

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

**Unaudited interim condensed consolidated financial statements**  
**as at 30 June 2021**  
**Management report as at 30 June 2021**

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## Management Report

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

The net turnover for the six months ended June 30, 2021, was EUR 12,985,513 compared with EUR 14,702,773 for the same period in 2020 representing a decrease of – 11.7%. The net turnover is mainly composed of income from operating a real estate portfolio in Hungary and the Netherlands. The main reason of the decline in sales is the impact of COVID-19 on Hungarian rental income, the reduction in rental income from our Dutch portfolio arising from those Dutch properties sold in 2020 and the further reduction in sales in the Crystal and Glass business.

During the year the group sold three investment properties located in Hungary at a post-tax gain of Euro 18,870,564.

The overall income for the six months amounts to EUR 31,869,155 which is impacted by the net sales, the gain on disposal of investment properties and the financial revenue (30 June 2020: EUR 14,709,133).

The net result for the six months is a gain amounting to EUR 19,653,009 ((30 June 2020: EUR 1,670,179

During the year the group acquired 91,108 of its own shares at a cost of Euro 229,073

### 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 that are relevant for the period to date and the remaining second half of the year:

- 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 30 June 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.

The loan interest is at fixed rate of 1.89 %.

### *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, as yet unknown, 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.

- In the first half of 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 an ongoing 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.

## **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 30 June 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. These companies are considered to be related parties.

During the period, the group repaid the outstanding loan of Euro 3.8 million and outstanding interest of Euro 619,686 due to Zurich in cash.

There were no other material related party transactions during the period.

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

In July 2021, the group sold an investment property located in Budapest to a third party for a sales price of approximately US \$ 2.2 million.

## Management Responsibility Statement

We confirm that, to the best of our knowledge, the unaudited condensed consolidated interim financial information as of 30 June 2021, which has been prepared in accordance with IAS 34, as adopted by the European Union, 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.

Luxembourg, 17<sup>th</sup> August, 2021



Gábor VÁRSZEGI

Chairman of the Board of Directors



Dávid VÁRSZEGI

Member of the Board of Directors

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

	Note	30 June 2021	31 December 2020
		EUR	EUR
<b>Assets</b>			
Current Assets:			
Cash and short-term deposits		105,637,334	85,097,124
Current portion of other financial assets		73,438	939,761
Accounts receivable and prepayments		3,301,490	4,238,826
Income tax receivable		-	404,353
Inventories		3,909,342	3,629,096
Total current assets		112,921,604	94,309,160
Non-current Assets:			
Property, plant and equipment		3,213,670	3,041,481
Right-of-use assets		-	95,997
Investment properties	8	108,364,025	118,390,830
Deferred tax assets		204,884	178,306
Intangible assets		2,360,961	1,729,244
Non-current portion of other financial assets		591,556	2,043,913
Goodwill arising on acquisition		7,685,794	9,141,930
Total non-current assets		122,420,961	134,621,701
Total assets		235,342,495	228,930,861
<b>Liabilities and Shareholders' Equity</b>			
Current Liabilities:			
Interest-bearing loans and borrowings	7, 8	25,881	5,912,120
Provision		71,901	32,950
Accounts payable and other liabilities		8,075,826	7,340,251
Total current liabilities		8,173,608	13,285,321
Non-current Liabilities:			
Interest-bearing loans and borrowings	7, 8	48,989,742	59,405,524
Other long-term liabilities		3,224,045	2,007,165
Deferred tax liability		5,606,802	4,583,381
Total non-current liabilities		57,820,589	65,996,070
Shareholders' Equity:			
Issued capital		30,543,933	30,543,933
Additional paid-in capital		25,495,008	25,495,008
Retained earnings		161,017,147	141,364,138
Translation difference		(4,314,157)	(4,589,049)
Treasury shares, at cost		(43,408,231)	(43,179,158)
Equity attributable to equity holders of the parent company		169,333,700	149,634,872
Non-controlling interests in consolidated subsidiaries		14,598	14,598
Total shareholders' equity		169,348,298	149,649,470
Total liabilities and shareholders' equity		235,342,495	228,930,861

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

	Note	30 June 2021	30 June 2020
			EUR
Revenue	3, 4, 5	12,985,513	14,702,773
Cost of sales		(125,738)	(339,132)
Gross Profit		12,859,775	14,363,641
Operating expenses		(8,863,934)	(11,319,825)
Gain on disposal of the sales of investment properties		18,870,564	-
Operating profit (EBIT)		22,866,405	3,043,816
Interest income		13,077	6,360
Interest expenses		(671,758)	(888,014)
Income before income tax		22,207,724	2,162,162
Income tax expense	6	(2,554,716)	(491,983)
Net income		19,653,009	1,670,179
Attributable to:			
Equity holders of the parent company		19,653,009	1,669,953
Non-controlling interests		-	226
Net income		19,653,009	1,670,179
Basic earnings per share		0.45	0.04
Diluted earnings per share		0.45	0.04



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

Note	30 June 2021	30 June 2020
		EUR
Net income	19,653,009	1,670,179
Other comprehensive income:		
Exchange gain/(loss) on translation of foreign operations*	274,892	(1,678,446)
Total comprehensive income/ (loss)	19,927,901	(8,267)
Attributable to:		
Equity holders of the parent company	19,927,901	(7,438)
Non-controlling interests	-	(829)
	19,927,901	(8,267)

**Fotex Holding S.E. and Subsidiaries**  
**Interim Condensed Consolidated Statement of Changes in Equity**  
**Figures in EUR**  
**for the period ended 30 June 2021**

	Issued Capital EUR	Additional Paid-in Capital EUR	Retained Earnings EUR	Translation Difference EUR	Treasury Shares EUR	Total EUR	Non- controlling interests EUR	Total Equity 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	-	-	19,653,009	-	-	19,653,009	-	19,653,009
Other comprehensive income	-	-	-	274,892	-	274,892	-	274,892
Total comprehensive income	-	-	19,653,009	274,892	-	19,927,901	-	19,927,901
Purchase of treasury shares	-	-	-	-	(229,073)	(229,073)	-	(229,073)
<b>30 June 2021</b>	<b>30,543,933</b>	<b>25,495,008</b>	<b>161,017,147</b>	<b>(4,314,157)</b>	<b>(43,408,231)</b>	<b>169,333,700</b>	<b>14,598</b>	<b>169,348,298</b>

**Fotex Holding S.E. and Subsidiaries**  
**Interim Condensed Consolidated Statement of Changes in Equity**  
**Figures in EUR**  
**for the year ended 31 December 2020**

	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	-	-	11,212,050	1,651	11,213,701
Other comprehensive income	-	-	-	(2,564,363)	-	(2,564,363)	(1,403)	(2,565,766)
Total comprehensive income	-	-	11,212,050	(2,564,363)	-	8,647,687	248	8,647,935
Purchase of treasury shares (note 16)	-	-	-	-	(1,428,143)	(1,428,143)	-	(1,428,143)
<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>

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

	Note	30 June 2021	30 June 2020
			EUR
<b>Cash flows from operating activities:</b>			
Income before income taxes	3, 4, 5	22,207,725	2,162,162
Depreciation and amortisation		2,716,538	3,626,667
Scrapped tangible assets		-	1,140
Creation of provision and reversals		38,951	579,455
Loss/(gain) on disposals of Investment Properties		18,870,564	(14,518)
Interest income		(13,077)	(6,360)
Effect of spread of rental related incentives and allowance		-	(342,202)
Interest expenses		671,758	888,014
Changes in working capital:			
Accounts receivable and prepayments		3,633,791	1,598,273
Inventories		(280,246)	261,841
Accounts payable and other liabilities		429,771	(2,081,041)
Cash generated from operations		10,534,647	6,673,431
Income tax paid		(616,967)	(700,883)
Net cash flow from operating activities		9,917,680	5,972,548
<b>Cash flows from investing activities:</b>			
Additions to investment properties		(298,711)	(1,164,247)
Acquisition of tangible and intangible assets		(549,767)	(818,045)
Sale proceeds less cost to sell of tangible and intangible assets		29,479,520	32,751
Other changes of tangible and intangible assets		-	113,788
Interest received		13,077	6,322
Net cash flow received/(used) from investing activities		28,644,119	(1,829,431)
<b>Cash flows from financing activities:</b>			
Interest paid		(671,758)	(764,283)
Repayments of loan received		(16,302,021)	(744,514)
Payment of principal portion of lease liabilities		-	(20,496)
Purchase of treasury shares		(229,073)	(522,500)
Change in other long-term liabilities		-	(132,948)
Net cash flow from financing activities		17,202,852	(2,187,367)
Change in cash and cash equivalents		21,358,947	1,955,750
Cash and cash equivalents at beginning of the year		85,097,124	68,278,062
Effect of foreign currency translation		(818,737)	1,068,841
Cash and cash equivalents at end of the period		105,637,334	71,302,653

## **1. Basis of presentation**

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2020 annual report.

## **2. Significant accounting policies**

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2020 annual financial statements.

New and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

Management have reviewed the nature and amount of estimates reported in prior period, and with the exception of a revision of the deferred tax liability arising from the application of updated tax rates in the Netherlands, concluded that there have been no material revisions required for amounts reported in prior periods.

*Impact of accounting standards to be applied in future periods.*

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2020 (the date on which the company's next annual financial statements will be prepared up to) that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.



### **3. Significant events and transactions**

The significant events and transactions that have occurred since 31 December 2020 relate to the disposal of investment properties, debt repayment and the effects of the global pandemic on the Groups interim consolidated financial statements for the six months ended 30 June 2021 and are summarised as follows.

#### *COVID-19*

Despite the difficult trading conditions, the company maintained a stable and strong financial position as its current debt obligations were easily covered by the amount of cash on hand within the Group. Moreover, the company disposed of two investment properties in the Netherlands during the latter part of 2020 at a gain which generated additional cash of Euro 18,500,000 and additionally, in 2021 the group disposed of an additional three investment properties, including the flagship office building in Budapest, generating cash close to Euro 29 million meaning that the overall cash position by the year end remains strong and more than covers the groups debt obligations.

As anticipated the negative effects of the Covid-19 impacted the Group results, specifically:

- In Hungary, restrictions that were in place from November 2020 were removed as the vaccination programme gathered pace. 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.
- In the first half of 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 an ongoing 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.

Despite the optimism associated with the mass vaccine roll out, the long-term effects of this virus are still unknown from an economic standpoint though given the situation described above, the actions taken by the group have cushioned as much as possible the effect of the pandemic and there is an expectation that there has been no permanent damage to the business.

#### *Disposal of investment properties*

During 2021, the group sold three investment properties all of which were located in Hungary.

- The group sold 2 plots of land in Veszprém in February 2021 and Fotex Plaza, the groups flagship office building in Budapest on June 1, 2021, all to third parties. The gain, net of taxation, was Euro 18,870,564. The proceeds have been received in cash.

There were no significant costs associated with the sale of any of the properties.

**Fotex Holding S.E. and Subsidiaries**  
**Notes to interim condensed consolidated financial statements**  
**30 June 2021**  
**Figures in EUR**

**4. Revenue**

Revenue		
Sales revenue	2021	2020
	EUR	EUR
Rental income revenue	10,178,485	11,640,181
Revenue from contracts with customers	2,807,028	3,062,592
Total sales revenue	<u>12,985,513</u>	<u>14,702,773</u>

The revenues generated by real estate management decreased during the period. The decrease mainly delivered from the impact of COVID 19 on the Hungarian retail portfolio. The fall of revenues from contracts with customers is attributable to the drop of crystal sales as well as a fall in revenue from the ancillary mall services.

Revenue from contracts with customers

	2021	2020
	EUR	EUR
Revenue from service charges to tenants	1,766,357	1,255,371
Ancillary mall revenue	393,355	907,693
Sale of goods*	477,325	741,276
Royalty revenue	128,654	48,457
Other sales revenue	41,337	109,795
Total sales revenue	<u>2,807,028</u>	<u>3,062,592</u>

Revenues from selling of goods are generated primarily by sales of crystal and glass products. The reason of the decrease of sales is the decline of demand.

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

Geographical breakdown of revenues:

	2021	2020
	EUR	EUR
Hungary	8,034,089	8,970,445
Netherlands	4,951,424	5,732,328
Total sales revenue	<u>12,985,513</u>	<u>14,702,773</u>

## **5. Seasonal business**

The groups' core activity is the provision of real estate to tenants through its investment property portfolio. These assets earn rent on a systematic basis throughout the year, with no contractual adjustments that effect the flow of income to the group. As a result, group revenues are unaffected by any seasonality. The costs of the running the business are also similarly unaffected. As a result, these financial statements require no further information to assist the user in understanding the seasonal effects on the business at the half year, nor for the remainder of the full year.

## **6. Taxation**

Tax is charged at 11.5% for the six months ended 30 June 2021 (30 June 2020: 22.7%) representing the best estimate of the average annual effective tax rate expected to apply for the full year, applied to the pre-tax income of the six month period.

## **7. Issues, repurchases and repayments of debt and equity securities.**

### *Loans*

During the year the group repaid the following loans.

Paid to Zurich (a related party) Euro 3,800,000 and accumulated interest of Euro 619,686 on June 28, 2021  
Mortgage I repaid in full on January 1, 2021.

During the first half of the year, the group repaid Euro 11,040,000 of its outstanding long-term loan to Berlinhyp Bank. The group incurred costs of Euro 551,000 associated with the early loan repayment.

There were no new loans nor other changes to existing loans during the period.

### *Equities*

During the year the group acquired 91,108 of its own shares at a cost of Euro 229,073.



## 8. Fair Value

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

The Group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

- Trade receivables
- Trade payables
- Cash and cash equivalents

Management formally assesses the fair values of its assets and liabilities as of December 31 each year. For the purposes of the disclosed financial information, management has assessed that there are no material differences between the fair values as of June 30, 2021 and December 31, 2020.

### Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 30 June, 2021 and December 31, 2020:

	Date of valuation	Fair value measurement using	
		Total	Significant unobservable inputs (Level 3)
		EUR	EUR
<b>Assets for which fair values are disclosed:</b>			
<b>Investment properties:</b>			
Retail outlets	31 December 2020	150,505,082	150,505,082
Offices	31 December 2020	149,241,949	149,241,949
Warehouses	31 December 2020	13,378,904	13,378,904
Other structures	31 December 2020	14,747,395	14,747,395
Plots of land	31 December 2020	8,529,754	8,529,754
<b>Total</b>		<b>336,403,084</b>	<b>336,403,084</b>
<b>Liabilities for which fair values are disclosed:</b>			
<b>Interest-bearing loans and borrowings</b>			
III. loan	31 December 2020	61,925,038	61,925,038
<b>Total</b>		<b>61,925,038</b>	<b>61,925,038</b>

Loans I & II included in the financial statements for the year ended December 31, 2020, were repaid during the period ending June 30, 2021.

Assets and liabilities in the above table are not presented at fair value in the statement of financial position, but their fair value is disclosed. Receivables are presented in the consolidated statement of financial position at cost less impairment loss on doubtful accounts. Bank loans having a variable interest rate approximated their fair values.

## **9. 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"). Blackburn has a controlling interest in Zürich Investments Inc. ("Zürich"), a British Virgin Islands company. As at 30 June 2020 Blackburn Luxembourg controlled 50.35% (31 December 2019: 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 partly owned by two group directors. One director rents sundry commercial property from the group on an arm's length basis. These companies are considered to be related parties.

### **Related party transactions**

During the period, the group repaid the outstanding loan due to Zurich in cash.

There were no other material related party transactions during the period.

## **10. Subsequent Events after the End of the Reporting Period**

In July 2021, the group sold an investment property located in Budapest to a third party for a sales price of approximately US \$ 2.2 million.