.989**

44. 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.

Remuneration of the Board of Directors and Supervisory Board

	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**

45. 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 synergies 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.

46. 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 and its subsidiaries included in consolidation.

The Board of Directors of the parent company of the Group discussed the consolidated 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 consolidated 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.

CONSOLIDATED BUSINESS REPORT

ON THE 2019 ACTIVITIES OF THE GROUP

1. Group profile

The Duna House Holding Nyrt. - hereinafter referred to as “Company” or “Group” - was founded in 2003; its main activity is real estate and loan brokerage. It has been a leading service provider in the services sector, in particular, in the real estate and financial services sector, in Hungary for years now. The Group’s flagship is a national network of real estate agencies, which started operating in 2003. Now it employs over 1,400 persons serving customers at 165 locations. A transaction as a result of which Duna House Group, Hungary is now the sole owner of Metrohouse, the largest Polish real estate agency was closed in April 2016. At the time of the acquisition the Polish network had 80 offices and 600 sales officers, which the Group intends to develop in the future. Metrohouse was consolidated into the Duna House Group on 1 April 2016. On 2 September 2016 the Company acquired 80% participation in the Czech Duna House Franchise s.r.o and, through it, in two of its subsidiaries, Center Reality s.r.o and Duna House Hypotéky s.r.o., 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 Consolidated companies

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%

As of 28 February 2019, Metrofinance Sp. z.o.o. was merged with Gold Finance Sp. z.o.o. in the interest of increasing operating efficiency.

2. Markets and economic environment

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 Group's financial and equity situation

3.1 Income Statement

data in HUF thousands	**01.01.2019-31.12.2019**	**01.01.2018 - 31.12.2018**
Net sales revenues	7.891.743	7.985.170
Other operating income	219.960	302.790
Results from the sale of the Disposal Group	0	51.946
Total income	**8.111.703**	**8.339.907**
Variation in self-manufactured stock	(1.631.112)	(621.540)
Consumables and raw materials	128.560	61.618
Goods and services sold	1.325.067	1.405.221
Services purchased	5.646.369	4.415.172
Personnel costs	812.517	677.017
Depreciation and amortisation	90.483	99.697
Depreciation on right-of-use assets	127.594	0
Other operating charges	214.021	188.211
Operating costs	**6.713.498**	**6.225.396**
Operating profit/loss	**1.398.205**	**2.114.510**
Financial revenues	63.497	38.292
Financial expenses	144.161	100.989
Profit of participations valued with the equity method	(51.543)	-37.278
Profit/Loss before taxation	**1.265.998**	**2.014.535**
Income taxes	193.102	310.085
After-tax profit	**1.072.896**	**1.704.450**

Audited Annual Report of the Company in accordance with the IFRS

The Company's revenues decreased by 3% compared to the same period in 2018. Within the above figure, net sales revenue decreased by 1%, which is equal to a decrease in sales of HUF 93.4 million. The greatest change compared to the comparable period is the purchase of Gold Finance and the resulting increase in revenue in loan and housing savings products (+ HUF 1,613,838 thousand, +58%), and the naturally lower real estate sales revenues stemming from the suspension of real estate property transfers after the Reviczky Liget project (HUF -1,811,192 thousand, -85%). Of the 86 apartments in Reviczky Liget, 83 were handed over in 2018 and 3 were handed over in 2019.

Relative to the previous year, the following changes materialised in the Group's sales revenue structure.

Revenue by segments	01.01.2019-31.12.2019	01.01.2018 - 31.12.2018
Income from the brokerage of financial products	4.388.155	2.774.317
Income by the own office segment	1.479.236	1.525.011
Income by the franchise segment	1.577.495	1.450.382
Income by the related services segment	467.425	448.768
Income by the investment segment	323.913	2.135.105
Transactions between segments	(344.481)	(348.413)
Total	**7.891.743**	**7.985.170**

Audited Annual Report of the Company in accordance with the IFRS

Operating costs increased by 8% compared to the 2018 business year. The Company records its corporate income tax and local business tax payment obligations under its tax payment obligations. The total amount of actual and deferred tax income for the 2019 business year amounted to HUF 193 million.

Overall, the Company's taxed profit decreased by 37% from HUF 1,704 million to HUF 1,073 million.

Cleaned core results

In the interest of transparency, the Group, starting from the second quarter of 2019, publishes a "cleaned core" adjusted profit and loss category in which, in addition to the results of the MyCity real estate development activity, it applies additional adjustment with the items considered special by the management or significant for valuing the Group's continuous profits.

In the fourth quarter of 2019, the Group applied the following adjustments:

- Housing savings results: Act LXIII of 2018 on the Amendment of Act CXIII of 1996 on Housing Savings entered into force on 17 October 2018, on the basis of which no state support is available for housing savings contracts concluded after 16 October 2018. As a result of the legislative amendment, the demand for housing savings dropped radically, which makes it difficult to analyse the results of the reporting period.
- The results of the portfolio revaluation: Every half year, the Group revaluates its properties used for investment purposes at their market value, and recognises the valuation difference in its profit and loss. Although revaluations may reflect real estate market tendencies, the concentration of the portfolio may distort the valuation of core business activities.
- The results of the sale of the Zsinór utcai project: In the second quarter of 2018, the Group sold one of its real estate development project, which the management considers a one-off result, as the management does not intend to sell projects before their completion.

- Acquisition costs: The management considers the consultancy fees for the November 2018 purchase of Gold Finance and the January 2020 purchase of Alex T. Great to be one-off items.

data in HUF thousands	01.01.2019-31.12.2019	01.01.2018-31.12.2018	Change %
Operating profit	**1.398.205**	**2.114.510**	**-34%**
(-) MyCity operating profit	49.225	767.485	-94%
Core operating profit	**1.348.980**	**1.347.025**	**+0%**
(-) Housing savings results	1.585	227.602	-99%
(-) The results of the portfolio revaluation	120.809	188.060	-36%
(-) The results of the sale of the Zsinór project	0	51.946	-100%
(-) Acquisition costs	-7.716	-39.000	-80%
Total of adjustments affecting the core	**-114.678**	**-428.608**	**-73%**
Cleaned core operating profit	**1.234.302**	**918.417**	**+34%**

The Group's cleaned core operating profit increased to HUF 1,234 million in 2019 (34% increase). The credit intermediary business branch was the driving motor behind this growth, which realised exceptional results with the successful integration of Gold Finance Sp. z.o.o, acquired in Poland in November 2018, and the replacement of missing results due the loss in home saving products in Hungary.

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

01.01.2019-31.12.2019

million HUF	Franchise segment	Financial product brokerage segment	Own office segment	Related services segment	Property investment segment	Other and eliminations	Consolidated total
Net sales revenues	**1.577**	**4.388**	**1.479**	**467**	**324**	**(344)**	**7.892**
Direct costs	122	3.126	865	102	109	(43)	4.280
Gross profit	**1.456**	**1.263**	**614**	**365**	**215**	**(302)**	**3.611**
Indirect operating costs	1.094	575	597	183	-95	(231)	2.123
EBITDA	**362**	**688**	**17**	**182**	**311**	**(70)**	**1.489**
Depreciation and amortisation	42	3	15	1	26	4	90
EBIT	**320**	**685**	**2**	**181**	**284**	**(74)**	**1.398**

Gross margin	**92%**	**29%**	**42%**	**78%**	**66%**	**88%**	**46%**
EBITDA margin	**23%**	**16%**	**1%**	**39%**	**96%**	**20%**	**19%**
EBIT margin	**20%**	**16%**	**0%**	**39%**	**88%**	**21%**	**18%**

01.01.2018 - 31.12.2018

million HUF	Franchise segment	Financial product brokerage segment	Own office segment	Related services segment	Property investment segment	Other and eliminations	Consolidated total
Net sales revenues	**1.450**	**2.774**	**1.525**	**449**	**2.135**	**(348)**	**7.985**
Direct costs	168	1.839	865	124	1.215	(36)	4.175
Gross profit	**1.283**	**935**	**660**	**325**	**920**	**(312)**	**3.811**
Indirect operating costs	979	331	569	176	-204	(256)	1.596
EBITDA	**304**	**604**	**91**	**148**	**1.124**	**(56)**	**2.214**
Depreciation and amortisation	51	2	12	1	29	5	100
EBIT	**253**	**602**	**79**	**147**	**1.095**	**(61)**	**2.115**

Gross margin	**88%**	**34%**	**43%**	**72%**	**43%**	**90%**	**48%**
EBITDA margin	**21%**	**22%**	**6%**	**33%**	**53%**	**16%**	**28%**
EBIT margin	**17%**	**22%**	**5%**	**33%**	**51%**	**18%**	**26%**

Annual Report of the Company in accordance with the IFRS

In addition to the increase in its basic activity, the fluctuation of the real estate development activity, which provides a higher profit rate, led to a decrease in the Group's consolidated sales revenue and business results indicators. Its consolidated sales revenue dropped by HUF 93 million, its gross margin decreased from 48% in 2018 to 46% in 2019, and the absolute value of gross profit dropped from HUF 3,811 million to HUF 3,611 million (6% decrease). Indirect costs increased by 25% from HUF 1,596 to HUF 2,123 million.

The consolidated operating profit of the Group was HUF 1,398 million at the end of the current year, down by approximately 51% compared with HUF 2,115 million in the benchmark period.

Based on the activities of DH, six segments can be distinguished:

(1) The franchise segment carries out the operation of the franchise system that runs under the Duna House, Metrohouse, and Smart Ingatlan brands. The Company is the largest franchise network of real estate agents in Hungary and Poland, and the Group is also present in Czech Republic.

(2) The operation of own office consists of the real estate agencies operated by the Company under the Duna House, Metrohouse, and Smart Ingatlan brands. The Group decided to integrate the Smart Ingatlan network into the Duna House network as at 1 January 2020.

(3) Financial product brokerage segment: the Group offers a wide range of financial products to its clients under its multiple agency agreements with credit institutions and insurance companies, both in Hungary and Poland.

(4) Segment of the related services of residential property management, energy certification, appraisal services, and fund management.

(5) The sector dealing with properties for investment purposes utilises the residential and commercial properties owned by the Company. This also includes the development projects that run under the MyCity brand name.

(6) Transactions within each segment were consolidated in the statement. The “Other and eliminations" column includes the effect of the central services and filters out the transactions between the segments.

The following table shows the sales revenue and the operating results realised by the Duna House Group in the various countries:

data in HUF thousands	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Net sales revenues (consolidated)	**7.891.743**	**7.985.170**
Net sales revenues of the Hungarian operation	3.811.762	5.880.877
Net sales revenues of the Polish operation*	3.741.722	1.806.682
Net sales revenues of the Czech operation**	338.259	297.611
EBIT	**1.398.205**	**2.114.510**
Hungarian operation EBIT	1.302.913	2.160.879
Polish operation* EBIT	88.197	(41.680)
Czech operation** EBIT	7.095	(4.689)

* The performance of the Polish operation has been consolidated from 1 April 2016 in the consolidated financial statements of the Company.

** The performance of the Polish operation has been consolidated from 1 September 2016 in the consolidated financial statements of the Company.

3.2 Assets

data in HUF thousands

ASSETS	Notes	31.12.2019	31.12.2018
Long-term assets			
Intangible assets	5	43.826	66.807
Right-of-use assets	6	292.657	0
Investment property	4	1.836.000	1.443.600
Land and buildings	3	450.139	520.387
Machinery and equipment	3	249.573	171.100
Goodwill	7	1.359.972	1.320.667
Investments in associated companies and joint ventures	8	117.189	168.731
Financial instruments	9	85.821	79.950
Deferred tax assets	10	218.605	212.418
Total long-term assets		**4.653.782**	**3.983.659**
Current assets			
Inventories	11	5.508.399	3.882.715
Trade receivables	12	849.269	710.861
Amounts owed by related undertakings	13	126.093	154.622
Other receivables	14	519.527	386.607
Actual income tax assets		143.868	25.380
Accrued incomes	15	478.579	424.648
Cash and cash equivalents	16	1.627.726	756.919
Restricted cash	16	897.947	752.694
Total current assets		**10.151.408**	**7.094.448**
Total Assets		**14.805.190**	**11.078.107**

Audited Annual Report of the Company in accordance with the IFRS

The balance sheet total increased by 34% compared to 31 December 2018, due to an increase in inventories, an expansion of the investment property portfolio and the acquisition of Gold Finance.

3.3 Liabilities

data in HUF thousands

LIABILITIES	*Notes*	31.12.2019	31.12.2018
Equity			
Subscribed capital	*18*	171.989	171.989
Treasury shares	*19*	(176.915)	(117.000)
Capital reserves	*18*	1.499.705	1.493.267
Exchange reserves	*20*	70.762	35.283
Retained earnings	*18*	4.045.277	3.917.124
Total equity of the parent company		**5.610.818**	**5.500.663**
Non-controlling ownership interest	*21*	(62.802)	(56.027)
Total share capital:		**5.548.016**	**5.444.637**
Long-term liabilities			
Long-term loan	*22*	6.049.325	236.082
Provisions for expected liabilities		0	8.327
Deferred tax liabilities	*23*	169.863	163.992
Other long-term liabilities		0	0
Lease liabilities	*6*	174.739	0
Total long-term liabilities		**6.393.927**	**408.401**
Current liabilities			
Short-term loans and borrowings	*22*	331.485	2.746.177
Accounts payable	*24*	789.872	599.094
Liabilities to related companies	*25*	29.853	292.360
Other liabilities	*26*	1.095.169	995.783
Short-term liabilities from leases		127.957	0
Actual income tax liabilities		103.600	128.386
Accruals and deferred income	*27*	385.311	463.269
Total current liabilities		**2.863.247**	**5.225.070**
Total liabilities and equity		**14.805.190**	**11.078.107**

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 Consolidated Cash Flow Statement

	Notes	01.01.2019-31.12.2019	01.01.2018-31.12.2018
OPERATING CASH FLOW			
Taxed profit		1.072.896	1.704.450
Adjustments:			
Interest received or paid is stated in the financing cash flow.	36-37	63.497	49.965
Reporting year depreciation and depreciation on right-of-use assets		218.077	99.697
Deferred taxes		(316)	(32.191)
Revaluation of investment property	29	(120.809)	(188.060)
Share scheme	19	6.439	2.731
Badwill		0	0
Shares measured with the equity method	8	51.543	37.278
Profit from the sale of instruments held for sale	17	0	(51.946)
Changes in working capital			
Changes in inventories	11	(1.625.683)	(437.313)
Changes in accounts receivable, other receivables and related receivables	12-14, 16	(506.540)	(274.351)
Changes in accrued and deferred assets	15	(53.931)	(108.203)
Changes in accounts payable and related liabilities	24-25	(114.215)	(150.633)
Other current liabilities and accruals and deferrals	26	74.601	(25.513)
Changes in accrued and deferred liabilities	27	(77.958)	75.133
Net operating cash flow		***(1.012.399)***	***701.043***
Investment cash flow			
Tangible and intangible assets purchased	3-5	(355.091)	(374.541)
Sale of tangible assets	3-5	7.772	51.846
Sale of instruments held for sale	17	0	250.000
Acquisition/Disposal of subsidiaries (excluding acquired liquid assets)		0	(271.731)
Net investment cash flow		***(347.319)***	***(344.425)***
Financing cash flow			
Bank loans/(repayment)		3.398.551	713.849
Capital contribution/ (Purchase of Treasury shares)	19	(59.915)	(117.000)
Changes in right-of-use and lease liabilities	5	(117.555)	0
Dividend payments	18	(927.058)	(632.325)
Interest received (paid)	36-37	(63.497)	(49.965)
Net financing cash flow from investment activities		***2.230.526***	***(85.441)***
Net change in cash and cash equivalents		870.807	271.177
Balance of cash and cash equivalents as at the beginning of the year		756.919	485.742
Balance of cash and cash equivalents as at the end of the year	16	**1.627.726**	**756.919**

Audited Annual Report of the Company in accordance with the IFRS

The Company's operating cash flow amounted to HUF -1,130 million in 2019, in which represents a significant amount of working capital (inventory) correction due to ongoing MyCity projects. At the same time, this item is largely refinanced on the financing cash flow side through bank loans.

Acquisition and sale of tangible assets impaired investment cash flow by HUF 347 million in the balance.

The financing cash flow was reduced by the dividend payment of HUF 927 million and the purchase of treasury shares in a value of HUF 60 million. The Company took out loans in a total value of HUF 3,399 million to finance the construction works of the MyCity residential property development projects.

The end-of-the period of cash and cash equivalents was HUF 1,628 million, HUF 870,807 million higher than what it was at the end of the benchmark period. In addition to this amount, additional use of HUF 898 million is possible with the following restrictions:

Affected by restrictions		Reason for restriction
Companies involved in the consolidation	**Bank account balance (thousand HUF)**	
Pusztakúti 12.	676.247	Security interest in collateral securing the repayment of the loans granted by Takarékbank Zrt. in connection with the Forest Hill residential development, with collateral including down payments, earnest money and purchase price by clients paid into a separate blocked bank account and available only for the re- and pre-payment of the loans. The prepayment of both loans is only allowed from the third working day from the notification to this effect by Takarékbank Zrt.
Impact Asset Management Zrt.	95.000	Pursuant to Section 16 (3) and (7) of Act XVI of 2014 on collective investment forms and its managers and on the amendment of certain financial laws, in order to be able to ensure continuous operation and protect investors, Impact Asset Management Zrt. must, at all times, have solvency capital invested in liquid assets or assets that can be converted into immediately available liquid assets in an amount that covers the risk posed by its activity at all times.
Duna House Holding Nyrt.	126.200	Collateral for the loan granted by Raiffeisen Bank and kept in a separate blocked account.
Akadémia Plusz 2.0 Kft. deposit	500	The institution has to provide financial security to perform adult education activity.
Total:	**897.947**	

Since 7 December 2017, the Company has been managing its bank accounts linked to its operations in Hungary under a cash pooling regime, which makes automatic internal group financing possible. A general current account limit of HUF 100 million is available to back the cash pool system, which amount is suited to the needs of regular operations and can be used to satisfy any transitional additional financing needs. No amounts were used from this overdraft facility as at the end of the reporting period.

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.

Our Company's employment policy and ensuring its consistency between the individual countries are currently under way. The increase of the average statistical headcount from 110 to 135 compared with the benchmark period is attributable to an increase in the personnel of the Polish subsidiaries from 24 to 54. The average statistical headcount in the Hungarian operations dropped from 85 to 80 in 2019. As regards the subsidiaries in the Czech Republic, there was 1 employee in the 2019 business year. Of the HUF 812,517 thousand balance of the personnel-related expenses, the Polish and Czech subsidiaries' share amounted to HUF 258,963 thousand.

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

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

The Group is exposed to the following financial risks:

- credit risk
- liquidity risk
- market risk

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

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

Capital management

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

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

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

The equity risk run by the Company was not significant in 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 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 2018 and 31 December 2019.

Lending risk	**31 December 2019**	**31 December 2018**
Trade receivables	849.269	710.861
Other receivables	519.527	386.607
Financial instruments	85.821	79.950
Cash and cash equivalents	1.627.726	1.509.612
Total	**3.082.343**	**2.687.031**
Amount of collateral	**897.947**	**752.694**
Pusztakúti 12.	676.247	625.994
Impact Asset Management Zrt.	95.000	95.000
Duna House Holding Nyrt.	126.200	31.700
Akadémia Plusz 2.0 Kft. deposit	500	0

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. To further minimize liquidity risk, reduce transaction costs and increase efficiency, starting from 7 December 2017 the Company has been managing its bank accounts linked to its operations under a cash pooling regime, 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 Group's profit or the value of its investments made in financial instruments. Market risk management is aimed at managing market risk exposure and keeping it at an acceptable level while optimising profitability.

Property development risks

Of the risks typical of property development, the management focuses mainly on risks posed by increasing construction costs. The increase in the number of parallel projects implemented by the project companies poses a consistently rising liquidity risk to MyCity Group until bank financing is secured.

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

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

10. Changes 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 own shares were traded on the stock exchange for ongoing employee share programs. The amount of own shares of the Company was 46,481 on 11 March 2020.

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 Exchange[6].

12. Declaration on responsibility

The Board of Directors of the Company prepared this business report on the basis of the data included in the consolidated accounts 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 consolidated report gives a fair picture of the situation, development and performance of the Company and its companies included in consolidation.

Budapest, 25 March 2020

Persons authorised to sign the (consolidated) 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

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