Fotex Holding S.E.
26 – 28, rue Edward Steichen
L-2540 Luxembourg
R.C.S. Luxembourg B 146.938

Consolidated financial statements for the year ended 31 December 2013, Management report, and Independent auditor's report

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Management Report

General

Fotex Holding SE (the "Company") is a European public limited company registered in the Luxembourg companies register under the number R.C.S.B 146.938 and regulated under the laws of the Grand Duchy of Luxembourg. The Company's current registered address is 26-28, rue Edward Steichen, L-2540 Luxembourg, Luxembourg.
The Company is primarily the holding company of a group of subsidiaries (Fotex and its subsidiaries, hereafter the "Group") incorporated in Luxembourg, The Netherlands and Hungary and engaged in a variety of property management, manufacturing, retailing and other activities. Except for Fotex Holding SE (ultimate parent company) and Upington Investments S.à r.l., who are registered in Luxembourg, and Fotex Netherlands B.V., FN2 B.V. and FN3 B.V., which are registered in The Netherlands, all subsidiaries of the Group are registered and operate in Hungary. The ownership of consolidated subsidiaries, after considering indirect shareholdings, is:

Subsidiary:	Principal Activities:	2013	2012
		%	%
Ajka Kristály Kft. (Ajka)	Crystal manufacturing and retail	100.0	100.0
Balaton Bútor Kft.	Furniture manufacturer	100.0	100.0
FN 2 B.V.	Property management	100.0	100.0
FN 3 B.V.	Property management (Note 23)	100.0	
Plaza Park Kft.	Property management	100.0	100.0
Fotex Cosmetics Kft.	Cosmetics retailer (Note 23)	-	100.0
Fotexnet Kft.	Internet retail and other services (Note 23)	100.0	100.0
Hungaroton Music Zrt.	Music archive	99.2	99.2
Hungaroton Records Kft.	Music publishing and music retailing (Note 23)	-	99.8
Keringatlan Kft.	Property management (Note 23)	100.0	100.0
Fotex Netherlands B.V.	Property management (Note 23)	100.0	100.0
Proprimo Kft.	Advisory services (Note 23)	100.0	100.0
Sigma Kft.	Property services	75.1	75.1
Székhely 2007 Kft.	Property services (Note 23)	99.1	99.1
Upington Investments S.à r.l.	Investment holding	100.0	100.0

During 2013 the Fotex Group entered into the following transactions and mergers that affected the Group structure.

- The owners of Székhely 2007 Kft. and the owners of Proprimo Kft. accepted the transformation proposals on the shareholder's meetings held on 15 November 2013 and decided to merge Proprimo Kft into Székhely 2007 Kft. The owners of both companies made a decision that the date for the conclusion of the merger will be 31 December 2013, which will be effective from 1 January 2014.
- Fotex Netherland BV, a consolidated company founded a new subsidiary, FN3 BV on 2 October 2013, and increased its share capital by EUR 7,316,947 in December 2013. The Group's share in FN3 BV is 100%.
- The owner of Fotex Netherland BV increased its capital by EUR 7,316,947 on 30 December 2013.

During 2012 the Fotex Group entered into the following transactions and mergers that affected the Group structure.

- At 5 September 2012 Fotex Ingatlan Kft., a related party company, sold its shares in Fotexnet Kft. to the Group, consequently the Group's share in Fotexnet Kft. increased to 100%.
- The owners of Fotexnet Kft. and the owners of Hungaroton Records Kft. accepted the transformation proposals on the shareholder's meetings held on 26 September 2012 and decided to merge Hungaroton Records Kft. into Fotexnet Kft. The owners of both companies made a decision that the date for the conclusion of the merger was 31 December 2012, was effective from 1 January 2013.
- The owners of Keringatlan Kft. and the owners of Fotex Cosmetics Kft. accepted the transformation proposals on the shareholder's meetings held on 24 October 2012 and decided that Fotex Cosmetics Kft. will merge into Keringatlan Kft. The owners of both companies decided that the date for the conclusion of the merger was 31 December 2012, which was effective from 1 January 2013.

Financial overview

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

- Investment property holding and management
- Crystal and glass manufacturing
- Other – administration and holding activities

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

The following tables below summarize the Group's revenues and profit before tax for 2013 and 2012 by business lines:

Net sales:	2013 Net sales EUR	2012 Net sales EUR
Investment property holding and management	27,971,391	27,737,866
Crystal and glass manufacturing	7,002,607	7,181,977
Other	9,296,676	8,744,630
Inter-segment elimination	(2,513,451)	(2,387,438)
Net sales	41,757,223	41,277,035

Profit before income taxes:	2013 EUR	2012 EUR
Investment property holding and management	7,033,773	6,892,552
Crystal and glass manufacturing	536,582	1,215,627
Other	376,779	(682,417)
Profit before income taxes	7,947,134	7,425,762

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

Profit before taxes in the business segment categorized as: "other" have increased significantly in 2013 when compared to 2012. The reason for this large increase is due to a one time penalty payment which the group received from Csemege-Match Zrt in May of 2013.

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

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

Sales revenue:	2013 EUR	2012 EUR
Sale of goods	10,706,401	11,561,465
Provision of services	2,159,824	1,955,855
Rental income revenue	22,838,970	22,339,760
Revenue from service charges to tenants	3,551,260	3,989,020
Royalty revenue	354,594	292,276
Other sales revenue	2,146,174	1,138,659
Total sales revenue:	41,757,223	41,277,035

The structure of the activities has not changed significantly in 2013 when compared to 2012. It can be seen that revenues generated by real estate management are the most significant, which have improved slightly during the year. In 2013 the investment portfolio was extended by the acquisition of two office buildings and one apartment building in the Netherlands. In 2012 the investment portfolio was extended by the acquisition of an additional office building in Amsterdam.
The rental income derived from investment management has not changed significantly compared to the previous year. The underlying reason for this is that the decline of the sales revenues generated by the group's Hungarian real estates due to the local adverse economic situation was compensated for, by an increase of sales revenues generated by the group's investment property portfolio within the Netherlands. The aforementioned investment property in Amsterdam was only acquired in August of 2012; as such the contribution of income generated by this property can already been seen in the sales revenues in 2013, while during the same period in 2012 it generated revenue only in August and September 2012.

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

1. Due to the difficult economic conditions in Hungary, consumer's purchasing power has weakened, thus the overall turnover of the retail sector has decreased. Furthermore, Hungarian government legislation restricting the trading of tobacco products to specialized shops has also impacted a segment of the retail sector
2. Rental contracts are stipulated in EUR or on a EUR basis. The Hungarian Forint has lost value against EUR during the past few years; the direct result of which is an increase in the rental fees in local currency for the tenants thereby decreasing purchasing power, thus further worsening leasing opportunities.
3. The number of liquidation proceedings against the tenants has increased.
4. In order to retain existing tenants and convince new tenants to lease currently vacated properties the group's Hungarian subsidiaries have had to offer lower rents.
5. The severe market conditions in Hungary have also forced certain service providers – especially those representing high value added services – to reduce their activities within Hungary.

We foresee these trends to be long lasting and a continuous problem with respect to the investment properties situated in Hungary.

The revenues from the selling of goods is generated primarily by the sales of crystal and glass products and other consumer products.
Sales revenues from the selling of goods has decreased when compared to 2012. This decrease in sales is attributable to the significant reduction of the group's local Hungarian sales of furniture products. The sales revenue generated by selling crystal and glass products has remained approximately at the same level when compared to previous year.

Csemege-Match Zrt. paid the group a EUR 980,000 penalty, which is indicated as a one-off significant increase and can be found in the other sales revenue category.

The one-off significant penalty payment received from Csemege-Match Zrt. has also contributed to the increase of the EPS.

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

	Selected financial information (EUR)		
	31.12.2011	**31.12.2012**	**31.12.2013**
Sales	39,127,440	41,277,035	41,757,223
Gross profit	30,822,651	33,176,392	34,370,296
Operating profit	10,492,984	10,860,641	11,823,586
Pre tax profit	8,409,550	7,425,762	7,947,134
Net income*	6,638,657	6,813,519	6,364,394
Owner's equity**	109,835,692	120,563,298	121,943,859
Total assets	191,203,042	214,590,068	218,508,675
Number of ordinary and preference issued shares	72,723,650	72,723,650	72,723,650
Basic earnings per share	0.11	0.12	0.11
Return on equity	5.92%	5.91%	5.26%
Return on assets	3.73%	3.36%	2.91%

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

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

The level of the hazardous waste as of 31 December 2013 was 4,560 kg (31 December 2012: 3,596 kg), which is merely 0.3% (2012: 0.26%) of the hazardous waste produced throughout the whole year.

No provision is recognised for covering future environment fines or expenditures in 2013.

Risks and Risk management of the Group

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

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

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

Foreign currency (“FX”) risk

Financial instruments that potentially represent risk for the Group include 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. Many EUR-based rental contracts are billed in HUF based on the applicable daily spot rate. In order to mitigate the risk of FX losses from any potential unbeneficial EUR/HUF rate fluctuations, the Group normally sets out a minimum EUR/HUF rate in its rental contracts.

Credit risk

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

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

Receivable balances are monitored on an ongoing basis.

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

Interest rate risk

In order to mitigate the interest rate risk the Group tries to use mainly fixed rate loans. In parallel with this in case of variable interest rate loans the Group limits the increase of the interest rate by applying a cap.
The loan interests vary between one to three months EUR-LIBOR + 2.2-2.7% and are at fixed rates varying between 3.43 % and 4.32 %. The interest risk of the variable interest mortgage loans, except for the smaller loan of EUR 3.75 million, are limited between 3.3% to 3.64%.

Liquidity risk

Liquidity risk is monitored as follows:

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

Country risk

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

Company’s internal control and risk management systems in relation to the financial reporting process

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

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

Like all control systems, internal controls cannot provide an absolute guarantee that risks of misstatement, losses or human error have been totally mitigated or eliminated. The control environment is an essential element of the Company's internal control framework, as it sets the tone for the organisation. 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 organisational 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 authorisations 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 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 2013, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (2012: 70,723,650 ordinary shares and 2,000,000 dividend preference shares).

The "dividend-bearing preferred shares" carry the same rights as ordinary shares in the event of liquidation or dissolution. They entitle the holder to an annual dividend determined by the General Meeting, but do not carry voting rights.
Holders of dividend-bearing preferred shares are not entitled to any rights or dividends other than those granted to them by the General Meeting. They are paid once a year. Interim dividends may only be paid if the conditions required for such a distribution are met.

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

Treasury shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of "Issued capital" (2013: EUR 840,000; 2012: EUR 840,000) are also shown in "Treasury shares". As at 31 December 2013, 775,000 (2012: 1,550,000 shares) dividend preference shares are held by certain employees. These shares are shown within "Treasury shares" and as a liability (preference shares incentive scheme liability).

As at 31 December 2013, the Company held 18,009,784 treasury shares (of which are 16,009,784 ordinary shares and 2,000,000 are dividend preference shares) at a historic cost of EUR 23,519,814 (31 December 2012: 15,166,926 shares – of which 13,166,926 were ordinary shares and 2,000,000 were dividend preference shares – at a historic cost of EUR 21,385,082).

During 2013, the Company purchased 2,842,858 of its ordinary shares (2012: 1,717,401 shares) on an arm's length basis. No dividend preference shares from senior officers were redeemed in 2012. On 5 March 2013 the Company, exercising its redemption option, repurchased 775,000 pieces of dividend preference shares - owned by the management previously – for EUR 362,934. On 25 February 2014 the Group, exercising its redemption option and repurchased 775,000 pieces of dividend preference shares - owned by the management previously – for EUR 327,128. Thus all dividend preference shares are now owned by the Group.

Suggestions for Dividends to be paid

At their meeting of 4 April, 2014, the Board of Directors approved not to pay dividends on the preference shares as all dividend preference shares are now owned by the Group.
The Board of Directors suggests to the Annual General Meeting that the Company pay EUR 0.03 dividend per ordinary share eligible to receive dividends for the year 2013. The Company does not pay dividend on ordinary shares which are held by the Company and its subsidiaries. The Board of Directors suggests to the Annual General Meeting of the shareholders that the payment date of dividend is to be on 20 June 2014.

The Annual General Meeting of the shareholders of the Company will decide on the amount of dividends to be paid on the ordinary shares for the year 2013 and on the date of payment of dividend.

Significant Events after the end of the financial year

After the end of the financial year the following significant events have happened:

- On 25 February 2014 the Company, exercising its redemption option and repurchased 775,000 pieces of dividend preference shares - owned by the management previously – for EUR 327,128. Thus all dividend preference shares are now owned by the Group.

Significant direct and indirect Shareholders

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. (“Blackburn”), a Panama company, and Blackburn International S.à.r.l. (“Blackburn Luxembourg”), a Luxembourg company, and Zürich Investments Inc. (“Zürich”), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. (“Fotex Ingatlan”). As at 31 December 2013, Blackburn Luxembourg controlled 50.3% (31 December 2012: 50.3%) of the Company’s share capital. These companies are considered to be related parties.

Corporate governance

From 2012 the Company adopted and applied the Ten principles of corporate governance of the Luxembourg Stock Exchange.

The Board

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

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

In the event that one or several positions on the Board become vacant due to death, resignation or any other cause, the remaining Directors shall select a replacement in accordance with the applicable legal provisions, in which case this appointment shall be ratified at the next General Meeting of the shareholders of the Company.
The Board of Directors has been authorized by the shareholders to manage the day-to-day operations of the Company, as well as to make administrative decisions at the Company.
All rights which have not been conferred to the shareholders by the Articles of Association or by the laws remain of the competence of the Board of Directors. The Board may decide paying interim dividends as prescribed by law. All long-term pay schemes, plans, or incentive programs relating to the employees of the Company and its subsidiaries, which the Board would like to implement are required to be brought to the General Meeting of the shareholders before approval.
The remuneration of members of the Board of Directors shall be fixed by the General Meeting.

The Board shall elect a chairman from among its members.

According to the Articles, 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 or were employed by the Company or its subsidiaries during the five years preceding their appointment as Director;

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. Jan Thomas LADENIUS	Member of the Board
Mr. Bob DOLE	Member of the Board
Mrs. Anna RAMMER	Member of the Board
Mr. Peter KADAS	Member of the Board

The Annual General Meeting of the Company held on 26 April 2013 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 2013.

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 law shall fall within the remit of the Board of Directors.

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

- carry out a capital increase, in one or several stages, by issuing new shares to be paid up either in cash, via contributions in kind, the transformation of debt or, subject to the approval of the Annual General Meeting, via the integration of profits or reserves into the capital;

- set the place and date of the issue or of successive issues, the issue price, and the conditions and procedures for subscribing and paying up the new shares;

- abolish or restrict the preferential subscription rights of shareholders with regard to new shares to be issued as part of the authorized share capital.

This authorization is valid for a period of five years from the publication date of the authorization deed and may be renewed by a General Meeting of shareholders for any shares of the authorized capital which have not been issued by the Board of Directors in the meantime. Following each capital increase carried out and duly recorded according to the legal formalities, the first paragraph of the Articles of Association shall be amended in such a way as to reflect the increase carried out; this amendment shall be recorded in the notarial deed by the Board of Directors or any other authorized person.

Audit Committee

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

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

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

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

Composition of the Audit Committee

The Audit Committee is composed as follows:

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

The Members of the Audit Committee were appointed at the Annual General Meeting held on 26 April 2013. 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 2013.

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 Association of the Company, the General Assembly of shareholders has the broadest powers to order, carry out or ratify measures relating to the activities of the Company.

Rules Governing Amendments to the Articles of Incorporation

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

Branches of the Company

The Company has no branches.

Other Disclosures

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

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

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

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

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

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

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

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

Future Prospects

The financial position and performance of the Group remained stable, despite the difficult market conditions in 2013.

The Company would like to call the attention of its shareholders to the following matters having notable effect on the rental income revenue - generated by Hungarian real estates - in the foreseeable future:

1. **Due to the adverse economic situation within Hungary the vacancy rate of the Hungarian real estate portfolio is expected to increase; it is assumed that both smaller retailers and some of the existing major brands will continue to give back their leased sites. This in turn will result in a decline in sales revenue - generated by the Hungarian real estate - in the foreseeable future. In addition to this we also expect a lack of new multinational companies from entering into the market and a decreasing willingness on the part of local retailers to expand. The sales of the overall retail sector is expected to decrease and as such we do not expect retailers on opening new stores. Furthermore, Hungarian government legislation restricting the retail trade has also impacted the letting in the retail sector.**
2. **Due to unfavorable market conditions the re-leasing of vacant real estates has become more difficult at the same time rental prices have dropped and property owners are only able to garner lower rental fees than compared to prior years.**
3. **In response to the hard economic environment of the Hungarian banking sector, banks have decreased the number of branches they operate; consequently more sites previously leased by banks have also became vacant.**
4. **Due to the adverse economic environment and difficult market conditions prevalent in Hungary, many important and internationally renowned tenants have recently decided to cease their entire operations within the Hungarian market. In order to offset the unfavorable economic situation in Hungary, the Group has expanded its real estate portfolio outside of Hungary during the period and intends to continue to do so in the future.**
5. **The difficult market conditions in Hungary have also forced certain service providers – especially those representing high value added services – to reduce their activities within Hungary.**

The Group will continue seeking favorable investment opportunities taking into account the market conditions given and the stable cash flow of the Group.

4 April 2014, Luxembourg

Várszegi Gábor
Fotex Holding SE
Chairman of the Board

Building a better
working world

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Independent auditor's report

To the Shareholders of
Fotex Holding S.E.
26-28 rue Edward Steichen
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Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Fotex Holding S.E., which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

Building a better working world

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Fotex Holding S.E. as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the corporate governance statement.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Bruno DI BARTOLOMEO

Luxembourg, 4 April 2014

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

	Note	31 December 2013 EUR	2012 EUR
Assets			
Current Assets:			
Cash and short-term deposits	5	14,621,389	17,382,736
Current portion of other financial assets	6	1,129,487	1,202,842
Accounts receivable and prepayments	7	9,140,353	7,213,332
Income tax receivable	18	391,991	295,359
Inventories	8	6,815,206	6,768,330
Total current assets		32,098,426	32,862,599
Non-current Assets:			
Property, plant and equipment	9	8,885,090	6,657,195
Investment properties	10	161,354,384	158,183,239
Deferred tax assets	18	156,462	722,442
Intangible assets	11	2,898,152	2,776,375
Non-current portion of other financial assets	6	1,873,719	1,928,871
Goodwill arising on acquisition	13	11,242,442	11,459,347
Total non-current assets		186,410,249	181,727,469
Total assets		218,508,675	214,590,068
Liabilities and Shareholders' Equity			
Current Liabilities:			
Interest-bearing loans and borrowings	17	1,758,033	1,655,375
Provisions	14	0	25,421
Accounts payable and other liabilities	14	10,708,965	7,341,916
Total current liabilities		12,466,998	9,022,712
Non-current Liabilities:			
Interest-bearing loans and borrowings	17	79,729,357	80,689,568
Other long-term liabilities	14	1,573,312	1,389,886
Deferred tax liability	18	2,654,119	2,814,390
Total non-current liabilities		83,956,788	84,893,844
Shareholders' Equity:			
Issued capital	15	30,543,933	30,543,933
Additional paid-in capital		25,495,008	27,598,762
Goodwill write-off reserve	15	(566,044)	(888,738)
Retained earnings		89,990,776	84,694,423
Treasury shares, at cost	15	(23,519,814)	(21,385,082)
Equity attributable to equity holders of the parent company		121,943,859	120,563,298
Non-controlling interests in consolidated subsidiaries		141,030	110,214
Total shareholders' equity		122,084,889	120,673,512
Total liabilities and shareholders' equity		218,508,675	214,590,068

The accompanying notes on pages 20 to 81 form an integral part of these consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Income Statement
Figures in EUR

	Note	for the year ended 31 December 2013	2012
		EUR	EUR
Revenue	19	41,757,223	41,277,035
Operating expenses	16	(29,933,637)	(30,416,394)
Interest income		197,548	289,595
Interest expenses	17	(4,074,000)	(3,724,474)
Income before income tax		7,947,134	7,425,762
Income tax expense	18	(1,521,384)	(568,848)
Net income		6,425,750	6,856,914
Attributable to:			
Equity holders of the parent company		6,364,394	6,813,519
Non-controlling interests		61,356	43,395
Net income		6,425,750	6,856,914
Basic earnings per share	25	0.11	0.12
Diluted earnings per share	25	0.11	0.12

The accompanying notes on pages 20 to 81 form an integral part of these consolidated financial statements.

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

	Note	for the year ended 31 December 2013 EUR	2012 EUR
Net income		6,425,750	6,856,914
Other comprehensive income:			
Exchange gain/(loss) on translation of foreign operations*	20	(1,630,010)	5,079,664
Total comprehensive income/(loss)		4,795,740	11,936,578
Attributable to:			
Equity holders of the parent company		4,661,012	11,884,924
Non-controlling interests		134,728	51,654
		4,795,740	11,936,578

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

The accompanying notes on pages 20 to 81 form an integral part of these consolidated financial statements.

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

	Issued Capital EUR	Additional Paid-in Capital EUR	Goodwill Write-off Reserve EUR	Retained Earnings EUR	Treasury Shares EUR	Total EUR	Non-controlling interests EUR	Total Equity EUR
1 January 2013	30,543,933	27,598,762	(888,738)	84,694,423	(21,385,082)	120,563,298	110,214	120,673,512
Net income 2013	–	–	–	6,364,394	–	6,364,394	61,356	6,425,750
Other comprehensive income	–	–	–	(1,703,382)	–	(1,703,382)	73,372	(1,630,010)
Total comprehensive income	–	–	–	4,661,012	–	4,661,012	134,728	4,795,740
Purchase of treasury shares (note 15)	–	–	–	–	(2,134,732)	(2,134,732)	–	(2,134,732)
Dividend paid	–	–	–	(1,145,719)	–	(1,145,719)	–	(1,145,719)
Minority dividends	–	–	–	–	–	–	(103,912)	(103,912)
Reversed written off goodwill reserve (note15)	–	–	322,694	(322,694)	–	–	–	–
Reclassification from additional paid in capital to retained earnings	–	(2,103,754)	–	2,103,754	–	–	–	–
31 December 2013	30,543,933	25,495,008	(566,044)	89,990,776	(23,519,814)	121,943,859	141,030	122,084,889

The accompanying notes on pages 20 to 81 form an integral part of these consolidated financial statements.

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

	Issued Capital EUR	Additional Paid-in Capital EUR	Goodwill Write-off Reserve EUR	Retained Earnings EUR	Treasury Shares EUR	Total EUR	Non-controlling interests EUR	Total Equity EUR
1 January 2012	30,543,933	29,267,019	(1,211,432)	71,441,246	(20,205,074)	109,835,692	104,702	109,940,394
Net income 2012	–	–	–	6,813,519	–	6,813,519	43,395	6,856,914
Other comprehensive income	–	–	–	5,071,405	–	5,071,405	8,259	5,079,664
Total comprehensive income	–	–	–	11,884,924	–	11,884,924	51,654	11,936,578
Purchase of treasury shares (note 15)	–	–	–	–	(1,180,008)	(1,180,008)	–	(1,180,008)
Repurchase from non-controlling interest	–	–	–	22,690	–	22,690	(36,760)	(14,070)
Minority dividends	–	–	–	–	–	–	(9,382)	(9,382)
Reversed written off goodwill reserve (note15)	–	–	322,694	(322,694)	–	–	–	–
Reclassification from additional paid in capital to retained earnings	–	(1,668,257)	–	1,668,257	–	–	–	–
31 December 2012	30,543,933	27,598,762	(888,738)	84,694,423	(21,385,082)	120,563,298	110,214	120,673,512

The accompanying notes on pages 20 to 81 form an integral part of these consolidated financial statements.

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

	Note	for the year ended 31 December 2013	2012
		EUR	EUR
Cash flows from operating activities:			
Income before income taxes	21	7,947,134	7,425,762
Depreciation and amortisation	16	7,039,776	7,055,365
Provisions used and reversed	14	(24,939)	(51,168)
Scrapped tangible assets		121,592	20,261
Write off of inventories, impairment loss of debtors and reversals		62,167	137,068
Impairment loss of other financial assets and disposals		57,925	153,970
Gain on disposals of fixed assets		(8,241)	(8,527)
Gain on disposal of other investments		(940)	-
Interest income		(197,548)	(289,595)
Change in fair value of embedded derivative		(11,058)	(51,636)
Effect of spread of rental related incentives and allowance		232,093	(342,567)
Interest expenses	17	4,074,000	3,724,474
Changes in working capital:			
Accounts receivable and prepayments		71,244	200,358
Inventories		(147,775)	(568,184)
Accounts payable and other liabilities		864,162	(1,614,303)
Cash generated from operations		20,079,592	15,791,278
Income tax paid	18	(1,173,756)	(923,263)
Net cash flow from operating activities		18,905,836	14,868,015
Cash flows from investing activities:			
Acquisition of investment properties		(10,714,400)	(15,107,998)
Acquisition of tangible and intangible assets		(3,389,870)	(7,738,793)
Sale proceeds of tangible and intangible assets		37,929	28,277
Sale/(purchase) of financial investments		1,357	21
Repayments of loans granted		212,856	264,348
Interest received		134,805	150,793
Net cash flow used in investing activities		(13,717,323)	(22,403,352)
Cash flows from financing activities:			
Loan received		12,048	22,225,574
Dividends paid		(1,034,536)	(9,382)
Interest paid		(3,578,446)	(3,472,485)
Repayments of loan received		(1,365,496)	(1,213,621)
Purchased treasury shares		(2,132,282)	(1,180,008)
Change in other long term liabilities		(92,166)	(5,229)
Net cash flow from financing activities		(8,190,878)	16,344,849
Change in cash and cash equivalents		(3,002,365)	8,809,512
Cash and cash equivalents at beginning of the year	5	17,382,736	8,199,500
Effect of foreign currency translation		241,018	373,724
Cash and cash equivalents at end of the year	5	14,621,389	17,382,736

The accompanying notes on pages 20 to 81 form an integral part of these consolidated financial statements.

1. General

Further to the decision of the shareholders, as of 31 December, 2008, the Court of Registration cancelled Fotex Nyrt. from the companies register on the grounds of transformation and, according to the Court's decision dated 9 January, 2009, registered FOTEX HOLDING SE Nyilvánosan Működő Európai Részvénytársaság (FOTEX HOLDING SE European public limited company) as of 1 January, 2009. Following the transformation into a European public limited company, the Company's Extraordinary General Meeting held on 4 June, 2009 decided to move the Company's registered office to Luxembourg. The Company has been registered in the Luxembourg companies register under the number R.C.S.B 146.938. The Company's current registered address is at 42, rue de la Vallée, L-2661 Luxembourg, Luxembourg. The Metropolitan Court of Budapest, as the competent authority, struck the Company off the Hungarian companies register on 28 August, 2009.

Fotex Holding SE ("Fotex" or the "Company") is a European public limited company regulated under the laws of the Grand Duchy of Luxembourg. The Company is primarily the holding company of a group of subsidiaries (Fotex and its subsidiaries, hereafter the "Group") incorporated in Luxembourg, The Netherlands and Hungary and engaged in a variety of property management, manufacturing, retailing and other activities. Fotex Holding SE is the ultimate parent of the Group. Except for Upington Investments S.à.r.l., which is registered in Luxembourg, and Fotex Netherlands B.V., FN2 B.V., and FN3 B.V. which are registered in The Netherlands, all subsidiaries of the Group are registered and operate in Hungary.

As part of the Group's restructuring process, the scope of subsidiaries taken into account at the consolidation has changed compared to the basis period as follows:

During 2013 the Fotex Group entered into the following transactions that affected the Group structure:

- The owners of Székhely 2007 Kft. and the owners of Proprimo Kft. accepted the transformation proposals on the shareholder's meetings held on 15 November, 2013 and decided to merge Proprimo Kft into Székhely 2007 Kft. The owners of both companies made a decision that the date for the conclusion of the merger will be 31 December, 2013, which will be effective from 1 January, 2014.
- Fotex Netherland BV, a consolidated company founded a new subsidiary, FN3 BV on 2 October, 2013, and increased its share capital by EUR 7,316,947 on 30 December, 2013. The Group's share in FN3 BV is 100%.
- The owner of Fotex Netherland BV increased its capital by EUR 7,316,947 on 30 December, 2013.

During 2012 the Fotex Group entered into the following transactions that affected the Group structure:

- On 5 September, 2012 Fotex Ingatlan Kft., a related party company, sold all of its shares in Fotexnet Kft. to the Group, consequently the Group's share in Fotexnet Kft. has increased to 99.8%.
- The owners of Fotexnet Kft. and the owners of Hungaroton Records Kft. accepted the transformation proposals tendered during the shareholder's meetings held on the 26 September, 2012 and decided to merge, Hungaroton Records Kft. into Fotexnet Kft. On the 31 December, 2012 the company courts registered the merger of Hungaroton Records Kft. into Fotexnet Kft. effective as of the 1 January, 2013.

1. General (continued)

- The owners of Keringatlan Kft. and the owners of Fotex Cosmetics Kft. accepted the transformation proposals tendered during the shareholder's meetings held on the 24 October, 2012; and decided to merge Fotex Cosmetics Kft. into Keringatlan Kft. On the 31 December, 2012 the company courts registered the merger of Fotex Cosmetics Kft. into Keringatlan Kft. effective as of the 1 January, 2013.

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

Subsidiaries	Principal Activities	Issued capital EUR		Ownership (%)		Voting rights %	
		31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Ajka Kristály Üvegipari Kft	Crystal manufacturing and retail	6,906,186	5,726,331	100.0	100.0	100.0	100.0
Balaton Bútor Kft	Furniture manufacturer	1,325,100	1,325,100	100.0	100.0	100.0	100.0
Fotex Cosmetics Kft	Cosmetics retailer	-	188,836	-	100.0	-	100.0
Fotexnet Kft	Internet retail and other services	1,595,501	56,963	100.0	100.0	100.0	100.0
Hungaroton Music Zrt	Music archive	480,399	480,399	99.2	99.2	99.2	99.2
Hungaroton Records Kft	Music publishing and music retailing	-	1,707,078	-	99.8	-	100.0
Keringatlan Kft	Property management	20,728,848	20,558,176	100.0	100.0	100.0	100.0
Proprimo Kft	Advisory services	17,157	17,157	99.9	99.9	100.0	100.0
FN 2 BV	Property management	18,000	18,000	100.0	100.0	100.0	100.0
FN 3 BV	Property management	100	-	100.0	100.0	100.0	100.0
Plaza Park Kft	Property management:	1,171,580	1,171,580	100.0	100.0	100.0	100.0
Fotex Netherlands B.V.	Property management	18,000	18,000	100.0	100.0	100.0	100.0
Sigma Kft	Property services	100,650	100,650	75.1	75.1	75.1	75.1
Székhely 2007 Kft	Property services	86,109	86,109	99.1	99.1	99.1	99.1
Upington Investments Sàrl,	Investment holding	12,500	12,500	100.0	100.0	100.0	100.0

The consolidated financial statements of Fotex Holding SE and its subsidiaries for the year ended 31 December, 2013 were formally approved by the Board of Directors on 4 April, 2014 and will be presented to the Annual General Meeting of shareholders for approval on 29 April, 2014.

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 as issued by the International Accounting Standards Board (IASB).
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

2. Significant Accounting Policies (continued)

this note. The consolidated financial statements are presented in, except where otherwise indicated.
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, 2013, due to the endorsement process of the EU, and the activities of the Group, there is no difference in the policies applied by the Group between IFRS and IFRS that have been adopted by the EU.

As a result of Fotex's transformation to an SE (Societas Europaea) from 1 January, 2009, Fotex Holding SE became a European public limited company. Fotex moved it's 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, 2013. 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

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

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

2. Significant Accounting Policies (continued)

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

The income statement has been converted to EUR using the quarterly Hungarian National Bank ("MNB") average FX rate:

	2013		2012	
First quarter	296.42	HUF/EUR	296.97	HUF/EUR
Second quarter	295.75	HUF/EUR	294.26	HUF/EUR
Third quarter	297.88	HUF/EUR	283.08	HUF/EUR
Fourth quarter	297.61	HUF/EUR	283.11	HUF/EUR

Assets and liabilities have been converted to EUR using the MNB FX rate as at 31 December 2013: 296.91 HUF/EUR (2012: 291.29 HUF/EUR), this resulted in the exchange difference in translation of foreign operations shown in the other comprehensive income.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for as follows:

New and amended standards and interpretations

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that could be relevant to its operations and effective for accounting periods beginning on 1 January 2013. Adoption of these revised Standards and Interpretations did not have any effect on the financial performance or position of the Group.

They did however give rise in some cases to additional disclosures, including in some cases, revisions to accounting policies.

The changes in accounting policies result from the adoption of the following new or revised Standards:

- IAS 19 *Employee Benefits* (Revised)
- IFRS 7 *Disclosures — Offsetting Financial Assets and Financial Liabilities —*
- *Amendments to IFRS 7*
- IFRS 13 *Fair Value Measurement*
- IAS 1 *Presentation of Items of Other Comprehensive Income* – Amendments to IAS 1
- IAS 1 *Clarification of the requirement for comparative information* (Amendment)
- *Recoverable Amount Disclosures for Non-Financial Assets* – Amendments to IAS 36 *Impairment of Assets*

2. Significant Accounting Policies (continued)

IAS 19 *Employee Benefits* (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013 but had no effect on the Group.

IFRS 7 *Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7*

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.
The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments did not impact the Group's financial position or performance and became effective for annual periods beginning on or after 1 January 2013.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As the Company is neither using the fair value model of IAS 40 nor the revaluation model of IAS16 it has had effect on the Group's disclosures only. The Group has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited and adjusted where applicable. The assessment of fair value under IFRS 13 has not materially changed the fair values disclosed. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 10 and Note 12.

IAS 1 *Presentation of Items of Other Comprehensive Income* – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

2. Significant Accounting Policies (continued)

IAS 1 *Clarification of the requirement for comparative information* (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Group), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes.

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, net of outstanding bank overdrafts.

Foreign currency translation

With Fotex's transformation to an SE (Societas Europaea) from 1 January 2009, Fotex became a European public limited company registered in Luxembourg that is regulated under the laws of the Grand Duchy of Luxembourg. As a consequence of the change of its registered office to Luxembourg, Fotex changed its major contracts to EUR and changed its functional currency from HUF to EUR. The reporting currency of the consolidated financial statements changed also from HUF to EUR.

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.

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.

2.

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.

Freehold 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.

3. Significant Accounting Policies (continued)

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

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

Leases

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

Group as a lessee:
Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

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

Borrowing costs

Borrowing costs directly 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 are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Financial Instruments

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.

Financial assets

Initial recognition
Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

2. Significant Accounting Policies (continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables and held-to-maturity investments.

<u>Subsequent measurement</u>
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in the fair value recognised in the income statement. The Group has designated one financial asset at fair value through profit or loss. (Note 6, Note 16)

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. The Group has one derivative embedded contract as of 31 December 2013 (Note 6, Note 16).

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

2. Significant Accounting Policies (continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process. The Group had held-to-maturity investments as at 31 December 2010 but transferred them at 1 July 2011 to Blackburn International Luxembourg, a related party. As a consequence of these sold held-to-maturity investments and the requirements of IAS 39, Fotex will not classify any financial assets as held to maturity until 1 January 2014.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the income statement. As more fully described in this note under “Held-to-maturity investments”, in 2011 the Group reclassified its held-to-maturity investments to available-for-sale category.

Financial liabilities

<u>Initial recognition</u>

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, 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.

<u>Subsequent measurement</u>

The measurement of financial liabilities depends on their classification as follows:

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 acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Gains or losses on liabilities held for trading are recognised in the income statement. The Group has not designated any financial liabilities as at fair value through profit or loss.

2. Significant Accounting Policies (continued)

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

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Due from loans and trade receivables and advances to customers

For amounts due from loans and advances to customers carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are significant, or collectively for financial assets that are not individually significant. If the Group determines that objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The Group mainly recognised an allowance for doubtful debts of 100% against all receivables over 360 days since historical experience has been that receivables that are past due beyond 360 days are not recoverable. Allowances for doubtful debts are recognised against trade receivables between 90 days and 360 days based on estimated unrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. Net trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

2. Significant Accounting Policies (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

De-recognition of financial instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. Significant Accounting Policies (continued)

De-recognition of financial instruments (continued)

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.

Financial liabilities
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 a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

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.

Pensions

All pensions are either funded privately by employees or by the local government in the jurisdiction in which the group operates via certain social security charges included in the gross cost of the employees wage.

2. Significant Accounting Policies (continued)

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.

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

	Years
Buildings and investment properties	20-30

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.

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.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

2. Significant Accounting Policies (continued)

Business Combinations and Goodwill (continued)

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 shop rental rights, production know-how and franchise fees are amortised using the straight-line method over the useful economic lives that range from 5 to 50 years and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

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.

2. Significant Accounting Policies (continued)

Treasury shares

Fotex ordinary shares repurchased are included in shareholders' equity and are classified as treasury shares. Gains and losses on sale of treasury shares, and differences on repurchase, are credited or debited to retained earnings.

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 must also be met before revenue is recognised:

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

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.

Interest income
Revenue is recognised as the interest accrues using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends
Revenue is recognised when the shareholders' right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income
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.

Service charges and expenses recoverable from tenants
Income arising from expenses 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.

2. Significant Accounting Policies (continued)

Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets including investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 17 and 22.
As per IFRS 13 definition 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 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.
The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.
For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2. Significant Accounting Policies (continued)

Subsequent Events

Material events occurring after the year-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-year-end events that are not adjusting events are disclosed in the notes when material.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures (see Note 10).

3. Significant accounting judgments, estimates and assumptions

Judgments

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

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

Estimates and assumptions

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

Impairment of Goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2013 is EUR 11,242,442 (2012: EUR 11,459,347). Further details are given in Note 13.

Impairment of Intangibles
The Group determines whether intangible assets with indefinite useful lives such as merchandising and media rights are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 11.

4. Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

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.,that are subject to the change in law described above. Fotex maintains the asset at its recoverable value as established in its financial statements for the year ended 31 December 2010 and shown in the following reporting periods. Management has estimated as of 31 December 2013 that this value represents a fair estimate of value based on the estimation of value in use and on the assumption as enshrined in the act for compensation at market value which had been established by Fotex in earlier years.

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 18.

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 10.

4. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 *Financial Instruments*

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1

January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IAS 32 *Offsetting Financial Assets and Financial Liabilities* - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 *Impairment of Assets*

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Group has not adopted these amendments to IAS 36 in the current period since there are no impairment losses recognised or reversed during the period. These amendments would be considered for future disclosures.

IFRIC Interpretation 21 *Levies* (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

4. Standards issued but not yet effective (continued)

IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

IFRS 10 *Consolidated Financial Statements,* IAS 27 *Separate Financial Statements*

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the analyses performed, IFRS 10 will not have any impact on the currently held investments of the Group.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries, however none of them are relevant for the Group.

Annual Improvements to IFRSs

On 12 December 2013 the IASB issued the following annual improvements:

Annual Improvements to IFRSs 2010–2012 Cycle, amending IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures, IAS 38 Intangible Assets.

Annual Improvements to IFRSs 2011–2013 Cycle, amending IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement, IAS 40 Investment Property.

These annual improvements are effective for annual periods beginning on or after 1 July 2014. Management is currently assessing their impact on the consolidated financial statements of 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 14,621,389 (2012: EUR 17,382,736).

Cash includes fixed deposits of EUR 2,671,210 (2012: EUR 464,260) at rates ranging from 0.13% to 2.95% (2012: 0.2% to 4.3%). The Company has EUR and HUF deposits. The lower rates are on EUR while the higher ones are on HUF.

6. Other financial assets

	31 December 2013	31 December 2012
Current	EUR	EUR
Cash deposits connected to rented properties	605,248	657,161
Short-term loans to other companies	523,060	544,476
Other short-term investments	1,179	1,205
Other current financial assets, total	1,129,487	1,202,842

	31 December 2013	31 December 2012
Non-current	EUR	EUR
Cash deposits connected to rented properties	1,573,332	1,389,886
Unquoted equity instruments available-for-sale	125,960	127,427
Long-term loans to other companies	174,427	411,558
Other non-current financial assets, total	1,873,719	1,928,871

Cash deposits connected to rented properties:

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

Short-term loans to other companies:

Impairment in amount of EUR 0 was recognised on the short-term loans granted to other companies in 2013 (2012: EUR 110,494). The annual impairment was recorded as an other operating expense (see Note 16).

Unquoted equity instruments available-for-sale:

The balance of unquoted equity instruments available-for-sale consists of its investment of Ajka Kristály Üvegipari Kft. in Ajka Crystal LLC that was acquired in 2012.

6. Other financial assets (continued)

Impairment in amount of EUR 0 was recognised on unquoted equity instruments in 2013 (2012: EUR 30,384). The annual impairment was recorded as an other operating expense (see Note 16).

Non-current part of other long-term loans:

The non-current part of other long-term loans includes loans given to other companies in amount of EUR 152,592 (31 December 2012: 353,631) and employee loans totalling EUR 10,777 (31 December 2012: EUR 6,291).

The balance of long-term lonas to other companies conatins the balance of embedded derivate. The fair value of embedded derivative contains the fair value relating to the CAP linked to the I. mortgage loan contract (Note 16, Note 17).

7. Accounts receivable and prepayments

	2013 EUR	2012 EUR
Accounts receivable	6,433,468	5,310,644
Impairment loss on accounts receivable	(397,191)	(858,841)
Tax assets	399,832	601,235
Other receivables	706,239	227,389
Prepayments/accrued income	2,028,950	1,966,635
Impairment loss on other receivables	(30,945)	(33,730)
Total	9,140,353	7,213,332

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

Impairment loss on debtors and on other receivables at 31 December 2013 is: EUR 428,136 (31 December 2012: EUR 892,571).

7. Accounts receivable and prepayments (continued)

Movements in impairment loss:

	EUR
1 January 2012	1,267,678
Charge for the year	172,920
Unused amount reversed	(11,834)
Utilised*	(623,297)
Currency gain arising on retranslation	87,104
31 December 2012	892,571
Charge for the year	46,386
Unused amount reversed	(10,828)
Utilised*	(485,119)
Currency loss arising on retranslation	(14,874)
31 December 2013	428,136

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

Aged debtors less impairment loss at 31 December:

	Not overdue and not impaired	Overdue but not impaired					
		< 30 days	30-90 days	90-180 days	180-360 days	>360 days	Total
2013	2,907,548	2,468,813	349,793	153,974	58,620	97,529	6,036,277
2012	2,905,060	1,133,154	231,859	93,829	49,423	38,478	4,451,803

Aged tax assets, other receivables and prepayments less impairment loss at 31 December:

	Not overdue and not impaired	Overdue but not impaired					
		< 30 days	30-90 days	90-180 days	180-360 days	>360 days	Total
2013	2,297,499	17,572	205,796	262,029	10,222	310,958	3,104,076
2012	2,275,799	108,229	155,615	4,449	810	216,627	2,761,529

8. Inventories

	2013	2012
	EUR	EUR
Merchandise and finished products	6,892,545	7,267,738
Materials	765,702	874,798
Work in progress	2,365,827	1,971,819
Inventories, gross	10,024,074	10,114,355
Impairment of merchandise and finished products	(2,715,220)	(2,778,419)
Impairment of materials	(28,382)	(28,505)
Impairment of work in progress	(465,266)	(539,101)
Impairment of inventories	(3,208,868)	(3,346,025)
Total inventories, net	6,815,206	6,768,330

Movements in inventory impairment loss:

Management has identified a number of Group companies that have slow moving inventories. Management believes that the EUR 3,208,868 provision made for the impairment of inventories (2012: EUR 3,346,025) is adequate, from this the current year reversal is EUR 48,842 (impairment loss in 2012: EUR 63,723) which is disclosed as other operating expense (Note 16). In addition to the impairment, in 2013 EUR 7,061,288 of inventories were recognised as an expense (2012: EUR 7,307,134).

9. Property, plant and equipment

Movements in tangible assets during 2013 were as follows:

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2013	4,829,319	18,983,567	56,109	23,868,995
Additions	2,565,082	602,149	99,424	3,266,655
Other increase	-	17	-	17
Disposals and write downs	(209,232)	(434,402)	-	(643,634)
Currency loss arising on retranslation	(91,354)	(356,698)	(1,061)	(449,113)
31 December 2013	7,093,815	18,794,633	154,472	26,042,920
Accumulated depreciation:				
1 January 2013	(1,172,206)	(16,039,594)	-	(17,211,800)
Depreciation expense	(156,639)	(552,410)	-	(709,049)
Disposals and write downs	9,909	385,885	-	395,794
Other (increase)/decrease	156	(4,464)	-	(4,308)
Currency gain arising on retranslation	73,059	298,474	-	371,533
31 December 2013	(1,245,721)	(15,912,109)	-	(17,157,830)
Net book value				
31 December 2013	5,848,094	2,882,524	154,472	8,885,090
31 December 2012	3,657,113	2,943,973	56,109	6,657,195

At 31 December 2013, the cost of tangible assets fully written off (due to ordinary or extraordinary depreciation) was EUR 7,284,050 (2012: EUR 7,732,702). The cost of tangible assets temporarily out of use is EUR 0 (2012: EUR 0).

9. Property, plant and equipment (continued)

Movements in tangible assets during 2012 were as follows:

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2012	4,563,340	17,660,624	129,030	22,352,994
Additions	31,138	684,695	-	715,833
Other increase	27,703	39,887	-	67,590
Disposals and write downs	(83,121)	(594,297)	(82,237)	(759,655)
Transfer to investment properties	(20,860)	-	-	(20,860)
Currency gain arising on retranslation	311,119	1,192,658	9,316	1,513,093
31 December 2012	4,829,319	18,983,567	56,109	23,868,995
Accumulated depreciation:				
1 January 2012	(1,051,697)	(14,773,694)	-	(15,825,391)
Depreciation expense	(106,066)	(833,450)	-	(939,516)
Disposals and write downs	79,568	568,456	-	648,024
Other increase	(27,703)	(346)	-	(28,049)
Transfer to investment properties	4,993	-	-	4,993
Currency loss arising on retranslation	(71,301)	(1,000,560)	-	(1,071,861)
31 December 2012	(1,172,206)	(16,039,594)	-	(17,211,800)
Net book value				
31 December 2012	3,657,113	2,943,973	56,109	6,657,195
31 December 2011	3,511,643	2,886,930	129,030	6,527,603

10. Investment properties

The Group controls a significant property portfolio. In prior years, a significant proportion of this portfolio was utilized by the Group companies as retail outlets and for other operating activity purposes. The Group gradually abandoned its retail activity and has become an investment property company by leasing an increasing proportion of its real estate portfolio to third parties. Investment property is measured in the consolidated statement of financial position at historic cost less accumulated depreciation. The Group has made an internal valuation of all its investment properties as of 31 December 2013. The key valuation methodology and major assumptions used in the valuation are set out below in this note.

Movements in investment properties in 2013 were as follows:

	Investment properties
Cost:	EUR
1 January 2013	189,637,525
Additions	10,714,400
Disposal	(101,716)
Transfer from tangible assets	0
Currency loss arising from retranslation	(1,487,891)
31 December 2013	198,762,318
Accumulated depreciation:	
1 January 2013	(31,454,286)
Depreciation expense	(6,293,558)
Other increase	(84,198)
Disposal	20,478
Transfer from tangible assets	0
Currency gain arising from retranslation	403,630
31 December 2013	(37,407,934)
Net book value:	
31 December 2013	161,354,384
31 December 2012	158,183,239

10. Investment properties (continued)

The fair values of investment properties at 31 December 2013 are set out below:

Category	Area	Net book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	146,902	25,962,123	140,705,802
Offices	87,511	107,691,167	123,297,526
Warehouses	82,097	3,208,965	9,792,057
Other structures	42,862	3,727,533	6,943,752
Plots of land	809,884	20,764,596	32,246,835
Total investment properties	1,169,256	161,354,384	312,985,972

Movements in investment properties in 2012 were as follows:

	Investment properties
Cost:	EUR
1 January 2012	169,532,033
Additions	15,107,998
Disposal	(18,999)
Transfer from tangible assets	20,860
Currency gain arising from retranslation	4,995,633
31 December 2012	189,637,525
Accumulated depreciation:	
1 January 2012	(24,054,541)
Depreciation expense	(6,089,861)
Disposal	2,205
Transfer from tangible assets	(4,993)
Currency loss arising from retranslation	(1,307,096)
31 December 2012	(31,454,286)
Net book value:	
31 December 2012	158,183,239
31 December 2011	145,477,492

10. Investment properties (continued)

The fair values of investment properties at 31 December 2012 are set out below:

Category	Area	Net book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	146,914	28,653,570	159,126,823
Offices	71,815	102,395,865	119,255,025
Warehouses	83,117	3,450,709	11,507,671
Other structures	42,878	3,859,294	7,656,477
Plots of land	791,255	19,823,801	33,943,626
Total investment properties	1,135,979	158,183,239	331,489,622

The fair value of investment property is determined based on an internal real estate valuation using recognised valuation techniques.
These techniques comprise both the comparable market price method and the Discounted Cash Flow Method. Present values of the future cash flows are determined separately for each presented category based on the currently realised rental rates. Unbuilt plots of land were valued based on the comparable market prices method. The valuers have used their market knowledge and professional judgement and have not only relied on historical transactional comparables.
The valuations were performed by an internal valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

Key valuation assumptions for 2013

The present values of the investments have been calculated based on a market yield rate which is suitable to measure properties in the relevant markets and is based on the following assumptions:

- Due to the steady current economic situation in the Hungarian real estate market the range of yields have not changed significantly in comparison to prior year.
- Rents on investment properties have been calculated based on the contractual rental fees.
- The used yield rate per property item located in Hungary is between 8.3% and 13.75% depending on the type and location of the property (2012: 8.3-13.5%). For the Dutch properties, the calculated yield rate is between 7.2% and 10.3% (2012: 6.8%-10.2%).
- Presently vacant office and warehouse units have been valued on an assumed long term 75-80% let-out rate. On current vacant retail units it was assumed that these will be fully let, and all common costs are fully covered.
- Rents are predominantly set in EUR in the rental contracts. Where rent is set in HUF, the related yield has been calculated at a 295 HUF/EUR exchange rate (2012: 285 HUF/EUR) though this relates only to a small number of properties.

10. Investment properties (continued)

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:

	2013	2012 restated	2012
	EUR	EUR	EUR
Yield rate drops by 50 bps	14,941,442	17,038,565	17,038,565
Rent rate drops by 5%*	(11,115,150)	(11,754,675)	(3,159,695)

*In 2012 the Group did not apply a common sensitivity analysis calculation method on the different markets. In 2013 management has reconsidered the calculation method of Rent rate drop by 5%. As a consequence of the significant increase of the real estate portfolio in the Netherlands the Group decided to apply standard estimation method which management believe better represents a true and fair view of the decrease of occupancy by 5%.

The value of land is typically estimated based on publicly available benchmarks as adjusted for individual circumstances (date of sale, property characteristics, selling terms etc.).

The total area of land, beneath existing buildings and the unused land proportion of warehouses and similar properties, which were excluded from the fair value assessment is 497,772 m2 (2012: 436,210 m2).

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

	2013	2012
	EUR	EUR
Revenues from the rent of investment properties*	21,697,972	21,282,487
Unrecoverable net operating costs	(1,402,281)	(1,398,204)
Costs that do not generate direct sales revenues	(30,996)	(18,369)
Net income from the rent of investment properties	20,264,695	19,865,914

*The calculation is based on rent roll table as of year end.

11. Intangible assets

Movements in intangible assets during first nine months of 2013 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2013	6,667,194	980,145	7,647,339
Additions	-	119,446	119,446
Other increase	-	-	-
Disposals and write downs	-	(540,543)	(540,543)
Currency loss arising from retranslation	-	(51,157)	(51,157)
31 December 2013	6,667,194	507,891	7,175,085
Accumulated amortisation:			
1 January 2013	(4,008,798)	(862,166)	(4,870,964)
Amortisation expense	-	(37,166)	(37,166)
Other increase	-	-	-
Impairment	-	-	-
Disposals and write downs	-	456,295	456,295
Currency gain arising from retranslation	-	174,902	174,902
31 December 2013	(4,008,798)	(268,135)	(4,276,933)
Net book value:			
31 December 2013	2,658,396	239,756	2,898,152
31 December 2012	2,658,396	117,979	2,776,375

11. Intangible assets (continued)

Movements in intangible assets during 2012 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2012	6,667,194	1,123,415	7,790,609
Additions	-	22,960	22,960
Other increase	-	-	-
Disposals and write downs	-	(38,214)	(38,214)
Currency loss arising from retranslation	-	(128,016)	(128,016)
31 December 2012	6,667,194	980,145	7,647,339
Accumulated amortisation:			
1 January 2012	(4,008,798)	(989,063)	(4,997,861)
Amortisation expense	-	(25,988)	(25,988)
Other increase	-	-	-
Impairment	-	-	-
Disposals and write downs	-	39,254	39,254
Currency gain arising from retranslation	-	113,631	113,631
31 December 2012	(4,008,798)	(862,166)	(4,870,964)
Net book value:			
31 December 2012	2,658,396	117,979	2,776,375
31 December 2011	2,658,396	134,352	2,792,748

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

As part of discontinuing its ownership of FTC Labdarúgó Zrt., (a company that operates and manages the football club „FTC”) acquired in 2001 (at a cost of HUF 1.9 billion – ca, EUR 7 million), Fotex acquired certain merchandising rights in FTC (media and brand merchandise, distribution and promotion rights (billboards) in 2003 for an unlimited period for which an impairment of EUR 4,008,798 has been recorded in prior years. Owing to changes in Hungarian legislation, as of 1 January 2012, all rights related to the Club’s address, logo and name reverted to the FTC Sport Association. Such reversion is due compensation by FTC, the amount of which is currently under negotiation by the parties. 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.

12. 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 2013:

		Fair value measurement using	
	Date of valuation	**Total**	**Significant unobserv-able inputs (Level 3)**
		EUR	EUR
Assets for which fair values are disclosed:			
Investment properties (Note 10):			
Retail outlets	31 December 2013	140,705,802	140,705,802
Offices	31 December 2013	123,297,526	123,297,526
Warehouses	31 December 2013	9,792,057	9,792,057
Other structures	31 December 2013	6,943,752	6,943,752
Plots of land	31 December 2013	32,246,835	32,246,835
Liabilities for which fair values are disclosed:			
Interest-bearing loans and borrowings (Note 17)			
IV. mortgage	31 December 2013	13,272,495	13,272,495
V. mortgage	31 December 2013	11,078,548	11,078,548
VI. mortgage	31 December 2013	13,402,338	13,402,338
VII. mortgage	31 December 2013	8,991,457	8,991,457
VIII. loan	31 December 2013	7,574,511	7,574,511
IX. loan	31 December 2013	1,647,652	1,647,652
X. loan	31 December 2013	2,612,088	2,612,088
XI. loan	31 December 2013	4,242,491	4,242,491

At 31 December 2013 and 2012, the carrying values of liquid assets, short-term investments, receivables, liabilities and accruals approximated their fair values owing to their short-term nature. Receivables are presented in the consolidated statement of financial position at cost less impairment loss on doubtful accounts. Bank loans having a variable interest rate approximated their fair values. The fair value of fixed rate debt is disclosed in Note 17.

12. Fair value (continued)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2012:

		Fair value measurement using	
	Date of valuation	Total	Significant unobserv-able inputs (Level 3)
		EUR	EUR
Assets for which fair values are disclosed:			
Investment properties (Note 10):			
Retail outlets	31 December 2012	159,126,823	159,126,823
Offices	31 December 2012	119,255,025	119,255,025
Warehouses	31 December 2012	11,507,671	11,507,671
Other structures	31 December 2012	7,656,477	7,656,477
Plots of land	31 December 2012	33,943,626	33,943,626
Liabilities for which fair values are disclosed:			
Interest-bearing loans and borrowings (Note 17)			
IV. mortgage	31 December 2012	13,738,933	13,738,933
V. mortgage	31 December 2012	11,439,631	11,439,631
VI. mortgage	31 December 2012	13,864,791	13,864,791
VII. mortgage	31 December 2012	8,840,261	8,840,261
VIII. loan	31 December 2012	7,772,533	7,772,533
IX. loan	31 December 2012	1,699,790	1,699,790
X. loan	31 December 2012	2,696,474	2,696,474
XI. loan	31 December 2012	4,399,995	4,399,995

13. Goodwill arising on acquisition

Movements in goodwill on business combinations were as follows during 2013 and 2012:

	31 December 2013	31 December 2012
	EUR	EUR
Cost:		
1 January	19,347,843	18,114,079
Increase	-	-
Disposal of fully written off goodwill	-	-
Currency difference arising from retranslation	(366,221)	1,233,764
Closing balance	18,981,622	19,347,843
Impairment:		
1 January	(7,888,496)	(7,385,466)
Disposal of fully written off goodwill	-	-
Currency difference arising from retranslation	149,316	(503,030)
Closing balance	(7,739,180)	(7,888,496)
Net book value		
1 January	11,459,347	10,728,613
Closing balance	11,242,442	11,459,347

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

Goodwill is therefore tested as follows:

	31 December 2013	31 December 2012
	EUR	EUR
Total goodwill	11,242,442	11,459,347
Residual balance of deferred tax liability, in excess of the fair value, initially provided on acquisition	(1,537,919)	(1,567,591)
Goodwill tested for impairment	9,704,523	9,891,756

The goodwill tested for impairment is allocated to the group of cash generating units that constitute Plaza Park Kft. and the property portfolio of Keringatlan Kft. which is the most significant investment property group company. At the year-end, the Group considered whether there were any indicators of impairment of the value of goodwill. The Group estimated the value in use of the cash generating units attributable to goodwill. Based on this calculation no impairment loss was recognised on goodwill in 2013. Management estimates that goodwill is not impaired even in case of the potential changes in the assumptions of the underlying valuation model, since the fair values of the investment properties, to which the goodwill relates, are significantly higher than the book values of the properties.

13. Goodwill arising on acquisition (continued)

Goodwill is allocated to the following entities:

	31 December 2013	31 December 2012
	EUR	EUR
Keringatlan Kft.	9,451,733	9,634,090
Plaza Park Kft.	1,790,709	1,825,257
Net book value	11,242,442	11,459,347

14. Accounts payable, other liabilities and provision

	2013	2012
	EUR	EUR
Trade payables	1,077,693	1,083,312
Taxes payable	1,833,763	1,075,193
Advances from customers	69,627	56,219
Accrued expenses	765,981	591,197
Deferred rental income*	4,473,158	2,076,803
Amounts payable to employees	215,402	156,167
Deposits from tenants	605,248	657,161
Preference shares incentive scheme liability	325,500	651,000
Other liabilities	1,342,593	994,864
Total accounts payable and other current liabilities	10,708,965	7,341,916
Other long term liabilities	1,573,312	1,389,886

*Significant increase in deferred rental income is due to invoices issued in advance for the following period therefor the VAT of these invoices increased the taxes payable. The other main difference between the two years in the balance of taxes payable is the decrease of taxes losses carried forward.

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.

Rental deposits 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 2,178,570 (2012: EUR 2,047,047) from its tenants which are repayable if the related rental contract is terminated. Based on the historical and expected rental cancellation rate, the Group has classified as other long-term liabilities those deposit liabilities which are expected to be repayable in more than one year (EUR 1,573,312 (2012: EUR 1,389,886)), and the part which is expected within a year was classified as short-term tenant deposit liabilities (EUR 605,248 (2012: EUR 657,161)).

14. Accounts payable, other liabilities and provision (continued)

Dividend preference shares incentive scheme:

The General Meeting of the Company on 31 August 2007 authorised the Board of Directors to increase the capital by a maximum amount of EUR 3,093,041 (HUF 785,818,000), by issuing dividend preference shares (shares with dividend rights only, without voting right) against monetary contribution within 5 years from the date of the General Meeting.

These dividend preference shares are to be used as a remuneration and long-term incentive system for executive officers, as well as senior employees. The dividend preference shares are intended to encourage good stewardship in members of management by directly connecting remuneration entitlement of preference shareholders to enhanced performance and stock exchange rates thereby contributing to increasing shareholder value for all. Fotex has an optional redemption right on dividend preference shares which is valid up to five years. Unless Fotex exercises its redemption right within five years of the end of employment of a member of management, the holder of such dividend preference shares may retain its shareholder rights. The dividend rate on the preference shares shall not exceed 50% of the given year's average stock exchange price of Fotex shares, but shall not be less than an amount equivalent to double of the European central bank twelve months base interest rate relevant for the year, applied to the face value of the share. The total sum of the dividend determined for preference dividend cannot exceed 30% of the consolidated IFRS profit after taxes minus non-controlling interest. The total preference dividend payable is subject to approval of the General Meeting of the Company. Given the nature of the employee preference shares, the amount of shares in issue is treated as a short-term liability and any dividend payable will be treated as an employee expense.

In November 2007, Fotex issued 2,000,000 dividend preference shares with a face value of EUR 840,000 (HUF 200 million). These dividend preference shares were presented in the consolidated statement of financial position as treasury shares. Group management purchased the dividend preference shares on 28 April 2008. On that date the dividend preference shares were shown as a liability (preference shares incentive scheme liability). Fotex granted arm's length loans to members of management to buy these shares.

On 13 May 2009, the Company's CEO exercised his redemption right under the approved incentive scheme and redeemed the dividend preference shares of the managers of certain subsidiaries where annual profits fell short of their budget. The shares were redeemed at the rates set out in the underlying sale-purchase contracts (120% of the face value). Fotex set off the redemption price payable against the loans and interest receivable from the affected persons under the loan agreements for the purchase of the dividend preference shares. No dividend was paid on the redeemed shares. No dividend preference shares were redeemed either in 2012. On 5 March 2013 the Company, exercising its redemption option, repurchased 775,000 pieces of dividend preference shares - owned by the management previously – for EUR 362,934.

No dividend preference shares were redeemed in 2014. On 25 February 2014 the Company, exercising its redemption option and repurchased 775,000 pieces of dividend preference shares - owned by the management at the end of 2013 – for EUR 327,128. Thus all dividend preference shares are now owned by the Group.

At their meeting of 4 April 2014, the Board of Directors proposed not to pay dividends on the dividend preference shares that is subject to approval by the shareholders meeting.

14. Accounts payable, other liabilities and provision (continued)

The following table summarizes the movement in provisions in 2013:

	December 31, 2013	December 31, 2012
	EUR	EUR
1 January	25,421	71,398
Arising during the year	-	-
Unused amounts reversed	(24,939)	(51,168)
Currency loss arising from retranslation	(482)	5,191
31 December	-	25,421

*A subsidiary of the Group received state subsidy in prior years. The requirements of the subsidy were not fully met and consequently the subsidy became repayable. The Group made provision for this liability. The provision has been released in line with the repayment of the subsidy.

15. 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 2013, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (2012: 70,723,650 ordinary shares and 2,000,000 dividend preference shares).

The "dividend-bearing preferred shares" carry the same rights as ordinary shares in the event of liquidation or dissolution. They entitle the holder to an annual dividend determined detailed in Note 14 by the General Meeting, but do not carry voting rights.
Holders of dividend-bearing preferred shares are not entitled to any rights or dividends other than those granted to them by the General Meeting. They are paid once a year. Interim dividends may only be paid if the conditions required for such a distribution are met.

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

Treasury shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of "Issued capital" (2013: EUR 840,000; 2012: EUR 840,000) are also shown in "Treasury shares". As at 31 December 2013, 775,000 (2012: 1,550,000 shares) dividend preference shares are held by management. These shares are shown within "Treasury shares" and as a liability (preference shares incentive scheme liability).

15. Share capital and reserves (continued)

As at 31 December 2013, the Company held 18,009,784 treasury shares (of which are 16,009,784 ordinary shares and 2,000,000 are dividend preference shares) at a historic cost of EUR 23,519,814 (31 December 2012: 15,166,926 shares – of which 13,166,926 were ordinary shares and 2,000,000 were dividend preference shares – at a historic cost of EUR 21,385,082).

During 2013, the Company purchased 2,842,858 of its ordinary shares (2012: 1,717,401 shares) on an arm's length basis.

No dividend preference shares from senior officers were redeemed in 2012. On 5 March 2013 the Company, exercising its redemption option, repurchased 775,000 pieces of dividend preference shares - owned by the management previously – for EUR 362,934. Therefore at 31 December 2013, 775,000 (2012: 1,550,000 shares) dividend preference shares are held by the management. These shares are shown as liability (preference shares incentive scheme liability). On 25 February 2014 the Group, exercising its redemption option repurchased 775,000 pieces of dividend preference shares - owned by the management at year end – for EUR 327,128. Thus all dividend preference shares are now owned by the Group.

Goodwill write-off reserve

In 1990, in connection with the transformation of the Company to a Hungarian Rt. (public limited company) company and associated increase in share capital, certain intangible assets of Fotex (principally the "Fotex" name) were valued by an independent appraiser at approximately EUR 7.7 million. This amount is shown as an intangible asset in the Company's local statutory financial statements and is amortised over 24 years. This amount is shown as a deduction from shareholders' equity in these consolidated financial statements of EUR 566,044 (2012: EUR 888,738).

16. Operating expenses

	31 December 2013 EUR	31 December 2012 EUR
Payments to personnel	(6,035,952)	(5,935,140)
Material-type expenses	(14,173,663)	(14,509,702)
Other expenses, net*	(2,684,246)	(2,916,187)
Depreciation and amortisation charge	(7,039,776)	(7,055,365)
Total operating expenses	(29,933,637)	(30,416,394)

16. Operating expenses (continued)

*Other expenses (net) include the following:

	31 December 2013 EUR	31 December 2012 EUR
Realised and unrealized FX differences (net)	339,357	(357,557)
Taxes other than income tax	(1,782,535)	(1,171,876)
Fair valuation loss on embedded derivative (Note 6)	(11,058)	(51,636)
Other expenses	(1,230,010)	(1,335,118)
Total other expenses, net	(2,684,246)	(2,916,187)

17. Interest-bearing loans and borrowings

The Group's Dutch subsidiary, Fotex Netherlands B.V. obtained three mortgage loans from FGH Bank N.V. in 2009 (Loans I.-III.) and a further loan in 2010 (Loan IV.) to fund the purchase of properties. In 2011, FN 2 B.V., a subsidiary of Fotex Netherlands B.V., took out another mortgage loan (Loan V.) for property purchase purposes from Berlin-Hannoversche Hypothekenbank AG. As at 26 March, 2012, FN 2 B.V. took out a mortgage loan (Loan VI.) from Berlin- Hannoversche Hypothekenbank AG to fund the purchase of a property acquired at the end of 2011. The mortgage loans are not cross-collaterised loans.
On 30 October, 2012, FN 2 B.V. took out an additional mortgage loan (Loan VII.) from Berlin-Hannoversche Hypothekenbank AG to finance the purchase of an office building in Amsterdam.
In 2011, when the Fotex Group acquired its ownership in Plaza Park Kft., the compensation included the transfer of four intra-group loans; as a result these loans are recognised as liabilities to related parties in the consolidated financial statements. These four loans (Loans VIII.-XI.) are owed by Fotex Group to Zürich Investments Inc.
There were no new loans taken out during 2013.

17. Interest-bearing loans and borrowings (continued)

The details of the loans are as follows:

Item	Start date	End date	Loan EUR	Interest	Long-term portion at 31 Dec 2013 EUR	Current portion at 31 Dec 2013 EUR	Long-term portion at 31 Dec 2012 EUR	Current portion at 31 Dec 2012 EUR
I. mortgage	16/4/2009	1/5/2016	18,400,000	One-month Euribor + 2.7% (rounding +0.05)	16,646,868	328,273	16,966,838	327,019
II. mortgage	1/11/2009	1/11/2016	3,800,000	Three-months Euribor + 2.26% (rounding +0.05)	3,295,301	83,509	3,372,161	83,425
III. mortgage	18/12/2009	1/1/2015	3,750,000	Three-months Euribor + 2.20% (rounding +0.05)	3,347,833	82,279	3,426,936	82,197
IV. mortgage	21/5/2010	1/5/2015	14,000,000	fixed 4.32 % p.a.	12,674,381	326,788	12,920,789	327,796
V. mortgage	1/7/2011	30/6/2016	11,300,000	fixed 4.26 % p.a.	10,427,229	226,000	10,620,959	226,000
VI. mortgage	26/3/2012	31/03/2017	13,800,000	fixed 3.59% p.a.	12,735,350	345,000	13,044,833	345,000
VII. mortgage	30/10/2012	15/10/2017	8,750,000	fixed 3.43% p.a.	8,449,310	87,500	8,511,076	87,500
VIII. loan	1/7/2011	13/4/2018	6,896,624	fixed 7.25 % p.a.	5,838,919	126,029	5,660,438	83,334
IX. loan	1/7/2011	3/11/2018	1,500,000	fixed 7.25 % p.a.	1,259,208	27,415	1,224,243	18,125
X. loan	1/7/2011	17/12/2018	2,373,327	fixed 7.25 % p.a.	1,989,051	43,370	1,934,873	28,678
XI. loan	1/7/2011	28/6/2021	3,800,000	fixed 7.25 % p.a.	3,065,907	69,440	3,006,422	45,917
Overdraft					-	12,430	-	384
Total			**88,369,951**		**79,729,357**	**1,758,033**	**80,689,568**	**1,655,375**

17. Interest-bearing loans and borrowings (continued)

The above loans marked I. to VII. 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. and FN 2 B.V.

The net book values of these properties at 31 December 2013 were as follows:

2719 EP Zoetermeer, Einsteinlaan 20	9,324,354 EUR
Gorichem, Stadhuisplein 1a, 70 and 70a	12,371,159 EUR
Haarlem, Schipholpoort 20	4,782,702 EUR
3012 BL Rotterdam, Witte de Withstraat 25	5,377,500 EUR
8017 JV Zwolle, Zuiderzeelaan 43-51	16,693,885 EUR
3528 BJ Utrecht, Papendorpseweg 65	14,726,257 EUR
2123 JH Hoofddorp, Polarisavenue 1	18,120,689 EUR
1101 CE Amsterdam Southeast, Entrée 500	14,193,190 EUR

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

The scheduled maturity of long-term loans at 31 December 2013 and 2012 is set out in EUR in the table below:

Due in	between 1-2 years	between 2-3 years	between 3-4 years	over 4 years	Total
2013	13,727,163	40,977,415	20,539,375	4,485,404	79,729,357
2012	4,740,496	13,727,163	30,636,191	31,585,718	80,689,568

Included in the Group's total interest expense of EUR 4,074,000 (2012: 3,724,474) is a total interest expense in relation to the loans I.-XI. above of EUR 4,067,746 in 2012 (2012: EUR 3,719,806).

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 3.823%, in case of a secured loan for 2.431%.
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.

17. Interest-bearing loans and borrowings (continued)

Fair value of loans having a fixed interest rate:

Item	Fair value at 31 Dec 2013	Book value at 31 Dec 2013
IV. mortgage	13,272,495	13,001,169
V. mortgage	11,078,548	10,653,229
VI. mortgage	13,402,338	13,080,350
VII. mortgage	8,991,457	8,536,810
VIII. loan	7,574,511	5,964,948
IX. loan	1,647,652	1,286,622
X. loan	2,612,088	2,032,421
XI. loan	4,242,491	3,135,346
Total	**62,821,580**	**57,690,895**

Item	Fair value at 31 Dec 2012	Book value at 31 Dec 2012
IV. mortgage	13,738,933	13,248,585
V. mortgage	11,439,631	10,846,959
VI. mortgage	13,864,791	13,389,833
VII. mortgage	8,840,261	8,598,576
VIII. loan	7,772,533	5,743,772
IX. loan	1,699,790	1,242,368
X. loan	2,696,474	1,963,551
XI. loan	4,399,995	3,052,339
Total	**64,452,408**	**58,085,983**

18. Income tax

Income tax receivable:	2013	2012
	EUR	EUR
Opening income tax receivable	295,359	343,261
Income tax charge	(1,077,124)	(971,165)
Settlement of income tax	1,173,756	923,263
Closing income tax receivable	391,991	295,359

Income tax expense:	2013	2012
	EUR	EUR
Tax expense	1,077,124	971,165
Deferred tax expense / (income)	444,260	(402,317)
Income tax expense	1,521,384	568,848

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

	2013	2012
	EUR	EUR
Income before minority interests and income taxes	7,947,134	7,425,762
Tax at statutory rate*	1,162,162	1,157,221
Effect of tax losses for which no corresponding deferred tax asset recognized	21,214	1,837,976
Effect of tax rate changes	(32,281)	(223,222)
Differences arising from Dutch and Luxembourg tax rates*	1,702,488	(629,552)
Effect of recurring tax relief	(485,425)	(635,859)
Effect of permanent differences	(1,506,548)	(1,253,648)
Effect of tax adjustment for previous years	-	22,925
Local business tax and innovation contribution	638,845	655,069
Tax losses used during the year on unrecognised deferred tax assets	(397,142)	(29,044)
(Recognised)/reversed deferred tax asset on prior year’s carried forward loss	418,071	(333,018)
Income tax expense	1,521,384	568,848

18. Income tax (continued)

* From 1 January 2011, the tax rate on the first HUF 500 million of taxable profit is 10% and above this amount 19%. For the purposes of the tax rate reconciliation, Fotex has used a blended tax rate of 14.62% (2012: 15.58%) based on the tax rates used in Keringatlan Kft.

The income tax rate applicable to Fotex Holding SE's and Upington Investments S.à r.l.'s income earned in Luxembourg is 22.47% from 1 January 2013, which results in a total tax of 29.22% as increased by Luxembourg's municipal business tax (Fotex Holding SE and Upington Investments S.à r.l. moved their registered seat from Capellen to Luxembourg in 2012); the income tax rate for Fotex Netherlands B.V. and FN2 B.V. is on the first EUR 200,000 of taxable profit 20%, above this amount 25%.

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

Deferred tax assets and liabilities for 2013 were calculated as follows:

The tax rates used in the deferred tax calculation differ from company to company based on its expected tax position. For Keringatlan Kft. a tax rate of 14.62% (2012: 15.58%) has been applied whilst for the remaining Hungarian companies a rate of 10% (2012: 10%) has been used based on expected profitability.

For the Luxembourg and Dutch entities: at the applicable income tax rates described above, for Fotex Netherlands B.V. a tax rate of 22.87% (2012: 20%), and in the case of FN 2 B.V. a 20% tax rate was applied (2012: 20%).

Deferred tax assets and deferred tax liabilities as at 31 December 2013 and 2012 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 2013.

In 2013 the Dutch and Luxembourg entities had positive tax base, while in 2012 they were all negative.

18. Income tax (continued)

	Consolidated statement of financial position		Consolidated income statement	
	2013	2012	2013	2012
	EUR	EUR	EUR	EUR
Deferred income tax liability				
Accumulated depreciation for tax purposes	(167,178)	(126,382)	(43,086)	407
Value adjustment on acquisition of buildings	(1,482,761)	(1,599,755)	86,510	89,392
Capitalisations of small value assets	(36,032)	(49,505)	12,507	41,754
Difference from loan transaction charges	(151,772)	(155,926)	1,200	(49,167)
Deferred tax related to rental discount	(282,488)	(323,697)	35,000	(15,483)
Fair value difference of loans	(531,678)	(548,795)	6,714	184,999
Fair value difference of embedded derivative	(2,210)	(10,330)	7,902	(10,625)
Gross deferred income tax liabilities	(2,654,119)	(2,814,390)	106,746	241,277
Deferred income tax assets				
Provisions	-	2,541	(2,488)	(5,231)
Impairment of debtors	40,707	109,072	(66,405)	(79,943)
Tax losses carried forward	76,444	505,059	(418,071)	276,285
Difference from capitalised foundation /restructuring costs	-	-	-	-
Revaluation difference on related party transactions	39,311	105,770	(64,301)	(30,071)
Gross deferred income tax assets	156,462	722,442	(551,265)	161,040
Deferred income tax income / (expense)			(444,519)	402,317
Net deferred income tax liability	(2,497,657)	(2,091,948)		

19. Revenue

Sales revenue	2013	2012
	EUR	EUR
Sale of goods	10,706,401	11,561,465
Provision of services	2,159,824	1,955,855
Rental income revenue	22,838,970	22,339,760
Revenue from service charges to tenants	3,551,260	3,989,020
Royalty revenue	354,594	292,276
Other sales revenue*	2,146,174	1,138,659
Total sales revenue:	41,757,223	41,277,035

***** Csemege-Match Zrt. paid the group a EUR 980,000 penalty, which is indicated as a one-off significant increase and can be found in the other sales revenue category.

20. 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.

21. 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 in 3 business lines from 2011:

Investment property management
Crystal and glass manufacturing
Other – (administration and holding activities)

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

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

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

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

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

21. Segment information (continued)

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

	2013	2013	2013	2012	2012	2012
Net sales:	Net Sales external EUR	Net Sales inter-segment EUR	Net sales EUR	Net Sales external EUR	Net Sales inter-segment EUR	Net sales EUR
Investment property management	27,249,840	721,551	27,971,391	27,229,729	508,137	27,737,866
Crystal and glass manufacturing	7,002,607	-	7,002,607	7,181,790	187	7,181,977
Other	7,504,776	1,791,900	9,296,676	6,865,516	1,879,114	8,744,630
Inter-segment elimination	-	(2,513,451)	(2,513,451)	-	(2,387,438)	(2,387,438)
Net sales	41,757,223	-	41,757,223	41,277,035	-	41,277,035

Crystal and glass sales mainly reflect export sales realised in USD and EUR. Other sales mainly reflect sales realised in HUF. The rental fees are nominated in EUR and HUF.

Profit before income taxes:	2013 EUR	2012 EUR
Investment property management	7,033,773	6,892,552
Crystal and glass manufacturing	536,582	1,215,627
Other	376,779	(682,417)
Profit before income taxes	7,947,134	7,425,762

	2013	2013	2013	2012	2012	2012
Assets:	Consolidated assets EUR	Intra-business line assets EUR	Total assets EUR	Consolidated assets EUR	Intra-business line assets EUR	Total assets EUR
Investment property management	173,884,642	2,956,519	176,841,161	188,171,579	4,546,060	192,717,639
Crystal and glass manufacturing	9,100,323	-	9,100,323	8,889,068	14	8,889,082
Other	35,523,710	1,030,043	36,553,753	17,529,421	1,148,946	18,678,367
Inter-segment elimination	-	(3,986,562)	(3,986,562)	-	(5,695,020)	(5,695,020)
Net assets	218,508,675	-	218,508,675	214,590,068	-	214,590,068

21. Segment information (continued)

Liabilities and accruals:	2013 Consolidated liabilities EUR	2013 Intra-business line payables EUR	2013 Total liabilities EUR	2012 Consolidated liabilities EUR	2012 Intra-business line payables EUR	2012 Total liabilities EUR
Investment property management	93,449,316	764,490	94,213,806	91,128,545	262,852	91,391,397
Crystal and glass manufacturing*	764,306	3,846,496	4,610,802	611,029	5,237,234	5,848,263
Other*	2,210,164	8,742,799	10,952,963	2,176,982	8,296,973	10,473,955
Inter-segment elimination	-	(13,353,785)	(13,353,785)	-	(13,797,059)	(13,797,059)
Liabilities and accruals:	96,423,786	-	96,423,786	93,916,556	-	93,916,556

* The intra-business payable amount regarding crystal and glass manufacturing segment includes loan given to Ajka Kristály.
The other segment liability line contains dividend paid to Fotex Holding SE.

Tangible and intangible asset additions:	2013 EUR	2012 EUR
Investment property management	13,421,520	15,604,496
Crystal and glass manufacturing	368,399	43,585
Other	310,582	198,710
Tangible asset additions:	14,100,501	15,846,791

Depreciation and amortisation:	2013 EUR	2012 EUR
Investment property management	(6,109,882)	(6,272,796)
Crystal and glass manufacturing	(189,905)	(219,872)
Other	(739,989)	(562,697)
Depreciation and amortisation:	(7,039,776)	(7,055,365)

22. 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.

22. Financial risks, management objectives and policies (continued)

Interest rate risk

The Group entered into EUR loans to buy properties in The Netherlands for the period between 2009 and 2017. The loan interests either vary between one to three months EURIBOR + 2.2-2.7% or are at fixed rates varying between 3.43% and 4.32%. In 2013 the interest of the variable interest mortgage loans, except for the smaller loan of EUR 3.75 million, ranged between 3.3% to 3.64%. Additionally the lending bank charge a 0.7% interest guarantee with respect to mortgage loan I. A fixed amount was paid to reduce the interest risk associated with mortgage loan II. The Fotex Group transferred four formerly intra-group loans which are uncovered as part of the compensation for acquiring its 100% participation in Plaza Park Kft. Accordingly, from 1 July 2011, the transferred loans qualify as related party loans from the Group's perspective. These loans bear a fixed interest rate of 7.25% per annum.

Foreign currency ("FX") risk

Financial instruments that potentially represent risk for the Group include debtors in foreign currency, creditors in foreign currency and deposits in foreign currency other than in EUR. The Group's rental contracts are stipulated in EUR or on EUR basis thus mitigating any FX risk associated with non-EUR revenues. Many EUR-based rental contracts are billed in HUF based on the applicable daily spot rate. In order to mitigate the risk of FX losses from any potential unbeneficial EUR/HUF rate fluctuations, the Group normally sets out a minimum EUR/HUF rate in its rental contracts.

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. Nearly 18.6% of the Group's revenues (2012: 24.3%) and 59.3% of costs (2012: 74.6%) are from transactions made in other than the presentation currency of the Group.

The effect of EUR rate fluctuations with respect to other currencies on the Group's pre-tax profit in terms of unrealised revenues and expenses are as follows (all other variables are considered constant):

		Increase (stronger EUR)/decrease (weaker EUR) in HUF/EUR rate	Impact on the pre-tax profit
			EUR
2013	revenues	+10%	-775,281
		-10%	775,281
	costs	+10%	1,773,552
		-10%	-1,773,552
2012	revenues	+10%	-1,003,241
		-10%	1,003,241
	costs	+10%	2,268,525
		-10%	-2,268,525

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 depend on global market trends rather than on FX rate fluctuations.

22. Financial risks, management objectives and policies (continued)

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

	Increase/decrease in HUF/EUR rate	Impact on the book value of financial assets and liabilities
		EUR
2013	+10%	-236,010
	-10%	236,010
2012	+10%	-247,199
	-10%	247,199

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:

	2013	2012
	EUR	EUR
Financial liabilities	5,301,970	4,622,211
Financial assets	7,662,070	7,094,204

Credit risk

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

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

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

Receivable balances are monitored on an ongoing basis.

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

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, available-for-sale investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. At 31 December 2013 the Group's maximum exposure to credit risk is EUR 26,264,389 (31 December 2012: 27,275,415).

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.

22. Financial risks, management objectives and policies (continued)

Liquidity risk

Liquidity risk is monitored as follows:

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

The Group's liabilities based on contracted not discounted payments at 31 December 2013 and 2012 are presented below according to maturity.

31 December 2013	Due	within 3 months	3 - 12 months	1 - 5 years	>5 years	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Trade payables	1,831	1,075,862	–	–	–	1,077,693
Taxes payable	496,947	571,188	765,628	–	–	1,833,763
Advances from customers	–	69,627	–	–	–	69,627
Accrued expenses	2,792	621,840	141,349	–	–	765,981
Amounts payable to employees	8,514	206,342	–	546	–	215,402
Deposits from tenants	–	115,574	489,674	–	–	605,248
Preference shares incentive scheme liability	–	325,500	–	–	–	325,500
Other liabilities	477,172	826,053	30,471	8,898	–	1,342,594
Total current liabilities	987,256	3,811,986	1,427,122	9,444	–	6,235,808
Loans received	–	1,316,957	6,823,160	83,817,205	4,435,985	96,393,307
Other long-term liabilities	–	–	–	1,564,865	8,447	1,573,312
Total	987,256	5,128,943	8,250,282	85,391,514	4,444,432	104,202,427

31 December 2012	Due	within 3 months	3 - 12 months	1 - 5 years	>5 years	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Trade payables	16,135	1,066,209	968	–	–	1,083,312
Taxes payable	–	554,919	520,274	–	–	1,075,193
Advances from customers	–	56,219	–	–	–	56,219
Accrued expenses	1,901	586,446	2,850	–	–	591,197
Amounts payable to employees	–	156,167	–	–	–	156,167
Deposits from tenants	–	25,116	632,045	–	–	657,161
Preference shares incentive scheme liability	–	325,500	–	325,500	–	651,000
Other liabilities	350	829,813	164,701	–	–	994,864
Total current liabilities	18,386	3,600,389	1,320,838	325,500	–	5,265,113
Loans received	–	1,214,642	3,679,054	81,363,525	15,232,338	101,489,559
Other long-term liabilities	–	–	–	1,384,122	5,764	1,389,886
Total	18,386	4,815,031	4,999,892	83,073,147	15,238,102	108,144,558

22. Financial risks, management objectives and policies (continued)

The preference shares incentive scheme liability at 31 December 2013 is EUR 325,000 which is settled within 3 months (see Note 14 and Note 15).

On 25 February 2014 the Company, exercising its redemption option and repurchased 775,000 pieces of dividend preference shares - owned by the management previously – for EUR 327,138. Thus all dividend preference shares are now owned by the Group.

Capital management

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

The indebtedness ratio is calculated by the Group in view of its net debt and the equity attributable to the Group. For the calculation of the net debt, cash and cash equivalents are deducted from the aggregate of short-term and long-term loans, trade payables and other current liabilities. 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 2012 and 2013 are presented below:

	2013 EUR	2012 EUR
Short-term and long-term borrowings (Note 17):	81,487,390	82,344,943
Trade payables and other current liabilities (Note 14):	10,708,965	7,341,916
Cash and cash equivalents (Note 5):	(14,621,389)	(17,382,736)
Net debt:	77,574,966	72,304,123
Equity attributable to the Company:	121,943,859	120,563,298
Total:	199,518,825	192,867,421
Indebtedness ratio:	38.88%	37.49%

The Company's indebtedness ratio increased from 37.49% at 31 December 2012 to 38.88% at 31 December 2013, primarily due to the significant change in foreign currency translation adjustment due to the change in Hungarian National Bank HUF/EUR rates. 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.

23. Investments in subsidiaries

During 2013 the Fotex Group entered into the following transactions and mergers that affected the Group structure.

- The owners of Székhely 2007 Kft. and the owners of Proprimo Kft. accepted the transformation proposals on the shareholder's meetings held on 15 November 2013 and decided to merge Proprimo Kft into Székhely 2007 Kft. The owners of both companies made a decision that the date for the conclusion of the merger will be 31 December 2013, which will be effective from 1 January 2014.
- Fotex Netherland BV, a consolidated company founded a new subsidiary, FN3 BV on 2 October 2013, and increased its share capital by EUR 7,316,947 in December 2013. The Group's share in FN3 BV is 100%.
- The owner of Fotex Netherland BV increased its capital by EUR 7,316,947 on 30 December 2013.

During 2012 the Fotex Group entered into the following transactions and mergers that affected the Group structure.

- At 5 September 2012 Fotex Ingatlan Kft., a related party company, sold its shares in Fotexnet Kft. to the Group, consequently the Group's share in Fotexnet Kft. has increased to 100%.
- The owners of Fotexnet Kft. and the owners of Hungaroton Records Kft. accepted the transformation proposals on the shareholder's meetings held on 26 September 2012 and decided finally to merge Hungaroton Records Kft. into Fotexnet Kft. The owners of both companies made a decision that the date for the conclusion of the merger will be 31 December 2012, which will be effective from 1 January 2013.
- The owners of Keringatlan Kft. and the owners of Fotex Cosmetics Kft. accepted the transformation proposals on the shareholder's meetings held on 24 October 2012 and decided finally that Fotex Cosmetics Kft. will merge into Keringatlan Kft. The owners of both companies decided that the date for the conclusion of the merger will be 31 December 2012, which will be effective from 1 January 2013.

24. Operating Leases

Group as lessee

The Group leases retail sites within the shopping centre "MOM Park" located in Budapest and at two other locations in Budapest and five in Győr partially based on non-cancellable operating lease agreements.
The Group leases 173 parking spaces located in Hoofddorp.

24. Operating Leases (continued)

Since September 2001, the Group has been leasing retail sites within “MOM Park”; the relating contract had a term of 6 years, in March 2007, the Group announced its intention to use its option on the outlets rented in “MOM Park”, whereby the rental contracts were extended till September 2018. At 31 December 2013, the leased area in MOM Park totalled 3,318 m^2 (2012: 3,120 m^2).

The contracts on the two retail outlets in Budapest classified as other centres and shops expire in August 2014 and in February 2016. The rents of the six outlets in Győr expire in December 2022 and in December 2023, for which the relating leasing fee is presented for the entire contracted period as at 31 December 2013.
As at 31 December 2013, operating lease commitment in case of other centres and shops also includes the contracted fees for the rented parking spaces in Hoofddorp, which rent expires in June, 2022.

The leasing fees are denominated in EUR and are increased by the customer price index reported by the European Union’s Statistical Office commencing from 1 January 2002 in the case of “MOM Park”. In the case of the outlets in Győr, the rents are specified in HUF. Accordingly, increases are affected based on the official CPI published by the Hungarian Central Statistical Office.

At 31 December 2013, the Group had the following minimum leasing fee commitments:

	MOM Park	Other centres and shops	Total
Operating lease commitment	EUR	EUR	EUR
2014	666,567	484,524	1,151,091
2015	666,567	474,523	1,141,090
2016	666,567	473,291	1,139,858
Thereafter	1,146,162	2,522,328	3,668,490
Total	3,145,863	3,954,666	7,100,529

At 31 December 2012, the Group was committed to pay the following minimum leasing fees:

	MOM Park	Other centres and shops	Total
Operating lease commitment	EUR	EUR	EUR
2013	692,294	416,612	1,108,906
2014	692,294	376,409	1,068,703
2015	692,294	356,545	1,048,839
Thereafter	1,882,654	4,311,869	6,194,523
Total	3,959,536	5,461,435	9,420,971

24. Operating Leases (continued)

In 2013, operating lease payments in relation to a non-cancellable rental contract with MOM Park for January to December totalled EUR 646,462 (2012 Jan-Dec: EUR 680,793), and EUR 568,173 (2012 Jan-Dec: EUR 471,344) for January to December in relation to other shops and outlets.

Some of the retail shop premises are still rented from local municipalities. These rentals may be cancelled by the lessor with a notice period of at least one year. The rent relates to a total area of 631 m^2 (2012: 959 m^2) at a rental cost of EUR 113,164 for January to December 2013 (2012: EUR 122,580).

Under certain circumstances the Group has the right to acquire the premises at a value mutually agreed with the relevant municipality. As in 2012, the Group did not exercise any such right in 2013.

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 four office buildings in 2009, one in 2010, two in 2011 and one in 2012 in The Netherlands which are leased to tenants on fixed long-term rental agreements. Based on these agreements the contracted revenue is as described in the table below.

In 2013 the investment portfolio was extended by the acquisition of two office buildings and one apartment building in the Netherlands.

The Group's fixed rental fee revenue under non-cancellable leases as of 31 December 2013 (EUR):

Due in	2014	2015	2016	After 2016	Total
	10,314,761	9,417,487	8,608,365	32,224,284	60,564,897

The Group's fixed rental fee revenue as of 31 December 2012 (EUR):

Due in	2013	2014	2015	After 2015	Total
	9,088,675	9,043,287	7,790,002	34,162,188	60,084,152

25. 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:

25. Earnings Per Share (continued)

	2013	2012
	EUR	EUR
Net profit attributable to equity holders from continuing operations	6,364,394	6,813,519
Net profit attributable to shareholders	6,364,394	6,813,519
Weighted average number of shares in issue during the year	56,388,750	58,388,619
Basic earnings per share (EUR)	0.11	0.12

The diluted earnings per share agree with basic earnings per share in 2013 and 2012 as there is no dilution effect in these years.

26. Related Party Transactions

Principal related parties

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. ("Blackburn"), a Panama company, and Blackburn International S.à.r.l. ("Blackburn Luxembourg"), a Luxembourg company, Zürich Investments Inc. ("Zürich"), a British Virgin Islands company and Ajka Crystal LLC (California, USA). Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. ("Fotex Ingatlan"). As at 31 December 2013, Blackburn Luxembourg controlled 50.3% (31 December 2012: 50.3%) of the Company's share capital. These companies are considered to be related parties (Note 17).

Related party transactions

2013 disclosures

Rental and other related fees paid to Fotex Ingatlan for 2013 were EUR 404,614 (2012: EUR 395,590).
Administrative and expert fees paid by Fotex Ingatlan for 2013 were EUR 30,530 (2012: EUR 33,194).

Further to an airplane rental agreement between Blackburn Inc. and Fotex Holding SE, the total amount of rent plus related services invoiced by Blackburn Inc. for 2013 was EUR 194,250 (2012: EUR 113,458).

For the period 2013, Fotex Netherlands B.V. was charged interest of EUR 780,821 (2012: EUR 780,821) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 17).

For the period 2013, FN 2 B.V. was charged interest of EUR 275,500 (2012: EUR 275,500) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 17).

26. Related Party Transactions (continued)

Fotex Ingatlan sold all its shares in Fotexnet Kft. to Keringatlan Kft. as of 5 September 2012.

Transactions with other related parties

Recharged costs invoiced to Fotex Ingatlan by Keringatlan for 2013 was EUR 341,691.

Internet services and computer rent invoiced to Fotex Ingatlan by Fotexnet for 2013 was EUR 12,963.

Receivable assigned to Zurich Investment from Plaza Park in 2013 was EUR 223,905.

Inventory apported to Ajka Crystal LLC by Ajka Kristály Kft. for 2012 were EUR 8,485. The amount of the related income for 2012 was EUR 8,485.

Inventory sold to Fotex Ingatlan by Ajka Kristály Kft. in 2013 were EUR 66,412 (2012: EUR 63,665). The amount of the related cost of sales in 2013 was EUR 36,557 (2012: EUR 36,015).

Remuneration of Group management

Management, directors and members of the Supervisory Board of the Group received a total remuneration of EUR 533,864 in 2013 (2012: EUR 537,748). In 2012 no dividends were approved at the Company’s annual shareholders’ meeting.

27. Subsequent Events after the end of the financial year

After the end of the financial year the following significant events have happened:

On 25 February 2014 the Company, exercising its redemption option repurchased 775,000 pieces of dividend preference shares - owned by the management previously – for EUR 327,128. Thus all dividend preference shares are now owned by the Group.

FOTEX
HOLDING SE PUBLIC COMPANY LIMITED BY SHARES

Financial Statement Certification

In accordance with Article 3 of the law of 11 January 2008 on transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, we confirm that to the best of our knowledge, the consolidated financial statements as of 31 December 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of Fotex Holding SE. and its subsidiaries included in the consolidation taken as a whole. In addition, the Management' report includes a fair review of the development and performance of the business and the position of Fotex Holding SE. and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Gábor Várszegi Chairman of the Board	Dávid Várszegi Member of the Board	Wiggert Karreman Member of the Board

Luxembourg, 04 April 2014

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