DUNA HOUSE HOLDING NYRT.

CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
30 June 2021

DUNA HOUSE
GROUP

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Consolidated balance sheet

data provided in thousands HUF, unless indicated otherwise

ASSETS	*Notes*	30/06/2021	31/12/2020
Long-term assets			
Intangible assets	*5*	315 716	16 455
Right-of-use asset	*6*	201 791	267 132
Investment property	*4*	1 837 200	1 868 721
Real property	*3*	411 322	424 103
Machinery and equipment	*3*	25 343	316 122
Goodwill	*7*	1 683 715	1 701 769
Investments in associated companies and joint ventures	*8*	98 338	427 667
Financial instruments	*9*	102 338	72 706
Deferred tax assets	*10*	228 906	174 248
Total long-term assets		**4 904 671**	**5 268 923**
Current assets			
Inventories	*11*	7 545 575	7 118 850
Trade receivables	*12*	1 251 690	887 556
Amounts owed by related undertakings	*13*	426 709	120 484
Other receivables	*14*	1 140 435	1 083 514
Actual income tax assets		91 315	39 465
Cash and cash equivalents	*15*	4 864 418	6 169 525
Restricted cash	*15*	779 536	732 626
Total current assets		**16 099 678**	**16 152 020**
Total Assets		**21 004 348**	**21 420 943**

Consolidated balance sheet

data provided in thousands HUF, unless indicated otherwise

LIABILITIES	*Notes*	30/06/2021	31/12/2020
Equity			
Subscribed capital	*16*	171 989	171 989
Treasury shares	*17*	(202 697)	(193 614)
Capital reserve	*16*	1 528 085	1 526 164
Exchange reserves	*18*	40 563	54 123
Retained earnings	*16*	4 497 209	5 328 327
Total equity of the parent company		**6 035 149**	**6 886 989**
Non-controlling ownership interest	*19*	(78 264)	(70 615)
Total equity:		**5 956 885**	**6 816 374**
Long-term liabilities			
Long-term loans	*20*	0	0
Deferred tax liabilities	*22*	199 289	186 162
Other long-term liabilities		0	0
Bonds payable	*21*	7 025 492	6 944 849
Lease liabilities	*6*	129 059	159 889
Total long-term liabilities		**7 353 840**	**7 290 900**
Current liabilities			
Short-term loans and borrowings	*20*	4 805 867	4 729 908
Accounts payable	*23*	1 188 844	858 967
Liabilities to related undertakings	*24*	52 655	22 042
Other liabilities	*25*	1 507 168	1 563 368
Short-term liabilities from leases	*6*	86 729	122 966
Actual income tax liabilities		52 359	16 418
Total current liabilities		**7 693 623**	**7 313 669**
Total liabilities and equity		**21 004 348**	**21 420 943**

Consolidated income statement

data provided in thousands HUF, unless indicated otherwise

	Notes	01/01/2021-30/06/2021	01/01/2020 - 30/06/2020
Net sales revenues	*26*	5 911 155	4 351 268
Other operating income	*27*	216 664	60 519
Total income		**6 127 819**	**4 411 787**
Changes in self-manufactured inventories	*28*	(630 454)	(685 916)
Material cost	*29*	134 309	116 753
Goods and services sold	*30*	1 057 290	1 042 356
Contracted services	*31*	3 756 501	2 748 814
Personnel costs	*32*	403 448	378 555
Depreciation and amortisation		80 007	53 214
Depreciation on right-of-use	*6*	63 933	66 110
Other operating charges	*33*	462 120	102 897
Operating costs		**5 327 154**	**3 822 783**
Operating profit/loss		**800 665**	**589 004**
Financial revenues	*34*	26 899	70 974
Financial expenses	*35*	(183 649)	(56 881)
Profit of participations valued with the equity method	*8*	40 671	(24 168)
Profit/Loss before taxation		**684 586**	**578 929**
Income taxes	*36*	124 913	109 126
Taxed profit		**559 673**	**469 804**
Other comprehensive income	*37*	**30 573**	**32 251**
Total comprehensive income		**590 246**	**502 055**
Of the total comprehensive income			
Attributable to the parent company		**597 894**	**508 157**
Attributable to external shareholders		**(7 649)**	**(6 102)**
Income per share (HUF)	*38*		
Basis		15,6	13,0
Diluted		15,6	13,0

The notes provided on pp. 9-67 constitute an integral part of the Consolidated Financial Statements

Statement of changes in consolidated equity

data provided in thousands HUF, unless indicated otherwise

	Notes	Subscribed capital	Treasury shares	Capital reserve	Retained earnings	Exchange reserves	Total equity of the parent company	Non-controlling ownership interest	Total equity
Balance as at 31 December 2019		**171 989**	**(176 915)**	**1 499 705**	**4 045 277**	**70 762**	**5 610 817**	**(62 803)**	**5 548 015**
Dividends	*16*				(60 500)		**(60 500)**		**(60 500)**
Purchase of treasury shares	*17*		(16 698)				**(16 698)**		**(16 698)**
Employee and management share schemes	*17*			26 458			**26 458**		**26 458**
IFRS 9 impairment 2018 closing balance adjustments							**0**		**0**
Total comprehensive income					1 343 550	(16 639)	**1 326 911**	(7 813)	**1 319 099**
Balance as at 31 December 2020		**171 989**	**(193 614)**	**1 526 164**	**5 328 327**	**54 123**	**6 886 988**	**(70 615)**	**6 816 373**
Dividends	*16*				(1 388 449)		**(1 388 449)**		**(1 388 449)**
Purchase of treasury shares	*17*		(9 084)				**(9 084)**		**(9 084)**
Employee and management share schemes	*17*			1 921			**1 921**		**1 921**
IFRS 9 impairment 2018 closing balance adjustments							**0**		**0**
Total comprehensive income					557 332	(13 560)	**543 771**	(7 649)	**536 123**
Balance as at 30 June 2021		**171 989**	**(202 697)**	**1 528 085**	**4 497 210**	**40 562**	**6 035 149**	**(78 264)**	**5 956 885**

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Consolidated Cash Flow Statement

data provided in thousands HUF, unless indicated otherwise

	Notes	01/01/2021 - 30/06/2021	01/01/2020 - 30/06/2020
OPERATING CASH FLOW			
Taxed profit		559 673	469 804
Adjustments:			
Financial results	34-35	156 750	(14 093)
Reporting year depreciation and depreciation on right-of-use assets		143 940	119 324
Deferred taxes	10	(41 530)	(1 338)
Revaluation of investment property	27	(23 655)	(10 300)
Share scheme	17	1 921	9 685
Shares measured with the equity method	8	(40 671)	24 168
Changes in the revaluation reserve and non-controlling shares		(21 209)	(26 519)
Tax payable	36	129 713	106 558
Changes in working capital			
Changes in inventories	11	(426 725)	(682 253)
Changes in accounts receivable, other receivables and related receivables	12-14	(727 658)	107 683
Changes in accrued and deferred assets	14	(46 531)	(58 480)
Changes in accounts payable and related liabilities	23-24	345 991	48 861
Other current liabilities and accruals and deferrals	25	(260 344)	(82 505)
Changes in accrued and deferred liabilities	25	90 854	147
Income tax paid		(68 568)	(166 043)
Net operating cash flow		***(228 050)***	***(155 300)***
Investment cash flow			
Tangible and intangible assets purchased	3-5	(76 309)	(46 643)
Sale of tangible assets	3-5	55 776	83 000
Purchase of other invested assets		(29 633)	0
Dividend from affiliated undertakings		370 000	0
Acquisition/Disposal of subsidiaries (excluding acquired liquid assets)		0	(339 800)
Net investment cash flow		***319 835***	***(303 443)***
Financing cash flow			
Bank loans/(repayment)	20	75 959	1 173 811
Capital contribution/ (Purchase of Treasury shares)	16-17	(9 084)	(10 894)
Changes in right-of-use and lease liabilities	6	(29 423)	(48 263)
Dividend payments	16	(1 358 237)	(38 640)
Bond issues	21	(1 000)	0
Interest received (paid)	34-35	(1 055)	(44 013)
Net financing cash flow from investment activities		***(1 322 840)***	***1 032 001***
Net change in cash and cash equivalents		(1 231 055)	573 259
Balance of cash and cash equivalents as at the beginning of the year		6 169 525	1 627 726
Exchange rate differences in liquid assets		(74 052)	58 106
Balance of cash and cash equivalents as at the end of the year	15	**4 864 418**	**2 259 090**

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1. General

1.1 Introduction to the company

The Duna House Holding Nyrt. - hereinafter referred to as “Company” or “Group” - was founded in 2003; its main activity is real estate and loan brokerage. It has been a leading service provider in the services sector, in particular, in the real estate and financial services sector, in Hungary for years now. The Group’s flagship is a national network of real estate agencies, which started operating in 2003. Now it employs over 1,400 persons serving customers at 165 locations. A transaction as a result of which Duna House Group, Hungary is now the sole owner of Metrohouse, the largest Polish real estate agency was closed in April 2016. At the time of the acquisition the Polish network had 80 offices and 600 sales officers, which the Group intends to develop in the future. Metrohouse was consolidated into the Duna House Group on 1 April 2016. On 2 September 2016 the Company acquired 80% participation in the Czech Duna House Franchise s.r.o and, through it, in two of its subsidiaries, Center Reality s.r.o and Duna House Hypotéky s.r.o.; on 6 November 2018, it acquired the Polish loan brokerage company Gold Finance Sp. z.o.o.; and on 7 January 2020 it acquired the Polish loan brokerage company Alex T. Great 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
- financial products brokerage
- insurance brokerage
- real estate appraisal services and the mediation thereof
- energy certification services and the mediation thereof
- 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.

Owner's name	Ownership share as at 30 June 2021	Ownership share as at 31 December 2020
Medasev Holding Kft.	39.68%	39.68%
Medasev Int. (Cyprus) Ltd.	38.04%	38.04%
AEGON Magyarország Befektetési Alapkezelő Zrt.	6.48%	6.69%
Employees	1.77%	1.72%
Treasury shares	1.55%	1.48%
External investors	12.49%	12.39%
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 interim consolidated financial statements were approved by the Board of Directors on 29 September 2021. The consolidated financial statements were prepared in compliance with the International Accounting Standards, as announced and enacted in a regulation in the official journal of the European Union (EU). The IFRS consists of the standards and interpretations developed by the International Accounting Standards Board (IASB) and the International Financing Reporting Interpretations Committee (IFRIC).

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

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

ii) Basis of the financial statements

The consolidated financial statements were prepared on the basis of the standards issued and effective before 30 June 2021 and according to the IFRIC interpretations.

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

iii) Basis of the valuation

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

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

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

2. Accounting policy

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

2.1 Main components of the accounting policy

2.1.1 **Basis of consolidation**

Subsidiaries

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

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

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

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

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

2.1.2 Reporting currency and FX balances

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

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

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

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

2.1.3 Sales revenue

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

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

2.1.4 **Real estate, machines, equipment**

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

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

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

The discount rate contains the interest rate before corporate taxation, taking into account the time value of money and the impact of other risk factors associated with the asset. If no future cash flow can be assigned to the asset separately, then 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 income statement.

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

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

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

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

2.1.5 **Impairment loss**

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

2.1.6 **Intangible assets**

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

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

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

Rights and titles as well as software	3-6 years

2.1.7 Goodwill

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

2.1.8 Inventories

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

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

2.1.9 Receivables

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

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

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

2.1.11 Financial instruments

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

- The amortised historical cost - target - is the collection of contractual cash flows, which contains only the cash flows related to the payment of interests on capital and extended capital amounts.

- Fair value against other comprehensive profits - the purpose of holding - which realises its goal by way of the collection of contractual cash flows and the sale of financial instruments, and result in cash flows at times specified by the contractual conditions of the financial instrument, which are exclusively the payment of interests on capital and extended amounts of capital.
- Against fair value results - which do not belong to either of the two financial instrument categories or were designated as valuated at fair value against profit when they were first recognised.

Financial liabilities have to be valuated at their amortised historical cost value, with the exception of the financial liabilities that have to be valuated at fair value against profit or where the Group opted to valuated for fair valuation.

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

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

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

Valuation at amortised historical cost

Amortised historical cost is the original cost value of the financial instrument or liability decreased by the amount of capital redemption, increased or decreased by the accumulated amortisation of the difference between the original cost value and the value as at maturity, and decreased by the amount of depreciation due to impairment or uncollectibility. The effective interest method has to be applied to the interest rate, with the interest calculated in the profit.

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

Debt instruments valuated at fair value against other comprehensive profits

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

Capital investments valuated at fair value against other comprehensive profits

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

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

Valuated at fair value against profit

The asset shall be valuated at fair value and changes in fair value shall be recognised against profits.

Fair value accounting

Based on the market prices recorded as at the balance sheet date without deducting transaction costs. If there is none, then the basis of the valid market value of instruments with the same fundamental properties, or the cash flows expected from the net assets that form the basis of investments.

Derecognition of financial instruments

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

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

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

2.1.12 Provisions

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

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

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

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

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

2.1.13 Investment property

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

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

2.1.14 Income taxes

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

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

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

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

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

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

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

2.1.15 **Leasing**

Starting from 1 January 2019, the Company applies the rules of IFRS 16 to present its leased assets. The Company indicated assets leased for more than 12 months as part of operating and finance leasing as a right-of-use in its balance sheet for which, if the value is paid at a later date, it incurs no obligations. In its income statement, the Company accounts for depreciation on right-of-use and interest expenditures on its liabilities.
The Company is availing itself of the possibility of simplification offered by the amendment to the IFRS 16 standard passed in connection with the COVID-19 epidemic as regards the effects of rent concessions on leased assets. The Company applies the simplification to all assets that meet the requirements of IFRS point 16.46B.

2.1.16 **Earning per share (EPS)**

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

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

2.1.17 **Off-balance sheet items**

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

2.1.18 **Treasury shares**

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

2.1.19 **Dividends**

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

2.1.20 Profit/Loss on financial transactions

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

2.1.21 State aid

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

2.1.22 Distribution of shares, option schemes

The Group distributes its own shares to certain employees within the framework of its employee share schemes. The detailed description of the benefit schemes can be found in Annex 19. These benefit schemes are recognised as equity-settled share-based payment.
Equity-settled share-based payments granted to employees and others providing similar services are valued at the fair value of the equity instruments on the grant date. The fair value of equity-settled share-based payments determined on the grant date is recognised using the straight-line method over the vesting period (adjusted for changes in estimates) based on the Group's estimate of the effectively vested equity instruments. At the end of each reporting period, the Group reviews the estimate of how many shares are expected to be vested under non-market vesting conditions. The Group recognises a change in the estimate in the income statement against equity.

2.1.23 Restricted cash

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

2.1.24 Events subsequent to the accounting reference date

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

2.2 Changes in the Accounting Policy

The Group prepared its financial statements in compliance with the provisions of all the standards and interpretations in force as at 30 June 2021.

2.2.1 The new standards entering into effect on 1 January 2020 and applied by the Group:

Amendments to the IFRS 16 standard – COVID-19-Related Rent Concessions (issued: 28 May 2020, valid for business years starting on 1 June 2020 and thereafter; the EU accepted the amendment). The Company is availing itself of the possibility of simplification offered by the amendment to the IFRS 16 standard passed in connection with the COVID-19 epidemic as regards the effects of rent concessions on leased assets. The Company applies the simplification to all assets that meet the requirements of IFRS point 16.46B.

2.2.2 The effects of the following standards that enter into effect on 1 January 2020 are no significant for the Group:

Amendment to references pertaining to the definitions of financial reporting (issued: 29 March 2018, valid for business years starting on 1 June 2020 and thereafter; the EU accepted the amendments).

Definition of a Business – Amendments to the IFRS 3 standard (issued: 22 October 2018, valid for acquisitions carried out in business years starting after 1 January 2020; the EU accepted the amendment).

Definition of materiality – Amendments to the IAS 1 and IAS 8 standards (issued: 31 October 2018, valid for business years starting on 1 January 2020 and thereafter; the EU accepted the amendments).

Interest rate benchmark reference reform – Amendments to the IFRS 9, IAS 39, and IFRS 7 standards (issued: 26 September 2019, valid for business years starting on 1 January 2020 and thereafter; the EU accepted the amendments).

2.2.3 The following standards, amendments, and interpretations are not expected to have significant effects for the Group when they become applicable:

IFRS 17 Insurance Contracts (issued in May 2017; the EU has not yet accepted the new standard)

Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (issued: 23 January 2020, valid for business years starting on 1 January 2023 and thereafter; the EU has not yet accepted the amendments).

Reference to the Conceptual Framework – IFRS 3 (issued: 14 May 2020, valid for business years starting on 1 June 2022 and thereafter; the EU accepted the amendments).

Proceeds before intended use – Amendments to the IAS 16 standard (issued: 14 May 2020, valid for business years starting on 1 January 2022 and thereafter; the EU accepted the amendments)

Onerous Contracts — Cost of Fulfilling a Contract – Amendments to IAS 37 (issued: 14 May 2020, valid for business years starting on 1 January 2022 and thereafter; the EU accepted the amendments)

Annual Improvements to IFRS Standards 2018–2020 in connection with IFRS 1, IFRS 9, IFRS 16, and IAS 41 (issued: 14 May 2020; the EU accepted the amendment).

Delaying the introduction of IFRS 9 – Amendments to the IFRS 4 standard (issued: 25 June 2020, valid for business years starting on 1 January 2021 and thereafter; the EU accepted the amendments).

Interest rate benchmark reference reform, phase 2 – Amendments to the IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 standards (issued: 27 August 2020, valid for business years starting on 1 January 2021 and thereafter; the EU accepted the amendments).

2.3 Uncertainties

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

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

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

2.3.1 **Impairment on goodwill**

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

2.3.2 Impairment recognised on uncollectible and doubtful receivables

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

2.3.3 Trail commission

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

2.3.4 Investment property

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

2.3.5 Depreciation

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

2.4 Business combination details, enterprises involved in the consolidation

As a Subsidiary

	address:	2021 30 June	2020 31 December
Duna House Biztosításközvetítő Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Hitelcentrum Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
DH Projekt Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Duna House Ingatlan Értékbecslő Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Duna House Franchise Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Energetikai Tanúsítvány Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Superior Real Estate Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Home Management Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
REIF 2000 Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
GDD Commercial Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
SMART Ingatlan Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Impact Alapkezelő Zrt.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Home Line Center Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Akadémia Plusz 2.0 Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Duna House Szolgáltatóközpont Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Metrohouse Franchise S.A.	02-675 Warszawa, Woloska 22 Polska (Poland)	100%	100%
Metrohouse S.A.	02-675 Warszawa, Woloska 22 Polska (Poland)	100%	100%
Gold Finance Sp. z. o.o	02-675 Warszawa, Woloska 22 Polska (Poland)	100%	100%
Primse.com Sp. z o.o.	02-675 Warszawa, Woloska 22 Polska (Poland)	90%	-
MyCity Residential Development Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Pusztakúti 12. Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Reviczky 6-10. Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Duna House Franchise s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%
Duna House Hypoteky s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%
Center Reality s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%

As jointly managed undertakings

		30 June 2021	31 December 2020
Hunor utca 24 Kft.	1016 Budapest, Gellérthegy u. 17.	50%	50%

On 17 June 2021, the Company established the company Primse.com SP. z o.o , which provides sales services to real estate developers.

2.4.1 Presentation of the subsidiaries involved in the consolidation

2.4.1.1 Duna House Franchise Kft.

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

2.4.1.2 REIF 2000 Kft.

It is the largest franchise partner of the Duna House Franchise Network and currently operates 13 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 Értékbecslő Kft. is a business founded in 2009 for the intermediation of real estate appraisal services to banks and other market actors. In most cases Duna House Ingatlan Értékbecslő Kft. performs organisation and quality assurance tasks, while valuation services are provided by experts, independent from the real estate brokerage network as sub-contractors.

2.4.1.7 Energetikai Tanúsítvány Kft.

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

2.4.1.8 Superior Real Estate Kft.

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

2.4.1.9 Home Management Kft.

Home Management Kft. performs comprehensive management services in residential properties, primarily for foreign property owners. The following services are provided: letting, lease payment monitoring, collection, management of overheads, maintenance, accounting and owner representation. The DH Group outsources maintenance and other activities to sub-contractors.

2.4.1.10 GDD Commercial Kft.

The activities of the company include the sale and purchase and lease of owned properties that have business functions.

2.4.1.11 SMART Ingatlan Kft.

The company group operated the SMART Real Estate Franchise Network real estate brokerage until 31 December 2019, at which time the SMART networked merged with Duna House. Starting from 1 January 2021, it performs short-term real estate investment activities.

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. After the project was successfully closed, in 2020 it started providing general contracting services to Pusztakúti 12 Kft.

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 in its consolidated financial statements. As a result of the full consolidation, the consolidated balance sheet contains, among others, bank loans related to inventories of significant amount as well as investment properties and their financing. The guarantees securing these bank loans are non-recourse guarantees, i.e. their enforceability does not extend beyond MyCity and its project companies.

2.4.1.15**Akadémia Plusz 2.0 Kft.**

Founded in H1 2018, Akadémia Plusz 2.0 Kft. will be responsible for training linked to the Group's Hungarian real estate agency activity.

2.4.1.16**Duna House Szolgáltatóközpont Kft .**

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

2.4.1.17 Polish subsidiaries

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

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

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

Metrohouse Franchise S.A. acquired 100% ownership of Gold Finance Sp. z.o.o on 6 November 2018 and of Alex T. Great Sp. z.o.o. on 7 January 2020. To increase operational efficiency, Metrofinance Sp. z. o.o merged with Gold Finance Sp. z. o.o, effective from 28 February 2019, after which Alex T. Great Sp. z.o.o. merged with Gold Finance Sp. z.o.o. on 4 May 2020.

On 17 June 2021, Metrohouse Franchise S.A. established the company Primse.com SP. z o.o, which provides sales services to real estate developers.

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. Center Reality s.r.o currently operates a single own office, while 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

Property, machinery and equipment

data in HUF thousands	Real property	Machinery and equipment	Total
Gross value			
As at 31 December 2019	**591 821**	**367 854**	**959 675**
Expansion of the scope of consolidation			
Growth and reclassification	0	115 864	115 864
Decrease and reclassification	0	-44 377	-44 377
As at 31 December 2020	**591 821**	**439 342**	**1 031 163**
Expansion of the scope of consolidation			
Growth and reclassification	455	61 144	61 599
Decrease and reclassification	0	-352 857	-352 857
As at 30 June 2021	**592 276**	**147 629**	**739 905**
Accumulated depreciation			
As at 31 December 2019	**141 682**	**118 281**	**259 963**
Expansion of the scope of consolidation	0	0	0
Annual write-off	26 036	28 199	54 235
Decrease	0	-23 261	-23 261
As at 31 December 2020	**167 718**	**123 219**	**290 937**
Expansion of the scope of consolidation	0	0	0
Annual write-off	13 236	22 075	35 311
Decrease	0	-23 008	-23 008
As at 30 June 2021	**180 954**	**122 287**	**303 241**
Net book value			
As at 31 December 2019	**450 139**	**249 573**	**699 712**
As at 31 December 2020	**424 103**	**316 122**	**740 225**
As at 30 June 2021	**411 322**	**25 343**	**436 665**

In the course of the first half of 2021, the Group activated its new real estate agency ERP system, as a result of which the value of the investments recorded among machines and equipment decreased by HUF 323.6 million and the value of intangible assets increased.

4. Investment property

Investment property

data in HUF thousands	**Total**
As at 31 December 2019	**1 836 000**
Expansion of the scope of consolidation	0
Growth and reclassification	84 921
Changes in the fair value	30 800
Decrease and reclassification	-83 000
As at 31 December 2020	**1 868 721**
Expansion of the scope of consolidation	0
Growth and reclassification	0
Changes in the fair value	23 655
Decrease and reclassification	-55 176
As at 30 June 2021	**1 837 200**

As at 31 December 2019	**1 836 000**
As at 31 December 2020	**1 868 721**
As at 30 June 2021	**1 837 200**

In 2020, the Group sold a piece of property in downtown Budapest for HUF 83.0 million and purchased three residential properties for a total of HUF 84.9 million. During the year, partly because of the drop in tourism numbers due to COVID-19, the Budapest real estate market experienced a slowdown in price increases; the Group managed to attain a mark-up of HUF 30.8 million in its real estate portfolio (1.7% of the portfolio value as at 31 December 2019).

In the first half of 2021, the Group realised an increase in value of HUF 23.7 million in its real estate portfolio, and its sold a residential property in Budapest District 12 for HUF 55.2 million.

5. Intangible assets

data in HUF thousands	**Total**
Gross value	
As at 31 December 2019	**357 030**
Expansion of the scope of consolidation	0
Growth and reclassification	28 841
Decrease and reclassification	-12 403
As at 31 December 2020	**373 468**
Expansion of the scope of consolidation	0
Growth and reclassification	360 614
Decrease and reclassification	-15 975
As at 30 June 2021	**718 108**
Accumulated depreciation	
As at 31 December 2019	**313 204**
Expansion of the scope of consolidation	0
Annual write-off	43 534
Decrease	275
As at 31 December 2020	**357 013**
Expansion of the scope of consolidation	0
Annual write-off	44 696
Decrease	681
As at 30 June 2021	**402 390**
Net book value	
As at 31 December 2019	**43 826**
As at 31 December 2020	**16 455**
As at 30 June 2021	**315 717**

In the course of the first half of 2021, the Group activated its new real estate agency ERP system, as a result of which the value of the investments recorded among machines and equipment decreased by HUF 323.6 million and the value of intangible assets increased.

6. Leases

	30/06/2021	31/12/2020
Right-of-use asset		
Real property	151 698	205 186
Machinery and equipment	50 093	61 946
	201 791	**267 132**
Lease obligations		
less than 1 year	86 729	122 966
between 1 and 5 years	129 059	159 889
more than 5 years	0	0
	215 787	**282 855**
Depreciation of right-of-use asset	-63 933	-139 256
Interest expenditure	-4 802	-13 455
	-68 735	**-152 711**
Contracted services	**70 494**	**149 047**
Impact of IFRS 16 on profits	**1 759**	**-3 663**

Impact of IFRS 16 on lease cash flow	**30.06.2021**	**31.12.2020**
Profit/Loss before taxation	1 759	-3 663
Depreciation	63 933	139 256
Interest costs	-4 802	-13 455
Net financing cash flow from business activities	**60 891**	**122 138**
Amortisation of lease obligations	-70 494	-149 047
Interest paid	4 802	13 455
Net financing cash flow from financial activities	**-65 693**	**-135 592**

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

7. Goodwill

Goodwill was accounted for the following of the Company's subsidiaries:

Company name	30 June 2021	31 December 2020
Metrohouse Franchise S.A.	813 930	813 930
Gold Finance Sp. z o.o.	243 948	235 375
Alex TG Sp. z o.o.	298 972	298 972
Center Reality s.r.o.	167 601	167 601
Home Management Kft.	18 500	18 500
Duna House Franchise s.r.o.	10 421	10 421
Accumulated conversion difference on the balance sheet date	130 344	156 970
Total	**1 683 715**	**1 701 769**

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

8. Investments in associated companies and joint ventures

The value of investments in associated companies and joint ventures reflects the consolidated value of the 50% share in the MyCity Residential Development Kft. joint venture and in Hunor utca 24. Kft., valued with the equity method. The value of the share dropped by HUF 329,329 thousand between 1 January 2021 and 30 June 2021 due to the decrease in the net valuation of assets of Hunor utca 24. Kft caused by the payment of dividends.

Date	Text	Hunor u. 24. Kft.	Total
01/01/2020	Opening balance	117 189	**117 189**
31/03/2020	Participation from profit or loss	-12 891	**-12 891**
30/06/2020	Participation from profit or loss	-11 278	**-11 278**
30/09/2020	Participation from profit or loss	269 135	**269 135**
31/12/2020	Participation from profit or loss	65 512	**65 512**
31/12/2020	**Closing balance**	**427 667**	**427 667**
01/01/2021	Opening balance	427 667	**427 667**
31/03/2021	Participation from profit or loss	-346 037	**-346 037**
30/06/2021	Participation from profit or loss	16 708	**16 708**
30/06/2021	**Closing balance**	**98 338**	**98 338**

9. Financial instruments

The Company's financial assets were as follows:

Financial instruments	30 June 2021	31 December 2020
Deposit, security deposit	78 743	50 990
Opusse 138.000 bonds	20 385	18 425
Other long-term loans granted	3 210	3 291
Total	**102 338**	**72 706**

10. Deferred tax receivables

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

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

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

Receivables from deferred taxes	30 June 2021	31 December 2020
Due to taxation in accordance with the cash accounting principle	114 976	61 893
Losses carried forward	61 943	79 140
Impairment loss of receivables	32 990	29 450
Due to consolidation-related exclusions and accounting	17 834	0
Property, machinery and equipment, investment property and other	1 163	1 215
Provisions	0	2 551
Total	**228 906**	**174 248**

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

Maximum available tax loss amount (PLN)

Year of use	Metrohouse Franchise S.A.	Metrohouse S.A.	Gold Finance Sp. z. o.o	Primse.com Sp. z o.o.	Total (PLN)	Total (HUF thousand)	Distribution between years
2021	100 545	-112 174	0	0	-11 628	-917	-1%
2022	487 085	636 732	0	0	1 123 817	88 624	49%
2023	653 811	39 880	0	0	693 691	54 704	31%
2024	366 409	0	0	0	366 409	28 895	16%
2025	64 579	0	0	34 497	99 076	7 813	4%
2026	0	0	0	0	0	0	0%
Total	**1 672 429**	**564 439**	**0**	**34 497**	**2 271 365**	**179 120**	**100%**

11. Inventories

	30 June 2021	31 December 2020
Real estate development projects under construction	7 532 194	7 073 284
Real estate purchased for resale	0	33 280
Marketing tools	13 382	10 349
Mediated services	0	1 937
Total	**7 545 575**	**7 118 850**

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

There was a total of HUF 5,420,000 thousand mortgage registered in the land registry secured with alienation and debit ban on the value of the real estate development projects under construction recognised as inventory (including plots and building structures) as at 30 June 2020.

The amount accounted as expenditures for inventories amounted to HUF 40,113 thousand in H1 2021 and HUF 19,232 thousand in 2020.

12. Trade receivables

	30 June 2021	31 December 2020
Trade receivables	1 473 704	1 137 883
Impairment loss of receivables	-222 013	-250 327
Total	**1 251 690**	**887 556**

	30 June 2021	31 December 2020
Impairment of trade receivable opening values	**250 328**	**264 910**
Growth	29 411	64 743
Bad debts (derecognition)	0	-43 758
Decrease	-57 724	-35 568
Impairment changes on trade receivables in the target year	-28 314	-14 583
Impairment of trade receivable closing values	**222 013**	**250 327**

13. Amounts owed by related undertakings

	30 June 2021	31 December 2020
Parent company	**0**	**0**
The business units with joint control or significant influence over the business unit	**0**	**0**
Subsidiaries	**0**	**0**
Affiliated undertaking	**0**	**0**
Loan receivables from Hunor utca 24. Kft.	4 161	67 538
Dividend received from Hunor utca 24. Kft.	370 000	0
Trade receivables Hunor utca 24. Kft.	2 470	4 164
Additional payment to Hunor utca 24. Kft.	48 650	48 650
Joint ventures	**425 281**	**120 352**
The executives in key positions in the business unit and its parent company	**0**	**0**
Other	1 428	132
Other related parties	**1 428**	**132**
Total	**426 709**	**120 484**

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

14. Other receivables

Other receivables

	31 June 2021	31 December 2020
Trail commission	600 693	541 250
Advances paid	353 568	341 576
Other receivables	39 703	18 088
Short-term loans	38 795	39 065
Other receivables (taxes)	34 397	55 082
Collateral	30 000	30 000
Accrued incomes	15 848	30 621
Rental fee paid as attorney deposit	14 469	14 469
Security deposit	7 557	8 266
Duty receivable from lawsuits	2 155	3 707
Prepaid expenses	2 071	210
Assigned receivables	1 180	1 180
Total	**1 140 435**	**1 083 514**

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

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

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

15. Cash and cash equivalents

	30 June 2021	31 December 2020
Bank account balance – available	4 860 369	6 165 563
Bank account balance – restricted	779 536	732 626
Cash	4 049	3 962
Total	**5 643 954**	**6 902 151**

Regarding the aggregate bank account balance, HUF 779.5 million is only available subject to the following restrictions:

Affected by restrictions		**Reason for restriction**
Companies involved in the consolidation	**Bank account balance**	
Pusztakúti 12. Kft.	HUF 673 466 thousand	Security interest in collateral securing the repayment of the loans granted by Takarékbank Zrt. in connection with the Forest Hill residential development, with collateral including down payments, earnest money and purchase price by clients paid into a separate blocked bank account and available only for the re- and pre-payment of the loans. The prepayment of both loans is only allowed from the third working day from the notification to this effect by Takarékbank Zrt.
Impact Asset Management Zrt.	HUF 105 570 thousand	Pursuant to Section 16 (3) and (7) of Act XVI of 2014 on collective investment forms and its managers and on the amendment of certain financial laws, in order to be able to ensure continuous operation and protect investors, Impact Asset Management Zrt. must, at all times, have solvency capital invested in liquid assets or assets that can be converted into immediately available liquid assets in an amount that covers the risk posed by its activity at all times.
Akadémia Plusz 2.0 Kft. deposit	HUF 500 thousand	The institution had to provide financial security to continue its adult education activity.
Total:	**HUF 779 536 thousand**	

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

16. Subscribed capital, capital reserve, and profit reserve

As at 30 June 2021, the Company's share capital was HUF 171,989 thousand, which consists of 34,387,870 dematerialized ordinary shares of HUF 5 face value each and 1,000 preferential shares of HUF 50 face value each.

In 2020, the Company implemented a stock split. As of 5 August 2020, as value date, the 3,438,787 dematerialized ordinary shares of HUF 50 face value each were converted to 34,387,870 dematerialized ordinary shares of HUF 5 face value each As a result of this transformation, each dematerialized ordinary share with a face value of HUF 50 was replaced by 10 ordinary shares with a face value of HUF 5 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 statements 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.

At a general meeting on 17 April 2021, the Company's Board of Directors decided to pay dividends in a total of HUF 1,388,449 thousand, of which the amount due for employee shares amounted to HUF 60,449 thousand and the amount due for ordinary shares was HUF 1,328,000 thousand.

Dividend calculations	**30/06/2021**	**31/12/2020**
Dividend for series “A” ordinary shares, based on a general meeting decision	-1 328 000	0
Dividend for series “B” employee preferential shares, based on a general meeting decision	-60 449	-60 500
Total dividends allocated	**-1 388 449**	**-60 500**
Deducted PIT	0	0
Dividends allocated based on PIT	**-1 388 449**	**-60 500**
Q1	-450 537	0
Q2	-877 375	0
Q3	-88	0
Dividends paid for series “A” ordinary shares	**-1 328 000**	**0**
Q1	-15 125	-23 515
Q2	-15 112	-15 125
Q3	-15 112	-15 125
Q4	-15 112	-15 125
Dividends paid for series “B” employee shares	**-60 462**	**-68 890**
Total dividends paid	**-1 388 462**	**-68 890**

Dividends for ordinary shares were paid in two instalments. On 24 February 2021, the Company paid interim dividends in a total of HUF 450,537 thousand; the remainder of HUF 877,375 thousand was paid on 15 June 2021. Dividends on preferential employee shares is paid in four equal instalments quarterly. The first one was paid on 30 June 2021.

17. Treasury shares

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

Management option scheme

In 2018, Duna House Holding Nyrt. launched a two-year option scheme to provide long-term incentives for Group managers and key employees, which was repeated in 2019 and 2020. The Company granted option rights for 312,000 ordinary shares with a face value of HUF 5 each per scheme.
The management option scheme launched in 2021 specified a framework amount instead of numbers: HUF 20 million would be made available for five participants with the scheme’s future drawdown exchange rate.

Employee 2019 scheme

At the general meeting held on 18 December 2018, the Company’s “Employees 2019” share scheme was approved, under which all Hungarian employees of the Group employed since 1 April 2018 will receive shares in the amount of their average wage of 2018 if the performance conditions are met. As part of the program, the Company granted a total of 49,450 ordinary shares with a face value of HUF 5 each to its employees in the months of May and June 2019.

Employee 2020 scheme

At the general meeting held on 18 April 2019, the Company's "Employees 2020" share scheme was approved, under which all employees that are employed in Hungary by the Group since 1 April 2019 will receive shares in the amount of their average wage of 2019 if the performance conditions are met in 2021. As part of the program, the Company granted a total of 40,306 ordinary shares with a face value of HUF 5 each to its employees in the month of May 2021.

Employee 2021 scheme

At the general meeting held by the Board of Directors on 17 April 2020, the Company's "Employees 2021" share scheme was approved, under which all employees that are employed in Hungary by the Group since 1 April 2020 will receive shares in the amount of their average wage of 2020 if the performance conditions are met in 2022.

Employee 2022 scheme

At the general meeting held by the Board of Directors on 20 April 2021, the Company's "Employees 2022" share scheme was approved, under which all employees that are employed in Hungary by the Group since 1 April 2021 will receive shares in the amount of their average wage of 2021 if the performance conditions are met in 2023.

The Board of Directors in the competence of the General Meeting on 20 April 2021 decided to acquire a total of 1,500,000 ordinary shares with a nominal value of HUF 5 each belonging to "A" series, with a purchase price of minimum HUF 50, but not exceeding HUF 800 each.

Number of treasury shares	**30 June 2021**	**31 December 2020**
Start of the period	**507 830**	**455 240**
Purchase of shares	59 905	52 590
Provided in the framework of the Management option scheme	-	-
Provided in the framework of the Employee scheme	-40 306	-
End of the period	**527 429**	**507 830**

18. Exchange reserves

The balance of the conversion reserve (HUF 30,573 thousand) equals the amount of the conversion difference recognised in compliance with the IAS 21 standard with the involvement of the foreign subsidiaries of the Duna House Group in the consolidation.

19. Non-controlling ownership interest

In this balance sheet row 20% of the equity of the Czech Duna House Franchise s.r.o, 10% of the equity of Primse.com Sp.zo.o, and the equity of the minority shareholders holding 1% of Duna House Hypotéky s.r.o are presented. The balance also contains the conversion difference allocated to minority shareholders in relation to the operation of these Czech and Polish companies.

20. Long and short-term loans

Short-term loans and borrowings

	30 June 2021	31 December 2020
Pusztakúti 12. Kft. (Takarékbank)	4 805 867	4 729 908
Total	**4 805 867**	**4 729 908**

Pusztakúti 12. Kft.: Takarékbank

Pusztakúti 12. Kft. and Takarékbank Zrt. entered into a long-term loan contract for HUF 4,000,000 thousand on 19 July 2017 in order to implement Forest Hill residential development, which was increased by the parties on a number of occasions, finally to HUF 5,420,000 thousand. According to the contract, the amounts drawn down from the credit limit are amortised in one amount at the end of their maturity and will be due on 31 January 2021; however, they are subject to the loan moratorium passed and extended on a number of occasions in response to the COVID-19 epidemic, meaning the repayment will foreseeably be due in July 2022.

Repayment schedule of the Takarékbank loan:	**Repayment plan**
2022	4.805.867
Total	**4.805.867**

21. Bonds payable

	30 June 2021	31 December 2020
Bond issues	6 889 368	6 889 368
Capitalised interest (with the effective interest rate method)	137 124	55 481
Bonds payable	**7 025 492**	**6 944 849**

On 2 September 2020, the company issued bonds with the name “Duna House NKP Bond 2030/I” in a total value of HUF 6.6 billion. The average issue value of the bonds is 104.6955% of their face value. The bonds have a fixed-rate interest, the coupon is set at 3%, and the term is 10 years. The average yield realised by the issuance was 2.3477 percent and the total revenue was HUF 6.9 billion. The Company uses the issuance to refinance its loans used for other than financing projects, and plans additional acquisitions. On 15 September 2020, the Company provided early repayment for the bank loan of its subsidiary Alex T. Great Sp. z. o.o, and on 2 October 2020 placed the entire amount owed to Raiffeisen Bank Zrt., including capital and interest, in a surety account for the purposes of providing early repayment.

In the target year, the Company capitalised borrowing costs for the issued bonds in a total of HUF 20,534 thousand
(legal, organisation, and distributor fees).

The Duna House NKP Bond 2030/I. pays interest and capital as follows:

	Interest payment	Payments of principal on loans	Total Cash Flow
2021	-198 000	0	-198 000
2022	-198 000	0	-198 000
2023	-198 000	0	-198 000
2024	-198 000	0	-198 000
2025	-198 000	0	-198 000
2026	-198 000	-1 320 000	-1 518 000
2027	-158 400	-1 320 000	-1 478 400
2028	-118 800	-1 320 000	-1 438 800
2029	-79 200	-1 320 000	-1 399 200
2030	-39 600	-1 320 000	-1 359 600
Total	**-1 584 000**	**-6 600 000**	**-8 184 000**

22. Deferred tax liabilities

	30 June 2021	31 December 2020
Due to the difference in the valuation of fixed assets and investment properties	168 915	152 732
Due to the recognition of trail commission	54 062	48 713
Impairment on Trade receivables	365	983
Losses carried forward	(24 053)	(31 588)
Due to consolidation-related exclusions and accounting	0	15 323
Total	**199 289**	**186 162**

Deferred tax assets and liabilities were netted at the level of the subsidiaries. A deferred tax liability of HUF 54,062 thousand results from the difference in the recognition of the trail commission realised in the financial product intermediation segment between the Hungarian and international accounting on 30 June 2021.

23. Accounts payable

	30 June 2021	31 December 2020
Trade payables	1 188 844	858 967
Total	**1 188 844**	**858 967**

During the course of the period, the total of accounts payable increased by HUF 329.9 million, primarily because of the increase of the commissions waiting for payment as part of the credit intermediary activity.

24. Liabilities to related undertakings

The value of related liabilities contains the following:

	30 June 2021	31 December 2020
Parent company	**0**	**0**
Medasev Holding Kft.	0	0
Medasev Int. (Cyprus) Ltd.	0	
The business units with joint control or significant influence over the business unit	**0**	**0**
Subsidiaries	**0**	**0**
Affiliated undertaking	**0**	**0**
Joint ventures	**0**	**0**
Dividends due to employees	45 758	15 125
The executives in key positions in the business unit and its parent company	**45 758**	**15 125**
Dividends due to shareholders	0	0
Bitkover Kft.	6 897	6 917
Other	0	0
Other related parties	**6 897**	**6 917**
Total	**52 655**	**22 042**

The balance of related liabilities consists mainly of dividend payments owed to shareholders and to holders of employee preferential shares. Chapter 16. presents the approved dividends.

The Company’s Czech subsidiary owes a principal amount of HUF 4,544 thousand and interest of HUF 2,353 thousand to Bitkover Kft., which owns 20% of the shares of Duna House Franchise s.r.o.

25. Other liabilities

Other liabilities contain the following:

Other liabilities

	30 June 2021	31 December 2020
Advance payments, earnest money and bid bonds	546 522	769 106
Accrued revenues	430 808	381 210
Tax liability	166 146	89 091
Settlement account of home owners	156 035	151 864
Settlement account of lessees	82 848	76 441
Accrued costs and charges	49 931	8 675
Liabilities from remuneration	33 648	49 758
Grants received	25 273	25 737
Other	12 659	5 181
Received deposits	3 300	6 305
Total	**1 507 169**	**1 563 368**

Deposits, tender guarantees, and advance payments provided by generally consist of the deposits and advance payments provided by clients in connection with real estate development projects by the MyCity project companies.

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

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

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

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

In 2020, the Group received a total of HUF 25.7 million in funding from the Polish Development Fund in connection with the COVID-19 epidemic. 25-50% of the support is repayable in July 2021, depending on the number of staff retained.

26. Sales revenue

Net sales revenues	30/06/2021	30/06/2020
Revenue from brokerage of loan and housing savings products	3 919 957	2 978 479
Revenue from real estate agency services	955 861	551 179
Franchise fees	707 993	494 423
Revenue from real estate management	73 771	89 346
Recharging (rental fee, utilities, etc.)	56 020	47 026
Revenue from property sales	36 000	0
Revenue from fund management and success fee	34 892	52 512
Revenue from rental fee	24 397	45 242
Revenue form insurance mediation	23 455	23 244
Revenue from education, training	17 405	14 835
Revenue from appraisal	16 611	12 867
Revenue from issuing energy certificates	12 690	11 669
Revenue from sales support	11 308	0
Other revenue (damages, contractual penalties)	8 243	13 908
Marketing revenues from banks	6 600	3 333
Other revenue from sales	5 953	0
Revenue from central services	0	12 000
Revenue from sale of units	0	37
Sales revenue from operating fees	0	1 167
Total	**5 911 155**	**4 351 268**

Compared to the period of comparison, the biggest change was the end of the COVID-19 epidemic's negative effects on the real estate and credit markets and the growth that surpassed pre-epidemic volumes. Revenue from brokerage of loan and housing savings products increased by 32%, sales revenue from real estate agency services by 73%, and franchise fees by 43%.

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

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

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

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

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

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

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

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

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

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

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

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

27. Other operating income

	30 June 2021	30 June 2020
Time barred liabilities	959	4 643
Reversal of impairment on receivables	50 560	15 330
Revaluation of investment properties	23 655	10 300
Penalties and proceeds from litigation	136 757	11 118
Other	1 812	2 823
Revenues from post-paid sales	93	470
Local business tax correction	80	14 283
Grants received	0	411
Profit from the sale of tangible assets	0	942
Insured events	0	200
Total	**216 664**	**60 519**

The Group listed the guarantee of HUF 125,662 thousand drawn down from the Forest Hill project's earlier general contractor, subjected to bankruptcy proceedings, among its penalty revenue.
The profit from the appreciation of the investment property portfolio equalled HUF 23,655 thousand compared to HUF 10,300 thousand in the previous year. Due to the effects of the COVID-19 epidemic, the growth of the value of the Group's properties purchased for the purposes of investment slowed in 2020, and then again started increasing in value with the end of the restrictive measures and due to increasing inflation.

28. Changes in self-manufactured inventories

	30 June 2021	30 June 2020
Pusztakúti 12. Kft.	-657 244	-728 312
Reviczky 6-10. Kft.	26 790	42 396
Total	**-630 454**	**-685 916**

For its real estate development projects, the Company capitalises its implementation costs for inventories and a part of interest paid to third parties for the financing of the projects. In H1 2021, of the total of HUF 18,353 thousand in interest paid to third parties in connection with development projects, the Company capitalised HUF 17,794 thousand (for a capitalisation rate of 96.95%).

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

29. Material cost

	30 June 2021	30 June 2020
Material costs of construction used	97 295	90 043
Utility fees and charges	29 834	21 548
Fuel	3 156	1 425
Maintenance costs	2 056	1 628
Official forms, office supplies	1 968	2 108
Total	**134 309**	**116 753**

In January 2020, one of the Company's subsidiaries took over implementation of the Forest Hill project, which led to the appearance of construction material costs.

30. Goods and services sold

	30/06/2021	30/06/2020
Cost of brokerage of financial product	518 550	426 743
Subcontractors' performances	396 681	516 427
Other recharging (e.g., sales support, utilities, marketing)	70 916	40 936
Direct costs of real estate agency services	62 111	49 775
Appraiser fees	8 843	8 120
Energy certificate fees	189	311
Direct cost of the sale of real properties	0	0
Cost of the sale of units	0	44
Total	**1 057 290**	**1 042 356**

31. Contracted services

	30/06/2021	30/06/2020
Direct cost of the brokerage of financial products	2 490 085	1 812 153
Direct costs of real estate agency services	457 265	246 105
Other professional services (IT development, sales support, marketing, etc.)	263 095	212 623
Professional service fees	159 629	98 285
Other services purchased (insurance, training, postal services, photocopying, cleaning, etc.)	106 060	95 599
Advertising, promotion	90 658	66 775
Rent, common expenses	63 074	68 432
Cost of IT operation	28 267	24 396
Legal fees	18 470	37 610
Telephone and communications expenses	17 617	18 801
MyCity engineering consultancy and inspection	14 597	9 223
Duna House Magyar Lakásingatlan Alap distribution costs	12 049	17 067
Cost of stock exchange listings (BSE, KELER)	11 254	6 181
Bank costs	9 885	11 002
MyCity planning costs and architect fees	8 550	20 795
Direct cost of energy certificates	3 787	3 621
Direct cost of appraisal	2 159	147
Total	**3 756 501**	**2 748 814**

The amount of services received increased by 37% in the first six months of the current year. The primary reason for the increase is the significant growth of real estate and credit intermediary revenue, which also led to an increase in direct costs. Moreover, the temporary cost reductions put in place by the Group in Q2 2020 as a result of the COVID-19 epidemic were no longer in effect in 2021.

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

32. Personnel costs

	30 June 2021	30 June 2020
Payroll cost	322 360	285 284
Contributions	29 120	30 313
Other personnel-type benefits	51 967	62 959
Total	**403 448**	**378 555**
Average statistical headcount	145	146

The average statistical headcount decreased from 146 to 145 in the comparative period. The number of employees working in the Group's Polish subsidiaries decreased from 62 to 59. The number of employees at Hungarian subsidiaries increased from 83 to 85. As regards the subsidiaries in the Czech Republic, there was 1 employee in the first half of 2021. Of the HUF 403,448 thousand balance of personnel-related expenses, the Polish and Czech subsidiaries' share amounted to HUF 159,612 thousand.

After the COVID-19 epidemic reared its head, the Group's employees contributed to preserving the Group's stability by consenting to a temporary 30% pay cut. Certain members of the Group's management gave up even greater percentages.

33. Other operating charges

	30 June 2021	30 June 2020
Write-off of bad debts	212 293	13 438
Earnest money	158 557	14 309
Non-profit taxes recognised as various expenses	47 252	27 832
Impairment of receivables	29 671	28 367
Other	11 316	4 255
Expenses related to litigation	2 488	10 009
Contractual penalty, late payment interest	343	253
Penalties	200	207
Missing inventories	0	4 018
Cost of the sale of tangible assets	0	208
Total	**462 120**	**102 897**

The row of other operating charges was affected by two increases as compared to the period of comparison: i) from the receivable against the previous Forest Hill project general contractor, managed by Pusztakúti 12. Kft., the Group wrote off a receivable of HUF 189.1 million; ii) as a result of the general price increase carried out by Pusztakúti 12. Kft. in 2021, a part of the customers with pre-contracts exercised their right to cancel their contracts and receive twice the amount of their down payments, for which the Group paid a total of HUF 158.6 million in earnest money. The apartments thus returned can be sold on the market at a higher price.

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

34. Revenues of financial transactions

	30 June 2021	30 June 2020
Exchange rate gain	16 831	59 776
Interest received	10 068	11 198
Total	**26 899**	**70 974**

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

35. Expenses of financial transactions

	30 June 2021	30 June 2020
Interest paid	11 123	53 062
Bond interest	81 643	0
Exchange rate losses	90 884	3 819
Total	**183 649**	**56 881**

The Group accounted for exchange rate losses in a total of HUF 90.9 million on foreign currency items, and the Group's interest expenses also increased significantly due to a bond issue. The exchange rate losses are primarily related to the fact that the Group started putting EUR reserves away in 2020 in preparation for a new international acquisition.

36. Income taxes

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

	30 June 2021	30 June 2020
Actual income tax – corporate tax	95 374	65 133
Actual income tax – local business tax	29 899	34 898
Actual income tax – innovation contribution	4 440	6 527
Deferred taxes	-4 800	2 567
Total	**124 913**	**109 126**

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

Reconciliation of income taxes recognised in the consolidated income statement:

	30 June 2021	30 June 2020
Profit/Loss before taxation	684 586	578 929
Tax liability determined at the current rate	61 613	52 104
Business tax	29 899	34 898
Contribution for innovation	4 440	6 527
Permanent differences	28 961	15 597
Total	**124 913**	**109 126**

37. Other comprehensive income

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

Other comprehensive income	**30 June 2021**	**30 June 2020**
Conversion differences in connection with international operations	30 573	32 251

38. Earning per share (EPS)

To calculate the basic earning from share the profit after tax, available for distribution to the shareholders must be taken into account and the annual average number of the issued ordinary shares, which does not contain the own shares. The Company's shares were split up (broken into tenths) as of the value date of 5 August 2020. In line with the provisions of the IAS 33, the new share number was taken into consideration for the purposes of the average share number during the period covered by the present half-yearly financial statements.

	30 June 2021	30 June 2020
After-tax profit that can be allocated to shareholders (thousand HUF)	559 673	469 804
Dividend that may be distributed to preferential shareholders	-29 849	-28 945
After-tax profit that can be allocated to shareholders holding ordinary shares (thousand HUF)	**529 824**	**440 858**
Weighted average number of issued ordinary shares (basic, thousand)	33 874	33 951
Weighted average number of issued ordinary shares (diluted, thousand)	33 942	33 956
Earning per share (basic) (HUF)	**15,6**	**13,0**
Earning per share (diluted) (HUF)	**15,6**	**13,0**

39. Segment information

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

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

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

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

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

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

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

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

30 June 2021 (01 January 2021 - 30 June 2021)	Franchise	Financial products brokerage	Operation of own office	Sale of related services	Property investments	Other and eliminations	Consolidated
Intangible assets	308 611	22	6 314	0	46	724	315 717
Investment property	0	0	0	0	1 837 200	0	1 837 200
Real property	0	604	16 018	1 981	392 482	237	411 322
Machinery and equipment	7 017	1 969	8 141	1 079	11 070	-3 934	25 343
Trade receivables	289 071	871 646	57 821	27 455	5 547	151	1 251 690
Inventories	10 538	0	150	15	7 532 822	2 050	7 545 575
Assets that cannot be allocated to other segments	1 743 117	1 777 890	500 267	551 594	2 377 974	2 666 659	9 617 501
Total Assets	**2 358 354**	**2 652 131**	**588 711**	**582 124**	**12 157 141**	**2 665 888**	**21 004 348**
Trade payables	-205 160	1 100 559	65 738	7 001	215 991	4 716	1 188 844
Liabilities that cannot be allocated to other segments	1 875 966	719 119	986 124	429 257	10 181 621	-333 469	13 858 618
Total Liabilities	**1 670 806**	**1 819 678**	**1 051 862**	**436 258**	**10 397 612**	**-328 753**	**15 047 463**
Net revenue from sales to third parties	783 705	3 943 412	959 641	149 003	75 294	99	5 911 155
Net revenue from sales between segments	115 005	0	36 136	57	34 221	-185 419	0
Net sales revenues	**898 710**	**3 943 412**	**995 777**	**149 060**	**109 515**	**-185 319**	**5 911 155**
Direct costs	**-61 083**	**-3 022 144**	**-635 875**	**-41 451**	**-67 935**	**37 924**	**-3 790 564**
Gross profit	**837 627**	**921 268**	**359 902**	**107 609**	**41 580**	**-147 396**	**2 120 591**
Depreciation and amortisation	-79 232	-4 586	-36 674	-2 293	-14 467	-6 688	-143 940
Indirect operating costs	-516 657	-347 029	-240 424	-76 136	-139 569	143 828	-1 175 986
EBITDA	**320 971**	**574 239**	**119 479**	**31 473**	**-97 989**	**-3 567**	**944 605**
Operating Profit (EBIT)	**241 738**	**569 653**	**82 805**	**29 180**	**-112 456**	**-10 255**	**800 665**

30 June 2020 (01 January 2020 - 30 June 2020)	**Franchise**	**Financial products brokerage**	**Operation of own office**	**Sale of related services**	**Property investments**	**Other and eliminations**	**Consolidated**
Intangible assets	22 977	45	631	30	54	1 072	24 807
Investment property	0	0	0	0	1 763 300	0	1 763 300
Real property	0	647	21 511	2 015	412 482	264	436 919
Machinery and equipment	257 227	688	4 374	1 328	13 739	-2 116	275 241
Trade receivables	203 833	515 906	22 601	17 598	10 686	-12	770 611
Inventories	8 222	0	150	15	6 181 033	1 231	6 190 651
Assets that cannot be allocated to other segments	1 966 264	1 531 929	422 232	606 254	1 675 571	585 678	6 787 928
Total Assets	**2 458 522**	**2 049 214**	**471 498**	**627 239**	**10 056 866**	**586 118**	**16 249 458**
Trade payables	-213 105	728 498	43 389	13 178	186 809	7 327	766 096
Liabilities that cannot be allocated to other segments	2 230 676	645 666	913 345	439 550	8 164 700	-2 857 639	9 536 298
Total Liabilities	**2 017 571**	**1 374 164**	**956 734**	**452 728**	**8 351 509**	**-2 850 311**	**10 302 394**
Net revenue from sales to third parties	565 466	3 001 800	530 157	179 526	74 289	30	4 351 268
Net revenue from sales between segments	80 116	0	28 608	266	31 976	-140 967	0
Net sales revenues	**645 583**	**3 001 800**	**558 765**	**179 792**	**106 265**	**-140 937**	**4 351 268**
Direct costs	**-50 863**	**-2 246 675**	**-351 969**	**-47 541**	**-23 476**	**17 323**	**-2 703 200**
Gross profit	**594 720**	**755 126**	**206 796**	**132 251**	**82 789**	**-123 614**	**1 648 068**
Depreciation and amortisation	-54 077	-3 305	-35 081	-5 164	-13 893	-7 804	-119 324
Indirect operating costs	-438 992	-292 565	-185 995	-73 344	-31 179	82 334	-939 739
EBITDA	**155 728**	**462 561**	**20 802**	**58 907**	**51 610**	**-41 279**	**708 329**
Operating Profit (EBIT)	**101 651**	**459 255**	**-14 280**	**53 744**	**37 717**	**-49 083**	**589 004**

40. Risk management

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

The Group is exposed to the following financial risks:
- credit risk
- liquidity risk
- market risk

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

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

Capital management

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

The Group's capital comprises net external funds and the Group's equity (the latter comprises registered capital, reserves and the ownership share of non-controlling shareholders). Points 16-17 and 20-21 of the notes to the financial statements provide detailed information regarding these capital elements.

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

The equity risk run by the Company was not significant in H1 2021 either.

Lending risk

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

The book value of financial instruments shows the maximum risk exposure. The table below shows the maximum credit risk exposure of the Group on 30 June 2021 and 31 December 2020.

Lending risk	30 June 2021	31 December 2020
Trade receivables	1 251 690	887 556
Other receivables	1 140 436	1 083 514
Financial instruments	102 338	72 706
Cash and cash equivalents	4 864 418	6 169 525
Total	**7 358 882**	**8 213 301**

Amount of collateral	**779 536**	**732 626**
Pusztakúti 12. kft.	673 466	622 587
Impact Asset Management Zrt.	105 570	109 539
Duna House Holding Nyrt.	0	0
Akadémia Plusz 2.0 Kft. deposit	500	500

HUF 780 million of cash and cash equivalents are provided as collateral for a Forest Hill project loan and fund management equity and teaching activities, and are only available to the Group with certain restrictions. These restrictions have been presented in a note detailing the cash and cash equivalents.

Liquidity risk

Liquidity risk is the risk that the Group is unable to fulfil its financial obligations by the due date. Under the Group’s liquidity management approach, there should always be sufficient liquidity available to cover the Group’s obligations when they fall due under both standard and stressed circumstances without the Group’s incurring unacceptable losses or risking its reputation. To further minimize liquidity risk, reduce transaction costs and increase efficiency, starting from 7 December 2017 the Company has been managing its bank accounts linked to its operations under a cash pooling regime, which makes automatic group financing possible.
In point 20 (Long and short-term loans) and 21 (Debts on issue of bonds), the Company presents the details of the maturity of its loans and credit-type liabilities.

Market risk

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

Property development risks

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

Sensitivity analysis

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

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

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

With actual interest	**01/01/2021 30/06/2021**	**01/01/2020 30/06/2020**
Profit before tax - excluding interest expense	689 956	619 056
Net interest income	-10 068	-11 198
Pre-tax profit/loss (less interest received and paid)	**679 888**	**607 858**
1%		
Profit before tax - excluding interest expense	689 956	619 056
Net interest income	-10 169	-11 310
Profit/Loss before taxation	**679 787**	**607 746**
Changes in profit before tax	***-101***	***-112***
Changes in profit before tax (%)	***-0,015%***	***-0,018%***
5%		
Profit before tax - excluding interest expense	689 956	619 056
Net interest income	-10 571	-11 758
Profit/Loss before taxation	**679 384**	**607 298**
Changes in profit before tax	***-503***	***-560***
Changes in profit before tax (%)	***-0,074%***	***-0,092%***
10%		
Profit before tax - excluding interest expense	689 956	619 056
Net interest income	-11 075	-12 318
Profit/Loss before taxation	**678 881**	**606 738**
Changes in profit before tax	***-1 007***	***-1 120***
Changes in profit before tax (%)	***-0,148%***	***-0,185%***
-1%		
Profit before tax - excluding interest expense	689 956	619 056
Net interest income	-9 967	-11 086
Profit/Loss before taxation	**679 989**	**607 970**
Changes in profit before tax	***101***	***112***
Changes in profit before tax (%)	***0,015%***	***0,018%***
-5%		
Profit before tax - excluding interest expense	689 956	619 056
Net interest income	-9 565	-10 638
Profit/Loss before taxation	**680 391**	**608 418**
Changes in profit before tax	***503***	***560***
Changes in profit before tax (%)	***0,074%***	***0,092%***
-10%		
Profit before tax - excluding interest expense	689 956	619 056
Net interest income	-9 061	-10 078
Profit/Loss before taxation	**680 895**	**608 977**
Changes in profit before tax	***1 007***	***1 120***
Changes in profit before tax (%)	***0,148%***	***0,184%***

41. Financial instruments

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

30 June 2021	**Carrying value**	**Fair value**
Financial instruments		
Assets recorded at amortised historical cost		
Financial instruments	102 338	102 338
Trade receivables	1 251 690	1 251 690
Cash and cash equivalents	5 643 954	5 643 954
Financial liabilities		
Liabilities recorded at amortized historical cost		
Long-term loans	0	0
Debts on issue of bonds	7 025 492	7 025 492
Short-term loans and borrowings	4 805 867	4 805 867
Lease liabilities	215 787	215 787
Accounts payable	1 188 844	1 188 844

31 December 2020	**Carrying value**	**Fair value**
Financial instruments		
Assets recorded at amortised historical cost		
Financial instruments	72 706	72 706
Trade receivables	887 556	887 556
Cash and cash equivalents	6 902 151	6 902 151
Financial liabilities		
Liabilities recorded at amortized historical cost		
Long-term loans	0	0
Debts on issue of bonds	6 944 849	6 944 849
Short-term loans and borrowings	4 729 908	4 729 908
Lease liabilities	282 855	282 855
Accounts payable	858 967	789 872

Breakdown of revenues of financial transactions

	30 June 2021	**30 June 2020**
Interest received	**10 068**	**9 047**
Cashpool interest	5 435	6 454
Interest received for loans extended	291	1 881
Income from bank interests	3 753	44
Interest income from securities	554	581
Interest of loans extended to private individuals	35	87
Exchange rate gain	**16 831**	**61 927**
Exchange rate income from securities	2 748	-2 041
Exchange rate gain	14 083	63 968
Interest income calculated with the effective interest method	**0**	**0**
Total	**26 899**	**70 974**

Expenses of financial transactions

	30 June 2021	30 June 2020
Interest paid	**87 965**	**47 865**
Interest paid on loans received	951	13 073
Cashpool interest	5 334	5 652
Expenses of bank interests	0	39
Interest on bonds	81 643	0
Interest paid on bank loans	36	29 101
Exchange rate losses	**90 883**	**3 821**
Exchange rate losses from securities	0	0
Exchange rate losses	90 883	3 821
Interest losses calculated with the effective interest method	**4 802**	**5 194**
Total	**183 649**	**56 881**

42. Remuneration of the Board of Directors and Supervisory Board

In the first half of 2021, the total amount of the remuneration due to the members of the Board of Directors and the Supervisory Board was HUF 48,668 thousand. (In the first half of 2020: HUF 45,539 thousand). These amounts also include the dividend paid to the members of the Board of Directors for preferential employee shares held by them and the distribution of shares actually implemented as part of the employee stock ownership plan.

Remuneration of the Board of Directors and Supervisory Board

	30/06/2021	30/06/2020
Members of the Board of Directors	45 968	40 839
Short-term employee benefits (income from salary)	*23 593*	*14 410*
Short-term employee benefits (preferential dividend)	*22 376*	*26 430*
Share-based payment	*0*	*0*
Members of the Supervisory board	2 700	2 700
Short-term employee benefits (honorarium)	*2 700*	*2 700*
Total	**48 668**	**43 539**

43. Events after the balance sheet date

The following events took place after the balance sheet date and until the approval of the financial statements for publication, which did not affect the results.

Purchase of treasury shares

Based on a decision passed by the Board of Directors of the Company, proceeding in its competence as general meeting, on 17 April 2020, between 30 June 2021 and 30 September 2021 a total of 11,594 treasury shares were traded on the stock exchange for ongoing employee share programs. The amount of Company treasury shares on 30 September 2021 was 539,023.

44. Other publication obligations required by the Accounting Act

The Group is not obligated to have its consolidated half-yearly report audited in line with the IFRS.

The person responsible for compiling the consolidated report under the IFRS: Ferenc Máté, certified accountant, registration number: 193951.

The following persons are authorised to sign the report: Gay Dymschiz, Chairman of the Board of Directors (1125 Budapest, Mátyás király út 52.), Doron Dymschiz, Member of the Board of Directors (2096 Üröm, Rókahegyi út 48.), Ferenc Máté, Member of the Board of Directors (1121 Budapest, Denevér út 70.), and Dániel Schilling, Member of the Board of Directors (1126 Budapest, Kiss János altábornagy utca 38.).

The Company is publishing its consolidated half-yearly report on its website at the address https://dunahouse.com/hu/kozzetetelek.

45. 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 (non-audited and therefore not containing an independent auditor report) give a fair picture of the assets, liabilities, financial situation and performance of the Company and its subsidiaries included in consolidation.

The Board of Directors of the parent company of the Group discussed the consolidated financial statements at its meeting held on 29 September 2021 and approved their disclosure in this form.

Budapest, 30 September 2021

Persons authorised to sign the consolidated statements:

Gay Dymschiz
Chair of the Board of Directors

Doron Dymschiz
Member of the Board of Directors

Ferenc Máté
Member of the Board of Directors

Dániel Schilling
Member of the Board of Directors

DUNA HOUSE HOLDING NYRT.

CONSOLIDATED BUSINESS REPORT

ON THE GROUP’S ACTIVITIES IN THE FIRST HALF OF 2021

1. Group profile

The Duna House Holding Nyrt. - hereinafter referred to as “Company” or “Group” - was founded in 2003; its main activity is real estate and loan brokerage. It has been a leading service provider in the services sector, in particular, in the real estate and financial services sector, in Hungary for years now. The Group’s flagship is a national network of real estate agencies, which started operating in 2003. Now it employs over 1,400 persons serving customers at 165 locations. A transaction as a result of which Duna House Group, Hungary is now the sole owner of Metrohouse, the largest Polish real estate agency was closed in April 2016. At the time of the acquisition the Polish network had 80 offices and 600 sales officers, which the Group intends to develop in the future. Metrohouse was consolidated into the Duna House Group on 1 April 2016. On 2 September 2016 the Company acquired 80% participation in the Czech Duna House Franchise s.r.o and, through it, in two of its subsidiaries, Center Reality s.r.o and Duna House Hypotéky s.r.o.; on 6 November 2018, it acquired the Polish loan brokerage company Gold Finance Sp. z.o.o.; and on 7 January 2020 it acquired the Polish loan brokerage company Alex T. Great Sp. z.o.o. Following the acquisition, to increase operational efficiency, Alex T. Great Sp. z. o.o merged with Gold Finance Sp. z. o.o, effective from 4 May 2020. The Company’s registered seat is at 1016 Budapest, Gellérthegy u. 17.

Principal activities:

- selling and operating franchise systems
- real estate agency services
- financial products brokerage
- insurance brokerage
- real estate appraisal services and the mediation thereof
- energy certification services and the mediation thereof
- real estate management
- buying and selling of own real estate
- residential real estate fund management
- real estate development

1.1 Consolidated companies

As a Subsidiary

	address:	2021 30 June	2020 31 December
Duna House Biztosításközvetítő Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Hitelcentrum Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
DH Projekt Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Duna House Ingatlan Értékbecslő Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Duna House Franchise Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Energetikai Tanúsítvány Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Superior Real Estate Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Home Management Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
REIF 2000 Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
GDD Commercial Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
SMART Ingatlan Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Impact Alapkezelő Zrt.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Home Line Center Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Akadémia Plusz 2.0 Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Duna House Szolgáltatóközpont Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Metrohouse Franchise S.A.	02-675 Warszawa, Woloska 22 Polska (Poland)	100%	100%
Metrohouse S.A.	02-675 Warszawa, Woloska 22 Polska (Poland)	100%	100%
Gold Finance Sp. z. o.o	02-675 Warszawa, Woloska 22 Polska (Poland)	100%	100%
Primse.com Sp. z o.o.	02-675 Warszawa, Woloska 22 Polska (Poland)	90%	-
MyCity Residential Development Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Pusztakúti 12. Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Reviczky 6-10. Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Duna House Franchise s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%
Duna House Hypoteky s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%
Center Reality s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%

As jointly managed undertakings

		30 June 2021	31 December 2020
Hunor utca 24 Kft.	1016 Budapest, Gellérthegy u. 17.	50%	50%

2. Markets and economic environment

2.1 Real estate market

During the COVID-19 epidemic, the housing market reached its low point in the second quarter of 2020, with drops of 40-60% in certain months year-on-year. From mid-2020, the market started gathering momentum, quickly returning to 2019 levels. According to the estimates of the Duna House Group, the total number of transactions in 2020 dropped to 131 thousand, which is a decrease of 12% compared to 2019's figures.

According to the estimates of the Duna House Barometer, published by the Group, the market started 2021 with the strongest transaction volume of the past 10 years. To a certain extent, activity decreased in the summer months; still, the Group estimated 24% more transactions for the first eight months of 2021 than in the previous year. The increase in demand was driven by a change in home buying preferences and needs that changed as a result of home office and home schooling requirements. As a result, traffic was higher in the agglomeration than in Budapest.

According to the estimates of the Group management, the real estate market underwent similar tendencies in Poland, though no official sources are yet available based on which this could be confirmed.

2.2 Loan market

According to the data of the National Bank of Hungary, household loan volumes grew by HUF 424 billion in the second quarter of 2021 as a result of the applicable transactions, launching the annual growth rate to 15.8%. This high rate of growth is primarily attributable to the dynamic growth of residential loans and baby shower loans; by June, the latter accounted for 15% of all residential loans. The volume of HUF 364 billion in residential loans extended in the quarter was a new historical peak, with the new forms of home creation support available starting from 2021 playing an important role.[1]

Household residential loans grew by 33.7% in the first half of 2021, reaching almost HUF 600 billion. June was the best month on the credit market, with a total of HUF 136.7 billion in loans extended.

According to the data of the Polish Bank Association, the epidemic has caused the size of the residential loan market to decrease by 3.1%, to PLN 60.7 bn, compared to 2020 levels. The Polish credit market reached its low point in 2020 Q2, with extended volumes seeing record levels both in Q1 and Q2 2020. A total of PLN 40.1 bn in residential loans were extended in the first half of 2021, exceeding the same period of 2020 by 33.2%.[2]

[1] *https://www.mnb.hu/letoltes/hitelezesi-folyamatok-2021-szeptember-hu.pdf*
[2] *https://zbp.pl/raporty-i-publikacje/raporty-cykliczne/raport-amron-sarfin*

3. The Group's financial and equity situation

3.1 Income Statement

	01/01/2021 - 30/06/2021	01/01/2020 - 30/06/2020
Net sales revenues	5 911 155	4 351 268
Other operating income	216 664	60 519
Total income	**6 127 819**	**4 411 787**
Changes in self-manufactured inventories	(630 454)	(685 916)
Material cost	134 309	116 753
Goods and services sold	1 057 290	1 042 356
Contracted services	3 756 501	2 748 814
Personnel costs	403 448	378 555
Depreciation and amortisation	80 007	53 214
Depreciation on right-of-use	63 933	66 110
Other operating charges	462 120	102 897
Operating costs	**5 327 154**	**3 822 783**
Operating profit/loss	**800 665**	**589 004**
Financial revenues	26 899	70 974
Financial expenses	(183 649)	(56 881)
Profit of participations valued with the equity method	40 671	(24 168)
Profit/Loss before taxation	**684 586**	**578 929**
Income taxes	124 913	109 126
Taxed profit	**559 673**	**469 804**
Other comprehensive income	**30 573**	**32 251**
Total comprehensive income	**590 246**	**502 055**

Source: Non-Audited Half-Yearly Report of the Company in accordance with the IFRS

The Group's revenues in the first half of 2021 grew to HUF 6.1 bn, an increase of 38.9%, thanks to the strong growth seen after the strong impact of the COVID-19 epidemic in April - May 2020, lending strong momentum to all of the Group's markets. As a result of the change in demand, both the housing and the credit markets set off on a path of growth, also increasing the role of mediators.

The Group increased its operating profit/loss by 35.9% to HUF 800.1 million.

3.2 Assets

Data in HUF thousands

ASSETS	***Notes***	**30/06/2021**	**31/12/2020**
Long-term assets			
Intangible assets	*5*	315 716	16 455
Right-of-use asset	*6*	201 791	267 132
Investment property	*4*	1 837 200	1 868 721
Real property	*3*	411 322	424 103
Machinery and equipment	*3*	25 343	316 122
Goodwill	*7*	1 683 715	1 701 769
Investments in associated companies and joint ventures	*8*	98 338	427 667
Financial instruments	*9*	102 338	72 706
Deferred tax assets	*10*	228 906	174 248
Total long-term assets		**4 904 671**	**5 268 923**
Current assets			
Inventories	*11*	7 545 575	7 118 850
Trade receivables	*12*	1 251 690	887 556
Amounts owed by related undertakings	*13*	426 709	120 484
Other receivables	*14*	1 140 435	1 083 514
Actual income tax assets		91 315	39 465
Cash and cash equivalents	*15*	4 864 418	6 169 525
Restricted cash	*15*	779 536	732 626
Total current assets		**16 099 678**	**16 152 020**
Total Assets		**21 004 348**	**21 420 943**

Source: Non-Audited Half-Yearly Report of the Company in accordance with the IFRS

Compared to 31 December 2020, the balance sheet total decreased by 1.98%, due to the dividend payments for 2020.

3.3 Liabilities

data in HUF thousands

LIABILITIES	***Notes***	**30/06/2021**	**31/12/2020**
Equity			
Subscribed capital	*16*	171 989	171 989
Treasury shares	*17*	(202 697)	(193 614)
Capital reserve	*16*	1 528 085	1 526 164
Exchange reserves	*18*	40 563	54 123
Retained earnings	*16*	4 497 209	5 328 327
Total equity of the parent company		**6 035 149**	**6 886 989**
Non-controlling ownership interest	*19*	(78 264)	(70 615)
Total equity:		**5 956 885**	**6 816 374**
Long-term liabilities			
Long-term loans	*20*	0	0
Deferred tax liabilities	*22*	199 289	186 162
Other long-term liabilities		0	0
Bonds payable	*21*	7 025 492	6 944 849
Lease liabilities	*6*	129 059	159 889
Total long-term liabilities		**7 353 840**	**7 290 900**
Current liabilities			
Short-term loans and borrowings	*20*	4 805 867	4 729 908
Accounts payable	*23*	1 188 844	858 967
Liabilities to related undertakings	*24*	52 655	22 042
Other liabilities	*25*	1 507 168	1 563 368
Short-term liabilities from leases	*6*	86 729	122 966
Actual income tax liabilities		52 359	16 418
Total current liabilities		**7 693 623**	**7 313 669**
Total liabilities and equity		**21 004 348**	**21 420 943**

Source: Audited Half-Yearly Report of the Company in accordance with the IFRS

The Company's share capital is HUF 171,989 thousand, which consists of 34,387,870 dematerialized ordinary shares of HUF 5 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 statements 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.

3.4 Consolidated Cash Flow Statement

all data in HUF thousands unless otherwise stated

	Notes	01/01/2021 - 30/06/2021	01/01/2020 - 30/06/2020
OPERATING CASH FLOW			
Taxed profit		559 673	469 804
Adjustments:			
Financial results	34-35	156 750	(14 093)
Reporting year depreciation and depreciation on right-of-use assets		143 940	119 324
Deferred taxes	10	(41 530)	(1 338)
Revaluation of investment property	27	(23 655)	(10 300)
Share scheme	17	1 921	9 685
Shares measured with the equity method	8	(40 671)	24 168
Changes in the revaluation reserve and non-controlling shares		(21 209)	(26 519)
Tax payable	36	129 713	106 558
Changes in working capital			
Changes in inventories	11	(426 725)	(682 253)
Changes in accounts receivable, other receivables and related receivables	12-14	(727 658)	107 683
Changes in accrued and deferred assets	14	(46 531)	(58 480)
Changes in accounts payable and related liabilities	23-24	345 991	48 861
Other current liabilities and accruals and deferrals	25	(260 344)	(82 505)
Changes in accrued and deferred liabilities	25	90 854	147
Income tax paid		(68 568)	(166 043)
Net operating cash flow		***(228 050)***	***(155 300)***
Investment cash flow			
Tangible and intangible assets purchased	3-5	(76 309)	(46 643)
Sale of tangible assets	3-5	55 776	83 000
Purchase of other invested assets		(29 633)	0
Dividend from affiliated undertakings		370 000	0
Acquisition/Disposal of subsidiaries (excluding acquired liquid assets)		0	(339 800)
Net investment cash flow		***319 835***	***(303 443)***
Financing cash flow			
Bank loans/(repayment)	20	75 959	1 173 811
Capital contribution/ (Purchase of Treasury shares)	16-17	(9 084)	(10 894)
Changes in right-of-use and lease liabilities	6	(29 423)	(48 263)
Dividend payments	16	(1 358 237)	(38 640)
Bond issues	21	(1 000)	0
Interest received (paid)	34-35	(1 055)	(44 013)
Net financing cash flow from investment activities		***(1 322 840)***	***1 032 001***
Net change in cash and cash equivalents		(1 231 055)	573 259
Balance of cash and cash equivalents as at the beginning of the year		6 169 525	1 627 726
Exchange rate differences in liquid assets		(74 052)	58 106
Balance of cash and cash equivalents as at the end of the year	15	**4 864 418**	**2 259 090**

Source: Audited Half-Yearly Report of the Company in accordance with the IFRS

The Group’s operating cash flow amounted to HUF -228 million in the first half of 2021, a significant part of which was the operating capital (inventory) correction due to ongoing MyCity projects (HUF

427 million) and the down payment repaid to buyers who cancelled their orders due to the price increase in the Forest Hill project, listed under short-term liabilities (HUF 148 million). Customer and related receivables were increased by the fact that operating cash flow was decreased by the dividend decided on by the Company's subsidiary under joint control but not paid (HUF 370 million). Trade receivables increased by approximately HUF 350 million as of the balance sheet date, due to the significant increase in the credit intermediary activity and the revenue from financial institutions.

The Company paid a total of HUF 1,358 million in dividends during the half-year, in two instalments.

The balance of cash and cash equivalents as at the end of the period amounted to HUF 4,864 million. In addition to this amount, additional use of HUF 780 million is possible with the following restrictions:

Affected by restrictions		**Reason for restriction**
Companies involved in the consolidation	**Bank account balance**	
Pusztakúti 12. Kft.	HUF 673 466 thousand	Security interest in collateral securing the repayment of the loans granted by Takarékbank Zrt. in connection with the Forest Hill residential development, with collateral including down payments, earnest money and purchase price by clients paid into a separate blocked bank account and available only for the re- and pre-payment of the loans. The prepayment of both loans is only allowed from the third working day from the notification to this effect by Takarékbank Zrt.
Impact Asset Management Zrt.	HUF 105 570 thousand	Pursuant to Section 16 (3) and (7) of Act XVI of 2014 on collective investment forms and its managers and on the amendment of certain financial laws, in order to be able to ensure continuous operation and protect investors, Impact Asset Management Zrt. must, at all times, have solvency capital invested in liquid assets or assets that can be converted into immediately available liquid assets in an amount that covers the risk posed by its activity at all times.
Akadémia Plusz 2.0 Kft. deposit	HUF 500 thousand	The institution had to provide financial security to continue its adult education activity.
Total:	**HUF 779 536 thousand**	

Since 7 December 2017, the Company has been managing its bank accounts linked to its operations in Hungary under a cash pooling regime, which makes automatic internal group financing possible. A general overdraft facility of HUF 100 million is available to back the cash pool system, which amount is suited to the needs of regular operations and can be used to satisfy any transitional additional

financing needs. No amounts were used from this overdraft facility as at the end of the reporting period.

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

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

Our Company's employment policy and ensuring its consistency between the individual countries are currently under way. The average statistical headcount decreased from 146 to 145 in the comparative period. The number of employees working in the Group's Polish subsidiaries decreased from 62 to 59. The number of employees at Hungarian subsidiaries increased from 83 to 85. As regards the subsidiaries in the Czech Republic, there was 1 employee in the first half of 2021. Of the HUF 403,448 thousand balance of personnel-related expenses, the Polish and Czech subsidiaries' share amounted to HUF 159,612 thousand. The Company puts emphasis on the diversified filling of jobs based on the skills and qualifications of employees.

5. Information on equity and share capital

Increase of the Company's equity

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

At their extraordinary meeting on 5 January 2017, the Company's shareholders passed a repeated 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.

In 2020, Duna House Holding Nyrt. implemented a stock split. As of 5 August 2020, as value date, the 3,438,787 dematerialized ordinary shares of HUF 50 face value each were converted to 34,387,870 dematerialized ordinary shares of HUF 5 face value each As a result of this transformation, each dematerialized ordinary share with a face value of HUF 50 was replaced by 10 ordinary shares with a face value of HUF 5 each.

The Company's equity as at 30 June 2021

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"	34,387,870 pcs	527 429 p cs	HUF 5	HUF 171,939,350
employee share	preferential shares	"B"	1,000 pcs	0 pcs	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"	34,387,870 pcs	5	171,939,350 pcs	2,637,145 pcs	527 429 pcs
"B"	1,000 pcs	50	50,000 pcs	0 pcs	0 pcs
Total	**34,388,870 pcs**	**-**	**171,989,350 pcs**	**2,637,145 pcs**	**527 429 pcs**

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[3], 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	13.466.805	39,16%
Doron Dymschiz	13.466.805	39,16%
AEGON Magyarország Befektetési Alapkezelő Zrt.	2.227.564	6,48%
Total of equity	**34.388.870**	**100,00%**

[3] As at 31 December 2020

7. Restrictions on the transfer of shares

Restrictions on alienation of ordinary shares

<table>
<tr><th colspan="2">Shareholder Name</th><th></th><th>Ferenc Máté</th><th>Bernadett Szirtes</th><th>Krisztián Fülöp</th><th>Dr András Szabadházy</th><th>Nir Bitkover</th><th>Total</th></tr>
<tr><td colspan="3">Number of ordinary shares held (number)</td><td>30 357</td><td>556</td><td>2 297</td><td>1 554</td><td>2 182</td><td>36 946</td></tr>
<tr><td colspan="3">Is alienation restricted?</td><td>yes</td><td>yes</td><td>yes</td><td>yes</td><td>yes</td><td></td></tr>
<tr><td rowspan="7">Restrictions on alienation</td><td>Beginning of the period</td><td>End of the period</td><td colspan="6">Number of shares under restrictions on alienation</td></tr>
<tr><td>12/11/2020</td><td>11/11/2021</td><td>18 000</td><td>273</td><td>436</td><td>273</td><td>436</td><td>19 418</td></tr>
<tr><td>12/11/2021</td><td>11/11/2022</td><td>15 000</td><td>0</td><td>0</td><td>0</td><td>0</td><td>15 000</td></tr>
<tr><td>12/11/2022</td><td>11/11/2023</td><td>12 000</td><td>0</td><td>0</td><td>0</td><td>0</td><td>12 000</td></tr>
<tr><td>12/11/2023</td><td>11/11/2024</td><td>9 000</td><td>0</td><td>0</td><td>0</td><td>0</td><td>9 000</td></tr>
<tr><td>12/11/2024</td><td>11/11/2025</td><td>6 000</td><td>0</td><td>0</td><td>0</td><td>0</td><td>6 000</td></tr>
<tr><td>12/11/2025</td><td>11/11/2026</td><td>3 000</td><td>0</td><td>0</td><td>0</td><td>0</td><td>3 000</td></tr>
</table>

Restrictions on the alienation of preferred employee shares

Shareholder Name	**Gay Dymschiz**	**Doron Dymschiz**	**Ferenc Máté**	**Dániel Schilling**	**Krisztián Fülöp**	**Anikó Varga**	**Dr András Szabadházy**	**Total**
Number of preferred employee shares held (number)	219	219	225	77	115	92	53	**1.000**

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

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

8. Other issues regarding controlling powers and executive officers

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

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

9. Risk management

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

The Group is exposed to the following financial risks:

- credit risk
- liquidity risk
- market risk

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

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

Capital management

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

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

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

The equity risk run by the Company was not significant in H1 2021.

Lending risk

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

The book value of financial instruments shows the maximum risk exposure. The table below shows the maximum credit risk exposure of the Group on 31 December 2019 and 31 December 2020.

Lending risk	**30 June 2021**	**31 December 2020**
Trade receivables	1 251 690	887 556
Other receivables	1 140 436	1 083 514
Financial instruments	102 338	72 706
Cash and cash equivalents	4 864 418	6 169 525
Total	**7 358 882**	**8 213 301**

Amount of collateral	**779 536**	**732 626**
Pusztakúti 12. kft.	673 466	622 587
Impact Asset Management Zrt.	105 570	109 539
Duna House Holding Nyrt.	0	0
Akadémia Plusz 2.0 Kft. deposit	500	500

Liquidity risk

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

Market risk

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

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

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

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

10. Changes after the balance sheet date

The following events took place after the balance sheet date and until the approval of the financial statements for publication, which did not affect the results.

Purchase of treasury shares

Based on a decision passed by the Board of Directors of the Company, proceeding in its competence as general meeting, on 17 April 2020, between 30 June 2021 and 30 September 2021 a total of 11,594 treasury shares were traded on the stock exchange for ongoing employee share programs. The amount of Company treasury shares on 30 September 2021 was 539,023.

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[4].

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

12. Declaration on responsibility

The Board of Directors of the Company prepared this business report on the basis of the data included in the consolidated accounts for H1 2020 (non-audited and therefore not including an independent auditor's report) compiled in accordance with the International Financial Reporting Standards (IFRS) and to the best of their knowledge.

This (non-audited) consolidated report gives a fair picture of the situation, development and performance of the Company and its companies included in consolidation, providing a picture of the main risks and uncertainties affecting the six months remaining in the financial year.

Budapest, 30 September 2021

Persons authorised to sign the (consolidated) business report:

Gay Dymschiz
Chairman of the Board of Directors

Doron Dymschiz
Member of the Board of Directors

Ferenc Máté
Member of the Board of Directors

Dániel Schilling
Member of the Board of Directors