

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

**Consolidated financial statements as at 31 December 2021**  
**Management report as at 31 December 2021**

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## Management Report

### NOTES TO THE READER

#### ESEF REPORTING PACKAGE/XHTML VERSION

This document is Fotex Holding SE's 2021 Annual Report in European Single Electronic Reporting format (the ESEF reporting package). The ESEF reporting package is available on the company's website.

#### PDF/PRINTED VERSION

A PDF/printed version of Fotex Holding's 2021 Annual Report is available on the company's website. In the case of discrepancies between the PDF version and the ESEF reporting package, the latter prevails

### Review and development of the groups business and financial position

The net turnover for the year ended December 31, 2021, was EUR 28,374,807 compared with EUR 30,541,588 for the same period in 2020 representing a decrease of EUR 2,166,781 (7%). The net turnover is mainly composed of income from operating a real estate portfolio in Hungary and the Netherlands. The main reason of the decrease is the continuing impact on the Hungarian portfolio from the COVID pandemic as well as the effect on the comparative Dutch revenue from the disposal of two large properties in 2020.

The group sold 5 properties located in Hungary during the year at a gain of EUR 25,265,217 of which EUR 1,320,070 was not an investment property.

During the Autumn of 2020, the group reinvigorated its crystal sales channels through the launch of Ajka-Crystal.com targeting US and western European markets as well as refurbishing its prime retail locations in Budapest. Management expects these actions should result in improved sales of crystal in the future.

The overall income for the year amounts to EUR 28,386,368 which is impacted by the net sales and the financial revenue (31 December 2020: EUR 30,547,741).

The net result for the year is a profit of EUR 25,650,961.

No provision is recognised for covering future environment fines or expenditures in 2021.

### Principle risks and uncertainties

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 which may affect their business, investments and results of operations
- Foreign currency risk
- Credit risk
- Interest rate risk
- Liquidity risk
- Country risk
- Economic risk arising from COVID-19

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 FX risk associated with non-EUR based revenues. As of 31 December 2021, 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 uses mainly fixed rate loans.

As of the year end the group has one fixed interest loan at an interest rate of 1.79% p.a.

#### *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 country risk. Notwithstanding the, ongoing impact of the global coronavirus pandemic, the Group has not identified any significant risks that may affect the financial performance of Group members associated with the countries in which the Group operates. Further as members of the European Union and the legal structure associated with it, management believes that country risk is not a matter of significant concern.

## Economic risk arising from COVID-19

In late 2019, a cluster of cases displaying the symptoms of a “pneumonia of unknown cause” were identified in Wuhan, the capital of China’s Hubei province. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, WHO declared COVID-19 a pandemic.

The Groups businesses are in geographies where the impact of the virus was primarily managed medically with economic stimulus provided to protect businesses from any negative short-term consequences. As of the date of the financial statements, the economic impact of the virus has had no impact upon the portfolio in the Netherlands, whilst in Hungary, governmental restrictions that were in place from November 2020 were removed during the spring in response to the country’s vaccination programme. These restrictions whilst affecting most of the group’s businesses were most keenly felt in the leisure and hospitality for which restrictions were lifted by early July 2021. There have been no further restrictions added or reimposed in any of the geographies that the group does business that would affect the groups abilities to operate normally.

- During the year, certain tenants received discounts along with lease extensions where this was possible. Management expects rents, subject to no further imposition of restrictions arising from a 4<sup>th</sup> wave, to return to normal during the second half of the year. As such the Group lost some income during the first six months of the year but nothing which impacted it as a going concern.
- The group has supported those businesses in the hospitality and leisure sectors through rent reductions, deferrals of rent and/or a combination of this along with other incentives in order to offset the losses generated by these tenants. At the same time all tenants were required to cover any and all existing operating expenses associated with the premises which they lease from the group.
- Whilst there has been some loss of tenants during the year, this has not been significant, indicating that the ongoing support of tenants through favourable rent conditions has allowed them to remain in business and the group to maintain high levels of occupancy.

Management continues to monitor the situation and make decisions around tenants and rents as appropriate and based on present conditions does not foresee any major impact on the Groups financial position nor the fair value of the real estate portfolio disclosed in the financial statements.

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

The Board of Directors has overall responsibility for ensuring that the 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 are fully 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 31 December 2021, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preferred shares (31 December 2020: 70,723,650 ordinary shares and 2,000,000 dividend preferred shares).

The "dividend 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 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.

All dividend preferred shares are held in treasury.

As at 31 December 2021, the Company held 29,827,482 treasury shares (of which 93.29% - 27,827,482 are ordinary shares and 6.71% - 2,000,000 are dividend preferred shares) at a historic cost of 43,569,317 (31 December 2020: 29,672,830 shares – of which 93.26% - 27,672,830 are ordinary shares and 6.74% - 2,000,000 are dividend preferred shares – at a historic cost of EUR 43,179,158. During 2021, the Company purchased 154,652 of its ordinary shares (2020: 586,442 shares) on an arm's length basis.

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

There were no significant events after the end of the reporting period.

### **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 Luxembourg S.à.r.l. ("Blackburn Luxembourg"), a Luxembourg company. Blackburn Luxembourg has a controlling interest in Fotex Holding S.E. As at 31 December 2021 Blackburn Luxembourg controlled 50.35% (31 December 2020: 50.35%) of Fotex Holding S.E.'s voting shares.

## 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 from time to time shares the developments with the Luxembourg Stock Exchange as part of a joint follow-up process in order to reduce the number of exceptions.

On December 15<sup>th</sup>, 2021, 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 respect to the directors of the Company, members of the Board of Directors possess a mixture of relevant experience which supports the business model of the Company. More information on this topic, specifically on the profile of the directors, can be found in the "Management" section of the Company's website ([www.fotex.lu](http://www.fotex.lu)).

A majority of the directors consists of directors who are independent in accordance with the detailed list of criteria described below in "The Board" chapter. Each director has a sufficient level of independence when carrying out his or her mandate as member of the Board of Directors of the Company.

They are elected by the general assembly of the shareholders of the Company, each of them has a proven professional track record and is deemed highly skilled in his/her profession. Considering these circumstances, following their appointment there are no separate induction trainings carried out on behalf of the directors.

With regards to special committees of the Company, due to the investment holding character, the Company is of the opinion that the number of special committees shall be limited in order to achieve optimal efficiency. More specifically, the Company does not have any Nomination Committee. It assesses the necessity of this recommendation, however, given the financial holding nature of the Company, it has been considered such committee is not necessary. As such, there are no formal recruitment procedures for the appointment of directors, this power is exercised by the Board of Directors along with the general assembly of the shareholders of the Company, for their election.

In addition, no Remuneration Committee has been set-up by the Company. The recommendation is reviewed by the Company from time to time, however, it is its view that due to the financial holding nature of the Company, a Remuneration Committee is not required. The power to determine the remuneration of the members of the Board of Directors is reserved to the shareholders. Accordingly, the Company does not have a remuneration policy, all remuneration allocated by the Company, more specifically tantiemes allocated to directors or members of the Audit Committee, are decided upon by the general assembly of the shareholders, such remuneration in each case representing fixed amounts which do not depend on the performance of the directors, or the Company itself.

As per the Articles of the Association, the Corporate Governance Charter of the Company and the applicable laws, the financial reporting, internal control and risk management are monitored by the Audit Committee of the Company. The rules set out in the Corporate Governance Charter describe the operational method of the Audit Committee. In the organisational structure of the Company, no internal audit function exists.

Ordinary shares issued by the Company are listed on the Luxembourg Stock Exchange. Applicable insider dealing and market manipulation laws prevent anyone with material non-public information about a company dealing in its shares and from committing market manipulations. A detailed Dealing Code does not exist, however, directors have a duty to report any transactions in the Company's securities to the Company. Such report has not been submitted to the Company.

The Group does not have a formal diversity policy in place as all the positions within the Group are awarded to the candidate whose skills and qualifications meet the requirements of the given position to the highest extent.

## **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 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. Martijn J. G. WINDELS	Member of the Board
Mr. Alan J. GRIFFITHS	Member of the Board
Mr. Gábor MOCSKONYI	Member of the Board

The Annual General Meeting of the Company held on 3 May 2021 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 2021. The Annual General Meeting also appointed Bob Dole as Independent Member of the Board. On December 5<sup>th</sup>, 2021, he sadly passed away and was not replaced for the year ended December 31<sup>st</sup>, 2021.

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 from 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 reviews the annual report of the Company, controls and evaluates the operation of the financial system and provides its tasks in connection with the Auditor of the Company.

The Audit Committee is composed as follows:

- Mr. Alan J. Griffiths (Chairman of the Audit Committee)
- Mr. Martijn J. G. Windels (Member of the Audit Committee)
- Mr. Wiggert Karreman (Member of the Audit Committee)

The Members of the Audit Committee were appointed at the Annual General Meeting held on 3 May 2021. 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 2021.

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.

#### **Climate change**

Management has considered climate-related matters in preparing the financial statements which may be material with respect to the most significant judgements and estimates that management has made.

This assessment has concluded that at present, there is no material impact on the business, its assets and liabilities that are effected . In reaching this conclusion management has considered:

- The exiting of the crystal production business which commenced in 2019 and the following regeneration of the area occupied by the factory;
- The refurbishment policy of the groups investment properties that has been updated to be carbon neutral;
- The groups key assets are not located in areas experiencing extreme weather conditions requiring additional expenditure to secure the asset value;
- There are no liabilities, contingent or otherwise in the group that need to be recorded as a result of climate change.

Management continues to monitor the situation and will respond accordingly to events and situations warranting attention.

### **Other Disclosures**

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.

## Future Prospects

The company continues to maintain a stable and strong financial position as its current cash on hand is now far more than the debt obligations of the entire Group. The Group has divested of several non-core assets during the past year which have continued to free up more free cash for the Group and have also resulted in reducing the overall Group debt levels. The Group also continues to restructure its companies in order to optimize its operations which may require further cash injections but these are expected to be minimal at best.

Unfortunately, as management expected the negative effects of the COVID-19 Corona Virus still continue to have a visible impact on the Group's income and final results for the year and we expect this to also continue into 2022 as it did 2021 albeit with a smaller impact than before. As mentioned, certain tenants have received free months during 2021 as in 2020 whilst others were given discounts along with lease extensions where this was feasible and we expect a similar situation to occur during some of 2022 but again to a lesser degree as tenants grow accustomed to the world with Covid in it. As a result of this the Group has lost some income also during the past year which is clearly visible within its year end results, but these effects do not impact the Group as an going concern as it continues to be profitable and cashflow positive and the effects of which diminish from year to year. It is expected that we may still lose some more tenants in 2022 due to the long-term adverse effects of the pandemic (reduced tourism and spending and increased unemployment as examples) however less than in previous years; along with discounts which may once again have to be given in order to assist tenants in overcoming the current crisis while ensuring that vacancy rates do not become rampant. This situation is most problematic in the Group's Hungarian portfolio while the tenants in Holland seem more resilient at the moment.

Due to the vaccine drive by the EU and most governments around the world vaccination rates continue to grow and are quite high already however risks remain as variants such as the Omicron continue to pose unforeseen issues on the basis of which management will continue to be extremely prudent and cautious in future investments and with its growth expectations. The Group has successfully overcome the first couple of years of the pandemic by making necessary investments into technology and changes in staffing; however, we will continue to be vigilant and invest further into our technological preparedness in case of future shutdowns which may impact some of the Groups companies.

As the long-term effects of this virus are still unknown from an economic standpoint, we still expect medium to long term consumer habit trends to change which may have an impact on some of the property assets which the Group owns. Based on these facts we continue to maintain the expectation that non-payment by tenants and tenant defaults may also be an issue for the Group in 2022.

March 3rd, 2022, Luxembourg



Várszegi Gábor

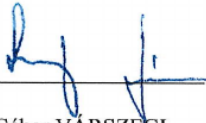
Fotex Holding S.E.

Chairman of the Board

## Management Responsibility Statement

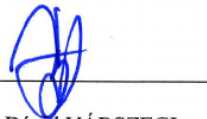
We confirm that to the best of our knowledge, the consolidated financial statements as of 31 December 2021 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of Fotex Holding S.E. 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 S.E. and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

March 3rd, 2022, Luxembourg



Gábor VÁRSZEGI

Chairman of the Board of Directors



Dávid VÁRSZEGI

Member of the Board of Directors

## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Shareholders of  
Fotex Holding S.E.  
272, rue de Neudorf  
L-2222 Luxembourg

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Fotex Holding S.E. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Valuation of Investment Properties

a) Why the matter was considered to be one of most significant in the audit?

We refer to the accounting policies 2. “Investment properties”, 2. “Non-current assets held for sale and discontinued operations”, 3. “Significant Accounting Judgements, Estimates and Assumptions”, and note 10. “Investment Properties”, in the consolidated financial statements of Fotex Holding S.E.

As of 31 December 2021 the Group held a portfolio of investment properties with a carrying amount of EUR 105,489,748 (2020: EUR 118,390,830) and respective fair value of EUR 324,648,352 (2020: EUR 336,403,084). The Group’s investment properties are comprised of office, retail outlets, warehouses, land and other real estate properties.

In accordance with the Group’s accounting policy, subsequent to the initial recognition the investment properties are carried at cost and depreciated systematically, except for land, over their useful economic life. The Group determines and presents in the notes the fair value of its investment properties (Note 10). Such fair value is also used for the purpose of the impairment test of the Group’s investment properties and the impairment test of the carrying value of the goodwill.

The Group determines the fair values based on external valuation reports issued by an accredited independent professional. To determine the investment properties fair value the appraiser used the present value of the estimated future cash flows generated from the respective assets, the direct capitalization method based on actual rental income or market approach based on comparables depending on the nature of the asset. Assumptions are applied for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions to arrive at the fair value.

The valuation of investment properties is complex and incorporates numerous assumptions and parameters relevant to measurement that involve considerable estimation uncertainties and judgment. Any change in the assumptions used and parameters used to measure the investment properties may cause a significant change in the respective fair values.

The significance of the estimates and judgments, together with the fact that only a small percentage difference in individual property valuation, when aggregated, could result in a material misstatement in the note disclosure, warrants specific audit focus in this area.

b) How the matter was addressed during the audit?

Our audit procedures over the valuation of Investment properties included:

- We tested the design and implementation of the key controls around the determination and monitoring of the fair value measurement;
- We assessed the competence, capabilities, qualifications, independence and integrity of the external valuer and read the terms of engagement by Fotex Holding S.E. to determine whether there were any matters that might have affected her objectivity or limited the scope of her work.



- We assessed that the valuation approach applied by the external appraiser is in accordance with relevant valuation and accounting standards and appropriate for the purpose of the valuation of the underlying investment properties.
- For a sample of properties we reconciled the inputs used in the valuation process with the respective lease agreements and other relevant documentation.
- We involved our real estate specialists and considered the assumptions used by the appraiser in their valuation models by benchmarking the key assumptions, including yield and market rents, to comparable market data.
- Further we assessed the adequacy and completeness of the disclosures in the notes to consolidated financial statements, and the Group's descriptions regarding the inherent degree of subjectivity and the key assumption in estimates.

### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of “*réviseur d’entreprises agréé*” thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

### **Responsibilities of the Board of Directors and Those Charged with Governance for the consolidated financial statements**

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is responsible for presenting the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format (“ESEF Regulation”).

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.





## Responsibilities of the “réviseur d’entreprises agréé” for the Audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Our responsibility is to assess whether the consolidated financial statements have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of “réviseur d’entreprises agréé” to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of “réviseur d’entreprises agréé”. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

#### **Report on Other Legal and Regulatory Requirements**

We have been appointed as “*réviseur d’entreprises agréé*” by the General Meeting of the Shareholders on 3 May 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is two years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the consolidated management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Group in conducting the audit.



We have checked the compliance of the consolidated financial statements of the Group as at 31 December 2021 with relevant statutory requirements set out in the ESEF Regulation that are applicable to financial statements.

For the Group it relates to:

- Consolidated financial statements prepared in a valid xHTML format;
- The XBRL markup of the consolidated financial statements using the core taxonomy and the common rules on markups specified in in the ESEF Regulation.

In our opinion, the consolidated financial statements of Fotex Holding S.E. as at 31 December 2021, identified as Fotex 2021 consolidated IFRS.zip, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.”

Luxembourg, 4 March 2022

BDO Audit  
*Cabinet de révision agréé*  
represented by

Christoph Schmitt

**Fotex Holding S.E. and Subsidiaries**  
**Consolidated Statement of Financial Position**  
**Figures in EUR**

	Note	31 December 2021	31 December 2020
			EUR
<b>Assets</b>			
Current Assets:			
Cash and short-term deposits	5	110,417,472	85,097,124
Current portion of other financial assets	6	968,473	939,761
Accounts receivable and prepayments	7	5,637,337	4,238,826
Income tax receivable		-	404,353
Inventories	8	3,791,322	3,629,096
Total current assets		120,814,604	94,309,160
Non-current Assets:			
Property, plant and equipment	9	2,968,304	3,041,481
Right-of-use assets		45,688	95,997
Investment properties	10	105,489,748	118,390,830
Deferred tax assets	17	131,301	178,306
Intangible assets	11	1,872,016	1,729,244
Non-current portion of other financial assets	6	2,131,812	2,043,913
Goodwill arising on acquisition	12	7,685,794	9,141,930
Total non-current assets		120,324,663	134,621,701
Total assets		<u>241,139,267</u>	<u>228,930,861</u>
<b>Liabilities and Shareholders' Equity</b>			
Current Liabilities:			
Interest-bearing loans and borrowings	16	1,607,347	5,912,120
Provision		45,918	32,950
Accounts payable and other liabilities	13	10,041,902	7,340,251
Total current liabilities		11,695,167	13,285,321
Non-current Liabilities:			
Interest-bearing loans and borrowings	16	46,938,502	59,405,524
Other long-term liabilities	13	3,041,947	2,007,165
Deferred tax liability	17	5,467,059	4,583,381
Total non-current liabilities		55,447,508	65,996,070
Shareholders' Equity:			
Issued capital	14	30,543,933	30,543,933
Additional paid-in capital		25,495,008	25,495,008
Translation difference		(5,502,729)	(4,589,049)
Treasury shares, at cost	14	(43,569,317)	(43,179,158)
Equity attributable to equity holders of the parent company		173,981,994	149,634,872
Non-controlling interests in consolidated subsidiaries		14,598	14,598
Total shareholders' equity		173,996,592	149,649,470
Total liabilities and shareholders' equity		<u>241,139,267</u>	<u>228,930,861</u>

The accompanying notes on pages 27 to 72 form an integral part of these consolidated financial statements.

**Fotex Holding S.E. and Subsidiaries**  
**Consolidated Income Statement**  
**Figures in EUR**

	Note	2021	2020
		EUR	EUR
Revenue	18	28,374,807	30,541,588
Cost of sales		(498,301)	(1,112,287)
Gross Profit		27,876,506	29,429,301
Operating expenses and gain	15	(21,326,604)	(20,225,335)
Gain on disposal of the sales of fixed assets		1,320,070	-
Gain on disposal of the sales of investment properties	19	23,945,147	5,286,802
Operating profit		31,815,119	14,490,768
Interest income		11,561	6,153
Interest expenses	16	(2,266,331)	(1,953,075)
Income before income tax		29,560,349	12,543,846
Income tax expense	17	(3,909,388)	(1,330,145)
Net income		25,650,961	11,213,701
Attributable to:			
Equity holders of the parent company		25,650,961	11,212,050
Non-controlling interests		-	1,651
Net income		25,650,961	11,213,701
Basic earnings per share	23	0.60	0.26
Diluted earnings per share	23	0.60	0.26

The accompanying notes on pages 27 to 72 form an integral part of these consolidated financial statements.

**Fotex Holding S.E. and Subsidiaries**  
**Consolidated Statement of Comprehensive Income**  
**Figures in EUR**

Note	2021	2020
	EUR	EUR
Net income	25,650,961	11,213,701
Other comprehensive income:	(913,680)	(2,565,766)
Total comprehensive income/ (loss)	24,737,281	8,647,935
Attributable to:		
Equity holders of the parent company	24,737,281	8,647,687
Non-controlling interests	-	248
	24,737,281	8,647,935

Other comprehensive income is the Exchange gain/(loss) on translation of foreign operations which will be subsequently reclassified to profit or loss on the disposal of the relevant foreign operations.

The accompanying notes on pages 27 to 72 form an integral part of these consolidated financial statements.

**Fotex Holding S.E. and Subsidiaries**  
**Consolidated Statement of Changes in Equity**  
**Figures in EUR**  
**for the year ended 31 December 2021**

	Issued Capital	Additional Paid-in Capital	Retained Earnings	Translation Difference	Treasury Shares	Total	Non- controlling interests	Total Equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>1 January 2021</b>	<b>30,543,933</b>	<b>25,495,008</b>	<b>141,364,138</b>	<b>(4,589,049)</b>	<b>(43,179,158)</b>	<b>149,634,872</b>	<b>14,598</b>	<b>149,649,470</b>
Net income 2021	-	-	25,650,961	-	-	<b>25,650,961</b>	-	<b>25,650,961</b>
Other comprehensive income	-	-	-	(913,680)	-	<b>(913,680)</b>	-	<b>(913,680)</b>
Total comprehensive income	-	-	25,650,961	(913,680)	-	<b>24,737,281</b>	-	<b>24,737,281</b>
Purchase of treasury shares (note 14)	-	-	-	-	(390,159)	<b>(390,159)</b>	-	<b>(390,159)</b>
Shareholder dividends	-	-	-	-	-	-	-	-
Minority dividends	-	-	-	-	-	-	-	-
Purchase from Minority shareholders	-	-	-	-	-	-	-	-
<b>31 December 2021</b>	<b>30,543,933</b>	<b>25,495,008</b>	<b>167,015,099</b>	<b>(5,502,729)</b>	<b>43,569,317</b>	<b>173,981,994</b>	<b>14,598</b>	<b>173,996,592</b>

The accompanying notes on pages 27 to 72 form an integral part of these consolidated financial statements.

**Fotex Holding S.E. and Subsidiaries**  
**Consolidated Statement of Changes in Equity**  
**Figures in EUR**  
**for the year ended 31 December 2021**

	Issued Capital	Additional Paid-in Capital	Retained Earnings	Translation Difference	Treasury Shares	Total	Non- controlling interests	Total Equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>1 January 2020</b>	<b>30,543,933</b>	<b>25,495,008</b>	<b>130,152,088</b>	<b>(2,024,686)</b>	<b>(41,751,015)</b>	<b>142,415,328</b>	<b>14,350</b>	<b>142,429,678</b>
Net income 2020	–	–	11,212,050	–	–	<b>11,212,050</b>	1,651	<b>11,213,701</b>
Other comprehensive income	–	–	–	(2,564,363)	–	<b>(2,564,363)</b>	(1,403)	<b>(2,565,766)</b>
Total comprehensive income	–	–	11,212,050	(2,564,363)	–	<b>8,647,687</b>	248	<b>8,647,935</b>
Purchase of treasury shares (note 14)	–	–	–	–	(1,428,143)	<b>(1,428,143)</b>	–	<b>(1,428,143)</b>
Shareholder dividends	–	–	–	–	–	–	–	–
Minority dividends	–	–	–	–	–	–	–	–
Purchase from Minority shareholders	–	–	–	–	–	–	–	–
<b>31 December 2020</b>	<b>30,543,933</b>	<b>25,495,008</b>	<b>141,364,138</b>	<b>(4,589,049)</b>	<b>(43,179,158)</b>	<b>149,634,872</b>	<b>14,598</b>	<b>149,649,470</b>

The accompanying notes on pages 27 to 72 form an integral part of these consolidated financial statements.



**Fotex Holding S.E. and Subsidiaries**  
**Consolidated Statement of Cash Flows**  
**Figures in EUR**

	Note	2021	2020
		EUR	EUR
<b>Cash flows from operating activities:</b>			
Income before income taxes		29,560,349	12,543,846
Depreciation and amortisation	9, 10	8,171,437	7,133,167
Extraordinary depreciation		-	6,150
Scrapped tangible assets		55,624	42,534
Impairment loss of debtors and reversals	7	58,991	39,890
Derecognition of investments		-	(2,043)
Creation of provision and reversals	15	12,968	(289,727)
Loss/(gain) on disposals of fixed assets and investment properties	9, 10, 19	(25,265,217)	(5,120,124)
Loss/(gain) on disposals of asset held for sale		-	(196,356)
Interest income		(11,561)	(6,153)
Effect of spread of rental related incentives and allowance		609,445	(387,306)
Interest expenses	16	2,266,331	1,953,075
Changes in working capital:			
Accounts receivable and prepayments		(1,732,200)	4,981,660
Inventories		(162,226)	990,342
Accounts payable and other liabilities		1,402,463	(3,391,861)
Cash generated from operations		14,966,404	18,297,094
Income tax paid	17	(1,870,274)	(2,920,579)
Net cash flow from operating activities		13,096,130	15,376,515
<b>Cash flows from investing activities:</b>			
Acquisition of investment properties	10	(1,305,702)	(3,452,648)
Acquisition of tangible and intangible assets	9	(1,651,514)	(544,473)
Sale proceeds less cost to sell of fixed assets and investment properties	19	33,374,457	14,441,453
Sale proceeds less cost to sell of asset held for sale		-	3,927,400
Other changes of tangible and intangible assets	9	773,293	(109,071)
Interest received		11,561	6,322
Net cash flow provided by investing activities		31,202,095	14,268,983
<b>Cash flows from financing activities:</b>			
Interest paid		(1,915,232)	(1,559,487)
Lease interest paid		-	(4,447)
Repayments of loan received	16	(16,979,142)	(10,304,687)
Payment of principal portion of lease liabilities		-	(30,073)
Purchase of treasury shares	14	(390,159)	(1,428,143)
Change in other long term liabilities		1,034,782	221,632
Net cash flow from financing activities		(18,249,751)	(13,105,205)

**Fotex Holding S.E. and Subsidiaries**  
**Notes to consolidated financial statements**  
**31 December 2021**  
**Figures in EUR**

**Fotex Holding S.E. and Subsidiaries**  
**Consolidated Statement of Cash Flows**  
**Figures in EUR**

	Note	2021	2020
		EUR	EUR
Change in cash and cash equivalents		26,048,474	16,540,293
Cash and cash equivalents at beginning of the year	5	85,097,124	68,278,062
Effect of foreign currency translation		(728,126)	278,769
Cash and cash equivalents at end of the year	5	110,417,472	85,097,124

The accompanying notes on pages 27 to 72 form an integral part of these consolidated financial statements.

**Fotex Holding S.E. and Subsidiaries**  
**Notes to consolidated financial statements**  
**31 December 2021**  
**Figures in EUR**

**1. General**

Fotex Holding S.E. (“Fotex” or the “Company”), is a European public limited company (société européenne) 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 S.E. is the parent of the Group. Except for Upington Investments S.à r.l., which is registered in Luxembourg, and Fotex Netherlands B.V., FN2 B.V., FN3 B.V., FN5 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 only and ultimate Parent company of the group is Blackburn International s.a.r.l.

The Company’s current registered address is 272, rue de Neudorf, L-2222 Luxembourg, Luxembourg.

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

Subsidiaries	Principal Activities	Ownership (%)		Registered Address
		31/12/2021	31/12/2020	
Ajka Kristály Üvegipari Kft.	Crystal manufacturing and retail	100.00	100.00	4 Alkotmány utca, 8400 Ajka, Hungary
Fotex Netherlands B.V.	Property management	100.00	100.00	13 Sarphatkade, WV1017 Amsterdam, Netherland
FN2 B.V.	Property management	100.00	100.00	13 Sarphatkade, WV1017 Amsterdam, Netherland
FN3 B.V.	Property management	100.00	100.00	13 Sarphatkade, WV1017 Amsterdam, Netherland
FN4 B.V.*	Property management	-	100.00	13 Sarphatkade, WV1017 Amsterdam, Netherland
FN5 B.V.	Property management	100.00	100.00	13 Sarphatkade, WV1017 Amsterdam, Netherland
Fotexnet Kft.	Internet retail and other services	100.00	100.00	1 Palatinus. út, 1025 Budapest, Hungary
Hungaroton Music Zrt.	Music archive	99.21	99.21	45-49 Reitter Ferenc utca, 1135 Budapest, Hungary
Keringatlan Kft.	Property management	99.99	99.99	1 Palatinus. út, 1025 Budapest, Hungary
Long Term CRE Fund B.V.	Property management	100.00	100.00	13 Sarphatkade, WV1017 Amsterdam, Netherland
Plaza Park Kft.	Property management	-	100.00	1 Palatinus. út, 1025 Budapest, Hungary
Sigma Kft.	Property services	100.00	100.00	12 Nagy J. utca, 1126 Budapest, Hungary
Székhely 2007 Kft.	Property services	99.27	99.27	1 Palatinus. út, 1025 Budapest, Hungary
Upington	Investment holding	100.00	100.00	272 rue de Neudorf, L-2222

\* In August 2021, FN4 B.V merged into Fotex Netherlands. There were no adjustments or changes to the values of assets and liabilities arising from this transaction.

*Immaterial non-consolidated subsidiary*

In June 2021, Fotex established a new group company Arany Juhár Időstthon Kft. The purpose of the company is to run a retirement home for third party customers using an investment property currently owned by the group. The entity is expected to be consolidated in the group from 2022 when the business is operational. In the meantime, transactions involving the entity are disclosed as related party transactions in note 24.

## **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 where appropriate. The consolidated financial statements are presented in EUR, except where otherwise indicated.

The consolidated financial statements of Fotex for the year ended 31 December 2021 were authorized for issue by the Board of Directors on March 3rd, 2022.

### **Comparative figures**

The consolidated financial statements provide comparative information in respect of the previous period.

### **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 31 December 2021 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 S.E. (Societas Europaea) from 1 January 2009, Fotex Holding S.E. 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 31 December 2021. Control is achieved when Fotex is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, Fotex controls an investee if, and only if, it has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When Fotex has less than a majority of the voting or similar rights of an investee, Fotex considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- Fotex’s voting rights and potential voting rights

## **2. Significant Accounting Policies (continued)**

Fotex reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when Fotex obtains control over the subsidiary and ceases when Fotex loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date Fotex gains control until the date when Fotex ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Fotex's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If Fotex loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

### **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 presentation currency is EUR, it is necessary to convert the elements of statement of financial position and income statement of subsidiaries from HUF to EUR.

Assets and liabilities have been converted to EUR using the MNB (Hungarian National Bank) FX rate as at 31 December 2021: 369 HUF/EUR (31 December 2020: 365.13). The income statement is converted to EUR using the Hungarian National Bank average FX rate of HUF/EUR 358.52 (31 December 2020 HUF/EUR 351.17). The exchange difference in translation of foreign operations is shown in the other comprehensive income.

## **2. Significant Accounting Policies (continued)**

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### **Non-current assets held for sale and discontinued operations**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

### **Revenue from contracts with customers**

#### Sale of goods

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service (ie an asset) to a customer. An asset is transferred when the customer obtains control of that asset. Revenue is measured at fair value of consideration received or receivable. The revenues represent sales at invoiced amounts net of value added tax and discounts. The revenue from selling of goods is generated mainly by selling crystal and glass products, and other consumer products. The Group satisfies its performance obligations upon deliveries of such goods. The contracts with customers do not contain any financing components and the consideration does not contain any variable part.

#### Service charges and expenses recoverable from tenants

Income arising from expenses indirectly recharged to tenants is recognised in the period in which the expense can be contractually recovered and at fair value of consideration received or receivable. Service charges and other such receipts are included gross of the related costs in revenue, as the directors consider that the Group acts as principal in this respect. The Group satisfies its performance obligations over the related period of the services. The contracts with customers do not contain any financing components and the consideration does not contain any variable part.

## **2. Significant Accounting Policies (continued)**

When an entity that is a principal satisfies a performance obligation, the entity recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. When an entity that is an agent satisfies a performance obligation, the entity recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party. An entity's fee or commission might be the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party. Income arising from expenses directly recharged to tenants is recognised net of the related costs, as the management consider that the Group acts as agent in such cases.

### Ancillary mall revenue

Revenue is measured at fair value of consideration received or receivable. The revenues represent sales at invoiced amounts net of value added taxes and discounts. The ancillary revenue arising from operating of shopping malls refers to the revenue generated from cinema ticket and sundry food and beverage sales, as well as revenue generated from operating a fitness centre and similar services.

The Group satisfies its performance obligations upon the provision of the service associated with the service being delivered i.e. presentation of the film shown, entrance and use of the fitness facilities. The contracts with customers do not contain any financing components and the consideration does not contain any variable part.

Revenue is recognised at the time of the provision of the service.

### Contract balances

#### *Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

#### *Trade receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

The Group continuously monitors the collection of its receivables and takes early actions in case of delays in payments. As a result, the volume of overdue receivables is very low, less than 1 % of the invoiced revenues. In case of a major delay, the Group evaluates the collectability of receivables individually and accounts for write-off to the necessary level, on a case-by-case basis. Following these actions, the Group considers the residual risk of non-payment as insignificant, therefore the nominal value of the non-impaired receivables is considered as fair value. The Group evaluates the payment trends annually.

#### *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group performs under the contract.

## **2. Significant Accounting Policies (continued)**

### *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria for rental income must also be met before revenue is recognised:

Rental income receivable from operating leases less the Group's initial direct costs of entering into the leases is recognised on a straight-line basis over the term of the lease. Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non –cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the income statement when they arise.

### **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Management uses judgements during initial recognition, subsequent measurement, amortisation, impairment and de-recognition of financial instruments. Management's judgements that have the most significant effect on the financial statements are disclosed below in each sub-section in detail.

#### Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

#### Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

### **Financial assets**

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of certain trade receivables, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.



## **2. Significant Accounting Policies (continued)**

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

### Subsequent measurement

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The classification and measurement of the Group's financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables (including mainly tax receivables) and other financial assets (both current and non-current, including mainly deposits received from tenants).

### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

### Impairment of financial assets.

IFRS 9 requires the Group to record an allowance for expected credit loss (ECL) for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

## **2. Significant Accounting Policies (continued)**

For Contract assets and Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (i.e., loans and debt securities at FVOCI), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

### **Financial liabilities**

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, include directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

#### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

## **2. Significant Accounting Policies (continued)**

### *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 16.

### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### **Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less. Cash and cash equivalents comprise cash on hand, deposits held at call with banks, investments in marketable securities that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above.

### **Inventories**

Inventories are valued at the lower of cost or net realisable value on a weighted average basis after making allowance for any obsolete or slow-moving items.

Materials and merchandise goods are valued at purchase cost on a weighted average basis. Purchase costs include purchase price, trade discounts, unrecoverable taxes, transport and other cost which are directly attributable to purchase of the raw materials and merchandising goods.

The value of work in progress and finished goods includes cost of direct materials and labour and a proportion of overheads in manufacturing subsidiaries but excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## **2. Significant Accounting Policies (continued)**

### **Property, plant and equipment**

Property, plant and equipment is stated at purchase price or production cost less accumulated depreciation and impairment losses, if any. Production costs for self-constructed assets include the cost of materials, direct labour and an appropriate proportion of production overheads.

Replacements and improvements, which prolong the useful life or significantly improve the condition of the asset are capitalised. Maintenance and repairs are recognised as an expense in the period in which they are incurred.

Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	Years
Buildings	50
Plant and equipment	7-12.5
Vehicles	5
Computer equipment	3

The cost of properties retired or otherwise disposed of, together with the accumulated depreciation provided thereon, is eliminated from the accounts. The net gain or loss is recognised as other operating income or expense.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If such an indication exists and where the carrying value exceeds the recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognised in the income statement as an operating expense.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate, at each financial year-end.

### **Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

## **2. Significant Accounting Policies (continued)**

### Group as a lessee:

The Group has lease contracts for only few items of buildings, vehicles and other equipment.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases

### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

### *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### Group as a lessor:

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Additional disclosures are provided in Note 22.

## **Borrowing costs**

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are expensed in the period in which they occur, unless they are attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

## **2. Significant Accounting Policies (continued)**

### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

### **Investment properties**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition under the cost model assets are recognised at cost and depreciated systematically over their useful economic life. Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	Years
Buildings and investment properties in Hungary	20
Buildings and investment properties in the Netherlands	30

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

The carrying amounts are reviewed also when events or changes in circumstances indicate that the carrying value may not be recoverable. If such an indication exists and where the carrying value exceeds the recoverable amount, the assets or cash generating units are written down to their recoverable amount. The fair value of investment properties is assessed using the market comparables or the discounted cash flow method. Impairment losses are recognised in the income statement as an operating expense. The carrying amounts of investment properties are reviewed for impairment based on the fair values of the individual assets determined by an external valuation process. Impairment is accounted for if the fair value of an asset is lower than the carrying amount. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Upon every acquisition of investment property, the Company determines the individual components that have different useful lives and thus are depreciated separately. The Company determined so far two key components: land which is not depreciated and the buildings that are depreciated over 20 to 30 years. Upon acquisition, the Company investigates if a further separation of components is necessary. The basis of this investigation is the physical status of the building and its built-in equipment. In case the built-in equipment is worn out to an extent that it requires a replacement within five years, it shall be treated as a separate component and shall have a useful life based on its estimated remaining usage. Otherwise, the equipment is considered as a vital part of the building and its useful life is determined in line with the building's useful life. Currently the Company has buildings where all the built-in equipment has the same useful life as its relevant building. Management experience on the real property operations market supports the above assumptions.

## **2. Significant Accounting Policies (continued)**

### **Goodwill**

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives such as production know-how and franchise fees are amortised using the straight-line method over the useful economic lives and are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful lives such as merchandising, and media rights are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

### **Income taxes**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## **2. Significant Accounting Policies (continued)**

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Subsidiaries of the Group domiciled in Hungary pay local business tax to local municipalities at percentages based on the physical location of their operations in Hungary. The base of the local business tax is the revenue as decreased by the cost of goods sold, raw material expenses and certain other expense items. Local business tax is classified as an income tax expense.

### **Treasury shares**

Fotex ordinary and dividend preferred shares repurchased are included in shareholders' equity and are classified as treasury shares. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own shares. Accordingly, any consideration paid or received in connection with treasury shares is recognised directly in equity.

### **Fair value measurement**

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 18. The fair value of non-financial assets including investment properties is determined for the purpose of the impairment test and for disclosure purposes. Investment property fair value is disclosed in Note 10.

As per IFRS 13 definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.



## **2. Significant Accounting Policies (continued)**

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### **Subsequent events**

Material events occurring after the period-end that provide additional information about the Group's position at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

### **Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year

## **3. Significant Accounting Judgements, 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, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

### **3. Significant Accounting Judgements, Estimates and Assumptions (continued)**

#### **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. Further details are given in Note 12.

##### *Impairment of Intangible Assets*

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 12.

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 judgements, 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 17.

#### *Fair Value of Investment Properties*

The Group has determined and presented in the notes 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 11.

#### *Assets held for sale*

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn.

### **4. Standards Issued but not yet Effective**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. These are:

Standards that are not applicable to the group:

- IFRS 17 Insurance Contracts
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IAS 41 Agriculture – Taxation in fair value measurements

Standards for which there is expected to be no material impact upon the group which are described in more detail below:

#### **4. Standards Issued but not yet Effective (continued)**

##### *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

The Group is currently assessing the impact the amendments but does not expect there to be any material impact.

##### *Reference to the Conceptual Framework – Amendments to IFRS 3*

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

##### *Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16*

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

##### *Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37*

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments but does not expect this to have a material impact.

#### **4. Standards Issued but not yet Effective (continued)**

##### *IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

##### *Definition of Accounting Estimates - Amendments to IAS 8*

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

Earlier application is permitted.

The amendments are not expected to have a material impact on the Group.

##### *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments but does not expect it to be material.

## 5. 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 110,417,472 (31 December 2020: EUR 85,097,124).

Cash includes fixed deposit of EUR 1,731,056 at rate 0 % (in 2020 cash included EUR 15,463,975 at rate 0 %).

A significant amount of cash is held with the following institutions:

	2021		2020	
	Rating	Cash balance	Rating	Cash balance
		EUR		EUR
ING*	A+	86,436,067	A+	62 009 064
Berlin Hyp**	A+	-	A+	15 463 507
Oberbank*	A	22,995,806	A	9 390 190
Raiffeisen	A-	2,020,571	A-	1 010 943
Other		2,006,617		169 388
Total cash held at banks		113,459,061		88 043 092

\* rated by S&P

\*\* rated by Fitch

The reconciliation of cash held at banks for 2021 and 2020 is set out below:

	Note	2021	2020
Cash and cash equivalents	5	110,417,472	85 097 124
Cash deposit - current	6	967,509	938 803
Cash deposit - non current	6	2,074,080	2 007 165
Total cash held at banks		113,459,061	88 043 092

## 6. Other Financial Assets

Current	31 December 2021	31 December 2020
	EUR	EUR
Other short-term investments	964	958
Other current financial assets, total	968,473	939,761

**6. Other Financial Assets (continued)**

	31 December 2021	31 December 2020
	EUR	EUR
Non-current		
Cash deposits connected to rented properties	2,074,080	2,007,165
Unquoted equity instruments	57,732	36,748
Other non-current financial assets, total	<u>2,131,812</u>	<u>2,043,913</u>

Cash deposits connected to rented properties:

The Group has received 2 to 3 months deposits from its tenants which are held at a bank (Note 13). 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.

**7. Accounts Receivable and Prepayments**

	31 December 2021	31 December 2020
	EUR	EUR
Accounts receivable	2,608,570	1,680,272
Impairment loss on accounts receivable	(98,227)	(46,278)
Income tax receivable	43,212	-
Tax assets	429,671	257,025
Other receivables	599,051	395,805
Prepayments/accrued income	2,063,520	1,953,420
Impairment loss on other receivables	(8,460)	(1,418)
Total	<u>5,637,337</u>	<u>4,238,826</u>

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

Impairment loss on debtors and on other receivables at 31 December 2021 is EUR 106,687 (31 December 2020: EUR 47,696).

**Fotex Holding S.E. and Subsidiaries**  
**Notes to consolidated financial statements**  
**31 December 2021**  
**Figures in EUR**

**8. Inventories**

	<u>31 December 2021</u>	<u>31 December 2020</u>
	EUR	EUR
Merchandise and finished products	5,463,464	5,289,331
Materials	213,424	251,103
Work in progress	1,265,319	1,377,290
Inventories, gross	<u>6,942,207</u>	<u>6,917,724</u>
Impairment of merchandise and finished products	(2,734,863)	(2,879,567)
Impairment of work in progress	(416,022)	(409,061)
Impairment of inventories	<u>(3,150,885)</u>	<u>(3,288,628)</u>
Total inventories, net	<u>3,791,322</u>	<u>3,629,096</u>



**9. Property, Plant and Equipment**

Movements in property, plant and equipment during 2020 were as follows:

	Land, buildings	Furniture, machinery, equipment, fittings	Construction in progress*	Total
	EUR	EUR	EUR	EUR
<b>Cost:</b>				
<b>1 January 2021</b>	<b>2,389,027</b>	<b>10,430,978</b>	<b>192,790</b>	<b>13,012,795</b>
Additions and capitalizations	1,281,814	346,659	-	1,628,473
Other decrease	(824,971)	(4,659,450)	(112,875)	(5,597,296)
Disposals and write downs	(647,775)	(1,159,736)	-	(1,807,511)
Currency gain/(loss) arising on retranslation	(42,358)	(36,026)	1,965	(76,417)
<b>31 December 2021</b>	<b>2,155,737</b>	<b>4,922,425</b>	<b>81,880</b>	<b>7,160,044</b>
<b>Accumulated depreciation:</b>				
<b>1 January 2021</b>	<b>(1,068,962)</b>	<b>(8,902,352)</b>	-	<b>(9,971,314)</b>
Depreciation expense	(37,475)	(420,391)	-	(457,866)
Disposals and write downs	213,901	903,588	-	1,117,489
Other decrease	493,634	4,595,071	-	5,088,705
Currency gain/(loss) arising on retranslation	991	30,257	-	31,248
<b>31 December 2021</b>	<b>(397,911)</b>	<b>(3,793,827)</b>	-	<b>(4,191,738)</b>
<b>Net book value</b>				
<b>31 December 2021</b>	<b>1,757,826</b>	<b>1,128,598</b>	<b>81,880</b>	<b>2,968,304</b>
<b>31 December 2020</b>	<b>1,320,065</b>	<b>1,528,626</b>	<b>192,790</b>	<b>3,041,481</b>

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

Management determined from 2021 onwards, fully depreciated assets would no longer be presented in the movement table. The other decrease line in 2021 represents this change.

The Property, Plant and Equipment does not contain the right-of-use assets.

**9. Property, Plant and Equipment (continued)**

Movements in property, plant and equipment during 2020 were as follows:

	Land, buildings	Furniture, machinery, equipment, fittings	Construction in progress*	Total
	EUR	EUR	EUR	EUR
<b>Cost:</b>				
<b>1 January 2020</b>	<b>3,197,909</b>	<b>11,167,870</b>	<b>298,390</b>	<b>14,664,169</b>
Additions and capitalizations	17,002	600,717	(80,391)	537,328
Other increase	5,517	-	-	5,517
Other decrease	-	(416)	-	(416)
Disposals and write downs	(215,849)	(279,504)	-	(495,353)
Currency gain/(loss) arising on retranslation	(615,552)	(1,057,689)	(25,209)	(1,698,450)
<b>31 December 2020</b>	<b>2,389,027</b>	<b>10,430,978</b>	<b>192,790</b>	<b>13,012,795</b>
<b>Accumulated depreciation:</b>				
<b>1 January 2020</b>	<b>(1,828,655)</b>	<b>(9,616,511)</b>	-	<b>(11,445,166)</b>
Depreciation expense	(41,337)	(449,768)	-	(491,105)
Disposals and write downs	212,260	260,755	-	473,015
Other increase	(1,851)	(4,585)	-	(6,436)
Other decrease	-	-	-	-
Currency gain/(loss) arising on retranslation	590,621	907,757	-	1,498,378
<b>31 December 2020</b>	<b>(1,068,962)</b>	<b>(8,902,352)</b>	-	<b>(9,971,314)</b>
<b>Net book value</b>				
<b>31 December 2020</b>	<b>1,320,065</b>	<b>1,528,626</b>	<b>192,790</b>	<b>3,041,481</b>
<b>31 December 2019</b>	<b>1,369,254</b>	<b>1,551,359</b>	<b>298,390</b>	<b>3,219,003</b>

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

## 10. 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 2021 and 2020 were as follows:

	31 December 2021	31 December 2020
	EUR	EUR
<b>Cost:</b>		
<b>Opening balance</b>	<b>189,697,680</b>	<b>203,191,856</b>
Additions	1,305,702	3,452,648
Disposal	(14,248,873)	(10,378,852)
Other decrease	(1,428,420)	-
Currency gain/(loss) arising from retranslation	(3,322,851)	(6,567,972)
<b>Closing balance</b>	<b>172,003,238</b>	<b>189,697,680</b>
<b>Accumulated depreciation:</b>		
<b>Opening balance</b>	<b>(71,306,850)</b>	<b>(69,542,823)</b>
Depreciation expense	(5,500,655)	(6,578,742)
Disposal	6,565,592	1,185,325
Impairment	(412,468)	-
Other decrease	1,159,928	-
Currency gain/(loss) arising from retranslation	2,980,963	3,629,390
<b>Closing balance</b>	<b>(66,513,963)</b>	<b>(71,306,850)</b>
<b>Net book value:</b>		
<b>Closing balance</b>	<b>105,489,748</b>	<b>118,390,830</b>
<b>Opening balance</b>	<b>118,390,830</b>	<b>133,649,033</b>

### 2021 transactions

Plaza Park concluded a sales agreement on June 1<sup>st</sup>, 2021 to sell Fotex Plaza at a sales price of EUR 24,325,000 at a gain of EUR 17,555,945.

On February 3<sup>rd</sup>, 2021, Székhely, sold two adjacent pieces of land located in the provincial town of Veszprém for EUR 5,154,520 at a gain of EUR 4,640,388.

On September 17<sup>th</sup>, Keringatlan sold a property located in Budapest for a sales price of EUR 2,160,000 at a gain of EUR 1,748,814. The sale was completed in December 2021.

### 2020 transactions

FN4 B.V. concluded a sales agreement on September 17, 2020 to sell a property located in Ravenswade at a price of EUR 14,500,000. This transaction completed on December 21, 2020 and the group recognised a gain of EUR 5,033,665.

## 10. Investment Properties (continued)

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.

All fair values for both 2021 and 2020 have been determined using level 3 “Significant Unobservable Inputs” in the fair value measurement hierarchy performed as of 31<sup>st</sup> December of the respective years.

The fair value of investment properties at 31 December 2021 are set out below:

Category	Net book value	Estimated fair value
	EUR	EUR
Retail outlets	13,890,215	149,974,350
Offices	82,072,745	139,958,249
Warehouses	1,941,680	15,199,215
Other structures	5,825,528	11,174,608
Plots of land	1,759,580	8,341,930
Total investment properties	105,489,748	324,648,352

The fair values of investment properties at 31 December 2020 are set out below:

Category	Net book value	Estimated fair value
	EUR	EUR
Retail outlets	15,240,159	150,505,082
Offices	91,623,977	149,241,949
Warehouses	1,989,891	13,378,904
Other structures	7,451,729	14,747,395
Plots of land	1,995,074	8,529,754
Total investment properties	118,390,830	336,403,084

The fair value of investment property is determined based on a combination of management assessment and external real estate valuation (Formianum Kft.) 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 external valuer holds a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

**10. Investment Properties (continued)**

**Key valuation assumptions for 2021**

The present values of the investment properties have been calculated based on a market yield rate which is suitable to measure properties in the relevant market.

- Rents on investment properties have been calculated based on the contractual rental fees and market comparative method. For the Dutch properties the valuation assumed a 95% adjustment factor. The adjustment factor for the Hungarian properties ranged from 10% to 30% depending upon location and tenancy status.
- The used yield rate per property item located in Hungary is between 7% and 10% depending on the type and location of the property (2020: 8%-10%). For the Dutch properties, the calculated yield rate is between 6.25% and 7.35% (2020: 6.5%-7.6%).
- Rents are predominantly set in EUR in the rental contracts. Where rent is set in HUF, the related yield has been calculated at a 369 HUF/EUR exchange rate (2020: 365 HUF/EUR).

The correlation between the most probable change in the key assumptions and the fair value of the property portfolio is illustrated by the sensitivity analysis below for the valuation based on the comparable market price method:

	2021	2020
	EUR	EUR
Yield rate drops by 50 bps	20,632,199	19,771,057
Rent rate drops by 5%	(15,734,418)	(15,986,111)

The management considers the yield variation of 50 bps as a normal variation on a stable market. A drop of rent rate by 5% may happen on an oversupplied market thus fairly representing the risk of revenue fall.

The value of land is typically estimated based on publicly available benchmarks and then adjusted accordingly to reflect the individual circumstances of the land (date of sale, property characteristics, selling terms, etc.).

The following table discloses the income from the rental of investment properties net of unrecoverable costs:

	2021	2020
	EUR	EUR
Revenues from the rent of investment properties	20,980,476	23,085,259
Unrecoverable net operating costs	(912,401)	(1,212,544)
Net income from the rent of investment properties	<u>20,068,075</u>	<u>21,872,715</u>

## **11. Intangible Assets**

Intangible assets consist primarily of the groups holding of media and merchandising rights in FTC Labdarúgó Zrt of Euro 1,658,396 (2020 Euro 1,658,396)

There were no movements in this balance during the year

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, however FTC Zrt and FTC Association turned to the Supreme Court against the ruling of the Civil Court. In 2018 the Supreme Court has rejected the claim of FTC Zrt. and FTC Association, so the ruling of the Civil Court remained in force. Based on this ruling FTC Zrt. and FTC Association shall pay for compensation and grant the use of Skybox and 8 VIP tickets.

As of December 31, 2021, the agreement of the Settlement due remains outstanding. As this is now a legal certainty tested at Supreme Court level management is confident that the amount shown in the balance sheet is fully recoverable.

## 12. Goodwill Arising on Acquisition

Goodwill is allocated to the following cash generating units:

	<u>31 December 2020</u>	<u>31 December 2019</u>
	EUR	EUR
Keringatlan Kft.	7,685,794	7,685,794
Plaza Park Kft.	-	1,456,136
Net book value	<u>7,685,794</u>	<u>9,141,930</u>

Goodwill is tested for impairment at least annually.

In June 2021, the group sold the investment property, Fotex Plaza, held by Plaza Park to a third party. As the goodwill recorded at Plaza Park arose from the fair value adjustment assigned to Fotex Plaza on acquisition, then management concluded that this goodwill has effectively been disposed of. There were no other movements in goodwill during the year.

The goodwill is allocated to the group of cash generating units that constitute 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 2021. 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.

**13. Accounts Payable, Other Liabilities and Provision**

	31 December 2021	31 December 2020
	EUR	EUR
Trade payables	1,895,277	789,078
Taxes payable	2,858,434	290,927
Advances from customers	20,141	15,781
Accrued expenses	2,127,160	1,065,576
Deferred rental income	2,245,655	3,000,028
Amounts payable to employees	200,200	108,478
Deposits from tenants	354,045	938,803
Other liabilities	340,990	1,131,580
Total accounts payable and other current liabilities	<u>10,041,902</u>	<u>7,340,251</u>
Other long-term liabilities	<u>3,041,947</u>	<u>2,007,165</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 3,041,589 (2020: EUR 2,945,968) 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 2,074,080 (2020: EUR 2,007,165), and the part which is expected within a year was classified as short-term tenant deposit liabilities EUR 967,509 (2019: EUR 938,803) (Note 6).



### 13 Accounts Payable, Other Liabilities and Provision (continued)

Other liabilities include the following:

	31 December 2021	31 December 2020
	EUR	EUR
Dividend payable	139,056	138,773
VAT compensation	-	277,970
Advances received for property management services	-	284,462
Liabilities against social security	66,093	58,164
Other short term liabilities	135,841	372,211
Total other liabilities	340,990	1,131,580

### 14. 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 31 December 2021, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preferred shares (31 December 2020: 70,723,650 ordinary shares and 2,000,000 dividend preferred shares).

The "dividend 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 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.

All dividend preferred shares are held in treasury.

#### *Treasury shares*

The 2,000,000 dividend preferred shares issued by the Company which are shown as part of "Issued capital" with total face value of EUR 840,000 in 2021; (2020: EUR 840,000) are also shown in "Treasury shares".

As at 31 December 2021, the Company held 29,827,482 treasury shares (of which 27,827,482 are ordinary shares and 2,000,000 are dividend preferred shares) at a historic cost of EUR 43,569,317 (31 December 2020: 29,672,830 shares – of which 27,672,830 were ordinary shares and 2,000,000 were dividend preferred shares – at a historic cost of EUR 43,179,158).

During 2021, the Company purchased 154,652 of its ordinary shares at acquisition cost of 390,159 EUR (2020: 586,442 shares at acquisition cost: EUR 1,428,143) on an arm's length basis.

**15 Operating Expenses and Gain**

Operating expenses and gain include the following:

	2021	2020
	EUR	EUR
Payments to personnel	(3,169,215)	(3,776,188)
Material and service type expenses	(6,185,399)	(6,205,350)
Depreciation and amortisation charge	(8,451,005)	(7,133,167)
Other expenses, net*	(3,520,985)	(3,110,630)
Total operating expenses	<u>(21,326,604)</u>	<u>(20,225,335)</u>

\* Other expenses (net) include the following:

	2021	2020
	EUR	EUR
Realised and unrealized FX differences (net)	727,001	(1,502,750)
Taxes other than income tax	(2,680,782)	(1,384,568)
Impairment and scrapping of tangible and intangible assets	(478,008)	(42,534)
Impairment and scrapping of inventories	(43,477)	457,674
Provision usage	33,557	289,727
Development grants	-	(245,864)
Other expenses/income	(1,079,276)	(682,315)
Total other expenses, net	<u>(3,520,985)</u>	<u>(3,110,630)</u>

## 16. Interest-bearing Loans and Borrowings

The details of the outstanding loans are as follows:

Item	Start date	End date	Loan EUR	Interest rate	Long-term portion at 31 December 2021 EUR	Current portion at 31 December 2021 EUR	Long-term portion at 31 December 2020 EUR	Current portion at 31 December 2020 EUR
III. mortgage	20/07/2016	20/07/2023	70,000,000	fixed 1.79% p.a.	46,938,502	1,607,347	59,354,452	1,675,129
Overdraft and short term					-	-	-	2,437
Finance lease						45,918	51,072	40,482
<b>Total</b>					<b>46,938,502</b>	<b>1,653,265</b>	<b>59,405,524</b>	<b>5,912,120</b>

Loan movements during the year:

- Loan I. Repaid to Zurich (a related party) Euro 3,800,000 and accumulated interest of Euro 619,686 on June 28, 2021, the due date of the loan.
- During the year, the group repaid Euro 11,040,000 of its outstanding long-term loan to Berlin Hyp AG Bank (mortgage III). The group incurred costs of Euro 549,135 associated with the early loan repayment.

The loan marked III. is 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., FN2 B.V., and FN5 B.V. This loan also includes the following covenants:

- Debt service coverage ratio of at least 225% throughout the term of the loan
- Loan to value ratio of
  - 65% end of year 2
  - 61% end of year 3
  - 57% end of year 6
- Weighted average unexpired lease term equal or higher than 3 years

As of December 31<sup>st</sup>, 2021, the group is fully in compliance with the terms of the debt covenants.

The scheduled maturity of loans at 31 December 2021 and 2020 is set out in EUR in the table below:

Due in	within 1 year	between 1-2 years	between 2-3 years	between 3-4 years	over 4 years	Total
<b>2021</b>	1.400.000	46.984.420	-	-	-	48.384.420
<b>2020</b>	5,912,120	44,110	59,359,344	2,070	-	65,317,644

In case of variable interest rate loans, there was no significant change in the interest rate until year-end, the book value approximates their fair value.

**Fotex Holding S.E. and Subsidiaries**  
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**17. Income Tax**

Income tax expense:	<u>2021</u>	<u>2020</u>
	EUR	EUR
Tax expense	2,974,580	1,390,220
Deferred tax expense / (income)	<u>934,808</u>	<u>(60,075)</u>
Income tax expense	<u><u>3,909,388</u></u>	<u><u>1,330,145</u></u>

**17. Income Tax (continued)**

The actual corporate income tax rate departs from the rate specified in the tax law due to the following:

	2021	2020
	EUR	EUR
Income before minority interests and income taxes	29,560,350	12,543,846
Tax at Luxembourg rate (2020 average rate)	7,372,351	1,641,814
Effect of tax losses for which no corresponding deferred tax asset recognized	128,590	47,586
Effect of tax rate differences	(4,795,002)	(249,434)
Effect of recurring tax relief	-	(265,028)
Hungarian sports relief	(690,281)	-
Effect of change in tax rate for deferred tax	1,104,555	-
Deferred tax liability release on sale of Fotex Plaza	608,357	-
Effect of other permanent differences	180,818	(307,888)
Local business tax and innovation contribution	-	475,274
Reversed deferred tax asset on prior year's carried forward loss	-	(12,179)
Income tax expense	3,909,388	1,330,145

The group has used the domestic Luxembourg tax rate for 2021 of 24.94% for the purposes of the tax reconciliation above (2020: an average group rate of 13.09% was used).

The tax rate of the taxable profit is 9% in Hungary.

The income tax rate applicable to Fotex Holding S.E. is 24.94% (2020: 24.94%) and Upington Investments S.à r.l.is 18.19% (2020: 18.19%).

The income tax rate for Fotex Netherlands B.V., FN2 B.V., FN3 B.V., FN5 B.V. and Long Term CRE Fund B.V. is on the first EUR 245,000 of taxable profit 15%, above this amount 25% (2020: the threshold was EUR 200,000 taxable at 16.5% and 25% above this amount).

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 both 2021 and 2020 the tax rate used in the deferred tax calculation for the Hungarian companies is 9.00%.

In 2021 for the Luxembourg and Dutch entities: at the applicable income tax rates described above, for Fotex Netherlands B.V. a tax rate of 25% (2020: 24.03%), for FN2 B.V. 25% (2020: 18.33% %), for FN3 B.V. 25% (2020: 20.99%), for FN5 B.V. 25% (2020: 16.5%) and in case of Long Term CRE Fund B.V 25% (2020: 21.45% tax rate was applied).

**17. Income Tax (continued)**

Deferred tax assets and deferred tax liabilities as at 31 December 2021 and 2020 are attributable to the items detailed in the tables below. In the below schedule, consolidated statement of financial position items denominated in currencies other than the presentation currency were revalued at the applicable year-end foreign exchange rates; the consolidated income statement items were determined based on average foreign exchange rates for 2021.

	Consolidated statement of financial position		Consolidated income statement	
	2021	2020	2021	2020
	EUR	EUR	EUR	EUR
<b>Deferred income tax liability</b>				
Accumulated depreciation for tax purposes	66,001	(34,583)	100,585	(1,263)
Temporary difference between the book value and acquisition value of buildings	-	(661,474)	661,473	85,144
Capitalisations of small value assets	-	(17,882)	17,882	1,384
Difference from loan transaction charges	(37,776)	(44,943)	7,167	18,220
Deferred tax related to rental discount	(155,762)	(154,488)	(1,273)	(64,763)
Temporary difference on loan origination fees	(5,339,524)	-	(1,669,513)	-
Reinvestment reserve*		(3,670,011)		(3,193)
Gross deferred income tax liabilities	(5,467,059)	(4,583,381)	(883,679)	35,529
<b>Deferred income tax assets</b>				
Provision	-	2,965	(2,965)	(25,204)
Impairment of debtors	14,425	1,487	8,815	1,521
Temporary difference on loan origination fees	-	3,930	(3,930)	33,723
Tax losses carried forward	55,023	99,313	(44,290)	12,179
Revaluation difference on related party transactions	61,853	70,611	(8,759)	2,327
Gross deferred income tax assets	131,301	178,306	(51,129)	24,546
Deferred income tax income / (expense)			(934,808)	60,075
Net deferred income tax liability	(5,335,758)	(4,405,073)		

\*The group has taken advantage of the possibility to defer the tax on the capital gain on disposal of its Dutch properties in 2021 and 2020. This allows the group to defer the tax on the capital gain for a period of up to three years after the end of the financial year of the sale and may be avoided to the extent the proceeds are reinvested in qualifying properties from the same legal entity. This relief has been shown as the reinvested reserve in the deferred tax disclosure above.

**18. Revenue**

Sales revenue	2021	20120
	EUR	EUR
Rental income revenue	20,980,476	23,602,855
Revenue from contracts with customers	7,394,331	6,938,733
Total sales revenue	<u>28,374,807</u>	<u>30,541,588</u>

The revenues generated by real estate management decreased during the fiscal year. The decrease mainly delivered from the impact of COVID 19 on the Hungarian retail portfolio and the impact of two Dutch properties sold during 2020.

Revenue from contracts with customers

	2021	2020
	EUR	EUR
Revenue from service charges to tenants	3,554,251	2,591,920
Ancillary mall revenue	1,752,112	1,573,120
Sale of goods*	1,734,734	1,397,160
Royalty revenue	246,475	173,203
Other sales revenue**	106,759	1,203,330
Total sales revenue	<u>7,394,331</u>	<u>6,938,733</u>

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

\*\*Other sales revenues contain various minor items, such as marketing and consultancy fees and mainly reflect sales realised in HUF.

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

**19. Gain on Disposal of Investment Properties**

The details of the sales of investment properties and gain on disposal for 2021 are set out below:

EUR	Fotex Plaza	Veszprém land	Budapest property	Total
Sales price	24,325,000	5,154,520	2,160,000	31,639,520
Net book value	(6,769,055)	(514,132)	(411,186)	(7,694,373)
Net gain	17,555,945	4,640,388	1,748,814	23,945,147

On June 1<sup>st</sup>, 2021, the group disposed of Fotex Plaza, the group's main office building in Budapest. The property was purchased by a third-party local property fund.

The sales price was Euro 24,295,000 for the building and Euro 30,000 for certain fixtures and fittings. The proceeds were received in cash on June 4<sup>th</sup>. There were no significant transaction costs associated with the sale.

On February 3<sup>rd</sup>, 2021, Székhely, sold two adjacent pieces of land located in the provincial town of Veszprém to the Veszprém municipality. The cash proceeds were received on February 3<sup>rd</sup>. There were no significant transaction costs associated with the sale.

On September 17<sup>th</sup>, 2021, Keringatlan sold an investment property located in Budapest to a third party.. The sales price was Euro 2,160,000 of which 15% was paid on signing the contract and the remaining 85% was paid at the end of December 2021. There were no significant transaction costs associated with the sale.

The details of the sales of investment properties and gain for 2020 are set out below:

EUR	Nieuwegein	Rijswijk	Győr- Károlyháza	Total
Sales price	14,500,000	4,000,000	59,564	18,559,654
Net book value	(9,203,160)	(3,731,044)	(2,873)	(12,937,077)
Transaction costs and settlements	(263,175)	(72,600)	-	(335,775)
Net gain	5,033,665	196,356	56,781	5,286,802



## **20 Segment Information**

Based on the assessment of IFRS 8, management has concluded that the group operates in a single segment, being real estate and investment properties.

As a result, since 2020 the group operates as a single segment group, disclosing geographical data only as below:

Geographical breakdown of revenues:

	<u>2021</u>	<u>2020</u>
	EUR	EUR
Hungary	18,599,093	19,088,965
Netherlands	9,775,713	11,451,396
Luxembourg	-	1,227
Total sales revenue	<u>28,374,806</u>	<u>30,541,588</u>

## 21. Financial Risks, Management Objectives and Policies

The Group's primary financial liabilities, include creditors, and loans taken to purchase properties. The Group's various financial receivables include debtors, cash and short-term deposits. 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 rate 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. As of December 31, 2021, the group has one loan with an interest rate of 1.79%

### *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 functional 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, vacant investment properties and market demand which depends on market trends rather than on FX rate fluctuations.

Certain of the Group's financial assets and liabilities are denominated in currencies other than the functional currency of Fotex Holding S.E. and are affected by EUR rate fluctuations as follows:

	Increase/decrease in HUF/EUR rate	Impact on total comprehensive income
		EUR
2021	+10%	(311,650)
	-10%	380,906
2020	+10%	(220,073)
	-10%	220,073

The financial instruments that are potentially subject to currency risk consist principally of foreign currency trade receivables and payables denominated in foreign currency other than EUR:

	2021	2020
	FIRR	FIRR
Financial liabilities	8,465,579	4,303,635
Financial assets	5,037,424	4,903,011

## **21. Financial Risks, Management Objectives and Policies (continued)**

### *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. The group also requires deposits from tenants that are held until the tenancy ends.

Concentrations of credit risk, with respect to trade accounts receivable, are limited due to the relative immateriality of the balance mainly due to the downsizing of the group's crystal business in Ajka.

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 upfront through online sales or 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, 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 31 December 2021 the Group's maximum exposure to credit risk is EUR 119,155,093 (31 December 2020: EUR 92,015,174). The main reasons of this increase are cash and cash equivalent increased by EUR 25,415,969 in 2021 compared to 2020. The group only deals with banks with an S&P and Fitch credit rating of minimum -A, see note 5 for more details.

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.

### *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

**21. Financial Risks, Management Objectives and Policies (continued)**

With the exception of the groups loan liabilities, for which the maturity is disclosed in note 16, and the deposits from tenants for which the maturity is disclosed in note 6, The Group's other liabilities based on contracted not discounted payments of EUR 8,003,786 (December 31, 2020, EUR 4,340,223) are all due within 0-6 months

*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 31 December 2021 and 31 December 2020 are presented below:

	31 December 2021	31 December 2020
	EUR	EUR
Short-term and long-term borrowings:	48,338,502	65,317,644
Trade payables and other current liabilities less deferred rental income:	8,003,786	4,340,223
Cash and cash equivalents:	<u>(113,459,061)</u>	<u>(85,097,124)</u>
Net debt:	(57,116,773)	(15,439,257)
Equity attributable to the Company:	<u>173,981,993</u>	<u>149,634,872</u>
Total:	<u>231,098,766</u>	<u>134,195,615</u>
Indebtedness ratio:	(24.72)%	(11.51)%

The Company's indebtedness ratio decreased from (11.51)% at 31 December 2020 to (24.72)% at 31 December 2021, primarily due to the increase in the cash and cash equivalents and in the equity. 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 and the recent cash generation from the disposal of a number of properties over the past few years.

## **22. Leases**

### Group as lessee

The group primarily leases immaterial sundry assets not used in the operations of the business.

### Group as lessor

The Group leases property to third parties consisting mainly of retail outlets, offices, warehouses and other structures. Rents are predominantly set in EUR in the rental contracts.

The Group owns 10 office buildings in the Netherlands which are leased to tenants on fixed long-term rental agreements. Based on the rental agreements the contracted revenue is as described in the table below.

## 22. Leases (continued)

The Group's fixed rental fee revenue under non-cancellable leases as of 31 December 2021 (EUR):

Due in	2022	2023	2024	2025	2026	After 2026	Total
	10,235,332	10,163,751	8,394,397	7,001,544	4,608,172	10,327,568	50,730,764

The Group's fixed rental fee revenue under non-cancellable leases as of 31 December 2020 (EUR):

Due in	2021	2022	2023	2024	2025	After 2025	Total
	9,973,691	10,084,085	10,096,438	7,732,455	6,429,626	11,877,561	56,193,856

## 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:

	2021	2020
	EUR	EUR
Net profit attributable to equity holders from continuing operations	25,650,962	11,212,050
Net profit attributable to shareholders	25,650,962	11,212,050
Weighted average number of shares in issue during the year	42,944,686	43,395,254
Basic earnings per share (EUR)	<u>0.60</u>	<u>0.26</u>

The diluted earnings per share agree with basic earnings per share in 2021 and 2020 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 Luxembourg S.à r.l. (“Blackburn Luxembourg”), a Luxembourg company. Blackburn Luxembourg has a controlling interest in Fotex Holding S.E. and in Fotex Ingatlan Kft. (“Fotex Ingatlan”) and is the ultimate controlling party for Fotex Holding S.E. and Fotex Ingatlan. Blackburn has a controlling interest in Zürich Investments Inc. (“Zürich”), a British Virgin Islands company. As at 31 December 2021 Blackburn Luxembourg controlled 50.35% (31 December 2020: 50.35%) of Fotex Holding S.E.’s voting shares. APF International provides real estate services to the group and is partly owned by two group directors. White Oak Management provides accounting and company secretarial services to the group and is owned by two group directors. One director rents sundry commercial property from the group on an arm’s length basis. The group also holds a controlling interest in Arany Juhár Időstthon Kft., an unconsolidated subsidiary for 2021. These companies are considered to be related parties.

### **Related party transactions**

Rental and other related fees paid to Fotex Ingatlan during 2021 were EUR 105,585 (2020: EUR 13,637).

Administrative and expert fees paid by Fotex Ingatlan during 2021 were EUR 38,550 (2020: EUR 46,575).

FN2 B.V. received a loan from Zürich Investment of EUR 3.8 million in 2011. This loan was repaid in June 2021.

For 2021, FN2 B.V. was charged interest of EUR 136,618 (2020: EUR 275,500) by Zürich Investment.

For 2021, Dutch subsidiaries were charged property management fees of EUR 145,036 (2020: EUR 439,162) by APF International.

For 2021, the Luxembourg entities were charged professional fees of EUR 259,727 by White Oak management (2020: EUR 338,838).

For 2021 the Hungarian entities received rental income of EUR 255,925 (2020 EUR 183,772) from one of the group directors.

The group provided loans of Euro 450.000 to Arany Juhár Időstthon Kft. and charged interest of Euro 926.

Transactions between related parties are made on terms equivalent to those that prevail in arm’s length transactions.

### **Remuneration of Group management**

Management, directors and members of the Supervisory Board of the Group received a total remuneration of EUR 779,187 in 2021 (2020: EUR 715,552).

**25. Subsequent Events after the End of the Reporting Period**

There were no material events subsequent to the year end.

**26. Headcount**

*Personnel changes:* Average number of employees was 124 people in 2021 (2020: 132 people).

**27. Audit fees**

The breakdown of the audit fees for the group is:

	<u>2021</u>	<u>2020</u>
	EUR	EUR
Audit fees	109,980	114,980
Audit-related fees	-	-
Tax fees	-	-
Other fees	-	-
Other long-term liabilities	<u>109,980</u>	<u>114,980</u>

**28. Contingent liabilities**

The Company does not have any contingent liabilities as of 31 December 2021.