DUNA HOUSE HOLDING NYRT.

CONSOLIDATED FINANCIAL STATEMENTS

IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
31 December 2020

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

ASSETS	*Notes*	31/12/2020	31/12/2019
Long-term assets			
Intangible assets	*5*	16.455	43.826
Right-of-use asset	*6*	267.132	292.657
Investment property	*4*	1.868.721	1.836.000
Land and buildings	*3*	424.103	450.139
Machinery and equipment	*3*	316.122	249.573
Goodwill	*7*	1.701.769	1.359.972
Investments in associated companies and joint ventures	*8*	427.667	117.189
Financial instruments	*9*	72.706	85.821
Deferred tax assets	*10*	174.248	218.605
Total long-term assets		**5.268.923**	**4.653.782**
Current assets			
Inventories	*11*	7.118.850	5.508.399
Trade receivables	*12*	887.556	849.269
Amounts owed by related undertakings	*13*	120.484	126.093
Other receivables	*14*	1.083.514	998.106
Actual income tax assets		39.465	143.868
Cash and cash equivalents	*15*	6.169.525	1.627.726
Restricted cash	*15*	732.626	897.947
Total current assets		**16.152.020**	**10.151.408**
Total Assets		**21.420.943**	**14.805.190**

Consolidated balance sheet

data provided in thousands HUF, unless indicated otherwise

LIABILITIES	Notes	31/12/2020	31/12/2019
Equity			
Registered capital	16	171.989	171.989
Treasury shares	17	(193.614)	(176.915)
Capital reserves	16	1.526.164	1.499.705
Exchange reserves	18	54.123	70.762
Profit reserves	16	5.328.327	4.045.277
Total equity of the parent company		**6.886.989**	**5.610.818**
Non-controlling ownership interest	19	(70.615)	(62.802)
Total equity:		**6.816.374**	**5.548.016**
Long-term liabilities			
Long-term loans	20	0	6.049.325
Deferred tax liabilities	22	186.162	169.863
Other long-term liabilities		0	0
Issued bonds	21	6.944.849	0
Lease liabilities	6	159.889	174.739
Total long-term liabilities		**7.290.900**	**6.393.927**
Current liabilities			
Short-term loans and borrowings	20	4.729.908	331.485
Accounts payable	23	858.967	789.872
Liabilities to related undertakings	24	22.042	29.853
Other liabilities	25	1.563.368	1.480.480
Short-term liabilities from leases	6	122.966	127.957
Actual income tax liabilities		16.418	103.600
Total current liabilities		**7.313.669**	**2.863.247**
Total liabilities and equity		**21.420.943**	**14.805.190**

Consolidated income statement

	Notes	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019
Net sales revenues	*26*	9.067.335	7.891.743
Other operating income	*27*	133.018	219.960
Total income		**9.200.353**	**8.111.703**
Variation in self-manufactured stock	*28*	(1.574.750)	(1.631.112)
Consumables and raw materials	*29*	324.784	128.560
Goods and services sold	*30*	2.269.289	1.325.067
Contracted services	*31*	5.532.375	5.646.369
Personnel costs	*32*	817.970	812.517
Depreciation and amortisation		97.770	90.483
Depreciation on right-of-use	*6*	139.256	127.594
Other operating charges	*33*	272.856	214.021
Operating costs		**7.879.549**	**6.713.498**
Operating profit/loss		**1.320.804**	**1.398.205**
Financial revenues	*34*	154.094	63.497
Financial expenses	*35*	(160.147)	(144.161)
Profit of participations valued with the equity method	*8*	310.478	(51.543)
Profit/Loss before taxation		**1.625.229**	**1.265.998**
Income taxes	*36*	279.226	193.102
Taxed profit		**1.346.003**	**1.072.896**
Other comprehensive income	*37*	**14.393**	**29.027**
Total comprehensive income		**1.360.397**	**1.101.923**
Of the total comprehensive income			
Attributable to the parent company		**1.368.209**	**1.108.699**
Attributable to external shareholders		**(7.813)**	**(6.776)**
Income per share (HUF)	*38*		
Basis		37,9	29,8
Diluted		37,8	29,8

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

Statement of changes in the consolidated equity

	Notes	Registered capital	Treasury shares	Capital reserves	Profit reserves	Exchange reserves	Total equity of the parent company	Non-controlling ownership interest	Total equity
Balance as at 31 December 2018		**171.989**	**(117.000)**	**1.493.267**	**3.917.124**	**35.283**	**5.500.663**	**(56.027)**	**5.444.636**
Dividends	*16*				(945.104)		**(945.104)**		**(945.104)**
Purchase of treasury shares	*17*		(59.915)				**(59.915)**		**(59.915)**
Employee and management share schemes	*17*			6.439			**6.439**		**6.439**
IFRS 9 impairment 2018 closing balance adjustments					37		**37**		**37**
Total comprehensive income					1.073.220	35.479	**1.108.699**	(6.776)	**1.101.923**
Balance as at 31 December 2019		**171.989**	**(176.915)**	**1.499.705**	**4.045.277**	**70.762**	**5.610.817**	**(62.803)**	**5.548.015**
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**

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Consolidated Cash Flow Statement

data provided in thousands HUF, unless indicated otherwise

	Notes	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019
OPERATING CASH FLOW			
Taxed profit		1.346.004	1.072.896
Adjustments:			
Financial results	34-35	6.053	63.497
Reporting year depreciation and depreciation on right-of-use assets		237.026	218.077
Deferred taxes	10	60.656	(316)
Revaluation of investment property	27	(30.800)	(120.809)
Share scheme	17	26.458	6.439
Shares measured with the equity method	8	(310.478)	51.543
Changes in the revaluation reserve and non-controlling shares		(24.451)	0
Tax payable	36	248.387	175.847
Changes in working capital			
Changes in inventories	11	(1.610.452)	(1.625.683)
Changes in accounts receivable, other receivables and related receivables	12-14	140.735	(506.540)
Changes in accrued and deferred assets	14	(93.501)	(53.931)
Changes in accounts payable and related liabilities	23-24	65.224	2.358
Other current liabilities and accruals and deferrals	25	90.712	74.601
Changes in accrued and deferred liabilities	25	4.574	(77.958)
Income tax paid		(248.556)	(292.420)
Net operating cash flow		***(92.410)***	***(1.012.400)***
Investment cash flow			
Tangible and intangible assets purchased	3-5	(195.832)	(355.091)
Sale of tangible assets	3-5	83.000	7.772
Purchase of other invested assets		13.115	0
Acquisition/Disposal of subsidiaries (excluding acquired liquid assets)		(339.800)	0
Net investment cash flow		***(439.517)***	***(347.319)***
Financing cash flow			
Bank loans/(repayment)	20	(1.650.902)	3.398.551
Capital contribution/ (Purchase of Treasury shares)	16-17	(16.698)	(59.915)
Changes in right-of-use and lease liabilities	6	(128.580)	(117.555)
Dividend payments	16	(68.890)	(927.058)
Issued bonds	21	6.889.368	0
Interest received (paid)	34-35	(55.633)	(116.116)
Net financing cash flow from investment activities		***4.968.664***	***2.177.907***
Net change in cash and cash equivalents		4.436.737	818.188
Balance of cash and cash equivalents as at the beginning of the year		1.627.726	756.919
Exchange rate differences in liquid assets		105.062	52.619
Balance of cash and cash equivalents as at the end of the year	15	**6.169.525**	**1.627.726**

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

1. General

1.1 Introduction to the company

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

Owner's name	Ownership share as at 31 December 2020	Ownership share as at 31 December 2019
Medasev Holding Kft.	39.68%	39.68%
Medasev Int. (Cyprus) Ltd.	38.04%	38.04%
AEGON Magyarország Befektetési Alapkezelő Zrt.	6.69%	6.69%
Employees	1.72%	1.75%
Treasury shares	1.48%	1.33%
External investors	12.39%	12.51%
Total	**100%**	**100%**

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

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

1.2 Basis of the financial statements

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

The annual consolidated financial statements were approved by the Board of Directors on 26 March 2021. The consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS), as announced and enacted in a regulation in the official journal of the European Union (EU). The IFRS consists of the standards and interpretations developed by the International Accounting Standards Board (IASB) and the International Financing Reporting Interpretations Committee (IFRIC).

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

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

ii) Basis of the financial statements

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

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

iii) Basis of the valuation

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

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

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

2. Accounting policy

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

2.1 Main components of the accounting policy

2.1.1 Basis of consolidation

Subsidiaries

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

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

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

The equity and profit shares of non-controlling shareholders are presented in separate rows in the balance sheet and in the 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 one thousand, except otherwise indicated. The consolidated financial statements were prepared in Hungarian forint, which is the presentation currency of the Group.

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

2.1.3 Sales revenue

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

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

2.1.4 **Real estate, machines, equipment**

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

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

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

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

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

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

Rights and titles as well as software	3-6 years

2.1.7 Goodwill

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

2.1.8 Inventories

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

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

2.1.9 Receivables

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

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

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

2.1.11 Financial instruments

To 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 valued at fair value against profit or loss; however, the Group may decide to value the equity investments held for other than business purposes at fair value through other comprehensive income. If the given financial instrument is a debt instrument, the following points have to be taken into account when establishing the classification.

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

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

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

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

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

Valuation at amortised 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 valued at fair value against other comprehensive income

Such assets shall be valued at fair value. Interest income, impairment, and differences in foreign currency exchange rates shall be recognised in the profits (similarly to the assets 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 valued at fair value against other comprehensive income

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

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

Valued at fair value against profit

The asset shall be valued at fair value and changes in fair value shall be recognised 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 if the valid market value of instruments with the same fundamental properties, or the cash flows expected from the net assets that form the basis of investments.

Derecognition of financial instruments

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

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

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

2.1.12 **Provisions**

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

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

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

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

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

2.1.13 **Investment property**

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

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

2.1.14 **Income taxes**

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

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

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

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

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

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

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

2.1.15 **Leasing**

Starting from 1 January 2019, the Company applies the rules of IFRS 16 to present its leased assets. The Company indicated assets leased for more than 12 months as part of operating and finance leasing as a right-of-use asset in its balance sheet, if the value is paid at a later date, it presents as liability. In its income statement, the Company accounts for depreciation on right-of-use assets 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 repurchased own shares.

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

2.1.17 **Off-balance sheet items**

The off-balance sheet liabilities are not included in the balance sheet or 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 statement 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 repurchased treasury shares is recognised separately within equity at historical cost in accordance with the requirements of the IAS 1 standard.

2.1.19 Dividends

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

2.1.20 Profit/Loss on financial transactions

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

2.1.21 State aid

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

2.1.22 Distribution of shares, option schemes

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

2.1.23 Restricted cash

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

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

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

2.2 Changes in the Accounting Policy

The Group prepared its financial statements in compliance with the provisions of all the standards and interpretations in force as at 31 December 2020.

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 not 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:	2020 31 December	2019 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.	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
Metrohouse S.A.	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
Gold Finance Sp. z. o.o	00-832 Warszawa, Zelazna 28/30 Polska (Poland)	100%	100%
MyCity Residential Development Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Pusztakúti 12. Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Reviczky 6-10. Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Duna House Franchise s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%
Duna House Hypoteky s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%
Center Reality s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%

As jointly managed undertakings

		31 December 2020	31 December 2019
Hunor utca 24 Kft.	1016 Budapest, Gellérthegy u. 17.	50%	50%

On 7 January 2020, the Company acquired a 100% ownership of Alex T. Great Sp. z.o.o, and thus became its sole owner. Alex T. Great Sp. z. o.o was acquired in the following way (data in HUF thousands):

The balance of the assets and liabilities of Alex T. Great Sp. z. o.o as at the time of acquisition:
(thousand HUF)

Value of investments	**310,764**
Acquired ownership share	*100%*
Value of net assets on the day of acquisition	**8,881**
Registered capital	3,984
Capital reserves	4,897
Profit reserves	0
Value of goodwill	**301,883**

The purchase price of the transaction was paid in cash. 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. With this acquisition, the Group gave new impetus to its organically growing loan activities. The sales revenues of the Group's financial intermediation division grew by 37% in 2020 while the EBITDA margin remained stable.

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

2.4.1.7 **Energetikai Tanúsítvány Kft.**

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

2.4.1.8 **Superior Real Estate Kft.**

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

2.4.1.9 **Home Management Kft.**

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

2.4.1.10 **GDD Commercial Kft.**

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

2.4.1.11 **SMART Ingatlan Kft.**

The company group operated the SMART Real Estate Franchise Network real estate brokerage until 31 December 2019, at which time the SMART networked merged with Duna House.

2.4.1.12 **Home Line Center Kft.**

The activity of the company is the sale and purchase as well as short-term and long-term lease of owned residential properties, which can be expanded with condominium management activity in the near future.

2.4.1.13 **Impact Alapkezelő Zrt.**

In its resolution H-EN-III-130/2016 of 20 April 2016, the Hungarian National Bank issued a licence to Impact Alapkezelő Zrt. for collective portfolio management activities which, in line with the above, extend to investment management, risk management and administrative tasks.

The primary objective of the fund management activity is to create (a) real estate investment fund(s) from (residential) properties situated in the territory of Hungary. The Company intends to manage private and public real estate funds investing into properties.

2.4.1.14 **MyCity Residential Development Kft. and its project companies**

MyCity has two subsidiaries and one jointly managed undertaking. The objective of these project companies is to implement real estate projects at various locations in Budapest as follows:
Pusztakúti 12 Kft. was registered by the Company Court of the Budapest-Capital Regional Court on 21 January 2016. The purpose of the project company is to construct and sell the 211-unit Forest-Hill and Forest Hill Panoráma residential park to be implemented in Budapest, district 3, Csillaghegy.

Reviczky 6-10 Kft. project company was established on 20 January 2016 to construct and sell the 86-unit Reviczky Liget residential park situated in Budapest, district 18, on the area bordered by Hengersor and Reviczky utca.
Hunor utca 24. Kft. is a jointly managed company of MyCity Residential Development Kft. with a 50% ownership share. The purpose of this project company is to build a 105-unit residential park under the name of MyCity Residence in Budapest, district 3, on the area bordered by Hunor utca and Vörösvári út.

After the acquisition of control over MyCity, MyCity and MyCity's project companies (excluding Hunor utca 24. Kft.) were fully consolidated by DUNA HOUSE. As a result of the full consolidation, the consolidated balance sheet contains, among others, bank loans related to inventories of significant amount as well as investment properties and their financing. The guarantees securing these bank loans are non-recourse guarantees, i.e. their enforceability does not extend beyond MyCity and its project companies.

2.4.1.15 **Akadémia Plusz 2.0 Kft.**

Founded in H1 2018, Akadémia Plusz 2.0 Kft. is 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 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.

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 operations.

3. Property, machinery and equipment

data in HUF thousands	Land and buildings	Machinery and equipment	Total
Gross value			
As at 31 December 2018	**636.732**	**288.535**	**925.266**
Expansion of the scope of consolidation	0	0	0
Growth and reclassification	1.980	117.276	119.256
Decrease and reclassification	-46.891	-37.957	-84.848
As at 31 December 2019	**591.821**	**367.854**	**959.675**
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**
Accumulated depreciation			
As at 31 December 2018	**116.344**	**117.435**	**233.779**
Expansion of the scope of consolidation	0	0	0
Annual write-off	25.877	25.385	51.262
Decrease	-539	-24.539	-25.078
As at 31 December 2019	**141.682**	**118.281**	**259.963**
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**
Net book value			
As at 31 December 2018	**520.388**	**171.100**	**691.488**
As at 31 December 2019	**450.139**	**249.573**	**699.712**
As at 31 December 2020	**424.103**	**316.122**	**740.225**

4. Investment property

data in HUF thousands	Total
As at 31 December 2018	**1.443.600**
Expansion of the scope of consolidation	0
Growth and reclassification	271.591
Changes in the fair value	120.809
Decrease and reclassification	0
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**
As at 31 December 2018	**1.443.600**
As at 31 December 2019	**1.836.000**
As at 31 December 2020	**1.868.721**

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

In 2020, the Group sold one 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).

5. Intangible assets

data in HUF thousands	**Total**
Gross value	
As at 31 December 2018	**340.598**
Expansion of the scope of consolidation	0
Growth and reclassification	18.225
Decrease and reclassification	-1.794
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**
Accumulated depreciation	
As at 31 December 2018	**273.791**
Expansion of the scope of consolidation	0
Annual write-off	39.221
Decrease	191
As at 31 December 2019	**313.203**
Expansion of the scope of consolidation	0
Annual write-off	43.535
Decrease	275
As at 31 December 2020	**357.013**
Net book value	
As at 31 December 2018	**66.807**
As at 31 December 2019	**43.827**
As at 31 December 2020	**16.455**

6. Leases

	31/12/2020	31/12/2019
Right-of-use asset		
Land and buildings	205.186	226.938
Machinery and equipment	61.946	65.719
	267.132	**292.657**
Lease obligations		
less than 1 year	122.966	127.957
between 1 and 5 years	159.889	174.739
more than 5 years	0	0
	282.855	**302.695**
Depreciation of right-of-use	-139.256	-127.594
Interest expenditure	-13.455	-12.936
	-152.711	**-140.529**
Contracted services	**149.047**	**130.491**
Impact of IFRS 16 on profits	**-3.663**	**-10.038**

Impact of IFRS 16 on lease cash flow	**2020.12.31**	**2019.12.31**
Profit/Loss before taxation	-3.663	-10.038
Depreciation	139.256	127.594
Interest costs	-13.455	-12.936
Net financing cash flow from business activities	**122.138**	**104.620**
Amortisation of lease obligations	-149.047	-130.491
Interest paid	13.455	12.936
Net financing cash flow from financial activities	**-135.592**	**-117.555**

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

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. The application of the amendment results in changes equal to HUF 1,173 thousand.

7. Goodwill

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

Company name	31 December 2020	31 December 2019
Metrohouse Franchise S.A.	813.930	813.930
Gold Finance Sp. z o.o.	235.375	235.375
Alex TG Sp. z o.o.	298.972	0
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	156.970	114.145
Total	**1.701.769**	**1.359.972**

The value of the Group's consolidated goodwill increased due to the January 2020 purchase of Alex T. Great.

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

8. Investments in associated companies and joint ventures

The value of investments in associated companies and joint ventures reflects the consolidated value of the 50% share in Hunor utca 24. Kft., valued with the equity method. The value of the share increased by HUF 310,478 thousand between 01 January 2020 and 31 December 2020 due to the increase in the net valuation of assets of Hunor utca 24. Kft.

Date	Text	Hunor u. 24. Kft.	Total
01/01/2019	Opening balance	168.731	**168.731**
31/03/2019	Participation from profit or loss	-8.887	**-8.887**
30/06/2019	Participation from profit or loss	-15.378	**-15.378**
30/09/2019	Participation from profit or loss	-16.608	**-16.608**
31/12/2019	Participation from profit or loss	-10.669	**-10.669**
31/12/2019	**Closing balance**	**117.189**	**117.189**
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**

9. Financial instruments

The Company’s financial assets were as follows:

Financial instruments	**31 December 2020**	**31 December 2019**
Deposit, security deposit	29.064	42.558
Opusse 138.000 bonds	40.351	39.655
Other long-term loans granted	3.291	3.608
Total	**72.706**	**85.821**

10. Deferred tax receivables

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

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

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

Deferred tax receivables	**31/12/2020**	**31/12/2019**
Losses carried forward	79.140	115.175
Due to taxation in accordance with the cash accounting principle	61.893	66.063
Impairment loss of receivables	29.450	35.243
Provisions	2.551	750
Property, machinery and equipment, investment property and other	1.215	1.374
Total	**174.248**	**218.605**

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

Maximum available tax loss amount (PLN)

Year of use	Metrohouse Franchise S.A.	Metrohouse S.A.	Gold Finance Sp. z. o.o	Total (PLN)	Total (HUF thousand)	Distribution between years
2021	384.201	636.732	0	1.020.933	80.677	29%
2022	487.085	636.732	0	1.123.817	88.807	32%
2023	653.811	79.761	0	733.571	57.969	21%
2024	366.409	249.344	0	615.753	48.658	17%
2025	64.579	0		64.579	5.103	2%
Total	**1.956.084**	**1.602.570**	**0**	**3.558.654**	**281.214**	**100%**

Of the Czech companies, Center Reality s.r.o accounted for a significant amount of deferred tax assets (HUF 7,299 thousand), which was attributable to deferred tax losses of approximately CZK 2.8 million incurred by the company. Pursuant to the Czech corporate tax law, tax losses may be carried forward for five years.

11. Inventories

	31 December 2020	**31 December 2019**
Real estate development projects under construction	7.073.284	5.493.178
Real estate purchased for resale	33.280	0
Marketing tools	10.349	15.221
Brokered services	1.937	0
Total	**7.118.850**	**5.508.399**

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 31 December 2020.

The amount accounted as expenditures for inventories amounted to HUF 19,232 thousand in 2020 and HUF 24,494 thousand in 2019.

12. Trade receivables

Trade receivables	**31 December 2020**	**31 December 2019**
Trade receivables	1.137.883	1.114.179
Impairment loss of receivables	-250.327	-264.910
Total	**887.556**	**849.269**

	31 December 2020	**31 December 2019**
Impairment of trade receivable opening values	**264.910**	**246.147**
Increase	64.743	61.518
Bad debts (derecognition)	-43.758	0
Decrease	-35.568	-42.754
Impairment changes on trade receivables in the target year	-14.583	18.763
Impairment of trade receivable closing values	**250.327**	**264.910**

13. Amounts owed by related undertakings

Amounts owed by related undertakings	31 December 2020	31 December 2019
Parent company	**0**	**0**
The business units with joint control or significant influence over the business unit	**0**	**0**
Subsidiaries	**0**	**0**
Affiliated undertaking	**0**	**0**
Loan receivables from Hunor utca 24. Kft.	67.538	67.538
Deposit to Hunor utca 24. Kft.	0	4.869
Trade receivables Hunor utca 24. Kft.	4.164	3.642
Additional payment Hunor utca 24. Kft.	48.650	48.650
Joint ventures	**120.352**	**124.699**
The executives in key positions in the business unit and its parent company	**0**	**0**
Other	132	1.395
Other related parties	**132**	**1.395**
Total	**120.484**	**126.093**

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. Transactions with related undertakings took place at arm’s length prices.

14. Other receivables

	31 December 2020	31 December 2019
Trail commission	541.250	461.082
Advances paid	341.576	351.131
Other receivables (taxes)	55.082	19.036
Short-term loans	39.065	40.595
Accrued incomes	30.621	14.991
Collateral	30.000	30.000
Other receivables	18.088	42.676
Rental fee paid as attorney deposit	14.469	15.000
Security deposit	8.266	16.513
Duty receivable from lawsuits	3.707	3.103
Assigned receivables	1.180	1.473
Prepaid expenses	210	2.507
Total	**1.083.514**	**998.106**

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

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

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

15. Cash and cash equivalents

Cash and cash equivalents

	31 December 2020	31 December 2019
Bank account balance – available	6.165.563	1.622.706
Bank account balance – restricted	732.626	897.947
Cash	3.962	5.020
Total	**6.902.151**	**2.525.672**

Regarding the aggregate bank account balance, HUF 732.6 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 622,587 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 109,539 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 732,626 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 current account limit of HUF 100 million is available to back the cash pool system, which amount is suited to the needs of regular operations and can be used to satisfy any transitional additional financing needs. No amounts were used from this overdraft facility as at the end of the reporting period.

16. Subscribed capital and profit reserve

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.

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 statement drawn up on the basis of IFRS is negative.'
The preferential right attached to employee shares is not cumulative, and the date of dividend payments is set by the Board of Directors.

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

On 17 April 2020, the Company's Board of Directors decided, proceeding in the capacity of the general meeting, to approve the payment of dividends of HUF 60,500 thousand, in line with the provisions of Government Decree 102/2020 of 20 April. In line with the above, holders of preferred shares are entitled to an amount equal to 6% of the taxed profit less the 2020 revaluation of investment property and the revaluation of the ownership shares involved in the consolidation with the equity method (i.e. HUF 60,500 thousand); no dividends were paid to holders of ordinary shares.

Dividend calculations	**2020**	**2019**
Dividend for series “A” ordinary shares, based on a general meeting decision	0	-851.044
Dividend for series “B” employee preferential shares, based on a general meeting decision	-60.500	-94.060
Total dividends allocated	**-60.500**	**-945.104**
Deducted PIT	0	-6.479
Dividends allocated based on PIT		**-938.625**
Q2	0	-844.565
Dividends paid for series “A” ordinary shares	**0**	**-844.565**
Q1	-23.515	-11.948
Q2	-15.125	-23.515
Q3	-15.125	-23.515
Q4	-15.125	-23.515
Dividends paid for series “B” employee shares	**-68.890**	**-82.493**
Total dividends paid	**-68.890**	**-927.058**

Dividends on ordinary shares was paid in a lump sum; dividends on preferential employee shares is paid in four equal instalments quarterly.

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.

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.

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.

The Board of Directors in the competence of the General Meeting on 17 April 2020 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 600 each.

Number of treasury shares	**31 December 2020**	**31 December 2019**
Start of the period	**455.240**	**312.000**
Purchase of shares	52.590	192.690
Provided in the framework of the Management option scheme	-	-
Provided in the framework of the Employee scheme	-	-49.450
End of the period	**507.830**	**455.240**

Fulfilment of the condition of effectiveness

The joint condition of effectiveness of the **Employees 2020** and the **Manager Options Scheme 2019/2021** is that the consolidated results of the Company after taxes for 2020 financial year, calculated without the results after taxes of the companies MyCity Residential Development Kft, Pusztakúti 12. Kft, Reviczky 6-10. Kft, and Hunor utca 24 Ingatlanfejlesztő Kft. (hereinafter jointly: MyCity Group), exceed the consolidated results after taxes of the Company for 2018, calculated in the same manner. The results on which the employee stock ownership plans are based are summarised in the following table, based on **which the condition of effectiveness has been met**.

	31/12/2020	**31/12/2018**
Consolidated results after taxes	1.346.004	1.704.450
Results after taxes of the MyCity group	-109.683	-535.761
Adjusted results	**1.236.321**	**1.168.689**

18. Exchange reserves

The balance of the conversion reserve at the end of the year (HUF 54,123 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 and the equity of the minority shareholders holding 1% of Duna House Hypotéky s.r.o are presented. The balance also contains the conversion difference allocated to minority shareholders in relation to the operation of those Czech companies.

20. Long and short-term loans

Long-term loans

	31 December 2020	31 December 2019
PKUT: Savings loan	0	4.142.359
DHH: Raiffeisen loan	0	1.906.966
Total	**0**	**6.049.325**

Short-term loans

Short-term loans and borrowings

	31 December 2020	31 December 2019
Pusztakúti 12. Kft. (Takarékbank)	4.729.908	0
DHH: Raiffeisen loan	0	331.485
Total	**4.729.908**	**331.485**

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 in response to the COVID-19 epidemic, meaning the repayment will be due in September 2021.

Repayment schedule of the Takarékbank loan:	Repayment plan
2021	4.729.908
Total	**4.729.908**

21. Debts on issue of bonds

	2020 31 December	2019 31 December
Bond issues	6.889.368	-
Capitalised interest (with the effective interest rate method)	55.481	-
Debts on issue of bonds	**6.944.849**	**-**

On 2 September 2020, the company issued bonds with the name “Duna House NKP Bond 2030/I” in a total facevalue of HUF 6.6 billion. The average issue value of the bonds is 104.6955% of their face value. The bonds have a fixed interest rate, 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 proceeds were HUF 6.9 billion. The Company uses the proceeds to refinance its non-project loans, 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 current 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
Összesen	**-1.584.000**	**-6.600.000**	**-8.184.000**

22. Deferred tax liabilities

Deferred tax liabilities

	31/12/2020	31/12/2019
Due to the difference in the valuation of fixed assets and investment properties	152.732	146.581
Due to the recognition of trail commission	48.713	41.497
Losses carried forward	(31.588)	(20.430)
Due to consolidation-related exclusions and accounting	15.323	2.146
Impairment on Trade receivables	983	68
Total	**186.162**	**169.863**

Deferred tax assets and liabilities were netted at the level of the subsidiaries. Within the HUF 186,162 thousand balance HUF 48,713 thousand is a deferred tax liability resulting from the difference in the recognition of the trail commission realised in the financial product intermediation segment between the Hungarian GAAP and IFRS.

23. Accounts payable

	31 December 2020	31 December 2019
Trade payables	858.967	789.872
Total	**858.967**	**789.872**

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

24. Liabilities to related undertakings

The value of related liabilities contains the following:

	31 December 2020	31 December 2019
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	15.125	23.515
The executives in key positions in the business unit and its parent company	**15.125**	**23.515**
Dividends due to shareholders	0	0
Bitkover Kft.	6.917	6.338
Other	0	0
Other related parties	**6.917**	**6.338**
Total	**22.042**	**29.853**

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 4,564 thousand and interest of HUF 2,353 thousand to Bitkover Kft., which owns 20% of the shares of Duna House Franchise s.r.o.

Transactions with related undertakings took place at arm’s length prices.

25. Other liabilities

Other liabilities contain the following:

	31 December 2020	31 December 2019
Advance payments, earnest money and bid bonds	769.106	717.227
Accrued revenues	381.210	357.867
Settlement account of home owners	151.864	129.360
Tax liability	89.091	106.481
Settlement account of lessees	76.441	91.450
Liabilities from remuneration	49.758	33.812
Grants received	25.737	36
Accrued costs and charges	8.675	27.408
Received deposits	6.305	15.065
Other	5.181	1.775
Total	**1.563.368**	**1.480.481**

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	31/12/2020	31/12/2019
Revenue from brokerage of loan and housing savings products	5.953.138	4.351.666
Revenue from real estate agency services	1.329.127	1.453.575
Franchise fees	1.187.295	1.185.358
Revenue from real estate management	161.703	144.815
Revenue from fund management and success fee	93.944	159.351
Recharging (rental fee, utilities, etc.)	51.475	65.401
Revenue from rental fee	78.015	82.420
Revenue form insurance mediation	48.052	35.616
Other revenue (damages, contractual penalties)	46.668	103.758
Revenue from education, training	37.437	46.339
Revenue from appraisal	31.716	53.559
Revenue from issuing energy certificates	23.088	28.869
Marketing revenues from banks	21.333	27.000
Revenue from construction activities	2.415	0
Revenue from operating fees	1.892	0
Revenue from sale of units	37	760
Revenue from property sales	0	121.781
Revenue from prime contribution	0	2.855
Revenue from central services	0	26.000
Revenue from sales support	0	2.621
Total	**9.067.335**	**7.891.743**

Despite of the COVID-19 pandemic, the Group's consolidated revenue managed to grow. The greatest changes compared to the comparable period were caused by the acquisition of the Polish Alex T. Great credit intermediary and the resulting increase in revenue from the mediation of financial products, and the temporary slowdown on the real estate market caused by the restrictions put in place to counter the COVID-19 pandemic. Of the business divisions, the demand for direct real estate market services (franchise and own office real estate sales) suddenly dropped in Q2 2020 due to the restrictions on free movement put in place in March 2020. By the end of May 2020, the market had bounced back and the increasing popularity of home office solutions led to a transformation in the habits of purchasing from home, which led to additional demand. On an annual level, these segments experienced a drop in revenue of 8-9%, though their dynamism is quite different in the various countries: The volume of network commissions generated by the group dropped by 10% in Hungary, increased by 19% in Poland, and stagnated in the Czech Republic.

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, and Metrohouse 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

	31 December 2020	31 December 2019
Revaluation of investment properties	30.800	120.809
Reversal of impairment on receivables	25.913	56.443
Grants received	19.890	3.917
Local business tax adjustments	15.625	0
Time-barred liabilities	13.667	10.563
Other	8.865	1.003
Penalties and proceeds from litigation	9.373	5.162
Corporate tax support	3.681	0
Insured events	3.049	1.241
Profit from the sale of tangible assets	942	7.772
Inventory difference	620	3.931
Revenues from post-paid sales	593	792
Use of provisions	0	8.327
Total	**133.018**	**219.960**

The profit from the appreciation of the investment property portfolio constituted the major part of other operating income, i.e. HUF 30,800 thousand compared to HUF 120,809 thousand in the previous year. The increase in the value of the real estate properties owned by the Group slowed, though it did not stop despite of the drop in tourism that negatively impacted the real estate market in downtown Budapest.

In 2020, the Group received a total of HUF 19.9 million in funding from Polish state funding programs where it met or is expected to meet the applicable conditions. The aid falls under the framework of a number of different aid programs that aim to improve liquidity, to reimburse the childcare costs of families with small children, and to retain workers.

28. Variation in self-manufactured stock

	31 December 2020	31 December 2019
Pusztakúti 12. Kft.	-1.576.047	-1.694.968
Reviczky 6-10. Kft.	1.297	63.856
Total	**-1.574.750**	**-1.631.112**

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 2020, of the total of HUF 18,353 thousand in interest paid to third parties in connection with development projects, the Company capitalised HUF 17,806 thousand (for a capitalisation rate of 97.02%).

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

29. Consumables and raw materials

	31 December 2020	31 December 2019
Material costs of construction used	258.645	64.744
Utility fees and charges	50.624	39.264
Official forms, office supplies	5.412	9.191
Fuel	5.291	8.754
Maintenance costs	4.812	6.607
Total	**324.784**	**128.560**

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

30. Goods and services sold

	31/12/2020	31/12/2019
Subcontractor performance	1.152.857	206.612
Cost of brokerage of financial product	914.585	852.945
Direct costs of real estate agency services	103.224	128.932
Other recharging (e.g., sales support, utilities, marketing)	78.847	109.601
Appraiser fees	19.278	25.879
Energy certificate fees	453	872
Cost of the sale of units	44	227
Total	**2.269.289**	**1.325.067**

In January 2020, one of the Company's subsidiaries took over implementation of the Forest Hill project, which led to the cost of subcontractor services being incurred directly by the Group.

31. Contracted services

	31/12/2020	31/12/2019
Direct cost of the brokerage of financial products	3.528.545	2.286.834
Direct costs of real estate agency services	604.260	604.404
Other professional services (IT development, sales support, marketing, etc.)	447.924	443.230
Professional service fees	265.959	250.573
Other services purchased (insurance, training, postal services, photocopying, cleaning, etc.)	149.636	124.801
Advertising, promotion	142.083	200.539
Rent, common expenses	119.097	194.035
Legal fees	63.579	53.954
Cost of IT operation	46.004	43.230
MyCity planning costs and architect fees	37.729	1.277.624
Telephone and communications expenses	36.151	35.839
Duna House Magyar Lakásingatlan Alap distribution costs	31.132	43.230
Bank charges	19.166	23.267
MyCity engineering consultancy and inspection	20.996	37.200
Cost of stock exchange listings (BSE, KELER)	13.224	17.021
Direct cost of energy certificates	6.745	8.140
Direct cost of appraisal	147	2.448
Total	**5.532.375**	**5.646.369**

The amount of services received decreased by 2% in 2020. On one hand, the expansion of the Polish credit intermediary services resulted in 54% increase in product intermediation costs. On the other hand, two factors reduced the costs: i) MyCity design and architectural costs decreased by 97% after one of the Company's subsidiaries took over implementation of the Forest Hill project in January 2020, which led to a decrease in the costs of services received but an increase in material costs and the costs of goods and services sold; ii) after the COVID-19 epidemic broke out, the Company implemented significant steps to reduce costs, primarily in the area of lease fees and marketing costs.

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

	31 December 2020	31 December 2019
Wage costs	671.400	585.747
Support received	10.747	0
Contributions	62.636	76.419
Other personnel-type benefits	73.186	150.351
Total	**817.969**	**812.517**
Average statistical headcount	154	135

As a result of the acquisition of Alex T. Great, the number of employees working in the Group's Polish subsidiaries increased from 54 to 63. Technically, the service centre created in the Hungarian company structure increased the statistical headcount by 14 persons; however, in practice there was no increase in FTE. As regards the subsidiaries in the Czech Republic, there was 1 employee in 2020. Of the HUF 817,969 thousand balance of personnel-related expenses, the Polish and Czech subsidiaries' share amounted to HUF 326,128 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

	31 December 2020	31 December 2019
Impairment of receivables	77.390	62.264
Cancellation penalties	77.319	22.605
Non-profit taxes recognised as various expenses	74.106	68.045
Expenses related to litigation	16.908	7.577
Other	15.646	17.955
Write-off of bad debts	5.667	18.741
Missing inventories	2.294	1.117
Grants provided	2.000	2.460
Penalties	854	391
Contractual penalty, late payment interest	464	8.430
Cost of the sale of tangible assets	208	3.784
Expenses related to claim events	0	652
Total	**272.856**	**214.021**

The costs indicated in the row of cancellation penalties consist of the payment of the total down payment of HUF 77,319 thousand to buyers cancelling their Forest Hill development contracts. The apartments are being returned to the market and, based on current sales prices, will have a positive effect on the results of the project.

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

	31 December 2020	31 December 2019
Exchange rate gain	145.797	48.267
Interest received	8.297	15.230
Total	**154.094**	**63.497**

Exchange rate gains primarily comprise the exchange rate gains of the revaluation at the end of the period of assets registered in foreign currencies, usually in EUR, as well as the 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

	31 December 2020	31 December 2019
Interest paid	83.239	139.811
Bond interest	55.481	0
Exchange rate losses	21.427	4.350
Total	**160.147**	**144.161**

36. Income taxes

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

	31 December 2020	31 December 2019
Actual income tax – corporate tax	169.379	101.608
Actual income tax – local business tax	70.445	74.239
Actual income tax – innovation contribution	8.564	
Deferred taxes	30.839	17.255
Total	**279.226**	**193.102**

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

Reconciliation of income taxes recognised in the consolidated income statement:

	31 December 2020	31 December 2019
Profit/Loss before taxation	1.625.230	1.265.998
Tax liability determined at the current rate	146.271	113.940
Innovation contribution	8.564	
Business tax	70.445	74.239
Permanent differences	53.947	4.923
Total	**279.226**	**193.102**

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	31 December 2020	31 December 2019
Conversion differences in connection with international operations	14.393	29.027

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 financial statement and the comparative period.

	31 December 2020	31 December 2019
After-tax profit that can be allocated to shareholders (thousand HUF)	1.346.004	1.072.896
Dividend that may be distributed to preferential shareholders	-60.450	-60.592
After-tax profit that can be allocated to shareholders holding ordinary shares (thousand HUF)	**1.285.554**	**1.012.304**
Weighted average number of issued ordinary shares (basic, thousand)	33.901	33.960
Weighted average number of issued ordinary shares (diluted thousand)	33.990	33.975
Earning per share (basic) (HUF)	**37,9**	**29,8**
Earning per share (diluted) (HUF)	**37,8**	**29,8**

The earning per share is diluted by the 686,632 shares that can be called and will be distributed during the course of 2021 as part of the Company’s employee stock ownership plan.

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.

The Group prepares a balance sheet and income statement for its business divisions. As the Group provides central financing for its various divisions, the income statements of the segments can be interpreted up to the level of the Business results.

31 December 2020 (1 January 2020 - 31 December 2020)	Franchise	Financial products brokerage	Operation of own office	Sale of related services	Property investments	Other and eliminations	Consolidated
Intangible assets	14.590	33	960	5	50	816	16.455
Investment property	0	0	0	0	1.868.721	0	1.868.721
Land and buildings	0	625	18.516	1.998	402.713	251	424.103
Machinery and equipment	301.864	1.193	3.043	1.505	11.733	-3.215	316.122
Trade receivables	230.727	587.049	48.807	17.774	2.837	361	887.556
Inventories	42.701	76	2.088	15	7.072.183	1.788	7.118.850
Assets that cannot be allocated to other segments	1.831.313	1.506.500	441.378	545.732	2.020.898	4.443.315	10.789.136
Total Assets	**2.421.195**	**2.095.477**	**514.792**	**567.028**	**11.379.135**	**4.443.315**	**21.420.943**
Trade payables	-207.979	765.670	93.025	10.291	183.827	14.132	858.967
Liabilities that cannot be allocated to other segments	1.954.621	242.089	965.151	324.266	9.254.733	1.004.742	13.745.602
Total Liabilities	**1.746.642**	**1.007.759**	**1.058.176**	**334.557**	**9.438.559**	**1.018.875**	**14.604.569**
Net revenue from sales to third parties	1.268.225	6.001.267	1.296.444	370.137	130.787	476	9.067.335
Net revenue from sales between segments	171.573	0	58.762	744	64.042	-295.121	0
Net sales revenues	**1.439.798**	**6.001.267**	**1.355.206**	**370.881**	**194.829**	**-294.645**	**9.067.335**
Direct costs	**-101.325**	**-4.459.396**	**-866.409**	**-90.493**	**-51.426**	**22.875**	**-5.546.173**
Gross profit	**1.338.473**	**1.541.871**	**488.797**	**280.388**	**143.403**	**-271.769**	**3.521.162**
Depreciation and amortisation	-94.883	-15.267	-80.570	-4.465	-27.654	-14.186	-237.026
Indirect operating costs	-852.634	-589.999	-431.529	-160.277	-92.133	163.241	-1.963.332
Operating Profit (EBIT)	**390.955**	**936.605**	**-23.302**	**115.646**	**23.616**	**-122.715**	**1.320.805**

31 December 2019 (1 January 2019 - 31 December 2019)	Franchise	Financial products brokerage	Operation of own office	Sale of related services	Property investments	Other and eliminations	Consolidated
Intangible assets	39.841	56	2.222	54	329	1.325	43.827
Investment property	0	0	0	0	1.836.000	0	1.836.000
Land and buildings	0	668	24.476	2.032	422.684	278	450.139
Machinery and equipment	229.495	1.067	5.516	1.436	14.763	-2.704	249.573
Trade receivables	264.625	436.837	50.022	91.412	6.153	220	849.269
Inventories	13.825	0	150	15	5.493.177	1.231	5.508.399
Assets that cannot be allocated to other segments	1.929.007	1.335.194	454.764	458.235	1.633.898	56.886	5.867.983
Total Assets	**2.476.793**	**1.773.821**	**537.149**	**553.186**	**9.407.005**	**57.236**	**14.805.190**
Trade payables	-194.082	773.662	68.937	8.358	117.385	15.612	789.872
Liabilities that cannot be allocated to other segments	2.056.798	173.808	864.517	275.871	7.503.024	-2.406.716	8.467.302
Total Liabilities	**1.862.716**	**947.469**	**933.454**	**284.229**	**7.620.410**	**-2.391.105**	**9.257.174**
Net revenue from sales to third parties	1.368.161	4.388.155	1.420.752	465.722	247.680	1.273	7.891.743
Net revenue from sales between segments	209.334	0	58.484	1.703	76.233	-345.754	0
Net sales revenues	**1.577.495**	**4.388.155**	**1.479.236**	**467.425**	**323.913**	**-344.481**	**7.891.743**
Direct costs	**-121.915**	**-3.125.509**	**-865.054**	**-102.027**	**-108.820**	**42.945**	**-4.280.379**
Gross profit	**1.455.581**	**1.262.646**	**614.183**	**365.397**	**215.093**	**-301.536**	**3.611.365**
Depreciation and amortisation	-89.325	-6.650	-69.308	-10.197	-26.490	-16.106	-218.077
Indirect operating costs	-1.046.498	-571.076	-542.799	-173.811	95.466	243.634	-1.995.083
Operating Profit (EBIT)	**319.758**	**684.920**	**2.076**	**181.389**	**284.070**	**-74.008**	**1.398.205**

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 statement 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 2020.

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 2020 and 31 December 2019.

Lending risk	31 December 2020	31 December 2019
Trade receivables	887.556	849.269
Other receivables	1.083.514	998.107
Financial instruments	72.706	85.821
Cash and cash equivalents	6.169.525	1.627.726
Total	**8.213.301**	**3.560.922**

Amount of collateral	**732.626**	**897.947**
Pusztakúti 12. kft.	622.587	676.247
Impact Asset Management Zrt.	109.539	95.000
Duna House Holding Nyrt.	0	126.200
Akadémia Plusz 2.0 Kft. deposit	500	500

HUF 623 million of cash and cash equivalents are provided as collateral for Forest Hill project loans 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	**01/01/2020 31/12/2020**	**01/01/2019 31/12/2019**
Profit before tax - excluding interest expense and interest income	1.699.973	1.381.802
Net interest income (income and expenses)	-74.743	-115.803
Profit/Loss before taxation	**1.625.230**	**1.265.998**
1%		
Profit before tax - excluding interest expense and interest income	1.699.973	1.381.802
Net interest income (income and expenses)	-75.490	-116.961
Profit/Loss before taxation	**1.624.483**	**1.264.840**
Changes in profit before tax	***-747***	***-1.158***
Changes in profit before tax (%)	***-0,046%***	***-0,092%***
5%		
Profit before tax - excluding interest expense and interest income	1.699.973	1.381.802
Net interest income (income and expenses)	-78.480	-121.593
Profit/Loss before taxation	**1.621.493**	**1.260.208**
Changes in profit before tax	***-3.737***	***-5.790***
Changes in profit before tax (%)	***-0,230%***	***-0,459%***
10%		
Profit before tax - excluding interest expense and interest income	1.699.973	1.381.802
Net interest income (income and expenses)	-82.217	-127.384
Profit/Loss before taxation	**1.617.756**	**1.254.418**
Changes in profit before tax	***-7.474***	***-11.580***
Changes in profit before tax (%)	***-0,462%***	***-0,923%***
-1%		
Profit before tax - excluding interest expense and interest income	1.699.973	1.381.802
Net interest income (income and expenses)	-73.995	-114.645
Profit/Loss before taxation	**1.625.978**	**1.267.156**
Changes in profit before tax	***747***	***1.158***
Changes in profit before tax (%)	***0,046%***	***0,091%***
-5%		
Profit before tax - excluding interest expense and interest income	1.699.973	1.381.802
Net interest income (income and expenses)	-71.006	-110.013
Profit/Loss before taxation	**1.628.967**	**1.271.788**
Changes in profit before tax	***3.737***	***5.790***
Changes in profit before tax (%)	***0,229%***	***0,455%***
-10%		
Profit before tax - excluding interest expense and interest income	1.699.973	1.381.802
Net interest income (income and expenses)	-67.269	-104.223
Profit/Loss before taxation	**1.632.705**	**1.277.579**
Changes in profit before tax	***7.474***	***11.580***
Changes in profit before tax (%)	***0,458%***	***0,906%***

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.

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

31 December 2019	Carrying value	Fair value
Financial instruments		
Assets recorded at amortised historical cost		
Financial instruments	85.821	85.821
Trade receivables	849.269	849.269
Cash and cash equivalents	2.525.672	2.525.672
Financial liabilities		
Liabilities recorded at amortized historical cost		
Long-term loans	6.049.325	6.049.325
Short-term loans and borrowings	331.485	331.485
Lease liabilities	302.695	302.695

Note: In last year's financial statement, the grouping of financial instruments was incorrectly included as an asset accounted at fair value against results.

Breakdown of revenues of financial transactions

	31 December 2020	31 December 2019
Cashpool interest	19.489	7.310
Interest received for loans extended	4.041	6.532
Income from bank interests	2.731	23
Interest income from securities	1.186	1.101
Interest of loans extended to private individuals	158	264
Interest received	**27.606**	**15.230**
Exchange rate income from securities	239	2.080
Exchange rate gain	126.249	46.187
Exchange rate gain	**126.488**	**48.267**
Interest income calculated with the effective interest method	**0**	**0**
Total	**154.094**	**63.497**

Expenses of financial transactions	**31 December 2020**	**31 December 2019**
Interest paid on loans received	4.073	9.894
Cashpool interest	14.586	8.424
Expenses of bank interests	39	1
Interest paid on bank loans	51.086	108.556
Interest paid	**69.784**	**126.875**
Exchange rate losses from securities	0	0
Exchange rate losses	21.427	4.350
Exchange rate losses	**21.427**	**4.350**
Lease interest	13.455	12.936
Bond interest	55.481	0
Interest losses calculated with the effective interest method	**68.936**	**12.936**
Total	**160.147**	**144.161**

42. Remuneration of the Board of Directors and Supervisory Board

In 2020, the total amount of the remuneration due to the members of the Board of Directors and the Supervisory Board was HUF 93,765 thousand (In 2019: HUF 104,034 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.

As part of the crisis management put in place due to the COVID-19 epidemic, the members of the Board of Directors renounced a part of their remuneration in the first half of 2020.

Remuneration of the Board of Directors and Supervisory Board	**31/12/2020**	**31/12/2019**
Members of the Board of Directors	88.365	98.634
Short-term employee benefits (income from salary)	*39.550*	*40.977*
Short-term employee benefits (preferential dividend)	*48.815*	*54.525*
Share-based payment	*0*	*3.131*
Members of the Supervisory board	5.400	5.400
Short-term employee benefits (honorarium)	*5.400*	*5.400*
Total	**93.765**	**104.034**

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.

COVID–19 epidemic-related events

As a result of the third wave of the COVID-19 epidemic, restrictive measures were put in place in the beginning of March 2021 in both Hungary and Poland. The experiences of the first 2-3 weeks of the restrictive measures show that they have no significant negative effects on the Group's business; however, the possibility remains that further stringency measures will lead to a drop in turnover as seen in 2020 Q2.

In addition to the restrictive measures, COVID-19 vaccination programs were also progressing as at the closing of the report: 18% of the population has received the first round of the vaccine in Hungary; the same figure is 9% in Poland and 10% in the Czech republic. The continued progression of vaccinations and the approval and use of newer vaccines may lead to an end of the emergency situation caused by the epidemic by mid-2021.

Interim dividend payments

On 14 January 2021, the Company's Board of Directors decided, in its competence as general meeting, to pay an interim dividend to ordinary share holders of HUF 450.5 million (HUF 13.1 per share), within the meaning of Government Decree 484/2020 of 10 November on the second phase of protective measures applicable during the time of emergency on the basis of Government Decree 3/2021 of 8 January. Dividend payments were started on 24 February 2021.

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 31 December 2020 and 25 March 2021 a total of 9760 treasury shares were traded on the stock exchange for ongoing employee share programs. The amount of Company treasury shares on 25 March 2021 was 517,590.

44. Other publication obligations required by the Accounting Act

The Group is obligated to have its consolidated report audited in line with the IFRS. The auditor is BDO Magyarország Könyvvizsgáló Kft (1103 Budapest, Kőér utca 2/A, registration number: 002387). The chamber member auditor personally responsible for the audit: Péter Kékesi (chamber registration number: 007128).

The value of the accounting services provided by BDO Magyarország Könyvvizsgáló Kft. to the Group amounted to HUF 10,350 thousand in 2020. The auditor did not provide any other services to the Group.

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.).

In line with the rules of disclosure set out by the Accounting Act, the Company publishes its consolidated annual report on https://e-beszamolo.im.gov.hu/ as well as the Company's website: 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 consolidated financial statements (independent auditor report attached) give a fair picture of the assets, liabilities, financial situation and performance of the Company and its subsidiaries included in consolidation.

The Board of Directors of the parent company of the Group discussed the consolidated financial statements at its meeting held on 26 March 2021 and approved their disclosure in this form.

Budapest, 26 March 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 2020 ACTIVITIES OF THE GROUP

1. Group profile

The Duna House Holding Nyrt. - hereinafter referred to as “Company” or “Group” - was founded in 2003; its main activity is real estate and loan brokerage. It has been a leading service provider in the services sector, in particular, in the real estate and financial services sector, in Hungary for years now. The Group’s flagship is a national network of real estate agencies, which started operating in 2003. Now it employs over 1,400 persons serving customers at 165 locations. A transaction as a result of which Duna House Group, Hungary is now the sole owner of Metrohouse, the largest Polish real estate agency was closed in April 2016. At the time of the acquisition the Polish network had 80 offices and 600 sales officers, which the Group intends to develop in the future. Metrohouse was consolidated into the Duna House Group on 1 April 2016. On 2 September 2016 the Company acquired 80% participation in the Czech Duna House Franchise s.r.o and, through it, in two of its subsidiaries, Center Reality s.r.o and Duna House Hypotéky s.r.o.; 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:	2020 31 December	2019 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.	00-832 Warszawa, Zelazna 28/30 Polska (Lengyelország)	100%	100%
Metrohouse S.A.	00-832 Warszawa, Zelazna 28/30 Polska (Lengyelország)	100%	100%
Gold Finance Sp. z. o.o	00-832 Warszawa, Zelazna 28/30 Polska (Lengyelország)	100%	100%
MyCity Residential Development Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Pusztakúti 12. Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Reviczky 6-10. Kft.	1016 Budapest, Gellérthegy u. 17.	100%	100%
Duna House Franchise s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%
Duna House Hypoteky s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%
Center Reality s.r.o.	140 00 Praha 4, Michelská 300/60	80%	80%

As jointly managed undertakings

		31 December 2020	31 December 2019
Hunor utca 24 Kft.	1016 Budapest, Gellérthegy u. 17.	50%	50%

2. Markets and economic environment

2.1 Real estate market

In 2020, the Hungarian residential real estate market was defined by the COVID-19 pandemic and the organisation following its first and second waves. 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. The fall was caused by the restrictive social measures put in place during the first COVID wave: turnover in March, April, and May was about 40% less year-on-year, with the worst figures experienced in April, which showed decreased of almost 60%.

However, the Hungarian residential real estate market was characterised by a quick return to normal after May 2020, and starting in June Duna House Group experienced transaction numbers similar to those of the previous year. The second wave of the epidemic, which struck at the end of the year, did not have a profound effect on activity, either.

The data published by Duna House Franchise Kft. in the Duna House Barométer reveal that the steady increase in real estate prices stopped in 2020. Real estate prices are stagnating across the country, though certain regions and real estate types show some variance.[1]

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.

The COVID-19 epidemic struck the Polish market in the midst of strong growth. Estimated by Ernst & Young's office in Poland[2], in the entire real estate market in Poland, due to the low interest rates, a steadily growing economy, low unemployment and more favourable prices compared to western European levels, commercial real estate investments reached a record of approximately 7.8 billion euros in 2019.

The newly built residential real estate market has slowed down in some parts of the country as a result of the increase in labour costs, while the total number of homes transferred has increased by 16.6% in the country as a whole. This is assumed to be attributable in large part to the gradual growth of smaller, regional markets.

2.2 Loan market[3]

According to the data of the National Bank of Hungary, the volume of corporate loans increased lightly in Q4 2020, in which the central bank and state loan programs played a significant role. Year-on-year data show an increase of 9.4%; loan volumes in the SME sector also increased by 13%; and the household sector grew by 14.5% in 2020, which is exceptional even in an international comparison. The taking out of loans in

[1] *Source: Duna House Barométer No 114 published by Duna House Franchise Kft.*

[2] *Source: EY – The Polish Real Estate Guide 2020 Edition - Poland*

3 Source: https://www.mnb.hu/kiadvanyok/jelentesek/hitelezesi-folyamatok/hitelezesi-folyamatok-2021-marcius connection with the childbirth incentive program launched in July 2019 played a significant role in the latter, which amounted to 30% of loans extended during the year and at HUF 1,088 bn now account for 13% of household loans. Without it, the increase in household loans would have amounted to 9%.

The childbirth incentive program was not paired with any reduction in the extension of residential loans; as a result, its additional effect can be considered high. In 2020 Q4, the growth in household loan volumes was caused by the large number of childbirth incentive loans and residential loans and the moratorium on the payment of instalments. As at the end of 2020, 54% of eligible parties availed themselves of the repayment moratorium. Without the moratorium, the annual increase in the volume of household loans would have amounted to 8.4%.

The negative effects of the coronavirus on the consumer loan market can still be felt in new issues. Consequently, the annual value of newly extended loans decreased by 8% compared to 2019, achieving a nominal value of HUF 2,123 bn, which is less than the historical peak of HUF 2,317 bn seen in 2019. Personal loans dropped the most, with volumes seeing a decrease of 40% in Q4 compared to the same period in 2019. After the coronavirus epidemic reared its head, the volume of loans concluded as part of the Családi Otthonteremtési Kedvezmény [Family Home Creation Discount] (CSOK) program also saw a sharp decline, though the village CSOK contracts were an exception. Concurrently to the drop in the sale of new homes, the CSOK contracts concluded for new homes and for construction projects deceased by more than 50%, and the number of CSOK contracts concluded for used homes dropped by 18% compared to 2019 Q4 levels. Despite the epidemic, it was only the amount of residential loans that did not decrease in the quarter, as the average loan amount continued to increase.

The majority of banks expect demand to increase in 2021 thanks to state-funded loan programs, as more state-funded home creation support programs substantially affecting the housing market will be launched in 2021 (home renovation support and loan, 5% VAT rate for new homes, VAT discount for CSOK programs, multi-generation CSOK support).

According to the data of the Polish Bank Association, the epidemic has caused the size of the residential loan market to decrease by 3.13% in 2020 compared to 2019, equal to a drop of PLN 1.958 bn. The fact that the volume of extended residential loans increased by 4.58%, equal to PLN 720 million, by 2020 Q4 as compared to the same period in 2019 despite the epidemic gives cause for optimism.[4] There is no public, objective data available on the ratio of loan disbursements through loan brokerage or on the level of brokerage commission.

[4] *Source: https://www.amron.pl/aktualnosc.php?tytul=dobry-rok-dla-rynku-mieszkaniowego-mimo-pandemii-covid-19*

3. The Group's financial and equity situation

3.1 Income Statement

data in HUF thousands	**2020.01.01-2020.12.31.**	**2019.01.01-2019.12.31.**
Net sales revenues	9.067.335	7.891.743
Other operating income	133.018	219.960
Total income	**9.200.353**	**8.111.703**
Variation in self-manufactured stock	-1.574.750	-1.631.112
Consumables and raw materials	324.784	128.560
Goods and services sold	2.269.289	1.325.067
Contracted services	5.532.375	5.646.369
Personnel costs	817.970	812.517
Depreciation and amortisation	97.770	90.483
Depreciation on right-of-use	139.256	127.594
Other operating charges	272.856	214.021
Operating costs	**7.879.549**	**6.713.498**
Operating profit/loss	**1.320.804**	**1.398.205**
Financial revenues	154.094	63.497
Financial expenses	-160.147	-144.161
Profit of participations valued with the equity method	310.478	-51.543
Profit/Loss before taxation	**1.625.229**	**1.265.998**
Income taxes	279.226	193.102
Taxed profit	**1.346.003**	**1.072.896**

Audited Annual Report of the Company in accordance with the IFRS

The Company's consolidated earnings increased by 13% compared to the same period in 2019. Within the above figure, net sales revenue increased by 15%, which is equal to an increase in sales of HUF 1.2 billion. The greatest changes compared to the comparable period were caused by the acquisition of the Polish Alex T. Great credit intermediary and the resulting increase in revenue from the mediation of financial products, and the temporary slowdown on the real estate market caused by the restrictions put in place to counter the COVID-19 pandemic. The MyCity Residence real estate development project, 50% of which is owned by the Group, ended in 2020, and the apartments are being sold. The Group indicates the results achieved by the project company under the row "Profit of participations valued with the equity method", which was equal to HUF 310 million during the year.

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

Revenue by segments	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019	Change %
Income from the brokerage of financial products	6.001.267	4.388.155	37%
Income by the own office segment	1.355.206	1.479.236	-8%
Income by the franchise segment	1.439.798	1.577.495	-9%
Income by the related services segment	370.881	467.425	-21%
Income by the investment segment	194.829	323.913	-40%
Transactions between segments	-294.645	-344.481	-14%
Total	**9.067.335**	**7.891.743**	**15%**

Audited Annual Report of the Company in accordance with the IFRS

Operating costs increased by 17% compared to the 2019 business year. The Company records its corporate income tax and local business tax payment obligations under its tax payment obligations. The total amount of actual and deferred tax income for the 2020 business year amounted to HUF 279 million.

Overall, the Group's taxed profit increased by 26% from HUF 1,073 million to HUF 1,346 million.

Net core results

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

In 2020, the Group applied the following adjustments:

- Housing savings results: Act LXIII of 2018 on the Amendment of Act CXIII of 1996 on Housing Savings entered into force on 17 October 2018, on the basis of which no state support is available for housing savings contracts concluded after 16 October 2018. As a result of the legislative amendment, the demand for housing savings dropped radically, which makes it difficult to analyse the results of the reporting period.
- The results of the portfolio revaluation: Every half year, the Group revaluates its properties used for investment purposes at their market value, and recognises the valuation difference in its profit and loss. Although revaluations may reflect real estate market tendencies, the concentration of the portfolio may distort the valuation of core business activities.
- Acquisition costs: The Group pursues an active acquisition policy and participates in negotiations for the purchase of more than one transaction targets at the same time. During

this process, legal, financial, and other consultancy costs are incurred during the due diligence and negotiation phases, regardless of the outcome of the negotiations. The management considers the consultancy fees related to potential acquisitions to be one-off items.

data in HUF thousands	2020.01.01-2020.12.31	2019.01.01-2019.12.31	Change %
Operating results	**1.320.805**	**1.398.205**	**-6%**
(-) MyCity operating results	-107.033	49.225	-317%
Core operating results	**1.427.838**	**1.348.980**	**6%**
(-) Housing savings results	2.590	1.585	63%
(-) The results of the portfolio revaluation	30.800	120.809	-75%
(-) Acquisition costs	-29.174	-7.716	278%
Total of adjustments affecting the core	**-4.217**	**-114.678**	**-96%**
Net core operating results	**1.423.621**	**1.234.302**	**15%**

The Group's net core results increased to HUF 1,424 million in 2020 (15% increase). The decisive factor that drives growth was the activity in Poland, which increased by HUF 199 million and resulted in operating results of a total of HUF 287 million.

Segment income statement

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

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.

The Group prepares a balance sheet and income statement for its business divisions. As the Group provides central financing for its various divisions, the income statements of the segments can be interpreted up to the level of the Business results.

01/01/2020 - 31/12/2020

million HUF	Franchise segment	Financial product brokerage segment	Own office segment	Related services segment	Property investment segment	Other and eliminations	Consolidated total
Net sales revenues	**1.440**	**6.001**	**1.355**	**371**	**195**	**-295**	**9.067**
Direct costs	101	4.459	866	90	51	-23	5.546
Gross profit	**1.339**	**1.542**	**489**	**279**	**144**	**-272**	**3.521**
Indirect operating costs	853	590	432	160	92	-163	1.963
EBITDA	**486**	**952**	**57**	**119**	**52**	**-109**	**1.558**
Depreciation and amortisation	95	15	81	4	28	14	237
EBIT	**391**	**937**	**-23**	**115**	**26**	**-123**	**1.321**

Gross margin	**93%**	**26%**	**36%**	**75%**	**74%**	**92%**	**39%**
EBITDA margin	**34%**	**16%**	**4%**	**32%**	**27%**	**37%**	**17%**
EBIT margin	**27%**	**16%**	**-2%**	**31%**	**13%**	**42%**	**15%**

01/01/2019 - 31/12/2019

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

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

Annual Report of the Company in accordance with the IFRS

Despite of the COVID-19 pandemic, both the Group's consolidated revenue and its core business results managed to grow. Of the business divisions, the demand for direct real estate market services (franchise and own office real estate sales) suddenly dropped in Q2 2020 due to the restrictions on free movement put in place in March 2020. By the end of May 2020, the market had bounced back and the increasing popularity of home office solutions led to a transformation in the habits of purchasing from home, which led to additional demand. On an annual level, these segments experienced a drop in revenue of 8-9%, though their dynamism is quite different in the various countries: The volume of network commissions generated by the group dropped by 10% in Hungary, increased by 19% in Poland, and stagnated in the Czech Republic. Thanks to the deliberate rationalisation of costs, the EBITDA margin of the franchise grew from 23% to 34% and that of own real estate agency offices grew from 1% to 4%.

With the January 2020 acquisition of Alex T. Great, the Group gave new impetus to its organically growing loan activities. The sales revenues of the Group's financial intermediation division grew by 37% in 2020 while the EBITDA margin remained stable.

The Group's real estate investment and the related service segments experienced reductions in 2020, as these divisions were more exposed to the real estate market in downtown Budapest and the changes in price levels.

The consolidated EBITDA of the Group was HUF 1.558 million in the first half of the current year, up by approximately 5% compared with HUF 1.489 million in the benchmark period.

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

data in HUF thousands	**2020.01.01-2020.12.31**	**2019.01.01-2019.12.31**
Net sales revenues (consolidated)	**9.067.335**	**7.891.743**
Net sales revenues of the Hungarian operation	3.593.907	3.811.762
Net sales revenues of the Polish operation	5.153.279	3.741.722
Net sales revenues of the Czech operation	320.149	338.259
EBIT	**1.320.805**	**1.398.205**
Hungarian operation EBIT	1.015.207	1.302.913
Polish operation EBIT	286.785	88.197
Czech operation EBIT	18.813	7.095

Despite of the COVID-19 epidemic, the Group's Polish subsidiaries closed an exceptional year in 2020: their sales revenues increased by 38% to reach HUF 5.2 billion, and their operating results grew three-fold to reach HUF 287 million.

3.2 Assets

Data in thousand HUF

ASSETS	Notes	31/12/2020	31/12/2019
Long-term assets			
Intangible assets	*5*	16.455	43.826
Right-of-use asset	*6*	267.132	292.657
Investment property	*4*	1.868.721	1.836.000
Land and buildings	*3*	424.103	450.139
Machinery and equipment	*3*	316.122	249.573
Goodwill	*7*	1.701.769	1.359.972
Investments in associated companies and joint ventures	*8*	427.667	117.189
Financial instruments	*9*	72.706	85.821
Deferred tax assets	*10*	174.248	218.605
Total long-term assets		**5.268.923**	**4.653.782**
Current assets			
Inventories	*11*	7.118.850	5.508.399
Trade receivables	*12*	887.556	849.269
Amounts owed by related undertakings	*13*	120.484	126.093
Other receivables	*14*	1.083.514	998.106
Actual income tax assets		39.465	143.868
Cash and cash equivalents	*15*	6.169.525	1.627.726
Restricted cash	*15*	732.626	897.947
Total current assets		**16.152.020**	**10.151.408**
Total Assets		**21.420.943**	**14.805.190**

Audited Annual Report of the Company in accordance with the IFRS

The balance sheet total increased by 44.6% compared to 31 December 2019, which is a result of three main factors: i) NKP bond issue in a total value of HUF 6.9 bn; ii) the progress of current residential property developments and stock values; iii) the acquisition of the Polish Alex T. Great.

3.3 Liabilities

data in HUF thousands

LIABILITIES	*Notes*	31/12/2020	31/12/2019
Equity			
Registered capital	*16*	171.989	171.989
Treasury shares	*17*	(193.614)	(176.915)
Capital reserves	*16*	1.526.164	1.499.705
Exchange reserves	*18*	54.123	70.762
Retained earnings	*16*	5.328.327	4.045.277
Total equity of the parent company		**6.886.989**	**5.610.818**
Non-controlling ownership interest	*19*	(70.615)	(62.802)
Total equity:		**6.816.374**	**5.548.016**
Long-term liabilities			
Long-term loans	*20*	0	6.049.325
Deferred tax liabilities	*22*	186.162	169.863
Other long-term liabilities		0	0
Issued bonds	*21*	6.944.849	0
Lease liabilities	*6*	159.889	174.739
Total long-term liabilities		**7.290.900**	**6.393.927**
Current liabilities			
Short-term loans and borrowings	*20*	4.729.908	331.485
Accounts payable	*23*	858.967	789.872
Liabilities to related undertakings	*24*	22.042	29.853
Other liabilities	*25*	1.563.368	1.480.480
Short-term liabilities from leases	*6*	122.966	127.957
Actual income tax liabilities		16.418	103.600
Total current liabilities		**7.313.669**	**2.863.247**
Total liabilities and equity		**21.420.943**	**14.805.190**

Audited Annual 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 statement drawn up on the basis of IFRS is negative.'

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

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

3.4 Consolidated Cash Flow Statement

	Notes	2020.01.01-2020.12.31	2019.01.01-2019.12.31
OPERATING CASH FLOW			
Taxed profit		1.346.004	1.072.896
Adjustments:			
Financial results	34-35	6.053	63.497
Reporting year depreciation and depreciation on right-of-use assets		237.026	218.077
Deferred taxes	10	60.656	(316)
Revaluation of investment property	27	(30.800)	(120.809)
Share scheme	17	26.458	6.439
Shares measured with the equity method	8	(310.478)	51.543
Changes in the revaluation reserve and non-controlling shares		(24.451)	0
Tax payable	36	248.387	175.847
Changes in working capital			
Changes in inventories	11	(1.610.452)	(1.625.683)
Changes in accounts receivable, other receivables and related receivables	12-14	140.735	(506.540)
Changes in accrued and deferred assets	14	(93.501)	(53.931)
Changes in accounts payable and related liabilities	23-24	65.224	2.358
Other current liabilities and accruals and deferrals	25	90.712	74.601
Changes in accrued and deferred liabilities	25	4.574	(77.958)
Income tax paid		(248.556)	(292.420)
Net operating cash flow		***(92.410)***	***(1.012.400)***
Investment cash flow			
Tangible and intangible assets purchased	3-5	(195.832)	(355.091)
Sale of tangible assets	3-5	83.000	7.772
Purchase of other invested assets		13.115	0
Acquisition/Disposal of subsidiaries (excluding acquired liquid assets)		(339.800)	0
Net investment cash flow		***(439.517)***	***(347.319)***
Financing cash flow			
Bank loans/(repayment)	20	(1.650.902)	3.398.551
Capital contribution/ (Purchase of Treasury shares)	16-17	(16.698)	(59.915)
Changes in right-of-use and lease liabilities	6	(128.580)	(117.555)
Dividend payments	16	(68.890)	(927.058)
Issued bonds	21	6.889.368	0
Interest received (paid)	34-35	(55.633)	(116.116)
Net financing cash flow from investment activities		***4.968.664***	***2.177.907***
Net change in cash and cash equivalents		4.436.737	818.188
Balance of cash and cash equivalents as at the beginning of the year		1.627.726	756.919
Exchange rate differences in liquid assets		105.062	52.619
Balance of cash and cash equivalents as at the end of the year	15	**6.169.525**	**1.627.726**

Audited Annual Report of the Company in accordance with the IFRS

The Group's operating cash flow amounted to HUF -92 million in 2020, which represents a significant amount of working capital (inventory) correction due to ongoing MyCity projects. However, this item is being partly refinanced in the form of a bank loan on the financing cash-flow side.

Acquisition and sale of tangible assets impaired investment cash flow by HUF 113 million in the balance, and the Group spent a total of HUF 340 million on acquisitions.

The financing cash flow was reduced by the dividend payment of HUF 69 million and the purchase of treasury shares in a value of HUF 17 million. The Company infused a total of HUF 6,889 million from the issue of bonds, which it used to refinance the bank loan received from Raiffeisen Bank Zrt.

The end-of-the period of cash and cash equivalents was HUF 6,170 million, HUF 4.542 million higher than what it was at the end of the benchmark period. In addition to this amount, additional use of HUF 733 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 622,587 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 109,539 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 732,626 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 current account limit of HUF 100 million is available to back the cash pool system, which amount is suited to the needs of regular operations and can be used to satisfy any transitional

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

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

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

Our Company's employment policy and ensuring its consistency between the individual countries are currently under way. The average statistical headcount increased from 135 to 154 from the comparative period. As a result of the acquisition of Alex T. Great, the number of employees working in the Group's Polish subsidiaries increased from 54 to 63. Technically, the service centre created in the Hungarian company structure increased the statistical headcount by 14 persons; however, in practice there was no increase in FTE. As regards the subsidiaries in the Czech Republic, there was 1 employee in 2020. Of the HUF 817,969 thousand balance of personnel-related expenses, the Polish and Czech subsidiaries' share amounted to HUF 326,128 thousand. The Company puts emphasis on the diversified filling of jobs based on the skills and qualifications of employees.

5. Information on equity and share capital

Increase of the Company's equity

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

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

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

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 31 December 2020

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	507,830 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	2,539,150 pcs	507,830 pcs
"B"	1,000 pcs	50	50,000 pcs	0 pcs	-
Total	**34,388,870 pcs**	**-**	**171,989,350 pcs**	**2,539,150 pcs**	**507,830 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[5], with the shares based on a pyramid structure and the cross-shares taken into account:

Shareholder Name	Number of shares held (number)	Share in equity (%)
Gay Dymschiz	13.466.805	39,16%
Doron Dymschiz	13.466.805	39,16%
AEGON Magyarország Befektetési Alapkezelő Zrt.	2.301.020	6,69%
Total of equity	**34.388.870**	**100,00%**

[5] As at 31 December 2020

7. Restrictions on the transfer of shares

Restrictions on alienation on ordinary shares

Shareholder Name			Ferenc Máté	Bernadett Szirtes	Krisztián Fülöp	Dr András Szabadházy	Nir Bitkover	Total
Number of ordinary shares held (number)			30.357	556	2.297	1.554	2.182	36.946
Is alienation restricted?			yes	yes	yes	yes	yes	
Restrictions on alienation	Beginning of the period	End of the period	Number of shares under restrictions on alienation					
	12/11/2020	11/11/2021	18.000	273	436	273	436	19.418
	12/11/2021	11/11/2022	15.000	0	0	0	0	15.000
	12/11/2022	11/11/2023	12.000	0	0	0	0	12.000
	12/11/2023	11/11/2024	9.000	0	0	0	0	9.000
	12/11/2024	11/11/2025	6.000	0	0	0	0	6.000
	12/11/2025	11/11/2026	3.000	0	0	0	0	3.000

Restrictions on the alienation on preferred employee shares

Shareholder Name	**Gay Dymschiz**	**Doron Dymschiz**	**Ferenc Máté**	**Dániel Schilling**	**Krisztián Fülöp**	**Anikó Varga**	**Dr András Szabadházy**	**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 rants the right of first refusal, and in line with Section 6:224, the right to repurchase, to Guy Dymschiz or Doron Dymschiz for an indefinite period of time*

8. Other issues regarding controlling powers and executive officers

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

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

9. Risk management

The 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 2020.

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

	31 December 2020	31 December 2019
Trade receivables	887.556	849.269
Other receivables	1.083.516	998.107
Financial instruments	72.706	85.821
Cash and cash equivalents	6.169.525	1.627.726
Total	**8.213.303**	**3.560.922**
Amount of collateral	**732.626**	**897.947**
Pusztakúti 12. kft.	622.587	676.247
Impact Asset Management Zrt.	109.539	95.000
Duna House Holding Nyrt.	0	126.200
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 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.

COVID–19 epidemic-related events

As a result of the third wave of the COVID-19 epidemic, restrictive measures were put in place in the beginning of March 2021 in both Hungary and Poland. The experiences of the first 2-3 weeks of the restrictive measures show that they have no significant negative effects on the Group's business; however, the possibility remains that further stringency measures will lead to a drop in turnover as seen in 2020 Q2.

In addition to the restrictive measures, COVID-19 vaccination programs were also progressing as at the closing of the report: 18% of the population has received the first round of the vaccine in Hungary; the same figure is 9% in Poland and 10% in the Czech Republic. The continued progression of vaccinations and the approval and use of newer vaccines may lead to an end of the emergency situation caused by the epidemic by mid-2021.

Interim dividend payments

On 14 January 2021, the Company's Board of Directors decided, in its competence as general meeting, to pay an interim dividend of HUF 450.5 million (HUF 13.1 per share) to ordinary shareholders, within the meaning of Government Decree 484/2020 of 10 November on the second phase of protective measures applicable during the time of emergency on the basis of Government Decree 3/2021 of 8 January. Dividend payments were started on 24 February 2021.

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 31 December 2020 and 25 March 2021 a total of 9760 treasury shares were traded on the stock exchange for ongoing employee share programs. The amount of Company treasury shares on 25 March 2021 was 517,590.

11. Declaration on corporate governance

In light of its length and structural layout, our declaration on corporate governance ("Responsible Corporate Governance Report") will be published on the website of the Budapest Stock Exchange[6].

12. Declaration on responsibility

The Board of Directors of the Company prepared this business report on the basis of the data included in the consolidated accounts for 2020 compiled in accordance with the International Financial Reporting Standards (IFRS) and to the best of their knowledge.

The accounts are audited; therefore an independent auditor's report has been attached. This consolidated report gives a fair picture of the situation, development and performance of the Company and its companies included in consolidation.

Budapest, 26 March 2021

Persons authorised to sign the (consolidated) business report:

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

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