

**Fotex Holding S.E.  
272, rue de Neudorf  
L-2222 Luxembourg  
R.C.S. Luxembourg B 146.938**

**Unaudited Consolidated Financial Statements as at 30 June 2017  
Management report as at 30 June 2017**

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## Management Report

### General

Fotex Holding SE (the “Company”) is a European public limited company registered in the Luxembourg companies register under the number R.C.S. B 146.938 and regulated under the laws of the Grand Duchy of Luxembourg. The Company’s current registered address is 272, rue de Neudorf, L-2222 Luxembourg, Luxembourg.

The Company is primarily the holding company of a group of subsidiaries (Fotex and its subsidiaries, hereafter the “Group”) incorporated in Luxembourg, the Netherlands and Hungary are engaged in a variety of property management, manufacturing, retailing and other activities. Except for Fotex Holding SE (ultimate parent company) and Upington Investments S.à r.l., which are registered in Luxembourg, and Fotex Netherlands B.V., FN 2 B.V., FN 3 B.V., FN 4 B.V. and Long Term CRE Fund B.V., which are registered in the Netherlands, all subsidiaries of the Group are registered and operate in Hungary. The ownership of consolidated subsidiaries, after considering indirect shareholdings, is:

| Subsidiary:                   | Principal Activities:              | 30 June 2017 | 30 June 2016 |
|-------------------------------|------------------------------------|--------------|--------------|
|                               |                                    | %            | %            |
| Ajka Kristály Kft. (Ajka)     | Crystal manufacturing and retail   | 100.00       | 100.00       |
| Fotex Netherlands B.V.        | Property management                | 100.00       | 100.00       |
| FN 2 B.V.                     | Property management                | 100.00       | 100.00       |
| FN 3 B.V.                     | Property management                | 100.00       | 100.00       |
| FN 4 B.V.                     | Property management                | 100.00       | 100.00       |
| Fotexnet Kft.                 | Internet retail and other services | 100.00       | 100.00       |
| Hungaroton Music Zrt.         | Music archive                      | 99.21        | 99.21        |
| Keringatlan Kft.              | Property management                | 99.99        | 99.99        |
| Long Term CRE Fund B.V.       | Property management                | 100.00       | 100.00       |
| Plaza Park Kft.               | Property management                | 100.00       | 100.00       |
| Sigma Kft.                    | Property services                  | 75.05        | 75.05        |
| Székhely 2007 Kft.            | Property services                  | 99.27        | 99.27        |
| Upington Investments S.à r.l. | Investment holding                 | 100.00       | 100.00       |

During the first six month of 2017 Fotex Group has not entered into any transaction that affected the Group structure.

During 2016 Fotex Group entered into the following transaction that affected the Group structure:

- On 26 May 2016, Fotex Netherlands B.V. established a subsidiary in the Netherlands, FN 4 B.V.

## Financial overview

The Group has operations in the Netherlands, Luxembourg and in Hungary. From a management point of view the Group is divided in 3 business lines, which are the followings:

- Investment property holding and management
- Crystal and glass manufacturing
- All other segments (music publishing and retail, administration and holding activities).

Management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The following tables below summarize the Group's revenues and profit before tax for 30 June 2017 and 2016 by business lines:

|  | 30 June 2017  | 30 June 2016  |
|--|---------------|---------------|
| Net sales:                                 | Net Sales EUR | Net sales EUR |
| Investment property holding and management | 14,727,355    | 14,400,567    |
| Crystal and glass manufacturing            | 3,264,946     | 3,444,701     |
| All other segments                         | 3,311,730     | 3,231,435     |
| Inter-segment elimination                  | (1,076,872)   | (1,085,675)   |
| Net sales                                  | 20,227,159    | 19,991,028    |

  

|  | 30 June 2017 | 30 June 2016 |
|--|--------------|--------------|
| Income before income taxes:                | EUR          | EUR          |
| Investment property holding and management | 4,108,222    | 3,992,819    |
| Crystal and glass manufacturing            | 276,533      | 332,820      |
| All other segments                         | 4,642        | 19,771       |
| Income before income taxes                 | 4,389,397    | 4,345,410    |

The operating results of Fotex Group vary from year to year due to changes in exchanges rates, discontinuation of lines of business, as well as general European and global economic trends. Fotex Group tries to counterbalance such changes as best as possible by reorganizing and rationalizing business segments which Fotex Group feels are no longer sustainable or have no viable future.

Management considers the sales revenue and the EPS as key financial performance indicators.



Management monitors the activities which generate the Group's revenues. The table below summarizes the main activities from which the Group generates its revenues:

| Sales revenue:                          | 30 June 2017      | 30 June 2016      |
|---|-------------------|-------------------|
|   | EUR               | EUR               |
| Rental income revenue                   | 12,777,757        | 12,480,838        |
| Sale of goods                           | 3,619,407         | 3,872,020         |
| Revenue from service charges to tenants | 1,747,062         | 1,794,118         |
| Provision of services                   | 1,575,138         | 1,421,834         |
| Royalty revenue                         | 75,715            | 80,372            |
| Other sales revenue                     | 432,080           | 341,846           |
| Total sales revenue                     | <u>20,227,159</u> | <u>19,991,028</u> |

The structure of the activities has not changed significantly in the first 6 months of 2017 when compared to 2016. It can be seen that revenues generated by real estate management are the most significant, which have increased slightly during the year.

The rental income derived from investment management has increased compared to the previous year. The underlying reason for this is that the Hungarian market improved in 2017 and the investment property portfolio in the Netherlands performed well.

The slightly increased rental income derived from the investment property portfolio situated in Hungary is attributable to the following reasons:

1. Rental contracts are stipulated in EUR or on a EUR basis. While in the past few years the Hungarian Forint has lost value against; which resulted in an increase in the rental fees in local currency for the tenants, thus worsened leasing opportunities, this trend has changed in 2017 as the HUF/EUR FX rate was relatively stable.
2. The number of liquidation proceedings against the tenants hasn't changed significantly in the current year.
3. As a result of the gentle market recovery, the vacancy rate has improved in the respect of the Hungarian properties.

We foresee a moderate improvement of the Hungarian market to continue in the coming years.

Revenues from selling of goods are generated primarily by sales of crystal and glass products.

The table below summarizes the Group's key financial indicators, which are monitored by the Group's management:

| <b>Selected financial information</b>           | <b>30.06.2017</b> | <b>31.12.2016</b> | <b>30.06.2016</b> | <b>31.12.2015</b> |
|---|-------------------|-------------------|-------------------|-------------------|
| <b>(EUR)</b>                                    |                   |                   |                   |                   |
| Sales   | 20,227,159        | 40,048,827        | 19,991,028        | 41,835,721        |
| Gross profit                                    | 17,305,046        | 34,348,153        | 17,003,792        | 34,641,018        |
| Operating profit                                | 6,091,950         | 10,088,936        | 6,394,806         | 8,625,179         |
| Pre-tax profit                                  | 4,389,397         | 6,224,201         | 4,345,410         | 4,568,285         |
| Net income*                                     | 3,758,015         | 4,415,558         | 3,215,791         | 3,057,270         |
| Owner's equity**                                | 127,595,274       | 124,790,104       | 123,296,375       | 123,215,222       |
| Total assets                                    | 232,297,127       | 229,350,074       | 219,546,628       | 218,480,351       |
| Number of ordinary and preference issued shares | 72,723,650        | 72,723,650        | 72,723,650        | 72,723,650        |
| Basic earnings per share                        | 0.07              | 0.08              | 0.06              | 0.06              |
| Return on equity                                | 2.98%             | 3.56%             | 2.61%             | 2.50%             |
| Return on assets                                | 1.63%             | 1.97%             | 1.47%             | 1.41%             |

\* *net income attributable to equity holders of the Company*

\*\* *equity attributable to equity holders of the Company*

Operating profit is the profit earned from a firm's normal core business operations. It is calculated using the following formula: Revenue - Cost of sales - Operating expenses (including depreciation and amortization). It concludes from the formula, that operating profit excludes paid and received interest and income tax expenses. The Group believes that operating profit is a widespread and useful income measure which is reported in order to facilitate the comparison of Financial Statements and financial performance of companies to the investors. For investors, examining the operating profit may allow for an easier comparison of businesses that operate within industries with differing tax rates or financial structures as this allows for a more equitable comparison.

Gross profit is the sales revenue less the cost of sales (or cost of goods sold). Gross profit of an entity is its residual profit after selling a product or service and subtracting the costs associated with its production and sale. The associated costs can include manufacturing costs, raw material expense, direct labor charges, and other directly attributable costs. Gross profit is very important measure to consider when analyzing the profitability and financial performance of a company. Gross profit is an important measure because it indicates the efficiency of the management in using labor and supplies in the operation. It should be kept in mind that gross profit usually varies significantly from industry to industry. Therefore while appraising the performance of a company, the comparison should be made with the companies in the same industry.

The Group is committed to take responsibility for the environment paying attention to the treatment of the hazardous waste generated by the production of crystal and glass products. It takes all effort to optimize the level of the hazardous waste by proper handling, storage, transportation and removal in accordance with local regulations.

The level of the hazardous waste as of 30 June 2017 was 150 kg (30 June 2016: 25 kg), which is merely 10.08% (30 June 2016: 0.005%) of the hazardous waste produced throughout the period.

No provision is recognised for covering future environment fines or expenditures in 2017.

## Risks and Risk management of the Group

The Group's business, financial condition or results can be affected by risks and uncertainties. Management has identified the following risks:

- Change in laws and regulations governing the operations of the Company and its subsidiaries may affect their business, investments and results of operations
- Foreign currency risk
- Credit risk
- Interest rate risk
- Liquidity risk
- Country risk

Management monitors these risks and applies the following risk management procedures:

### *Foreign currency ("FX") risk*

Financial instruments that potentially represent risk for the Group include deposits, debtors and credit balances denominated in foreign currency, creditors in foreign currency and deposits in foreign currency other than EUR. The Group's rental contracts are stipulated in EUR or on EUR basis thus mitigating any FX risk associated with non-EUR based revenues. In 2016, the Group entered into forward transactions in amount of EUR 4,167,097 to cover part of revenues in HUF. As of 30 June 2017 the Group does not have any open forward transactions.

### *Credit risk*

The Group aims to mitigate lending risk by its careful and continuous debtor portfolio monitoring process and by requiring bank guarantees and collateral. In addition, the Group regularly follows up information about the main debtors in the market.

Concentrations of credit risk, with respect to trade accounts receivable, are limited due to the large number of customers and due to the dispersion across geographical areas.

Receivable balances are monitored on an ongoing basis.

Investments of surplus funds are made only with reliable counterparties and are allocated between more banks and financial institutions in order to mitigate financial loss through potential counterparty failure.

### *Interest rate risk*

In order to mitigate the interest rate risk the Group tries to use mainly fixed rate loans. In the past, in parallel with this in case of variable interest rate loans the Group limited the increase of the interest rate by applying a cap.

The loan interests are at fixed rates varying between 1.79 % and 7.25 %.

### *Liquidity risk*

Liquidity risk is monitored as follows:

- Monitoring daily available deposited and free cash by entity.
- Monitoring weekly cash flows by entity.
- As part of the management information system, the Group monitors the operations of each entity on a monthly basis.
- The Group monitors its long-term cash flows in order to match the maturity patterns of its assets and liabilities.

### *Country risk*

The Group has operations in Luxembourg, in the Netherlands and in Hungary. By the geographical diversification of the operations, the Group mitigates the effects of any country risk. The Group expands its activities into countries where country risk is lower.

### *Internal control and risk management systems in relation to the financial reporting process*

The Board of Directors has overall responsibility for ensuring that Fotex Group maintains a sound system of internal controls, including financial, operational and compliance controls. Such a system forms an integral part of the corporate governance strategy of the Company. Internal control procedures help to ensure the proper management of risks and provide reasonable assurance that the business objectives of the Company can be achieved. The internal control procedures are defined and implemented by the Company to ensure:

- the compliance of actions and decisions with applicable laws, regulations, standards, internal rules and contracts;
- the efficiency and effectiveness of operations and the optimal use of the Company's resources;
- the correct implementation of the Company's internal processes, notably those to ensure the safeguarding of assets;
- the integrity and reliability of financial and operational information, both for internal and external use;
- that management's instructions and directions are properly applied; and
- that material risks are properly identified, assessed, mitigated and reported.

Like all control systems, internal controls cannot provide an absolute guarantee that risks of misstatement, losses or human error have been totally mitigated or eliminated. The control environment is an essential element of the Company's internal control framework, as it sets the tone for the organization. This is the foundation of the other components of internal control, providing discipline and structure.

Regarding the internal controls in the area of accounting and financial reporting, the following should be noted:

- In the context of the ongoing organizational realignment implemented since the Group moved its headquarters to Luxembourg, a greater integration of the financial operations of the parent company and affiliates under a single management structure was established.
- Controls have been established in the processing of accounting transactions to ensure appropriate authorizations for transactions, effective segregation of duties, and the complete and accurate recording of financial information.
- The Company relies on a comprehensive system of financial reporting. Strategic plans, business plans, budgets and the interim and full-year consolidated accounts of the Group are drawn up and brought to the Board for approval. The Board also approves all significant investments. The Board receives monthly financial reports setting out the Company's financial performance in comparison to the approved budget and prior year figures.
- A clear segregation of duties and assignment of bank mandates between members of management, and the accounting departments is implemented.

## **Research and development**

The Company itself has no research and development activity and the research and development activity carried out through its subsidiaries is not significant.

## **Share capital**

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with a face value of EUR 0.42 each. At 30 June 2017, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (31 December 2016: 70,723,650 ordinary shares and 2,000,000 dividend preference shares).

The "dividend-bearing preferred shares" carry the same rights as ordinary shares in the event of liquidation or dissolution. They entitle the holder to an annual dividend determined by the General Meeting, but do not carry voting rights.

Holders of dividend-bearing preferred shares are not entitled to any rights or dividends other than those granted to them by the General Meeting. They are paid once a year. Interim dividends may only be paid if the conditions required for such a distribution are met.

If the Company is unable to pay these dividends in a given year or if it only pays part of the minimum due in a given year and fails to pay the balance at the time of payment of the dividends for the following year, holders of dividend-bearing preferred shares shall be granted identical voting rights to those reserved for ordinary shares. This voting right shall remain valid until such time as the Company has paid all the minimum dividends due in respect of the dividend-bearing preferred shares.

## **Treasury shares**

The 2,000,000 dividend preference shares issued by the Company which are shown as part of "Issued capital" with total face value of EUR 840,000 in 2017; (2016: EUR 840,000) are also shown in "Treasury shares".

As at 30 June 2017, the Company held 19,957,380 treasury shares – of which are 17,957,380 ordinary shares and 2,000,000 are dividend preference shares – at a historic cost of EUR 25,858,238 (31 December 2016: 19,898,579 shares – of which 17,898,579 were ordinary shares and 2,000,000 were dividend preference shares – at a historic cost of EUR 25,771,984).

During the first 6 months of 2017, the Company purchased 58,801 of its ordinary shares (2016: 1,258,248 shares) on an arm's length basis. All dividend preference shares are owned by the Group.

## **Suggestion for Dividends to be paid**

At their meeting of 25 April, 2017, the Board of Directors approved not to pay dividends on the preference shares as all dividend preference shares are owned by the Group.

The Board of Directors suggested to the Annual General Meeting that the Company pays EUR 0.02 dividend per ordinary share eligible to receive dividends for the year 2016. The Company does not pay dividend on ordinary shares which are held by the Company and its subsidiaries. The Board of Directors suggested to the Annual General Meeting of the shareholders that the payment date of dividend is to be on 16 June, 2017. At that date the distribution of EUR 1,055,382 dividend has been approved on the result based on 2016 (the number of shares eligible for dividend has been 52,769,090; rate EUR 0.02 dividend per share).

## **Significant Events after the end of the reporting period**

No significant event occurred after the end of the reporting period that would require adjustment to or disclosure in these financial statements.

## **Significant direct and indirect Shareholders**

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. (“Blackburn”), a Panama company, and Blackburn International S.à r.l. (“Blackburn Luxembourg”), a Luxembourg company, and Zürich Investments Inc. (“Zürich”), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. (“Fotex Ingatlan”). As at 30 June 2017 Blackburn Luxembourg controlled 50.35% (31 December 2016: 50.35%) of the Company’s voting shares. These companies are considered to be related parties.

## **Corporate governance**

The Company adopts and applies the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange (“Ten Principles”). It reviews the Ten Principles on a yearly basis and shares the developments with the Luxembourg Stock Exchange from time to time as part of a joint follow-up process in order to reduce the number of exceptions.

In the course of 2016, the Company updated its Corporate Governance Charter which was disclosed on its website. Its website is continuously updated to publish the most recent information available, concerning especially the financial calendar for information purposes, and the management. With regard to special committees of the Company, due to the investment holding character, the Company is of the opinion that number of special committees shall be limited in order to achieve optimal efficiency.

## **The Board**

The Company is managed by a Board of Directors (the “Board”) composed of a minimum of five and a maximum of eleven members (the “Directors”, each one a “Director”).

The Directors shall be appointed by the General Meeting of shareholders of the Company for a maximum period which will end at the Annual General Meeting of the Company to take place during the third year following their appointments. They shall remain in office until their successors are elected. They may be re-elected and they may be dismissed at any time by the General Meeting, with or without cause.

In the event that one or several positions on the Board become vacant due to death, resignation or any other cause, the remaining Directors shall select a replacement in accordance with the applicable legal provisions, in which case this appointment shall be ratified at the next General Meeting of the shareholders of the Company.

The Board of Directors has been authorized by the shareholders to manage the day-to-day operations of the Company, as well as to make administrative decisions at the Company.

All rights which have not been conferred to the shareholders by the Articles of Association or by the laws remain of the competence of the Board of Directors. The Board may decide paying interim dividends as prescribed by law. All long-term pay schemes, plans, or incentive programs relating to the employees of the Company and its subsidiaries, which the Board would like to implement are required to be brought to the General Meeting of the shareholders before approval.

The remuneration of members of the Board of Directors shall be fixed by the General Meeting.

The Board shall elect a chairman from among its members.

According to the Articles of Association, persons with no legal or financial link to the Company other than their mandate as Director are considered “independent persons”.

“Independent persons” does not include persons who:

- a) are employed by the Company or its subsidiaries at the time of their appointment as a member of the Board of Directors;
- b) carry out remunerated activities for the benefit of the Company or exercise technical, legal or financial duties within the Company;
- c) are shareholders of the Company and directly or indirectly hold at least 30% of the voting rights, or are related to such a person;
- d) receive financial benefits linked to the Company’s activities or profit;
- e) have a legal relationship with a non-independent member of the Company in another company in which the non-independent member has management and supervisory powers.

The Board is composed as follows:

| <b>Name:</b>            | <b>Position:</b>      |
|-------------------------|-----------------------|
| Mr. Gábor VÁRSZEGI      | Chairman of the Board |
| Mr. Dávid VÁRSZEGI      | Member of the Board   |
| Mr. Wiggert KARREMAN    | Member of the Board   |
| Mr. Jan Thomas LADENIUS | Member of the Board   |
| Mr. Bob DOLE            | Member of the Board   |
| Mrs. Anna RAMMER        | Member of the Board   |
| Mr. Gábor MOCSKONYI     | Member of the Board   |
| Mr. Peter KADAS         | Member of the Board   |

The Annual General Meeting of the Company held on 29 May 2017 elected the members of the Board of Directors with a mandate expiring at the Annual General Meeting of shareholders of the Company called to approve the Company’s annual accounts as at 31 December 2017.

Each member of the Board of Directors is a high-qualified, honest and acclaimed specialist.

The Company publishes the information about the career of the Board of Directors’ members on its website.

The Board of Directors shall be vested with the most extensive powers to manage the affairs of the Company and to carry out all measures and administrative acts falling within the scope of the corporate object. Any powers not expressly reserved for the General Meeting by the Articles of Association or by the laws shall fall within the remit of the Board of Directors.



A subsequent General Meeting representing at least 50% of the ordinary shares may establish the limits and conditions applicable to the authorized capital, within the conditions laid down by the law. In this case, the Board of Directors is authorized and mandated to:

- carry out a capital increase, in one or several stages, by issuing new shares to be paid up either in cash, via contributions in kind, the transformation of debt or, subject to the approval of the Annual General Meeting, via the integration of profits or reserves into the capital;
- set the place and date of the issue or of successive issues, the issue price, and the conditions and procedures for subscribing and paying up the new shares;
- abolish or restrict the preferential subscription rights of shareholders with regard to new shares to be issued as part of the authorized share capital.

This authorization is valid for a period of five years from the publication date of the authorization deed and may be renewed by a General Meeting of shareholders for any shares of the authorized capital which have not been issued by the Board of Directors in the meantime.

Following each capital increase carried out and duly recorded according to the legal formalities, the first paragraph of the Articles of Association shall be amended in such a way as to reflect the increase carried out; this amendment shall be recorded in the notarial deed by the Board of Directors or any other authorized person.

#### *Audit Committee*

The audit committee of the Company (the “Audit Committee”) shall be composed of a minimum of three and a maximum of five people.

The members of the Audit Committee shall be appointed by the General Meeting of shareholders of the Company among the members of the Board deemed to be “independent persons” for a period not exceeding their respective mandates.

The Audit Committee shall elect a chairman from among its members. The quorum shall be met at Audit Committee meetings when the members have been validly called to attend and when a minimum of two-thirds or three of its members are present. All of the Committee’s decisions shall be taken by a simple majority vote. In the event of a tied vote, the person presiding over the meeting shall have the casting vote. They may be re-elected and they may be dismissed at any time by the General Meeting, with or without cause.

The Audit Committee opines the annual report of the Company, controls and evaluates the operation of the financial system, provides its tasks in connection with the Auditor of the Company.

#### *Composition of the Audit Committee*

The Audit Committee is composed as follows:

- Mrs. Anna Rammer (Chairman of the Audit Committee)
- Mr. Wiggert Karreman (Member of the Audit Committee)
- Mr. Jan Thomas Ladenius (Member of the Audit Committee)
- Mr Peter Kadas (Member of the Audit Committee)

The Members of the Audit Committee were appointed at the Annual General Meeting held on 29 May 2017. The mandate of the members of the Audit Committee will expire at the Annual General Meeting of shareholders of the Company called to approve the Company’s annual accounts as at 31 December 2017.



No specific remuneration is attributed to the members of the Audit Committee.

The Company publishes the resolutions after the General Meeting and ensures the shareholders get to know their content.

Subject to the provisions of the Article 10 of the Articles of Incorporation of the Company, the General Meeting of shareholders has the broadest powers to order, carry out or ratify measures relating to the activities of the Company.

#### **Rules Governing Amendments to the Articles of Incorporation**

Amendments to the Articles of Incorporation are approved by resolution at an Extraordinary General Meeting of shareholders under the conditions of the law.

#### **Branches of the Company**

The Company has no branches.

#### **Other Disclosures**

The shares of the Company were admitted to the official list of the Luxembourg Stock Exchange at a first price of EUR 1.06/piece as of 23 February 2012.

The Board of Directors of the Company at the meeting held on 14 March 2012 decided on the full transfer of the Company's shares listed on the Budapest Stock Exchange to the Luxembourg Stock Exchange. The date of transfer was 30 March 2012. After transferring the shares from the Budapest Stock Exchange the shares are traded only on the Luxembourg Stock Exchange.

There are no agreements with shareholders which are known to the Company and may result in restrictions on the transfer of securities or voting rights within the meaning of the 2004/109/EC directive (transparency directive).

There are no restrictions on the transfer of securities in the Articles of Incorporation of the Company.

There are no securities granting special control right to their holders and there are no restrictions on voting rights of the ordinary shares.

There are no significant agreements to which the Company is party to and which would take effect, alter or terminate upon a change of control following a public offering or takeover bid.

There are no agreements between the Company and its Board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

There is no system of control of employee share scheme where the control rights are not exercised directly by the employees.

## Future Prospects

The financial position and performance of the Group remained stable, which was helped by the improving market conditions in Hungary in 2017.

The Company expects the Hungarian market to stabilize with a moderate growth. :

1. Due to the market consolidation in Hungary, the vacancy rate of the retail segment improved and the Company expects this trend to continue in the coming years. We also expect a lack of new multinational companies entering into the market but we expect the local retailers to expand moderately.
2. Due to better market conditions the re-leasing of vacant retail real estates is expected to further improve. However, re-leasing of office premises is expected to remain difficult due to the new investments in Hungary.
3. In order to offset the former unfavorable economic situation in Hungary and to mitigate the related country risk, the Group has expanded its real estate portfolio outside of Hungary and intends to continue to do so in the future.

The Group will continue seeking favorable investment opportunities taking into account the market conditions given and the stable cash flow of the Group. In the current economic environment there are good opportunities to obtain new credit loans at a low cost. Considering the shareholders' interests the Group does not intend to issue any new shares with the purpose of capital increase.

19<sup>th</sup> September 2017, Luxembourg



Várszegi Gábor

Fotex Holding SE

Chairman of the Board

**Fotex Holding SE and Subsidiaries**  
**Consolidated Statement of Financial Position**  
**Figures in EUR**

|   | Note | 30 June 2017<br>EUR | 31 December 2016<br>EUR |
|---|------|---------------------|-------------------------|
| <b>Assets</b>   |      |                     |                         |
| Current Assets:   |      |                     |                         |
| Cash and short-term deposits                                | 4    | 31,778,159          | 24,757,945              |
| Current portion of other financial assets                   | 5    | 794,694             | 773,124                 |
| Accounts receivable and prepayments                         | 6    | 6,470,242           | 6,953,203               |
| Income tax receivable                                       |      | 291,743             | 460,086                 |
| Inventories   | 7    | 6,807,867           | 6,832,782               |
| Total current assets  |      | 46,142,705          | 39,777,140              |
| Non-current Assets:   |      |                     |                         |
| Property, plant and equipment                               | 8    | 5,792,541           | 5,883,963               |
| Investment properties                                       | 9    | 165,598,520         | 169,041,402             |
| Deferred tax assets   |      | 223,376             | 221,835                 |
| Intangible assets   | 10   | 1,693,428           | 1,712,793               |
| Non-current portion of other financial assets               | 5    | 2,039,444           | 1,980,535               |
| Goodwill arising on acquisition                             | 11   | 10,807,113          | 10,732,406              |
| Total non-current assets                                    |      | 186,154,422         | 189,572,934             |
| Total assets  |      | 232,297,127         | 229,350,074             |
| <b>Liabilities and Shareholders' Equity</b>                 |      |                     |                         |
| Current Liabilities:  |      |                     |                         |
| Interest-bearing loans and borrowings                       | 15   | 8,809,119           | 2,478,937               |
| Accounts payable and other liabilities                      | 12   | 12,005,744          | 11,291,158              |
| Total current liabilities                                   |      | 20,814,863          | 13,770,095              |
| Non-current Liabilities:                                    |      |                     |                         |
| Interest-bearing loans and borrowings                       | 15   | 80,081,330          | 87,055,041              |
| Other long-term liabilities                                 | 12   | 2,013,219           | 1,926,375               |
| Deferred tax liability                                      |      | 1,739,049           | 1,727,027               |
| Total non-current liabilities                               |      | 83,833,598          | 90,708,443              |
| Shareholders' Equity:                                       |      |                     |                         |
| Issued capital  | 13   | 30,543,933          | 30,543,933              |
| Additional paid-in capital                                  |      | 25,495,008          | 25,495,008              |
| Retained earnings   |      | 97,833,413          | 95,130,780              |
| Translation difference                                      |      | (418,841)           | (607,633)               |
| Treasury shares, at cost                                    | 13   | (25,858,238)        | (25,771,984)            |
| Equity attributable to equity holders of the parent company |      | 127,595,274         | 124,790,104             |
| Non-controlling interests in consolidated subsidiaries      |      | 53,391              | 81,432                  |
| Total shareholders' equity                                  |      | 127,648,666         | 124,871,536             |
| Total liabilities and shareholders' equity                  |      | 232,297,127         | 229,350,074             |

The accompanying notes on pages 19 to 46 form an integral part of these consolidated financial statements.

**Fotex Holding SE and Subsidiaries**  
**Consolidated Income Statement**  
**Figures in EUR**

|                                      | Note | 30 June 2017<br>EUR | 30 June 2016<br>EUR |
|--------------------------------------|------|---------------------|---------------------|
| Revenue                              | 17   | 20,227,159          | 19,991,028          |
| Cost of sales                        |      | (2,922,113)         | (2,987,236)         |
| Gross Profit                         |      | 17,305,046          | 17,003,792          |
| Operating expenses                   | 14   | (11,213,096)        | (10,608,986)        |
| Operating profit                     |      | 6,091,950           | 6,394,806           |
| Interest income                      |      | 2,097               | 8,862               |
| Interest expenses                    | 15   | (1,704,650)         | (2,058,258)         |
| Income before income tax             |      | 4,389,397           | 4,345,410           |
| Income tax expense                   | 16   | (622,234)           | (1,106,362)         |
| Net income                           |      | 3,767,163           | 3,239,048           |
| Attributable to:                     |      |                     |                     |
| Equity holders of the parent company |      | 3,758,015           | 3,215,791           |
| Non-controlling interests            |      | 9,148               | 23,257              |
| Net income                           |      | 3,767,163           | 3,239,048           |
| Basic earnings per share             | 23   | 0.07                | 0.06                |
| Diluted earnings per share           | 23   | 0.07                | 0.06                |

The accompanying notes on pages 19 to 46 form an integral part of these consolidated financial statements.

**Fotex Holding SE and Subsidiaries**  
**Consolidated Statement of Comprehensive Income**  
**Figures in EUR**

|  | Note | 30 June 2017<br>EUR | 30 June 2016<br>EUR |
|--|------|---------------------|---------------------|
| Net income   |      | 3 767 163           | 3,239,048           |
| Other comprehensive income:                                |      |                     |                     |
| Exchange gain/(loss) on translation of foreign operations* | 18   | 189,251             | (937,947)           |
| Total comprehensive income/(loss)                          |      | 3,956,414           | 2,301,101           |
| Attributable to:   |      |                     |                     |
| Equity holders of the parent company                       |      | 3,946,807           | 2,278,501           |
| Non-controlling interests                                  |      | 9,607               | 22,600              |
|  |      | 3,956,414           | 2,301,101           |

\*Will be subsequently reclassified to profit or loss on the disposal of the relevant foreign operations.

The accompanying notes on pages 19 to 46 form an integral part of these consolidated financial statements.

**Fotex Holding SE and Subsidiaries**  
**Consolidated Statement of Changes in Equity**  
**Figures in EUR**

|   | Issued<br>Capital | Additional<br>Paid-in<br>Capital | Goodwill<br>Write-off<br>Reserve | Retained<br>Earnings | Translation<br>Difference | Treasury<br>Shares  | Total              | Non-<br>controlling<br>interests | Total Equity       |
|---|-------------------|----------------------------------|----------------------------------|----------------------|---------------------------|---------------------|--------------------|----------------------------------|--------------------|
|   | EUR               | EUR                              | EUR                              | EUR                  | EUR                       | EUR                 | EUR                | EUR                              | EUR                |
| <b>1 January 2017</b>   | <b>30,543,933</b> | <b>25,495,008</b>                | —                                | <b>95,130,780</b>    | <b>(607,633)</b>          | <b>(25,771,984)</b> | <b>124,790,104</b> | <b>81,432</b>                    | <b>124,871,536</b> |
| Net income 2017   | —                 | —                                | —                                | 3,758,015            | —                         | —                   | <b>3,758,015</b>   | 9,148                            | <b>3,767,163</b>   |
| Other comprehensive income  | —                 | —                                | —                                | —                    | 188,792                   | —                   | <b>188,792</b>     | 459                              | <b>189,251</b>     |
| Total comprehensive income  | —                 | —                                | —                                | 3,758,015            | 188,792                   | —                   | <b>3,946,807</b>   | 9,607                            | <b>3,956,414</b>   |
| Purchase of treasury shares<br>(note 13)                                    | —                 | —                                | —                                | —                    | —                         | (86,254)            | <b>(86,254)</b>    | —                                | <b>(86,254)</b>    |
| Shareholder dividends   | —                 | —                                | —                                | (1,055,382)          | —                         | —                   | <b>(1,055,382)</b> | —                                | <b>(1,055,382)</b> |
| Minority dividends  | —                 | —                                | —                                | —                    | —                         | —                   | —                  | (37,648)                         | <b>(37,648)</b>    |
| Reversed written off goodwill<br>reserve (note 13)                          | —                 | —                                | —                                | —                    | —                         | —                   | —                  | —                                | —                  |
| Reclassification from additional<br>paid in capital to retained<br>earnings | —                 | —                                | —                                | —                    | —                         | —                   | —                  | —                                | —                  |
| <b>30 June 2017</b>   | <b>30,543,933</b> | <b>25,495,008</b>                | —                                | <b>97,833,413</b>    | <b>(418,841)</b>          | <b>(25,858,238)</b> | <b>127,595,275</b> | <b>53,391</b>                    | <b>127,648,666</b> |

The accompanying notes on pages 19 to 46 form an integral part of these consolidated financial statements.

**Fotex Holding SE and Subsidiaries**  
**Consolidated Statement of Changes in Equity**  
**Figures in EUR**

|   | Issued<br>Capital | Additional<br>Paid-in<br>Capital | Goodwill<br>Write-off<br>Reserve | Retained<br>Earnings | Translation<br>Difference | Treasury<br>Shares  | Total              | Non-<br>controlling<br>interests | Total Equity       |
|---|-------------------|----------------------------------|----------------------------------|----------------------|---------------------------|---------------------|--------------------|----------------------------------|--------------------|
|   | EUR               | EUR                              | EUR                              | EUR                  | EUR                       | EUR                 | EUR                | EUR                              | EUR                |
| <b>1 January 2016</b>   | <b>30,543,933</b> | <b>25,495,008</b>                | <b>-</b>                         | <b>91,783,909</b>    | <b>(436,010)</b>          | <b>(24,171,618)</b> | <b>123,215,222</b> | <b>89,480</b>                    | <b>123,304,702</b> |
| Net income 2016   | -                 | -                                | -                                | 3,057,270            | -                         | -                   | 3,057,270          | 36,241                           | 3,093,511          |
| Other comprehensive income  | -                 | -                                | -                                | -                    | 799,006                   | -                   | 799,006            | 1,438                            | 800,444            |
| Total comprehensive income  | -                 | -                                | -                                | 3,057,270            | 799,006                   | -                   | 3,856,276          | 37,679                           | 3,893,955          |
| Purchase of treasury shares<br>(note 13)                                    | -                 | -                                | -                                | -                    | -                         | (298,817)           | (298,817)          | -                                | (298,817)          |
| Shareholder dividends   | -                 | -                                | -                                | (1,627,312)          | -                         | -                   | (1,627,312)        | -                                | (1,627,312)        |
| Minority dividends  | -                 | -                                | 243,350                          | (243,350)            | -                         | -                   | -                  | (104,152)                        | (104,152)          |
| Reversed written off goodwill<br>reserve (note 13)                          | -                 | -                                | -                                | -                    | -                         | -                   | -                  | -                                | -                  |
| Reclassification from additional<br>paid in capital to retained<br>earnings | -                 | -                                | -                                | 3,057,270            | -                         | -                   | 3,057,270          | 36,241                           | 3,093,511          |
| <b>30 June 2016</b>   | <b>30,543,933</b> | <b>25,495,008</b>                | <b>-</b>                         | <b>93,931,013</b>    | <b>(1,373,300)</b>        | <b>(25,300,279)</b> | <b>123,296,375</b> | <b>57,208</b>                    | <b>123,353,583</b> |

The accompanying notes on pages 19 to 46 form an integral part of these consolidated financial statements.

**Fotex Holding SE and Subsidiaries**  
**Consolidated Cash Flow Statement**  
**Figures in EUR**

|   | Note   | 30 June 2017 | 30 June 2016 |
|---|--------|--------------|--------------|
|   |        | EUR          | EUR          |
| <b>Cash flows from operating activities:</b>                |        |              |              |
| Income before income taxes                                  | 19     | 4,389,397    | 4,345,410    |
| Depreciation and amortisation                               | 14     | 4,182,172    | 4,032,495    |
| Scrapped tangible assets                                    |        | 46,379       | 10,572       |
| Write off/(reversal) of inventories                         |        | (83,298)     | (15,528)     |
| Impairment loss of debtors and reversals                    | 6      | (57,701)     | (158,323)    |
| Loss/(gain) on disposals of tangible and intangible assets  | 8,9,10 | (2,609)      | (1,653)      |
| Interest income   |        | (2,097)      | (8,862)      |
| Effect of spread of rental related incentives and allowance |        | (90,336)     | 50,782       |
| Interest expenses   | 15     | 1,704,650    | 2,058,258    |
| Changes in working capital:                                 |        |              |              |
| Accounts receivable and prepayments                         |        | 1,380,815    | 147,302      |
| Inventories   |        | 108,213      | (38,396)     |
| Accounts payable and other liabilities                      |        | (216,429)    | (336,828)    |
| Cash generated from operations                              |        | 11,359,156   | 10,085,229   |
| Income tax paid   | 16     | (289,239)    | (461,047)    |
| Net cash flow from operating activities                     |        | 11,069,917   | 9,624,182    |
| <b>Cash flows from investing activities:</b>                |        |              |              |
| Acquisition of tangible and intangible assets               | 8,9,10 | (375,291)    | (729,956)    |
| Sale proceeds of tangible and intangible assets             | 8,9,10 | 3,155        | 1,653        |
| Sale/(purchase) of financial investments                    |        | -            | -            |
| Repayments of loans granted                                 |        | 776          | 1,775        |
| Interest received   |        | 256          | 6,757        |
| Net cash flow used in investing activities                  |        | (371,104)    | (719,771)    |
| <b>Cash flows from financing activities:</b>                |        |              |              |
| Dividends paid  |        | (1,092,659)  | (1,122,934)  |
| Interest paid   |        | (1,695,795)  | (1,412,614)  |
| Repayments of loan received                                 |        | (765,010)    | (570,258)    |
| Sale/(purchase) of treasury shares                          |        | (86,254)     | (1,128,661)  |
| Change in other long term liabilities                       |        | (17,913)     | 479,948      |
| Net cash flow from financing activities                     |        | (3,657,631)  | (3,754,519)  |
| Change in cash and cash equivalents                         |        | 7,041,182    | 5,149,892    |
| Cash and cash equivalents at beginning of the year          | 4      | 24,757,945   | 7,667,840    |
| Effect of foreign currency translation                      |        | (20,968)     | 95,736       |
| Cash and cash equivalents at end of the year                | 4      | 31,778,159   | 12,913,468   |

The accompanying notes on pages 19 to 46 form an integral part of these consolidated financial statements.



## **1. General**

Further to the decision of the shareholders, as of 31 December, 2008, the Court of Registration cancelled Fotex Nyrt. from the companies register on the grounds of transformation and, according to the Court's decision dated 9 January, 2009, registered FOTEX HOLDING SE Nyilvánosan Működő Európai Részvénytársaság (FOTEX HOLDING SE European public limited company) as of 1 January, 2009. Following the transformation into a European public limited company, the Company's Extraordinary General Meeting held on 4 June, 2009 decided to move the Company's registered office to Luxembourg. The Company has been registered in the Luxembourg companies register under the number R.C.S. B 146.938. The Company's current registered address is 272, rue de Neudorf, L-2222 Luxembourg, Luxembourg. The Metropolitan Court of Budapest, as the competent authority, struck the Company off the Hungarian companies register on 28 August 2009.

Fotex Holding SE ("Fotex" or the "Company") is a European public limited company regulated under the laws of the Grand Duchy of Luxembourg. The Company is primarily the holding company of a group of subsidiaries (Fotex and its subsidiaries, hereafter the "Group") incorporated in Luxembourg, the Netherlands and Hungary and engaged in a variety of property management, manufacturing, retailing and other activities. Fotex Holding SE is the ultimate parent of the Group. Except for Upington Investments S.à r.l., which is registered in Luxembourg, and Fotex Netherlands B.V., FN 2 B.V., FN 3 B.V., FN 4 B.V. and Long Term CRE Fund B.V. which are registered in the Netherlands, all subsidiaries of the Group are registered and operate in Hungary.

The ownership of consolidated subsidiaries, after considering indirect shareholdings, is:

| Subsidiaries                  | Principal Activities               | Issued capital EUR |             | Ownership (%) |            | Voting rights % |            |
|-------------------------------|------------------------------------|--------------------|-------------|---------------|------------|-----------------|------------|
|                               |                                    | 30/06/2017         | 30/06/2016  | 30/06/2017    | 30/06/2016 | 30/06/2017      | 30/06/2016 |
| Ajka Kristály Üvegipari Kft.  | Crystal manufacturing and retail   | 10,524,199         | 10,524,199  | 100.00        | 100.00     | 100.00          | 100.00     |
| Fotex Netherlands B.V.        | Property management                | 150,018,000        | 150,018,000 | 100.00        | 100.00     | 100.00          | 100.00     |
| FN 2 B.V.                     | Property management                | 18,000             | 18,000      | 100.00        | 100.00     | 100.00          | 100.00     |
| FN 3 B.V.                     | Property management                | 100                | 100         | 100.00        | 100.00     | 100.00          | 100.00     |
| FN 4 B.V.                     | Property management                | 100                | 100         | 100.00        | 100.00     | 100.00          | 100.00     |
| Fotexnet Kft.                 | Internet retail and other services | 1,595,501          | 1,595,501   | 100.00        | 100.00     | 100.00          | 100.00     |
| Hungaroton Music Zrt.         | Music archive                      | 480,399            | 480,399     | 99.21         | 99.21      | 99.21           | 99.21      |
| Keringatlan Kft.              | Property management                | 3,751,896          | 3,751,896   | 99.99         | 99.99      | 99.99           | 99.99      |
| Long Term CRE Fund B.V.       | Property management                | 100                | 100         | 100.00        | 100.00     | 100.00          | 100.00     |
| Plaza Park Kft.               | Property management                | 18,897             | 18,897      | 100.00        | 100.00     | 100.00          | 100.00     |
| Sigma Kft.                    | Property services                  | 100,650            | 100,650     | 75.05         | 75.05      | 75.05           | 75.05      |
| Székhely 2007 Kft.            | Property services                  | 102,949            | 102,949     | 99.28         | 99.28      | 99.28           | 99.28      |
| Upington Investments S.à r.l. | Investment holding                 | 12,500             | 12,500      | 100.00        | 100.00     | 100.00          | 100.00     |

## **2. Significant Accounting Policies**

### **Basis of presentation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The consolidated financial statements have been prepared on a historical cost basis. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year except as explained in the Change in accounting policies section of this note. The consolidated financial statements are presented in EUR, except where otherwise indicated.

### **Statement of compliance**

The subsidiaries of the Group maintain their official accounting records and prepare their individual financial statements in accordance with the accounting regulations of their country of registration. The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") as endorsed by the EU.

Effective 1 January 2005, the Group prepares its consolidated financial statements in accordance with IFRS as adopted by the EU. At 30 June, 2017 there is no difference in the policies applied by the Group between IFRS and IFRS that have been adopted by the EU.

As a result of Fotex's transformation to an SE (Societas Europaea) from 1 January 2009, Fotex Holding SE became a European public limited company. Fotex moved its registered office to Luxembourg and is regulated under the laws of the Grand Duchy of Luxembourg. The reporting currency of the consolidated financial statements changed to EUR.

### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of Fotex and its subsidiaries as at 30 June 2017.

As a result of its transformation into a European public limited company, the Company's financial records have been kept in EUR since 1 January 2009. Accordingly, Fotex Group's consolidated financial statements of 2017 are prepared in Euro ("EUR").

### **Foreign currency translation**

The functional currency of the Group's subsidiaries included in the consolidation is the Hungarian Forint ("HUF") – except for the subsidiaries outside of Hungary, whose functional currency is EUR. Considering that the reporting currency is EUR, it is necessary to convert the elements of statement of financial position and income statement of subsidiaries from HUF to EUR.

The following foreign currency ("FX") rates have been applied at the conversion from HUF to EUR:

|                  | 2017           | 2016           |
|------------------|----------------|----------------|
| First half year  | 309.46 HUF/EUR | 312.68 HUF/EUR |
| Second half year |                | 310.27 HUF/EUR |

Assets and liabilities have been converted to EUR using the MNB (Hungarian National Bank) FX rate as at 30 June 2017: 308.87 HUF/EUR (31 December 2016: 311.02 HUF/EUR), the exchange difference in translation of foreign operations shown in the other comprehensive income.

### **3. Significant accounting judgments, estimates and assumptions**

#### **Judgements**

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

##### *Operating Lease Commitments – Group as Lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

#### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Impairment of Goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2017 is EUR 10,807,113 (2016: EUR 10,732,406). Further details are given in Note 11.

##### *Impairment of Intangibles*

The Group determines whether intangible assets with indefinite useful lives such as merchandising and media rights are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 10.

On 1 January 2012, the Hungarian Parliament enacted a law concerning the media and merchandising rights connected to sporting organisations. In this it was determined that media and merchandising rights connected to sporting clubs may only be owned by associations and not by third parties. Further where such rights were held by third parties prior to the change in the law then the ownership/usage right transfers to the sporting association from 1 January 2012. Where this is the case compensation is to be paid to the former owner of the rights based on an agreement to be reached between the parties. If an agreement is not reached by the parties, the local court of justice (Budapest court) will judge on the compensation on the basis of the market value of the rights as of the date of the transfer.

Fotex includes in its intangible assets the merchandising and media rights of FTC Labdarúgó Zrt., which are subject to the change in law described above. In management's opinion all these rights belong to the Group and the carrying value will be recovered.

**3. Significant accounting judgments, estimates and assumptions (continued)**

*Deferred Tax Assets*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable income together with future tax planning strategies. Further details are given in Note 16.

*Fair Value of Investment Properties*

The Group has determined and presented in the notes to the consolidated financial statements prepared for the periods ending 31 December the fair value of investment property either as the present value of the estimated future cash flows generated from leasing such assets or using comparable prices. Future cash flows were determined separately for the following categories of investment property: retail outlets, offices, warehouses and other real estate property using average rental fees currently realisable by the Group; present values were calculated using a uniform discount rate that is considered by management as appropriate for the valuation of real estate property on the relevant markets. Further details are given in Note 9.

#### **4. Cash and cash equivalents**

Liquid assets held at banks bear daily floating interest rates and are deposited for the short-term (1 day to 3 months) in anticipation of the liquidity needs of the Group. Such deposits yield interest according to the applicable short-term rates. The fair value of cash and short-term deposits is EUR 31,778,159 (31 December 2016: EUR 24,757,945).

Cash includes fixed deposit of EUR 2,069,668 at rate 0.08%, (in 2016 cash included EUR 2,069,668 at rate 0.08%).

#### **5. Other financial assets**

|  | 30 June 2017 | 31 December 2016 |
|--|--------------|------------------|
|  | EUR          | EUR              |
| Current                                      |              |                  |
| Cash deposits connected to rented properties | 599,777      | 581,509          |
| Short-term loans to other parties *          | 193,781      | 190,486          |
| Other short-term investments                 | 1,136        | 1,129            |
| Other current financial assets, total        | 794,694      | 773,124          |
|  |              |                  |
|  | 30 June 2017 | 31 December 2016 |
|  | EUR          | EUR              |
| Non-current                                  |              |                  |
| Cash deposits connected to rented properties | 1,987,347    | 1,928,027        |
| Unquoted equity instruments                  | 50,607       | 50,257           |
| Long-term loans to other parties **          | 1,490        | 2,251            |
| Other non-current financial assets, total    | 2,039,444    | 1,980,535        |

Cash deposits connected to rented properties:

The Group has received 2 to 3 months deposits from its tenants which are held at a bank. Deposits are only repayable if the related rental contract is terminated. Based on the historical and expected rental cancellation rate, the Group has classified the deposits which are expected to be repayable in more than one year to long-term, and the deposits which are expected to be repayable within 3-12 months were classified as short-term.

\* Short-term loans to other parties:

This contains the short term part of loans granted to other parties and their interest receivable on such these loans.

\*\* Non-current part of other long-term loans:

The non-current part of other long-term loans includes loans given to employees in amount of EUR 1,490 (31 December 2016: EUR 2,251).

**6. Accounts receivable and prepayments**

|  | 30 June 2017     | 31 December 2016 |
|--|------------------|------------------|
|  | EUR              | EUR              |
| Accounts receivable                    | 4,062,917        | 5,143,241        |
| Impairment loss on accounts receivable | (558,477)        | (557,988)        |
| Tax assets                             | 629,665          | 633,066          |
| Other receivables                      | 901,162          | 883,566          |
| Prepayments/accrued income             | 1,834,609        | 1,302,279        |
| Impairment loss on other receivables   | (399,634)        | (450,961)        |
| <b>Total</b>                           | <b>6,470,242</b> | <b>6,953,203</b> |

Tax assets are mainly VAT receivable and are typically received within three months.

Impairment loss on debtors and on other receivables at 30 June 2017 is: EUR 958,111 (31 December 2016: EUR 1,008,949).

Movements in impairment loss:

|   | EUR              |
|---|------------------|
| 1 January 2016                                | 1,220,765        |
| Charge for the year                           | 118,853          |
| Unused amount reversed                        | (270,946)        |
| Utilised*                                     | (66,829)         |
| Currency gain/(loss) arising on retranslation | 7,106            |
| <b>31 December 2016</b>                       | <b>1,008,949</b> |
| Charge for the year                           | -                |
| Unused amount reversed                        | (57,701)         |
| Utilised*                                     | -                |
| Currency gain/(loss) arising on retranslation | 6,863            |
| <b>30 June 2017</b>                           | <b>958,111</b>   |

\*Impairment loss used due to qualifying the underlying receivable as bad debt.

## **6. Accounts receivable and prepayments (continued)**

Aged debtors less impairment loss:

|                  | Not<br>overdue<br>and not<br>impaired | < 30 days | 30-90<br>days | Overdue but not impaired |                 |              | Total     |
|------------------|---------------------------------------|-----------|---------------|--------------------------|-----------------|--------------|-----------|
|                  |                                       |           |               | 90-180<br>days           | 180-360<br>days | >360<br>days |           |
| 30 June 2017     | 3,073,099                             | 197,427   | 48,689        | 77,357                   | 100,181         | 7,687        | 3,504,440 |
| 31 December 2016 | 4,369,174                             | 152,353   | 59,927        | -                        | 3,374           | 425          | 4,585,253 |

Aged tax assets, other receivables and prepayments less impairment loss:

|                  | Not<br>overdue<br>and not<br>impaired | < 30 days | 30-90<br>days | Overdue but not impaired |                 |              | Total     |
|------------------|---------------------------------------|-----------|---------------|--------------------------|-----------------|--------------|-----------|
|                  |                                       |           |               | 90-180<br>days           | 180-360<br>days | >360<br>days |           |
| 30 June 2017     | 2,073,604                             | 319,935   | 93,870        | 18,467                   | 37,424          | 422,502      | 2,965,802 |
| 31 December 2016 | 1,361,193                             | 243,239   | 329,658       | 8,263                    | 3,606           | 421,991      | 2,367,950 |

## **7. Inventories**

|   | 30 June 2017 | 31 December 2016 |
|---|--------------|------------------|
|   | EUR          | EUR              |
| Merchandise and finished products               | 6,465,568    | 6,695,689        |
| Materials                                       | 399,044      | 418,683          |
| Work in progress                                | 2,428,235    | 2,274,561        |
| Inventories, gross                              | 9,292,847    | 9,388,933        |
| Impairment of merchandise and finished products | (2,085,954)  | (2,159,884)      |
| Impairment of materials                         | (8,878)      | (8,816)          |
| Impairment of work in progress                  | (390,148)    | (387,451)        |
| Impairment of inventories                       | (2,484,980)  | (2,556,151)      |
| Total inventories, net                          | 6,807,867    | 6,832,782        |

Movements in inventory impairment loss:

Management has identified a number of Group companies that have slow moving inventories. Management believes that the EUR 2,484,980 provision made for the impairment of inventories (31 December 2016: EUR 2,556,151) is adequate, from this the current year reversal is EUR 88,216 (in 2016: EUR 628,089) which is disclosed as other operating expense (Note 14). In addition to the impairment EUR 2,607,788 of inventories were recognised as an expense (2016: EUR 5,087,393).

## **8. Property, plant and equipment**

Movements in property, plant and equipment during 2017 were as follows:

|  | Land,<br>buildings | Furniture,<br>machinery,<br>equipment,<br>fittings | Construction in<br>progress* | Total               |
|--|--------------------|--|------------------------------|---------------------|
|  | EUR                | EUR  | EUR                          | EUR                 |
| <b>Cost:</b>                                     |                    |  |                              |                     |
| <b>1 January 2017</b>                            | <b>6,632,430</b>   | <b>18,073,063</b>                                  | <b>39,396</b>                | <b>24,744,889</b>   |
| Additions  | -                  | 297,191  | 12,951                       | 310,142             |
| Other increase                                   | 20,000             | 1,260  | -                            | 21,260              |
| Other decrease                                   | (53,167)           | (447,195)  | -                            | (500,362)           |
| Disposals and write downs                        | -                  | (57,329)   | -                            | (57,329)            |
| Currency gain/(loss) arising<br>on retranslation | (124,448)          | 124,524  | 303                          | 379                 |
| <b>30 June 2017</b>                              | <b>6,474,815</b>   | <b>17,991,514</b>                                  | <b>52,650</b>                | <b>24,518,979</b>   |
| <b>Accumulated depreciation:</b>                 |                    |  |                              |                     |
| <b>1 January 2017</b>                            | <b>(2,776,163)</b> | <b>(16,084,763)</b>                                | <b>-</b>                     | <b>(18,860,926)</b> |
| Depreciation expense                             | (11,345)           | (244,830)  | -                            | (256,175)           |
| Disposals and write downs                        | -                  | 56,783   | -                            | 56,783              |
| Other increase                                   | -                  | (1,260)  | -                            | (1,260)             |
| Other decrease                                   | 9,821              | 448,359  | -                            | 458,180             |
| Currency gain/(loss) arising<br>on retranslation | (12,047)           | (110,993)  | -                            | (123,040)           |
| <b>30 June 2017</b>                              | <b>(2,789,734)</b> | <b>(15,936,704)</b>                                | <b>-</b>                     | <b>(18,726,438)</b> |
| <b>Net book value</b>                            |                    |  |                              |                     |
| <b>30 June 2017</b>                              | <b>3,685,081</b>   | <b>2,054,810</b>                                   | <b>52,650</b>                | <b>5,792,541</b>    |
| <b>31 December 2016</b>                          | <b>3,856,267</b>   | <b>1,988,300</b>                                   | <b>39,396</b>                | <b>5,883,963</b>    |

\* Construction in progress shows the net movement of current year.



**8. Property, plant and equipment (continued)**

Movements in property, plant and equipment during 2016 were as follows:

|  | Land,<br>buildings | Furniture,<br>machinery,<br>equipment,<br>fittings | Construction in<br>progress* | Total               |
|--|--------------------|--|------------------------------|---------------------|
|  | EUR                | EUR  | EUR                          | EUR                 |
| <b>Cost:</b>                                     |                    |  |                              |                     |
| <b>1 January 2016</b>                            | <b>6,836,603</b>   | <b>18,177,799</b>                                  | <b>211,271</b>               | <b>25,225,673</b>   |
| Transfer to capitalisation                       | -                  | 173,057  | (173,057)                    | -                   |
| Additions  | 33,538             | 426,759  | -                            | 460,297             |
| Other decrease                                   | (636)              | (690,147)  | -                            | (690,783)           |
| Disposals and write downs                        | -                  | (139,474)  | -                            | (139,474)           |
| Currency gain/(loss) arising<br>on retranslation | (237,075)          | 125,069  | 1,182                        | (110,824)           |
| <b>31 December 2016</b>                          | <b>6,632,430</b>   | <b>18,073,063</b>                                  | <b>39,396</b>                | <b>24,744,889</b>   |
| <b>Accumulated depreciation:</b>                 |                    |  |                              |                     |
| <b>1 January 2016</b>                            | <b>(2,404,313)</b> | <b>(16,309,583)</b>                                | <b>-</b>                     | <b>(18,713,896)</b> |
| Depreciation expense                             | (365,654)          | (478,379)  | -                            | (844,033)           |
| Disposals and write downs                        | -                  | 136,507  | -                            | 136,507             |
| Other increase                                   | (461,341)          | -  | -                            | (461,341)           |
| Other decrease                                   | 464,665            | 676,303  | -                            | 1,140,968           |
| Currency gain/(loss) arising<br>on retranslation | (9,520)            | (109,611)  | -                            | (119,131)           |
| <b>31 December 2016</b>                          | <b>(2,776,163)</b> | <b>(16,084,763)</b>                                | <b>-</b>                     | <b>(18,860,926)</b> |
| <b>Net book value</b>                            |                    |  |                              |                     |
| <b>31 December 2016</b>                          | <b>3,856,267</b>   | <b>1,988,300</b>                                   | <b>39,396</b>                | <b>5,883,963</b>    |
| <b>31 December 2015</b>                          | <b>4,432,290</b>   | <b>1,868,216</b>                                   | <b>211,271</b>               | <b>6,511,777</b>    |

\* Construction in progress shows the net movement of current year.

## **9. Investment properties**

The Group controls a significant property portfolio. In prior years, a significant proportion of this portfolio was utilized by the Group companies as retail outlets and for other operating activity purposes. The Group gradually abandoned its retail activity and has become an investment property company by leasing an increasing proportion of its real estate portfolio to third parties. Investment property is measured in the consolidated statement of financial position at historic cost less accumulated depreciation.

Movements in investment properties measured at cost in the first 6 months of 2017 were as follows:

|   | <u>Investment properties</u> |
|---|------------------------------|
| <b>Cost:</b>                                    | EUR                          |
| <b>1 January 2017</b>                           | <b>226,768,315</b>           |
| Additions                                       | 48,652                       |
| Other increase                                  | 8,256                        |
| Disposal  | (55,946)                     |
| Currency gain/(loss) arising from retranslation | 680,248                      |
| <b>30 June 2017</b>                             | <b>227,449,525</b>           |
| <br><b>Accumulated depreciation:</b>            |                              |
| <b>1 January 2017</b>                           | <b>(57,726,913)</b>          |
| Depreciation expense                            | (3,889,678)                  |
| Impairment                                      | -                            |
| Other increase                                  | -                            |
| Disposal  | 5,667                        |
| Currency gain/(loss) arising from retranslation | (240,081)                    |
| <b>30 June 2017</b>                             | <b>(61,851,005)</b>          |
| <br><b>Net book value:</b>                      |                              |
| <b>30 June 2017</b>                             | <b>165,598,520</b>           |
| <b>31 December 2016</b>                         | <b>169,041,402</b>           |

Additions refer to refurbishment works carried out in several Hungarian properties. The value of disposal is composed of the value of demolished warehouses and is included in the EUR 51,887 of the Scrapping of inventories and PPE and investment properties line of Operating expenses as presented in the Note 14.

## **9. Investment properties (continued)**

The net book values of investment properties at 30 June 2017 are set out below:

| Category                    | Area<br>m <sup>2</sup> | Net book value<br>EUR |
|-----------------------------|------------------------|-----------------------|
| Retail outlets              | 165,993                | 27,183,120            |
| Offices                     | 96,069                 | 106,895,613           |
| Warehouses                  | 62,757                 | 2,938,743             |
| Other structures            | 25,090                 | 3,939,234             |
| Plots of land               | 901,324                | 24,641,810            |
| Total investment properties | 1,251,233              | 165,598,520           |

The Company determines the fair value of investment properties once a year, and the fair value is presented in the consolidated financial statements as of 31 December.

Movements in investment properties in 2016 were as follows:

|  | Investment properties<br>EUR |
|--|------------------------------|
| <b>Cost:</b>                             |                              |
| <b>1 January 2016</b>                    | <b>225,638,213</b>           |
| Additions                                | 1,277,230                    |
| Other increase                           | -                            |
| Disposal                                 | (923,163)                    |
| Transfer from own property               | -                            |
| Currency loss arising from retranslation | 776,035                      |
| <b>31 December 2016</b>                  | <b>226,768,315</b>           |
| <b>Accumulated depreciation:</b>         |                              |
| <b>1 January 2016</b>                    | <b>(50,654,790)</b>          |
| Depreciation expense                     | (7,302,986)                  |
| Impairment                               | -                            |
| Other increase                           | -                            |
| Disposal                                 | 456,725                      |
| Transfer from own property               | -                            |
| Currency gain arising from retranslation | (225,862)                    |
| <b>31 December 2016</b>                  | <b>(57,726,913)</b>          |
| <b>Net book value:</b>                   |                              |
| <b>31 December 2016</b>                  | <b>169,041,402</b>           |
| <b>31 December 2015</b>                  | <b>174,983,423</b>           |

Additions refer to the acquisition of a warehouse in Hungary and the capitalised value of refurbishment works. The value of disposal is composed of the value of demolished warehouses and is included in the EUR 466,678 of the Impairment of intangible assets and PPE and investment properties line of Operating expenses as presented in the Note 14.

## **9. Investment properties (continued)**

The fair values of investment properties at 31 December 2016 are set out below:

| Category                    | Area<br>m <sup>2</sup> | Net book value<br>EUR | Estimated fair value<br>EUR |
|-----------------------------|------------------------|-----------------------|-----------------------------|
| Retail outlets              | 166,063                | 28,182,663            | 154,899,233                 |
| Offices                     | 96,069                 | 109,190,729           | 151,356,328                 |
| Warehouses                  | 87,881                 | 3,067,683             | 13,266,466                  |
| Other structures            | 25,090                 | 3,989,278             | 9,719,285                   |
| Plots of land               | 925,524                | 24,611,049            | 33,286,904                  |
| Total investment properties | 1,300,627              | 169,041,402           | 362,528,216                 |

The fair value of investment property is determined based on an external real estate valuation using recognised valuation techniques.

These techniques comprise both the comparable market price method and the Discounted Cash Flow Method. Present values of the future cash flows are determined separately for each presented category based on the currently realised rental rates. Unbuilt plots of land were valued based on the comparable market prices method. The valuers have used their market knowledge and professional judgement and have not only relied on historical transactional comparables.

The valuations were performed by an external valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

### **Key valuation assumptions for 2016**

The present values of the investments have been calculated based on a market yield rate which is suitable to measure properties in the relevant market. The market comparatives valuation method was based on the following assumptions:

- Due to the steady current economic situation in the Hungarian real estate market the range of yields dropped by 1.6 bps in comparison to 2015.
- Rents on investment properties have been calculated based on the contractual rental fees and market comparative method considering 3% and 5%, respectively, renovation fund and 95% occupation rate.
- The used yield rate per property item located in Hungary is between 6.15% and 13.5% depending on the type and location of the property (2015: 7.75%-13.5%). For the Dutch properties, the calculated yield rate is between 6.15% and 12.75% (2015: 6.4%-13.0%).
- Rents are predominantly set in EUR in the rental contracts. Where rent is set in HUF, the related yield has been calculated at a 310 HUF/EUR exchange rate (2015: 310 HUF/EUR) though this relates only to a small number of properties.

Discounted cash flow valuation method was based on the following assumptions; a 10-years rental period was assumed with 8.00 – 8.50% discount factor and exit interest rate. The applied FX rate was 310 HUF/EUR and the anticipated HICP rate was 2.00% p.a.

## 10. Intangible assets

Movements in intangible assets during 2017 were as follows:

|  | Media and<br>merchandising<br>rights | Other            | Total              |
|--|--------------------------------------|------------------|--------------------|
|  | EUR                                  | EUR              | EUR                |
| <b>Cost:</b>                                       |                                      |                  |                    |
| <b>1 January 2017</b>                              | <b>6,667,194</b>                     | <b>827,300</b>   | <b>7,494,494</b>   |
| Additions  | -                                    | 16,497           | 16,497             |
| Other increase                                     | -                                    | 2,378            | 2,378              |
| Other decrease                                     | -                                    | (2,840)          | (2,840)            |
| Disposals and write downs                          | -                                    | (785)            | (785)              |
| Currency gain/(loss) arising from<br>retranslation | -                                    | (5,635)          | (5,635)            |
| <b>30 June 2017</b>                                | <b>6,667,194</b>                     | <b>836,915</b>   | <b>7,504,109</b>   |
| <b>Accumulated amortisation:</b>                   |                                      |                  |                    |
| <b>1 January 2017</b>                              | <b>(5,008,798)</b>                   | <b>(772,903)</b> | <b>(5,781,701)</b> |
| Amortisation expense                               | -                                    | (36,319)         | (36,319)           |
| Impairment   | -                                    | -                | -                  |
| Other increase                                     | -                                    | -                | -                  |
| Other decrease                                     | -                                    | 459              | 459                |
| Disposals and write downs                          | -                                    | 785              | 785                |
| Currency gain/(loss) arising from<br>retranslation | -                                    | 6,095            | 6,095              |
| <b>30 June 2017</b>                                | <b>(5,008,798)</b>                   | <b>(801,883)</b> | <b>(5,810,681)</b> |
| <b>Net book value:</b>                             |                                      |                  |                    |
| <b>30 June 2017</b>                                | <b>1,658,396</b>                     | <b>35,032</b>    | <b>1,693,428</b>   |
| <b>31 December 2016</b>                            | <b>1,658,396</b>                     | <b>54,397</b>    | <b>1,712,793</b>   |

## **10. Intangible assets (continued)**

Movements in intangible assets during 2016 were as follows:

|  | Media and<br>merchandising<br>rights | Other            | Total              |
|--|--------------------------------------|------------------|--------------------|
|  | EUR                                  | EUR              | EUR                |
| <b>Cost:</b>                                       |                                      |                  |                    |
| <b>1 January 2016</b>                              | <b>6,667,194</b>                     | <b>815,074</b>   | <b>7,482,268</b>   |
| Additions  | -                                    | 20,175           | 20,175             |
| Other increase                                     | -                                    | -                | -                  |
| Transfer to investment property                    | -                                    | (55)             | (55)               |
| Disposals and write downs                          | -                                    | -                | -                  |
| Currency gain/(loss) arising from<br>retranslation | -                                    | (7,894)          | (7,894)            |
| <b>31 December 2016</b>                            | <b>6,667,194</b>                     | <b>827,300</b>   | <b>7,494,494</b>   |
| <b>Accumulated amortisation:</b>                   |                                      |                  |                    |
| <b>1 January 2016</b>                              | <b>(5,008,798)</b>                   | <b>(706,722)</b> | <b>(5,715,520)</b> |
| Amortisation expense                               | -                                    | (68,821)         | (68,821)           |
| Impairment   | -                                    | -                | -                  |
| Other increase                                     | -                                    | (3,869)          | (3,869)            |
| Transfer to investment property                    | -                                    | -                | -                  |
| Disposals and write downs                          | -                                    | -                | -                  |
| Currency gain/(loss) arising from<br>retranslation | -                                    | 6,509            | 6,509              |
| <b>31 December 2016</b>                            | <b>(5,008,798)</b>                   | <b>(772,903)</b> | <b>(5,781,701)</b> |
| <b>Net book value:</b>                             |                                      |                  |                    |
| <b>31 December 2016</b>                            | <b>1,658,396</b>                     | <b>54,397</b>    | <b>1,712,793</b>   |
| <b>31 December 2015</b>                            | <b>1,658,396</b>                     | <b>108,352</b>   | <b>1,766,748</b>   |

The column 'Other' reflects property rental rights associated with subsidiaries.

As part of discontinuing its ownership of FTC Labdarúgó Zrt., (a company that operates and manages the football club „FTC”) acquired in 2001 (at a cost of HUF 1.9 billion – ca, EUR 7 million), Fotex acquired certain merchandising rights in FTC (media and brand merchandise, distribution and promotion rights (billboards) in 2003 for an unlimited period for which an impairment of EUR 4,008,798 has been recorded in prior years. Owing to changes in Hungarian legislation, as of 1 January 2012, all rights related to the Club's address, logo and name reverted to the FTC Sport Association. Such reversion is due compensation by FTC, the amount of which is still under negotiation by the parties. In consideration of the long lasting procedure further impairment of EUR 1,000,000 has been recognized in 2015. Should the parties be unable to reach an agreement, the amount of compensation will be determined based on the fair value of the rights at the time of reversal by a court competent to act based on the location of the Club's headquarters.

In 2016 the Court ruled in favour of the Company but FTC Zrt and FTC Association turned to the Supreme Court to against the ruling of the Civil Court. The Supreme Court has not issued any ruling on the matter yet.

In 2017 no further impairment was recognized in connection with FTC merchandising rights.

## **11. Goodwill arising on acquisition**

Movements in goodwill on business combinations were as follows during 2017 and 2016:

|  | 30 June 2017 | 31 December 2016 |
|--|--------------|------------------|
|  | EUR          | EUR              |
| Cost:  |              |                  |
| 1 January                                      | 18,028,492   | 17,907,581       |
| Disposal of fully written off goodwill         | -            | -                |
| Currency difference arising from retranslation | 125,495      | 120,911          |
| Closing balance                                | 18,153,987   | 18,028,492       |
| Impairment:                                    |              |                  |
| 1 January                                      | (7,296,086)  | (7,247,154)      |
| Disposal of fully written off goodwill         | -            | -                |
| Currency difference arising from retranslation | (50,788)     | (48,932)         |
| Closing balance                                | (7,346,874)  | (7,296,086)      |
| Net book value                                 |              |                  |
| 1 January                                      | 10,732,406   | 10,660,427       |
| Closing balance                                | 10,807,113   | 10,732,406       |

Goodwill is tested for impairment at least annually. Goodwill may be created by the recognition of deferred taxation in excess of its fair value. Therefore, in performing an impairment test, the amount of such deferred tax is offset against the goodwill and the net amount tested to determine whether that goodwill is impaired.

Goodwill is therefore tested as follows:

|  | 30 June 2017 | 31 December 2016 |
|--|--------------|------------------|
|  | EUR          | EUR              |
| Total goodwill   | 10,807,113   | 10,732,406       |
| Residual balance of deferred tax liability, in excess of the fair value, initially provided on acquisition | (1,478,368)  | (1,468,148)      |
| Goodwill tested for impairment   | 9,328,745    | 9,264,258        |

The goodwill tested for impairment is allocated to the group of cash generating units that constitute Plaza Park Kft. and the property portfolio of Keringatlan Kft. which is the most significant investment property group company. At the year-end, the Group considered whether there were any indicators of impairment of the value of goodwill. The Group estimated the value in use of the cash generating units attributable to goodwill. Based on this calculation no impairment loss was recognised on goodwill in 2017. Management estimates that goodwill is not impaired even in case of the potential changes in the assumptions of the underlying valuation model, since the fair values of the investment properties, to which the goodwill relates, are significantly higher than the book values of the properties.

## **11. Goodwill arising on acquisition (continued)**

Goodwill is allocated to the following entities:

|                  | 30 June 2017      | 31 December 2016  |
|------------------|-------------------|-------------------|
|                  | EUR               | EUR               |
| Keringatlan Kft. | 9,085,745         | 9,022,937         |
| Plaza Park Kft.  | 1,721,368         | 1,709,469         |
| Net book value   | <u>10,807,113</u> | <u>10,732,406</u> |

## **12. Accounts payable, other liabilities and provision**

|  | 30 June 2017      | 31 December 2016  |
|--|-------------------|-------------------|
|  | EUR               | EUR               |
| Trade payables                                       | 717,638           | 525,946           |
| Taxes payable  | 2,255,703         | 2,031,123         |
| Advances from customers                              | 57,597            | 59,112            |
| Accrued expenses                                     | 483,960           | 314,677           |
| Deferred rental income                               | 5,266,359         | 4,625,370         |
| Amounts payable to employees                         | 192,447           | 190,129           |
| Deposits from tenants                                | 599,777           | 581,509           |
| Other liabilities                                    | 2,432,263         | 2,963,292         |
| Total accounts payable and other current liabilities | <u>12,005,744</u> | <u>11,291,158</u> |
| Other long term liabilities                          | <u>2,013,219</u>  | <u>1,926,375</u>  |

### *Terms and conditions of the above liabilities:*

Trade payables are non-interest bearing and are typically settled on a 20 to 30-days term.

Other payables are non-interest bearing and have an average term of 1 to 3 months.

Payables to employees are non-interest bearing and represent one monthly salary with contributions.

Deposits from tenants are payable typically within 30 days of the end date of the underlying rental contract.

The Group has received 2 to 3 months deposits of EUR 2,585,476 (2016: EUR 2,507,884) from its tenants which are repayable if the related rental contract is terminated. Based on the historical and expected rental cancellation rate, the Group has classified as other long-term liabilities those deposit liabilities which are expected to be repayable in more than one year EUR 1,985,699 (2016: EUR 1,926,375), and the part which is expected within a year was classified as short-term tenant deposit liabilities EUR 599,777 (2016: EUR 581,509).

### *Provision:*

During the financial year of 2017 provisions haven't been accounted for.



### **13. Share capital and reserves**

#### *Share capital*

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with a face value of EUR 0.42 each. At 30 June 2017, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (2016: 70,723,650 ordinary shares and 2,000,000 dividend preference shares).

The "dividend preference shares" carry the same rights as ordinary shares in the event of liquidation or dissolution. They entitle the holder to an annual dividend determined as detailed in Note 14 by the General Meeting, but do not carry voting rights.

Holders of dividend preference shares are not entitled to any rights or dividends other than those granted to them by the General Meeting. They are paid once a year. Interim dividends may only be paid if the conditions required for such a distribution are met.

If the Company is unable to pay these dividends in a given year or if it only pays part of the minimum due in a given year and fails to pay the balance at the time of payment of the dividends for the following year, holders of dividend preference shares shall be granted identical voting rights to those reserved for ordinary shares. This voting right shall remain valid until such time as the Company has paid all the minimum dividends due in respect of the dividend preference shares.

#### *Treasury shares*

The 2,000,000 dividend preference shares issued by the Company which are shown as part of "Issued capital" 2017: EUR 840,000; (2016: EUR 840,000) are also shown in "Treasury shares". During 2017, no dividend preference shares are held by management.

As at 30 June 2017, the Company held 19,957,380 treasury shares (of which are 17,957,380 ordinary shares and 2,000,000 are dividend preference shares) at a historic cost of EUR 25,858,238 (31 December 2016: 19,898,579 shares – of which 17,898,579 were ordinary shares and 2,000,000 were dividend preference shares – at a historic cost of EUR 25,771,984).

During 2017, the Company purchased 58,801 of its ordinary shares (2016: 1,258,248 shares) on an arm's length basis. All dividend preference shares are owned by the Group.

#### **14. Operating expenses**

|                                      | 30 June 2017        | 30 June 2016        |
|--------------------------------------|---------------------|---------------------|
|                                      | EUR                 | EUR                 |
| Payments to personnel                | (2,650,450)         | (2,626,377)         |
| Material-type expenses               | (3,496,553)         | (3,538,949)         |
| Other expenses, net*                 | (883,921)           | (411,165)           |
| Depreciation and amortisation charge | (4,182,172)         | (4,032,495)         |
| Total operating expenses             | <u>(11,213,096)</u> | <u>(10,608,986)</u> |

During 2017 the Group decided to show its cost of sales in a separate line in the Income Statement. (Previously it was included in Material-type expenses among Operating expenses). The operating expense note was adjusted accordingly. The amount of cost of sales was 2,922,113 as of 30 June 2017 (2,987,236 as of 30 June 2016).

\* Other expenses (net) include the following:

|  | 30 June 2017     | 30 June 2016     |
|--|------------------|------------------|
|  | EUR              | EUR              |
| Realised and unrealized FX differences (net) | (46,029)         | 383,611          |
| Taxes other than income tax                  | (748,177)        | (756,840)        |
| Scrapping of Inventories and PPE             | (51,887)         | (25,408)         |
| Other expenses/income                        | (37,828)         | (12,528)         |
| Total other expenses, net                    | <u>(883,921)</u> | <u>(411,165)</u> |

#### **15. Interest-bearing loans and borrowings**

The Group's Dutch subsidiaries obtained several mortgage loans from FGH Bank N.V and Berlin-Hannoversche Hypotheken bank AG between 2009 and 2015 to fund the purchase of properties. In 2015 another loan was taken out from Blackburn International Inc. All of these loans were repaid during 2015 and 2016. On 20 July, 2016 the Dutch subsidiaries took out a loan (Loan XV.) from Hypobank to refinance the previous loans.

In 2011, when the Fotex Group acquired its ownership in Plaza Park Kft., the compensation included the transfer of four intra-group loans; as a result these loans are recognised as liabilities to related parties in the consolidated financial statements. These four loans (Loans VIII.-XI.) are owed by Fotex Group to Zürich Investments Inc.

On 20 July, 2016 FN 4 B.V. took out a loan (Loan XIV.) from FHG Bank to fund the purchase of property Nieuwegein.

## 15. Interest-bearing loans and borrowings (continued)

The details of the loans are as follows:

| Item                     | Start date | End date   | Loan EUR          | Interest          | Long-term portion at 30 Jun 2017 EUR | Current portion at 30 Jun 2017 EUR | Long-term portion at 31 Dec 2016 EUR | Current portion at 31 Dec 2016 EUR |
|--------------------------|------------|------------|-------------------|-------------------|--------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
| VIII. loan               | 1/7/2011   | 13/4/2018  | 6,896,624         | fixed 7.25 % p.a. | -                                    | 6,705,866                          | 6,520,850                            | 180,779                            |
| IX. loan                 | 1/7/2011   | 3/11/2018  | 1,500,000         | fixed 7.25 % p.a. | 1,420,186                            | 8,939                              | 1,390,008                            | 82,009                             |
| X. loan                  | 1/7/2011   | 17/12/2018 | 2,373,327         | fixed 7.25 % p.a. | 2,238,781                            | 14,144                             | 2,191,944                            | 129,756                            |
| XI. loan                 | 1/7/2011   | 28/6/2021  | 3,800,000         | fixed 7.25 % p.a. | 3,351,536                            | 22,644                             | 3,300,570                            | 138,503                            |
| XIV. mortgage            | 20/07/2016 | 01/01/2021 | 6,315,805         | fixed 3.27% p.a.  | 6,056,305                            | 130,020                            | 6,124,089                            | 130,020                            |
| XV. mortgage             | 20/07/2016 | 20/07/2023 | 70,000,000        | fixed 1.79% p.a.  | 67,014,522                           | 1,694,836                          | 67,527,580                           | 1,567,290                          |
| Overdraft and short term |            |            |                   |                   | -                                    | 232,670                            | -                                    | 250,580                            |
| <b>Total</b>             |            |            | <b>90,885,756</b> |                   | <b>80,081,330</b>                    | <b>8,809,119</b>                   | <b>87,055,041</b>                    | <b>2,478,937</b>                   |

The above loans marked XIV. and XV. are secured by mortgage rights on the Fotex properties in the Netherlands and secured by pledge on rental income from the real estate properties and other assets of Fotex Netherlands B.V., FN 2 B.V. and FN 4 B.V..

The net book values of these properties at 30 June 2017 were as follows:

|  |                |
|--|----------------|
| 2719 EP Zoetermeer, Einsteinlaan 20            | 8,185,469 EUR  |
| 4205 AZ Gorichem, Stadhuisplein 1a, 70 and 70a | 10,847,528 EUR |
| 2034 MA Haarlem, Schipholpoort 20              | 4,209,380 EUR  |
| 3439 LD Nieuwegein, Ravenswade 15              | 9,862,884 EUR  |
| 3528 BJ Utrecht, Papendorpseweg 65             | 13,057,677 EUR |
| 2123 JH Hoofddorp, Polarisavenue 1             | 16,094,828 EUR |
| 1101 CE Amsterdam Southeast, Entrée 500        | 12,642,392 EUR |

The loans marked VIII. to XI. taken out for the purchase of the participation in Plaza Park Kft. are unsecured.

Included in the Group's total interest expense of EUR 1,704,650 (2016 I-VI months: EUR 2,058,258) is a total interest expense in relation to the loans I.-XV. above of EUR 1,700,635 in 2017 (2016 I-VI months: EUR 2,053,690).

## **16. Income tax**

For the purposes of the tax rate reconciliation, Fotex has used a blended tax rate of 17.84% (2015: 16.63%) based on the tax rates used in the biggest tax payers of the Group (Keringatlan Kft., Plaza Park Kft., Székhely 2007 Kft., Fotexnet Kft., Fotex Netherlands B.V., FN 2 B.V., FN 3 B.V., FN 4 B.V.).

From 1 January, 2017 the tax rate of the taxable profit is 9% in Hungary.

The income tax rate applicable to Fotex Holding SE's and Upington Investments S.à r.l.'s income earned in Luxembourg is 22.47% from 1 January 2013, which results in a total tax of 29.22% as increased by Luxembourg's municipal business tax (Fotex Holding SE and Upington Investments S.à r.l. moved their registered seat from Capellen to Luxembourg in 2012); the income tax rate for Fotex Netherlands B.V., FN 2 B.V., FN 3 B.V., FN 4 B.V. and Long Term CRE Fund B.V. is on the first EUR 200,000 of taxable profit 20%, above this amount 25%.

The Group is subject to periodic audit by the Hungarian, Dutch and Luxembourg Tax Authorities. As the application of tax laws and regulations for many types of transactions are susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the relevant Tax Authority.

In 2016 the tax rate used in the deferred tax calculation for the Hungarian companies is 9% because of the tax rate change as from 1 January, 2017. In 2015 for Keringatlan Kft. a tax rate of 15.38% has been applied whilst for the remaining Hungarian companies a rate of 10% has been used based on expected profitability.

In 2016 for the Luxembourg and Dutch entities: at the applicable income tax rates described above, for Fotex Netherlands B.V. a tax rate of 24.22% (2015: 23.02%), for FN 2 B.V. a 24.07% (2015: 24.21%), for FN 3 B.V. 22.96% (2015: 22.98%), for FN 4 B.V. 20% (2015: - %) and in case of Long Term CRE Fund B.V. 20% (2015: 20%) tax rate was applied.

In 2017 the Group has tax losses carried forward of EUR 94,528 (2016: EUR 94,528) which can be written off from taxable income of the Group members. Furthermore, the Group carries forward losses of EUR 3,578,156 (2016: EUR 3,533,243) which have arisen at subsidiaries that have been loss-making for some time and, in view of the current economic trends, are not expected to generate profits in the foreseeable future against which any such loss carried forward could be written off. As a result of the above, losses carried forward of EUR 3,578,156 (2016: EUR 3,533,243) were not considered in the consolidated financial statements as basis for deferred tax assets of which EUR 3,578,156 (2016: EUR 3,533,243) can be rolled forward until 2025.

## **17. Revenue**

| Sales revenue                           | 30 June 2017 | 30 June 2016 |
|---|--------------|--------------|
|   | EUR          | EUR          |
| Rental income revenue                   | 12,777,757   | 12,480,838   |
| Sale of goods*                          | 3,619,407    | 3,872,020    |
| Revenue from service charges to tenants | 1,747,062    | 1,794,118    |
| Provision of services                   | 1,575,138    | 1,421,834    |
| Royalty revenue                         | 75,715       | 80,372       |
| Other sales revenue**                   | 432,080      | 341,846      |
| Total sales revenue                     | 20,227,159   | 19,991,028   |

\*Crystal and glass sales mainly reflect export sales realised in USD and EUR.

\*\*Other sales mainly reflect sales realised in HUF. The rental fees are nominated in EUR and HUF.

## **18. Other comprehensive income components**

Foreign exchange differences arising on the translation of the functional currencies to EUR of subsidiaries whose functional currency is other than EUR are presented through other comprehensive income. Such foreign exchange differences arise from the fluctuations between EUR and the functional currency of the subsidiaries during the year.

## **19. Segment information**

In 2011, the Group revised the operating segments based on IFRS 8. As the volume of certain segments decreased, the Group was divided into 3 business lines from 2011:

- Investment property management
- Crystal and glass manufacturing
- All other segments (music publishing and retail, administration and holding activities).

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The profit or loss of each business segment contains revenues and expenses directly attributable to the segment and revenues and expenses that can be reasonably allocated to the segment from the Group's total profit or loss attributable to transactions with third parties or with other Group segments. The transfer prices applied in inter-segment transactions are based on the cost of the transactions as increased by the margins set out in the underlying Group policies. Profit is distributed among the segments before adjustment for non-controlling interests.

The Group has operations in the Netherlands, in Luxembourg and in Hungary. Geographical segments are not presented in the consolidated financial statements as the cost of producing such information would exceed its merits.

Segment assets and liabilities reflect operating assets and liabilities directly or reasonably attributable to each segment. Assets attributable to each segment are presented at cost less any impairment loss in the Group consolidated statement of financial position.

**Fotex Holding SE and Subsidiaries**  
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**19. Segment information (continued)**

Corporate and other items include primarily general overhead and administrative costs that relate to the Group as a whole and assets that are not directly attributable to any of the segments, for example short-term and long-term investments and liabilities that serve financing rather than operating purposes.

Capital expenditures in the reporting year reflect the total cost of segment assets that are expected to be used for more than one period (properties, equipment and fittings).

|                                 | 30 June 2017                 | 30 June 2017                      | 30 June 2017      | 30 June 2016                 | 30 June 2016                      | 30 June 2016      |
|---------------------------------|------------------------------|-----------------------------------|-------------------|------------------------------|-----------------------------------|-------------------|
|                                 | Net Sales<br>external<br>EUR | Net Sales<br>inter-segment<br>EUR | Net sales<br>EUR  | Net Sales<br>external<br>EUR | Net Sales<br>inter-segment<br>EUR | Net sales<br>EUR  |
| Net sales:                      |                              |                                   |                   |                              |                                   |                   |
| Investment property management  | 14,488,943                   | 238,412                           | 14,727,355        | 14,155,988                   | 244,579                           | 14,400,567        |
| Crystal and glass manufacturing | 3,264,806                    | 140                               | 3,264,946         | 3,444,701                    | -                                 | 3,444,701         |
| All other segments              | 2,473,410                    | 838,320                           | 3,311,730         | 2,390,339                    | 841,096                           | 3,231,435         |
| Inter-segment elimination       | -                            | (1,076,872)                       | (1,076,872)       |                              | (1,085,675)                       | (1,085,675)       |
| Net sales                       | <u>20,227,159</u>            | <u>-</u>                          | <u>20,227,159</u> | <u>19,991,028</u>            | <u>-</u>                          | <u>19,991,028</u> |

|                                 | 30 June 2017                                 | 30 June 2017                                      | 30 June 2017                     | 30 June 2016                                     | 30 June 2016                                      | 30 June 2016                     |
|---------------------------------|--|---|----------------------------------|--|---|----------------------------------|
|                                 | Material-type<br>expenses<br>external<br>EUR | Material-type<br>expenses<br>inter-segment<br>EUR | Material-type<br>expenses<br>EUR | Material-<br>type<br>expenses<br>external<br>EUR | Material-type<br>expenses<br>inter-segment<br>EUR | Material-type<br>expenses<br>EUR |
| Material-type expenses:         |  |   |                                  |  |   |                                  |
| Investment property management  | (2,468,281)                                  | (808,174)   | (3,276,455)                      | (2,542,205)                                      | (809,584)   | (3,351,789)                      |
| Crystal and glass manufacturing | (248,362)                                    | (68,125)  | (316,487)                        | (268,675)  | (76,752)  | (345,427)                        |
| All other segments              | (779,910)                                    | (176,162)   | (956,072)                        | (728,069)  | (175,774)   | (903,843)                        |
| Inter-segment elimination       | -  | 1,052,461   | 1,052,461                        | -  | 1,062,110   | 1,062,110                        |
| Material-type expenses          | <u>(3,496,553)</u>                           | <u>-</u>  | <u>(3,496,553)</u>               | <u>(3,538,949)</u>                               | <u>-</u>  | <u>(3,538,949)</u>               |

|                                 | 30 June 2017     | 30 June 2016     |
|---------------------------------|------------------|------------------|
|                                 | EUR              | EUR              |
| Income before income taxes:     |                  |                  |
| Investment property management  | 4,108,222        | 3,992,819        |
| Crystal and glass manufacturing | 276,533          | 332,820          |
| All other segments              | 4,642            | 19,771           |
| Income before income taxes      | <u>4,389,397</u> | <u>4,345,410</u> |

**Fotex Holding SE and Subsidiaries**  
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**19. Segment information (continued)**

|                                 |                    |                    |
|---------------------------------|--------------------|--------------------|
| Depreciation and amortisation:  | 30 June 2017       | 30 June 2016       |
|                                 | EUR                | EUR                |
| Investment property management  | (3,743,242)        | (3,616,067)        |
| Crystal and glass manufacturing | (111,844)          | (111,266)          |
| All other segments              | (327,086)          | (305,162)          |
| Depreciation and amortisation:  | <u>(4,182,172)</u> | <u>(4,032,495)</u> |

|                                 | 30 June 2017               | 30 June 2017                      | 30 June 2017        | 31 December 2016           | 31 December 2016                  | 31 December 2016    |
|---------------------------------|----------------------------|-----------------------------------|---------------------|----------------------------|-----------------------------------|---------------------|
| Assets:                         | Consolidated assets<br>EUR | Intra-business line assets<br>EUR | Total assets<br>EUR | Consolidated assets<br>EUR | Intra-business line assets<br>EUR | Total assets<br>EUR |
| Investment property management  | 210,700,768                | 1,665,663                         | 212,366,431         | 207,831,604                | 622,308                           | 208,453,912         |
| Crystal and glass manufacturing | 12,152,973                 | 2,635                             | 12,155,608          | 11,790,504                 | 2,598                             | 11,793,102          |
| All other segments              | 9,443,386                  | 1,914,722                         | 11,358,108          | 9,727,966                  | 1,631,897                         | 11,359,863          |
| Inter-segment elimination       | -                          | (3,583,020)                       | (3,583,020)         | -                          | (2,256,803)                       | (2,256,803)         |
| Net assets                      | <u>232,297,127</u>         | <u>-</u>                          | <u>232,297,127</u>  | <u>229,350,074</u>         | <u>-</u>                          | <u>229,350,074</u>  |

|                                 | 30 June 2017                    | 30 June 2017                        | 30 June 2017             | 31 December 2016                | 31 December 2016                    | 31 December 2016         |
|---------------------------------|---------------------------------|-------------------------------------|--------------------------|---------------------------------|-------------------------------------|--------------------------|
| Liabilities and accruals:       | Consolidated liabilities<br>EUR | Intra-business line payables<br>EUR | Total liabilities<br>EUR | Consolidated liabilities<br>EUR | Intra-business line payables<br>EUR | Total liabilities<br>EUR |
| Investment property management  | 102,237,749                     | 1,704,996                           | 103,942,745              | 101,853,098                     | 1,467,686                           | 103,320,784              |
| Crystal and glass manufacturing | 859,855                         | 288,944                             | 1,148,799                | 784,324                         | 236,769                             | 1,021,093                |
| All other segments              | 1,550,857                       | 1,610,197                           | 3,161,054                | 1,841,116                       | 562,884                             | 2,404,000                |
| Inter-segment elimination       | -                               | (3,604,137)                         | (3,604,137)              | -                               | (2,267,339)                         | (2,267,339)              |
| Liabilities and accruals:       | <u>104,648,461</u>              | <u>-</u>                            | <u>104,648,461</u>       | <u>104,478,538</u>              | <u>-</u>                            | <u>104,478,538</u>       |

|  |                |                  |
|--|----------------|------------------|
| Tangible and intangible asset additions: | 30 June 2017   | 31 December 2016 |
|  | EUR            | EUR              |
| Investment property management           | 324,215        | 1,491,474        |
| Crystal and glass manufacturing          | 1,577          | 353,665          |
| All other segments                       | 49,499         | 85,620           |
| Tangible asset additions:                | <u>375,291</u> | <u>1,930,759</u> |

## **20. Financial risks, management objectives and policies**

The Group's primary financial liabilities, other than derivatives, include creditors, operating lease contracts and loans taken to purchase properties. The Group's various financial receivables include debtors, cash and short-term deposits and loan receivables. The Group's liquid assets are held in larger banks in Hungary, the Netherlands and Luxembourg. Financial liabilities and receivables are directly attributable to the Group's operations.

The highest risks related to the Group's financial instruments are FX risk, lending risk and interest risk. Management monitors all these risks and applies the following risk management procedures.

### *Interest rate risk*

The Group entered into EUR loans to buy properties in the Netherlands. The loan interests fixed rates varying between 1.79% and 7.25%. The Fotex Group transferred four formerly intra-group loans which are uncovered as part of the compensation for acquiring its 100% participation in Plaza Park Kft. Accordingly, from 1 July 2011, the transferred loans qualify as related party loans from the Group's perspective. These loans bear a fixed interest rate of 7.25% per annum.

### *Foreign currency ("FX") risk*

Financial instruments that potentially represent risk for the Group include debtors in foreign currency, creditors in foreign currency and deposits in foreign currency other than in EUR. The Group's rental contracts are stipulated in EUR or on EUR basis thus mitigating any FX risk associated with non-EUR revenues.

The Group also has a translation risk on transactions – which occurs when the Group buys or sells in a currency other than its presentation currency.

According to management, beyond the Group's FX risk, the risk associated with the actual profit or loss position stems from the volume of orders and market demand which depends on global market trends rather than on FX rate fluctuations.

### *Credit risk*

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions.

The Group aims to mitigate lending risk by its careful and continuous debtor portfolio monitoring process and by requiring bank guarantees and collateral. In addition, the Group regularly follows up information about the main debtors in the market.

Concentrations of credit risk, with respect to trade accounts receivable, are limited due to the large number of customers.

Receivable balances are monitored on an ongoing basis.

Credit risk related to receivables resulting from the sale of inventory is managed by requiring customers to pay advances before transfer of ownership, therefore, substantially eliminating the Group's credit risk in this respect.

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, available-for-sale investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. At 30 June 2017 the Group's maximum exposure to credit risk is EUR 40,377,366 (31 December 2016: EUR 33,811,497).

Investments of surplus funds are made only with reliable counterparties and are allocated between more banks and financial institutions in order to mitigate financial loss through potential counterparty failure.



## **20. Financial risks, management objectives and policies (continued)**

### *Liquidity risk*

Liquidity risk is monitored as follows:

- Monitoring daily available deposited and free cash by entity
- Monitoring weekly cash flows by entity
- As part of the management information system, the Group monitors the operations of each entity on a monthly basis
- The Group monitors its long-term cash flows in order to match the maturity patterns of its assets and liabilities

### *Capital management*

The main objective of the Group's capital management activities is to continuously ensure an equity structure that supports the Group's business operations, maintains its creditworthiness and maximises shareholder value. Changes in the Group's business environment are also reflected in the equity structure. The Group's equity structure is supervised by management by monitoring the Group's indebtedness ratio and decisions are made accordingly.

The indebtedness ratio is calculated by the Group in view of its net debt and the equity attributable to the Group. For the calculation of the net debt, cash and cash equivalents are deducted from the aggregate of short-term and long-term loans, trade payables and other current liabilities reduced by deferred rental income. To calculate the indebtedness ratio, the net debt is divided with the aggregate of equity and net debt. The Group's indebtedness ratio calculations at 30 June 2017 and 2016 are presented below:

|   | 30 June 2017 | 31 December 2016 |
|---|--------------|------------------|
|   | EUR          | EUR              |
| Short-term and long-term borrowings (Note 15):                                      | 88,890,449   | 89,533,978       |
| Trade payables and other current liabilities less deferred rental income (Note 12): | 6,739,385    | 6,665,788        |
| Cash and cash equivalents (Note 4):   | (31,778,159) | (24,757,945)     |
| Net debt:   | 63,851,675   | 71,441,821       |
| Equity attributable to the Company:   | 127,595,274  | 124,790,104      |
| Total:  | 191,446,949  | 196,231,925      |
| Indebtedness ratio*:  | 33.35%       | 36.41%           |

The Company's indebtedness ratio decreased from 36.41% at 31 December 2016 to 33.35% at 30 June 2017, primarily due to repayment of seven loans (I., II., V., VI., VII., XII. and XIII.), and the addition of two new loans (FHG – XIV. and Hypobank – XV.). The Company's management considers the Company's capital structure adequate, as property management is the Group's key activity and the Company's indebtedness ratio reflects the nature of this industry.

\* The Management has reviewed the calculation method of indebtedness ratio and came to the conclusion that deferred rental income should be eliminated from trade payables and other current liabilities.

### *Fair value*

At 30 June 2017 and 31 December 2016, the carrying values of liquid assets, short-term investments, receivables, liabilities and accruals approximated their fair values owing to their short-term nature. Receivables are presented in the consolidated statement of financial position at cost less impairment loss on doubtful accounts. Bank loans having a variable interest rate approximated their fair values.

## **21. Investments in subsidiaries**

During the first six month of 2017 Fotex Group has not entered into transaction that affected the Group structure.

During 2016 Fotex Group entered into the following transaction that affected the Group structure.

- On 26 May 2016, Fotex Netherlands B.V. established a subsidiary in the Netherlands, FN 4 B.V.

## **22. Operating Leases**

### **Group as lessee**

The Group leases retail sites within the shopping centre “MOM Park” located in Budapest and some smaller centers and shops in Budapest and Győr (partially based on non-cancellable operating lease agreements).

Besides the Group leases 173 parking spaces located in Hoofddorp and Rotterdam.

Since September 2001, the Group has been leasing retail sites within “MOM Park”; the relating contract had a term of 6 years, in March 2007, the Group announced its intention to use its option on the outlets rented in “MOM Park”, whereby the rental contracts were extended till September 2018.

The Group recalculates its leasing fees by ending of each year and publishes them in its financial statements.

## **23. Earnings Per Share**

Basic earnings per share is calculated based on the weighted average number of ordinary shares in issue during the year less treasury shares held by the Company. Similarly, total diluted earnings per share is also calculated based on the weighted average number of ordinary shares in issue during the year as adjusted by the estimated value of an issue of potentially convertible securities. For the calculation of total diluted earnings per share, net earnings are adjusted with any gains and expenses that relate to potentially convertible securities.

Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares:

|  | 30 June 2017 | 30 June 2016 |
|--|--------------|--------------|
|  | EUR          | EUR          |
| Net profit attributable to equity holders from continuing operations | 3,758,015    | 3,215,791    |
| Net profit attributable to shareholders                              | 3,758,015    | 3,215,791    |
| Weighted average number of shares in issue during the year           | 52,772,481   | 53,519,015   |
| Basic earnings per share (EUR)                                       | 0.07         | 0.06         |

The diluted earnings per share agree with basic earnings per share in 2017 and 2016 as there is no dilution effect in these years.

## **24. Related Party Transactions**

### **Principal related parties**

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. ("Blackburn"), a Panama company, and Blackburn International S.à r.l. ("Blackburn Luxembourg"), a Luxembourg company and Zürich Investments Inc. ("Zürich"), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. ("Fotex Ingatlan"). As at 30 June 2017, Blackburn Luxembourg controlled 50.35% (31 December 2016: 50.35%) of the Company's voting shares. These companies are considered to be related parties.

### **Related party transactions**

#### ***2017 disclosures***

Rental and other related fees paid to Fotex Ingatlan for the first 6 months of 2017 were EUR 197,166 (2016 I-VI months: EUR 199,406).

Administrative and expert fees paid by Fotex Ingatlan for the first 6 months of 2017 were EUR 10,753 (2016 I-VI months: EUR 12,006).

There is also an airplane rental agreement between Blackburn Inc. and Fotex Netherlands B.V., the total amount of rent plus related services invoiced by Blackburn Inc. for the first 6 months of 2017 were 28,800 EUR (2016 I-VI months: EUR 45,000).

For the period I-VI months 2017, Fotex Netherlands B.V. was charged interest of EUR 387,202 (2016 I-VI months: EUR 388,222) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 15).

For the period I-VI months 2017, FN 2 B.V. was charged interest of EUR 136,618 (2016 I-VI months: EUR 136,997) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 15).

For the period I-VI months 2017, Long Term CRE Fund B.V. was not charged interest (2016 I-VI months: EUR 168,159) by Blackburn Inc.

#### ***2016 disclosures***

Rental and other related fees paid to Fotex Ingatlan for I-VI months 2016 were EUR 199,406 (2015 I-VI months: EUR 205,436).

Administrative and expert fees paid by Fotex Ingatlan during the first six months of 2016 were EUR 12,006 (2015 I-VI months: EUR 25,772).

Further to an airplane rental agreement between Blackburn Inc. and Fotex Holding SE, the total amount of rent plus related services invoiced by Blackburn Inc. for I-VI months 2016 were zero EUR (2015 I-VI months: EUR 9,000), and to FN B.V. for I-VI months 2016 EUR 45,000 has been invoiced (2015 I-VI months: EUR 65,000).

For the period I-VI months 2016, FN B.V. was charged interest of EUR 388,277 (2015 I-VI months: EUR 387,202) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft.

For the period I-VI months 2016, FN 2 B.V. was charged interest of EUR 136,997 (2015 I-VI months: EUR 113,974) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft.

For the period I-VI months 2016, Long Term CRE Fund B.V. was charged interest of EUR 168,159 (2015 I-VI months: EUR 0) by Blackburn Inc.

## **25. Subsequent Events after the end of the reporting period**

No significant event occurred after the end of the reporting period that would require adjustment to or disclosure in these financial statements.

## **26. Personnel and structural changes**

*Structural changes:* During the first six months of 2017 there were no structural changes.

*Personnel changes:* During the first six months of 2017 there were no personnel changes.

## **27. Other matters**

According to the resolution of the shareholders meeting No. 23/2000, on 2 May 2001, Fotex Nyrt. converted all its shares with the involvement of Keler Rt.

At that date, 70,388,664 shares were replaced and 334,986 old shares were not converted by their holders. In accordance with prevailing legal regulations, the Company made the unconverted shares void. The new shares that replaced the void ones were sold by the Company in the most optimal way that best served the interest of the shareholders.

The consideration received less incurred costs are forwarded to the holders of the void shares after the 30th day, 15 November 2001, following the sale of all the shares that replaced the void shares as compensation for the void shares. Of the void shares, consideration relating to 168,757 shares has been paid up to this date and the holders of 166,229 void shares have not come forward so far.

Fotex Nyrt's ordinary shareholders' meeting held on 28 April 2004 decided to convert Fotex Nyrt's printed shares into dematerialised shares. The conversion to dematerialised shares took place on 11 November 2004. The conversion does not affect the rights related to the shares. The printed shares could be presented for conversion between 10 September 2004 and 10 November 2004. On 11 November 2004, all printed shares were made void by Fotex Nyrt.

Consideration for 1,210 shares made void due to dematerialization has been paid up to this day, the holders of 140, void shares have not come forward so far.

According to resolution No. 5 at their ordinary annual meeting held on 25 May 2016, upon approving the financial statements for 2015, Fotex Holding SE's shareholders decided not to distribute dividends to the holders of dividend preference shares.

According to resolution No. 5 at their ordinary annual meeting held on 25 May 2016, upon approving the financial statements for 2015, Fotex Holding SE's shareholders decided to pay EUR 0.02 dividend per ordinary share to the shareholders eligible to receive dividends for the year 2015.

The shares of the Company were admitted to the official list of the Luxembourg Stock Exchange at a first price of EUR 1.06/piece as of 23 February, 2012.

The Board of Directors of the Company at the meeting held as of 14 March 2012 decided on the full transfer of the Company's shares listed on the Budapest Stock Exchange to the Luxembourg Stock Exchange. The date of transfer was 30 March 2012. After transferring the shares from the Budapest Stock Exchange the shares are traded only on the Luxembourg Stock Exchange.

Blackburn International Luxembourg acquired 12,466,475 pieces of Fotex shares from Fotex Ingatlan LLC on the 19th July 2012. Mr Gabor Varszegi, Chairman of the Board of Fotex Holding SE, directly and indirectly controls both companies, which are considered to be related parties. After this transaction the Company Blackburn International Luxembourg totally owns 35,609,796 pieces of ordinary Fotex shares which represent 50.35% ownership.



HOLDING SE PUBLIC COMPANY LIMITED BY SHARES

## Financial Statement Certification

In accordance with Article 4 of the law of 11 January 2008 on transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, we confirm that to the best of our knowledge, the unaudited consolidated financial statements as of 30 June 2017 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of Fotex Holding SE. and its subsidiaries included in the consolidation taken as a whole. In addition, the management report includes a fair review of the development and performance of the business and the position of Fotex Holding SE. and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Luxembourg, 19<sup>th</sup> September 2017

Gábor VÁRSZEGI  
Chairman of the Board

Dávid VÁRSZEGI  
CEO, Director

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