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Consolidated financial statements as at 31 December 2020
Management report as at 31 December 2020

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Management Report

Review and development of the groups business and financial position

The net turnover for the year ended 31 December 2020 was EUR 30,541,588 compared with EUR 38,036,918 for the same period in 2019 representing a decrease of EUR 7,495,330 (19.7%). 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 2019 and the further reduction in sales in the Crystal and Glass business.

The group sold two Dutch properties and part of a parcel of land in Hungary during the second half of 2020 at a gain of EUR 5,286,802.

During the Autumn, 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. Despite this, there was a significant year on year fall in sales of crystal products of approximately EUR 2.6 million.

The overall income for the year amounts to EUR 30,547,741 which is impacted by the net sales and the financial revenue (31 December 2019: EUR 38,043,832).

The net result for the year is a profit of EUR 11,213,701.

During the year the group acquired 586,442 of its own shares at a cost of EUR 1,428,143.

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

The level of the hazardous waste as at 31 December 2020 was 0 kg (31 December 2019: 280 kg), which is 0% (31 December 2019: 0.01%) of total production throughout the period.

No provision is recognised for covering future environment fines or expenditures in 2020.

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 at 31 December 2020, 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 interests are at fixed rates varying between 1.89% and 7.25%. For further details please refer to Note 18.

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 11 March 2020, WHO declared COVID-19 a pandemic.

Due to the fact that the groups crystal business was restructured during 2019 and became much less significant to the group, the main business impact has been on the real estate portfolio both in Hungary and the Netherlands. 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 has generated additional cash meaning that the overall cash position by the year end remained strong at Euro 85 million.

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

- In Hungary, there was a full lockdown from mid-March to May which comprehensively affected the retail sector. Since then, local retail returned to some form of normality with social distancing with face covering requirements facilitating the reopening of that sector. During the autumn of 2020, the second wave of infections required the government to revisit its approach and some measure of restriction have been reimposed since November. Specifically, as it affected the group, retail remained open whilst the hospitality and leisure sectors have faced renewed restrictions.
- In early March 2021 the Hungarian government reintroduced a short term “circuit breaker” that further restricted the operations of the retail sector. It is expected that these short term restrictions will be revisited by the end of March 2021.
- In the first half of the year, certain tenants received free rent months whilst others were given discounts along with lease extensions where this was possible. As such the Group lost some income during the first six months of the year (approximately Euro 1 million) but nothing which impacted it as an ongoing concern.
- The second half of the year has seen some discounting but not at the same level as the first half year. Particularly the group has supported those businesses in the hospitality and leisure sector through deferral of rents but not operating costs.
- 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.
- Where tenants have vacated the properties, the group has been able to rely upon rent guarantees from parent entities or the cash guarantee paid by the tenant as part of the initial rent agreement.
- This situation is mostly felt in the Group’s Hungarian portfolio while the tenants in the Netherlands have not requested nor has the group offered any such holidays/discounts/deferrals.

Despite the optimism associated with the promise of the mass vaccine roll out that has started in the new year, 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 a hope that there has been no permanent damage to the business.

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 2020, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preferred shares (31 December 2019: 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 2020, the Company held 29,672,830 treasury 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 (31 December 2019: 29,086,388 shares – of which 93.12% - 27,086,388 were ordinary shares and 6.88% - 2,000,000 were dividend preferred shares – at a historic cost of EUR 41,751,015). During 2020, the Company purchased 586,442 of its ordinary shares (2019: 282,979 shares) on an arm's length basis.

Significant Events after the end of the reporting period

Subsequent to the year end, the group sold two investment properties located in Hungary at a gain of EUR 4.6 million.

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.á.r.l. ("Blackburn Luxembourg"), a Luxembourg company. Blackburn Luxembourg has a controlling interest in Fotex Holding S.E. As at 31 December 2020 Blackburn Luxembourg controlled 50.35% (31 December 2019: 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 2 November 2020, 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).

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:

Name:	Position:
Mr. Gábor VÁRSZEGI	Chairman of the Board
Mr. Dávid VÁRSZEGI	Member of the Board
Mr. Wiggert KARREMAN	Member of the Board
Mr. Martijn G. D. WINDELS	Member of the Board
Mr. Robert J. DOLE	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 29 May 2020 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 2020.

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.

Composition of the Audit Committee

The Audit Committee is composed as follows:

- Mr. Alan J. Griffiths (Chairman of the Audit Committee)
- Mr. Martijn G. D. 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 29 May 2020. 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 2020.

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

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

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

Rules Governing Amendments to the Articles of Incorporation

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

Branches of the Company

The Company has no branches.

Other Disclosures

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 now is equivalent to or 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 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 optimizes 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 have had a visible impact on the Group's income and final results for the year and we expect this to continue into 2021. As mentioned, certain tenants have received free months during 2020 whilst others were given discounts along with lease extensions where this was feasible and we expect a similar situation to occur during most of 2021. As a result of this the Group has lost some income during the past year which is clearly visible within its year end results, but these effects do not impact the Group as an ongoing concern as it continues to be profitable and cashflow positive. It is expected that there will be continued losses of tenants due to the long term adverse effects of the pandemic (reduced tourism and spending and increased unemployment as examples); 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. The effects of the newly enacted lockdowns in Hungary continue to pose a risk for the Groups local assets but as these seem limited in time and scope we expect only minimal negative consequences from this situation for the Group.

At this moment although there are now several vaccines available there still does not seem to be an exact end date in sight when this situation will be over and as such the Group and management will continue to be extremely prudent and cautious in future investments and with its growth expectations. The Group has successfully overcome the first and second waves of the pandemic in certain markets by making investments into technology and changes in staffing however we already foresee the oncoming third wave and further shutdowns are already a reality which will have some financial impact on 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 will continue to be an issue for the Group in 2021.

Finally, as Brexit has now been finalized from a legal standpoint the economical results of said divorce are currently not clear and should not be underestimated. While at the same time the current budget deal which the EU has enacted is a silver lining which will certainly help the EU economies to overcome their current economic woes it in no way solves all the problems and issues facing the EU in the months and years to come.

26 March 2021, 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 2020 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.

26 March 2021, Luxembourg

Gábor VÁRSZEGI

Chairman of the Board of Directors

Dávid VÁRSZEGI

Member of the Board of Directors

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Shareholders of
Fotex Holding
Société européenne
272, rue de Neudorf
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Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Fotex Holding and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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" on page 38, 2. "Non-current assets held for sale and discontinued operations" on page 30, 3. "Significant Accounting Judgements, Estimates and Assumptions" on page 42, and Note 9. "Assets Held for Sale" on page 48, and Note 11. "Investment Properties" on pages 51-53, in the consolidated financial statements of Fotex Holding.

As at 31 December 2020 the Group held a portfolio of investment properties with a carrying amount of EUR 118,390,830 (2019: EUR 137,380,078) and respective fair value of EUR 336,403,084 (2019: EUR 380,735,363). The Group's investment properties is 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 11). 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 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 matter

The consolidated financial statements for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 27 April 2020.

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.

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.

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 29 May 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is one year.

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.

Luxembourg, 1 April 2021

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 2020	31 December 2019
		EUR	EUR
Assets			
Current Assets:			
Cash and short-term deposits	5	85,097,124	68,278,062
Current portion of other financial assets	6	939,761	1,089,250
Accounts receivable and prepayments	7	4,238,826	7,921,582
Income tax receivable		404,353	297,694
Inventories	8	3,629,096	4,169,602
Assets held for sale	9	-	3,731,045
Total current assets		94,309,160	85,487,235
Non-current Assets:			
Property, plant and equipment	10	3,041,481	3,219,003
Right-of-use assets		95,997	162,776
Investment properties	11	118,390,830	133,649,033
Deferred tax assets	19	178,306	202,551
Intangible assets	12	1,729,244	1,754,351
Non-current portion of other financial assets	6	2,043,913	2,318,728
Goodwill arising on acquisition	14	9,141,930	10,099,216
Total non-current assets		134,621,701	151,405,658
Total assets		228,930,861	236,892,893
Liabilities and Shareholders' Equity			
Current Liabilities:			
Interest-bearing loans and borrowings	18	5,912,120	2,095,760
Provision	15	32,950	338,954
Accounts payable and other liabilities	15	7,340,251	11,110,689
Total current liabilities		13,285,321	13,545,403
Non-current Liabilities:			
Interest-bearing loans and borrowings	18	59,405,524	73,225,739
Other long-term liabilities	15	2,007,165	2,558,272
Deferred tax liability	19	4,583,381	5,133,801
Total non-current liabilities		65,996,070	80,917,812
Shareholders' Equity:			
Issued capital	16	30,543,933	30,543,933
Additional paid-in capital		25,495,008	25,495,008
Retained earnings		141,364,138	130,152,088
Translation difference		(4,589,049)	(2,024,686)
Treasury shares, at cost	16	(43,179,158)	(41,751,015)
Equity attributable to equity holders of the parent company		149,634,872	142,415,328
Non-controlling interests in consolidated subsidiaries		14,598	14,350
Total shareholders' equity		149,649,470	142,429,678
Total liabilities and shareholders' equity		228,930,861	236,892,893

The accompanying notes on pages 27 to 75 form an integral part of these consolidated financial statements.

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

	Note	2020	2019
		EUR	EUR
Revenue	20	30,541,588	38,036,918
Cost of sales	21	(1,112,287)	(2,469,642)
Gross Profit		29,429,301	35,567,276
Operating expenses and gain	17	(20,225,335)	(26,683,083)
Gain on disposal of the sales of investment properties	22	5,286,802	21,604,590
Operating profit (EBIT)		14,490,768	30,488,783
Interest income		6,153	6,914
Interest expenses	18	(1,953,075)	(1,978,292)
Income before income tax		12,543,846	28,517,405
Income tax expense	19	(1,330,145)	(5,668,158)
Net income		11,213,701	22,849,247
Attributable to:			
Equity holders of the parent company		11,212,050	22,848,595
Non-controlling interests		1,651	652
Net income		11,213,701	22,849,247
Basic earnings per share	27	0.26	0.52
Diluted earnings per share	27	0.26	0.52

The accompanying notes on pages 27 to 75 form an integral part of these consolidated financial statements.

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

	Note	2020	2019
		EUR	EUR
Net income		11,213,701	22,849,247
Other comprehensive income:			
Exchange gain/(loss) on translation of foreign operations*	23	(2,565,766)	(668,429)
Total comprehensive income/ (loss)		8,647,935	22,180,818
Attributable to:			
Equity holders of the parent company		8,647,687	22,180,557
Non-controlling interests		248	261
		8,647,935	22,180,818

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

The accompanying notes on pages 27 to 75 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 2020

	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
1 January 2020	**30,543,933**	**25,495,008**	**130,152,088**	**(2,024,686)**	**(41,751,015)**	**142,415,328**	**14,350**	**142,429,678**
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)**
Shareholder dividends	–	–	–	–	–	–	–	–
Minority dividends	–	–	–	–	–	–	–	–
Purchase from Minority shareholders	–	–	–	–	–	–	–	–
31 December 2020	**30,543,933**	**25,495,008**	**141,364,138**	**(4,589,049)**	**(43,179,158)**	**149,634,872**	**14,598**	**149,649,470**

The accompanying notes on pages 27 to 75 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 2019

	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
1 January 2019	**30,543,933**	**25,495,008**	**107,303,493**	**(1,356,648)**	**(41,212,427)**	**120,773,359**	**14,855**	**120,788,214**
Net income 2019	–	–	22,848,595	–	–	**22,848,595**	652	**22,849,247**
Other comprehensive income	–	–	–	(668,038)	–	**(668,038)**	(391)	**(668,429)**
Total comprehensive income	–	–	22,848,595	(668,038)	–	**22,180,557**	261	**22,180,818**
Purchase of treasury shares (note 16)	–	–	–	–	(538,588)	**(538,588)**	–	**(538,588)**
Shareholder dividends	–	–	–	–	–	–	–	–
Minority dividends	–	–	–	–	–	–	(766)	**(766)**
Purchase from Minority shareholders	–	–	–	–	–	–	–	–
31 December 2019	**30,543,933**	**25,495,008**	**130,152,088**	**(2,024,686)**	**(41,751,015)**	**142,415,328**	**14,350**	**142,429,678**

The accompanying notes on pages 27 to 75 form an integral part of these consolidated financial statements.

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

	Note	2020	2019
		EUR	EUR
Cash flows from operating activities:			
Income before income taxes		12,543,846	28,517,405
Depreciation and amortisation	17	7,133,167	7,279,583
Extraordinary depreciation		6,150	-
Scrapped tangible assets	10	42,534	500,486
Write off of inventories	8	-	677,931
Impairment loss of debtors and reversals		39,890	5,157
Derecognition of investments		(2,043)	9,020
Creation of provision and reversals	17	(289,727)	334,405
Loss/(gain) on disposals of fixed assets	10,11,12	(5,120,124)	(3,059,381)
Loss/(gain) on disposals of asset held for sale	9	(196,356)	(18,539,808)
Interest income		(6,153)	(6,914)
Effect of spread of rental related incentives and allowance		(387,306)	(342,202)
Interest expenses	18	1,953,075	1,978,292
Changes in working capital:			
Accounts receivable and prepayments		4,981,660	(714,408)
Inventories		990,342	469,953
Accounts payable and other liabilities		(3,391,861)	(224,448)
Short-term and low value lease		-	100,770
Cash generated from operations		18,297,094	16,985,841
Income tax paid	19	(2,920,579)	(1,803,225)
Net cash flow from operating activities		15,376,515	15,182,616
Cash flows from investing activities:			
Acquisition of investment properties	11	(3,452,648)	(10,030,680)
Acquisition of tangible and intangible assets	10,11,12	(544,473)	(384,581)
Sale proceeds less cost to sell of tangible and intangible assets	10,11,12	14,441,453	4,140,058
Sale proceeds less cost to sell of asset held for sale	22	3,927,400	38,354,044
Other changes of tangible and intangible assets	10,11,12	(109,071)	136,561
Repayments of loans granted		-	(477,940)
Interest received		6,322	6,911
Net cash flow used in investing activities		14,268,983	31,744,373
Cash flows from financing activities:			
Loan received	18	-	38,111
Dividends paid		-	(766)
Interest paid		(1,559,487)	(1,629,918)
Lease interest paid		(4,447)	(1,620)
Repayments of loan received	18	(10,304,687)	(1,693,063)
Payment of principal portion of lease liabilities		(30,073)	(50,775)
Purchase of treasury shares	16	(1,428,143)	(538,588)
Change in other long term liabilities		221,632	(97,374)
Net cash flow from financing activities		(13,105,205)	(3,973,993)

The accompanying notes on pages 27 to 75 form an integral part of these consolidated financial statements.

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

	Note	2020	2019
		EUR	EUR
Change in cash and cash equivalents		16,540,293	42,952,996
Cash and cash equivalents at beginning of the year	5	68,278,062	24,413,098
Effect of foreign currency translation		278,769	911,968
Cash and cash equivalents at end of the year	5	85,097,124	68,278,062

The accompanying notes on pages 27 to 75 form an integral part of these consolidated financial statements.

1. General

Fotex Holding S.E. ("Fotex" or the "Company") is a European public limited company regulated under the laws of the Grand Duchy of Luxembourg. The Company is primarily the holding company of a group of subsidiaries (Fotex and its subsidiaries, hereafter the "Group") incorporated in Luxembourg, the Netherlands and Hungary and engaged in a variety of property management, manufacturing, retailing and other activities. Fotex Holding 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., FN4 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 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
		31/12/2020	31/12/2019	
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 Sarphatlkade, WV1017 Amsterdam, Netherland
FN2 B.V.	Property management	100.00	100.00	13 Sarphatlkade, WV1017 Amsterdam, Netherland
FN3 B.V.	Property management	100.00	100.00	13 Sarphatlkade, WV1017 Amsterdam, Netherland
FN4 B.V.	Property management	100.00	100.00	13 Sarphatlkade, WV1017 Amsterdam, Netherland
FN5 B.V.	Property management	100.00	100.00	13 Sarphatlkade, WV1017 Amsterdam, Netherland
Fotexnet Kft.	Internet retail and other services	100.00	100.00	12 Nagy J. utca, 1126 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	12 Nagy J. utca, 1126 Budapest, Hungary
Long Term CRE Fund B.V.	Property management	100.00	100.00	13 Sarphatlkade, WV1017 Amsterdam, Netherland
Plaza Park Kft.	Property management	100.00	100.00	12 Nagy J. utca, 1126 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	12 Nagy J. utca, 1126 Budapest, Hungary
Upington Investments S.à r.l.	Investment holding	100.00	100.00	272 rue de Neudorf, L-2222 Luxembourg, Luxembourg

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 2020 were authorized for issue by the Board of Directors on 26 March 2021.

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 2020 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 2020. 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.

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

	2020	2019
First half year	345.15 HUF/EUR	320.57 HUF/EUR
Second half year	357.08 HUF/EUR	330.09 HUF/EUR

Assets and liabilities have been converted to EUR using the MNB (Hungarian National Bank) FX rate as at 31 December 2020: 365.13 HUF/EUR (31 December 2019: 330.52). The income statement is converted to EUR using the half-year Hungarian National Bank average FX rate. 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.

Additional disclosures are provided in Note 9.

Revenue from contracts with customers

<u>Sale of goods</u>

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.

2. Significant Accounting Policies (continued)

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.

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 collectibility 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.

2. Significant Accounting Policies (continued)

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.

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 instrument

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.

2. Significant Accounting Policies (continued)

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.

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.

2. Significant Accounting Policies (continued)

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.

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.

2. Significant Accounting Policies (continued)

<u>Subsequent measurement</u>

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.

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 18.

<u>Derecognition</u>

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.

2. Significant Accounting Policies (continued)

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.

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.

2. Significant Accounting Policies (continued)

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.

<u>Group as a lessee:</u>

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, except for short-term leases and leases of low-value assets. An asset is considered low-value if its value is under EUR equivalent of USD 5,000.

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.

<u>Group as a lessor:</u>

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 26.

2. Significant Accounting Policies (continued)

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.

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.

2. Significant Accounting Policies (continued)

Upon every acquisition of investment properties 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.

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.

2. Significant Accounting Policies (continued)

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.

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.

2. Significant Accounting Policies (continued)

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 11.

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.

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 except for as follows:

2. Significant Accounting Policies (continued)

New and amended standards and interpretations

New standards that have been adopted in the annual financial statements for the year ended 31 December 2020, but have not had a significant effect on the Group are:

- Definition of a Business (Amendments to IFRS 3);
- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7);
- COVID-19-Related Rent Concessions (Amendments to IFRS 16).
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material); and
- Revisions to the Conceptual Framework for Financial Reporting.

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.

Estimates and assumptions

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

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 is EUR 9,141,930 (2019: EUR 10,099,216). Further details are given in Note 14.

3. Significant accounting judgements, estimates and assumptions (continued)

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.

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 19.

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 13.

3. Significant accounting judgements, estimates and assumptions (continued)

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.

During 2019 the Group decided to sell one of its properties in the Netherlands that met the criteria to be classified as an asset held for sale.

The premises located in Rijswijk met the criteria on 31 March 2019. The transaction was closed in September 2020.

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.

The following amendments are effective for the period beginning 1 January 2022:

• Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37); • Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);

• Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and

• References to Conceptual Framework (Amendments to IFRS 3).

4. Standards Issued but not yet Effective (continued)

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022.However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023. The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

On 12 February 2021, the IASB issued amendments to IAS 8 Accounting Policies, Changes to Accounting Estimates and Errors, in which it introduces a new definition of 'accounting estimates'. The amendments are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments become 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.

On 12 February 2021, the IASB also issued amendments to IAS1 Presentation of Financial Statements, to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. These amendments should be applied for annual periods beginning on or after 1 January 2023.

The Group does not expect any of the standards issued by the IASB, but not yet effective, to have a material impact on the group.

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 85,097,124 (31 December 2019: EUR 68,278,062).

Cash includes fixed deposit of EUR 15,463,975 at rate 0% (in 2019 cash included EUR 24,157,555 at rate 0%). The Group has pledged via an escrow agreement a part of its short-term deposits amounting to EUR 14,468,444 to fulfil collateral requirements. This cash can be used to purchase assets which can then be pledged to fulfil the same collateral requirements.

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

	2020		2019	
	Rating	Cash balance	Rating	Cash balance
		EUR		EUR
ING*	A+	62 009 064	A+	56 474 768
Berlynhyp**	A+	15 463 507	A+	5 014 224
Oberbank*	A	9 390 190	A	9 475 955
Raiffeisen	A-	1 010 943	A-	211 970
Other		169 388		469 636
Total cash held at banks		88 043 092		71 646 554

* rated by S&P
** rated by Fitch

The reconciliation of cash held at banks for 2020 and 2019 is set out below:

	Note	2020	2019
Cash and cash equivalents	5	85 097 124	68278062
Cash deposit - current	6	938 803	1088188
Cash deposit - non current	6	2 007 165	2280304
Total cash held at banks		88 043 092	71 646 554

6. Other Financial Assets

	31 December 2020	31 December 2019
Current	EUR	EUR
Cash deposits connected to rented properties	938,803	1,088,188
Other short-term investments	958	1,062
Other current financial assets, total	939,761	1,089,250

6. Other Financial Assets (continued)

	31 December 2020	31 December 2019
Non-current	EUR	EUR
Cash deposits connected to rented properties	2,007,165	2,280,304
Unquoted equity instruments	36,748	38,424
Other non-current financial assets, total	2,043,913	2,318,728

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 15). 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 2020	31 December 2019
	EUR	EUR
Accounts receivable	1,680,272	5,854,549
Impairment loss on accounts receivable	(46,278)	(11,997)
Tax assets	257,025	200,603
Other receivables	395,805	475,528
Prepayments/accrued income	1,953,420	1,404,317
Impairment loss on other receivables	(1,418)	(1,418)
Total	4,238,826	7,921,582

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

Impairment loss on debtors and on other receivables at 31 December 2020 is EUR 47,696 (31 December 2019: EUR 13,415).

Aged debtors less impairment loss:

	Not overdue	Overdue but not impaired					Total
		< 30 days	30-90 days	90-180 days	180-360 days	>360 days	
31 December 2020	1,445,979	97,300	79,265	6,422	1,605	3,423	1,633,994
31 December 2019	5,095,910	694,049	33,127	12,253	841	6,372	5,842,552

7. Accounts Receivable and Prepayments (continued)

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

	Not overdue	< 30 days	Overdue but not impaired 30-90 days	90-180 days	180-360 days	>360 days	Total
31 December 2020	2,375,120	87,695	78,149	63,868	-	-	2,604,832
31 December 2019	1,747,322	331,708	-	-	-	-	2,079,030

8. Inventories

	31 December 2020	31 December 2019
	EUR	EUR
Merchandise and finished products	5,289,331	6,226,112
Materials	251,103	238,716
Work in progress	1,377,290	1,828,358
Inventories, gross	6,917,724	8,293,186
Impairment of merchandise and finished products	(2,879,567)	(3,548,348)
Impairment of materials	-	-
Impairment of work in progress	(409,061)	(575,236)
Impairment of inventories	(3,288,628)	(4,123,584)
Total inventories, net	3,629,096	4,169,602

Movements in inventory impairment loss:

Management has identified a number of Group companies that have slow moving inventories. Management believes that the EUR 3,288,628 provision made for the impairment of inventories (31 December 2019: EUR 4,123,584) is adequate, from this the current year increase is EUR 175,000 (in 2019: EUR 604,305), the current year reversal is EUR 619,094 (in 2019: EUR 94,366) which is disclosed as other operating expense (Note 17). The currency loss arisen on the retranslation of impairment is EUR 390,862 (in 2019: EUR 101,271 gain).

9. Assets Held for Sale

During 2019 the Group decided to sell one of its properties located in Rijswijk in the Netherlands. The criteria of assets held for sale was met on 31 March 2019 and the property was reclassified as an asset held for resale. The net book value was EUR 3,731,045 at 31 December 2019. The sale of the property was completed in September 2020. The agreed sales price is EUR 4,000,000 and the gain on the sale, net of disposal expenses, was EUR 196,356.

10. 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
Cost:				
1 January 2020	**3,197,909**	**11,167,870**	**298,390**	**14,664,169**
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)
31 December 2020	**2,389,027**	**10,430,978**	**192,790**	**13,012,795**
Accumulated depreciation:				
1 January 2020	**(1,828,655)**	**(9,616,511)**	**-**	**(11,445,166)**
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
31 December 2020	**(1,068,962)**	**(8,902,352)**	**-**	**(9,971,314)**
Net book value				
31 December 2020	**1,320,065**	**1,528,626**	**192,790**	**3,041,481**
31 December 2019	**1,369,254**	**1,551,359**	**298,390**	**3,219,003**

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

At 31 December 2020, the cost of property, plant and equipment, investment properties and intangible assets fully written off (due to ordinary or extraordinary depreciation) but still in use was EUR 5,980,969 (2019: EUR 5,290,839).

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

10. Property, Plant and Equipment (continued)

Movements in property, plant and equipment during 2019 were as follows:

	Land, buildings	Furniture, machinery, equipment, fittings	Construction in progress*	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2019	**3,973,853**	**14,860,518**	**975,893**	**19,810,264**
Additions and capitalizations	7,515	741,820	(661,246)	88,089
Other increase	-	-	-	-
Other decrease	(37,630)	(46,644)	-	(84,274)
Disposals and write downs	(611,215)	(4,038,712)	-	(4,649,927)
Currency gain/(loss) arising on retranslation	(134,614)	(349,111)	(16,257)	(499,983)
31 December 2019	**3,197,909**	**11,167,870**	**298,390**	**14,664,169**
Accumulated depreciation:				
1 January 2019	**(2,345,782)**	**(13,149,806)**	**-**	**(15,495,588)**
Depreciation expense	(77,430)	(519,415)	-	(596,845)
Disposals and write downs	488,893	3,742,062	-	4,230,955
Other increase	-	-	-	-
Other decrease	-	5,741	-	5,741
Currency gain/(loss) arising on retranslation	105,664	304,907	-	410,571
31 December 2019	**(1,828,655)**	**(9,616,511)**	**-**	**(11,445,166)**
Net book value				
31 December 2019	**1,369,254**	**1,551,359**	**298,390**	**3,219,003**
31 December 2018	**1,628,071**	**1,710,712**	**975,893**	**4,314,676**

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

11. 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 2020 and 2019 were as follows:

	31 December 2020	31 December 2019
Cost:	EUR	EUR
Opening balance	**203,191,856**	**201,529,251**
Additions	3,452,648	10,030,680
Other increase	-	70,050
Disposal	(10,378,852)	(2,009,044)
Reclassification to assets held for sale	-	(4,459,865)
Currency gain/(loss) arising from retranslation	(6,567,972)	(1,969,216)
Closing balance	**189,697,680**	**203,191,856**
Accumulated depreciation:		
Opening balance	**(69,542,823)**	**(65,643,380)**
Depreciation expense	(6,578,742)	(6,615,246)
Impairment	-	-
Other increase	-	-
Disposal	1,185,325	922,696
Reclassification to assets held for sale	-	728,820
Currency gain/(loss) arising from retranslation	3,629,390	1,064,287
Closing balance	**(71,306,850)**	**(69,542,823)**
Net book value:		
Closing balance	**118,390,830**	**133,649,033**
Opening balance	**133,649,033**	**135,885,871**

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

FOTEX Netherlands BV concluded a purchase agreement on 25 September 2019 to buy a real estate property with the aim to use it as an investment property. The property is located in Utrecht and the agreed purchase price was EUR 6,954,334. Additions also include refurbishment works carried out in several Hungarian and Dutch properties.

In 2019 the Group decided to sell one of its premises in Hungary located in Veszprém. The net book value was EUR 935,219 and the agreed sales price was EUR 4,000,000. The sale of the investment property was completed in December 2019.

11. Investment Properties (continued)

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

The fair values of investment properties at 31 December 2019 are set out below:

Category	Net book value	Estimated fair value
	EUR	EUR
Retail outlets	21,465,744	174,301,960
Offices	84,108,941	142,078,815
Warehouses	1,834,719	14,373,765
Other structures	2,764,310	5,756,355
Plots of land	23, 475,319	43, 280,018
Total investment properties	133,649,033	379,790,913

During 2020 management revisited its approach to disclose the total area of land, including that beneath existing buildings and the unused land proportion of warehouses and similar properties. This resulted in a reclassification of both fair value and net book value back to the main asset categories from plots of land. The 2019 comparative has not been adjusted to reflect this approach. Additionally, management determined that to better reflect the information needs of its main stakeholders, the continuing disclosure of square metres owned is no longer required. None of these changes affected the fair value of the property portfolio of the group.

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

11. Investment Properties (continued)

Key valuation assumptions for 2020

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% occupancy rate.

- The used yield rate per property item located in Hungary is between 8% and 10% depending on the type and location of the property (2019: 6.5%-12.75%). For the Dutch properties, the calculated yield rate is between 6.5% and 7.60% (2019: 6.15%-7.5%).

- Rents are predominantly set in EUR in the rental contracts. Where rent is set in HUF, the related yield has been calculated at a 330 HUF/EUR exchange rate (2019: 325 HUF/EUR).

Discounted cash flow valuation method was based on the following assumptions; a 10-years rental period was assumed with 8– 10.00% discount factor and 7.5-9.50% exit interest rate. The applied FX rate was 330 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:

	2020	2019
	EUR	EUR
Yield rate drops by 50 bps	19,771,057	18,079,588
Rent rate drops by 5%	(15,986,111)	(13,026,310)

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:

	2020	2019
	EUR	EUR
Revenues from the rent of investment properties	23,085,259	24,571,904
Unrecoverable net operating costs	(1,212,544)	(1,585,880)
Costs that do not generate direct sales revenues	-	-
Net income from the rent of investment properties	21,872,715	22,986,024

12. Intangible Assets

Movements in intangible assets during 2020 were as follows:

	Media and merchandising rights	Software*	Total
	EUR	EUR	EUR
Cost:			
1 January 2020	**6,667,194**	**702,378**	**7,369,572**
Additions	-	7,146	7,146
Other increase	-	-	-
Other decrease	-	(105,553)	(105,553)
Disposals and write downs	-	(7,275)	(7,275)
Currency gain/(loss) arising from retranslation	-	(318,763)	(318,763)
31 December 2020	**6,667,194**	**277,932**	**6,945,126**
Accumulated amortisation:			
1 January 2020	**(5,008,798)**	**(606,423)**	**(5,615,221)**
Amortisation expense	-	(16,658)	(16,658)
Impairment	-	-	-
Other increase	-	-	-
Other decrease	-	83,067	83,067
Disposals and write downs	-	7,275	7,275
Currency gain/(loss) arising from retranslation	-	325,655	325,655
31 December 2020	**(5,008,798)**	**(207,084)**	**(5,215,882)**
Net book value:			
31 December 2020	**1,658,396**	**70,848**	**1,729,244**
31 December 2019	**1,658,396**	**95,955**	**1,754,351**

12. Intangible Assets (continued)

Movements in intangible assets during 2019 were as follows:

	Media and merchandising rights	Software*	Total
	EUR	EUR	EUR
Cost:			
1 January 2019	**6,667,194**	**823,456**	**7,490,650**
Additions	-	53,400	53,400
Other increase	-	-	-
Other decrease	-	-	-
Disposals and write downs	-	(78,251)	(78,251)
Currency gain/(loss) arising from retranslation	-	(96,227)	(96,227)
31 December 2019	**6,667,194**	**702,378**	**7,369,572**
Accumulated amortisation:			
1 January 2019	**(5,008,798)**	**(732,560)**	**(5,741,358)**
Amortisation expense	-	(18,910)	(18,910)
Impairment	-	-	-
Other increase	-	-	-
Other decrease	-	-	-
Disposals and write downs	-	46,860	46,860
Currency gain/(loss) arising from retranslation	-	98,187	98,187
31 December 2019	**(5,008,798)**	**(606,423)**	**(5,615,221)**
Net book value:			
31 December 2019	**1,658,396**	**95,955**	**1,754,351**
31 December 2018	**1,658,396**	**90,896**	**1,749,292**

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 at 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.

12. Intangible Assets (continued)

As at 31 December 2020, 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.

13. Fair Value

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

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2020:

		Fair value measurement using	
	Date of valuation	**Total**	**Significant unobservable inputs (Level 3)**
		EUR	EUR
Assets for which fair values are disclosed:			
Investment properties (Note 11):			
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
Total		**336,403,084**	**336,403,084**
Liabilities for which fair values are disclosed:			
Interest-bearing loans and borrowings (Note 18)			
XI. loan	31 December 2020	4,356,432	4,356,432
XIV. loan	31 December 2020	-	-
XV. loan	31 December 2020	61,925,038	61,925,038
Total		**66,281,470**	**66,281,470**

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. The fair value of fixed rate debt is disclosed in Note 18.

13. Fair Value (continued)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2019:

		Fair value measurement using	
	Date of valuation	**Total**	**Significant unobservable inputs (Level 3)**
		EUR	EUR
Assets for which fair values are disclosed:			
Investment properties (Note 11):			
Retail outlets	31 December 2019	170,313,435	170,313,435
Offices	31 December 2019	169,113,966	169,113,966
Warehouses	31 December 2019	15,753,438	15,753,438
Other structures	31 December 2019	15,974,955	15,974,955
Plots of land	31 December 2019	8,635,119	8,635,119
Total		**379,790,913**	**379,790,913**
Liabilities for which fair values are disclosed:			
Interest-bearing loans and borrowings (Note 18)			
XI. loan	31 December 2019	4,033,459	4,033,459
XIV. loan	31 December 2019	5,881,153	5,881,153
XV. loan	31 December 2019	66,176,563	66,176,563
Total		**76,091,175**	**76,091,175**

14. Goodwill Arising on Acquisition

Movements in goodwill on business combinations were as follows during 2020 and 2019:

	31 December 2020	31 December 2019
	EUR	EUR
Cost:		
1 January	16,964,850	17,440,273
Currency difference arising from retranslation	(1,608,067)	(475,423)
Closing balance	15,356,783	16,964,850
Impairment:		
1 January	(6,865,634)	(7,058,036)
Currency difference arising from retranslation	650,781	192,402
Closing balance	(6,214,853)	(6,865,634)
Net book value		
1 January	10,099,216	10,382,237
Closing balance	9,141,930	10,099,216

Goodwill is tested for impairment at least annually.

The goodwill is allocated to the group of cash generating units that constitute Plaza Park Kft. and the property portfolio of Keringatlan Kft. which is the most significant investment property group company. At the year-end, the Group considered whether there were any indicators of impairment of the value of goodwill. The Group estimated the value in use of the cash generating units attributable to goodwill. Based on this calculation no impairment loss was recognised on goodwill in 2020. 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.

14. Goodwill Arising on Acquisition (continued)

Goodwill is allocated to the following cash generating units:

	31 December 2020	31 December 2019
	EUR	EUR
Keringatlan Kft.	7,685,794	8,490,602
Plaza Park Kft.	1,456,136	1,608,614
Net book value	9,141,930	10,099,216

The difference between the net book value as at 31 December 2020 and 31 December 2019 is solely due to the change in the exchange rate.

15. Accounts Payable, Other Liabilities and Provision

	31 December 2020	31 December 2019
	EUR	EUR
Trade payables	789,078	805,664
Taxes payable	290,927	1,108,179
Advances from customers	15,781	119,587
Accrued expenses	1,065,576	987,939
Deferred rental income	3,000,028	5,662,394
Amounts payable to employees	108,478	172,117
Deposits from tenants	938,803	1,088,188
Other liabilities	1,131,580	1,166,621
Total accounts payable and other current liabilities	7,340,251	11,110,689
Other long-term liabilities	2,007,165	2,558,272

Terms and conditions of the above liabilities:

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

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

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

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

The Group has received 2 to 3 months deposits of EUR 2,945,968 (2019: EUR 3,368,492) 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 2,007,165 (2019: EUR 2,280,304), and the part which is expected within a year was classified as short-term tenant deposit liabilities EUR 938,803 (2019: EUR 1,088,188) (Note 6).

15. Accounts Payable, Other Liabilities and Provision (continued)

Other liabilities include the following:

	31 December 2020	31 December 2019
	EUR	EUR
Dividend payable	138,773	138,773
VAT compensation	277,970	277,970
Advances received for property management services	284,462	339,891
Liabilities against social security	58,164	70,559
Other short term liabilities	372,211	339,428
Total other liabilities	1,131,580	1,166,621

Provision:

In 2020 the Group accounted for provisions of EUR 338,954, from which EUR 302,950 was created for expenses in connection with the reorganisation of the Ajka crystal business. This provision was fully utilised in 2020.

Movements in provision:

	EUR
1 January 2020	338,954
Additional provisions created	-
Utilised during the year	(306,004)
31 December 2020:	32,950

Ajka Kristály Kft. experienced a significant downturn in its business during 2019 which prompted management to take actions to reorganise the business to focus only on those activities that are able to generate sustainable profitability. This resulted in the reduction of headcount, the termination of glass production and the demolition of non core assets. This reorganisation continued into 2020 and was completed by the year end.

Management's intention is neither to sell Ajka Kristály Kft. nor to shut it down completely.

16. 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 2020, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preferred shares (31 December 2019: 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.

16. Share Capital and Reserves (continued)

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 2020; (2019: EUR 840,000) are also shown in "Treasury shares".

As at 31 December 2020, the Company held 29,672,830 treasury shares (of which 27,672,830 are ordinary shares and 2,000,000 are dividend preferred shares) at a historic cost of EUR 43,179,158 (31 December 2019: 29,086,388 shares – of which 27,086,388 were ordinary shares and 2,000,000 were dividend preferred shares – at a historic cost of EUR 41,751,015).

During 2020, the Company purchased 586,442 of its ordinary shares at acquisition cost of EUR 1,428,143 (2019: 282,979 shares at acquisition cost: EUR 538,588) on an arm's length basis.

17. Operating Expenses and Gain

Operating expenses and gain include the following:

	2020	2019
	EUR	EUR
Payments to personnel	(3,776,188)	(5,408,593)
Material and service type expenses	(6,205,350)	(9,495,016)
Depreciation and amortisation charge	(7,133,167)	(7,279,583)
Other expenses, net*	(3,110,630)	(4,499,891)
Total operating expenses	(20,225,335)	(26,683,083)

* Other expenses (net) include the following:

	2020	2019
	EUR	EUR
Realised and unrealized FX differences (net)	(1,502,750)	(622,035)
Taxes other than income tax	(1,384,568)	(1,412,268)
Impairment and scrapping of tangible and intangible assets	(42,534)	(500,486)
Impairment and scrapping of inventories	457,674	(677,931)
Provision usage	289,727	4,993
Provision made	-	(339,398)
Development grants	(245,864)	(716,403)
Other expenses/income	(682,315)	(236,363)
Total other expenses, net	(3,110,630)	(4,499,891)

18. 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 2020 EUR	Current portion at 31 December 2020 EUR	Long-term portion at 31 December 2019 EUR	Current portion at 31 December 2019 EUR
I. loan	1/7/2011	28/6/2021	3,800,000	fixed 7.25% p.a.	-	4,194,072	3,585,650	207,569
II. mortgage	20/07/2016	01/01/2021	6,315,805	fixed 3.27% p.a.	-	-	5,738,994	130,020
III. mortgage	20/07/2016	20/07/2023	70,000,000	fixed 1.89% p.a.	59,354,452	1,675,129	63,803,391	1,695,506
Overdraft and short term					-	2,437	-	10,747
Finance lease					51,072	40,482	97,704	51,918
Total			**80,115,805**		**59,405,524**	**5,912,120**	**73,225,739**	**2,095,760**

The above loans marked II. and III. are secured by mortgage rights on the Fotex properties in the Netherlands and secured by pledge on rental income from the real estate properties and other assets of Fotex Netherlands B.V., FN2 B.V., FN4 B.V. and FN5 B.V.

Loan I. is due to Zürich Investments Inc., a related party and is unsecured.

Due to sale of the properties the interest rate on the mortgage of III. loan has been changed during 2019 from 1.79% to 1.89%.

Included in the Group's total interest expense of EUR 1,953,075 (2019: EUR 1,978,292) is a total interest expense in relation to the loans I.-III. above of EUR 1,894,333 in 2019 (2019: EUR 1,964,671).

The scheduled maturity of loans at 31 December 2020 and 2019 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
2020	5,912,120	44,110	59,359,344	2,070	-	65,317,644
2019	2,095,760	9,368,139	46,496	63,808,814	2,290	75,321,499

In case of loans charged by a fixed interest rate the fair value was determined using a standard DCF model, in which a standard zero swap EUR curve was used as base for discounting, which was adjusted by the spread. In case of an unsecured loan the spread was estimated for 3.830%, in case of a secured loan for 3.473% and 1.860%.

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.

18. Interest-bearing Loans and Borrowings (continued)

Fair value of loans having a fixed interest rate:

Item	Fair value at 31 Dec 2020 EUR	Book value at 31 Dec 2020 EUR
I. loan	4,356,432	4,194,072
II. mortgage	-	-
III. mortgage	61,925,038	61,029,581
Total	**66,281,470**	**65,223,653**

Item	Fair value at 31 Dec 2019 EUR	Book value at 31 Dec 2019 EUR
I. loan	4,033,459	3,793,219
II. mortgage	5,881,153	5,869,014
III. mortgage	66,176,563	65,498,897
Total	**76,091,175**	**75,161,130**

19. Income Tax

Income tax (payable)/receivable:	2020 EUR	2019 EUR
Opening income tax (payable)/receivable	334,763	284,996
Income tax charge	(1,390,220)	(1,741,276)
Settlement of income tax	1,706,817	1,791,043
Closing income tax (payable)/receivable	651,360	334,763

Income tax expense:	2020 EUR	2019 EUR
Tax expense	1,390,220	1,741,276
Deferred tax expense / (income)	(60,075)	3,926,882
Income tax expense	1,330,145	5,668,158

19. Income Tax (continued)

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

	2020	2019
	EUR	EUR
Income before minority interests and income taxes	12,543,846	28,517,405
Tax at average rate	1,641,814	3,395,636
Effect of tax losses for which no corresponding deferred tax asset recognized	47,586	158,955
Effect of tax rate differences	(249,434)	3,792,052
Effect of recurring tax relief	(265,028)	(632,555)
Effect of other permanent differences	(307,888)	(1,691,523)
Local business tax and innovation contribution	475,274	657,017
Reversed deferred tax asset on prior year’s carried forward loss	(12,179)	(11,424)
Income tax expense	1,330,145	5,668,158

The average tax rate for 2020 is 13.09%.

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

The income tax rate applicable to Fotex Holding S.E.’s and Upington Investments S.à r.l.’s income earned in Luxembourg is 18.19% from 1 January 2019, which results in a total tax of 24.94% (2019: 18.19% and 24.94%).

The income tax rate for Fotex Netherlands B.V., FN2 B.V., FN3 B.V., FN4 B.V., FN5 B.V. and Long Term CRE Fund B.V. is on the first EUR 200,000 of taxable profit 16,5%, above this amount 25% (2019: 20%; 25%).

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

In both 2020 and 2019 the tax rate used in the deferred tax calculation for the Hungarian companies is 9.00%.

In 2019 for the Luxembourg and Dutch entities: at the applicable income tax rates described above, for Fotex Netherlands B.V. a tax rate of 24.03% (2019: 24.32%), for FN2 B.V. 18.33% (2019: 21.04%), for FN3 B.V. 20.99% (2019: 23.01%), for FN4 B.V. 19.08% (2019: 22.01%), for FN5 B.V. 16.5% (2019: 20.00%) and in case of Long Term CRE Fund B.V. 21.45% (2019: 22.76%) tax rate was applied.

Deferred tax assets and deferred tax liabilities as at 31 December 2020 and 2019 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 2020.

19. Income Tax (continued)

In 2020 the Dutch and Luxembourg entities had positive tax base except for FN5 B.V., Fotex Holding S.E.'s and Upington Investments S.à r.l.. In 2019 the Dutch and Luxembourg entities had positive tax base except for FN5 B.V.

The Hungarian entities had positive tax base in 2020 except for Ajka Kristály Kft..and Fotexnet Kft. In 2019 Ajka Kristály Kft., Hungaroton Music Zrt. Fotexnet Kft. had negative tax bases while the other entities in Hungary had positive tax base.

	Consolidated statement of financial position		Consolidated income statement	
	2020	2019	2020	2019
	EUR	EUR	EUR	EUR
Deferred income tax liability				
Accumulated depreciation for tax purposes	(34,583)	(36,840)	(1,263)	(4,975)
Temporary difference between the book value and acquisition value of buildings	(661,474)	(822,725)	85,144	53,046
Capitalisations of small value assets	(17,882)	(21,250)	1,384	(4,249)
Difference from loan transaction charges	(44,943)	(69,333)	18,220	21,379
Deferred tax related to rental discount	(154,488)	(100,699)	(64,763)	(54,022)
Temporary difference on loan origination fees	-	(32,092)	-	45,239
Reinvestment reserve*	(3,670,011)	(4,050,862)	(3,193)	(4,056,169)
Gross deferred income tax liabilities	(4,583,381)	(5,133,801)	35,529	(3,999,751)
Deferred income tax assets				
Provision	2,965	30,506	(25,204)	30,096
Impairment of debtors	1,487	-	1,521	(786)
Temporary difference on loan origination fees	3,930	-	33,723	-
Tax losses carried forward	99,313	96,554	12,179	11,425
Revaluation difference on related party transactions	70,611	75,491	2,327	32,134
Gross deferred income tax assets	178,306	202,551	24,546	72,869
Deferred income tax income / (expense)			60,075	(3,926,882)
Net deferred income tax liability	(4,405,073)	(4,931,250)		

*The group has taken advantage of the possibility to defer the tax on the capital gain on disposal of its Dutch properties in 2019 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.

20. Revenue

Sales revenue	2020	2019
	EUR	EUR
Rental income revenue	23,602,855	25,031,182
Revenue from contracts with customers	6,938,733	13,005,736
Total sales revenue	30,541,588	38,036,918

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. 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

	2020	2019
	EUR	EUR
Revenue from service charges to tenants	2,591,920	2,777,160
Ancillary mall revenue	1,573,120	3,731,085
Sale of goods*	1,397,160	5,175,439
Royalty revenue	173,203	354,508
Other sales revenue**	1,203,330	967,544
Total sales revenue	6,938,733	13,005,736

*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. The reason of the decrease of sales is the decline of demand (see Note 15).

Contract balances

	31 December 2020	31 December 2019
	EUR	EUR
Trade receivables (Note7)	359,642	1,007,921
Contract liabilities (Note15)	15,781	119,587

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. No extraordinary transactions occurred.

20. Revenue (continued)

The decrease in contract liabilities in 2020 was mainly due to realised revenue regarding short-term advances received from customers during the year.

21. Cost of Sales

Cost of sales include the following:

Cost of sales	2020	2019
	EUR	EUR
Raw materials and consumables	(796,116)	(1,664,999)
Cost of goods sold	(316,171)	(785,823)
Cost of services sold	-	(18,820)
Total cost of sales	(1,112,287)	(2,469,642)

22. Gain on Disposal of The Sales of Investment Properties

The details of the sales 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

The details of the sales and gain for 2019 are set out below:

EUR	Hoofddorp	Rotterdam	Veszprém	Total
Sales price	30,465,000	8,500,000	4,000,000	42,965,000
Net book value	(15,226,813)	(4,587,423)	(935,218)	(20,749,454)
Transaction costs and settlements	(485,375)	(125,581)	-	(610,956)
Net gain	14,752,812	3,786,996	3,064,782	21,604,590

23. Other Comprehensive Income Components

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

24. Segment Information

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

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

During 2019 management decided to cease the production of crystal products and has demolished the groups assets in this business. Crystal and glass continue but only at an insignificant level, realising the inventory on hand and performing some minor porcelain activities

As a result, the group has revisited what its operating segments are in 2020 and determined that only the investment property management segment meets the criteria of a reportable segment under IFRS 8 and from 2020 the group operates as a single segment group. Consequently, no further segmental information has been presented in these financial statements.

Geographical breakdown of revenues:

	2020	2019
	EUR	EUR
Hungary	19,088,965	26,914,579
Netherlands	11,451,396	11,122,339
Luxembourg	1,227	-
Total sales revenue	30,541,588	38,036,918

25. Financial Risks, Management Objectives and Policies

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

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

Interest rate risk

The Group entered into EUR loans to buy properties in the Netherlands. The loan interests fixed rates varying between 1.89% and 7.25%. The Group assumed four formerly intra-group loans which are uncovered as part of the compensation for acquiring its 100% participation in Plaza Park Kft. Accordingly, from 1 July 2011, the assumed loans qualify as related party loans from the Group's perspective. These loans bear a fixed interest rate of 7.25% per annum.

Foreign currency ("FX") risk

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

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

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

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
2020	+10%	(220,073)
	-10%	220,073
2019	+10%	(142,957)
	-10%	142,957

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:

	2020	2019
	EUR	EUR
Financial liabilities	4,303,635	4,727,181
Financial assets	4,903,011	6,156,753

Financial liabilities (other liabilities and accrued expenses) and financial assets (trade receivables and accrued income) denominated in HUF decreased slightly in 2020 compared to 2019.

25. 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. In addition, the Group regularly follows up information about the main debtors in the market.

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

Receivable balances are monitored on an ongoing basis.

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

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, 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 2020 the Group’s maximum exposure to credit risk is EUR 92,015,174 (31 December 2019: EUR 79,222,225). The main reasons of this increase are cash and cash equivalent increased by EUR 16,819,062 in 2020 compared to 2019.

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

25. Financial Risks, Management Objectives and Policies (continued)

The Group's liabilities based on contracted not discounted payments at 31 December 2020 and 2019 are presented below according to maturity.

31 December 2020	Due	within 3 months	3 - 12 months	1 - 5 years	>5 years	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Trade payables	4,263	784,815	-	-	-	789,078
Taxes payable	443	251,805	38,679	-	-	290,927
Advances from customers	-	4,237	11,544	-	-	15,781
Accrued expenses	-	1,065,576	-	-	-	1,065,576
Amounts payable to employees	-	108,478	-	-	-	108,478
Deposits from tenants	-	-	938,803	-	-	938,803
Other liabilities	342,469	752,647	36,464	-	-	1,131,580
Total current liabilities	**347,175**	**2,967,558**	**1,025,490**	**-**	**-**	**4,340,223**
Loans received	-	1,462,063	2,006,793	64,769,587	-	68,238,443
Other long-term liabilities	-	-	-	2,007,165	-	2,007,165
Total	**347,175**	**4,429,621**	**3,032,283**	**66,776,752**	**-**	**74,585,831**

31 December 2019	Due	within 3 months	3 - 12 months	1 - 5 years	>5 years	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Trade payables	37,069	768,595	-	-	-	805,664
Taxes payable	-	932,508	175,671	-	-	1,108,179
Advances from customers	-	119,587	-	-	-	119,587
Accrued expenses	-	987,939	-	-	-	987,939
Amounts payable to employees	-	172,117	-	-	-	172,117
Deposits from tenants	-	1,034	1,087,154	-	-	1,088,188
Other liabilities	342,461	748,224	75,936	-	-	1,166,621
Total current liabilities	**379,530**	**3,730,004**	**1,338,761**	**-**	**-**	**5,448,295**
Loans received	-	1,309,661	2,512,506	76,259,074	-	80,081,241
Other long-term liabilities	-	-	-	2,558,272	-	2,558,272
Total	**379,530**	**5,039,665**	**3,851,267**	**78,817,346**	**-**	**88,087,808**

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.

25. Financial Risks, Management Objectives and Policies (continued)

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 2020 and 31 December 2019 are presented below:

	31 December 2020	31 December 2019
	EUR	EUR
Short-term and long-term borrowings (Note 18):	65,317,644	75,321,499
Trade payables and other current liabilities less deferred rental income (Note 15):	4,340,223	5,448,295
Cash and cash equivalents (Note 5):	(85,097,124)	(68,278,062)
Net debt:	(15,439,257)	12,491,732
Equity attributable to the Company:	149,634,872	142,415,328
Total:	134,195,615	154,907,060
Indebtedness ratio:	(11.51)%	8.06%

The Company's indebtedness ratio decreased from 8.06% at 31 December 2019 to (11.51)% at 31 December 2020, 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.

26. 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 acquired 15 office buildings in the Netherlands which are leased to tenants on fixed long-term rental agreements. The Group sold one property in 2017 and two properties in 2019. The sale of two additional property was completed in 2020. These sales caused a decrease in the amount of contracted revenue. Based on these agreements the contracted revenue is as described in the table below.

26. Leases (continued)

The Group's fixed rental fee revenue under non-cancellable leases as at 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

The Group's fixed rental fee revenue under non-cancellable leases as at 31 December 2019 (EUR):

Due in	2020*	2021	2022	2023	2024	After 2024	Total
	10,679,929	9,347,927	9,571,941	9,465,730	7,115,170	19,818,284	65,998,981

*2020 figure contains six months of revenue from non-cancellable lease for the real estate to be sold in June 2020.

27. 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:

	2020	2019
	EUR	EUR
Net profit attributable to equity holders from continuing operations	11,212,050	22,848,595
Net profit attributable to shareholders	11,212,050	22,848,595
Weighted average number of shares in issue during the year	43,395,254	43,787,733
Basic earnings per share (EUR)	0.26	0.52

The diluted earnings per share agree with basic earnings per share in 2020 and 2019 as there is no dilution effect in these years.

28. 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 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 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

Rental and other related fees paid to Fotex Ingatlan during 2020 were EUR 13,637 (2019: EUR 51,504).

Administrative and expert fees paid by Fotex Ingatlan during 2020 were EUR 46,575 (2019: EUR 21,599).

There is also an airplane rental agreement between Blackburn Inc. and Fotex Netherlands B.V., the total amount of rent plus related services invoiced by Blackburn Inc. during 2020 were EUR 0 (2019: EUR 120,000).

Fotex Netherlands B.V. and FN2 B.V. received loans from Zürich Investment in 2011. In case of Fotex Netherlands B.V. the loan was repaid in 2018, in case of FN2 B.V. it is repayable in 2021.

For 2020, FN2 B.V. was charged interest of EUR 275,500 (2019: EUR 275,500) by Zürich Investment, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 18).

For 2020, Dutch subsidiaries were charged property management fee of EUR 439,162 (2019: EUR 849,101) by APF International.

For 2020, the Luxembourg entities were charged professional fees of EUR 338,838 by White Oak management (2019: EUR 378,160).

For 2020 the Hungarian entities received rental income of 10,736 from one of the group directors.

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 715,552 in 2020 (2019: EUR 784,726).

29. Subsequent Events after the End of the Reporting Period

Subsequent to the year end, the group sold two investment properties located in Hungary at a gain of EUR 4.6 million.

30. Headcount

Personnel changes: Average number of employees was 132 people in 2020 (2019: 238 people). This decrease in headcount is attributable to the reorganisation of crystal production activities.

31. Audit fees

The breakdown of the audit fees for the group is:

	2020
	EUR
Audit fees	165,647
Audit-related fees	-
Tax fees	-
Other fees	-
Total Auditors Fees	165,647

32. Contingent liabilities

The Company does not have any contingent liabilities as at 31 December 2020.