

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

**Consolidated financial statements as at 30 June 2016
Management report as at 30 June 2016**

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

Subsidiary:	Principal Activities:	30 June 2016	30 June 2015
		%	%
Ajka Kristály Kft. (Ajka)	Crystal manufacturing and retail	100.00	100.00
Balaton Bútor Kft.	Furniture manufacturer	-	100.00
Fotex Netherlands B.V.	Property management	100.00	100.00
FN 2 B.V.	Property management	100.00	100.00
FN 3 B.V.	Property management	100.00	100.00
Fotexnet Kft.	Internet retail and other services	100.00	100.00
Hungaroton Music Zrt.	Music archive	99.21	99.21
Keringatlan Kft.	Property management	99.99	99.99
Long Term CRE Fund B.V.	Property management	100.00	100.00
Plaza Park Kft.	Property management	100.00	100.00
Sigma Kft.	Property services	75.05	75.05
Székhely 2007 Kft.	Property services	99.28	99.28
Upington Investments S.à r.l.	Investment holding	100.00	100.00
FN 4 B.V.	Property management	100.00	-

During the first six months of 2016 the Fotex Group entered into the following transaction that affected the Group structure.

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

During 2015 the Fotex Group entered into the following transactions that affected the Group structure.

- The owner of Ajka Kristály Kft. increased its capital by EUR 2,923,646 on 8 April, 2015.
- The owner of Plaza Park Kft. decreased its capital by EUR 1,152,683 on 22 June 2015.
- On 3 August 2015, Fotex Netherlands B.V. established a subsidiary in The Netherlands, LT CRE Fund BV.
- At 30 September, 2015 the Group disposed 100% of Balaton Bútor Kft. As a result Balaton Bútor Kft. has not been a Fotex Group member since 30 September, 2015.
- The owner of Fotex Netherlands B.V. increased its capital by EUR 150,000,000 on 8 December, 2015.

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
- All other segments (furniture manufacturing*, music publishing and retail, administration and holding activities)

**Furniture manufacturing business line was sold in FY 2015Q3*

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 30 June 2016 and 30 June 2015 by business lines:

	30 June 2016	30 June 2015
Net sales:	Net Sales EUR	Net sales EUR
Investment property holding and management	14,400,567	14,155,852
Crystal and glass manufacturing	3,444,701	3,363,378
All other segments	3,231,435	4,612,812
Inter-segment elimination	(1,085,675)	(1,198,552)
Net sales	<u>19,991,028</u>	<u>20,933,490</u>
Income before income taxes:	30 June 2016	30 June 2015
	EUR	EUR
Investment property holding and management	3,992,819	3,081,289
Crystal and glass manufacturing	332,820	515,096
All other segments	19,771	250,690
Profit before income taxes	<u>4,345,410</u>	<u>3,847,075</u>

The operating results of the Fotex Group vary from year to year due to changes in exchange 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.

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

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

Sales revenue:	30 June 2016	30 June 2015
	EUR	EUR
Sale of goods	3,872,020	5,665,948
Provision of services	1,421,834	1,228,482
Rental income revenue	12,480,838	12,011,065
Revenue from service charges to tenants	1,794,118	1,845,689
Royalty revenue	80,372	111,636
Other sales revenue	341,846	70,670
Total sales revenue	<u>19,991,028</u>	<u>20,933,490</u>

The structure of the activities has not changed significantly in 2016 compared to 2015. It can be seen that revenues generated by real estate management are the most significant, which have improved slightly during the year. In 2014 and 2015 the investment portfolio was extended by the acquisition of a retail real estate and an office as well in the Netherlands.

The rental income derived from investment management has increased compared to the previous year. The underlying reason for this is that the Hungarian adverse economic situation was compensated by the group's investment property portfolio within the Netherlands.

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

1. Rental contracts are stipulated in EUR or on a EUR basis. The Hungarian Forint has lost value against EUR during the past few years; which resulted an increase in the rental fees in local currency for the tenants, thus further worsened leasing opportunities.
2. 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.
3. According the combined effect of the gentle market recovery and the lower rental fees (per square meter) – mentioned in section 3 – the vacancy rate has improved in the respect of the Hungarian properties.

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

Revenues from selling of goods are generated primarily by sales of crystal and glass products. The decrease compared to 2015 is due to the sale of Balaton Bútor - furniture manufacturing subsidiary. This decrease is also reflected in the net sales of All other segments of the Group.

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

Selected financial information	31.12.2014	30.06.2015	31.12.2015	30.06.2016
(EUR)				
Sales	40,803,046	20,933,490	41,835,721	19,991,028
Gross profit*	33,661,509	17,061,555	34,641,018	17,003,792
Operating profit**	11,137,104	5,798,084	8,625,179	6,394,806
Pre tax profit	6,881,507	3,847,075	4,568,285	4,345,410
Net income***	5,926,990	3,217,495	3,057,270	3,207,137
Owner's equity****	121,285,075	123,151,975	123,215,222	123,296,375
Total assets	215,791,448	205,333,690	218,480,351	219,546,628
Number of ordinary and preference issued shares	72,723,650	72,723,650	72,723,650	72,723,650
Basic earnings per share	0.11	0.06	0.06	0.06
Return on equity	4.87%	2.63%	2.50%	2.61%
Return on assets	2.73%	1.53%	1.41%	1.47%

* *revenue less cost of sales*

** *gross profit less operating expenses*

*** *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 30 June 2016 was 25 kg (30 June 2015: 11,244 kg), which is merely 0.005% (30 June 2015: 2.07%) of the hazardous waste produced throughout the period.

No provision is recognised for covering future environment fines or expenditures in 2016.

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. In addition, the Group entered into forward transactions in amount of EUR 645,953 to cover part of revenues in HUF for the first half of 2016. Many EUR-based rental contracts are billed in HUF based on the applicable daily spot rate.

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 + 2.26-2.70% and are at fixed rates varying between 3.27 % and 7.25 %. The interest risks of the variable interest mortgage loans are limited between 3.3% and 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 Group 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 organization. This is the foundation of the other components of internal control, providing discipline and structure.

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

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

Research and development

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

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with a face value of EUR 0.42 each. At 30 June 2016, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (31 December 2015: 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" 2016: EUR 840,000; (2015: EUR 840,000) are also shown in "Treasury shares".

As at 30 June 2016, the Company held 19,546,286 treasury shares (of which are 17,546,286 ordinary shares and 2,000,000 are dividend preference shares) at a historic cost of EUR 25,300,279 (31 December 2015: 18,640,331 shares – of which 16,640,331 were ordinary shares and 2,000,000 were dividend preference shares – at a historic cost of EUR 24,171,618).

During 2016, the Company purchased 905,955 of its ordinary shares (2015: 241,615 shares) on an arm's length basis.

Suggestion for Dividends to be paid

At their meeting of 13 April, 2016, 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 pays EUR 0.02 dividend per ordinary share eligible to receive dividends for the year 2015. The Company does not pay dividend on ordinary shares which are held by the Company and its subsidiaries. It has been decided on the Annual General Meeting of the shareholders held on 25 May 2016 that the payment date of dividend is on 20 June 2016. At that date the distribution of EUR 1,068,687 dividend has been approved on the result based on 2015 (the number of shares eligible for dividend has been 53,434,335; rate EUR 0.02 dividend per share).

Significant Events after the end of the reporting period

Company and its subsidiaries have refinanced the following mortgage loans as referred to in its consolidated financial statements (Note 17).

- I. mortgage
- II. mortgage
- V. mortgage
- VI. mortgage
- VII. mortgage

The refinancing has been carried out by way of using a EUR 70,000,000 loan granted by a credit institution at an interest rate of 1.79% p.a. for a period of 7 years.

As part of the refinancing transaction, the Company and its affiliates have restructured the existing ownership of the Nieuwegein investment property and have transferred it to FN4 B.V. established during the said transaction.

Significant direct and indirect Shareholders

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. ("Blackburn"), a Panama company, and Blackburn International S.à r.l. ("Blackburn Luxembourg"), a Luxembourg company, and Zürich Investments Inc. ("Zürich"), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. ("Fotex Ingatlan"). As at 30 June 2016 Blackburn Luxembourg controlled 50.35% (31 December 2015: 50.35%) of the Company's voting shares. These companies are considered to be related parties.

Corporate governance

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

In the course of 2014, the Company updated its Corporate Governance Charter which was disclosed on its website. It also updated its website and created a financial calendar for information purposes, furthermore, it extended the scope of information available on the management. As regards special committees of the Company, due to the investment holding character, the Company is of the opinion that number of special committees shall be limited in order to achieve optimal efficiency.

The Board

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

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

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

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

All rights which have not been conferred to the shareholders by the Articles of Association or by the laws remain

of the competence of the Board of Directors. The Board may decide paying interim dividends as prescribed by law. All long-term pay schemes, plans, or incentive programs relating to the employees of the Company and its subsidiaries, which the Board would like to implement are required to be brought to the General Meeting of the shareholders before approval.

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

The Board shall elect a chairman from among its members.

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

"Independent persons" does not include persons who:

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

The Board is composed as follows:

Name:	Position:
Mr. Gábor VÁRSZEGI	Chairman of the Board
Mr. Dávid VÁRSZEGI	Member of the Board
Mr. Wiggert KARREMAN	Member of the Board
Mr. 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 25 May 2016 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 2016.

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

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

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

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

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

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

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

Audit Committee

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

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

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

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

Composition of the Audit Committee

The Audit Committee is composed as follows:

- 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 25 May 2016. 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 2016.

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 2016.

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. In spite of the slight growth of retail sales no further significant demand expansion expected for retail properties 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. 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 is still 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 order to offset the unfavorable economic situation in Hungary, the Group has expanded its real estate portfolio outside of Hungary during last years and intends to continue to do so in the future.
4. The 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.

In the current economic environment there are good opportunities to obtain new credit loans at a low cost. Considering the shareholders' interests the Group does not intend to issue any new shares with the purpose of capital increase.

29 August 2016, Luxembourg



Várszegi Gábor

Fotex Holding SE

Chairman of the Board

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

	Note	30 June 2016 EUR	31 December 2015 EUR
Assets			
Current Assets:			
Cash and short-term deposits	4	12,913,468	7,667,840
Current portion of other financial assets	5	641,270	610,459
Accounts receivable and prepayments	6	7,682,099	7,571,369
Income tax receivable		230,369	265,662
Inventories	7	6,153,068	6,099,144
Total current assets		27,620,274	22,214,474
Non-current Assets:			
Property, plant and equipment	8	177,249,981	181,495,200
Deferred tax assets		312,120	315,151
Intangible assets	10	1,753,587	1,766,748
Non-current portion of other financial assets	5	2,052,743	2,028,351
Goodwill arising on acquisition	11	10,557,923	10,660,427
Total non-current assets		191,926,354	196,265,877
Total assets		219,546,628	218,480,351
Liabilities and Shareholders' Equity			
Current Liabilities:			
Interest-bearing loans and borrowings	15	54,486,137	41,924,668
Accounts payable and other liabilities	12	10,178,432	9,724,489
Total current liabilities		64,664,569	51,649,157
Non-current Liabilities:			
Interest-bearing loans and borrowings	15	27,602,451	39,608,422
Other long-term liabilities	12	1,998,665	1,971,998
Deferred tax liability		1,927,360	1,946,072
Total non-current liabilities		31,528,476	43,526,492
Shareholders' Equity:			
Issued capital	13	30,543,933	30,543,933
Additional paid-in capital		25,495,008	25,495,008
Retained earnings		93,922,359	91,783,909
Translation difference		(1,364,646)	(436,010)
Treasury shares, at cost	13	(25,300,279)	(24,171,618)
Equity attributable to equity holders of the parent company		123,296,375	123,215,222
Non-controlling interests in consolidated subsidiaries		57,208	89,480
Total shareholders' equity		123,353,583	123,304,702
Total liabilities and shareholders' equity		219,546,628	218,480,351

The accompanying notes on pages 20 to 51 form an integral part of these consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Income Statement
Figures in EUR

	Note	30 June 2016	30 June 2015
		EUR	EUR
Revenue	17	19,991,028	20,933,490
Operating expenses	14	(13,596,222)	(15,135,406)
Interest income		8,862	26,430
Interest expenses	15	(2,058,258)	(1,977,439)
Income before income tax		4,345,410	3,847,075
Income tax expense	16	(1,106,362)	(620,380)
Net income		3,239,048	3,226,695
Attributable to:			
Equity holders of the parent company		3,207,137	3,217,495
Non-controlling interests		31,911	9,200
Net income		3,239,048	3,226,695
Basic earnings per share	23	0.06	0.06
Diluted earnings per share	23	0.06	0.06

The accompanying notes on pages 20 to 51 form an integral part of these consolidated financial statements.

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

	Note	30 June 2016 EUR	30 June 2015 EUR
Net income		3,239,048	3,226,695
Other comprehensive income:			
Exchange gain/(loss) on translation of foreign operations*	18	(929,266)	381,111
Total comprehensive income/(loss)		2,309,782	3,607,806
Attributable to:			
Equity holders of the parent company		2,278,501	3,597,292
Non-controlling interests		31,281	10,514
		2,309,782	3,607,806

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

The accompanying notes on pages 20 to 51 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	Additional Paid-in Capital	Goodwill Write-off Reserve	Retained Earnings	Translation Difference	Treasury Shares	Total	Non- controlling interests	Total Equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1 January 2016	30,543,933	25,495,008	-	91,783,909	(436,010)	(24,171,618)	123,215,222	89,480	123,304,702
Net income 2016	-	-	-	3,207,137	-	-	3,207,137	31,911	3,239,048
Other comprehensive income	-	-	-	-	(928,636)	-	(928,636)	(630)	(929,266)
Total comprehensive income	-	-	-	3,207,137	(928,636)	-	2,278,501	31,281	2,309,782
Purchase of treasury shares (note 15)	-	-	-	-	-	(1,128,661)	(1,128,661)	-	(1,128,661)
Shareholder dividends	-	-	-	(1,068,687)	-	-	(1,068,687)	-	(1,068,687)
Minority dividends	-	-	-	-	-	-	-	(63,553)	(63,553)
Reversed written off goodwill reserve (note15)	-	-	-	-	-	-	-	-	-
Reclassification from additional paid in capital to retained earnings	-	-	-	-	-	-	-	-	-
30 June 2016	30,543,933	25,495,008	-	93,922,359	(1,364,646)	(25,300,279)	123,296,375	57,208	123,353,583

The accompanying notes on pages 20 to 51 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	Additional Paid-in Capital	Goodwill Write-off Reserve	Retained Earnings	Translation Difference	Treasury Shares	Total	Non- controlling interests	Total Equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1 January 2015	30,543,933	25,495,008	(243,350)	90,597,301	(1,235,016)	(23,872,801)	121,285,075	155,953	121,441,028
Net income 2015	—	—	—	3,217,495	—	—	3,217,495	9,200	3,226,695
Other comprehensive income	—	—	—	—	379,797	—	379,797	1,314	381,111
Total comprehensive income	—	—	—	3,217,495	379,797	—	3,597,292	10,514	3,607,806
Purchase of treasury shares (note 13)	—	—	—	—	—	(103,080)	(103,080)	—	(103,080)
Shareholder dividends	—	—	—	(1,627,312)	—	—	(1,627,312)	—	(1,627,312)
Minority dividends	—	—	—	—	—	—	—	(104,341)	(104,341)
Reversed written off goodwill reserve (note13)	—	—	161,347	(161,347)	—	—	—	—	—
30 June 2015	30,543,933	25,495,008	(82,003)	92,026,137	(855,219)	(23,975,881)	123,151,975	62,126	123,214,101

The accompanying notes on pages 20 to 51 form an integral part of these consolidated financial statements.

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

	Note	30 June 2016 EUR	30 June 2015 EUR
Cash flows from operating activities:			
Income before income taxes	19	4,345,410	3,847,075
Depreciation and amortisation	14	4,032,495	3,825,967
Scrapped tangible assets		10,572	257
Write off/(reversal) of inventories		(15,528)	(47,374)
Impairment loss of debtors and reversals		(158,323)	71,165
Loss/(gain) on disposals of fixed assets		(1,653)	(9,094)
Interest income		(8,862)	(26,430)
Effect of spread of rental related incentives and allowance		50,782	191,361
Interest expenses	15	2,058,258	1,977,439
Changes in working capital:			
Accounts receivable and prepayments		147,302	979,192
Inventories		(38,396)	(252,633)
Accounts payable and other liabilities		(336,828)	(952,524)
Cash generated from operations		10,085,229	9,604,401
Income tax paid	16	(461,047)	(672,248)
Net cash flow from operating activities		9,624,182	8,932,153
Cash flows from investing activities:			
Acquisition of tangible and intangible assets		(729,956)	(401,525)
Sale proceeds of tangible and intangible assets		1,653	15,151
Repayments of loans granted		1,775	2,085
Interest received		6,757	8,449
Net cash flow used in investing activities		(719,771)	(375,840)
Cash flows from financing activities:			
Loan received		-	6,289,216
Dividends paid		(1,122,934)	(1,656,761)
Interest paid		(1,412,614)	(2,158,618)
Repayments of loan received		(570,258)	(16,640,255)
Sale/(purchase) of treasury shares		(1,128,661)	(103,080)
Change in other long term liabilities		479,948	354,757
Net cash flow from financing activities		(3,754,519)	(13,914,741)
Change in cash and cash equivalents		5,149,892	(5,358,428)
Cash and cash equivalents at beginning of the year	4	7,667,840	13,173,781
Effect of foreign currency translation		95,736	332,330
Cash and cash equivalents at end of the year	4	12,913,468	8,147,683

The accompanying notes on pages 20 to 51 form an integral part of these consolidated financial statements.

Fotex Holding SE and Subsidiaries
Notes to consolidated financial statements
31 December 2015
Figures in EUR

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 26-28, rue Edward Steichen, L-2540 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 Uppington Investments S.à r.l., which is registered in Luxembourg, and Fotex Netherlands B.V., FN 2 B.V., FN 3 B.V. and Long Term CRE Fund B.V. which are registered in The Netherlands, all subsidiaries of the Group are registered and operate in Hungary.

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

Subsidiaries	Principal Activities	Issued capital EUR		Ownership (%)		Voting rights %	
		30/06/2016	30/06/2015	30/06/2016	30/06/2015	30/06/2016	30/06/2015
Ajka Kristály Üvegipari Kft.	Crystal manufacturing and retail	10,524,199	10,524,199	100.00	100.00	100.00	100.00
Balaton Bútor Kft.	Furniture manufacturer	-	1,325,100	-	100.00	-	100.00
Fotex Netherlands B.V.	Property management	150,018,000	18,000	100.00	100.00	100.00	100.00
FN 2 B.V.	Property management	18,000	18,000	100.00	100.00	100.00	100.00
FN 3 B.V.	Property management	100	100	100.00	100.00	100.00	100.00
Fotexnet Kft.	Internet retail and other services	1,595,501	1,595,501	100.00	100.00	100.00	100.00
Hungaroton Music Zrt.	Music archive	480,399	480,399	99.21	99.21	99.21	99.21
Keringatlan Kft.	Property management	3,751,896	3,751,896	99.99	99.99	99.99	99.99
Long Term CRE Fund B.V.	Property management	100	-	100.00	-	100.00	-
Plaza Park Kft.	Property management	18,897	18,896	100.00	100.00	100.00	100.00
Sigma Kft.	Property services	100,650	100,650	75.05	75.05	75.05	75.05
Székhely 2007 Kft.	Property services	102,949	102,949	99.28	99.28	99.28	99.28
Uppington Investments S.à r.l.	Investment holding	12,500	12,500	100.00	100.00	100.00	100.00
FN 4 B.V.	Property management	100	-	100.00	-	100.00	-

2. Significant Accounting Policies

Basis of presentation

Fotex Group's report on its operations during the first six months of 2016 is prepared in accordance with IFRS requirements. These figures are consolidated but not audited.

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

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 30 June, 2016, 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 its registered office to Luxembourg and is regulated under the laws of the Grand Duchy of Luxembourg. The reporting currency of the consolidated financial statements changed to EUR.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Fotex and its subsidiaries as at 30 June 2016.

As a result of its transformation into a European public limited company, the Company's financial records have been kept in EUR since 1 January 2009. Accordingly, Fotex Group's consolidated financial statements of 2015 are prepared in Euro ("EUR").

Foreign currency translation

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

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

From 2016 the income statement has been converted to EUR using the half-year Hungarian National Bank ("MNB") average FX rate:

	2016	2015
First quarter		308.78 HUF/EUR
Second quarter		306.11 HUF/EUR
First half-year	312.68 HUF/EUR	

From 2016 the Company is obliged to prepare consolidated financial statements per half years instead of quarters (as it was until 2015). Consequently the FX rate used to convert the financials to EUR also changed to half year rates instead of quarterly rates.

Assets and liabilities have been converted to EUR using the MNB FX rate as at 30 June 2016: 316.16 HUF/EUR (31 December 2015: 313.12 HUF/EUR), the exchange difference in translation of foreign operations shown in the other comprehensive income.

3. Significant accounting judgments, estimates and assumptions

Judgements

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

Operating Lease Commitments – Group as Lessor

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

Estimates and assumptions

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

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2016 is EUR 10,557,923 (2015: EUR 10,660,427). Further details are given in Note 11.

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

Impairment of Intangibles

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

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

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

Deferred Tax Assets

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

Fair Value of Investment Properties

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

4. Cash and cash equivalents

Liquid assets held at banks bear daily floating interest rates and are deposited for the short-term (1 day to 3 months) in anticipation of the liquidity needs of the Group. Such deposits yield interest according to the applicable short-term rates. The fair value of cash and short-term deposits is EUR 12,913,468 (31 December 2015: EUR 7,667,840).

Cash includes fixed deposit of EUR 2,069,559 at rate 0.08%, (in 2015 cash included EUR 69,559 at rate 0.08%).

5. Other financial assets

	30 June 2016	31 December 2015
	EUR	EUR
Current		
Cash deposits connected to rented properties	454,770	424,115
Short-term loans to other parties *	185,390	185,223
Other short-term investments	1,110	1,121
Other current financial assets, total	<u>641,270</u>	<u>610,459</u>
	30 June 2016	31 December 2015
	EUR	EUR
Non-current		
Cash deposits connected to rented properties	2,000,317	1,973,646
Unquoted equity instruments	49,453	49,930
Long-term loans to other parties **	2,973	4,775
Other non-current financial assets, total	<u>2,052,743</u>	<u>2,028,351</u>

Cash deposits connected to rented properties:

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

* Short-term loans to other parties:

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

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

The non-current part of other long-term loans includes loans given to employees in amount of EUR 2,973 (31 December 2015: EUR 4,775).

6. Accounts receivable and prepayments

	30 June 2016	31 December 2015
	EUR	EUR
Accounts receivable	5,721,681	5,697,280
Impairment loss on accounts receivable	(558,596)	(777,339)
Tax assets	641,969	651,629
Other receivables	913,081	1,029,132
Prepayments/accrued income	1,409,560	1,414,093
Impairment loss on other receivables	(445,596)	(443,426)
Total	7,682,099	7,571,369

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

Impairment loss on debtors and on other receivables at 30 June 2016 is: EUR 1,004,192 (31 December 2015: EUR 1,220,765).

Movements in impairment loss:

	EUR
1 January 2015	647,428
Charge for the year	669,121
Unused amount reversed	(32,421)
Utilised*	(65,563)
Currency gain/(loss) arising on retranslation	2,200
31 December 2015	1,220,765
Charge for the year	6,489
Unused amount reversed	(48,871)
Utilised*	(164,812)
Currency gain/(loss) arising on retranslation	(9,379)
30 June 2016	1,004,192

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

6. Accounts receivable and prepayments (continued)

Aged debtors less impairment loss:

	Not overdue and not impaired	< 30 days	30-90 days	Overdue but not impaired			Total
				90-180 days	180-360 days	>360 days	
30 June 2016	4,515,552	251,868	81,497	82,913	124,006	107,249	5,163,085
31 December 2015	4,282,578	198,344	83,634	221,457	58,604	75,324	4,919,941

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

	Not overdue and not impaired	< 30 days	30-90 days	Overdue but not impaired			Total
				90-180 days	180-360 days	>360 days	
30 June 2016	1,509,531	28,176	98,346	639	775	881,547	2,519,014
31 December 2015	1,889,486	93,488	239,981	9,412	-	419,061	2,651,428

7. Inventories

	30 June 2016	31 December 2015
	EUR	EUR
Merchandise and finished products	6,261,695	6,374,245
Materials	433,851	449,879
Work in progress	2,292,308	2,169,035
Inventories, gross	<u>8,987,854</u>	<u>8,993,159</u>
Impairment of merchandise and finished products	(2,375,144)	(2,428,873)
Impairment of materials	(15,458)	(16,646)
Impairment of work in progress	(444,184)	(448,496)
Impairment of inventories	<u>(2,834,786)</u>	<u>(2,894,015)</u>
Total inventories, net	<u>6,153,068</u>	<u>6,099,144</u>

Movements in inventory impairment loss:

Management has identified a number of Group companies that have slow moving inventories. Management believes that the EUR 2,834,786 provision made for the impairment of inventories (31 December 2015: EUR 2,894,015) is adequate, from this the current year reversal is EUR 30,283 (in 2015: EUR 329,051) which is disclosed as other operating expense (Note 14). In addition to the impairment 2016 EUR 2,607,788 of inventories were recognised as an expense (2015: EUR 7,164,297).

8. Property, plant and equipment

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

	Land, buildings	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2016	232,474,816	18,177,799	211,271	250,863,886
Additions	37,145	404,398	269,515	711,058
Other increase	-	-	-	-
Other decrease	(37,268)	(12,230)	(458,833)	(508,331)
Disposals and write downs	-	(18,859)	-	(18,859)
Currency gain/(loss) arising on retranslation	(766,637)	(177,648)	52	(944,233)
30 June 2016	231,708,056	18,373,460	22,005	250,103,521
Accumulated depreciation:				
1 January 2016	(53,059,103)	(16,309,583)	-	(69,368,686)
Depreciation expense	(3,754,256)	(252,420)	-	(4,006,676)
Disposals and write downs	-	18,859	-	18,859
Other increase	(141)	-	-	(141)
Other decrease	470	1,753	-	2,223
Currency gain/(loss) arising on retranslation	342,081	158,800	-	500,881
30 June 2016	(56,470,949)	(16,382,591)	-	(72,853,540)
Net book value				
30 June 2016	175,237,107	1,990,869	22,005	177,249,981
31 December 2015	179,415,713	1,868,216	211,271	181,495,200

8. Property, plant and equipment (continued)

Movements in property, plant and equipment during 2015 were as follows:

	Land, buildings	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2015	214,085,958	18,561,583	117,584	232,765,125
Additions	17,802,097	430,029	1,175,745	19,407,871
Other increase	245,973	46,792	-	292,765
Other decrease	(96,597)	(31,008)	(1,079,295)	(1,206,900)
Disposals and write downs	-	(938,857)	(2,456)	(941,313)
Currency gain/(loss) arising on retranslation	437,385	109,260	(307)	546,338
31 December 2015	232,474,816	18,177,799	211,271	250,863,886
Accumulated depreciation:				
1 January 2015	(45,108,408)	(16,327,982)	-	(61,436,390)
Depreciation expense	(7,226,975)	(543,708)	-	(7,770,683)
Disposals and write downs	-	648,158	-	648,158
Other increase	(619,454)	(6,505)	-	(625,959)
Other decrease	31,474	13,775	-	45,249
Currency gain/(loss) arising on retranslation	(135,740)	(93,321)	-	(229,061)
31 December 2015	(53,059,103)	(16,309,583)	-	(69,368,686)
Net book value				
31 December 2015	179,415,713	1,868,216	211,271	181,495,200
31 December 2014	168,977,550	2,233,601	117,584	171,328,735

9. Real estate property

The Group's assets principally comprise of real estates owned by the parent company and the subsidiaries and rented out predominantly to third parties. Most of the Group's revenues are realized from real estate utilization. This type of activity is highly sensitive to macroeconomic trends. The effect of adverse market conditions can be strongly felt in the retail and even the logistics sectors. Within these two segments of the real estate market supply is in excess of demand and there is no expected increase in demand within the foreseeable future. The changes on retail real estate market have had the greatest effect on the Group's activities due to the structure of the Group's real estate portfolio; therefore any change in this market segment will have a much more significant impact on the revenue stream of the entire Company.

The trends affecting the Hungarian retail real estate market are the following:

- Due to the unfavorable market conditions in the retail sector, the leasing opportunities are still difficult, hence it is expected that the recovery will be the slowest here.
- the attainable rental fees are expected to stagnate, decrease
- the prolongation of expired rental contracts are expected to be more difficult and unfavorable, thereby making it difficult to reach rental conditions as in previous years.
- the duration of rental contracts have shortened.
- the "quality" of the tenants have also decreased, which represents a significant risk

Significant portion of the Company's rental revenues come from the leasing of the retail real estate properties, while the rental revenue which originates from the leasing of offices and warehouses represents a smaller portion of the Company's revenue stream.

Retail real estates

The demand for retail outlets hasn't increase significantly in current year. Negotiations are more difficult and more time-consuming, many times lasting for months. Typically tenants have opted for shorter rental terms and there is no major change in the rental fees, because the tenants do not accept higher prices.

The Group expects a lack of new multinational companies entering into the market and a decreasing willingness on the part of local retailers to expand in the foreseeable future. Service providers operating in the shopping centers are looking for real estates with lower costs located in the city. We expect the extension of the rental contracts only with shorter lease terms.

In the third quarter of 2014 Fotex Netherlands B.V. purchased a retail real estate having 14.350m² (belonging plot is 30.980 m²) in Nieuwegein.

9. Real estate property (continued)

Warehouses

Since the beginning of the financial crises logistic property rental fees have dropped significantly. In addition the supply of state-of-the-art logistic centers and newly built warehouses make it increasingly difficult for us to rent out our less up-to-date facilities.

Offices

The total area of group's office real estate portfolio is 95,679 m² of which 15.46% (14,790 m²) is situated in Hungary and 84.54% (80,889 m²) is located in The Netherlands.

Due to the growing supply of office real estate in Hungary the leasing of these real estates have become more difficult and mostly lower rental fees can be achieved in comparison to prior years. In comparison to this the office properties in The Netherlands are fully let with long term contracts, at good returns.

In view of the adverse market conditions, the Group pays extra attention to control and optimize its costs to attainable revenues. Between 2009 and 2010 the Group's Dutch subsidiary, Fotex Netherlands B.V., purchased five significant office buildings totaling an area of 32,563 m² (Zoetermeer, Gorinchem, Haarlem, Rotterdam, Zwolle). In 2011 FN 2 B.V. purchased an office building having 7,122 m² in Utrecht and purchased another office building having 11,802 m² in Hoofddorp and by the acquisition of Plaza Park Kft the group's investment property portfolio further expanded in 2011. As of August 21, 2012 FN 2 B.V. purchased an office building having 6,445 m² in Amsterdam.

The Group (FN 3 B.V.) acquired also in 2013 two office buildings for investment purposes totalling an area of 15,301 m² (Rijswijk and Breda) and purchased an office for own use in the Netherlands. In 2014 Fotex Netherlands B.V. purchased a retail building having 14,350 m² with 325 parking places in Nieuwegein. In 2015 Long Term CRE Funds B.V. purchased an office building plus parking with 7,693 m² area to let in the city of Assen. The property is let long term to two government related institutes, the HQ of the regional fire brigade and the GGD Drenthe (the provincial health institute).

Adverse changes in the world's economy have made it particularly necessary to review the value of the Group's real estate properties on an annual basis. Our investment properties were revalued as part of the audited annual financial statements prepared at the end of 2015. The figures disclosed in the annual financial statements for 2015 are considered as relevant values with respect to the Group's real estate property which will be revalued by the Company in the audited financial statement for the current year.

Category	Area m ²	Net book value EUR	Estimated fair value EUR
Retail outlets	161,464	30,959,994	143,493,173
Offices	95,196	113,869,869	136,206,645
Warehouses	82,097	2,683,131	9,243,420
Other structures	56,287	4,126,809	9,166,851
Plots of land	917,674	23,343,620	31,538,001
Total investment properties	1,312,718	174,983,423	329,648,090

10. Intangible assets

Movements in intangible assets during 2016 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2016	6,667,194	815,074	7,482,268
Additions	-	18,898	18,898
Other increase	-	-	-
Other decrease	-	-	-
Disposals and write downs	-	-	-
Currency gain/(loss) arising from retranslation	-	6,185	6,185
30 June 2016	6,667,194	840,157	7,507,351
Accumulated amortisation:			
1 January 2016	(5,008,798)	(706,722)	(5,715,520)
Amortisation expense	-	(25,819)	(25,819)
Impairment	-	-	-
Other increase	-	(3,870)	(3,870)
Other decrease	-	-	-
Disposals and write downs	-	-	-
Currency gain/(loss) arising from retranslation	-	(8,555)	(8,555)
30 June 2016	(5,008,798)	(744,966)	(5,753,764)
Net book value:			
30 June 2016	1,658,396	95,191	1,753,587
31 December 2015	1,658,396	108,352	1,766,748

10. Intangible assets (continued)

Movements in intangible assets during 2015 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2015	6,667,194	587,928	7,255,122
Additions	-	33,210	33,210
Other increase	-	64,178	64,178
Transfer to investment property	-	(213,844)	(213,844)
Disposals and write downs	-	(268)	(268)
Currency gain/(loss) arising from retranslation	-	343,870	343,870
31 December 2015	6,667,194	815,074	7,482,268
Accumulated amortisation:			
1 January 2015	(4,008,798)	(306,195)	(4,314,993)
Amortisation expense	-	(53,501)	(53,501)
Impairment	(1,000,000)	-	(1,000,000)
Other increase	-	(72,768)	(72,768)
Transfer to investment property	-	41,726	41,726
Disposals and write downs	-	268	268
Currency gain/(loss) arising from retranslation	-	(316,252)	(316,252)
31 December 2015	(5,008,798)	(706,722)	(5,715,520)
Net book value:			
31 December 2015	1,658,396	108,352	1,766,748
31 December 2014	2,658,396	281,733	2,940,129

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

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

11. Goodwill arising on acquisition

Movements in goodwill on business combinations were as follows during 2016 and 2015:

	<u>30 June 2016</u>	<u>31 December 2015</u>
	EUR	EUR
Cost:		
1 January	17,907,581	17,897,785
Disposal of fully written off goodwill (*)	-	(91,689)
Currency difference arising from retranslation	(172,188)	101,485
Closing balance	<u>17,735,393</u>	<u>17,907,581</u>
Impairment:		
1 January	(7,247,154)	(7,297,279)
Disposal of fully written off goodwill (*)	-	91,689
Currency difference arising from retranslation	69,684	(41,564)
Closing balance	<u>(7,177,470)</u>	<u>(7,247,154)</u>
Net book value		
1 January	<u>10,660,427</u>	<u>10,600,506</u>
Closing balance	<u>10,557,923</u>	<u>10,660,427</u>

(*) As Balaton Bútor Kft. was sold in 2015, both the gross amount of goodwill and the impairment losses related to this entity were derecognised in the reporting year.

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:

	<u>30 June 2016</u>	<u>31 December 2015</u>
	EUR	EUR
Total goodwill	10,557,923	10,660,427
Residual balance of deferred tax liability, in excess of the fair value, initially provided on acquisition	(1,444,280)	(1,458,302)
Goodwill tested for impairment	<u>9,113,643</u>	<u>9,202,125</u>

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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 2016. 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.

Goodwill is allocated to the following entities:

	<u>30 June 2016</u>	<u>31 December 2015</u>
	EUR	EUR
Keringatlan Kft.	8,876,246	8,962,423
Plaza Park Kft.	1,681,677	1,698,004
Net book value	<u>10,557,923</u>	<u>10,660,427</u>

12. Accounts payable, other liabilities and provision

	<u>30 June 2016</u>	<u>31 December 2015</u>
	EUR	EUR
Trade payables	813,939	706,902
Taxes payable	2,444,440	1,861,785
Advances from customers	22,602	33,361
Accrued expenses	167,470	729,061
Deferred rental income	4,678,555	4,479,674
Amounts payable to employees	185,511	219,366
Deposits from tenants	454,770	424,115
Other liabilities	1,411,145	1,270,225
Total accounts payable and other current liabilities	<u>10,178,432</u>	<u>9,724,489</u>
Other long term liabilities	<u>1,998,665</u>	<u>1,971,998</u>

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

Terms and conditions of the above liabilities:

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

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

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

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

The Group has received 2 to 3 months deposits of EUR 2,453,435 (2015: EUR 2,396,113) 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 1,998,665 (2015: EUR 1,971,998), and the part which is expected within a year was classified as short-term tenant deposit liabilities EUR 454,770 (2015: EUR 424,115).

Provision:

During the financial year of 2015 and the first half of 2016 provisions haven't been accounted for.

13. Share capital and reserves

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with a face value of EUR 0.42 each. At 30 June 2016, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (2015: 70,723,650 ordinary shares and 2,000,000 dividend preference shares).

The "dividend preference shares" carry the same rights as ordinary shares in the event of liquidation or dissolution. They entitle the holder to an annual dividend determined as detailed in Note 12 by the General Meeting, but do not carry voting rights.

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

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

Treasury shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of "Issued capital" 2016: EUR 840,000; (2015: EUR 840,000) are also shown in "Treasury shares". During 2016, no dividend preference shares are held by management.

As at 30 June 2016, the Company held 19,546,286 treasury shares (of which are 17,546,286 ordinary shares and 2,000,000 are dividend preference shares) at a historic cost of EUR 25,300,279 (31 December 2015: 18,640,331 shares – of which 16,640,331 were ordinary shares and 2,000,000 were dividend preference shares – at a historic cost of EUR 24,171,618).

During 2016, the Company purchased 905,955 of its ordinary shares (2015: 241,615 shares) on an arm's length basis.

14. Operating expenses

	30 June 2016	30 June 2015
	EUR	EUR
Payments to personnel	(2,626,377)	(2,967,925)
Material-type expenses	(6,526,185)	(7,205,728)
Other expenses, net*	(411,165)	(1,135,786)
Depreciation and amortisation charge	(4,032,495)	(3,825,967)
Total operating expenses	<u>(13,596,222)</u>	<u>(15,135,406)</u>

* Other expenses (net) include the following:

	30 June 2016	30 June 2015
	EUR	EUR
Realised and unrealized FX differences (net)	383,611	(117,620)
Taxes other than income tax	(756,840)	(800,282)
Other expenses/income	(37,936)	(217,884)
Total other expenses, net	<u>(411,165)</u>	<u>(1,135,786)</u>

15. 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-collateralised 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.

On 30 January, 2015, Fotex Netherlands B.V. took out an additional mortgage loan (Loan XII.) from FGH Bank N.V. to fund the purchase of properties.

Mortgage loans III. and IV. were fully repaid on 8 May, 2015.

On 10 August, 2015, Long Term CRE Fund B.V. took out a loan (Loan XIII.) from Blackburn International Inc. to fund the purchase of property Assen.

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15. Interest-bearing loans and borrowings (continued)

The details of the loans are as follows:

Item	Start date	End date	Loan EUR	Interest	Long-term portion at 30 June 2016 EUR	Current portion at 30 June 2016 EUR	Long-term portion at 31 Dec 2015 EUR	Current portion at 31 Dec 2015 EUR
I. mortgage	16/4/2009	1/5/2016	18,400,000	One-month Euribor + 2.7% (rounding +0.05)	-	16,444,107	-	16,588,977
II. mortgage	1/11/2009	1/11/2016	3,800,000	Three-months Euribor + 2.26% (rounding +0.05)	-	3,323,255	-	3,304,718
V. mortgage	1/7/2011	30/6/2016	11,300,000	fixed 4.26 % p.a.	-	10,170,000	-	10,268,132
VI. mortgage	26/03/2012	31/03/2017	13,800,000	fixed 3.59% p.a.	-	12,305,828	12,117,764	345,000
VII. mortgage	30/10/2012	15/10/2017	8,750,000	fixed 3.43% p.a.	8,297,139	87,500	8,327,827	87,500
VIII. loan	1/7/2011	13/4/2018	6,896,624	fixed 7.25 % p.a.	6,415,109	125,688	6,292,484	1,370
IX. loan	1/7/2011	3/11/2018	1,500,000	fixed 7.25 % p.a.	1,373,015	27,337	1,349,065	298
X. loan	1/7/2011	17/12/2018	2,373,327	fixed 7.25 % p.a.	2,165,710	43,253	2,128,621	471
XI. loan	1/7/2011	28/6/2021	3,800,000	fixed 7.25 % p.a.	3,245,749	69,253	3,228,104	755
XII. mortgage	30/1/2015	31/12/2020	6,500,000	fixed 3.27 % p.a.	6,105,729	147,260	6,164,557	147,438
XIII. loan	10/8/2015	31/12/2016	11,180,000	fixed 4.50 % p.a.	-	11,262,701	-	11,180,000
Overdraft and short term					-	479,955	-	9
Total			88,299,951		27,602,451	54,486,137	39,608,422	41,924,668

15. Interest-bearing loans and borrowings (continued)

The above loans marked I. to VII. and XII. 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. There are ongoing negotiations on refinancing of those loans that expire in 2016.

The net book values of these properties at 30 June 2016 were as follows:

2719 EP Zoetermeer, Einsteinlaan 20	8,510,799 EUR
4205 AZ Gorichem, Stadhuisplein 1a, 70 and 70a	11,282,762 EUR
2034 MA Haarlem, Schipholpoort 20	4,373,153 EUR
3439 LD Nieuwegein, Ravenswade 15	10,281,310 EUR
3528 BJ Utrecht, Papendorpseweg 65	13,533,382 EUR
2123 JH Hoofddorp, Polarisavenue 1	16,675,332 EUR
1101 CE Amsterdam Southeast, Entrée 500	13,084,517 EUR

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

Included in the Group's total interest expense of EUR 2,058,258 (I-VI months 2015: EUR 1,977,439) is a total interest expense in relation to the loans I.-XIII. above of EUR 2,053,690 till 30 June 2016 (I-VI months 2015: EUR 1,973,504).

16. Income tax

From 1 January 2011, the tax rate on the first HUF 500 million of taxable profit is 10% and above this amount 19% in Hungary. For the purposes of the tax rate reconciliation, Fotex has used a blended tax rate of 16.63% (2014: 16.59%) based on the tax rates used in the biggest tax payers of the Group (Keringatlan Kft., Plaza Park Kft., Székely 2007 Kft., Fotexnet Kft., Fotex Netherlands B.V., FN 2 B.V., FN 3 B.V.)

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

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

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 15.38% (2015: 15.38%) has been applied whilst for the remaining Hungarian companies a rate of 10% (2015: 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 23.02% (2015: 23.02%), for FN 2 B.V. a 24.21% (2015: 24.21%), for FN 3 B.V. 22.98% (2015: 22.98%) and in case of Long Term CRE Fund B.V. 20.00% (2015: 20.00%) tax rate was applied.

The Group has carried forward losses of EUR 94,528 (2015: EUR 95,318) which can be written off from taxable income of the Group members. Furthermore the Group carries forward losses of EUR 3,533,243 (2015: EUR 3,567,546) which have arisen at subsidiaries that have been loss-making for some time and, in view of the current economic trends, are not expected to generate profits in the foreseeable future against which any such carried forward loss could be written off. As a result of the above, carried forward losses of EUR 3,533,243 (2015: EUR 3,567,546) were not considered in the consolidated financial statements as basis for deferred tax assets of which EUR 3,533,243 (2015: EUR 3,567,546) can be rolled forward for an indefinite period.

17. Revenue

Sales revenue	30 June 2016	30 June 2015
	EUR	EUR
Sale of goods	3,872,020	5,665,948
Provision of services	1,421,834	1,228,482
Rental income revenue	12,480,838	12,011,065
Revenue from service charges to tenants	1,794,118	1,845,689
Royalty revenue	80,372	111,636
Other sales revenue	341,846	70,670
Total sales revenue:	<u>19,991,028</u>	<u>20,933,490</u>

18. Other comprehensive income components

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

19. Segment information

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

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

**Furniture manufacturing business line was sold in FY 2015Q3*

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.

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19. Segment information (continued)

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.

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

	30 June 2016	30 June 2016	30 June 2016	30 June 2015	30 June 2015	30 June 2015
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	14,155,988	244,579	14,400,567	13,801,724	354,128	14,155,852
Crystal and glass manufacturing	3,444,701	-	3,444,701	3,363,378	-	3,363,378
All other segments	2,390,339	841,096	3,231,435	3,768,388	844,424	4,612,812
Inter-segment elimination		(1,085,675)	(1,085,675)		(1,198,552)	(1,198,552)
Net sales	<u>19,991,028</u>	<u>-</u>	<u>19,991,028</u>	<u>20,933,490</u>	<u>-</u>	<u>20,933,490</u>

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.

Income before income taxes:	30 June 2016	30 June 2015
	EUR	EUR
Investment property management	3,992,819	3,081,289
Crystal and glass manufacturing	332,820	515,096
All other segments	19,771	250,690
Income before income taxes	<u>4,345,410</u>	<u>3,847,075</u>

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19. Segment information (continued)

	30 June 2016	30 June 2016	30 June 2016	31 December 2015	31 December 2015	31 December 2015
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	202,389,125	368,782	202,757,907	184,194,514	61,128	184,255,642
Crystal and glass manufacturing	9,333,204	2,590	9,335,794	8,658,182	-	8,658,182
All other segments	7,824,299	1,854,456	9,678,755	25,627,655	959,588	26,587,243
Inter-segment elimination		(2,225,828)	(2,225,828)		(1,020,716)	(1,020,716)
Net assets	<u>219,546,628</u>	<u>-</u>	<u>219,546,628</u>	<u>218,480,351</u>	<u>-</u>	<u>218,480,351</u>

	30 June 2016	30 June 2016	30 June 2016	31 December 2015	31 December 2015	31 December 2015
Liabilities and accruals:	Consolidated liabilities EUR	Intra-business line payables EUR	Total liabilities EUR	Consolidated liabilities EUR	Intra- business line payables EUR	Total liabilities EUR
Investment property management	93,743,643	1,732,182	95,475,825	93,175,602	969,728	94,145,330
Crystal and glass manufacturing	756,771	193,149	949,920	580,004	103,079	683,083
All other segments	1,692,631	304,049	1,996,680	1,420,043	13,920	1,433,963
Inter-segment elimination	-	(2,229,380)	(2,229,380)	-	(1,086,727)	(1,086,727)
Liabilities and accruals:	<u>96,193,045</u>	<u>-</u>	<u>96,193,045</u>	<u>95,175,649</u>	<u>-</u>	<u>95,175,649</u>

Tangible and intangible asset additions:	30 June 2016 EUR	31 December 2015 EUR
Investment property management	226,846	18,371,585
Crystal and glass manufacturing	396,400	446,157
All other segments	106,710	623,339
Tangible asset additions:	<u>729,956</u>	<u>19,441,081</u>

Depreciation and amortisation:	30 June 2016 EUR	30 June 2015 EUR
Investment property management	(3,616,067)	(3,399,262)
Crystal and glass manufacturing	(111,266)	(105,755)
All other segments	(305,162)	(320,950)
Depreciation and amortisation:	<u>(4,032,495)</u>	<u>(3,825,967)</u>

20. Financial risks, management objectives and policies

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

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

Interest rate risk

The Group entered into EUR loans to buy properties in The Netherlands for the period between 2009 and 2020. The loan interests either vary between one to three months EURIBOR + 2.26-2.70% or are at fixed rates varying between 3.27% and 7.25%. The interest risks of the variable interest mortgage loans are limited between 3.30% and 3.64%. Additionally the lending bank charges a 0.70% 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.

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

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

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

Credit risk

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

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

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

Receivable balances are monitored on an ongoing basis.

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

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, available-for-sale investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. At 30 June 2016 the Group's maximum exposure to credit risk is EUR 22,622,872 (31 December 2015: EUR 17,303,593).

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

Liquidity risk

Liquidity risk is monitored as follows:

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

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

Capital management

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

The indebtedness ratio is calculated by the Group in view of its net debt and the equity attributable to the Group. For the calculation of the net debt, cash and cash equivalents are deducted from the aggregate of short-term and long-term loans, trade payables and other current liabilities reduced by deferred rental income. To calculate the indebtedness ratio, the net debt is divided with the aggregate of equity and net debt. The Group's indebtedness ratio calculations at 30 June 2016 and 31 December 2015 are presented below:

	30 June 2016	31 December 2015
	EUR	EUR
Short-term and long-term borrowings (Note 15):	82,088,588	81,533,090
Trade payables and other current liabilities less deferred rental income:	5,499,877	5,244,815
Cash and cash equivalents (Note 4):	(12,913,468)	(7,667,840)
Net debt:	74,674,997	79,110,065
Equity attributable to the Company:	123,296,375	123,215,222
Total:	197,971,372	202,325,287
Indebtedness ratio*:	37.72%	39.10%

The Company's indebtedness ratio decreased from 39.10% at 31 December 2015 to 37.72% at 30 June 2016, primarily due to the increase of cash and cash equivalents. The Company's management considers the Company's capital structure adequate, as property management is the Group's key activity and the Company's indebtedness ratio reflects the nature of this industry.

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

Fair value

At 30 June 2016 and 31 December 2015, the carrying values of liquid assets, short-term investments, receivables, liabilities and accruals approximated their fair values owing to their short-term nature. Receivables are presented in the consolidated statement of financial position at cost less impairment loss on doubtful accounts. Bank loans having a variable interest rate approximated their fair values.

21. Investments in subsidiaries

During the first six month of 2016 the Fotex Group entered into the following transaction that affected the Group structure.

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

During 2015 the Fotex Group entered into the following transactions that affected the Group structure.

- The owner of Ajka Kristály Kft. increased its capital by EUR 2,923,646 on 8 April, 2015.
- The owner of Plaza Park Kft. decreased its capital by EUR 1,152,683 on 22 June 2015.
- On 3 August 2015, Fotex Netherlands B.V. established a subsidiary in The Netherlands, LT CRE Fund BV.
- At 30 September, 2015 the Group disposed 100% of Balaton Bútor Kft. As a result Balaton Bútor Kft. has not been a Fotex Group member since 30 September, 2015.
- The owner of Fotex Netherlands B.V. increased its capital by EUR 150,000,000 on 8 December, 2015.

22. Operating Leases

Group as lessee

The Group leases retail sites within the shopping centre “MOM Park” located in Budapest and at another location in Budapest and four in Győr partially based on non-cancellable operating lease agreements.

The Group leases 173 parking spaces located in Hoofddorp.

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

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

23. Earnings Per Share

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

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

	<u>30 June 2016</u>	<u>30 June 2015</u>
	EUR	EUR
Net profit attributable to equity holders from continuing operations	3,207,137	3,217,495
Net profit attributable to shareholders	3,207,137	3,217,495
Weighted average number of shares in issue during the year	53,519,015	54,284,686
Basic earnings per share (EUR)	<u>0.06</u>	<u>0.06</u>

The diluted earnings per share agree with basic earnings per share in 2016 and 2015 as there is no dilution effect in these years.

24. Related Party Transactions

Principal related parties

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. ("Blackburn"), a Panama company, and Blackburn International S.à r.l. ("Blackburn Luxembourg"), a Luxembourg company, 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 30 June 2016, Blackburn Luxembourg controlled 50.35% (31 December 2015: 50.35%) of the Company's voting shares. These companies are considered to be related parties.

Related party transactions

2016 disclosures

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

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

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

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

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

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

2015 disclosures

Rental and other related fees paid to Fotex Ingatlan for 2015 were EUR 414,845 (2014: EUR 426,113).

Administrative and expert fees paid by Fotex Ingatlan for 2015 were EUR 63,004 (2014: EUR 66,644).

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 2015 were EUR 9,000 (2014: EUR 0), and to Fotex Netherlands B.V. for 2015 EUR 189,000 has been invoiced (2014: EUR 178,250).

For the financial year 2015, Fotex Netherlands B.V. was charged interest of EUR 780,822 (2014: EUR 780,822) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 17).

For the financial year 2015, FN 2 B.V. was charged interest of EUR 275,500 (2014: EUR 275,500) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 17).

For the financial year 2015, Long Term CRE Fund B.V. was charged interest of EUR 198,484 (2014: EUR 0) by Blackburn Inc.

Transactions with other related parties

Inventory sold to Fotex Ingatlan by Ajka Kristály Kft. for I-VI months 2016 were zero EUR (2015 I-VI months: EUR 11,704). The amount of the related cost of sales for I-VI months 2016 was zero EUR (2015 I-VI months: EUR 7,337).

25. Subsequent Events after the end of the reporting period

Company and its subsidiaries have refinanced the following mortgage loans as referred to in its consolidated financial statements (Note 17)

- I. mortgage
- II. mortgage
- V. mortgage
- VI. mortgage
- VII. mortgage

The refinancing has been carried out by way of using a EUR 70,000,000 loan granted by a credit institution at an interest rate of 1.79% p.a. for a period of 7 years.

As part of the refinancing transaction, the Company and its affiliates have restructured the existing ownership of the Nieuwegein investment property and have transferred it to FN4 B.V. established during the said transaction.

26. Personnel and structural changes

Structural changes:

During the first six months of 2016 there were no structural changes.

Personnel changes:

During the first six months of 2016 there were no personnel changes.

27. Other matters

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

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

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

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

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

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

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

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

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

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