DUNA HOUSE HOLDING NYRT.

STANDALONE FINANCIAL STATEMENTS

IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
31 DECEMBER 2018

DUNA HOUSE®

Contents

Balance sheet (Assets)

data provided in thousands HUF, unless indicated otherwise

	Notes	31.12.2018	31.12.2017
ASSETS			
Long-term assets			
Intangible assets	4	1,494	1,741
Land and buildings	3	306	333
Machinery and equipment	3	4,542	7,062
Investments in subsidiaries	5	2,052,514	2,034,514
Investments in joint undertakings		0	0
Deferred tax assets	6	4,123	4,363
Total long-term assets		**2,062,979**	**2,048,013**
Current assets			
Inventories	7	1,231	1,231
Trade receivables	8	649	1,041
Amounts owed by related undertakings	9	2,688,095	2,303,917
Other receivables	10	11,171	10,087
Actual income tax assets		531	520
Accrued incomes	11	555	1,526
Cash and cash equivalents	12	158,347	100,005
Restricted cash	12	31,700	35,000
Total current assets		**2,892,279**	**2,453,327**
Total Assets		**4,955,258**	**4,501,340**

The notes provided on pp. 9-53 constitute an integral part of the Financial Statements.

Balance sheet (Liabilities and equity)

data provided in thousands HUF, unless indicated otherwise

LIABILITIES	Notes	31.12.2018	31.12.2017
Equity			
Subscribed capital	13	171,989	171,989
Capital reserves	13	1,493,267	1,490,536
Treasury shares	14	-117,000	
Retained earnings	13	1,546,039	1,423,245
Total share capital:		**3,094,295**	**3,085,770**
Long-term liabilities			
Long-term loan	15	180,674	301,124
Other long-term liabilities	16	0	0
Total long-term liabilities		**180,674**	**301,124**
Current liabilities			
Short-term loans and borrowings	17	120,450	120,450
Accounts payable	18	15,917	12,900
Liabilities to related parties	19	1,513,836	949,775
Other liabilities	20	16,301	17,632
Actual income tax liabilities		40	351
Accruals and deferred income	21	13,745	13,338
Total current liabilities		**1,680,289**	**1,114,446**
Total liabilities and equity		**4,955,258**	**4,501,340**

The notes provided on pp. 9-53 constitute an integral part of the Financial Statements.

Income Statement

data provided in thousands HUF, unless indicated otherwise

	Notes	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Net sales revenues	22	270,868	246,464
Other operating income	23	10,088	6,100
Total income		**280,956**	**252,564**
Consumables and raw materials	24	8,411	9,495
Goods and services sold	25	45,259	61,763
Services purchased	26	143,037	122,957
Personnel costs	27	104,029	72,349
Depreciation and amortisation		5,101	4,447
Other operating charges	28	7,519	115
Operating costs		**313,356**	**271,126**
Operating profit/loss		**-32,400**	**-18,562**
Financial revenues	29	864,819	845,012
Financial expenses	30	-51,725	-35,134
Profit/Loss before taxation		**780,694**	**791,316**
Income taxes	31	-4,882	-4,854
Taxed profit		**775,812**	**786,462**
Total comprehensive income		**775,812**	**786,462**
Income per share (HUF)	32		
Basis			
Diluted		472	260

The notes provided on pp. 9-53 constitute an integral part of the Financial Statements.

Statement of changes in equity

	Subscribed capital	Capital reserves	Treasury shares	Retained earnings	Total equity
Balance as at 1 January 2017	**153,050**	**9,479**	**0**	**1,116,043**	**1,278,572**
Dividends				-479,260	-479,260
Capital increase	18,939	1,481,057			1,499,996
Total comprehensive income				786,462	786,462
Balance as at 31 December 2017	**171,989**	**1,490,536**	**0**	**1,423,245**	**3,085,770**
Dividends				-653,017	-653,017
Treasury share repurchase			-117,000		-117,000
Employee share schemes		2,731		-2,731	0
Total comprehensive income				778,542	778,542
Balance as at 31 December 2018	**171,989**	**1,493,267**	**-117,000**	**1,546,039**	**3,094,295**

The notes provided on pp. 9-53 constitute an integral part of the Financial Statements.

Cash Flow Statement

data provided in thousands HUF, unless indicated otherwise

	01.01.2018-31.12.2018	01.01.2017-31.12.2017
OPERATING CASH FLOW		
Taxed profit	775,812	786,462
Adjustments for:		
Interest income and expenses are presented under financing activities	-34,479	-42,313
Dividends owned are presented under financing activities	-774,000	-747,000
Recognised costs of MRP	2,730	0
Reporting year depreciation	5,101	4,447
Deferred taxes	239	-551
Changes in working capital		
Changes in inventories	0	0
Changes in accounts receivable, other receivables and related receivables (excluding dividends receivable)	-344,581	-497,888
Changes in accrued and deferred assets	971	-1,006
Changes in accounts payable and related liabilities (excluding dividends)	563,094	737,829
Other current liabilities and accruals and deferrals	-1,642	10,841
Changes in accrued and deferred liabilities	407	-9,144
Net operating cash flow	***193,652***	***241,676***
Investment cash flow		
(Purchase and sale of) tangible and intangible assets	-2,307	-3,987
Acquisition of subsidiaries (excluding acquired liquid assets)	-18,000	-375,000
Net investment cash flow	***-20,307***	***-378,987***
Financing cash flow		
Bank loans/(repayment)	-120,450	-120,450
Capital contribution	0	0
Purchase of Treasury shares	-117,000	0
Dividend paid	-649,030	-493,221
Dividend received	737,000	306,091
Interest received (paid)	34,479	42,313
Net financing cash flow	***-115,001***	***-265,266***
Net change in cash and cash equivalents	58,342	-402,573
Balance of cash and cash equivalents as at the beginning of the year	100,005	502,580
Balance of cash and cash equivalents as at the end of the year	**158,347**	**100,005**

The notes provided on pp. 9-53 constitute an integral part of the Financial Statements.

1. General

1.1 Introduction to the company

The Duna House Holding Nyrt. – hereinafter referred to as "Company" – was founded in 2003; its main activity is real estate and loan brokerage. It has been a leading service provider in the services sector, in particular, in the real estate and financial services sector, in Hungary for years now. The Group's flagship is a national network of real estate agencies, which started operating in 2003. Now it employs over 1,400 persons serving customers at 165 locations. A transaction as a result of which Duna House Group, Hungary is now the sole owner of Metrohouse, the largest Polish real estate agency was closed in April 2016. At the time of the acquisition the Polish network had 80 offices and 600 sales officers, which the Group intends to develop in the future. Metrohouse was consolidated into the Duna House Group on 1 April 2016. On 2 September 2016 the Company acquired 80% participation in the Czech Duna House Franchise s.r.o and, through it, in two of its subsidiaries, Center Reality s.r.o and Duna House Hypotéky s.r.o., then, on 6 November 2018, acquired the Polish loan brokerage company Gold Finance Sp. z.o.o.

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

Principal activities:

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

Subsequent to the registration on 1 February 2017 of an equity increase, Medasev Holding Kft. (1016 Budapest, Gellérthegy utca 17., company registration number: 01-09-209753) holding a 39.68% stake is now the largest shareholder of Duna House Holding Nyrt. is now the largest shareholder of Duna House Holding Nyrt.

Owner's name	Ownership share as at 31 December 2018	Ownership share as at 31 December 2017
Medasev Holding Kft.	39.68%	39.68%
Medasev Int. (Cyprus) Ltd.	38.04%	38.04%
External investors	14.14%	20.50%
AEGON Magyarország Befektetési Alapkezelő Zrt.	5.58%	-
Employees and private individuals	1.65%	1.78%
Treasury shares	0.91%	-
Total:	**100%**	**100%**

The Company is operated by the Board of Directors. The controlling tasks over the operation of the Company are performed by the Supervisory Board.

It is a strategic objective of Duna House Group to extend its expertise to the Central-European region and to become a major international actor. Within the framework of that strategy it acquired the Polish Metro House Group in April 2016, which has the largest real estate sales franchise network in Poland. The Duna House Group is developing the full support scale of Metro House franchise system gradually, relying on the Hungarian experiences and taking into account the specificities of the Polish market. Over the coming years, the Group intends to organically develop its operations in Poland and in the Czech Republic (acquired in September 2016), and then identify new markets or strengthen its market presence on existing markets through the acquisition of suitable targets.

1.2 Basis of the financial statements

i) Approval and declaration on compliance with the International Financing Reporting Standards

The standalone financial statements were approved by the Board of Directors on [22 March 2019]. The standalone financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS), as announced and enacted in a regulation in the official journal of the European Union (EU). The IFRS consists of the standards and interpretations developed by the International Accounting Standards Board (IASB) and the International Financing Reporting Interpretations Committee (IFRIC).

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

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

ii) Basis of the financial statements

The standalone financial statements were prepared on the basis of the standards issued and effective before 31 December 2018 and according to the IFRIC interpretations.

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

iii) Basis of the valuation

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

While preparing the financial statements in compliance with IFRS the management must apply a professional judgement, estimates and assumptions, which have an impact on the applied accounting policy and on the amounts of assets and liabilities, revenues and expenses stated in the financial statements. The estimates and related assumptions are based on historical experience and numerous other factors, which may be deemed reasonable under the given circumstances and the result of which is the basis of the estimated book value of the assets and liabilities that cannot be defined clearly from other sources. The actual results may be different from these estimates.

The estimates and underlying assumptions are regularly reviewed. The modification of accounting estimates is presented in the period of the modification of the estimate when the modification relates only to the particular year or during the period of the modification and in the subsequent periods when the modification affects both the current and future years.

2. Accounting Policy

Below we present the major accounting policies that were applied by preparing the standalone financial statements. The accounting policies were applied consistently for the periods covered by these standalone financial statements. The most important accounting principles applied during the preparation of the financial statements were as follows:

2.1 Main components of the accounting policy

2.1.1 **Reporting currency and FX balances**

In view of the content and circumstances of the underlying business events, the functional reporting currency of the Company is the Hungarian forint.

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

The presentation currency of the Company's standalone financial statements is Hungarian forint (HUF), and the standalone financial statements were prepared in Hungarian forint, rounded to the nearest thousand, except where otherwise stated.

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

2.1.2 **Sales revenue**

The revenues from sales transactions are shown when the respective conditions of the supply contracts are met, taking into account the remarks below. The net sales revenues are exclusive of the value added tax. All revenues and expenses are recognised in the respective period in compliance with the principle of matching.

2.1.3 Real estate, machines, equipment

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

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

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

The discount rate contains the interest rate before corporate taxation, taking into account the time value of money and the impact of other risk factors associated with the asset. If no future cash flow can be assigned to the asset separately, than the cash flow of that unit must be used, of which the asset is a part. The thus established impairment, extraordinary depreciation is shown in the profit and loss account.
The costs of repair and maintenance as well as replacement of spare parts of tangible assets are charged to the maintenance expenses. The value added investments and refurbishment are capitalised. The historical cost and accumulated depreciation of assets sold, written down to zero or not in use are derecognised. Any possible profit or loss generated in that manner is part of the profit/loss of the current year.

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

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

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

2.1.4 Impairment loss

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

2.1.5 Intangible assets

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

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

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

Rights and titles as well as software	3-6 years

2.1.6 Inventories

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

2.1.7 Receivables

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

2.1.8 Financial liabilities

The Company's statements presenting its financial position contain the following liabilities: trade payables and other current liabilities, loans, credit, current account overdrafts and futures/forwards. They are presented and valued in the standalone financial statements in the respective parts of the notes to the financial statements as specified below.

The Company values each financial obligation at fair value at the time of the initial recognition. For loans the transactions costs are also taken into account that are directly associated with obtaining the financial obligation.

The Company applies the following categories to the financial instruments covered by IAS 39: financial liabilities measured against profit/loss, loans, credit and hedging instruments to which the hedging accounting principle applies. The Company defines the category of the financial liabilities when they are acquired.

The financial liabilities valued at fair value against profit are liabilities obtained by the Company for trading purposes or liabilities deemed valued at fair value against the profit during the initial recognition. The financial liabilities for trading purposes include liabilities that were purchased by the Company mainly for profit expected from short-term exchange rate fluctuation. This category also contains futures transactions that are not considered effective hedge instruments.

The loans and borrowings appear in the statement reflecting the financial position at amortised historical cost, calculated with the effective interest method. The gains and losses on loans and borrowings are recognised in the statement of income in the course of amortisation calculated with the effective interest method and during the derecognition of the financial liability. The amortisation is recognised as a financial expense in the statement of income.

2.1.9 **Provisions**

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

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

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

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

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

2.1.10 **Income taxes**

The income tax on profit before tax is based on the act on corporate and dividend tax, regulations on the rate of local business tax and the tax and contribution liabilities set out in the act on innovation contributions. The full income tax liability contains tax components for the current year and deferred items. The Company also classifies the support provided for spectacular sports as corporate tax, because by content it considers it an income tax.

The current tax liability of the Company is calculated on the basis of the tax rate effective or announced by the balance sheet date (provided that the announcement is equivalent to entry into force). The deferred tax is calculated with the liability method.

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

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

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

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

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

2.1.11 **Leasing**

Financial leasing means that all risks and expenses relating to the possession of the asset are borne by the lessee according to the terms and conditions of the lease. All other leases are classified as operating leases.

In the case of financial leasing the assets leased by the Group are considered the assets of the Company and are recognised at acquisition, market value. The liability to the lessor is recognised on the balance sheet as a financial lease liability. The expenses of the leasing which are differences between the fair value of the acquired assets and the total lease liabilities are recognised against to the profit during the entire term of the leasing to make sure that they represent a constant, periodically occurring expense in relation to the existing liability amount in the various period.

Such expenses result from the difference between the total liabilities and the market value of the leased asset at the rime of acquisition and are recognised in the profit and loss account either over the relevant leasing tenor, in order to facilitate the monitoring of the changes in the balance of the outstanding liability from time to time or in the individual reporting periods.

2.1.12 **Earning per share (EPS)**

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

The diluted earning/share is calculated similarly to the earning/share. However, during the calculation all shares in distribution, suitable for dilution are taken into account, and the dividend that may be distributed on common shares is increased by the dividend and return on the convertible shares taken into account during the applicable period, modified by further income and expenses on conversion; the weighted average number of shares in distribution is increased by the weighted average number of further shares which would be in distribution if all convertible shares were converted. There were no transactions which would dilute the value of that EPS rate either in the period ending on 31 December 2017 or the one ending on 31 December 2018.

2.1.13 **Off-balance sheet items**

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

2.1.14 **Treasury shares**

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

2.1.15 **Dividends**

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

2.1.16 **Profit/Loss on financial transactions**

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

2.1.17 **State aid**

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

2.1.18 **Distribution of shares, option schemes**

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

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

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

2.2 Changes in the Accounting Policy

The Company prepared its financial statements in compliance with the provisions of all the standards and interpretations in force as at 31 December 2018.

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

IFRS 16 Leasing (effective from 1 January 2019)
The IASB issued a new standard on the recognition of leasing on 13 January 2016. The application of the new leasing standard will be mandatory for companies using IFRS in the reporting periods starting on 1 January 2019 or later. The new standard will replace the currently effective provisions of the IAS 17 leasing standard and will fundamentally change the previous recognition of operative leasing. Typically, the Company leases vehicles under operating leases whose recognition will be affected by the entry into force of the IFRS 16 standard.

In 2018, the Company applied all the IFRS standards, modifications and interpretations that were effective in 2018, and were relevant for its operation.

2.3 Uncertainties

During the application of the accounting policy described in Section 2.1 estimates and assumptions must be applied for the establishment of the values of individual assets and liabilities at a particular time that cannot be clearly valued from other sources. The estimation process contains the decisions based on the last available information and relevant factors. These main estimates and assumptions affect the values of assets and liabilities, revenues and expenses recognised in the financial statements and the presentation of contingent assets and liabilities in the notes to the financial statement. The actual results may be different from the estimated data.

The estimates are regularly updated. If a change affects only the particular period, it should be taken into account during the period of the change occurring in the accounting estimates and if the change affects both periods, it must be taken into account in the period of the change as well as subsequent periods.

The main aspects of critical decisions adopted in terms of the uncertainties of estimates and accounting policy that have the greatest impact on the amounts presented in the standalone financial statements are as follows:

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

In accordance with Section 2.7.1 of the significant counting principles, the Company annually tests for impairment in shares held in subsidiaries as cash-generating units. The recovery value of cash-generating units was defined on the basis of the calculation of the value in use. Estimates are indispensable for these calculations. In order to calculate the value in use it is absolutely necessary that the management estimate the future estimated cash flow of the cash-generating unit and the appropriate discount rate because the present value can be only be calculated from them.

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

In accordance with the IFRS 9 standard, the 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 **Depreciation**

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

2.4 Subsidiaries, joint undertakings and associated undertakings of the Company

As a Subsidiary

	address:	2018 31 December	2017 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%	-
Hitelalkusz Közvetítő Kft. (formerly known as: IH Project X Kft.)	1016 Budapest, Gellérthegy u. 17.	100%	100%
Metrohouse Franchise S.A.	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
Metrofinance Sp. z. o.o	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
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%	0%
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%

Jointly managed undertaking

		31 December 2018	31 December 2017
Hunor utca 24 Kft.	1016 Budapest, Gellérthegy u. 17.	50%	50%

On 6 November 2018, the Company acquired a 100% indirect ownership of Gold Finance Sp. z.o.o, and thus became its sole owner. Gold Finance Sp. z. o.o was acquired in the following way (data in HUF thousands):

Gold Finance Sp. Z. o.o asset and liability balance at the date of acquisition:	
Value of investments	**270,676,516**
Acquired ownership share	*100%*
Value of net assets on the day of acquisition	**27,067,740**
Subscribed capital	404,028,000
Capital reserves	538,747,994
Retained earnings	-915,708,254
Value of goodwill	**243,608,776**

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

2.4.1.1 Duna House Franchise Kft.

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

2.4.1.2 REIF 2000 Kft.

It is the largest franchise partner of the Duna House Franchise Network and currently operates 16 offices. The operation of own offices is important in the strategy of the Duna House Group as it contributes a great deal to obtaining a true picture of the situation of the real estate market and also helps assessing real estate market innovations and needs and their introduction in the network.

2.4.1.3 Hitelcentrum Kft.

It is a subsidiary of the Group that is engaged in financial intermediation. In line with the multiple agency contracts concluded with credit institutions, it offers a wide range of financial products to its customers, primarily in the purchase or sale of residential properties. At the moment, Hitel Centrum Kft. focuses mainly on the intermediation of housing loans and housing savings products. The service includes advice on the selection of the best available financial product and complex administration. Its services are free for customers, and are rewarded by credit institutions in the form of commission.

2.4.1.4 **Duna House Biztosításközvetítő Kft.**

In the framework of the intermediation of financial services this company pursues insurance brokerage activities.

2.4.1.5 **DH Projekt Kft.**

The Duna House Project emphasised the intermediation of traditionally new-built properties and specialised in providing complex analysis, preparation and project sales services to real estate developers. In accordance with market demand, since 2011 the new “banking real estate” activity has become increasingly important along with the core activity.

DH Project assists a number of financial institutions in selling their own real estate portfolio and, in cooperation with the financial institution and the bank, is also involved in the (joint) sale of properties in relation to which the debtor finds it difficult or is unable to repay the loan.

2.4.1.6 **Duna House Ingatlan Értékbecslő Kft.**

The Duna House Ingatlan Értékbecslő Kft. is a business founded in 2009 for the intermediation of real estate appraisal services to banks and other market actors. In most cases Duna House Ingatlan Értékbecslő Kft. performs organisation and quality assurance tasks, while valuation services are provided by experts, independent from the real estate brokerage network as sub-contractors.

2.4.1.7 **Energetikai Tanúsítvány Kft.**

The Group launched a subsidiary engaged in energy certificates at the end of 2011. The certification, which became mandatory by law, is a new service provided by Duna House to sellers and lessors. The certification network provides a fast and marketable solution across the country and consists of independent experts.

2.4.1.8 **Superior Real Estate Kft.**

The activities of the company between 2012 and 2014 included the sale and purchase and lease of owned properties that had residential functions. In 2015 the company changed its business activity to the operation of franchise offices owned by it but belonging to the SMART network.

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.**

It is the subsidiary of the group engaged in the operation of the SMART real Estate Franchise Network. The company sells franchise rights and coordinates the tasks of the operation of the network.

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.

The Company sold Zsinór 39 Projekt Kft., which used to belong to MyCity and construct and sell a 43-unit residential property (the Iris House) in Budapest, district 13.

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 **Hitelalkusz Közvetítő Kft.**

Licensed as a money market broker by the National Bank of Hungary on 25 May 2018, Hitelalkusz Közvetítő Kft. (formerly: IH Project X Kft.), is engaged mainly in brokering loan products.

2.4.1.17 **Polish subsidiaries**

The Duna House Group entered the Polish market through the acquisition of Metrohouse Group in April 2016.

The holding company of Metro House Group is Metro House Franchise S.A, the 100% ownership of which was acquired by Duna House Holding Nyrt. in April 2016. Metrohouse Group operates its own and franchise office in large cities of Poland, including Warsaw, Krakow, Gdansk and Lodz. The offices are engaged in real estate brokerage services as well as intermediation of financial products, primarily mortgage loans.

As at the date of the acquisition, Metrohouse Franchise S.A. had four fully-owned subsidiaries. In order to improve the efficiency of the operation in Poland, MH Poludnie Sp. z o.o, MH Warszawa Sp z. o.o and MH Uslugi Wspolne S.A., all operating own offices, merged on 20 December 2017, with Metrohouse S.A. as their legal successor. Financial products are brokered by Metrofinance Sp. z.o.o.

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

2.4.1.18 **Czech subsidiaries**

The Czech Duna House Franchise s.r.o established in Prague and two of its subsidiaries, Center Reality s.r.o and Duna House Hypotéky s.r.o were acquired by the Duna House Group on 2 September 2016. Currently, Center Reality s.r.o . only operates one own office. Duna House Franchise s.r.o began to establish a franchise network in early 2018. Currently, Duna House Hypotéky s.r.o is not engaged in any operation.

3. Property, machinery and equipment

data in HUF thousands	Land and buildings	Machinery and equipment	Total
Gross value			
As at 1 January 2017	**409**	**14,215**	**14,624**
Expansion of the scope of consolidation	-	-	0
Growth and reclassification	-	6,728	6,728
Decrease and reclassification	-	-3,723	-3,723
As at 31 December 2017	**409**	**17,220**	**17,629**
Expansion of the scope of consolidation	-	-	-
Growth and reclassification	-	4,669	4,669
Decrease and reclassification	-	-10,632	-10,632
As at 31 December 2018	**409**	**11,257**	**11,666**
Accumulated depreciation			
As at 1 January 2017	**48**	**5,977**	**6,025**
Expansion of the scope of consolidation	-	-	0
Annual write-off	28	4,181	4,209
Decrease	-	-	-
As at 31 December 2017	**76**	**10,158**	**10,234**
Expansion of the scope of consolidation	-	-	-
Annual write-off	27	3,757	3,784
Decrease	-	-7,200	-7,200
As at 31 December 2018	**103**	**6,715**	**6,818**
Net book value			
As at 1 January 2017	**361**	**8,238**	**8,599**
As at 31 December 2017	**333**	**7,062**	**7,395**
As at 31 December 2018	**306**	**4,542**	**4,848**

4. Intangible assets

data in HUF thousands	Total
Gross value	
As at 1 January 2017	**1,696**
Expansion of the scope of consolidation	0
Growth and reclassification	982
Decrease and reclassification	0
As at 31 December 2017	**2,678**
Expansion of the scope of consolidation	0
Growth and reclassification	1,070
Decrease and reclassification	0
As at 31 December 2018	**3,748**
Accumulated depreciation	
As at 1 January 2017	**698**
Expansion of the scope of consolidation	-
Annual depreciation	239
Decrease	-
As at 31 December 2017	**937**
Expansion of the scope of consolidation	-
Annual depreciation	1,317
Decrease	-
As at 31 December 2018	**2,254**
Net book value	
As at 1 January 2017	**998**
As at 31 December 2017	**1,741**
As at 31 December 2018	**1,494**

5. Investments in subsidiaries

In this balance sheet row, shares in the following companies are presented.

	2018 31 December	2017 31 December
Metro House Franchise S.A	863,464	863,464
MyCity Residential Development Kft.	302,040	312,040
Impact Asset Management Alapkezelő Zrt.	285,000	260,000
Home Line Center Kft.	252,000	252,000
GDD Commercial Kft.	219,500	219,500
REIF 2000 Kft.	42,600	42,600
Home Management Kft.	21,500	21,500
Hitelcentrum Kft.	14,650	14,650
Duna House Ingatlan Értékbecslő Kft.	13,800	13,800
Duna House Franchise s.r.o.	10,000	10,000
Duna House Biztosításközvetítő Kft.	5,000	5,000
Duna House Franchise Kft.	5,000	5,000
DH Projekt Kft.	3,000	3,000
Energetikai Tanúsítvány Kft.	3,000	3,000
Smart Ingatlan Kft.	3,000	3,000
Superior Real Estate Kft.	3,000	3,000
Hitelalkusz Kft.	2,960	2,960
Akadémia Plusz 2.0 Kft.	3,000	
Total investments in subsidiaries	**2,052,514**	**2,034,514**

In the future, the management considers the value of equity interests in subsidiaries to be fully recoverable, and therefore no impairment loss is recognised.

6. Deferred tax receivables

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

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

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

Deferred tax assets

	2018 31 December	2017 31 December
Due to losses carried forward	4,123	4,055
Due to the evaluation of foreign currency items		262
Tangible assets at book value		46
Total	**4,123**	**4,363**

7. Inventories

	2018 31 December	2017 31 December
Total inventories	**1,231**	**1,231**

8. Trade receivables

	2018 31 December	2017 31 December
Total trade receivables	**649**	**1,041**

9. Amounts owed by related undertakings

The value of related receivables contains the following:

	2018 31 December	2017 31 December
Short-term loans granted to subsidiaries and interest, trade receivable and additional contribution on them	2,472,095	2,124,917
Dividends receivable on subsidiaries	216,000	179,000
Total receivables from related companies	**2,688,095**	**2,303,917**

The increase in short-term loans granted to subsidiaries constituting the related receivables is primarily related to the loan granted to finance the acquisition of Gold Finance through a subsidiary of the Company, Metrohouse Franchise S.A.

10. Other receivables

	2018 31 December	2017 31 December
Collateral	7,298	9,730
Other receivables (taxes)	1,632	0
Advances paid	2,241	357
Total other receivables:	**11,171**	**10,087**

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

11. Accrued incomes

	2018 31 December	2017 31 December
Accrued incomes	216	1,261
Prepaid expenses	339	265
Total accrued and deferred assets	**555**	**1,526**

12. Cash and cash equivalents

	2018 31 December	2017 31 December
Bank account balance	157,565	99,835
Treasury balance	782	170
Total cash	**158,347**	**100,005**
Restricted cash	**31,700**	**35,000**

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

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

13. Subscribed capital and profit reserve

The Company's share capital is HUF 171,989 thousand, which consists of 3,438,787 dematerialised 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 653,017 thousand was approved at the ordinary general meeting of the Company on 20 April 2018. In line with the above, holders of preferred shares are entitled to an amount equal to 6% of the taxed profit less the 2017 revaluation of investment property and the revaluation of the ownership shares involved in the consolidation with the equity method (i.e. HUF 47,791,000); holders of ordinary shares are eligible for HUF 605,227,000.

Dividends on ordinary shares was paid in a lump sum on 19 June 2018; dividends on preferential employee shares is paid in four equal instalments quarterly. The first one was paid on 29 June 2018.

14. Treasury shares

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

Management option scheme
In 2018, Duna House Holding Plc. 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 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.

The General Meeting held on 20 April 2018 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	**2018**	**2017**
As at 1 January	**-**	**-**
Purchase of shares	31,200	-
Provided in the framework of the Management option scheme	-	-
Provided in the framework of the Employee scheme	-	-
As at 31 December	**31,200**	

15. Long-term loans

	2018 **31 December**	**2017** **31 December**
Raiffeisen loan (Metrohouse)	180,674	301,124
Total long-term loans	**180,674**	**301,124**

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 agreement was also signed by GDD Commercial Kft., Superior Real Estate Kft., Duna House Franchise Szolgáltató Kft., Hitelcentrum Szolgáltató Kft., Reif 2000 Ingatlanforgalmazó és Tanácsadó Kft, Home Management Ingatlanforgalmazó és Szolgáltató Kft. and Home Line Center Ingatlanforgalmazó és Szolgáltató Kft. as joint and several co-debtors.

The loan matures on 30 March 2021. The loan is amortised quarterly on equal instalments.

The further conditions include that as long as the loan agreement is in effect, Duna House Holding Nyrt. and the co-debtors undertake to have at least 1.3 debt service coverage ratio securing the loan agreement.

The debt service coverage ratio compares the balance of EBITDA, less the investments in fixed assets, the corporate tax liabilities and the loans to shareholders in the current year and increased by the amount of loans received from shareholders (numerator) to the annual debt service (denominator).

Repayment schedule of the Raiffeisen (Metrohouse) loan[1]:

	Repayment plan
2019	120,450
2020	120,450
2021	60,224
Total	**301,124**

16. Other long-term liabilities

	2018 31 December	2017 31 December
Long-term liabilities-Lease	0	0
Total long-term liabilities (Lease):	**0**	**0**

17. Short-term loans and borrowings

	2018 31 December	2017 31 December
Short-term loans and borrowings	120,450	120,450
Total short-term loans and borrowings:	**120,450**	**120,450**

We present on this balance sheet item the portion that is due in 1 year after the balance sheet date of the Raiffeisen loan (Metrohouse) presented under long-term loans in Section 15.

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

18. Accounts Payable

	2018 31 December	2017 31 December
Trade payables	15,917	12,900
Total accounts payable	**15,917**	**12,900**

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

19. Liabilities to related parties

The value of related liabilities contains the following:

	2018 31 December	2017 31 December
Loan, deposit received from subsidiaries	1,236,798	751,821
Liabilities to owners	265,000	189,900
Amount received for capital increase (Medasev Holding Kft.)	0	0
Treasury shares	0	0
Employee dividend payment liability	12,038	8,054
Total related liabilities	**1,513,836**	**949,775**

20. Other liabilities

	2018 31 December	2017 31 December
Other tax liabilities	12,015	10,236
Liabilities from remuneration	4,093	4,000
Short-term portion of lease payments:	0	3,396
Other	193	0
Total other liabilities	**16,301**	**17,632**

21. Accruals and deferred income

	2018 31 December	2017 31 December
Accrued costs and charges	13,745	13,338
Total accrued and deferred liabilities	**13,745**	**13,338**

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

22. Sales revenue

	01.01.2018 31.12.2018	01.01.2017- 31.12.2017
Revenue from holding services	214,027	172,656
Revenue from recharging office rental fees	35,598	36,141
Recharging the operating leases of vehicles	777	12,484
Revenue from recharging office common expenses	10,682	10,845
Revenue from recharging gas boilers	0	8,464
Revenue from recharging parking rental fees	2,916	2,592
Revenue from other recharges	5,968	2,082
Revenue from other accounting services	900	1,200
Total net sales revenues	**270,868**	**246,464**

23. Other operating income

	01.01.2018 31.12.2018	01.01.2017- 31.12.2017
Vodafone postpaid commission income	3,325	5,064
Insurance compensation	71	865
Assets sold	6,677	140
Other income	15	31
Total other operating income	**10,088**	**6,100**

The Company sold one vehicle in 2018.

24. Consumables and raw materials

	01.01.2018 31.12.2018	01.01.2017- 31.12.2017
Utility fees and charges	4,925	5,059
Maintenance costs	1,581	2,109
Office supplies	478	1,485
Fuel	1,427	843
Total material costs	**8,411**	**9,495**

25. Goods and services sold

	01.01.2018 31.12.2018	01.01.2017- 31.12.2017
Recharged expenses of office rental fee	35,598	36,141
Recharging the operating leases of vehicles	777	12,484
Expenses of recharging gas boilers	0	8,464
Cost of office parking rental to be recharged	2,916	2,592
Other recharging costs	5,968	2,082
Total goods and services sold	**45,259**	**61,763**

26. Services purchased

	01.01.2018 31.12.2018	01.01.2017- 31.12.2017
Professional service fees	42,784	42,479
Cost of stock exchange listings	14,884	14,894
Office building rental fee	10,758	10,215
Legal fees	5,140	9,079
Property related other costs	15,893	8,312
Travel, delegation expenses	7,979	7,795
Education, continuation training expenses	324	6,148
Vehicle rental fee	20,486	4,627
Other rental fees	4,285	3,716
Parking rental fee	2,510	2,880
Bank charges	2,667	2,823
Cost of payroll services	859	2,630
Cost of IT operation	4,686	2,381
Other services used	7,724	2,273
Insurance fees	473	783
Advertising fees	520	695
Cost of professional journals, subscriptions	211	510
Duties paid	271	383
Communication costs	583	334
Total services purchased	**143,037**	**122,957**

27. Personnel costs

	01.01.2018 31.12.2018	01.01.2017-31.12.2017
Wage costs	75,530	52,957
Contributions	17,124	13,332
Other personnel-type benefits	8,645	6,060
Costs of MRP in the current year	2,730	
Total staff costs	**104,029**	**72,349**
Average statistical headcount	11	11

28. Other operating charges

	01.01.2018 31.12.2018	01.01.2017-31.12.2017
Other expenses	7,460	115
Penalties	59	0
Total other operating charges	**7,519**	**115**

Among operating charges HUF 4,381 thousand represent the amount of the book value of the vehicle sold and the costs incurred in connection with the sale.

29. Revenues of financial transactions

	01.01.2018 31.12.2018	01.01.2017-31.12.2017
Revenue from dividends	774,000	747,000
Interest received	77,563	72,562
Exchange rate gain	13,256	22,194
Proceeds from factoring	0	3,256
Total revenues of financial transactions	**864,819**	**845,012**

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

30. Expenses of financial transactions

	01.01.2018 31.12.2018	01.01.2017- 31.12.2017
Interest paid	43,084	30,249
Exchange rate losses	8,641	4,885
Total expenses of financial transactions	**51,725**	**35,134**

31. Income tax expenses

	01.01.2018 31.12.2018	01.01.2017- 31.12.2017
Actual income tax – corporate tax	299	1,902
Actual income tax – local business tax	4,344	3,503
Deferred taxes	239	-551
Total income tax expenses	**4,882**	**4,854**

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

Reconciliation of income taxes recognised in the income statement:

	01.01.2018 31.12.2018	01.01.2017- 31.12.2017
Profit/Loss before taxation	780,694	791,316
Revenue from dividends (-)	-774,000	-747,000
Tax base	6,694	44,316
Tax liability determined at the current 9% rate	602	3,989
Business tax	4,344	3,559
Deferred taxes on reversed accruals differences (loss carryforwards etc., book value of tangible assets)	-64	-2,693
Total income taxes	**4,882**	**4,854**

32. Earning per share (EPS)

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

Earning per share (EPS)	**31 December 2018**	**31 December 2017**
After-tax profit that can be allocated to shareholders (thousand HUF)	1,704,450	918,897
Dividend that may be distributed to preferential shareholders	(94,062)	(47,791)
After-tax profit that can be allocated to shareholders holding ordinary shares (thousand HUF)	1,610,389	871,106
Weighted average number of issued ordinary shares (thousand)	3,412	3,350
Earning per share (basic) (HUF)	**472**	**260**

No factor that could have diluted earnings per share emerged in 2017 or 2018 in the Company.

33. Risk management

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

The Company is exposed to the following financial risks:

- credit risk
- liquidity risk
- market risk

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

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

Capital management

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

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

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

The equity risk run by the Company was not significant in 2018.

Lending risk

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

The book value of financial instruments shows the maximum risk exposure. The table below shows the maximum credit risk exposure of the Company:

Lending risk	**2018 31 December**	**2017 31 December**
Trade receivables	649	1,041
Other receivables	11,171	10,087
Financial instruments	0	0
Cash and cash equivalents	190,047	135,005
Total	**201,867**	**146,133**

Liquidity risk

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

Market risk

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

Sensitivity analysis

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

With actual interest	**01.01.2018 31.12.2018**	**01.01.2017- 31.12.2017**
Profit before tax - excluding interest expense	823,778	821,565
Net interest income	-77,563	-72,562
Pre-tax profit/loss (less interest received and paid)	**746,215**	**749,003**
1%		
Profit before tax - excluding interest expense	823,778	821,565
Net interest income	-78,339	-73,288
Profit/Loss before taxation	**745,439**	**748,277**
Changes in profit before tax	***-776***	***-726***
Changes in profit before tax (%)	***-0.104%***	***-0.097%***
5%		
Profit before tax - excluding interest expense	823,778	821,565
Net interest income	-81,441	-76,190
Profit/Loss before taxation	**742,337**	**745,375**
Changes in profit before tax	***-3,878***	***-3,628***
Changes in profit before tax (%)	***-0.522%***	***-0.487%***
10%		
Profit before tax - excluding interest expense	823,778	821,565
Net interest income	-85,319	-79,818
Profit/Loss before taxation	**738,459**	**741,747**
Changes in profit before tax	***-7,756***	***-7,256***
Changes in profit before tax (%)	***-1.050%***	***-0.978%***
-1%		
Profit before tax - excluding interest expense	823,778	821,565
Net interest income	-76,787	-71,836
Profit/Loss before taxation	**746,991**	**749,729**
Changes in profit before tax	***776***	***726***
Changes in profit before tax (%)	***0.104%***	***0.097%***
-5%		
Profit before tax - excluding interest expense	823,778	821,565
Net interest income	-73,685	-68,934
Profit/Loss before taxation	**750,093**	**752,631**
Changes in profit before tax	***3,878***	***3,628***
Changes in profit before tax (%)	***0.517%***	***0.482%***
-10%		
Profit before tax - excluding interest expense	823,778	821,565
Net interest income	-69,807	-65,306
Profit/Loss before taxation	**753,971**	**756,259**
Changes in profit before tax	***7,756***	***7,256***
Changes in profit before tax (%)	***1.029%***	***0.959%***

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

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

34. Financial instruments

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

Financial instruments 2017	Carrying value	Fair value
Financial instruments		
Assets recorded at fair value against profit		
Financial instruments	0	0
Trade receivables	1,041	1,041
Cash and cash equivalents	135,005	135,005
Financial liabilities		
Liabilities recorded at amortized cost obligations		
Long-term loan	301,124	301,124
Other long-term liabilities (leasing)	0	0
Short-term loans and borrowings	120,450	120,450
Short-term portion of the lease	3,396	3,396
Accounts payable	12,900	12,900

Financial instruments 2018	Carrying value	Fair value
Financial instruments		
Assets recorded at fair value against profit		
Financial instruments	0	0
Trade receivables	649	649
Cash and cash equivalents	190,047	190,047
Financial liabilities		
Liabilities recorded at amortized cost obligations		
Long-term loan	180,674	180,674
Other long-term liabilities (leasing)	0	0
Short-term loans and borrowings	120,450	120,450
Short-term portion of the lease	0	0
Accounts payable	15,917	15,917

35. Remuneration of the Board of Directors and Supervisory Board

In 2018, the total amount of the remuneration due to the members of the Board of Directors and the Supervisory Board was HUF 62,312 thousand. (In 2017: HUF 44,988 thousand). These amounts also include the dividend paid to the members of the Board of Directors for preferential employee shares held by them.

	31.12.2018	31.12.2017
Members of the Board of Directors	56,912	39,588
Members of the Supervisory board	5,400	5,400
Total	**62,312**	**44,988**

36. Events after the balance sheet date

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

Treasury shares

The Board of Directors of the Company was authorised by the extraordinary meeting held on 18 December 2018, between 31 December 2018 and 22 March 2019 a total of 8,930 pieces of treasury shares were traded on the stock exchange for ongoing employee share programs. The amount of Company treasury shares on 22 March 2019 was 40,130.

Merger of subsidiaries

The following merger took place between the indirect 100% subsidiaries of the Company following the end of the financial year: Metrofinance Sp. z. o.o merged into Gold Finance Sp. z. o.o as of 28 February 2019. The aim of the merger was to execute operational synergies.

37. Liability declaration and approval of the financial statements for disclosure

In line with Annex 2 to Decree no 24/2008. (VIII. 15.) of the Minister of Finance on the information obligation related to publicly traded securities, the Board of Directors hereby declare that these audited standalone financial statements (independent auditor report attached) give a fair picture of the assets, liabilities, financial situation and performance of the Company.

The Board of Directors of the parent company of the Company discussed these standalone financial statements at its meeting held on 22 March 2019 and approved their disclosure in this form.

Budapest, 22 March 2019

Persons authorised to sign the separate statements:

Doron Dymschiz
Chair of the board of directors

Gay Dymschiz
Member of the Board of Directors

Ferenc Máté
Member of the Board of Directors

DUNA HOUSE HOLDING NYRT.

BUSINESS REPORT

ON THE 2018 ACTIVITIES OF THE COMPANY

1. Company profile

The Duna House Holding Nyrt. – hereinafter referred to as "Company" – was founded in 2003; its main activity is real estate and loan brokerage. It has been a leading service provider in the services sector, in particular, in the real estate and financial services sector, in Hungary for years now. The Group's flagship is a national network of real estate agencies, which started operating in 2003. Now it employs over 1,400 persons serving customers at 165 locations. A transaction as a result of which Duna House Group, Hungary is now the sole owner of Metrohouse, the largest Polish real estate agency was closed in April 2016. At the time of the acquisition the Polish network had 80 offices and 600 sales officers, which the Group intends to develop in the future. Metrohouse was consolidated into the Duna House Group on 1 April 2016. On 2 September 2016 the Company acquired 80% participation in the Czech Duna House Franchise s.r.o and, through it, in two of its subsidiaries, Center Reality s.r.o and Duna House Hypotéky s.r.o., then, on 6 November 2018, acquired the Polish loan brokerage company Gold Finance Sp. z.o.o.

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

1.1 Subsidiaries, joint undertakings of the Company

As a Subsidiary

	address:	2018 31 December	2017 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%	-
Hitelalkusz Közvetítő Kft. (formerly known as: IH Project X Kft.)	1016 Budapest, Gellérthegy u. 17.	100%	100%
Metrohouse Franchise S.A.	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
Metrofinance Sp. z. o.o	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
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%	0%
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%

Jointly managed undertaking

		31 December 2018	31 December 2017
Hunor utca 24 Kft.	1016 Budapest, Gellérthegy u. 17.	50%	50%

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

2.1 Real estate market

The Hungarian residential real estate market was also strong in 2018. The Duna House Group estimates that the total number of transactions for the year 2018 exceeded 152,000, which, compared to the previous year's value of 154 thousand transactions published by the Hungarian Central Statistical Office, represents only 1% increase, but due to the uncertainties in the statistical management of newly built residential contracts, it is more difficult to quantify the actual change compared to previous years. The data published by Duna House Franchise Kft. in the Duna House Barométer reveal that real estate prices reached another peak in Hungary.[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 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 credible data is available on the used residential real estate market in Poland.

2.2 Loan market[3]

According to the analysis of the National Bank of Hungary, both corporate and household lending in 2018 was characterised by expansion. The household loan portfolio continued to grow, with annual growth exceeding 7%. Residential loan issuance increased by 31% over the year compared to 2017, reaching HUF 850 billion, thus reaching the nominal level of 2008. According to the MNB, in the current credit cycle, contrary to the period before the global financial crisis of 2008, the current debt brake rules prevent the over-indebtedness of the population. By the end of the year, banks provided new

[1] *Source: Duna House Barométer No 90 published by Duna House Franchise Kft.*
[2] *Source: EY – The Polish Real Estate Guide 2019 Edition - Poland*
[3] *Source: MNB: Lending Processes - March 2018*

residential loans almost exclusively with over-the-year interest rate fixation, with loans over 5 years fixed interest rate increasing above 60% in the fourth quarter. In addition to the central bank programs aimed at reducing bank costs, the increasing market share of qualified consumer-friendly residential loans (Minősített Fogyasztóbarát Lakáshitelek) also played a role in the expansion of residential loans with over five years of initial rate fixation.

According to preliminary 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. There is no public, objective data available on the ratio of loan disbursements through loan brokerage or on the level of brokerage commission.

3. The Company's financial and equity situation

3.1 Income Statement

data provided in thousands HUF, unless indicated otherwise

	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Net sales revenues	270,868	246,464
Other operating income	10,088	6,100
Total income	**280,956**	**252,564**
Consumables and raw materials	8,411	9,495
Goods and services sold	45,259	61,763
Services purchased	143,037	122,957
Personnel costs	104,029	72,349
Depreciation and amortisation	5,101	4,447
Other operating charges	7,519	115
Operating costs	**313,356**	**271,126**
Operating profit/loss	**-32,400**	**-18,562**
Financial revenues	864,819	845,012
Financial expenses	-51,725	-35,134
Profit/Loss before taxation	**780,694**	**791,316**
Income taxes	-4,882	-4,854
Taxed profit	**775,812**	**786,462**

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

The revenue of HUF 270,868 thousand realised in 2018 was somewhat higher than in the previous year, and this year it consisted mainly of office and parking rental fees invoiced to the subsidiaries with a registered office at the real estate in Gellérthegy u., as well as the holding services provided and invoiced to the subsidiaries.

The services purchased and the increase in personnel costs can be attributed to the development of management and the expansion of the long-term leasing contract of a vehicle fleet. The number of vehicles leased by the holding and recharged to the subsidiaries has decreased; a decrease in the value of goods and services sold is attributable to this.

Management forecast for the 2019 business year

For the 2019 business year, the Company published the following consolidated Management Forecast on the website of the Budapest Stock Exchange.

Consolidated annual profit after tax	**HUF 2.2 – 2.5 billion**
Consolidated annual profit after tax excluding MyCity*	HUF 1,100 – 1,400 million
- *out of which Poland*	*HUF 50 – 100 million*
Annual profit after tax of MyCity *	HUF 1,090 million

** MyCity property development activity*

	in comparison with 2018
Annual transaction volumes on the Hungarian residential property market	160-180 thousand pieces
Annual price change on the Hungarian residential property market	5 to 10% growth
Changes in disbursed residential loan volume on the Hungarian loan market	20 to 30% growth
Polish/Czech markets	Management does not regard market trends as significant in the context of the current market share, thus there shall be no guidance made in relation of the Polish and Czech markets

Note regarding Polish operations

We expect strong volume and profitability increase in our Polish businesses.

Due to a large marketing campaign in Q1 and the time needed to realizing synergies from the Gold Finance acquisition, the Polish businesses are expected to be significantly loss-making in Q1 2019 with gradual performance improvement over the year.

In our real estate franchise, we see good trends as the number of offices closing decreases constantly, while the sales of new franchise rights is increasing. Altogether, we expect office numbers to grow at minimum from 67 to 77 by the end of 2019.

Profit realization from MyCity property development activity

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

The guidance has been prepared with the assumption that 50% of the units will be handed over and invoiced of both the Forest Hill and MyCity Residence projects during 2019. Although sales is on track and both projects are expected to reach 80-90% sold unit ratio by the end of the year, we forecast slow handover process, as based on our recent experiences, the execution of loan financed or state subsidized home purchases take longer, than previously anticipated.

Delays are frequent in property development in the current market situation, the chances of actual closing and profit realization taking place in early 2020 cannot be ruled out.

3.2 Assets

data in HUF thousands

	31.12.2018	31.12.2017
ASSETS		
Long-term assets		
Intangible assets	1,494	1,741
Land and buildings	306	333
Machinery and equipment	4,542	7,062
Investments in subsidiaries	2,052,514	2,034,514
Investments in joint undertakings	0	0
Deferred tax assets	4,123	4,363
Total long-term assets	**2,062,979**	**2,048,013**
Current assets		
Inventories	1,231	1,231
Trade receivables	649	1,041
Amounts owed by related undertakings	2,688,095	2,303,917
Other receivables	11,171	10,087
Actual income tax assets	531	520
Accrued incomes	555	1,526
Cash and cash equivalents	158,347	100,005
Restricted cash	31,700	35,000
Total current assets	**2,892,279**	**2,453,327**
Total Assets	**4,955,258**	**4,501,340**

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

The most significant change on the asset side is the HUF 385 million increase in related party receivables, which is mainly attributable to the financing of the Polish Gold Finance acquisition by the Company.

3.3 Liabilities

data in HUF thousands

LIABILITIES	31.12.2018	31.12.2017
Equity		
Subscribed capital	171,989	171,989
Capital reserves	1,493,267	1,490,536
Treasury shares	-117,000	
Retained earnings	1,546,039	1,423,245
Total share capital:	**3,094,295**	**3,085,770**
Long-term liabilities		
Long-term loans	180,674	301,124
Other long-term liabilities	0	0
Total long-term liabilities	**180,674**	**301,124**
Current liabilities		
Short-term loans and borrowings	120,450	120,450
Accounts Payable	15,917	12,900
Liabilities to related parties	1,513,836	949,775
Other liabilities	16,301	17,632
Actual income tax liabilities	40	351
Accruals and deferred income	13,745	13,338
Total current liabilities	**1,680,289**	**1,114,446**
Total liabilities and equity	**4,955,258**	**4,501,340**

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

The Company's share capital is HUF 171,989 thousand, which consists of 3,438,787 dematerialized ordinary shares of HUF 50 face value each and 1,000 preferential shares of HUF 50 face value each.

A right of preferential dividend is associated with the employee shares issued by the Company. If the general meeting orders dividend payment for a particular year, the employee shares with preferential dividend give a right to dividend prior to the ordinary shares in the amount of 6% of the profit after tax stated in the consolidated annual report prepared according to IFRS (adjusted with the impact of the valuation of investment properties and the revaluation of participations involved in the consolidation with the equity method).

The employee shares shall carry no rights to dividends other than as specified above. In particular, the employee shares do not entitle their holders to dividends in excess of the above amount, or entitle their holders to dividends if, for the financial year concerned, the profit after tax according to the consolidated annual financial statement drawn up on the basis of IFRS is negative.'

The preferential right attached to employee shares is not cumulative, and the date of dividend payments is set by the Board of Directors.

The maximum payable dividend for preferential shares was taken into account during the EPS calculation.

Dividends in the amount of HUF 653,017 thousand was approved at the ordinary general meeting of the Company on 20 April 2018. In line with the above, holders of preferred shares are entitled to an amount equal to 6% of the taxed profit less the 2017 revaluation of investment property and the revaluation of the ownership shares involved in the consolidation with the equity method (i.e. HUF 47,791,000); holders of ordinary shares are eligible for HUF 605,227,000.

Dividends on ordinary shares was paid in a lump sum on 19 June 2018; dividends on preferential employee shares is paid in four equal instalments quarterly. The first one was paid on 29 June 2018.

3.4 Cash Flow Statement

Cash Flow Statement

data provided in thousands HUF, unless indicated otherwise

	01.01.2018-31.12.2018	01.01.2017-31.12.2017
OPERATING CASH FLOW		
Taxed profit	775,812	786,462
Adjustments:		
Interest income and expenses are presented under financing activities	-34,479	-42,313
Dividends owned are presented under financing activities	-774,000	-747,000
Recognised costs of MRP	2,730	0
Reporting year depreciation	5,101	4,447
Deferred taxes	239	-551
Changes in working capital		
Changes in inventories	0	0
Changes in accounts receivable, other receivables and related receivables (excluding dividends receivable)	-344,581	-497,888
Changes in accrued and deferred assets	971	-1,006
Changes in accounts payable and related liabilities (excluding dividends)	563,094	737,829
Other current liabilities and accruals and deferrals	-1,642	10,841
Changes in accrued and deferred liabilities	407	-9,144
Net operating cash flow	***193,652***	***241,676***
Investment cash flow		
(Purchase and sale of) tangible and intangible assets	-2,307	-3,987
Acquisition of subsidiaries (excluding acquired liquid assets)	-18,000	-375,000
Net investment cash flow	***-20,307***	***-378,987***
Financing cash flow		
Bank loans/(repayment)	-120,450	-120,450
Capital contribution	0	0
Purchase of Treasury shares	-117,000	0
Dividend paid	-649,030	-493,221
Dividend received	737,000	306,091
Interest received (paid)	34,479	42,313
Net financing cash flow	***-115,001***	***-265,266***
Net change in cash and cash equivalents	58,342	-402,573
Balance of cash and cash equivalents as at the beginning of the year	100,005	502,580
Balance of cash and cash equivalents as at the end of the year	**158,347**	**100,005**

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

In 2018, operating cash flow was positive at HUF 194 million due to an increase in the liability balance of subsidiaries and other related companies. The Company repaid a total of HUF 120 million bank loan and acquired treasury shares in the amount of HUF 117 million for the purpose of the MRP during the year. The dividend payment amounted to HUF 649 million.

As a result of the above, the balance of cash and cash equivalents increased to HUF 158,347 thousand, as at the end of the year. In addition, the Company held restricted cash in the amount of HUF 31,700 thousand in Raiffeisen Bank's separate blocked account, which serves as a collateral for the scheduled quarterly repayment of the Metrohouse loan and is not freely accessible to the Company.

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

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

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

5. Information on equity and share capital

Increase of the Company's equity

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

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

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

The Company's equity as at 31 December 2018

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	31,200	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	1,560,000	31,200
"B"	1,000	50	50,000	0	-
Total	**3,439,787**	**-**	**171,989,350**	**1,560,000**	**31,200**

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[4],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	1,346,611	39.15%
Doron Dymschiz	1,346,611	39.15%
AEGON Magyarország Befektetési Alapkezelő Zrt.		5.58%
Total equity	**3,439,787**	**100.0%**

[4] As at 31 December 2018

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)			30,000	1,364	2,182	1,364	2,182	37,092
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					
	16.09.2015	11.11.2019	24,000	818	1,309	818	1,309	28,254
	01.01.2020 -	11.11.2020	21,000	546	873	546	873	23,838
	01.01.2021 -	11.11.2021	18,000	273	436	273	436	19,418
	01.01.2022 -	11.11.2022	15,000	0	0	0	0	15,000
	01.01.2023 -	11.11.2023	12,000	0	0	0	0	12,000
	01.01.2024 -	11.11.2024	9,000	0	0	0	0	9,000
	01.01.2025 -	11.11.2025	6,000	0	0	0	0	6,000
	01.01.2026 -	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	Anikó Varga	Dr András Szabadházy	Dániel Schilling	Angelika Fóris	Total
Number of preferred employee shares held (number)	150	150	225	150	65	150	110	1000

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

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

8. Other issues regarding controlling powers and executive officers

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

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

9. Risk management

Due to its activities, the Company's risk exposure is the sum of the risk exposure of its subsidiaries. The assets of the subsidiaries contain liquid assets, securities, trade and other receivables and other assets excluding taxes. The resources of the subsidiaries include loans and borrowings, supplier and other payables, excluding the gains or losses arising from the revaluation at fair value of taxes and financial liabilities.

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

- credit risk
- liquidity risk

- market risk

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

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

Capital management

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

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

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

The equity risk run by the Company was not significant in 2018.

Lending risk

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

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

Liquidity risk

Liquidity risk is the risk that the Company is unable to fulfil its financial obligations by the due date. Under the Company's liquidity management approach, there should always be sufficient liquidity available to cover the Company's obligations when they fall due under both standard and stressed circumstances without the Company's incurring unacceptable losses or risking its reputation. To further minimize liquidity risk, reduce transaction costs and increase efficiency, the Company has been managing its bank accounts linked to its Hugarian 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 Company's or its subsidiaries' profit or the value of its investments made in financial instruments. Market risk management is aimed at managing market risk exposure and keeping it at an acceptable level while optimising profitability.

Property development risks

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

10. 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.

Treasury shares

The Board of Directors of the Company was authorised by the extraordinary meeting held on 18 December 2018, between 31 December 2018 and 22 March 2019 a total of 8,930 pieces of treasury shares were traded on the stock exchange for ongoing employee share programs. The amount of Company treasury shares on 22 March 2019 was 40,130.

Merger of subsidiaries

The following merger took place between the indirect 100% subsidiaries of the Company following the end of the financial year: Metrofinance Sp. z. o.o merged into Gold Finance Sp. z. o.o as of 28 February 2019. The aim of the merger was to execute operational synergies.

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[5].

12. Declaration on responsibility

The Board of Directors of the Company prepared this business report on the basis of the data included in the separate financial statements for 2018 compiled in accordance with the International Financial Reporting Standards (IFRS) and to the best of their knowledge. The accounts are audited; therefore an independent auditor's report has been attached.

This business report gives a fair picture of the situation, development and performance of the Company.

Budapest, 22 March 2019

Persons authorised to sign the business report:

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

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