



DUNA HOUSE[®]
GROUP

2018. Q3 **Quarterly report**

November 26, 2018



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EXECUTIVE SUMMARY 2018. THIRD QUARTER

- In Q3 of 2018, Duna House Group (the „Group”) has continued to improve its profit figures and performs according to the management`s expectations. The quarter has been driven by the real estate intermediation activities and related services. Revenues totaled HUF 1.6 billion in Q3 (+30% YoY), EBITDA reached HUF 392 million (+31% YoY) while net profits closed at HUF 293 million (+54% YoY).
- **Based on the outstanding results of the first three quarters of the year, the management of the Group increases its net profit guidance related to the core activities (without MyCity development results) for the financial year 2018 to HUF 1,050 – 1,250 million from the previous guidance of HUF 950 – 1,150 million.**
- **Within the MyCity development activities, the Group has reached HUF 705 million net profit from project Reviczky Liget, exceeding the targeted HUF 680 million by selling 96% of the total units. Project Forest Hill`s construction is expected to be completed during March – June 2019 in multiple phases, revenues are expected to be realized during Q2 and Q4 of 2019.**
- EBIT has exceeded Q3 of last year by HUF 96 Million:
 - The franchise segment`s revenue has grown by 13%, its gross profit by 15% compared to Q3 2017, its EBIT contribution increased by HUF 49 million.
 - The EBIT contribution of own offices tripled and increased by HUF 33 million (+235% YoY), driven by outstanding performance in Hungary and Czech Republic.
 - Revenues of the complementary services segment increased by HUF 51 million (+60% YoY), while its EBIT contribution quadrupled by increasing with HUF 47 million. Besides increase in managed properties, the expansion of evaluation services and the profitable operation of fund management activities supported the significant increase in earnings.
 - Financial intermediary services segment decreased its contribution to EBIT by HUF 15 million in total compared to Q3 2017 (-8%). While intermediated loan volumes increased by 56% and home savings stagnated, gross profit margin declined from 44% to 35% due to longer sales bonus periods and one-off positive items booked in Q3 2017.

EXECUTIVE SUMMARY 2018. SECOND QUARTER

(continued)

- The real estate investment segment has maintained its EBIT-contribution.
- On the date of present quarterly report, the 1-year net return of Duna House Hungarian Residential Real Estate Fund (Duna House Fund) was 11.0% and its net asset value exceeded HUF 3.8 billion.



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Consolidated financial statements



CONSOLIDATED BALANCE SHEET

Consolidated balance sheet data in thHUF	2018. September 30. (not audited)	2017. December 31. (audited)	Variance		Consolidated balance sheet data in thHUF	2018. September 30. (not audited)	2017. December 31. (audited)	Variance	
			thHUF	%				thHUF	%
Other intangible assets	68.097	82.656	-14.559	-18%	Share capital	171.989	171.989	0	0%
Goodwill	1.072.818	1.048.936	23.882	2%	Share premium	1.490.536	1.490.536	0	0%
Investment property	1.109.800	1.061.613	48.187	5%	Other reserves	43.090	27.518	15.572	57%
Property, plant	518.169	538.484	-20.315	-4%	Retained earnings	3.695.393	2.889.056	806.337	28%
Equipment	150.147	108.082	42.066	39%	Equity attributable to the owners of the Company	5.284.008	4.579.100	704.909	15%
Investment in a joint venture	181.655	206.009	-24.354	-12%	Non-controlling interests	-46.846	-48.581	1.734	-4%
Deferred tax assets	166.290	160.322	5.968	4%	Total equity	5.237.162	4.530.519	706.643	16%
Other financial assets	73.589	69.609	3.980	6%	Borrowings	2.806.680	1.271.662	1.535.018	121%
Non-current assets	3.340.566	3.275.712	64.854	2%	Deferred tax liabilities	152.970	144.087	8.883	6%
Inventories	3.856.886	3.399.013	457.873	13%	Non-current liabilities	2.960.042	1.415.749	1.544.292	109%
Trade receivables	571.891	482.247	89.644	19%	Borrowings	170.481	996.748	-826.267	-83%
Receivables from affiliates	148.588	146.098	2.490	2%	Trade payables	567.898	388.240	179.658	46%
Other receivables	287.609	176.766	110.843	63%	Payables to affiliates	123.826	581.775	-457.949	-79%
Current tax asset	31.701	35.405	-3.704	-10%	Other liabilities	1.016.234	1.140.882	-124.648	-11%
Other assets	449.772	316.446	133.326	42%	Current tax liabilities	126.726	8.799	117.927	1340%
Cash and cash equivalents	1.956.052	1.428.343	527.709	37%	Accrued expenses	440.696	388.136	52.559	14%
Assets held for sale	0	196.300	-196.300	-100%	Liabilities held for sale	0	5.481	-5.481	-100%
Current assets	7.302.499	6.180.618	1.121.881	18%	Current liabilities	2.445.862	3.510.062	-1.064.200	-30%
Total assets	10.643.065	9.456.330	1.186.735	13%	Total equity and liabilities	10.643.065	9.456.330	1.186.735	13%

CONSOLIDATED BALANCE SHEET

Comments

- The book value of investment purpose property increased to HUF 1.1 billion in H1 2018 due to portfolio value appreciation of HUF 91 million and the sale of one flat held for investment.
- The Group reports its ongoing IT developments under Equipment asset line, the amount of which totaled HUF 109.5 million on Sept 30, 2018.
- The value of inventories increased by HUF 344 million in Q3 2018, in line with the capitalized construction costs of ongoing developments.
- The balance of receivables from affiliates is predominantly against MyCity Residence, the development project 50% owned by the Group.
- Other receivables are mainly attributable to Forest Hill project, where the Group provides HUF 187 million financing to the construction company.
- Cash and cash equivalents of the Group amounted HUF 1,956 million, out of which HUF 750 million were guarantees related to project loans of Reviczky and Forest Hill developments, Metrohouse acquisition loan, and equity deposits re. fund management activity.

CONSOLIDATED BALANCE SHEET

Comments

- The consolidated equity of the Group increased to HUF 5.2 billion as the result of quarterly profits and paid dividends.
- Loans increased to HUF 3.0 billion, out of which HUF 2.5 billion related to development projects.
- Trade payables increased by HUF 180 million predominantly related to third-party construction costs of project Forest Hill.
- Other liabilities consist mainly of prepayments and advance payments related to development projects, totaling HUF 642 million as of Sept 30, 2018.
- Accrued expenses increased mainly due to accrued construction costs related to Reviczky Liget Project.

CONSOLIDATED INCOME STATEMENT

Consolidated income statement (data in thHUF, except earnings per share)	7-9. 2018. (not audited)	7-9. 2017. (not audited)	Variance		1-9. 2018. (not audited)	1-9. 2017. (audited)	Variance	
			thHUF	%			thHUF	%
Net sales revenue	1.564.082	1.206.532	357.549	30%	6.066.752	3.489.363	2.577.388	74%
Other operating income	25.548	36.052	-10.505	-29%	158.971	101.560	57.411	57%
Disposal Group held for sale income	0	0	0		51.946	0	51.946	
Change in stocks of finished products and work in progress	-349.159	-459.220	110.061	0%	-585.335	-760.980	175.645	0%
Consumables used	11.376	14.776	-3.401	-23%	44.020	44.764	-744	-2%
Cost of goods and services sold	322.384	243.756	78.627	32%	1.054.824	667.504	387.320	58%
Services purchased	1.025.896	986.373	39.523	4%	3.343.449	2.374.033	969.416	41%
Personnel expenses	155.716	136.748	18.968	14%	483.287	418.350	64.938	16%
Depreciation and amortization	23.002	26.393	-3.392	-13%	67.747	79.308	-11.562	-15%
Other operating expenses	31.534	20.717	10.817	52%	108.932	75.768	33.164	44%
Operating income (EBIT)	368.881	273.040	95.841	35%	1.760.744	692.176	1.068.568	154%
Finance income	4.597	1.452	3.145	217%	32.232	171.385	-139.153	-81%
Finance costs	26.916	34.669	-7.752	-22%	66.028	59.073	6.955	12%
Share of the losses of a joint venture	-13.455	-6.763	-6.692	99%	-24.354	80.856	-105.211	-130%
Profit before tax	333.107	233.060	100.047	43%	1.702.594	885.343	817.250	92%
Income tax expense	39.794	42.542	-2.748	-6%	239.639	140.784	98.855	70%
Profit after tax	293.313	190.518	102.795	54%	1.462.955	744.559	718.395	96%
Currency translation difference	24.061	13.385	10.676	80%	38.187	-700	38.887	-5559%
Other comprehensive income	24.061	13.385	10.676	80%	38.187	-700	38.887	-5559%
Total comprehensive income attributable to	317.374	203.904	113.471	56%	1.501.142	743.860	757.282	102%
Shareholders of the Company	312.539	206.588	105.951	51%	1.502.444	751.866	750.579	100%
Non-controlling interest	-390	-2.682	2.292	-85%	-1.302	-8.005	6.703	-84%
Earnings per share (basic and diluted)	148	52	96	185%	323	214	109	51%

CONSOLIDATED INCOME STATEMENT

Comments

- The increase of the quarterly net sales revenue of the Group (HUF +358 million) was driven by multiple business segments, the impact of MyCity developments has not been material.
- Change in stocks of finished products and in progress represents the net difference between activated construction service costs related to MyCity development projects and the book value of units sold and handed over.
- The increase in cost of goods and services sold is related to the sale of Reviczky`s units. Development plots and capitalized construction costs are classified as inventory and booked as cost proportionally at the handover of the units.
- The significant increase in services purchased in Q3 2018 is attributable to the construction costs of MyCity developments. Further cost increase was caused by the increased loan volumes and proportional commission costs.
- Other operating expenses increased due to HUF 13 million receivable write-off in Poland.
- Currency translation difference represents the FX gains and losses on assets and liabilities of the foreign subsidiaries.

REVENUE, OPERATING AND AFTER TAX INCOME BY COUNTRY

in thousand HUF	Hungary		Poland		Czech Republic		Duna House Group	
	2018Q3	2017Q3	2018Q3	2017Q3	2018Q3	2017Q3	2018Q3	2017Q3
Net sales revenue	1 114 301	853 192	361 375	284 393	88 406	68 947	1 564 082	1 206 532
Operating income	351 914	227 557	-5 734	10 294	22 701	-11 282	368 881	226 569
Profit after tax	278 708	199 106	-6 571	2 769	21 176	-11 356	293 313	190 519

in thousand HUF	Hungary		Poland		Czech Republic		Duna House Group	
	2018Q1-3	2017Q1-3	2018Q1-3	2017Q1-3	2018Q1-3	2017Q1-3	2018Q1-3	2017Q1-3
Net sales revenue	4 750 357	2 418 313	1 083 003	876 051	233 392	194 645	6 066 752	3 489 009
Operating income	1 758 186	648 461	-17 192	24 771	19 749	-27 467	1 760 743	645 735
Profit after tax	1 471 883	752 637	-19 154	20 024	10 226	-28 171	1 462 954	744 560

- In Poland, write-offs related to receivables totaling HUF 13 million have lowered the operating income and profit after tax in Q3 2018. The write-offs are related to the franchise and own office operations as well. The Group suffered losses due to write-offs above normal business levels multiple times in the previous quarters and the management has developed action points to minimize future losses.
- Polish subsidiaries paid intercompany interest of HUF 1.7 million in Q3 and HUF 4.8 million in Q1-3 to the Hungarian holding entity.
- The Group has acquired 100% shares of the Polish company Gold Finance sp. z. o.o on 6 November 2018. The Polish entities incurred one-off advisory fees of HUF 4.2 million in Q2 and HUF 4.8 million in Q3. The total investment was HUF 294 million. The management expects to realize synergies already in Q2 2019, while the restructuring can have a slight negative impact on consolidated earnings in Q4 2018 and Q1 2019.
- The Czech own office performed remarkably during the quarter by growing revenues and improving commission structures. The complete Czech operations added HUF 21 million to quarterly profits. As intra-year volatility is to be expected due to its relatively small size, the average 2018 performance shows a more reliable picture of the unit's current performance, than the Q3 results alone.

MANAGEMENT'S GUIDANCE

in thousand HUF	Duna House Group				
	Duna House Group w/o MyCity*		Reviczky Liget		Forest Hill
	2018Q3	2018Q1-3	2018Q3	2018Q1-3	
Operating income	367.569	977.485	5.489	803.033	<i>Under construction</i>
Profit after tax	320.136	876.569	10.797	705.455	<i>Under construction</i>
Management forecast – 2018 FY	950 000 – 1 150 000		680 000		1 060 000

Based on the outstanding results of the first three quarters of the year, the management of the Group increases its the net profit guidance of the core activities (without MyCity development results) for the financial year 2018 to HUF 1,050 – 1,250 million from the previous guidance of HUF 950 – 1,150 million.

Within the MyCity development activities, the Group has reached HUF 705 million net profit from project Reviczky Liget, exceeding the targeted HUF 680 million by selling 96% of the total units.

Project Forest Hill is expected to be completed during March – June 2019 in multiple phases, revenues are expected to be realized during Q2 and Q2 2019.

**=Excluding the real estate development activity of MyCity group, but including the income from the sale of project Zsinor Street. Sales revenue related to the real estate development projects within MyCity group -in accordance with current accounting standards with relevance to the sector- is realized following project closure. Indirect (operational) costs arising before sales revenue realization have a negative impact on profitability.*

CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement	1-9. 2018 (not audited)	1-9. 2017 (not audited)
Data in thHUF		
Cash flows from operating activities		
Profit after tax	1.462.955	744.560
Adjustments:		
Received / paid interests	49.965	0
Depreciation	67.747	66.736
Deferred tax expense	2.915	-5.235
Fair value adjustments of investment properties	-90.900	-22.469
Badwill	0	-139.595
Share of profit of a joint venture	24.354	80.856
Asset held for sale	-53.000	0
Movements of working capital		
Increase in inventories	-411.485	-725.667
Increase in trade- and other receivables	-199.273	120.822
Decrease of other assets	-133.326	-26.507
Increase of trade payables	-367.461	-291.539
Increase of other short term liabilities	-6.721	403.239
Increase in accruals	52.559	-95.606
Net cash generated by operating activities	398.330	109.596

Consolidated cash flow statement	1-9. 2018 (not audited)	1-9. 2017 (not audited)
Cash flows from investing activities		
Payments for property, plant and equipment	-82.478	-138.098
Proceeds from the sale of properties	51.846	9.314
Net cash inflow on sale of subsidiaries	250.000	-171.668
Net cash used in investing activities	219.369	-300.452
Cash flows from financing activities		
Proceeds from borrowings	709.142	334.749
Proceeds from shareholders for capital increase	-117000	0
Dividends paid	-632.325	-485.166
Securities sold	0	0
Received / paid interests	-49.965	-23157,40965
Net cash generated from financing activities	-90.148	-173.575
Net increase in cash and cash equivalents	527.551	-364.430
Cash and cash equivalents at the beginning of the year	1.428.501	1.583.686
Cash and cash equivalents at the end of the year	1.956.052	1.219.256

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Attributable to the shareholders of the Company	Attributable to non-controlling interests	Total equity
data in thHUF							
31 December 2015	153 050	9 479	0	1 525 238	1 687 767	0	1 687 767
Dividend paid				-247 600	-247 600		-247 600
Aquisition of Subsidiary						-40 214	-40 214
Total comprehensive income			-23 318	1 166 454	1 143 136	60	1 143 196
31 December 2016	153 050	9 479	-23 318	2 444 092	2 583 303	-40 154	2 543 149
Dividend paid				-479 260	-479 260		-479 260
Capital increase	18 939	1 481 057			1 499 997		1 499 997
Total comprehensive income			50 836	923 224	974 060	-8 427	965 633
31 December 2017	171 989	1 490 536	27 518	2 889 056	4 579 100	-48 581	4 530 519
Dividend paid				- 653 018	-653 018		- 653 018
Total comprehensive income			15 572	1 459 355	1 474 927	1 735	1 476 662
Purchase of treasury shares							-117 000
30 September 2018	171 989	1 490 536	43 090	3 695 393	5 284 008	-46 846	5 237 163



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Franchise segment



DUNA HOUSE HOLDING FRANCHISE BRANDS



DUNA HOUSE®



HUNGARY, CZECH REPUBLIC

SMART™ INGATLAN

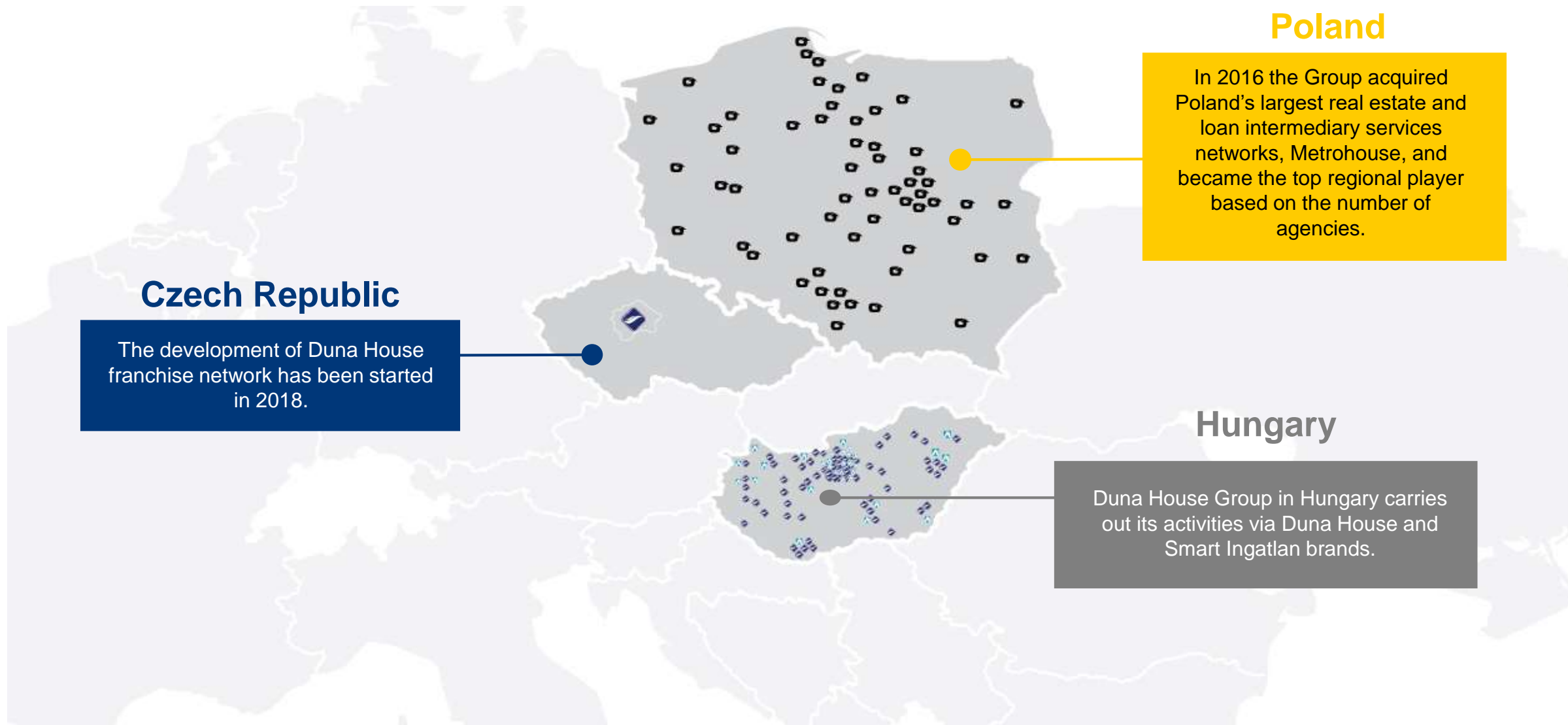


HUNGARY



POLAND

REGIONAL PRESENCE



Poland

In 2016 the Group acquired Poland's largest real estate and loan intermediary services networks, Metrohouse, and became the top regional player based on the number of agencies.

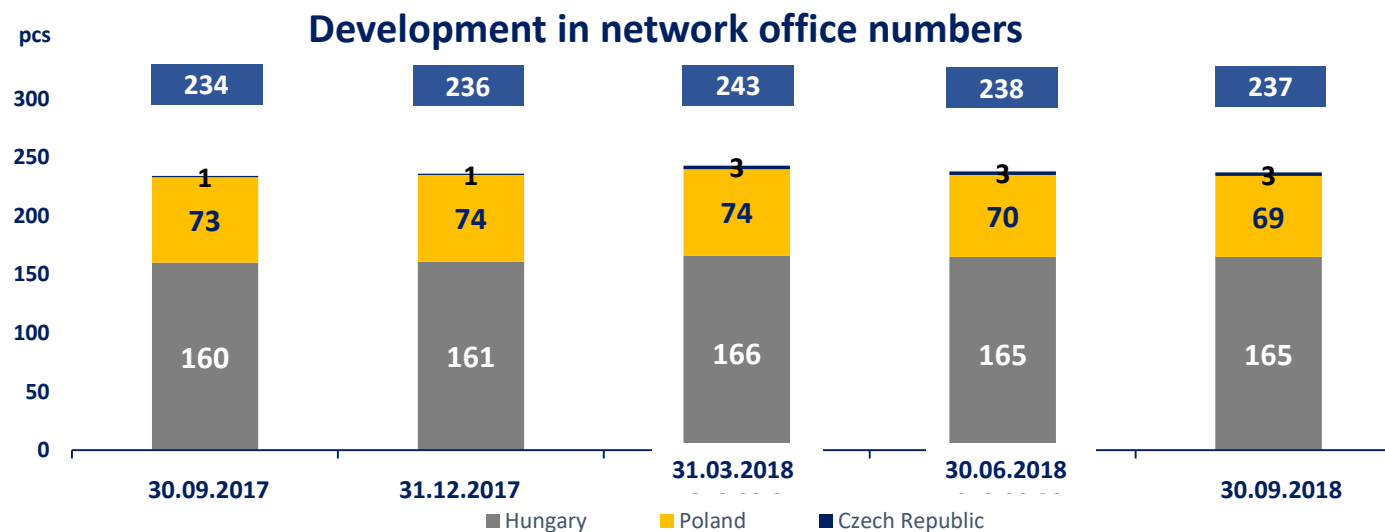
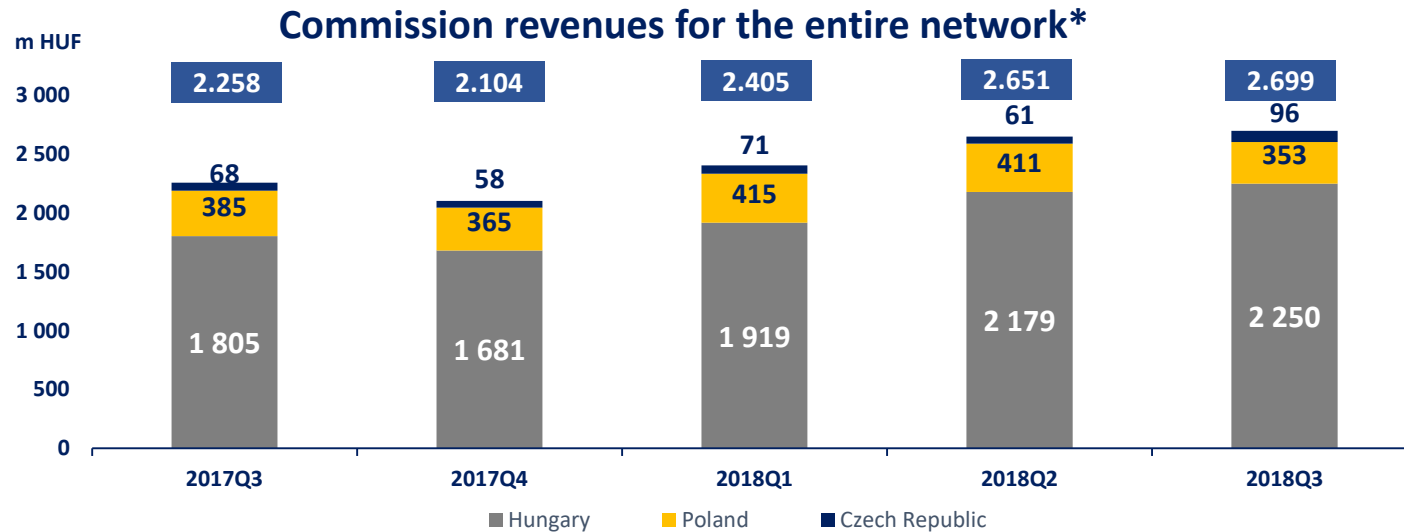
Czech Republic

The development of Duna House franchise network has been started in 2018.

Hungary

Duna House Group in Hungary carries out its activities via Duna House and Smart Ingatlan brands.

Changes in network commission revenues and office numbers



- Duna House Group maintained very strong, 20% y-o-y growth in real estate commissions, reaching quarterly record of HUF 2.7 billion in Q3 2018.
- Growth was strongest in Czech Republic, where total commissions grew to HUF 96 million (+41.2% y-o-y) driven by the own office operations. The volume generated by the franchise offices is still marginal.
- Commissions in Hungary have increased to HUF 2.3 billion with +24.7% y-o-y growth. Average commission per office increased by 20.9% y-o-y and office numbers have elevated from 160 in Q3 2017 to 165 in Q3 2018 (+3.1% y-o-y).
- In Poland, commission revenues decreased by 8.3% y-o-y driven by the decreasing office numbers in Q2 and Q3.
- Ongoing office openings predict significant increase in Polish and Hungarian office numbers in 2019.

SEGMENT LEVEL RESULTS

<i>(data in thHUF)</i>	FRANCHISE SEGMENT							
	7-9. 2018	7-9. 2017	Variance (thHUF)	Variance (%)	1-9. 2018*	1-9. 2017	Variance (thHUF)	Variance (%)
Net sales revenue	349 435	310 257	39 178	13%	1 091 696	961 694	130 002	14%
Direct expenses	35 956	36 977	-1 021	-3%	120 179	128 801	-8 621	-7%
Gross profit	313 479	273 280	40 199	15%	971 517	832 893	138 624	17%
<i>Gross profit margin (%)</i>	<i>90%</i>	<i>88%</i>	<i>2%p</i>		<i>89%</i>	<i>87%</i>	<i>2%p</i>	
Depreciation and amortization	11 570	3 687	7 883	214%	32 934	30 829	2 105	7%
Indirect expenses	218 413	234 612	-16 199	-7%	740 924	673 044	67 880	10%
Operating income (EBIT)	83 496	34 981	48 515	139%	197 659	129 020	68 639	53%
<i>EBIT margin (%)</i>	<i>24%</i>	<i>11%</i>	<i>13%p</i>		<i>18%</i>	<i>13%</i>	<i>5%p</i>	

Revenue of the franchise segment grew by 13% compared to Q3 2017. Growth was driven by Hungary, while Poland suffered some decrease.

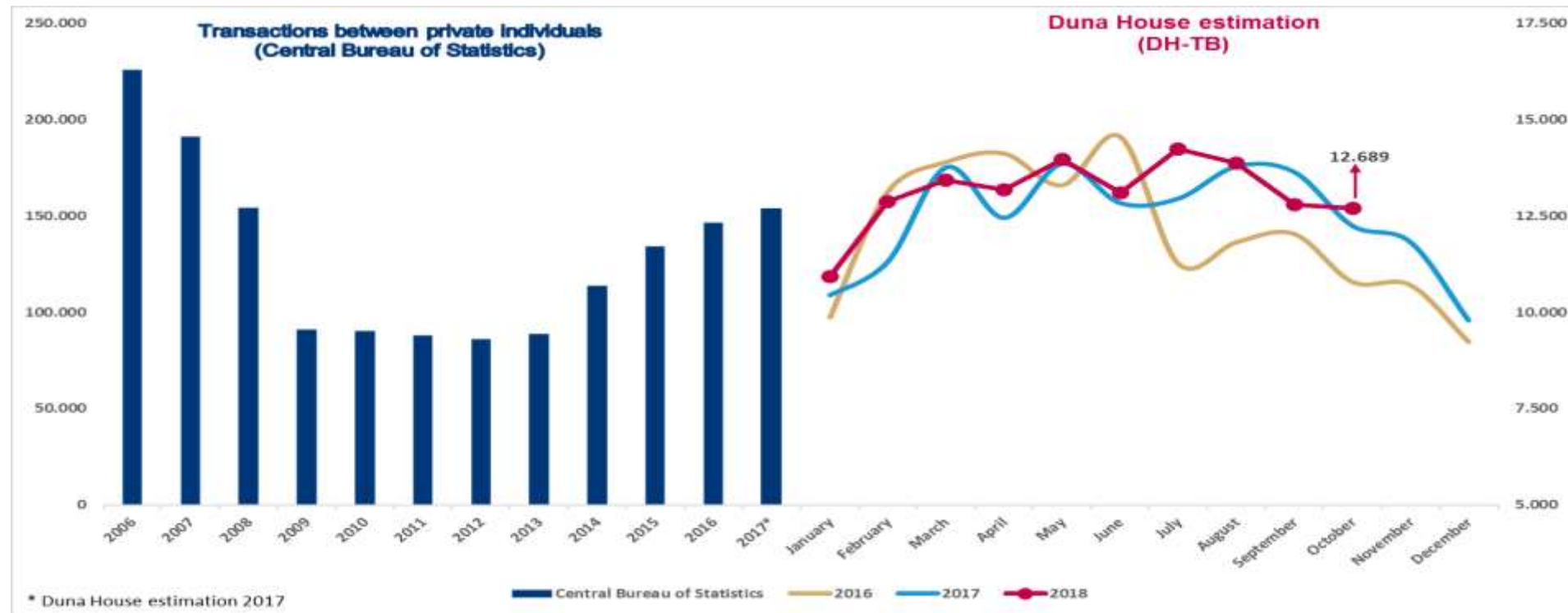
As a result of the Czech expansion that was started at the end of 2017, number of offices increased by 2 in the country – although their impact is marginal still.

The indirect expenses decreased due to lack of one-off expenses and management restructurings. Receivable write-offs in Poland totaled HUF 11 million.

Overall, the EBIT increased significantly by HUF 49 million compared to Q3 2017.

* Advisory fees related to the acquisition of Gold Finance Sp. Z. o.o in Poland were reported in the Franchise segment in our Q2 report. These costs have been reclassified as holding expenses and are reported in Other and consolidation segment.

HUNGARIAN* PROPERTY MARKET TRENDS BASED ON DH-BAROMETER**

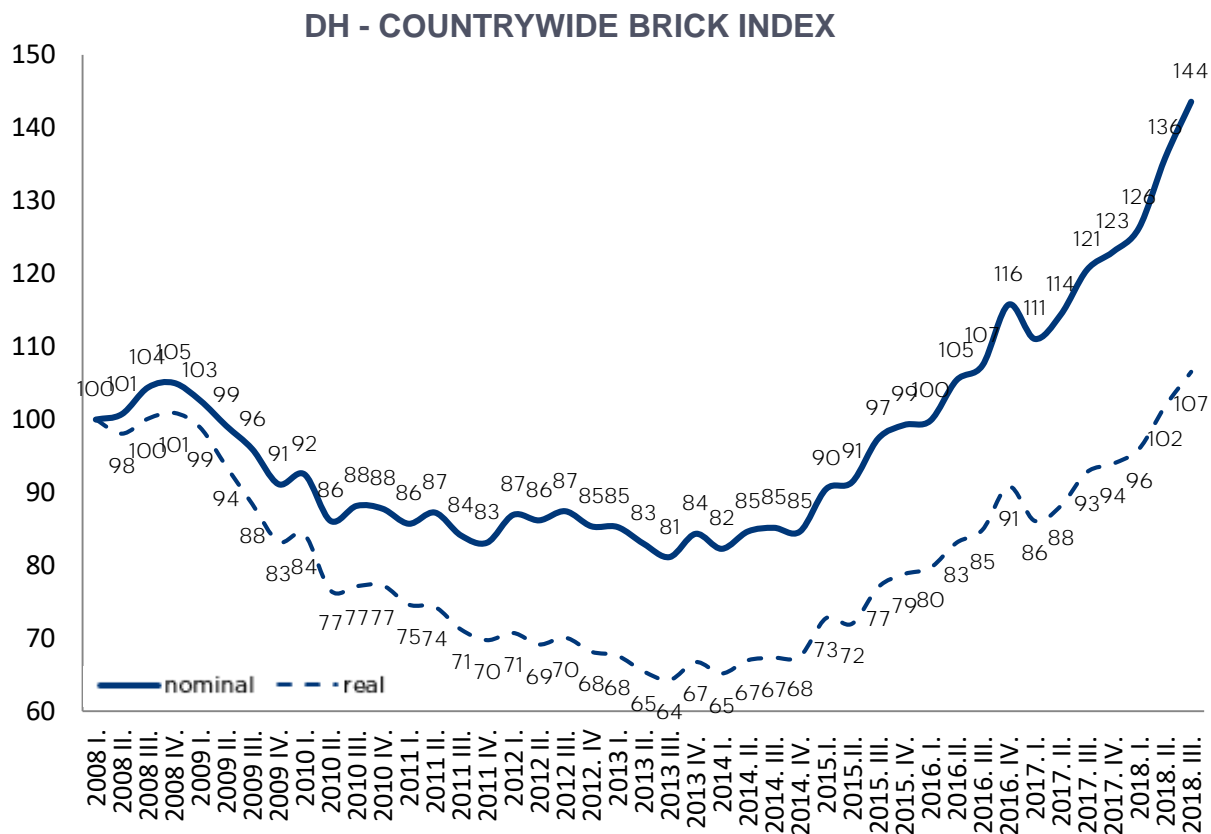
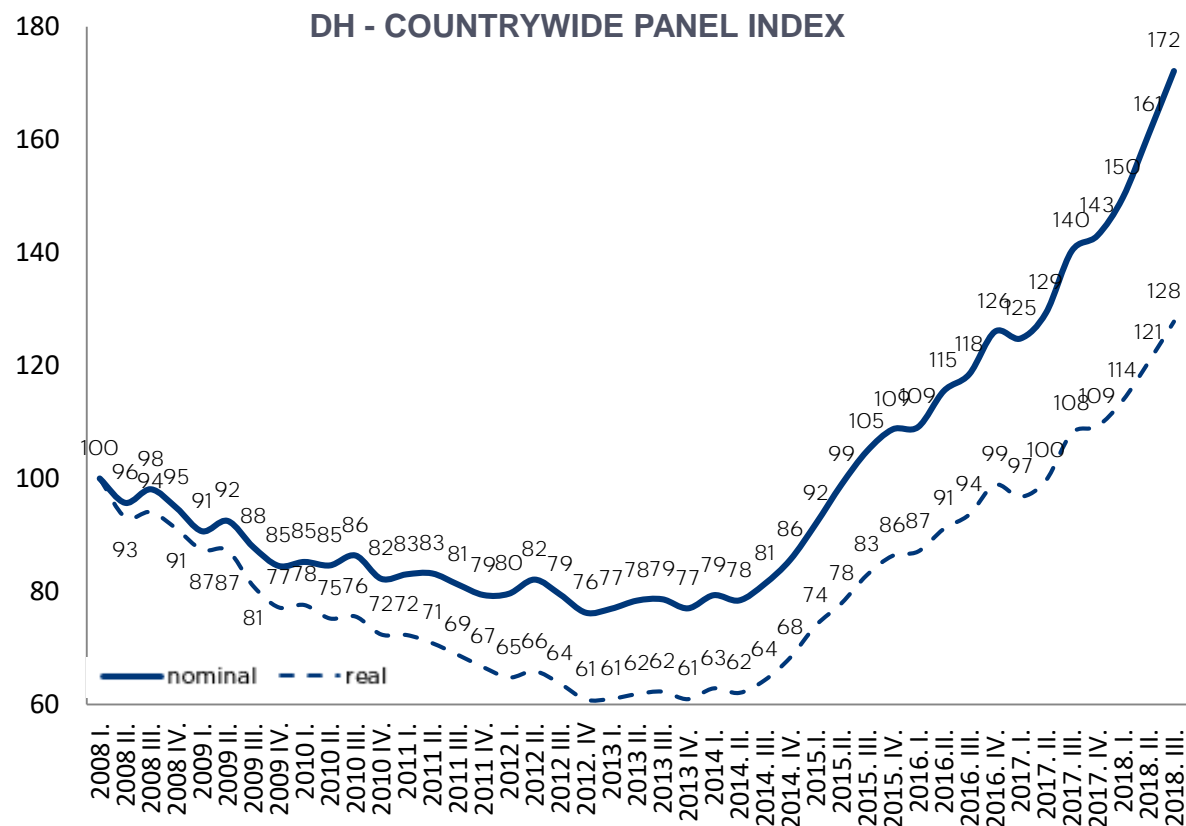


The Hungarian residential real estate market shows continuous growth, the number of sale and purchase transactions exceeded 131 thousand during the first 10 months of the year, approx. 3% increase compared to last year.

* No similar data available in relation of Poland at present

**Due to the lack of up-to-date official data, the above presented data is based on Duna House own estimates.

HUNGARIAN* PROPERTY MARKET TRENDS BASED ON DH-BAROMETER



The increase of property prices has continued in Q3 2018, resulting in a 147 point nominal value, and a 14 point higher real value than the base data from 2008. The nominal value of the Panel price index is 172, while the Brick price index is on 144 points currently – the latter already 2 points ahead the base value on real terms.

* No similar data available in relation of Poland at present



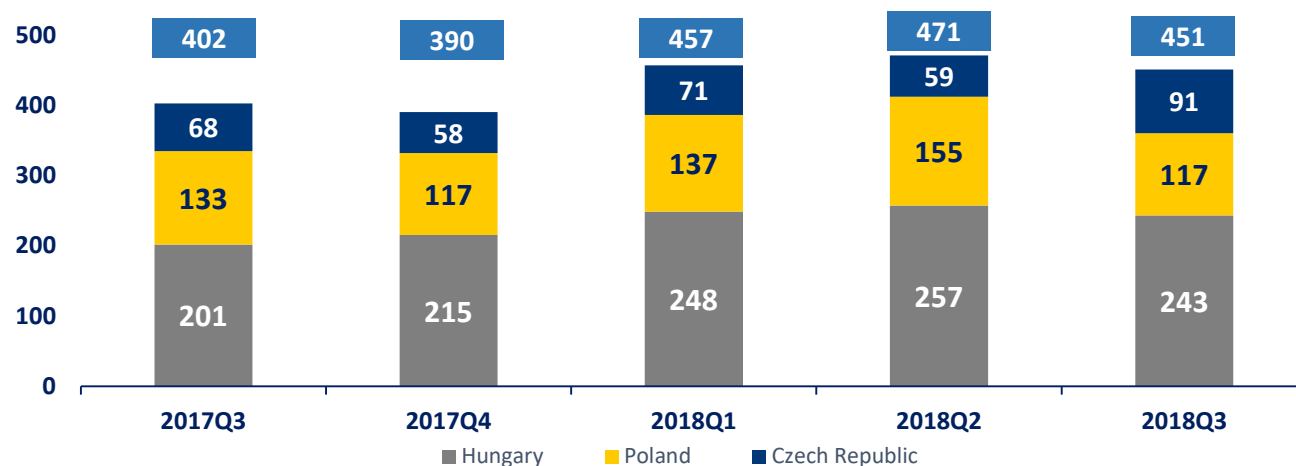
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Own office operation segment



CHANGES IN NETWORK COMMISSION REVENUES AND OFFICE NUMBERS FOR OWN OFFICES

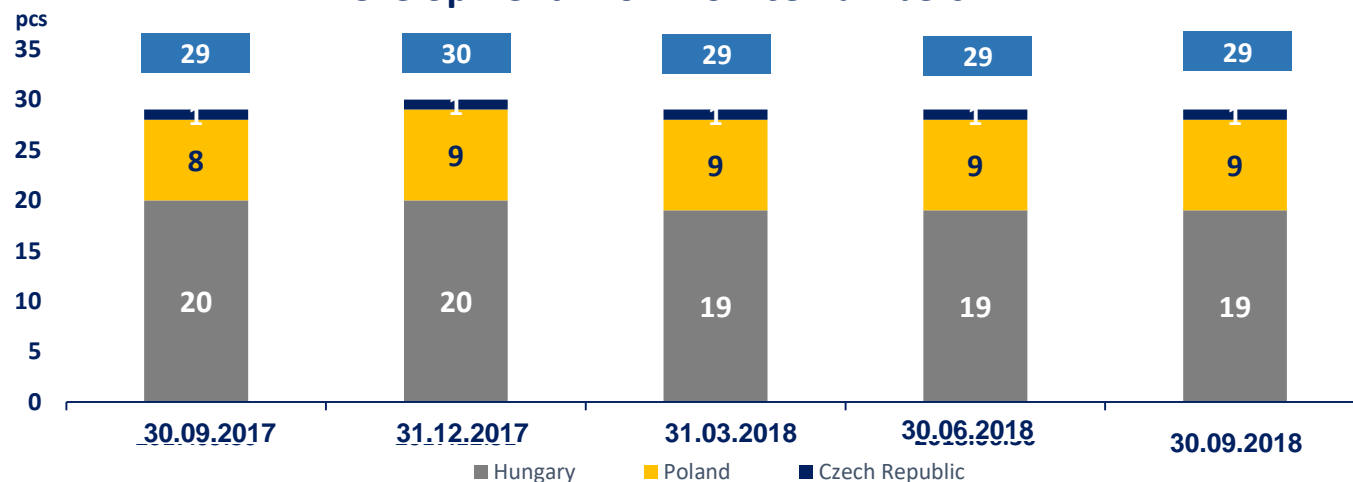
Commission revenues for own offices*



- In Q3 2018, the own office segment generated commission revenues of HUF 450 million (+12.2% y-o-y).
- In Hungary, revenues increased by 20.9% y-o-y.
- The commission revenues of Polish own offices decreased by 12.0% y-o-y.
- The Czech own office achieved strong growth again, commission revenues reached HUF 91 million (+33.8% y-o-y).

* total revenue, realized in connection with property transactions intermediated by Duna House Group's franchise network in total.

Development in own office numbers



SEGMENT LEVEL RESULTS

<i>(data in thHUF)</i>	OWN OFFICE SEGMENT							
	7-9. 2018	7-9. 2017	Variance (thHUF)	Variance (%)	1-9. 2018	1-9. 2017	Variance (thHUF)	Variance (%)
Net sales revenue	395.290	343.328	51.962	15%	1.179.032	1.082.872	96.159	9%
Direct expenses	210.580	200.956	9.624	5%	658.407	619.792	38.615	6%
Gross profit	184.710	142.372	42.338	30%	520.624	463.080	57.545	12%
<i>Gross profit margin (%)</i>	47%	41%	5%p		44%	43%	1%p	
Depreciation and amortization	3.821	2.894	926	32%	11.937	14.453	-2.515	-17%
Indirect expenses	133.963	125.465	8.498	7%	413.414	384.929	28.484	7%
Operating income (EBIT)	46.927	14.013	32.914	235%	95.273	63.698	31.576	50%
<i>EBIT margin (%)</i>	12%	4%	8%p		8%	6%	2%p	

The own office segment achieved a 15% revenue growth compared to Q3 2017 with improving gross profit margins.

The Hungarian operations performed well, while the Czech operations showed outstanding performance.

Indirect costs have increased slightly by HUF 8.5 million.



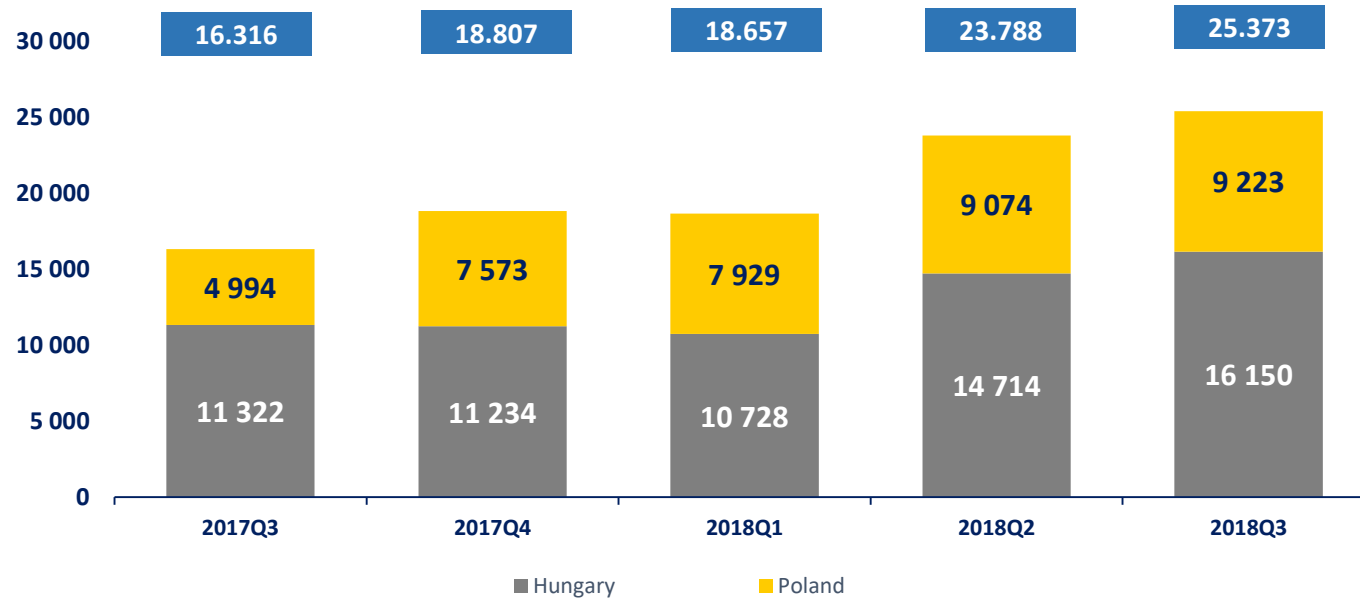
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Financial product intermediary services segment



CHANGES IN INTERMEDIATED LOAN VOLUMES

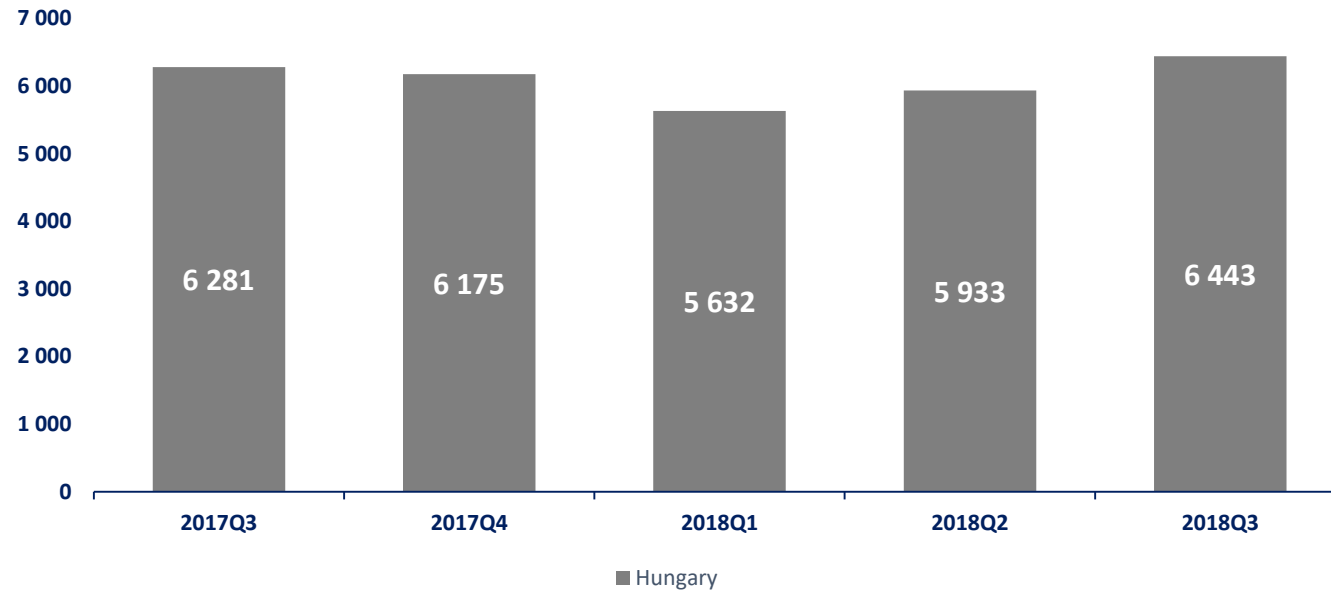
Development in intermediated loan volumes by quarters



- Duna House Group's loan brokerage activities continued their excellent performance in Q3 2018, loan volumes reaching HUF 25.4 billion (+55.5% y-o-y).
- The growth rates of the Company were remarkable in both markets, +46.6% y-o-y in Hungary and +84.7% y-o-y in Poland.

CHANGES IN INTERMEDIATED HOME SAVINGS VOLUME

Development in intermediated home savings mHUF volume by quarters



- The home savings volumes have continued their increase from the lows in Q1 2018 and reached HUF 6.4 billion this quarter.
- The Hungarian Parliament revoked the state subsidy on home savings products on 16 October 2018. The Group generated gross profit of HUF 127 million from this product line in the first nine months of 2018 (out of which HUF 59 in Q3), therefore the mentioned legislation change might have a negative impact on the Group's consolidated earnings in the short term.

SEGMENT LEVEL RESULTS

<i>(data in thHUF)</i>	FINANCIAL PRODUCT INTERMEDIARY SERVICES SEGMENT							
	7-9. 2018	7-9. 2017	Variance (thHUF)	Variance (%)	1-9. 2018	1-9. 2017	Variance (thHUF)	Variance (%)
Net sales revenue	645.087	504.987	140.100	28%	1.716.837	1.381.027	335.810	24%
Direct expenses	421.424	282.082	139.342	49%	1.142.012	816.333	325.679	40%
Gross profit	223.663	222.905	758	0%	574.825	564.694	10.131	2%
<i>Gross profit margin (%)</i>	35%	44%	-9%p		33%	41%	-7%p	
Depreciation and amortization	388	277	111	40%	967	721	246	34%
Indirect expenses	56.503	41.140	15.363	37%	164.290	127.073	37.217	29%
Operating income (EBIT)	166.772	181.487	-14.715	-8%	409.568	436.900	-27.333	-6%
<i>EBIT margin (%)</i>	26%	36%	-10%p		24%	32%	-8%p	

The revenues of the financial intermediation segment grew by almost 28%, driven by strong volume growth.

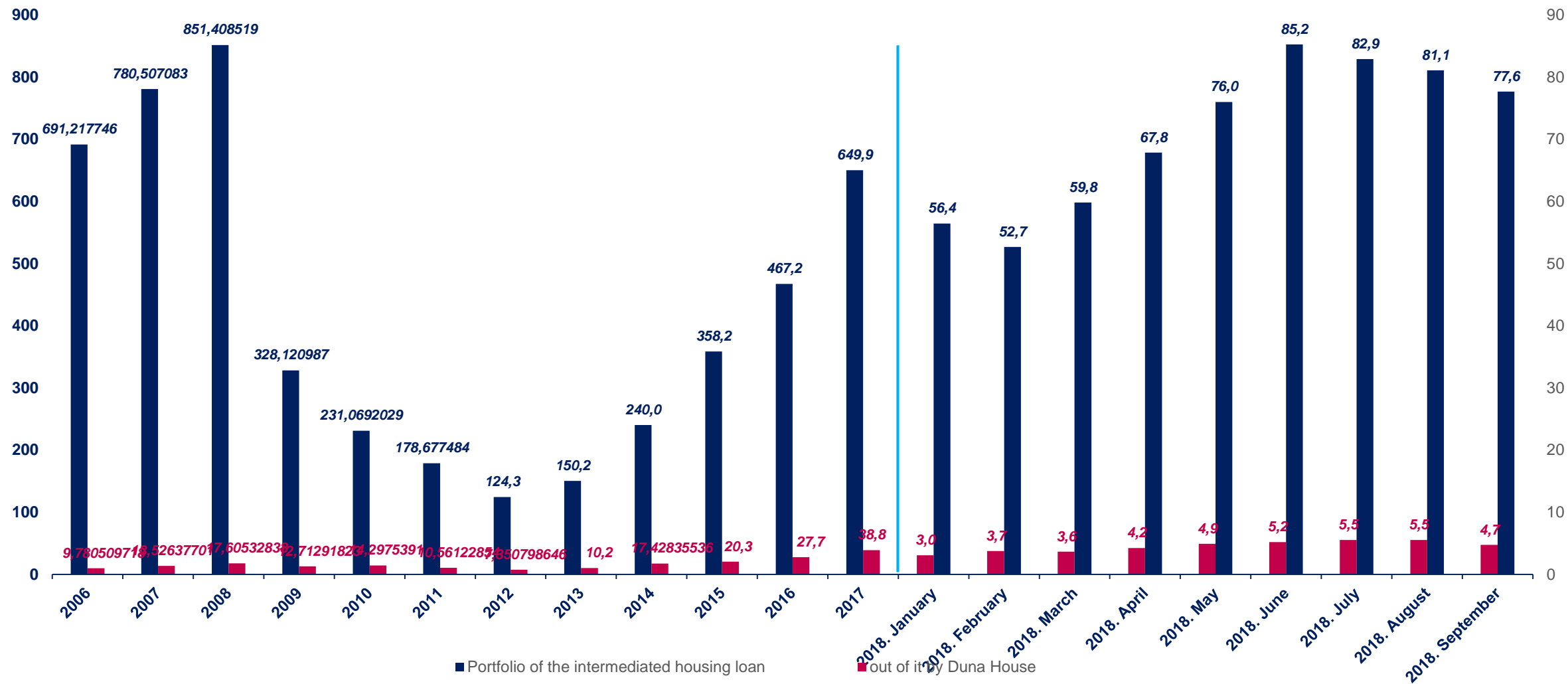
Gross profit margin decreased by 9 p.p. due to one-off and intra-year impacts. The short term dynamics of the gross profit margin depend on three factors:

- i) The periodic review of the trailing commission model, that can shift the quarterly gross profit up or downwards, as well (in Q3 2017 it increased gross profit by HUF 66 million, while no impact in present quarter).
- ii) The structure of home saving products bonus schemes that can cause significant volatility among quarters even with same volumes – 2018 bonuses are delayed compared to last year.
- iii) The share of Hungarian/Polish loan volumes, as the Polish operation has narrower gross profit margins, than the Hungarian.

The indirect costs increased somewhat due to increase fees from Q3 2017 related to the infrastructure used by the segment.

HUNGARIAN HOUSING LOAN TRENDS

The Housing loan portfolio intermediated countrywide and by Duna House in the past periods (mrdHUF)





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Complementary services segment



COMPLEMENTARY SERVICES SEGMENT

Complementary services segment at present includes 4 activities:



Comprehensive property management services

- Operation of empty and inhabited premises
- Property rent out and sales
- Cleaning, renovation, furnishing



- Deep knowledge of property market transactions – significant additional, up-to-date and detailed information and data.
- Property valuation is carried out by independent professionals throughout the country.



Serving both individuals and business entities:

- Quality services provisioned by Pannónia Általános Biztosító
- Independent energy certificate preparing professionals
- Countrywide presence



Fund Manager belonging to the Group

MNB cert.No:

- H-EN-III-130/2016

Date of registry:

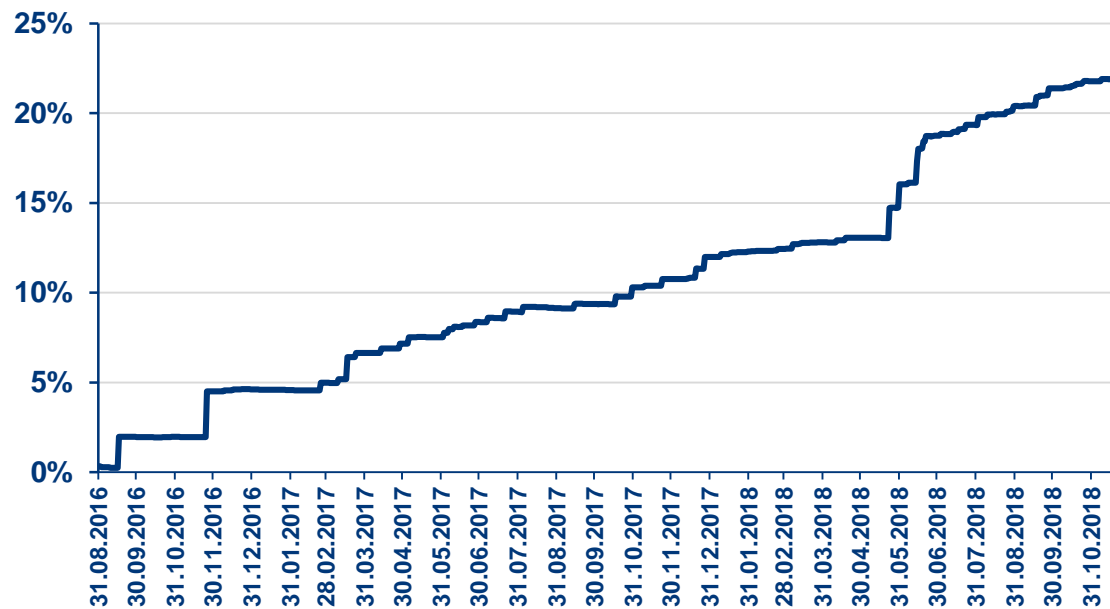
- April 2016.

Currently managed fund:

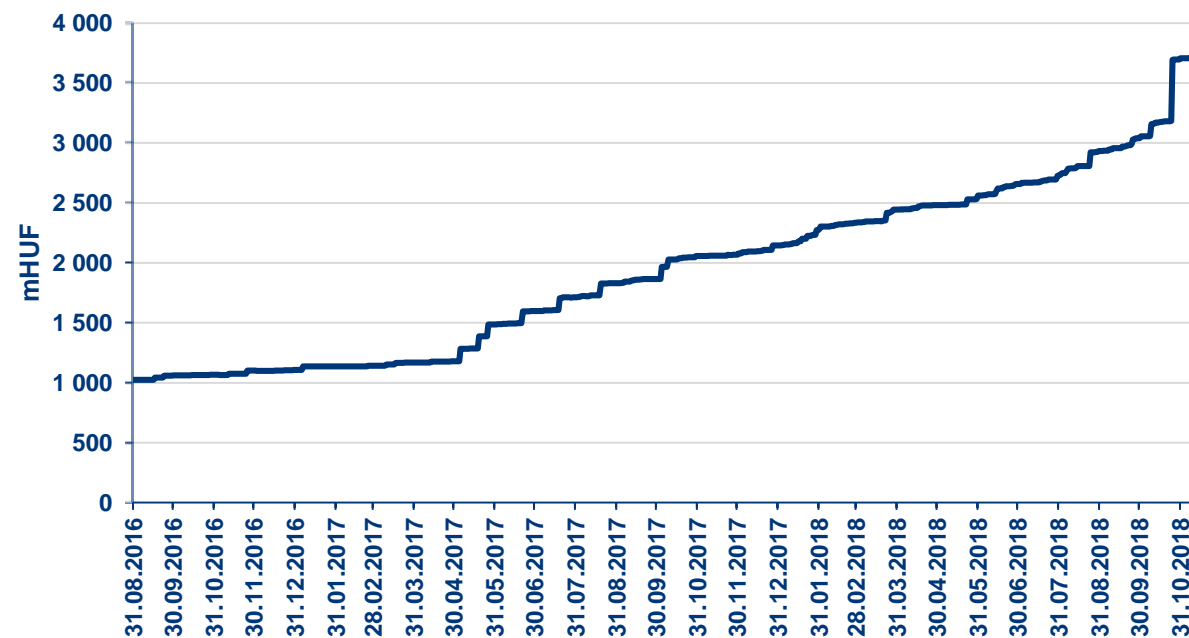
- Duna House Fund, open-end, public

DUNA HOUSE HUNGARIAN RESIDENTIAL REAL ESTATE FUND

Generated yield from the beginning by Impact Residential Property Investment Fund



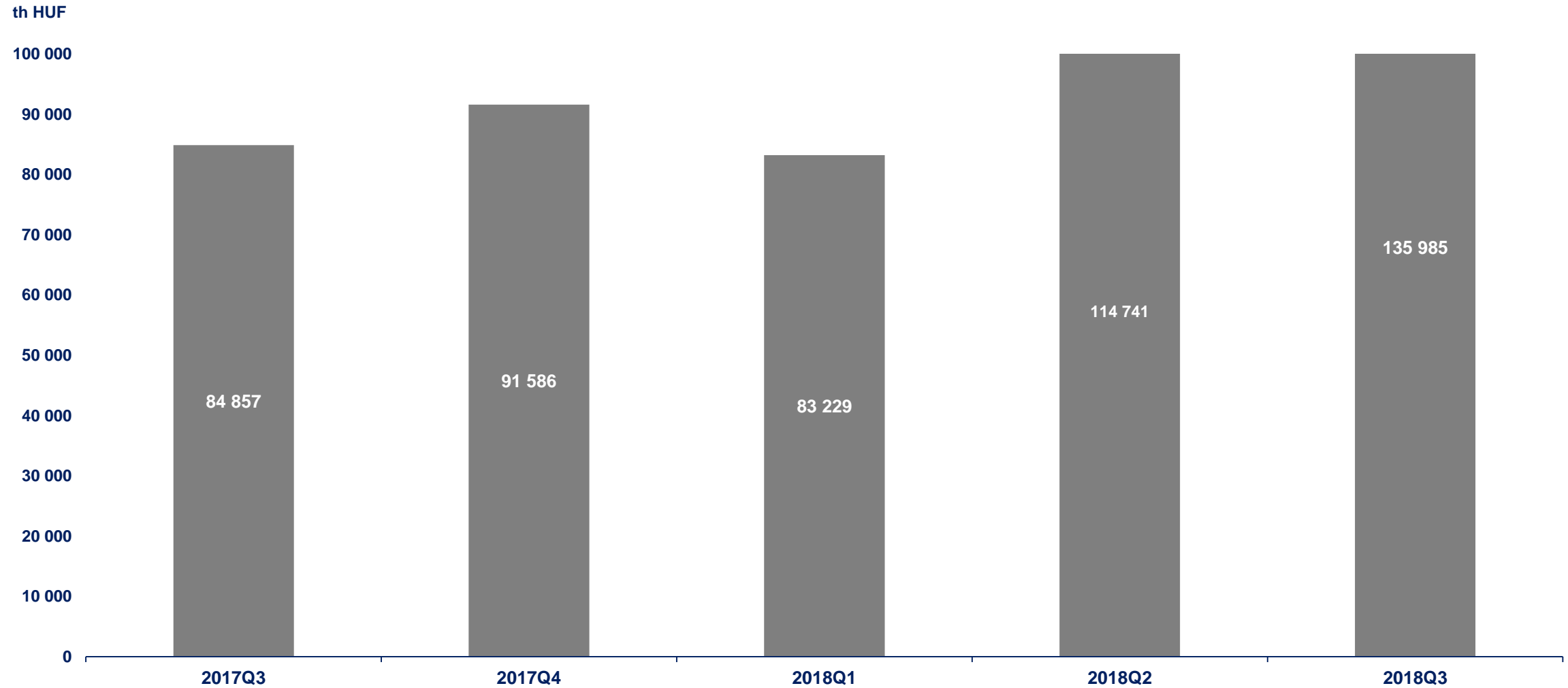
Net asset value development from the beginning by Impact Residential Property Investment Fund



The 1-year net return of Duna House Fund was 11.0% as of November 22, 2018.

The net asset value of the fund averaged HUF 3 billion in Q3 2018 and amounted to HUF 3.8 billion as of November 22, 2018.

The Group has signed distribution agreement with MKB Bank Zrt. (effective from January 2018) with the aim to increase the net asset value of the fund.

CHANGES IN SEGMENT SALES REVENUE BY QUARTERS

SEGMENT LEVEL RESULTS

<i>(data in thHUF)</i>	COMPLEMENTARY SERVICES SEGMENT							
	7-9. 2018	7-9. 2017	Variance (thHUF)	Variance (%)	1-9. 2018	1-9. 2017	Variance (thHUF)	Variance (%)
Net sales revenue	135.985	84.857	51.128	60%	333.955	217.696	116.259	53%
Direct expenses	35.075	35.523	-448	-1%	96.793	82.373	14.420	18%
Gross profit	100.910	49.334	51.576	105%	237.162	135.323	101.839	75%
<i>Gross profit margin (%)</i>	<i>74%</i>	<i>58%</i>	<i>16%p</i>		<i>71%</i>	<i>62%</i>	<i>9%p</i>	
Depreciation and amortization	234	276	-42	-15%	612	1.233	-621	-50%
Indirect expenses	38.516	33.552	4.963	15%	125.362	112.756	12.607	11%
Operating income (EBIT)	62.160	15.506	46.654	301%	111.187	21.334	89.853	421%
<i>EBIT margin (%)</i>	<i>46%</i>	<i>18%</i>	<i>27%p</i>		<i>33%</i>	<i>10%</i>	<i>23%p</i>	

The complementary services segment has increased its revenues by HUF 51.1 million (+60% y-o-y). Growth was predominantly driven by the expanding fund management and property management businesses, as well as by the new revenue sources that contributed by HUF 10 million to the revenues (advertisement fees, private placement fees).

Gross profit was also improved by all activities, the new services adding their extra share.

Overall, the segment has reached a significant profitability level,, making EBIT of HUF 62 million at 46% margin.



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Property investments segment



SEGMENT LEVEL RESULTS

<i>(data in thHUF)</i>	PROPERTY INVESTMENT SEGMENT							
	7-9. 2018	7-9. 2017	Variance (thHUF)	Variance (%)	1-9. 2018	1-9. 2017	Variance (thHUF)	Variance (%)
Net sales revenue	120.988	31.272	89.717	287%	2.001.537	83.582	1.917.955	2295%
Direct expenses	72.820	7.443	65.377	878%	1.112.754	12.178	1.100.576	9037%
Gross profit	48.168	23.829	24.340	102%	888.782	71.404	817.378	1145%
<i>Gross profit margin (%)</i>	<i>40%</i>	<i>76%</i>	<i>-36%p</i>		<i>44%</i>	<i>85%</i>	<i>-41%p</i>	
Depreciation and amortization	5.858	5.599	260	5%	17.414	16.394	1.021	6%
Indirect expenses	20.832	-2.141	22.973	-1073%	-106.940	1.583	-108.523	-6855%
Operating income (EBIT)	21.478	20.371	1.107	5%	978.308	53.427	924.881	1731%
<i>EBIT margin (%)</i>	<i>18%</i>	<i>65%</i>	<i>-47%p</i>		<i>49%</i>	<i>64%</i>	<i>-15%p</i>	

The most significant change in the segments financials was caused by the completion of Reviczky Liget development (running under MyCity** brand) and the handover and invoicing of 92% of its residential units in the first half of 2018. The sale of the remaining units is continuous, generating revenue of HUF 84 million in Q3 2018.

The revaluation of the investment portfolio is due on 30 June and 31 December.

*Profit/loss difference related to revaluation of investment purpose properties and the income from the sale of project Zsinor are indicated among indirect operating costs

**Before April 1, 2017, the result of MyCity companies' activity was indicated under "Share of profit of a joint venture" in the consolidated income statement. MyCity group was fully acquired at the end of March 2017.

VOLUME* AND VALUE OF INVESTMENT AND OPERATIVE PROPERTIES

(data in thHUF)	31 December 2017		30 Sept 2018	
	Number (pcs)**	Carrying amount	Number (pcs)**	Carrying amount
Investment purpose property	13	1 061 613	12	1 109 800
Operational property	5	396 165	5	384 916
Total	18	1 457 779	17	1 494 716

* properties owned by MyCity group not included

**number of properties doesn't include the number of parking spaces, storage rooms

We appraise investment purpose properties on market value. Market appraisal is carried out every six months, next time on December 31, 2018.

PROPERTY DEVELOPMENT ACTIVITY


Duna House Group manages the development of 394 flats in 3+1 projects under MyCity brand, as follows:

	Forest Hill Budapest III. district	Forest Hill Panorama (NEW) Budapest III. district	Reviczky Liget Budapest XVIII. district	MyCity Residence Budapest III. district	TOTAL
Duna House Group's share in Project	100%	100%	100%	50%	
Landsize (m2)		29 314	5 625	3 345	38 284
Sellable area (m2)	11 837	4 605	4 672	6 882	27 996
Number of Apartements (pcs.)	148	57	86	103	394
Average Apartements size (m2)	80,0	80,7	54,3	68,8	71,1
Actual status of Projects					
Construction permit	✓	✓	✓	✓	
Construction is ongoing	✓		✓	✓	
Active presale started	✓		✓	✓	
Handover in progress			✓		

* 148 flats with building permits at present

** based on average MyCity sales prices

PROPERTY DEVELOPMENT ACTIVITY

- District 18. Reviczky Liget Project: The occupation permit was obtained in December, 2017, technical take-overs and final settlements are in progress. By Sept 30, 2018, 96% of the units were sold, the sale of the remaining units is in progress.
- District 3. Forest Hill: The sale of the 148-unit project are proceeding according to plans. 65% of the units are sold. Due to general scarce capacities in the construction sector, the handover of the units is expected to start in March 2019.
- District 3. Forest Hill Panorama: The 57-unit project received construction permit on November 6, 2018, therefore the units can be sold with VAT 5% according to current legislation. Construction plans are being prepared, the sale of the units will start shortly.
- District 3. MyCity Residence: Construction started end of January, 2018. 53% of the units are sold. Construction deadline is October 30, 2019.

ONGOING PROJECTS

Forest Hill



Forest Hill Panorama



MyCity Residence





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Other- and consolidation segment



SEGMENT LEVEL RESULTS

<i>(data in thHUF)</i>	OTHERS- AND CONSOLIDATION SEGMENT							
	7-9. 2018	7-9. 2017	Variance (thHUF)	Variance (%)	1-9. 2018*	1-9. 2017	Variance (thHUF)	Variance (%)
Net sales revenue	-82.704	-68.167	-14.537	21%	-256.305	-237.507	-18.797	8%
Direct expenses	-8.524	61.381	-69.905	-114%	-25.324	-24.104	-1.220	5%
Gross profit	-74.180	-129.548	55.368	-43%	-230.980	-213.403	-17.577	8%
<i>Gross profit margin (%)</i>	<i>90%</i>	<i>190%</i>	<i>-100%p</i>		<i>90%</i>	<i>90%</i>	<i>0%p</i>	
Depreciation and amortization	1.130	1.088	41	4%	3.882	3.107	775	25%
Indirect expenses	-63.357	-137.320	73.962	-54%	-203.611	-204.306	696	0%
Operating income (EBIT)	-11.952	6.683	-18.635	-279%	-31.251	-12.204	-19.048	156%
<i>EBIT margin (%)</i>	<i>14%</i>	<i>-10%</i>	<i>24%p</i>		<i>12%</i>	<i>5%</i>	<i>7%p</i>	

Under the Other and consolidation segment we present the Company's supporting holding activity performance, as well as yields and expenditures detected in the consolidation process, and the result of consolidation amendments.

The Q3 expenses of the holding include primarily BÉT, KELER fees, as well as the proportional part of the accounting and auditing fees in relation of the Group's annual and consolidated reports.

* Advisory fees related to the acquisition of Gold Finance Sp. Z. o.o in Poland were reported in the Franchise segment in our Q2 report. These costs have been reclassified as holding expenses and are reported in Other and consolidation segment.

Annex 1.

Time-series report of the different operational segments for the previous four quarters is attached to the interim report as a separate file, as well as the consolidated balance sheet and interim income statement for the current record date.

Duna House Holding Nyrt 2018Q3 negyedebes
ENG_Annex1.xlsx

Disclaimer

Undersigned, members of the Board of Directors of DUNA HOUSE HOLDING Plc. (seated H-1016 Budapest, Gellérthegy str 17. Hungary; Company Reg. No. 01-10-048384) ; hereinafter „Company”) declare that the present quarterly report has been prepared with our best knowledge and conviction, and with the aim to present an extensive look at the financial state of the Company, including statements and estimates referred to for the present.

All statements and estimates are based on estimates and forecasts up-dated with our best knowledge and conviction, and in relation to which we shall not be held responsible for publicly up-dating any of the statements or estimates based on any future information, or events. Statements referring to the present bear a certain level of risk and uncertainty in themselves, thus factual results in some cases may significantly differ from forecast-type statements.

We believe that the present quarterly interim report presents a trustworthy and real picture regarding the assets, liabilities, financial state, as well as the profit and loss of the Company and joint ventures included in the consolidation. The report also presents a trustworthy picture of the state, development and performance of the Company and joint ventures included in the consolidation.

Simultaneously, we shall call attention to the financial statements presented in the interim report not being subject of an accounting audit, and in its present form not being in full compliance with all requirements of the International Financial Reporting Standards implemented by the European Union. The audited annual report of the Company, prepared in compliance with the regulations of International Financial Reporting Standards shall be published following the approval of the ordinary General Meeting of the Company planned to take place in April 2019.

Budapest, 26 November, 2018.

Duna House Holding Plc. Board of Directors

Represented by: Doron Dymshiz, Board of Directors, President



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